FINANCIAL STATEMENTS
SEPTEMBER 30, 2010

CAPITAL CITY DEVELOPMENT CORPORATION

CAPITAL CITY DEVELOPMENT CORPORATION

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EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Capital City Development Corporation
Boise, 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 Capital City Development Corporation, (the Agency) a component unit of Boise City, 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 the Agency's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Capital City Development Corporation as of September 30, 2010, and the respective changes in financial position and where applicable, cash flows 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 January 14, 2011 on our consideration of Capital City Development Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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The management's discussion and analysis and budgetary comparison information as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Eide Bailly LLP

Boise, Idaho
January 14, 2011

This section of Capital City Development Corporation's (the Agency's) annual financial report is provided by the management in accordance with GASB requirements to assist the reader in identifying and reviewing key issues and financial activity for the fiscal year ending September 30, 2010. Since this discussion and analysis focuses on the current fiscal year's activities and is a summary, the reader is encouraged to review the financial statements and notes which follow this section to gain a complete understanding of the Agency's finances.

Financial Highlights

- The Agency's total assets exceeded its liabilities at the close of the fiscal year 2010 by $28.2 million, a $3.9 million increase in net assets over the prior year. Of the total net assets of $28.2 million, $14.4 million is invested in capital assets (net of debt), $1.1 million is restricted and $12.7 million is unrestricted.

- At fiscal year close, the Agency's governmental funds reported a combined ending fund balance of $10.7 million.

- During fiscal year 2010 the Agency's expenses were $13,432,499 compared to the $14,054,636 reported in 2009, which is a 4% decrease. In 2009, the Agency recorded an allowance equal to 100% of the receivable for TIF Guarantees, resulting in a one-time expense of about $1.1 million. The Agency also re-paid a line of credit borrowing in 2009 of $1.28 million but in 2010 had only $400,000 to repay. As of September 30, 2010, there was nothing outstanding on the line of credit. These expense decreases were offset by some significant increases in investment in streetscape projects ($319,000) and increases in parking garage reinvestment ($428,000).

- Governmental fund revenues increased in fiscal year 2010 by $188,000 overall compared with the prior year. This increase is primarily attributable to increased revenue from ground rents for the Courthouse Corridor project over the prior year.

- Revenues from business-type activities decreased by approximately $194,000 in 2010. This decrease in parking revenues is attributable to reduced utilization of the parking garages compared to the prior year as a consequence of the general economic conditions.

- Governmental community development expenses decreased by approximately $1,519,000. This decrease was attributable to the one time allowance expense in 2009 and the repayments of the line of credit, as described above.

- Interest and fees expense on long-term debt in governmental activities increased by about $336,000 compared with 2009. The debt service on the fixed rate Courthouse bonds escalated slightly as scheduled. Additional fees were incurred to extend the letters of credit on the 2004 bonds to allow sufficient time for the refunding of that debt that occurred in 2011.

- Total operating expenses in the proprietary funds increased about $643,000 in 2010 compared to 2009. The Agency significantly increased its parking reinvestment activities in 2010, as planned. Major parking reinvestment and maintenance was planned with funding from the 2008 parking rate increase. Activities will continue to levels comparable to 2010 in future years, with some additional one time projects planned for 2011.

- The Agency's key revenues are parking revenues and revenue allocation revenues. Key revenues decreased by about 1% or $146,000 in fiscal 2010. This decline was attributable to a decrease in parking garage utilization resulting from the general economic downturn.

Overview of the Financial Statements

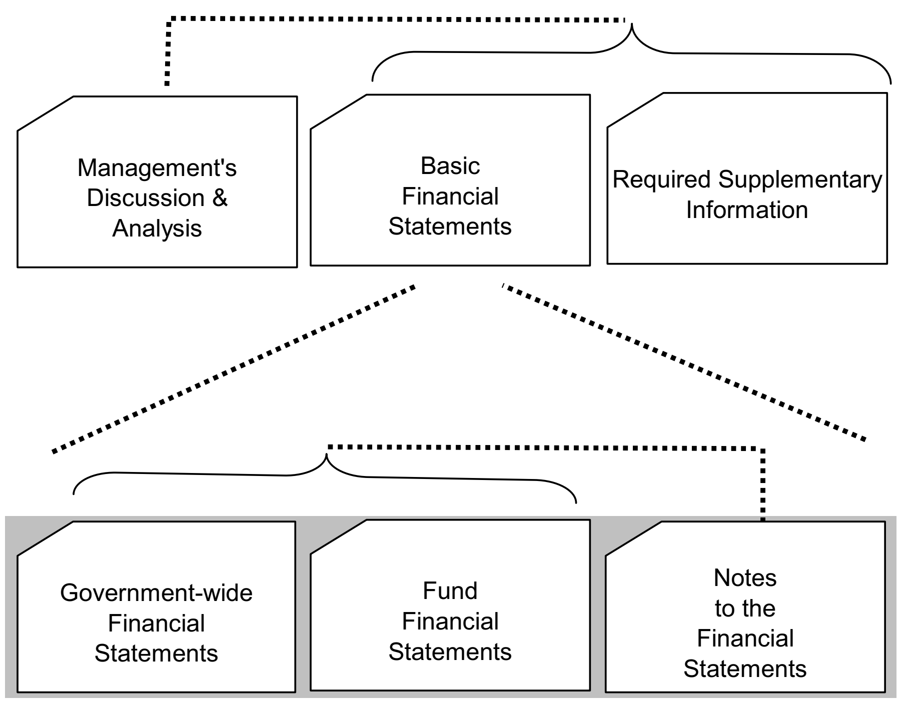
The format of this report allows the reader to examine combined financial statements to view the Agency as a whole (Agency-wide) as well as information on individual fund activities. This financial report consists of three parts: 1) Management Discussion & Analysis, 2) the Basic Financial Statements, and 3) Required Supplementary Information. Viewing governmental activity both as a whole and by individual major fund gives the reader a broader perspective, increases the Agency's accountability and provides a more complete picture of the financial health and activities of the Agency. The basic financial statements include two kinds of statements that present different views of the Agency:

The first two statements are government-wide financial statements that provide both long-term and short-term information about the Agency's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Agency activities. These statements report the Agency's operations in more detail than the government-wide statements. The governmental funds statements show how general government services such as urban renewal were financed in the short-term as well as what remains for future spending. Proprietary fund statements offer short and long-term financial information about the activities the Agency operates in a business-like manner, specifically, the Agency's parking system activities.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Figure A illustrates how the required parts of this annual report are arranged and relate to one another.

Required Components of CCDC Annual Financial Report



In addition to these required elements, a section is included with the combined statements that provides details about the Agency's non-major governmental funds, each of which are added together and presented in single columns in the basic financial statements. Figure B identifies the presentation of the Agency's financial statements as follows:

Major Features of CCDC's Government-wide and Fund Financial Statements

	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire Agency government (except fiduciary funds) and Agency's component units	The activities of the Agency that are not proprietary such as urban renewal	Activities the Agency operates similar to businesses: the parking facilities
Required financial statements	Statements of: Net Assets Activities	Balance sheet Statement of revenues, expenditures and changes in fund balances	Statement of net assets Statement of revenues, expenses, and changes in net assets Statement of cash flows
Accounting basis/ measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital and short-term and long-term
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received payment is due during the year or soon thereafter	All revenues and expenses during year regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis explains the structure and content of each of the statements.

Government-Wide Financial Statements

Agency-wide financial statements are designed to parallel more closely the reporting used in private-sector businesses, in that all governmental and business-type activities are reported using the same basis of accounting (accrual), and that the statements include a total column to provide information on the Agency as a whole. These statements are designed to better portray the fiscal position of the Agency relative to the prior year.

The Statement of Net Assets provides information on all of the Agency's assets and liabilities, with the difference between the two reported as net assets. Historical trending of the net assets can provide a useful indicator as to whether the financial position of the Agency is improving or declining. The Agency's principal physical assets are land and parking structures.

The Statement of Activities provides information showing changes made to the Agency's net assets during fiscal year 2010. Financial activity shown on this statement is reported on an accrual basis (at the time the underlying event causing the change occurs, rather than at the time the cash flows happen). Thus revenue and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. All of the year's revenues and expenses are accounted for in the statement of activities. The Agency's principal activities relate to planning and facilitation of quality private development, public infrastructure improvements, operation of the downtown parking system, and issuance of debt financing for larger strategic projects. Most of the Agency's program operation and urban renewal activities are included in the governmental activities. The individual district activities are tracked separately and combined for reporting purposes. Most of the operations of the parking system are reported under the business-type activities.

Fund Financial Statements

The focus of the fund financial statements is to provide more detailed information about the Agency's major funds rather than the previous focus on fund *types* or on the Agency as a *whole*. A fund is a self-balancing set of accounts that is used to keep track of specific revenues and expenditures related to certain activities or objectives. Some funds are required by State law and some stipulated by bond policies. Operational funds are established by the Board of Commissioners for appropriations and management purposes. The Agency has two kinds of funds: governmental and proprietary.

Governmental funds use *modified* accrual accounting, which measures current economic resources and focuses on changes to the current financial resources. This method is useful in evaluating the Agency's short-term financial resources. Supplemental information following some of the included statements further addresses long-term issues and variances with the government-wide statements. The Agency maintains six governmental funds within this group: Debt Service Fund (Ada County Courthouse Lease Agreement), Central District Revenue Allocation Fund (urban renewal activities), River-Myrtle District Revenue Allocation Fund (urban renewal activities), Westside District Revenue Allocation Fund (urban renewal activities), Program Operations Fund and Other Governmental Fund (operations and miscellaneous).

Proprietary funds use *full* accrual accounting, which measures *total* economic resources and focuses on changes to all economic resources. This accounting basis is similar to the accounting used in private-sector business and is used to account for the business-type activities of the Agency. This method is useful in evaluating a fund's net economic resources, and provides both short and longer-term financial information. These activities primarily relate to the parking system where fees-for-service are charged for operations. The Agency maintains two proprietary funds within this group: the Central Parking Fund (facilities in the Central District), and River Myrtle

Parking Fund (facilities in the River Myrtle District).

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the information provided in the government-wide and fund financial statements.

Agency-Wide Financial Analysis

Table 1 reflects the condensed FY 2009 and FY 2010 Statement of Net Assets. Net assets, over time, can serve as a useful indicator of changes in an entity's financial position. The Agency's combined net assets increased $3,938,987 compared to fiscal year 2009, a 16% increase.

