

POCATELLO DEVELOPMENT AUTHORITY

FINANCIAL STATEMENTS

DECEMBER 31, 2004

**POCATELLO DEVELOPMENT AUTHORITY
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Deaton & Company, Chartered

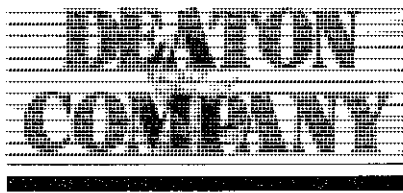
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Members of Idaho Society of Certified Public Accountants
Members of American Institute of Certified Public Accountants



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Pocatello Development Authority
Pocatello, Idaho

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pocatello Development Authority as of and for the year ended December 31, 2004 and 2003, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pocatello Development Authority's management. Our responsibility is to express opinions on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits 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 and each major fund of the Pocatello Development Authority as of December 31, 2004 and 2003, and for the years 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 March 8, 2005, on our consideration of the Pocatello Development Authority internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information 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.

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pocatello Development Authority's basic financial statements. The accompanying supplementary schedules are not a required part of the basic financial statements. The accompanying supplementary schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Deaton & Company

Pocatello, Idaho
March 8, 2005

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

To the Board of Commissioners
Pocatello Development Authority
Pocatello, Idaho

We have audited the financial statements of the governmental activities and each major fund of Pocatello Development Authority as of and for the year ended December 31, 2004 and 2003, which collectively comprise the Pocatello Development Authority's basic financial statements and have issued our report thereon dated March 8, 2005. We conducted our audits 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.

Compliance

As part of obtaining reasonable assurance about whether Pocatello Development Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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.

Internal Control Over Financial Reporting

In planning and performing our audits, we considered Pocatello Development Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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

A handwritten signature in cursive script that reads "Deaton & Company".

Pocatello, Idaho
March 8, 2005

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 (PAGE 1 OF 5)**

This section of the Pocatello Development Authority's annual financial report presents management's discussion and analysis of Pocatello Development Authority's financial performance during the fiscal year that ended December 31, 2004.

FINANCIAL HIGHLIGHTS

Over the course of the year's operations, the Pocatello Development Authority's total net assets decreased by \$761,868.

During the year, the Pocatello Development Authority issued a revenue allocation (tax increment) bond 2004 Series A for \$7,755,000, principal amount dated December 23, 2004, for the North Yellowstone Development District to be used for infrastructure improvements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts. Management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information that presents detailed statements for the consolidated corridor districts. The basic financial statements include two kinds of statements that present different financial views of the Pocatello Development Authority.

The first two statements are government-wide financial statements that provide both long-term and short-term information about Pocatello Development Authority's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of Pocatello Development Authority's reporting operation in more detail than the government-wide statements. The governmental funds statements tell how general government services like special revenue projects were financed in the short term as well as what remains for future spending.

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.

Government-wide Statements

The government-wide financial statements report information about the Pocatello Development Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Pocatello Development Authority's net assets and how they have changed. Net assets, the difference between Pocatello Development Authority's assets and liabilities, is one way to measure Pocatello Development Authority's financial health or position.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 (PAGE 2 OF 5)**

Over time, increases or decreases in Pocatello Development Authority's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.

To assess the overall health of the Pocatello Development Authority additional non-financial factors such as changes in the tax increment financing districts and tax base need to be considered.

The government-wide financial statements of Pocatello Development Authority consist only of Government activities. Property taxes and interest finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Pocatello Development Authority's most significant funds. Funds are accounting devices that the Pocatello Development Authority uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by bond covenants.

The Pocatello Development Authority establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes.

Currently, The Pocatello Development Authority has only governmental funds.

Governmental funds – The Pocatello Development Authority's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flows in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Pocatello Development Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements additional information is provided at the bottom of the governmental funds statements to explain the relationship (or differences) between them.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 (PAGE 3 OF 5)**

FINANCIAL ANALYSIS OF POCATELLO DEVELOPMENT AUTHORITY

Government-Wide Financial Statements

Net assets Table A-1 summarizes net assets for the year.

