

**POCATELLO DEVELOPMENT AUTHORITY**  
**A COMPONENT UNIT OF THE CITY OF POCATELLO, IDAHO**

**FINANCIAL STATEMENTS**

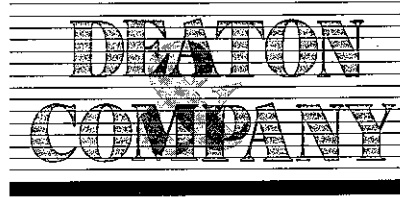
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

**POCATELLO DEVELOPMENT AUTHORITY  
TABLE OF CONTENTS**

	<u>Page</u>
<b>Auditor's reports</b>	
Independent auditor's report	3
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	4
<b>Management's discussion and analysis</b>	5-8
<b>Financial statements</b>	
Government Wide	
Statements of net assets	9
Statements of activities and changes in net assets	10
Governmental Funds	
Balance sheets	11
Statements of revenues, expenditures, and changes in fund balances	12
<b>Notes to financial statements</b>	13-18
<b>Required supplementary information</b>	
Statement of revenues and expenditures - budget to actual	20
Notes to the statement of revenues and expenditures - budget to actual	21
<b>Supplementary information</b>	
Combining balance sheets - Consolidated Corridor Districts	23
Combining statements of revenues, expenditures, and changes in fund balances - Consolidated Corridor Districts	24

**Deaton & Company, Chartered**  
Certified Public Accountants  
215 North 9th, Suite A  
Pocatello, ID 83201-5278  
(208) 232-5825

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, a component unit of the City of Pocatello, Idaho, as of and for the years ended December 31, 2005 and 2004, 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 audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2005 and 2004, 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 30, 2006, 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.

The 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 30, 2006

**Deaton & Company, Chartered**

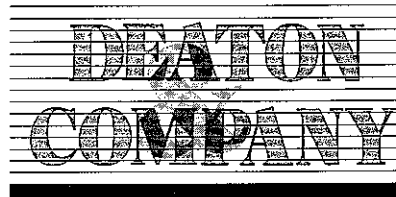
Certified Public Accountants

215 North 9th, Suite A

Pocatello, ID 83201-5278

(208) 232-5825

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



**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 years ended December 31, 2005 and 2004, which collectively comprise the Pocatello Development Authority's basic financial statements and have issued our report thereon dated March 30, 2006. 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.

**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 audit, 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 &amp; Company".

Pocatello, Idaho  
March 30, 2006

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005 (PAGE 1 OF 4)**

This section of Pocatello Development Authority's (PDA) annual financial report presents management's discussion and analysis of Pocatello Development Authority's financial performance during the fiscal year that ended December 31, 2005.

**FINANCIAL HIGHLIGHTS**

Over the course of the year's operations, Pocatello Development Authority's total net assets decreased by \$4,250,110.

During the year, the Pocatello Development Authority returned \$120,000 in excess tax dollars in the Roosevelt District to Bannock County for distribution back to the taxing jurisdictions. PDA closed this district one year early.

The North Yellowstone project is finishing considerably under budget.

The Central Corridor district is on track to close in the year 2009.

**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 combining statements for the special revenue funds. 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.

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.

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005 (PAGE 2 OF 4)**

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 Pocatello Development Authority's most significant funds. Funds are accounting devices that Pocatello Development Authority uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by bond covenants.

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, 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 flow 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 you determine whether there are more or fewer financial resources that can be spent in the near future to finance 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 statement to explain the relationship (or differences) between them.

**FINANCIAL ANALYSIS OF POCATELLO DEVELOPMENT AUTHORITY**

**Government-wide Financial Statements**

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

Table A-1 - Net assets

	Governmental Activities		
	2005	2004	2003
Cash	\$ 6,514,593	\$ 10,749,966	\$ 5,294,373
Other assets	4,999,595	5,533,344	4,931,397
Total assets	<u>11,514,188</u>	<u>16,283,310</u>	<u>10,225,770</u>
Long-term debt outstanding	12,572,000	13,245,000	6,431,000
Other liabilities	260,453	106,465	101,057
Total liabilities	<u>12,832,453</u>	<u>13,351,465</u>	<u>6,532,057</u>
Restricted net assets	1,862,103	1,847,878	1,050,677
Unrestricted (deficit) net assets	<u>(3,180,368)</u>	<u>1,083,967</u>	<u>2,643,036</u>
Total net assets	<u>\$ (1,318,265)</u>	<u>\$ 2,931,845</u>	<u>\$ 3,693,713</u>

Net assets of Pocatello Development Authority's governmental activities decreased \$4,250,110.