Table 1
Statement of Net Assets
As of September 30, 2009 and 2010

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009-2010**
Current & Other Assets	$71,679,997	$ 71,288,637	$ 7,669,479	$ 7,752,945	$ 79,349,476	$ 79,041,582	(0.4%)
Capital Assets	1,366,574	1,287,357	25,484,980	24,765,288	26,851,554	26,052,645	(3.0%)
Total Assets	**73,046,571**	**72,575,994**	**33,154,459**	**32,518,233**	**106,201,030**	**105,094,227**	**(1.0%)**
Long-term Debt Outstanding	52,865,624	50,392,374	14,468,983	11,401,134	67,334,607	61,793,508	(8.2%)
Other Liabilities	12,791,554	13,125,984	1,840,443	2,001,321	14,631,997	15,127,305	3.4%
Total Liabilities	**65,657,178**	**63,518,358**	**16,309,426**	**13,402,455**	**81,966,604**	**76,920,813**	**(6.2%)**
Net Assets							
Invested in Capital Assets							
Net of Related Debt	1,366,574	1,287,357	13,477,654	13,087,662	14,844,228	14,375,019	(3.2%)
Restricted	-	-	-	1,068,373	-	1,068,373	-
Unrestricted	6,022,819	7,770,279	3,367,379	4,959,743	9,390,198	12,730,022	35.6%
Total Net Assets	**$ 7,389,393**	**$ 9,057,636**	**$ 16,845,033**	**$ 19,115,778**	**$ 24,234,426**	**$ 28,173,414**	**16.3%**

The change in net assets in the governmental activities is an increase of $1,668,243. Long term debt outstanding continues to decline as principal payments are made. The increase in net assets from this reduction in debt was offset somewhat by a reduction in assets. In 2010, the Agency wrote down its investment in property held for resale by $564,473. The change in net assets in the business-type activities is an increase of $2,270,744. Long-term debt outstanding continues to decline as principal payments are made.

Approximately 56% of the Agency's net assets are invested in capital assets (i.e. land, buildings, equipment, parking facilities, and other) with the balance remaining in the unrestricted net assets to provide for ongoing obligations and subsequent year activities. As of fiscal year 2010, the Agency is able to report positive balances in both categories of net assets (governmental and business-type).

Table 2 provides a summary of the Agency's operation for the fiscal year ended September 30, 2010. Prior year data is presented for comparison purposes.

Table 2
Statement of Activities
For Years Ended September 30, 2009 and 2010

	Governmental Activities		Business-Type Activities		Total		Percentage Change
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009-2010**
Revenues							
Program Revenues							
Charges for Services	$ 2,071,604	$ 2,330,496	$ -	$ -	$ 2,071,604	$ 2,330,496	12.5%
Operating Grants & Contributions	10,151,995	9,992,182	-	-	10,151,995	9,992,182	(1.6%)
Parking	-	-	6,524,715	5,018,909	6,524,715	5,018,909	(23.1%)
Total Program Revenue	**12,223,599**	**12,322,678**	**6,524,715**	**5,018,909**	**18,748,314**	**17,341,587**	**(7.5%)**
General Revenue							
Unrestricted Investment Earnings	104,511	(17,091)	30,689	46,991	135,200	29,900	(77.9%)
Transfers	(1,761,093)	(2,342,927)	1,761,093	2,342,927	-	-	
Total General Revenues	(1,656,582)	(2,360,018)	1,791,782	2,389,918	135,200	29,900	(77.9%)
Total Revenues	**10,567,017**	**9,962,660**	**8,316,497**	**7,408,827**	**18,883,514**	**17,371,487**	**(8.0%)**
Expenses							
Program Expenses							
Community Development	7,120,657	5,601,786	-	-	7,120,657	5,601,786	(21.3%)
Interest on Long-Term Debt	2,400,717	2,692,631	-	-	2,400,717	2,692,631	12.2%
Parking Facilities	-	-	4,533,262	5,138,082	4,533,262	5,138,082	13.3%
Total Program Expenses	**9,521,374**	**8,294,417**	**4,533,262**	**5,138,082**	**14,054,636**	**13,432,499**	**(4.4%)**
Increase (Decrease) in Net Assets	**1,045,643**	**1,668,243**	**3,783,235**	**2,270,745**	**4,828,878**	**3,938,988**	**(18.4%)**
Net Assets - Beginning	6,343,750	7,389,393	13,061,798	16,845,033	19,405,548	24,234,426	24.9%
Net Assets - Ending	**$ 7,389,393**	**$ 9,057,636**	**$ 16,845,033**	**$ 19,115,778**	**$ 24,234,426**	**$ 28,173,414**	**16.3%**

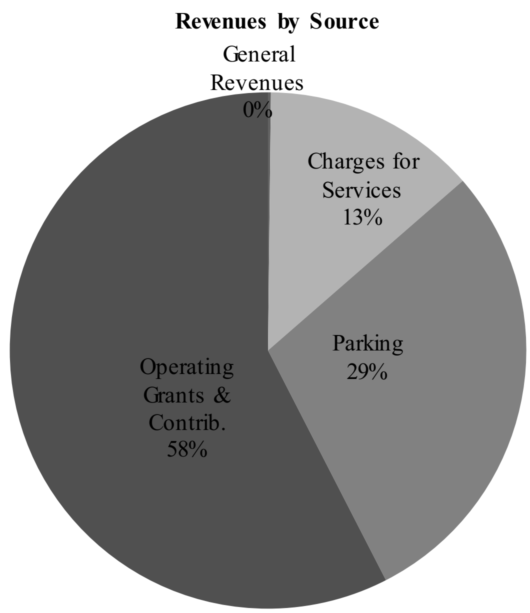
Revenues: *Charges for Services* include lease revenues from the Ada County Corridor Project. *Operating Grants & Contributions* include property tax revenues. *Parking* revenues include proceeds generated from operating the parking garages. *General Revenues* include earnings on investments and interfund transfers. Overall, total Agency revenues decreased $1.4 million compared with the prior year. In 2009, the Agency recognized a $1.3 million gain from the write of the rebate payable that the Agency had been carrying related to the Grove Street garage lease. This 2009 gain was the primary cause of the variance between 2009 and 2010.

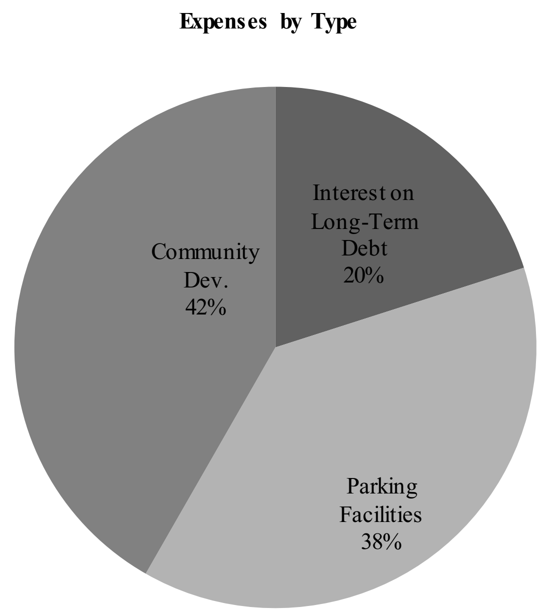
Expenses: *Community Development* includes the general expenses of the Agency related to fulfilling its mission. *Interest on Long-Term Debt* includes the interest portion of payments related to long-term financing arrangements. *Parking Facilities* includes the cost of operating the parking system. Overall, total Agency expenses in fiscal 2010 decreased $622,137 or 4%. This decrease resulted from a one-time allowance expense in 2009 to bring the allowance against TIF guarantee receivable to 100%. Additionally, the Agency increased its parking reinvestment activities by $463,810 compared to 2009.

Increases or decreases in net asset value may vary significantly with variations in debt service payments, the timing of large public improvement projects; or the purchase or sale of land, buildings, and parking facilities. Overall, fiscal year 2010 net assets increased $3,938,988 or a 16% increase in the total net assets from 2009 to 2010. The increase in net assets from 2008 to 2009 was $4.8 million. The lower net asset growth in 2010 may be attributed to nearly flat growth in revenue allocation, a slight decrease in parking revenues an increase in capital investment in the districts and an increase in parking reinvestment activities.

The following figure displays the Agency's revenue and expense for fiscal year 2010. Revenues: *Charges for Services* includes lease revenue related to the Ada County Corridor Project. *Operating Grants and Contributions* consists primarily of tax increment revenues. *Parking* includes the fees for service from the Agency's parking garages. *General Revenues* consists of interest earnings from cash and investment balances, including the change in fair market value of investments, and interfund transfers. Expenses: *Community Development* includes the general expenses of the Agency related to fulfilling its mission. *Interest on Long-Term Debt* includes the interest portion of payments related to long-term financing arrangements. *Parking Facilities* includes the cost of operating the parking system.

Figure C
Agency Revenues & Expenses





Financial Analysis of the Agency's Funds

Tables 3 and 4 present the revenues and expenses of the Agency for comparative purposes by *governmental activities* and *business-type activities*.

Governmental Activities

Table 3
Governmental Revenue and Expenses

	2009	2010	% of Total	$ Change From FY 09	% Change
Revenues					
Charges for Services	$ 2,071,604	$ 2,330,496	23%	$ 258,892	12.5%
(Lease revenue)					
Operating Grants & Contributions	10,151,995	9,992,182	100%	(159,813)	(1.6%)
(Property taxes and other)					
General Revenues	(1,656,582)	(2,360,018)	-24%	(703,436)	42.5%
(Interest earnings and net interfunds)					
Total Revenue	**$ 10,567,017**	**$ 9,962,660**	**100%**	**$ (604,357)**	**(5.7%)**
Expenses					
Community Development	$ 7,120,657	$ 5,601,786	68%	$ (1,518,871)	(21.3%)
(General expenses of the Agency)					
Interest on Long-Term Debt	2,400,717	2,692,631	32%	291,914	12.2%
(Interest on financing activities)					
Total Expenses	**$ 9,521,374**	**$ 8,294,417**	**100%**	**$ (1,226,957)**	**(12.9%)**

Charges for Services in FY 2010 were greater, about $258,892 in FY 2010 compared with FY 2009, corresponding with the scheduled increase in the ground rents for the Courthouse project. *Operating Grants & Contributions* decreased slightly by $159,813. Revenue allocation revenues were nearly flat compared with 2009. In FY 2009, the Agency recognized a one-time reimbursement of legal expenses that did not recur in FY 2010. *General Revenues* are primarily comprised of interfund transfers. Expenses decreased by $1,226,957 from 2009 to 2010. The decrease is primarily attributable to the allowance for uncollectible receivables recorded in 2009 and from a decreased repayment on the line of credit. In 2009, $1,280,000 was repaid on the line of credit. In 2010, only $400,000 was left to repay. As of September 30, 2010 the line of credit had a $0 outstanding balance.