Table A-1 - Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Cash	\$ 10,749,966	\$ 5,294,373
Other assets	<u>5,533,344</u>	<u>4,931,397</u>
Total assets	16,283,310	10,225,770
Long-term debt outstanding	13,245,000	6,431,000
Other liabilities	<u>106,465</u>	<u>101,057</u>
Total liabilities	<u>13,351,465</u>	<u>6,532,057</u>
Restricted net assets	1,429,135	1,050,677
Unrestricted (deficit) net assets	<u>1,502,710</u>	<u>2,643,036</u>
Total net assets	<u>\$ 2,931,845</u>	<u>\$ 3,693,713</u>

Net assets of Pocatello Development Authority's governmental activities decreased \$761,868.

Change in net assets - Table A-2 summarizes changes in net assets for the year.

Table A-2 - Change in Net Assets

	<u>Governmental Activities</u>	
	<u>2004</u>	<u>2003</u>
Revenues	\$ 2,477,155	\$ 2,553,166
Expenses	<u>3,239,023</u>	<u>1,803,858</u>
Change in net assets	(761,868)	749,308
Beginning net assets	<u>3,693,713</u>	<u>2,944,405</u>
Ending net assets	<u>\$ 2,931,845</u>	<u>\$ 3,693,713</u>

The Pocatello Development Authority's total revenues decreased by \$76,011 and expenses increased by \$1,435,165. The majority of the Pocatello Development Authority's revenue comes from property taxes. The majority of expenses were for project payments.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2004 (PAGE 4 OF 5)**

Governmental Activities

Fund balances in Governmental Funds increased by \$5,456,830. The increase was primarily due to new bonding.

General Fund

Administrative expenses totaled \$18,257 in the general fund or .74% of total revenues and consist of the following:

	<u>General Fund</u>	
	<u>2004</u>	<u>2003</u>
Management fees	\$ 12,500	\$12,500
Audit	3,800	3,685
Commissioner meetings	1,531	1,053
Other expenses	426	78
	<u>\$ 18,257</u>	<u>\$17,316</u>

Special Revenue Funds

Administrative expenses totaled \$5,702 in the special revenue fund or .23% of total revenues and consist of the following.

Bank charges	\$ 5,702	\$ 5,806
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Budgetary Highlights

The Pocatello Development Authority did not revise its budget during the year.

Pocatello Development Authority's budget is prepared using the cash receipts and disbursements method for the general checking account receipts and disbursements.

Long-term Debt

At year-end, Pocatello Development Authority had \$13,245,000 in bonds outstanding, an increase of \$6,845,000.

CONTRACTING THE POCATELLO DEVELOPMENT AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide users with a general overview of the Pocatello Development Authority's finances and to demonstrate the Pocatello Development Authority's accountability for revenues and expenses. For questions about this report or if additional financial information is needed, contact the Pocatello Development Authority, 1651 Alvin Ricken Drive, Pocatello, Idaho 83201.

**POCATELLO DEVELOPMENT AUTHORITY
STATEMENTS OF NET ASSETS
DECEMBER 31, 2004**

	Governmental Activities	
	2004	2003
ASSETS		
Cash and cash equivalents	\$ 10,749,966	\$ 5,294,373
Accrued interest	7,609	4,487
Property tax receivable	2,634,323	2,862,406
Note receivable	2,321,868	1,902,366
Inventory	418,743	162,138
Bond issuance cost - net of amortization	150,801	-
	16,283,310	10,225,770
LIABILITIES		
Accounts payable	6,224	-
Accrued interest payable	100,241	101,057
Current portion of long-term debt	673,000	941,000
Long-term liabilities - net of current portion	12,572,000	5,490,000
	13,351,465	6,532,057
NET ASSETS		
Restricted for debt service	1,429,135	1,050,677
Unrestricted	1,502,710	2,643,036
	\$ 2,931,845	\$ 3,693,713