Business-type Activities

Table 4
Business-Type Revenue and Expenses

	2009	2010	% of Total	$ Change From FY 09	% Change
Revenues					
Parking	$ 5,212,103	$ 5,018,909	68%	$ (193,194)	(3.7%)
(Receipts from parking garages)					
General Revenues	3,104,394	2,389,918	32%	(714,476)	(23.0%)
(Interest earnings and net interfunds)					
Total Revenue	**$ 8,316,497**	**$ 7,408,827**	**100%**	**$ (907,670)**	**(10.9%)**
Expenses					
Parking Facilities	$ 4,533,262	$ 5,138,082	100%	$ 604,820	13.3%
(Operational expenses of garages)					
Total Expenses	**$ 4,533,262**	**$ 5,138,082**	**100%**	**$ 604,820**	**13.3%**

Parking revenues decreased $193,194 from FY 2009 to FY 2010. This modest decrease resulted from a decreased utilization of the parking garages as a consequence of the general economic downturn. Expenses in the parking funds increased $604,820. The increase was primarily attributable to the increase in parking reinvestment activities.

Budgetary Highlights

The fiscal 2010 budget was amended once during the year. Several significant transactions were included in the amendment. Budgeted revenue allocation revenues were adjusted upward by $156,569 since actual receipts were greater than anticipated. Budgeted ground rent revenues were adjusted upward by $390,333 as a result of the negotiated revenues to lease and parking activities in the Courthouse Corridor. In the original budget, the Agency anticipated borrowing $1,590,000 from the line of credit for working capital requirements. This borrowing was not necessary, so line of credit proceeds were adjusted out of the budget.

The Agency realized interest savings against budget on bond debt of about $1,059,000. Since actual 2009 borrowing from the line of credit was less than budget, the corresponding budget was also $400,000 less than originally budgeted. The Agency also reduced the budget by $542,000 for the Armory Project and Streetcar Project since actual activities for these initiatives were less robust than originally anticipated.

The Agency achieved numerous accomplishments in FY 2010. These accomplishments include:

- Successfully restructured/refunded the Central District bonds to better align revenues and expenses, reduce rate risk, and simplify and lower costs
- Completed most of the work to restructure the River Myrtle Series 2004 A & B and Series 2002 C bonds to better align revenues and expenses, reduce rate risk, and simplify and lower costs. The restructure/refunding transactions were completed in October and November 2010, respectively
- Successfully renegotiated the Ada County Courthouse Project parking operations and lease obligations to aligning the revenue streams and expense obligations with the development that has actually occurred in the project area. The new agreement became effective October 1, 2010

- Partnered with the Downtown Boise Association to fund artist-created wraps for downtown traffic signal control boxes
- Continued quarterly pedestrian count surveys to assist businesses seeking to locate in downtown Boise
- Concluded the work of the Streetcar Task Force to evaluate the feasibility of the Streetcar Initiative and reported findings to the CCDC Board and the City Council
- Continued feasibility analysis of alternate routes for the Boise Streetcar
- Completed a baseline first-year analysis of four CCDC-owned facilities (Grove Plaza, 8th Street, Associated Warehouse and the Water Cooler) and the second year benchmarking study of energy use in the CCDC parking garages
- Substantially completed federally funded improvements to the Water Cooler building including insulation, HVAC upgrades and other energy-saving measures
- Initiated formation of the Downtown Green Team to follow up on recommendations of the International Downtown Association
- Installed five more bike racks in downtown
- Began work with ACHD to create a bike lane for 8th Street and a bike tire air pump for Capitol Terrace garage
- Developed a workforce housing best practices guide to help developers, city staff and citizens navigate the planning and implementation process for workforce housing
- Worked with Capital City Public Market to modify market layout and add signage to enhance pedestrian safety
- Developed a conceptual master plan to enhance vitality for 8th Street
- Developed a conceptual master plan to enhance vitality for the Linen District
- Presented the eligibility study to Boise City Council as first step in process of determining whether to form a district to support implementation of the 30th Street Master Plan
- Began work with a broad and diverse group of public and private stakeholders to consider implementation strategies for the 30th Street Master Plan
- Led effort to modernize and reform Idaho urban renewal statutes
- Initiated assessment of State Street streetscape treatment
- Completed an assessment for conversion of one way streets to two way streets in the Westside District
- Continued to assist with alternatives analysis for the multimodal center
- Made substantial progress on construction work of Phase 1 of the Pioneer Corridor project (Myrtle to Grand) as part of the ITD Enhancement Program
- Continued funding for "spot" repairs of streetscape and sidewalks; utilized these funds to fill gaps and renovate infrastructure
- Conducted a design competition for art on transit shelters
- Installed updated prototype transit shelter to enhance both the pedestrian and transit environment and improve the visibility of businesses located in the transit mall
- Invested in public art in the Linen District
- Initiated acquisition of a key property for the Pioneer Corridor project
- Completed work on 2006 EPA Brownfields Grant including outreach to owners of properties identified as having possible contamination from hazardous substances and assessment of these properties

- Continued funding for Streetscape Grant program
- Completed two agency-initiated streetscape projects and initiated design work on a third in the Westside District
- Completed reconciliation appraisal and issued certificate of completion for CitySide Lofts.
- Participated in the design review process for the JUMP project from the perspective of the downtown vision, development concept, policies and design and development guidelines contained the River Street-Myrtle Street master plan
- Completed vital structural maintenance in the Eastman, Avenue A and Grove St. Garages
- Completed relighting project in the Capitol Terrace garage
- Completed painting the exterior of the Capitol Terrace garage
- Conducted a revenue and access control technology assessment of the parking system
- Conducted a structural assessment of the stair towers at the City Centre garage as the first step in a major repair project
- Upgraded life safety equipment in the City Centre garage
- Assisted Downtown Boise Association with replacement and update of holiday decorations for downtown
- Reorganized staff to establish Contracts Manager position
- Implemented contract management system

Capital Assets

Tables 5 and 6 present the Agency's capital assets. The Agency had minimal capital asset activity, with just routine replacements of office equipment occurring in 2010. No land transactions were completed in 2010 (See Note 7 – Capital Assets).

Table 5
Capital Assets Net of Depreciation

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	2009	**2010**	**2009**	**2010**	**2009**	**2010**	**2009-2010**
Land	$ 504,716	$ 504,716	$ 3,438,944	$ 3,438,944	$ 3,943,660	$ 3,943,660	0.0%
Buildings, Improvements and Equipment	861,858	782,641	22,046,036	21,326,344	22,907,894	22,108,985	(3.5%)
Total Assets	**$ 1,366,574**	**$ 1,287,357**	**$ 25,484,980**	**$ 24,765,288**	**$ 26,851,554**	**$ 26,052,645**	**(3.0%)**

Table 6
Major Capital Additions during Fiscal 2010

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$ 1,366,574	$ 25,484,980	$ 26,851,554
Capital Additions:			
Buildings & Improvements	-	-	-
Equipment	26,922	-	26,922
Total Capital Additions	26,922	-	26,922
Current Year Deletions/Transfers	-	-	-
Current Year Depreciation	(106,139)	(719,692)	(825,831)
Ending Balance	$ 1,287,357	$ 24,765,288	$ 26,052,645

Debt Administration

The Agency paid down $400,000 of outstanding borrowings on its line of credit at the beginning of the fiscal year. No additional borrowings on the line of credit and the balance was $0 at the end of the year. Approximately $2.3 million in scheduled principal payments were completed during 2010. In addition, the Central District bonds, which included the 1995 A, 1995 B, 1998 and 1999 bonds were refunded during the year. The Central District bond reserves of $1,687,000 as well as the regularly scheduled 2010 principal payments were applied to the refunding, for a net reduction in outstanding principal of $2.5 million. Table 7 summarizes the principal amounts of the Agency's long-term debt (See also Note 8 – Long Term Debt).

Table 7
Long-Term Debt

Activity	Type	Governmental Activities 2009	Governmental Activities 2010	Business-Type Activities 2009	Business-Type Activities 2010	Total 2009	Total 2010	Total Dollar Change 2009-2010
1995 A Series	Bond	$ -	$ -	$ 2,380,000	$ -	$ 2,380,000	$ -	$ (2,380,000)
1995 B Series	Bond	-	-	1,969,692	-	1,969,692	-	(1,969,692)
1998 Series	Bond	-	-	2,340,000	-	2,340,000	-	(2,340,000)
1999 Series	Bond	-	-	1,334,915	-	1,334,915	-	(1,334,915)
2010 A-1 Series	Bond	-	-	-	2,810,000	-	2,810,000	2,810,000
2010 A-2 Series	Bond	-	-	-	2,690,000	-	2,690,000	2,690,000
2002 C Series	Bond	-	-	2,065,000	2,050,000	2,065,000	2,050,000	(15,000)
2004 A&B Series	Bond	3,830,624	3,607,374	4,379,376	4,127,626	8,210,000	7,735,000	(475,000)
2005 Series	Bond	48,635,000	46,785,000	-	-	48,635,000	46,785,000	(1,850,000)
Line of Credit	Note	400,000	-	-	-	400,000	-	(400,000)
Total		**$ 52,865,624**	**$ 50,392,374**	**$ 14,468,983**	**$ 11,677,626**	**$ 67,334,607**	**$ 62,070,000**	**$ (5,264,607)**

Economic Factors

The economic conditions continue to present major challenges. The state of Idaho as well as local governments throughout the state are bracing for another difficult budget cycle and have warned of significant additional cuts to programs and services. The Idaho unemployment rate for November 2010 was 9.4%, up from the November 2009 rate of 9% but just under the November 2010 national unemployment rate of 9.8%. The Idaho Division of Financial Management predicts that the unemployment rate will remain near this level for 2011. The housing sector has been a drag on the overall economy and the Idaho Division of Financial Management expects that this effect will continue in 2011 as well, with housing starts remaining. The credit market remains tight. Fortunately, according to Colliers, the wave of commercial defaults that has been much discussed has thus far not materialized in the Treasure Valley. The Agency remains very cautious in its economic outlook.