The accompanying notes are an integral part of these financial statements

**POCATELLO DEVELOPMENT AUTHORITY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2004**

	Governmental Activities	
	2004	2003
EXPENSES		
Administration	\$ 14,457	\$ 13,631
Project payments	2,928,932	1,424,691
Professional services	18,121	9,491
Interest	276,989	356,045
Amortization of bond issuance costs	524	-
	3,239,023	1,803,858
REVENUES		
Property taxes	2,238,236	2,453,307
Management fees	-	20,000
Interest and other	238,919	79,859
	2,477,155	2,553,166
NET CHANGE IN NET ASSETS	(761,868)	749,308
BEGINNING NET ASSETS	3,693,713	2,944,405
ENDING NET ASSETS	\$ 2,931,845	\$ 3,693,713

The accompanying notes are an integral part of these financial statements

**POCATELLO DEVELOPMENT AUTHORITY
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2004**

	General Fund	Consolidated Corridor	North Yellowstone	Kress Building	Newtown	2004	2003
ASSETS							
Cash and cash equivalents	\$ 277,290	\$ 58,403	\$ (115,048)	\$ -	\$ -	\$ 220,645	\$ 301,845
Cash with fiscal agent	-	3,318,116	7,211,205	-	-	10,529,321	4,992,528
Accrued interest	-	4,887	2,722	-	-	7,609	4,487
Property tax receivable	-	2,555,060	-	-	-	2,634,323	2,862,406
Note receivable	-	2,321,868	-	6,837	72,426	2,321,868	1,902,366
Inventory	-	418,743	-	-	-	418,743	162,138
	<u>\$ 277,290</u>	<u>\$ 8,677,077</u>	<u>\$ 7,098,879</u>	<u>\$ 6,837</u>	<u>\$ 72,426</u>	<u>\$ 16,132,509</u>	<u>\$ 10,225,770</u>
LIABILITIES							
Accounts payable	\$ 3,124	\$ 3,100	\$ -	\$ -	\$ -	\$ 6,224	\$ -
Accrued interest payable	-	90,892	9,349	-	-	100,241	101,057
Deferred tax revenues	-	2,153,772	-	4,505	48,550	2,206,827	2,181,828
Deferred revenues from notes receivable	-	2,321,868	-	-	-	2,321,868	1,902,366
	<u>3,124</u>	<u>4,569,632</u>	<u>9,349</u>	<u>4,505</u>	<u>48,550</u>	<u>4,635,160</u>	<u>4,185,251</u>
FUND BALANCES							
Reserved for:							
Inventory	-	418,743	-	-	-	418,743	162,138
Debt service	-	747,235	681,900	-	-	1,429,135	1,050,677
Unreserved:							
General fund	274,166	-	-	-	-	274,166	162,536
Special revenue	-	2,941,467	6,407,630	2,332	23,876	9,375,305	4,665,168
	<u>274,166</u>	<u>4,107,445</u>	<u>7,089,530</u>	<u>2,332</u>	<u>23,876</u>	<u>11,497,349</u>	<u>6,040,519</u>
	<u>\$ 277,290</u>	<u>\$ 8,677,077</u>	<u>\$ 7,098,879</u>	<u>\$ 6,837</u>	<u>\$ 72,426</u>		

Amounts reported for governmental activities in the statement of net assets are different because:

Certain receivables are not current resources and are reported as deferred revenues in the governmental funds		4,528,695	4,084,194
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Debt issuance costs are shown as assets in the statement of net assets and amortized over the life of the bond issued.			
Long-term debt			
Debt issuance costs - net of amortization	\$ (13,245,000)		
	<u>150,801</u>		
		<u>(13,094,199)</u>	<u>(6,431,000)</u>
Net Assets of Governmental Activities		<u>\$ 2,931,845</u>	<u>\$ 3,693,713</u>