The Agency saw the numbers of visitors to its parking garages rise in 2010, with numbers of visits equivalent to pre-downturn levels toward the end of fiscal 2010. However, average lengths of stay declined in the garages during 2010, so overall, revenue remained fairly flat. The Agency continues to monitor garage activity very closely.

Property values within the three urban renewal districts declined about 14% from tax year 2009 to 2010. This decline was not as steep as the decline in values seen in other parts of the county. Based on data provided by the Ada County Assessor, tax increment from tax year 2009 to tax year 2010 is expected to increase about $80,000 or 1%. The increase in increment when values have declined comes from the increased levy rates established by the taxing districts.

Although the economy has slowed, the work of the Agency has not. Several major development projects are contemplated for the coming year, including the JUMP and Whole Foods projects. The Concordia law school project is currently under construction. The Agency is wrapped up work on the Pioneer Corridor Phase I project, Water Cooler improvement project and major streetscape projects in early 2011. The Agency has plans for additional major streetscape projects and substantial parking reinvestment activities in 2011. The Agency is also developing five year capital investment plans for all three districts, with implementation of those plans to begin in 2012. In 2010, the Agency wrapped up the work of the Streetcar Task Force on the feasibility assessment of the Streetcar. The Agency continues to work on some preliminary feasibility assessment of alternate streetcar routes.

The Agency has also convened a broad stakeholder group to help plan implementation of the 30th Street Master Plan. The Agency continues to work toward the goals and priorities established in 2006 in its ten year Strategic Plan. The nine goals identified in the plan are: realize long-term urban design and development plans, develop long term financial plan, strengthen investment program, transform the transportation system, advance parking solutions, stimulate high quality development, address neighborhood revitalization, increase urban vitality and develop and sustain partnerships.

Request for Further Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Agency's finances. If you have any questions about this report or need additional financial information, please contact our general offices at: Capital City Development Corporation, 121 N. 9th St., #501, Boise, ID 83702, 208-384-4264 (Telephone), 208-384-4267 (Fax), www.ccdcboise.com (Website).

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	$ 4,170,927	$ 4,939,214	$ 9,110,141
Receivables			
Accounts receivable,			
allowance of $921,139	294,139	148,487	442,626
Interest receivable	289,743	204	289,947
Taxes receivable	8,974,790	-	8,974,790
Due from other governmental units	46,785,000	-	46,785,000
Notes receivable	-	1,036,491	1,036,491
Prepaids and deposits	1,020	100,000	101,020
Restricted cash	2,142,508	500,018	2,642,526
Restricted investments	1,643,162	568,355	2,211,517
Investment in partnership	130,000	-	130,000
Investment in property held for resale or development	3,507,764	-	3,507,764
Deferred bond financing costs,			
net of accumulated amortization	707,918	460,176	1,168,094
Prepaid interest on bonds	2,641,666	-	2,641,666
Capital assets, net of accumulated depreciation			
Land, non depreciable	504,716	3,438,944	3,943,660
Buildings, improvements, and equipment,			
net of accumulated depreciation	782,641	21,326,344	22,108,985
	72,575,994	32,518,233	105,094,227
LIABILITIES			
Accounts payable	437,592	506,614	944,206
Accrued liabilities	749,255	-	749,255
Interest payable	287,466	13,214	300,680
Refundable deposits	1,036,501	17,796	1,054,297
Deferred revenue	8,974,790	1,463,697	10,438,487
Premium on bond issuance,			
net of accumulated amortization	1,640,380	-	1,640,380
Long-term debt			
Current portion	2,617,100	1,377,900	3,995,000
Long-term	47,775,274	10,023,234	57,798,508
Total liabilities	63,518,358	13,402,455	76,920,813
NET ASSETS			
Invested in capital assets, net			
of related debt	1,287,357	13,087,662	14,375,019
Restricted	-	1,068,373	1,068,373
Unrestricted	7,770,279	4,959,743	12,730,022
	$ 9,057,636	$ 19,115,778	$ 28,173,414

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010

		Program Revenues		
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Community development	$ 5,601,786	$ 2,330,496	$ 9,992,182	$ -
Interest on long-term debt	2,692,631	-	-	-
	8,294,417	2,330,496	9,992,182	-
Business-type activities				
Parking facilities	5,138,082	5,018,246	663	-
Total government	$ 13,432,499	$ 7,348,742	$ 9,992,845	$ -

General revenues:
Unrestricted investment earnings
Transfers
Total general revenues and transfers

Change in net assets
Net assets, beginning of year
Net assets, end of year

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-type Activities	Total
$ 6,720,892	$ -	$ 6,720,892
(2,692,631)	-	(2,692,631)
4,028,261	-	4,028,261
-	(119,173)	(119,173)
4,028,261	(119,173)	3,909,088
(17,091)	46,991	29,900
(2,342,927)	2,342,927	-
(2,360,018)	2,389,918	29,900
1,668,243	2,270,745	3,938,988
7,389,393	16,845,033	24,234,426
$ 9,057,636	$ 19,115,778	$ 28,173,414

CAPITAL CITY DEVELOPMENT CORPORATION
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund	Westside District RA Fund
ASSETS				
Cash	$ -	$ 647,906	$ 1,324,208	$ 1,948,663
Accounts receivable, net of allowance of $921,139	-	9,794	108,780	142,755
Interest receivable	-	-	-	489
Taxes receivable	-	2,727,312	4,441,904	1,805,574
Due from other governmental units	46,785,000	-	-	-
Prepaids	-	-	-	-
Restricted cash	-	-	-	2,142,508
Restricted investments	944,742	-	698,420	-
Investment in partnership	-	-	130,000	-
Investment in property held for resale or development	-	-	2,417,869	1,089,895
	$ 47,729,742	$ 3,385,012	$ 9,121,181	$ 7,129,884
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	$ 200	$ 14,672	$ 82,471	$ 247,777
Accrued liabilities	22,051	-	677,000	-
Refundable deposits	-	-	-	-
Deferred revenue	46,785,000	2,727,312	4,441,904	1,805,574
Total liabilities	46,807,251	2,741,984	5,201,375	2,053,351
FUND BALANCES				
Reserved for				
Debt service	922,491	-	-	-
Unreserved, reported in				
Special revenue funds	-	643,028	3,919,806	5,076,533
Total fund balances	922,491	643,028	3,919,806	5,076,533
	$ 47,729,742	$ 3,385,012	$ 9,121,181	$ 7,129,884

Operations Fund	Other Governmental Fund	Total Governmental Funds
$ 250,150	$ -	$ 4,170,927
28,224	4,586	294,139
1,788	-	2,277
-	-	8,974,790
-	-	46,785,000
1,020	-	1,020
-	-	2,142,508
-	-	1,643,162
-	-	130,000
-	-	3,507,764
$ 281,182	$ 4,586	$ 67,651,587
$ 77,924	$ 14,548	$ 437,592
50,204	-	749,255
10	-	10
-	-	55,759,790
128,138	14,548	56,946,647
-	-	922,491
153,044	(9,962)	9,782,449
153,044	(9,962)	10,704,940
$ 281,182	$ 4,586	$ 67,651,587

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF NET ASSETS IN THE STATEMENT OF NET ASSETS TO THE FUND BALANCE IN THE BALANCE SHEET
SEPTEMBER 30, 2010

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

Total fund balance		$ 10,704,940
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of land	504,716	
Cost of buildings, improvements, and equipment	1,958,618	
Accumulated depreciation	(1,175,977)	1,287,357
Future payments for which the underlying transaction has occurred are recorded as revenue on the Statement of Activities, but are not available soon enough to pay current year expenditures and therefore are deferred in the Governmental Fund Statements.		
Notes receivable from Ada County	46,785,000	
Interest receivable	287,466	47,072,466
Long-term developer fee payable is a liability on the Statement of Net Assets, but is not a liability on the Governmental Fund Statements as payment will not be required from current resources.		(1,036,491)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in treatment of long-term debt and related items.		
Balances at September 30, 2010 are:		
Capitalized debt issuance costs	1,403,311	
Amortization of debt issuance costs to date	(695,393)	
Premium on bonds issued	(3,341,573)	
Amortization of bond premium to date	1,701,193	
Prepaid interest	5,381,267	
Amortization of prepaid interest to date	(2,739,601)	1,709,204
Long-term liabilities applicable to the Agency's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities - both current and long-term - are reported in the Statement of Net Assets.		
Bonds payable - current	(2,617,100)	
Bonds payable - long-term	(47,775,274)	
Accrued interest	(287,466)	(50,679,840)
Net assets for governmental activities		$ 9,057,636

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	Debt Service Fund	Central District RA Fund	River Myrtle District RA Fund	Westside District RA Fund
REVENUES				
Lease	$ 4,187,734	$ 3,000	$ -	$ -
Interest	9	2,836	8,894	7,842
Other	3	48,293	359,930	147,710
Revenue allocation funds	-	2,691,906	4,678,744	1,884,534
Total revenues	4,187,746	2,746,035	5,047,568	2,040,086
EXPENDITURES				
Administrative expenses	-	-	-	-
Operating expenses	170,832	240,502	671,483	295,036
Capital outlay and related expenses	-	9,405	634,911	414,059
Debt service - principal	1,850,000	-	623,250	-
Debt service - interest	2,213,794	-	249,377	-
Total expenditures	4,234,626	249,907	2,179,021	709,095
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(46,880)	2,496,128	2,868,547	1,330,991
OTHER FINANCING SOURCES (USES)				
Interfund transfers	14,816	(2,447,864)	(2,048,309)	(363,952)
Write down of property held for resale	-	-	(347,443)	(217,030)
TOTAL OTHER FINANCING SOURCES (USES)	14,816	(2,447,864)	(2,395,752)	(580,982)
NET CHANGE IN FUND BALANCES	(32,064)	48,264	472,795	750,009
FUND BALANCES, BEGINNING OF YEAR	954,555	594,764	3,447,011	4,326,524
FUND BALANCES, END OF YEAR	$ 922,491	$ 643,028	$ 3,919,806	$ 5,076,533

Operations Fund	Other Governmental Fund	Total Governmental Funds
$ -	$ -	$ 4,190,734
1,649	-	21,230
116,121	64,941	736,998
-	-	9,255,184
117,770	64,941	14,204,146
1,752,189	-	1,752,189
529,871	152,057	2,059,781
117,825	-	1,176,200
-	-	2,473,250
-	-	2,463,171
2,399,885	152,057	9,924,591
(2,282,115)	(87,116)	4,279,555
2,426,347	76,035	(2,342,927)
-	-	(564,473)
2,426,347	76,035	(2,907,400)
144,232	(11,081)	1,372,155
8,812	1,119	9,332,785
$ 153,044	$ (9,962)	$ 10,704,940

CAPITAL CITY DEVELOPMENT CORPORATION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2010

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

Net change in fund balances - total governmental funds		$ 1,372,155
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital outlay	26,922	
Depreciation expense	(106,139)	(79,217)
Principal repaid on notes receivable are recorded as revenue in the governmental funds, but are recorded as a reduction of the note in the Statement of Net Assets.		(1,860,237)
Capital leases are recorded on the liabilities on the Statement of Net Assets, but are recorded as expenses as cash payments are made on the Governmental Fund Statements.		30,074
Interest income from escrow on developer fee deposit is added to the liability in the Statement of Net Assets.		(38,322)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of bond principal is an expenditure in the governmental funds, but a reduction of long-term liabilities in the statement of net assets. In addition, interest expense is not recognized in the governmental funds until it is due, but is recognized when payable in the Statement of Activities.		
Payment of long-term debt	2,073,250	
Payment on line of credit	400,000	
Capitalization of issuance costs	29,598	
Amortization of issuance costs	(107,799)	
Amortization of prepaid interest	(426,071)	
Amortization of premium	264,575	
Interest expense	10,237	2,243,790
Changes in net assets of governmental activities		$ 1,668,243

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF NET ASSETS – PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds		
	Central Parking	River Myrtle Parking	Total
ASSETS			
CURRENT ASSETS			
Cash	$ 3,909,215	$ 1,029,999	$ 4,939,214
Receivables			
Accounts receivable	49,919	98,568	148,487
Interest receivable	-	204	204
Prepaids	100,000	-	100,000
Total current assets	4,059,134	1,128,771	5,187,905
NONCURRENT ASSETS			
Deferred bond financing costs	170,524	289,652	460,176
Restricted cash	500,018	-	500,018
Restricted investments	-	568,355	568,355
Notes receivable	-	1,036,491	1,036,491
Capital assets			
Land	3,438,944	-	3,438,944
Buildings, improvements and equipment	22,786,229	8,418,867	31,205,096
Accumulated depreciation	(8,831,636)	(1,047,116)	(9,878,752)
Total noncurrent assets	18,064,079	9,266,249	27,330,328
	$ 22,123,213	$ 10,395,020	$ 32,518,233
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	$ 446,685	$ 59,929	$ 506,614
Interest payable	13,214	-	13,214
Refundable deposits	9,290	8,506	17,796
Deferred revenue	203,280	1,260,417	1,463,697
Current portion of long-term debt	1,040,000	337,900	1,377,900
Total current liabilities	1,712,469	1,666,752	3,379,221
NONCURRENT LIABILITIES			
Long-term debt	4,460,000	5,839,726	10,299,726
Deferred loss on bond refunding	(276,492)	-	(276,492)
Total liabilities	5,895,977	7,506,478	13,402,455
NET ASSETS			
Invested in capital assets, net of related debt	11,893,537	1,194,125	13,087,662
Restricted	500,018	568,355	1,068,373
Unrestricted	3,833,681	1,126,062	4,959,743
Total net assets	16,227,236	2,888,542	19,115,778
	$ 22,123,213	$ 10,395,020	$ 32,518,233

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS – PROPRIETARY FUNDS
YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds		
	Central Parking	River Myrtle Parking	Total
OPERATING REVENUES			
Parking revenue	$ 3,550,013	$ 1,468,233	$ 5,018,246
Other	74	589	663
Total operating revenues	3,550,087	1,468,822	5,018,909
OPERATING EXPENSES			
Contracted services and utilities	1,445,346	623,983	2,069,329
Depreciation	512,618	207,074	719,692
Operating expenses	549,716	951,488	1,501,204
Other	-	35,504	35,504
Total operating expenses	2,507,680	1,818,049	4,325,729
OPERATING INCOME (LOSS)	1,042,407	(349,227)	693,180
NONOPERATING REVENUES (EXPENSES)			
Interest revenue	6,675	40,316	46,991
Interest expense	(445,522)	(359,315)	(804,837)
Economic loss on bond refunding	(7,516)	-	(7,516)
TOTAL NONOPERATING EXPENSES	(446,363)	(318,999)	(765,362)
INCOME (LOSS) BEFORE OPERATING TRANSFERS	596,044	(668,226)	(72,182)
Interfund transfers	625,256	1,717,671	2,342,927
CHANGE IN NET ASSETS	1,221,300	1,049,445	2,270,745
TOTAL NET ASSETS, BEGINNING OF YEAR	15,005,936	1,839,097	16,845,033
TOTAL NET ASSETS, END OF YEAR	$ 16,227,236	$ 2,888,542	$ 19,115,778

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

Business-type Activities - Enterprise Funds	Central Parking	River Myrtle Parking	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	$ 3,487,783	$ 1,417,647	$ 4,905,430
Payments to contractors	(1,182,853)	(561,970)	(1,744,823)
Payments to suppliers	(550,296)	(989,442)	(1,539,738)
NET CASH FROM (USED FOR) OPERATING ACTIVITIES	1,754,634	(133,765)	1,620,869
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Operating and management transfer governmental fund, net	625,256	1,717,672	2,342,928
NET CASH FROM NONCAPITAL FINANCING ACTIVITIES	625,256	1,717,672	2,342,928
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest and fees on long-term debt	(563,962)	(378,812)	(942,774)
Proceeds from long term debt	5,500,000		5,500,000
Principal paid on long-term debt	(8,230,000)	(266,750)	(8,496,750)
Interest on long-term note receivable		(38,321)	(38,321)
NET CASH USED FOR CAPITAL AND RELATED FINANCING ACTIVITIES	(3,293,962)	(683,883)	(3,977,845)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net (purchases) and sales of investment securities	1,687,000	(209,990)	1,477,010
Interest received on investments	6,675	40,202	46,877
NET CASH FROM (USED FOR) INVESTING ACTIVITIES	1,693,675	(169,788)	1,523,887
NET INCREASE IN CASH	779,603	730,236	1,509,839
CASH AT BEGINNING OF YEAR	3,629,630	299,763	3,929,393
CASH AT END OF YEAR	$ 4,409,233	$ 1,029,999	$ 5,439,232

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF CASH FLOWS – PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2010

RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES			
Operating income	$ 1,042,407	$ (349,227)	$ 693,180
Adjustments to reconcile operating income to net cash from operating activities			
Depreciation	512,618	207,074	719,692
Changes in assets and liabilities			
Accounts receivable	(42,144)	73,825	31,681
Accounts payable	262,493	62,013	324,506
Refundable deposits	(580)	(2,450)	(3,030)
Deferred revenues	(20,160)	(125,000)	(145,160)
NET CASH FROM OPERATING ACTIVITIES	$ 1,754,634	$ (133,765)	$ 1,620,869

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital City Development Corporation (the Agency) is an urban renewal agency created by and existing under the Idaho Urban Renewal Law of 1965, as amended, and is an independent public body, corporate and politic.

Financial Reporting Entity

The Agency follows Governmental Accounting Standards Board (GASB) Statement No. 39 in determining the reporting entity. Accordingly, the financial statements include all funds and account groups for which the Agency is financially accountable.

The Agency is included as a component unit in the Boise City, Idaho financial statements based on certain criteria in GASB Statement No. 39. The Agency provides urban renewal services to the City and its citizens. The commissioners are appointed by the Mayor and approved by City Council. These statements present only the funds and account groups of the Agency and are not intended to present the financial position and results of operations of Boise City, Idaho in conformity with generally accepted accounting principles.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets) report information on all of the non-fiduciary activities of the Agency. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, service or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

(continued on next page)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Agency considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The Agency reports the following major governmental funds:

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long–term debt principal and interest. This fund currently accounts for the activities related to the Ada County Courthouse Corridor project debt service.

Central District Revenue Allocation Fund - The Central District accounts for the revenues derived from the revenue allocation area within the Central District and was established as a funding mechanism to provide public infrastructure improvements. The revenues are first pledged to repay the Series 2010 A-1 and 2010 A-2 Refunding Redevelopment Bonds. Any excess revenues may be expended in accordance with the provisions of the Revenue Allocation Law.

River Myrtle Revenue Allocation Fund - The River Myrtle District accounts for the revenues derived from the revenue allocation area within the River Myrtle District and was established as a funding mechanism to provide public infrastructure improvements. The revenues are first pledged to repay the Series 2002 and 2004 Parking Revenue and Revenue Allocation Bonds. Revenues may only be expended in accordance with the provisions of the Revenue Allocation Law.

Westside Revenue Allocation Fund - The Westside District accounts for the revenues derived from the revenue allocation area within the Westside District and was established as a funding mechanism to provide public infrastructure improvements. Revenues may only be expended in accordance with the provisions of the Revenue Allocation Law.

The Agency reports the following major proprietary funds:

Central District Parking Fund - This fund includes the parking activities of the Agency at the following parking facilities: Capitol Terrace Garage, Eastman Garage, Grove Street Garage, Boulevard Garage and City Centre Garage. The revenues of the Central District Parking Fund are pledged to support the operations of the Fund and the repayment of the Series 2010 A-1 and 2010 A-2 Refunding Redevelopment Bonds. The revenues are also pledged to support any necessary repayments to the letters of credit related to the Revenue Allocation Bonds. Net parking revenues are otherwise unrestricted and are used for parking system operations and maintenance and are also available for general Agency use.

River Myrtle Parking Fund - This fund includes the parking activities of the Agency at the following parking facilities: Avenue A East and West Garages and Visitor Lot, and the Myrtle Street Garage. The revenues of the River Myrtle Parking Fund are pledged to support the operations of the Fund and the repayment of the Series 2002 and Series 2004 Parking Revenue and Revenue Allocation Bonds. Net parking revenues are otherwise unrestricted and are used for parking system operations and maintenance and are also available for general Agency use.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict

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with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The Agency has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the Agency's business-type activities and other functions of the Agency. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include: 1) charges for services, or privileges provided, 2) operating grants and contributions (which includes revenue allocation funds), and 3) capital grants and contributions (which includes reimbursement from Ada County for the courthouse construction). Internally dedicated resources are reported as general revenues rather than as program revenues. When applying revenues to a program for which unrestricted and restricted revenues are used, restricted revenues are applied first.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Agency enterprise fund are charges to customers for parking spaces. Operating expenses for enterprise funds include the cost of operations, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Cash and Investments

Cash represents all cash on hand and in banks. Investments with original maturities of three months or less from the date of acquisition are also considered cash.