**POCATELLO DEVELOPMENT AUTHORITY
GOVERNMENTAL FUNDS
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2004**

	General Fund	Consolidated Corridor	North Yellowstone	Kress Building	Newtown	2004	2003
REVENUES							
Property taxes	\$ -	\$ 2,174,377	\$ -	\$ 5,655	\$ 58,204	\$ 2,238,236	\$ 2,453,307
Management fees	-	-	-	-	-	-	20,000
Interest and other	4,781	203,713	30,425	-	-	238,919	79,859
	<u>4,781</u>	<u>2,378,090</u>	<u>30,425</u>	<u>5,655</u>	<u>58,204</u>	<u>2,477,155</u>	<u>2,553,166</u>
EXPENDITURES							
Administration	14,457	-	-	-	-	14,457	13,631
Project payments	-	2,397,696	525,534	5,702	-	2,928,932	1,424,691
Project Loans	-	419,501	-	-	-	419,501	1,015,616
Professional services	3,800	4,633	9,688	-	-	18,121	9,491
Bond issuance costs	-	-	151,325	-	-	151,325	-
Debt services	-	-	-	-	-	-	-
Principal retirement	-	966,000	-	-	-	966,000	889,000
Interest	-	267,641	9,348	-	-	276,989	356,045
	<u>18,257</u>	<u>4,055,471</u>	<u>695,895</u>	<u>5,702</u>	<u>-</u>	<u>4,775,325</u>	<u>3,708,474</u>
EXCESS REVENUES OR (EXPENDITURES)	<u>(13,476)</u>	<u>(1,677,381)</u>	<u>(665,470)</u>	<u>(47)</u>	<u>58,204</u>	<u>(2,298,170)</u>	<u>(1,155,308)</u>
OTHER FINANCING SOURCES							
Bond proceeds	-	-	7,755,000	-	-	7,755,000	-
Transfers in (out)	125,106	(67,022)	-	-	(58,084)	-	-
	<u>125,106</u>	<u>(67,022)</u>	<u>7,755,000</u>	<u>-</u>	<u>(58,084)</u>	<u>7,755,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>111,630</u>	<u>(1,744,403)</u>	<u>7,089,530</u>	<u>(47)</u>	<u>120</u>	<u>5,456,830</u>	<u>(1,155,308)</u>
BEGINNING FUND BALANCE	<u>162,536</u>	<u>5,851,848</u>	<u>-</u>	<u>2,379</u>	<u>23,756</u>		
ENDING FUND BALANCE	<u>\$ 274,166</u>	<u>\$ 4,107,445</u>	<u>\$ 7,089,530</u>	<u>\$ 2,332</u>	<u>\$ 23,876</u>		

Amounts reported for governmental activities in the statement of activities are different because:

Bond proceeds are current resources in governmental funds but are long-term debt in the statement of net assets. Bond issuance costs are expenditures in the governmental funds but are considered assets in the statement of net assets and are amortized over the life of the related bonds issued

Bond proceeds

Bond issuance costs - net of amortization

\$ (7,755,000)

150,801

(7,604,199)

Principal payments on notes payable are current fund expenditures in governmental funds, but are presented as reductions of long-term debt in the statement of net assets

966,000

889,000

Project loans are current fund expenditures in the governmental fund but are presented as notes receivable in the statement of net assets

419,501

1,015,616

Change in Net Assets of Governmental Activities

\$ (761,868) \$ 749,308

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the Pocatello Development Authority (PDA) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The more significant accounting policies of the Pocatello Development Authority are described below.

A. Reporting Entity

The Idaho Urban Renewal Law of 1965 authorized the Mayor, with advice and consent of the City Council, to appoint a board of commissioners for an urban renewal agency to function within the municipality, provided that the Council has first passed a resolution finding that one or more such areas are necessary, and that there is a need for an urban renewal agency to function in the City.