Investments

Investments are stated at fair value, as determined by quoted market prices, except for any certificates of deposit, which are non-participating contracts, and are therefore carried at amortized cost. Interest earned is allocated on a basis of average investment balance. Idaho Code provides authorization for the investment of funds as well as to what constitutes an allowable investment. The Agency policy allows for investment of idle funds consistent with the Idaho State Code 50-1013.

The Code limits investments to the following general types:

Certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of state and local governmental entities.

Time deposit accounts, tax anticipation and interest-bearing notes.

Bonds, treasury bills, debentures, or other similar obligations of the United States Government and United States Government Agencies.

Repurchase agreements secured by the above.

Investments in certificates of deposits are stated at amortized cost. Investments in U.S. Treasury securities are stated at amortized cost.

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Custodial Credit Risk

For deposits and investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Agency will not be able to recover the value of its deposits, investments or collateral securities that are in the possession of an outside party. The Agency limits its investments to institutions that are registered with the State of Idaho Department of Finance that adhere to the Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). Non-bank broker/dealer firms and individuals doing business with the Agency must be registered with the National Association of Securities Dealers.

Credit Risk

Credit risk is the risk that an issuer of debt securities or another counterparty to an investment will not fulfill its obligation and is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's or Fitch's. The Agency's policy does not restrict them to rated investments. As of September 30, 2010, all of the investments of the Agency had credit ratings of AAA.

Property Taxes Receivable and Deferred Revenue

Property taxes are recognized as revenue when the amount of taxes levied is measurable, and proceeds are available to finance current period expenditures.

Available tax proceeds include property tax receivables expected to be collected within sixty days after year end. Property taxes attach as liens on properties on January 1, and are levied in September of each year. Tax notices are sent to taxpayers during November, with tax payments scheduled to be collected on or before December 20. Taxpayers may pay all or one half of their tax liability on or before December 20, and if one half of the amount is paid, they may pay the remaining balance by the following June 20. Since the Agency is on a September 30 fiscal year end, property taxes levied during September for the succeeding year's collection are recorded as deferred revenue at the Agency's year end and recognized as revenue in the following fiscal year. Ada County bills and collects taxes for the Agency.

The Agency received property taxes during the year in the amounts $2,691,905, $4,436,492, and $1,884,534 from Central District, River Myrtle Old Boise District, and Westside District, respectively.

Accounts Receivable

The Agency provides credit based on contractual agreements in the normal course of business. An allowance for doubtful accounts is based on management's review of the outstanding receivables, historical collection information and existing economic conditions. Accounts receivable are past due based on the terms of the contracts and interest is charged on overdue receivables on a case by case basis as allowed by the contracts. The allowance as of September 30, 2010 was $921,139 all related to the tax increment guarantee receivable.

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Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000. Assets are recorded at historical costs or estimated historical cost if purchased or constructed. Donated capital assets are valued at their estimated fair value on the date donated.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Depreciation is computed using the straight-line method, over the estimated useful lives of the assets as follows:

	Estimated Useful Life (Years)
Buildings	30 - 45
Improvements	10 - 45
Parking equipment	7
Office furniture & equipment	3 - 10

Investment in Property Held for Resale or Development

Property held for resale or development includes several properties in the River/Myrtle and Westside Districts.

Property held for resale or development is reflected in the accompanying balance sheet. In fiscal year 2010, the Agency wrote down the carrying value of these properties. The write down reflected the general percentage value decline in property values in the River/Myrtle and Westside districts, respectively. In furtherance of the Agency's purpose of redevelopment of downtown Boise, these properties may be disposed of for consideration that is substantially less than carrying value.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose.

Estimates

The preparation of the Agency's financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used in the report relate to the estimated allowance for doubtful accounts for certain accounts receivable. It is reasonably possible that the significant estimates used will change within the next year.

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NOTE 2 – INVESTMENTS

Funds in the Local Government Investment Pool are invested in accordance with Section 67-1210 and Section 67-1210a of the Idaho code. The funds are collateralized by securities but are not insured. The LGIP was unrated as of September 30, 2010.

Interest Rate Risk

Interest rate risk is defined by GASB Statement No. 40 as the risk a government may face should interest rate variances affect the fair value of investments. The Agency's policy does not limit the maturities of their investments. As of September 30, 2010, the Agency had the following investments subject to interest rate risk.

		Investment Maturities (in years)		Credit
Investment Type	Fair Value	Less than one	1-5	Rating
LGIP	$ 9,704,698	$ 9,704,698	$ -	n/a
Bond mutual fund	$ 2,202,248	$ 2,202,248	-	AAA
Certificate of deposit	$ 10,000	$ 10,000	-	n/a

Concentration of Credit Risk

Per GASB Statement No. 40, Concentration of Credit Risk is defined as the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Agency's policy is to avoid concentration in securities from a specific issuer or business sector other than U.S. Securities. However, the policy does not specifically limit the concentration in any single issuer. No single issuer exceeded 5% of the total investments.

At year end, the carrying amount of the Agency's deposits was $2,047,818 and the bank balance was $2,168,433 Of the bank balance, $577,208 was covered by federal depository insurance, and $1,591,225 was collateralized by government securities but uninsured. The government securities and the collateral for the repurchase agreements are held in trust by a safekeeping bank. All cash is held in national financial institutions located in Ada County.

U.S. Bank has been authorized by the Agency to draw from the Agency's funds on deposit with Key Bank. The authorizations are in the form of letters of credit from Key Bank in the amounts of $12,825,000 for the 2002 Series B Bond and $2,500,000 for the Series C Bond and letters of credit from Key Bank in the amount of $10,815,000 for the 2004 Series A and B Bond as of September 30, 2010.

The letter of credit with Key Bank for the 2002 B bond is jointly issued to the Agency and Civic Plaza, LP and is effective for the period October 1, 2002 through April 18, 2011. The letter of credit with Key Bank for the 2002 C bond is effective for the period October 1, 2002 through January 18, 2011. The letter of credit with Key Bank for the 2004 A & B bonds is effective for the period of January 1, 2005 through January 18, 2011. Funds are available for payment of delinquent principal and interest payments due on the bonds.

Investment in Partnership

The Agency has made both cash and non-cash contributions to River Plaza Limited Partnership (the Partnership) in exchange for an ownership interest as the special limited partner. The Partnership owns an apartment complex. The Agency has recorded the investment on the cost basis of $130,000. In accordance with the partnership

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agreement, there are no gains or losses allocated to the Agency. If the assets of the Partnership are sold or liquidated, the Agency is entitled to a 36.8% interest in the residual distribution upon sale or refinancing. There are no plans for sale or refinancing.

NOTE 3 – RESTRICTED ASSETS

Restricted assets are held by the Agency's agent in the Agency's name. Investments are generally held until maturity. The bond resolutions limit investments to certain types of securities which meet defined standards. At September 30, 2010, $2,211,517 is restricted for debt service reserves.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

There were no interfund balances on the fund financial statements as of September 30, 2010.

NOTE 5 – INTERFUND TRANSFERS

Interfund transfers are made as a method of allocating the cost of program operations to their respective funds.

NOTE 6 – DUE FROM OTHER GOVERNMENTAL UNITS

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

Ada County capital lease	$ 46,785,000

The following represents the minimum future payments on the capital lease from Ada County.

2011	$ 4,714,725
2012	4,852,638
2013	5,087,738
2014	5,234,238
2015	5,312,663
Thereafter	38,002,698
	63,204,700
Less amount representing interest	(16,419,700)
	$ 46,785,000

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NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2010 was as follows:

	September 30, 2009	Additions	Deletions	September 30, 2010
Governmental Activities:				
Capital assets, not depreciated:				
Land	$ 504,716	$ -	$ -	$ 504,716
Capital assets, depreciated				
Improvements other than buildings	1,667,804	-	-	1,667,804
Equipment	339,667	26,922	(75,775)	290,814
Total	2,007,471	26,922	(75,775)	1,958,618
Less accumulated depreciation				
Improvements other than buildings	(885,176)	(50,217)	-	(935,393)
Equipment	(260,437)	(55,922)	75,775	(240,584)
Total	(1,145,613)	(106,139)	75,775	(1,175,977)
Total depreciated capital assets, net	861,858	(79,217)	-	782,641
Governmental activities capital assets, net	$ 1,366,574	$ (79,217)	$ -	$ 1,287,357

	September 30, 2009	Additions	Deletions	September 30, 2010
Business-type Activities:				
Capital assets, not depreciated:				
Land	$ 3,438,944	$ -	$ -	$ 3,438,944
Capital assets, depreciated				
Buildings	29,675,256	-	-	29,675,256
Improvements other than buildings	1,529,840	-	-	1,529,840
Total	31,205,096	-	-	31,205,096
Less accumulated depreciation				
Buildings	(8,367,466)	(622,690)	-	(8,990,156)
Improvements other than buildings	(791,594)	(97,002)	-	(888,596)
Total	(9,159,060)	(719,692)	-	(9,878,752)
Total depreciated capital assets, net	22,046,036	(719,692)	-	21,326,344
Business-type activities capital assets, net	$25,484,980	$ (719,692)	$ -	$ 24,765,288

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

Governmental Activities:	
General Government	$ 106,139
Business type activities:	
Parking garages	$ 719,692

NOTE 8 – LONG-TERM DEBT

At September 30, 2010, long-term debt consists of the following:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Government activities:					
Line of credit	$ 400,000	$ -	$ (400,000)	$ -	$ -
2004A&B Series	3,830,624	-	(223,250)	3,607,374	202,100
2005 Series	48,635,000	-	(1,850,000)	46,785,000	2,415,000
	$ 52,865,624	$ -	$ (2,473,250)	$ 50,392,374	$ 2,617,100

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
1995 Series A	$ 2,380,000	$ -	$ (2,380,000)	$ -	$ -
1995 Series B	1,969,692	-	(1,969,692)	-	-
1998 Series	2,340,000	-	(2,340,000)	-	-
1999 Series	1,334,915	-	(1,334,915)	-	-
2010 A-1	-	2,810,000	-	2,810,000	1,040,000
2010 A-2	-	2,690,000	-	2,690,000	-
2002C Series	2,065,000	-	(15,000)	2,050,000	110,000
2004A&B Series	4,379,376	-	(251,750)	4,127,626	227,900
	$ 14,468,983	$ 5,500,000	$ (8,291,357)	$ 11,677,626	$ 1,377,900

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Parking Revenue and Revenue Allocation Bonds:		
Series 2002 C	$	2,050,000
Series 2004 A		6,555,000
Series 2004 B		1,180,000
Series 2005 County Complex		46,785,000
Series 2010 A-1		2,810,000
Series 2010 A-2		2,690,000
	$	62,070,000

At September 30, 2010, long-term debt is classified on the Statement of Net Assets as:

Long-term debt		
Current portion	$	3,995,000
Long-term		58,075,000
	$	62,070,000

The 2002 Series C bonds for the Civic Plaza Parking Garage bear a variable interest rate determined weekly by the remarketing agent. At September 30, 2010, the interest rate was 0.95%. There is a letter of credit issued by Key Bank that backs the 2002 C bonds. The Series 2002 C bonds were redeemed on December 1, 2010. The Series 2002 C bonds were refunded through Bank of America and the new bonds are the 2010 C Series. The 2010 C Series are tax exempt fixed rate bonds with a rate of 4.29%. The bonds mature on September 1, 2024.