Pocatello's urban renewal agency, Pocatello Development Authority, was found necessary by resolution in 1988 and the board members were appointed thereafter. Unlike other advisory boards to the City Council, state law declares this agency to be "an independent public body corporate and politic" and gives it a wide range of authority to effectuate urban renewal.

Under generally accepted accounting principles as adopted by the Governmental Accounting Standards Board, the Pocatello Development Authority is included in the Annual Financial Statements of the City of Pocatello as a component unit.

B. Basis of Presentation - Fund Accounting

The accounts of Pocatello Development Authority are organized on the basis of funds, each of which is considered a separate accounting entity. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to the funds based on the purpose of the specific fund activities in accordance with laws, regulations, or other restrictions.

Governmental Funds - These are the funds through which most governmental functions typically are financed. The funds included in this category are as follows:

General Fund - This fund accounts for resources devoted to financing the general services that PDA performs. Revenues used to finance the fundamental operation of PDA are included in this fund. The fund is charged with all costs of operating PDA for which a separate fund has not been established.

Special Revenue Funds - These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for on a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made regardless of the measurement focus applied.

Government-wide Financial Statements

Pocatello Development Authority presents its government wide financial statements using the requirements of GASB Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments". Government-wide financial statements consist of a statement of net assets and a statement of activities using the economic resources measurement focus and the accrual basis of accounting.

Government Fund Financial Statements

Governmental funds are presented using the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough after to be used to pay liabilities of the current period.

PDA considers property taxes available for revenue recognition if they are collected within 60 days after year-end. All material revenue sources have been accrued.

PDA reports "deferred revenues" on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable and available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by PDA before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Annual budgets are adopted for the general and special revenue funds on the cash basis of accounting. Only amounts related to unrestricted cash receipts and disbursements (general cash amount) are budgeted.

POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE 1 - Summary of Significant Accounting Policies (continued)

E. Encumbrances

PDA does not use encumbrance accounting.

F. Cash and investments

Unrestricted cash balances from all funds are combined and invested in investments authorized under Idaho State Code. Earnings from these investments are credited to the funds based on the monthly balance of cash in each fund. Cash includes cash on hand, deposits and other investments which are immediately convertible to cash or have a maturity of less than 90 days.

PDA is authorized under State Code to invest in obligations of the U.S. Treasury, U.S. Government backed institutions, commercial paper, and repurchase agreements. PDA's policy is to restrict investment to highly liquid money market accounts.

G. Receivables

During the course of operations, transactions occur between individual funds for goods provided or services rendered. These receivables and payable are classified as "due from other funds" or "due to other funds" on the balance sheet.

H. Long-Term Debt

Long-term debt is recognized as a liability in governmental funds when due. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

I. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

J. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

K. Reclassification

Certain amounts from the prior year financial statements may have been reclassified to conform with the current year presentation.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 2 - Deposits and Investments

Deposits

At yearend, the carrying amount (reconciled balance reported in the financial statements) of the Authority's deposits was \$220,645 and the bank balance (un-reconciled balance per bank statements) was \$220,794. Of the bank balance, \$100,000 was covered by federal depository insurance or by collateral held by the government's agent in the government's name.

Investments

The Authority's investments are categorized below to give an indication of the level of risk assumed by the Authority at year-end.

Category 1 includes investments that are insured, registered or for which the securities are held by the Authority or its agent in the Authority's name.

Category 2 includes uninsured or unregistered investments for which the securities are held by the counterparty's trust department or agent in the Authority's name.

Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the Authority's name.

At yearend, the Authority did not have any investments in Category 1 or Category 2.

As of December 31, 2004, investments consisted of the following:

	<u>Category 3</u>	<u>Carrying/ Fair Value</u>
Held by fiscal agent	<u>\$ 4,992,528</u>	<u>\$ 4,992,528</u>

NOTE 3 - Receivables

Property Taxes

Property tax revenues are recognized and accrued when billed by Bannock County. PDA's property taxes, levied by the third Monday of September on a market value basis, are billed to the taxpayers in November. Half of the real, personal and mobile home property taxes are due on December 20 and the remainder is due the following June 20. Other property taxes are due December 20. Real property taxes not paid constitute a lien on the property when entered on the real property assessment roll as delinquent on the first day of January of the succeeding year. Property taxes are assessed and collected for PDA by Bannock County.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 4 - Notes Receivable

The Consolidated Corridor Fund has loaned \$1,200,000 to a local corporation. The terms of the agreement require payment within eleven years from the date of the agreement at zero percent interest.

The Consolidated Corridor Fund has loaned the City of Pocatello \$440,000, at zero percent interest.

The Consolidated Corridor Fund has loaned \$81,868 to a local corporation, at zero percent interest. The terms of the agreement require repayment either upon the sale of the first property within the business park or by March 15, 2007, whichever occurs first.

The Consolidated Corridor Fund has loaned \$200,000 to a local corporation, at zero percent interest. The terms of the agreement require repayment either upon the sale of the first property within the business park or by December 16, 2009, whichever occurs first.

The Consolidated Corridor Fund has loaned \$400,000 to a local corporation, at zero percent interest. The terms of the agreement require repayment of the loan within seven years from the date of the Note (December 16, 2003).

NOTE 5 - Deferred Revenues

At year-end, deferred revenues consisted of the following:

	<u>2004</u>	<u>2003</u>
Kress Building	\$ 4,505	\$ 4,524
Newtown	48,549	48,126
Consolidated Corridor Districts		
Consolidated corridor	435,345	427,810
Roosevelt	294,918	312,106
North Main	82,949	110,325
Old Town	361,615	342,012
Alvin Ricken Drive	978,946	936,925
	<u>\$ 2,206,827</u>	<u>\$ 2,181,828</u>

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 6 - Long-Term Debt

PDA has issued bonds to provide funds for urban renewal for several Districts. Terms and maturities on notes are as follows:

<u>Year</u>	<u>Oldtown</u> 1997 - 5.15%		<u>North Yellowstone</u> 2004 - 5.5%		<u>North Main District</u> 1997 - 5.50%	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 65,000	\$ 9,141	\$ -	\$ 302,217	\$ 38,000	\$ 7,205
2006	70,000	5,665	-	453,325	40,000	5,060
2007	75,000	1,931	-	453,325	72,000	1,980
2008	-	-	-	453,325	-	-
2009-2013	-	-	1,140,000	2,159,100	-	-
2014-2018	-	-	1,615,000	1,785,100	-	-
2019-2023	-	-	2,645,000	1,430,700	-	-
2024-2028	-	-	2,355,000	363,300	-	-
	<u>\$ 210,000</u>	<u>\$ 16,737</u>	<u>\$7,755,000</u>	<u>\$7,400,392</u>	<u>\$ 150,000</u>	<u>\$ 14,245</u>

<u>Year</u>	<u>Central Corridor</u> 2001 - 4.75 to 5.15%	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 570,000	\$ 243,565
2006	595,000	215,165
2007	595,000	185,861
2008	780,000	151,635
2009-2013	2,590,000	227,090
	<u>\$5,130,000</u>	<u>\$1,023,316</u>

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004**

NOTE 6 - Long-Term Debt (continued)

Changes in Long-Term Liabilities

During the year, the following changes occurred related to bonds payable:

	<u>Balance</u> <u>12/31/03</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/04</u>
North Yellowstone	\$ -	\$ 7,755,000	\$ -	\$7,755,000
Alvin Ricken Bond	300,000	-	300,000	-
Oldtown Bond	270,000	-	60,000	210,000
North Main Bond	186,000	-	36,000	150,000
Central Corridor Bond	<u>5,675,000</u>	<u>-</u>	<u>545,000</u>	<u>5,130,000</u>
	<u>\$6,431,000</u>	<u>\$ 7,755,000</u>	<u>\$ 941,000</u>	<u>\$13,245,000</u>