The 2004 Series A and B bonds for the Boise Downtown (BoDo) Project bear a variable interest rate determined weekly by the remarketing agent. At September 30, 2010, the interest rate on the 2004 Series A bonds was 0.95% and the interest rate on the 2004 Series B bonds was 1.50%. There are letters of credit issued by Key Bank that back the 2004 A and B bonds. The Series 2004 A and B bonds were redeemed on October 15, 2010. The Series 2004 A and B bonds were refunded through Bank of America and the new bonds are the Series 2010 B-1 and Series 2010 B-2. The Series 2010 B-1 are tax exempt fixed rate bonds with a rate of 4.25% that mature on September 1, 2024. The Series 2010 B-2 are taxable fixed rate bonds with a rate of 3.05% that mature on September 1, 2013.

The 2005 Series bonds bear interest at rates between 3.5% and 5.24%. The Agency does not have the option to redeem bonds maturing in years 2006 through 2015 prior to the maturity date, unless extraordinary events happen as prescribed in the debt agreement. Series that mature on or after August 15, 2016 are subject to redemption at the option of the Agency, which option shall be exercised upon the written direction of the County, in whole or in part at any time at a price equal to 100% plus accrued interest. The bonds mature on August 15, 2022.

The Series 1995 A, 1995 B, 1998 and 1999 bonds were redeemed on August 26, 2010. The Series 2010 A-1 and Series 2010 A-2 bonds were issued through Bank of America on August 26, 2010 to refund the Series 1995 A, 1995 B, 1998 and 1999 bonds. The Series 2010 A-1 are tax exempt fixed rate bonds with a rate of 2.81% that mature on September 1, 2015. The Series 2010 A-2 are taxable fixed rate bonds with a rate of 2.80% that mature on September 1, 2013.

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The annual requirements to retire the debt as of September 30, 2010 are shown below. The annual requirements include both interest and fees and reflect the requirements for the 2010 B and 2010 C series that were issued in October and November of 2010 to replace the Series 2004 A and B and Series 2010 C, respectively.

	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2011	$ 2,617,100	$ 2,446,628	$ 1,377,900	$ 409,555
2012	2,900,000	2,348,304	1,480,000	410,585
2013	3,267,050	2,216,236	1,522,950	366,322
2014	3,579,100	2,049,057	1,565,900	319,247
2015	3,840,850	1,866,895	1,614,150	268,906
2016-2020	23,865,800	6,117,480	2,589,200	873,078
2021-2024	10,801,750	764,807	2,498,250	271,708
Total	$ 50,871,650	$ 17,809,407	$ 12,648,350	$ 2,919,401

In prior years, the Agency had a line of credit of $3,000,000 for the River Street/Myrtle Street district, with an annual limit based on projected revenue. The line of credit was closed on August 20, 2010.

NOTE 9 – EMPLOYEE BENEFIT PLANS

Defined Benefit Pension Plan

Public Employee Retirement System of Idaho (PERSI) - The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The Plan provides benefits based on members' years of service, age, and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% of the average monthly salary for the highest consecutive 42 months.

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website www.persi.idaho.gov

The actuarially determined contribution requirements of the Agency and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended June 30, 2010, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members. The employer rate as a percentage of covered payroll was 10.39% for general members. The Agency employer contributions required and paid were $94,724, $93,964, and $90,024 for the three years ended September 30, 2010, 2009, and 2008, respectively.

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NOTE 10 – NOTES RECEIVABLE

The Agency earned a developer fee in the amount of $1,759,923 for services rendered to the development of the Civic Plaza project in 2003. The Agency was compensated in the form of cash paid during the year in the amount of $1,030,000, and a note receivable from Civic Plaza, LP for the remaining balance of $729,923. The terms of the note are 5.25% simple interest annually through 2042. No principal or interest payments are due until 2042, at which time the note may be exchanged for 83% ownership in the project, at which point the Agency will own 100% of the project. The note principal and interest balance was $1,036,491 at September 30, 2010.

NOTE 11 – LEASES

Lease Expense

The Agency is a party to the following leases:

The Agency entered into the lease for its office space on July 1, 2008. The lease term expires on June 30, 2013. Monthly rent is $14,964.

The Agency entered into a lease for its copier in September 2010. The lease has a term of three years and expires on October 12, 2013. The monthly rent is $622. The lease qualifies as a capital lease. The original amount and accumulated depreciation are as follows:

Copier capital lease agreement	$	21,645
Accumulated deprecation	$	-

The payout schedule is as follows:

2011	$	7,464
2012		7,464
2013		7,464
		22,392
		(927)
Less amount representing interest	$	21,465

Lease Other

The Agency has entered into an agreement with Ada County on the County Courthouse Project. The Agency has leased approximately 10.3 acres of land owned by Ada County under a master ground lease obligation that expires in 2098. The Agency issued bonds, Series 1999 for the County Courthouse Project in the amount of $62,620,000 to finance the acquisition, construction and improvement of the courthouse and administration building for use by Ada County, and related parking facilities, integrated retail space and other public improvements. The Agency refunded the Series 1999 bonds and issued the Series 2005 bonds. The bonds are the obligation of the Agency, payable from and secured solely by lease payments made by Ada County under the agreement. The agreement provides for lease

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payments equal to the amount necessary for the payment of annual debt service requirements for the Series 2005 bonds. The Agency plans to lease the Courthouse to Ada County for the remaining twelve years of the bond obligation, with title reverting to Ada County at the end of that term. Upon satisfaction of the outstanding lease obligation, Ada County may purchase the facilities from the Agency for $1.

The Agency has recorded the transaction as a capital lease receivable for $46,785,000. This receivable will be received over the remaining twelve years of the term.

The Agency entered into an agreement with Eleven Eleven West Jefferson LLC to lease 200 parking permits in the Boise Plaza Parking garage for a period of five years. The Agency has the right to sell the parking permits to the public in compliance with the rates in its parking management plan. The lease term is for sixty months following the effective date. The lease became effective on June 29, 2009, sixty days after the certificate of occupancy was issued. The annual lease rate is $213,600 and payment is due in advance on October 1st of each fiscal year.

Future minimum lease payments under the leases are as follows:

	Master Ground Lease	Civic Plaza Garage	Office Facility	Boise Plaza
2011	$ 4,714,725	$ 1,044,450	$ 179,564	$ 213,600
2012	4,852,638	1,237,070	179,564	213,600
2013	5,087,738	1,269,240	134,673	213,600
2014	5,234,238	1,291,820	-	158,590
2015	5,312,663	1,319,520	-	-
Thereafter	62,659,593	13,030,760	-	-
Total	$ 87,861,595	$ 19,192,860	$ 493,801	$ 799,390

Total lease expense for the year ended September 30, 2010 was $5,492,621.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

The Agency agreed to take responsibility for the match requirement for the Federal Transportation Authority Multi Modal Center grant that is administered through Valley Regional Transit. The match responsibility was previously the obligation of Boise City. The total match requirement may be up to $2,392,508. Of this total requirement, $250,000 has already been met, leaving a remaining maximum match commitment of $2,142,508. If the actual match is less than $2,142,508, the Agency will provide funding up to a total of $2,142,508 inclusive of the grant match to other projects identified in the Downtown Mobility Study.

The Agency established a separate bank account in which to deposit funds for the match. As of September 30, 2010 the balance in this account was $2,142,508.

NOTE 13 – SIGNIFICANT CONTRACTUAL AGREEMENTS

The Agency is party to numerous agreements related to the development of the parcels in the Ada County Courthouse Corridor. Under the provisions of these agreements, the developer has provided a guarantee of tax increment revenue from certain parcels in the project. Per the agreement, if the actual annual tax increment revenue received from the

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County on these parcels is less than the annual amount of tax increment revenue anticipated per the schedules in the agreements, the developer is responsible for payment of the difference, or some portion thereof, to the Agency. Once the Agency receives the tax increment guarantee revenue, the Funds Flow calculation specified in the agreements is prepared. If sufficient funding is available, the Agency may be required to make certain payments to the developer as specified in the Funds Flow. Accordingly, the Agency has recorded a receivable for the amount due to it for the annual tax increment guarantee. The Agency has recorded a contingent liability for the amount it estimates will be due to the developer upon receipt of the tax increment guarantee funds. The Agency and the developer have not reached final resolution on the interpretation of the provisions of the various agreements. The estimated amount for both the receivable and the liability may change when final resolution is reached. On November 26, 2008 the Agency filed a complaint in Ada County District Court to enforce its rights to certain tax increment guarantees under one of the agreements with one of the involved parties. The parties reached an out of court settlement relative to this complaint in December, 2010. As part of the settlement, the tax guarantees were restated and the Agency's receivable was reduced accordingly.

NOTE 14 – PLEDGED REVENUES

The Agency has certain long-term debt obligations for which revenues have been pledged. The Agency issued the Series 2010 A bonds to refund the 1995A, 1995 B, 1998 and 1999 bonds. Amounts in the 2010 A bond fund are pledged to support this debt. One twelfth of the annual debt service is to be deposited into the bond fund each month. The source revenues for the deposits into the bond fund are revenue allocation from the Central District and parking revenues from the parking system. The 2010 A bonds mature in 2015. The bond fund is pledged until the bonds mature. For the year ended September 30, 2010, there was no debt service on these bonds. The first payments are due in fiscal year 2011.