NOTE 7 - Expenditures Over Budget

Expenditures in excess of budget were as follows:

Newtown fund	\$ 11
Oldtown fund	4,948
Ricken Drive fund	193
North Yellowstone District fund	530,471
North Main fund	<u>2,878</u>
	<u>\$ 538,501</u>

NOTE 8 - Contingent Liabilities

The majority of the revenue collected by PDA is derived from tax increment financing. Tax increment financing is a method of segregating a portion of the property taxes paid on properties within the urban renewal district to fund the improvements for which the district was formed. This is accomplished by freezing the market value of property within the district.

A contingent liability exists when the market value increase in the district is not large enough to fund any debt incurred by the district to finance the improvements within the district.

**POCATELLO DEVELOPMENT AUTHORITY
BUDGET TO ACTUAL COMPARISON STATEMENT
FOR YEAR ENDED DECEMBER 31, 2004**

	Budget Amounts <u>(Unrestricted)</u>	Actual Amounts (Budgetary Basis <u>See Note A)</u>	<u>Variance</u>
BEGINNING UNRESTRICTED CASH	\$ 301,845	\$ 301,845	\$ -
REVENUES			
GENERAL FUND			
General funds	-	4,729	4,729
Interest	3,500	3,212	(288)
SPECIAL REVENUES			
Kress Building fund	5,701	5,701	-
Newtown fund	58,072	58,083	11
Old Town district	238,810	237,898	(912)
Alvin Ricken Drive district	1,294,851	1,295,044	193
North Yellowstone fund	-	415,423	415,423
North Main district	104,347	107,225	2,878
Roosevelt district	448,760	448,787	27
Consolidated Corridor fund	<u>342,828</u>	<u>338,577</u>	<u>(4,251)</u>
	2,496,869	2,914,679	417,810
EXPENDITURES			
GENERAL FUND	14,300	18,293	(3,993)
SPECIAL REVENUES			
Kress Building fund	5,701	5,701	-
Newtown fund	58,072	58,083	(11)
Old Town district	238,810	243,758	(4,948)
Alvin Ricken Drive district	1,294,851	1,295,044	(193)
North Yellowstone fund	-	530,471	(530,471)
North Main district	104,347	107,225	(2,878)
Roosevelt district	448,760	395,218	53,542
Consolidated Corridor fund	<u>364,028</u>	<u>342,086</u>	<u>21,942</u>
	<u>2,528,869</u>	<u>2,995,879</u>	<u>(467,010)</u>
ENDING UNRESTRICTED CASH	<u>\$ 269,845</u>	<u>\$ 220,645</u>	<u>\$ (49,200)</u>

**POCATELLO DEVELOPMENT AUTHORITY
COMBINING BALANCE SHEETS
CONSOLIDATED CORRIDOR DISTRICTS
DECEMBER 31, 2004**

	Consolidated Corridor	Old Town	North Main	Roosevelt	Alvin Ricken	2004	2003
ASSETS							
Cash and cash equivalents	\$ 357	\$ 4,477	\$ -	\$ 53,569	\$ -	\$ 58,403	\$ 139,309
Cash with fiscal agent	3,221,623	58,857	37,636	-	-	3,318,116	4,992,528
Accrued interest	4,744	87	56	-	-	4,887	4,487
Property tax receivable	491,548	371,321	179,064	489,540	1,023,587	2,555,060	2,783,621
Note receivable	2,321,868	-	-	-	-	2,321,868	1,902,366
Land	418,743	-	-	-	-	418,743	162,138
	<u>6,458,883</u>	<u>434,742</u>	<u>216,756</u>	<u>543,109</u>	<u>1,023,587</u>	<u>8,677,077</u>	<u>9,984,449</u>
LIABILITIES							
Accounts Payable	-	-	-	3,100	-	3,100	-
Accrued interest payable	85,032	4,504	1,356	-	-	90,892	101,057
Deferred revenue	435,345	361,615	82,949	294,917	978,946	2,153,772	2,129,208
Deferred revenue - notes receivable	2,321,868	-	-	-	-	2,321,868	1,902,336
	<u>2,842,245</u>	<u>366,119</u>	<u>84,305</u>	<u>298,017</u>	<u>978,946</u>	<u>4,569,632</u>	<u>4,132,601</u>
FUND BALANCES							
Reserve for:							
Inventory	418,743	-	-	-	-	418,743	162,138
Debt service	651,235	58,500	37,500	-	-	747,235	1,050,677
Unreserved	2,546,660	10,123	94,951	245,092	44,641	2,941,467	4,639,033
	<u>3,616,638</u>	<u>68,623</u>	<u>132,451</u>	<u>245,092</u>	<u>44,641</u>	<u>4,107,445</u>	<u>5,851,848</u>
	<u>\$ 6,458,883</u>	<u>\$ 434,742</u>	<u>\$ 216,756</u>	<u>\$ 543,109</u>	<u>\$ 1,023,587</u>	<u>\$ 8,677,077</u>	<u>\$ 9,984,449</u>

The accompanying notes are an integral part of these financial statements

POCATELLO DEVELOPMENT AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CONSOLIDATED CORRIDOR DISTRICTS
FOR THE YEAR ENDED DECEMBER 31, 2004

	Consolidated Corridor	Old Town	North Main	Roosevelt	Alvin Ricken	2004	2003
REVENUES							
Property taxes	\$ 351,561	\$ 244,287	\$ 183,875	\$ 431,623	\$ 963,031	\$ 2,174,377	\$ 2,389,335
Interest and other	195,225	643	412	-	7,433	203,713	69,565
	<u>546,786</u>	<u>244,930</u>	<u>184,287</u>	<u>431,623</u>	<u>970,464</u>	<u>2,378,090</u>	<u>2,458,900</u>
EXPENDITURES							
Project payments	1,999,378	-	-	398,318	-	2,397,696	1,398,840
Project Loans	419,501	-	-	-	-	419,501	1,015,616
Professional services	4,633	-	-	-	-	4,633	5,806
Debt services	-	-	-	-	-	-	-
Principal retirement	570,000	60,000	36,000	-	-	-	-
Interest	238,616	11,071	8,891	-	300,000	966,000	794,000
Total expenditures	<u>3,232,128</u>	<u>71,071</u>	<u>44,891</u>	<u>398,318</u>	<u>309,063</u>	<u>4,055,471</u>	<u>3,568,129</u>
EXCESS (DEFICIENCY) OF REVENUES OR EXPENSES	(2,685,342)	173,859	139,396	33,305	661,401	(1,677,381)	(1,109,229)
OTHER FINANCING SOURCES							
Transfers in (out)	1,462,195	(171,872)	(62,301)	-	(1,295,044)	(67,022)	188,788
	<u>1,462,195</u>	<u>(171,872)</u>	<u>(62,301)</u>	<u>-</u>	<u>(1,295,044)</u>	<u>(67,022)</u>	<u>188,788</u>
NET CHANGE IN FUND BALANCE	(1,223,147)	1,987	77,095	33,305	(633,643)	(1,744,403)	(920,441)
BEGINNING FUND BALANCE	4,839,785	66,636	55,356	211,787	678,284	5,851,848	6,772,289
ENDING FUND BALANCE	<u>\$ 3,616,638</u>	<u>\$ 68,623</u>	<u>\$ 132,451</u>	<u>\$ 245,092</u>	<u>\$ 44,641</u>	<u>\$ 4,107,445</u>	<u>\$ 5,851,848</u>

The accompanying notes are an integral part of these financial statements