The Agency issued the 2002C bonds to construct the Avenue A East garage and the 2004 bonds for the Myrtle Street garage and related infrastructure. Revenues from the River Myrtle Parking system and revenue allocation from the River Myrtle District are pledged to support this debt. In addition, the 2002 C and the 2004 bonds have a subordinate claim on revenues from the Central Parking system. For the year ended September 30, 2010 the total debt service on these bonds was $1,036,168 while gross parking revenues and revenue allocation from River Myrtle totaled $5,897,217.

NOTE 15 – REFUNDED DEBT

On August 26, 2010 the Series 2010 A-1 and Series 2010 A-2 Refunding Bonds were issued to refund the 1995 A, 1995 B and 1999 fixed rate bonds and the 1998 variable rate bonds. The existing reserves of $1,687,000 for the 1995 and 1998 bonds were utilized in the refunding. Cash on hand equivalent to the amount of the principal and interest payments that would have been due on September 1, 2010 for the 1995 A, 1995 B, 1999 and 1998 bonds was also utilized in the refunding. Bank of America, the bond purchaser, did not require reserves on the Series 2010 A-1 and Series 2010 A-2 Refunding Bonds. The rate on the tax-exempt Series 2010 A-1 is 2.75%. The rate on the taxable Series 2010 A-2 is 2.85%. A summary of the annual debt service for the old debt and the new debt is below. The "prior debt service" shown below does not include the application of the reserves of $1,687,000 to the refunding transactions.

(continued on next page)

	Prior Debt Service	New Debt Service	Savings
2010	$ 1,432,265	$ -	$ 1,432,265
2011	1,641,871	1,196,424	445,447
2012	1,650,678	1,195,161	455,517
2013	1,670,690	1,195,201	475,489
2014	1,557,384	1,194,349	363,035
2015	1,326,756	1,192,596	134,160
Total	$ 9,279,644	$ 5,973,731	$ 3,305,913

Present value of savings from cash flows	$ 3,176,288
Less: Application of funds on hand	(3,119,265)
Net present value of savings	$ 57,023

NOTE 16 – SUBSEQUENT EVENTS

The Agency entered into a memorandum of understanding with an effective date of October 1, 2010 with Ada County to realign the rights and obligations related to parking operations and lease agreements for the County Courthouse Corridor project. The original agreements governing parking and lease obligations were entered into in 2002. Since that time, actual development in the Project area has not occurred as anticipated in the original agreements. Several of the parcels in the Project area reverted to the County through a condemnation action and were no longer available for development. Tax increment financing guarantees contemplated in the original agreements were not paid and became the subject of ongoing litigation. Given these circumstances, the Agency and Ada County undertook a comprehensive review of the agreements governing the Project. The results of the review indicated a restatement of the agreements that would be of joint benefit to the Agency and Ada County. The memorandum of understanding captured the Agency's and Ada County's concurrence for a restatement of the agreements with certain provisions in mind. The portion of the ground rent due from the Agency to Ada County for the Agency's share of the Master Ground Lease shall be converted to a fixed amount of $15 for the fifteen year period commencing October 1, 2010. Under the previous agreements, the total ground rent for that same fifteen year period would have been $15,172,239. The Avenue A East and Avenue A West garages, common area grounds and surface parking in the Project area shall be transferred to Ada County with no additional payment from Ada County. Ada County shall retain all the parking income from these facilities effective October 1, 2010. The restatement of the parking and lease obligations is expected to provide the Agency with greater financial predictability and stability in the River Myrtle District.

In 2010, the Agency undertook an effort to refinance and restructure its outstanding debt. The refunding project has four phases. The first phase was the refunding of the Central District debt and it was completed on August 26, 2010. The new Central District debt, the Series 2010 A-1 and 2010 A-2 is described in Note 8 and Note 14 above. The second phase was the refunding of the Series 2004 A and 2004 B bonds. The 2010 B-1 and 2010 B-2 Refunding Bonds closed on October 14, 2010 and refunded the 2004 A and 2004 B variable bonds into fixed rate bond issues. The rate on the tax-exempt 2010 B-1 bonds is 4.24%, the outstanding principal on October 14, 2010 was $7,480,000 and the bonds mature in 2024. The rate on the taxable 2010 B-2 bonds is 2.99%, the outstanding principal on October 14, 2010 was $1,215,000 and the bonds mature in 2013. The third phase was the refunding of the Series

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2002 C bonds. The 2010 C Notes closed on November 12, 2010 and refunded the 2002 C variable rate bonds into a fixed rate instrument, placed privately with Bank of America. The rate on the 2010 C notes is 4.34%, the outstanding principal on November 12, 2010 was $2,545,000 and the maturity date is September 1, 2024.

CAPITAL CITY DEVELOPMENT CORPORATION

REQUIRED SUPPLEMENTARY INFORMATION

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL REVENUE ALLOCATION FUND
YEAR ENDED SEPTEMBER 30, 2010

	Central District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ 3,000	$ 3,000	$ 3,000	$ -
Interest	8,000	-	2,836	2,836
Other	82,407	38,825	48,293	9,468
Revenue allocation funds	2,468,777	2,526,776	2,691,906	165,130
Total revenues	2,562,184	2,568,601	2,746,035	177,434
EXPENDITURES				
Operating expenses	476,050	379,650	240,502	139,148
Capital outlay and related expenses	75,500	51,500	9,405	42,095
Total expenditures	551,550	431,150	249,907	181,243
EXCESS OF REVENUES OVER EXPENDITURES	2,010,634	2,137,451	2,496,128	358,677
OTHER FINANCING USES				
Interfund transfers	(2,010,634)	(2,137,451)	(2,447,864)	(310,413)
TOTAL OTHER FINANCING USES	(2,010,634)	(2,137,451)	(2,447,864)	(310,413)
NET CHANGE IN FUND BALANCES	-	-	48,264	48,264
FUND BALANCES, BEGINNING OF YEAR	594,764	594,764	594,764	-
FUND BALANCES, END OF YEAR	$ 594,764	$ 594,764	$ 643,028	$ 48,264

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL REVENUE ALLOCATION FUND
YEAR ENDED SEPTEMBER 30, 2010

	River Myrtle District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ -	$ -	$ -	$ -
Interest	1,800	-	8,894	8,894
Other	700,242	356,504	359,930	3,426
Revenue allocation funds	4,121,661	4,192,144	4,678,744	486,600
Total revenues	4,823,703	4,548,648	5,047,568	498,920
EXPENDITURES				
Operating expenses	916,500	614,494	671,483	(56,989)
Capital outlay and related expenses	78,000	203,342	634,911	(431,569)
Debt service - principal	990,000	623,250	623,250	-
Debt service -interest	455,155	322,176	249,377	72,799
Total expenditures	2,439,655	1,763,262	2,179,021	(415,759)
EXCESS OF REVENUES OVER EXPENDITURES	2,384,048	2,785,386	2,868,547	83,161
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(3,454,048)	(2,265,386)	(2,048,309)	217,077
Loss on property held for resale	-	-	(347,443)	(347,443)
Proceeds from line of credit	1,590,000	-	-	-
TOTAL OTHER FINANCING USES	(1,864,048)	(2,265,386)	(2,395,752)	(130,366)
NET CHANGE IN FUND BALANCES	520,000	520,000	472,795	(47,205)
FUND BALANCES, BEGINNING OF YEAR	3,447,011	3,447,011	3,447,011	-
FUND BALANCES, END OF YEAR	$ 3,967,011	$ 3,967,011	$ 3,919,806	$ (47,205)

CAPITAL CITY DEVELOPMENT CORPORATION
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL REVENUE ALLOCATION FUND
YEAR ENDED SEPTEMBER 30, 2010

	Westside District RA Fund			
	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Lease	$ 10,800	$ -	$ -	$ -
Interest	24,000	-	7,842	7,842
Other	202,760	202,800	147,710	(55,090)
Revenue allocation funds	1,809,211	1,837,298	1,884,534	47,236
Total revenues	2,046,771	2,040,098	2,040,086	(12)
EXPENDITURES				
Operating expenses	307,000	154,000	295,036	(141,036)
Capital outlay and related expenses	680,100	804,258	414,059	390,199
Total expenditures	987,100	958,258	709,095	249,163
EXCESS OF REVENUES OVER EXPENDITURES	1,059,671	1,081,840	1,330,991	249,151
OTHER FINANCING SOURCES (USES)				
Interfund transfers	(494,974)	(441,231)	(363,952)	77,279
Loss on property held for resale	-	-	(217,030)	(217,030)
TOTAL OTHER FINANCING USES	(494,974)	(441,231)	(580,982)	(139,751)
NET CHANGE IN FUND BALANCES	564,697	640,609	750,009	109,400
FUND BALANCES, BEGINNING OF YEAR	4,326,524	4,326,524	4,326,524	-
FUND BALANCES, END OF YEAR	$ 4,891,221	$ 4,967,133	$ 5,076,533	$ 109,400

NOTE 1 – BUDGETS AND BUDGETARY ACCOUNTING

The Agency follows these procedures in establishing the budget:

1. Prior to August, the preliminary budget is reviewed by the Agency's Executive Committee.

2. The preliminary budget is presented to the Board of Directors at either the July or August meeting.

3. The preliminary budget is revised, if necessary, prior to final approval.

4. The proposed budget is approved by the Board of Directors at the August meeting.

5. The proposed budget is published for public review.

6. The Board of Directors holds a public hearing on the budget.

7. The proposed budget is adopted by the Board of Directors prior to September.

8. The adopted budget is filed with the City of Boise.

9. October 1 begins the Agency's fiscal year.

10. Formal budget amendments, if any, require approval of the Agency's Board of Directors.

NOTE 2 – AMENDED BUDGET

The fiscal 2010 budget was amended once during the year to reflect reduced line of credit borrowing needs and restatement of appropriations in the adopted and amended budget.

CAPITAL CITY DEVELOPMENT CORPORATION

SUPPLEMENTARY INFORMATION

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

To the Board of Directors
Capital City Development Corporation
Boise, Idaho

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information of Capital City Development Corporation (the Agency), a component unit of Boise City, Idaho, as of and for the year ended September 30, 2010, and have issued our report thereon dated January 14, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the Board of Directors, and others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

Eide Bailly LLP

Boise, Idaho
January 14, 2011