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005 (PAGE 3 OF 4)**

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

Table A-2 - Change in net assets

	Governmental Activities		
	2005	2004	2003
Revenues	\$ 2,226,824	\$ 2,477,155	\$ 2,553,166
Expenses	6,476,934	3,239,023	1,803,858
Change in net assets	(4,250,110)	(761,868)	749,308
Beginning net assets	2,931,845	3,693,713	2,944,405
Ending net assets	<u>\$ (1,318,265)</u>	<u>\$ 2,931,845</u>	<u>\$ 3,693,713</u>

The Pocatello Development Authority's total revenues decreased by \$250,331 and expenses increased by \$3,237,911. The majority of the Pocatello Development Authority's revenues comes from property taxes. The majority of expenses were for project payments.

**Governmental Activities**

Fund balances in Governmental Funds decreased by \$4,529,371. The decrease was primarily due to project expenditures.

General Fund

Administrative expenses totaled \$16,975 in the general fund or .76% of total revenues and consisted of the following:

	General Fund		
	2005	2004	2003
Management fees	\$ 12,500	\$ 12,500	\$ 12,500
Audit	3,414	3,800	3,685
Commissioner meetings	967	1,531	1,053
Other expenses	94	426	78
	<u>\$ 16,975</u>	<u>\$ 18,257</u>	<u>\$ 17,316</u>

Special Revenue Funds

Administrative expenses totaled \$6,906 in the special revenue fund or .27% of total special revenue fund revenues and consisted of the following:

Bank charges	<u>\$ 6,906</u>	<u>\$ 5,702</u>	<u>\$ 5,806</u>
--------------	-----------------	-----------------	-----------------

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2005 (PAGE 4 OF 4)**

**Budgetary Highlights**

The Pocatello Development Authority had \$12,572,000 in bonds outstanding at yearend.

**CONTACTING 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 Pocatello Development Authority, 1651 Alvin Ricken Drive, Pocatello, Idaho 83201.



**POCATELLO DEVELOPMENT AUTHORITY  
STATEMENTS OF NET ASSETS  
DECEMBER 31, 2005 AND 2004**

	<b>Governmental Activities</b>	
	2005	2004
<b>ASSETS</b>		
Cash and cash equivalents	\$ 6,514,593	\$ 10,749,966
Accrued interest	19,058	7,609
Property tax receivable	2,320,413	2,634,323
Notes receivable	2,096,868	2,321,868
Inventory	418,743	418,743
Bond issuance cost - net of amortization	144,513	150,801
	11,514,188	16,283,310
<b>LIABILITIES</b>		
Accounts payable	3,125	6,224
Accrued interest payable	257,328	100,241
Current portion of long-term debt	705,000	673,000
Long-term liabilities - net of current portion	11,867,000	12,572,000
	12,832,453	13,351,465
<b>NET ASSETS (DEFICIT)</b>		
Restricted for:		
Inventory	418,743	418,743
Restricted for debt service	1,443,360	1,429,135
Unrestricted	(3,180,368)	1,083,967
	\$ (1,318,265)	\$ 2,931,845

**POCATELLO DEVELOPMENT AUTHORITY**  
**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	<b>Governmental Activities</b>	
	<u>2005</u>	<u>2004</u>
<b>EXPENSES</b>		
Administration	\$ 13,561	\$ 14,457
Project payments	5,727,026	2,928,932
Professional services	10,320	18,121
Interest	719,215	276,989
Amortization of bond issuance costs	6,812	524
	<u>6,476,934</u>	<u>3,239,023</u>
<b>REVENUES</b>		
Property taxes	2,013,772	2,238,236
Interest and other	213,052	238,919
	<u>2,226,824</u>	<u>2,477,155</u>
<b>NET CHANGE IN NET ASSETS</b>	(4,250,110)	(761,868)
<b>BEGINNING NET ASSETS</b>	<u>2,931,845</u>	<u>3,693,713</u>
<b>ENDING NET ASSETS</b>	<u><u>\$ (1,318,265)</u></u>	<u><u>\$ 2,931,845</u></u>

**POCATELLO DEVELOPMENT AUTHORITY  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2005 AND 2004**

	General Fund	Consolidated Corridor	North Yellowstone	Kress Building	Newton	2005	2004
<b>ASSETS</b>							
Cash and cash equivalents	\$ 293,471	\$ 52,631	\$ -	\$ 37	\$ -	\$ 346,139	\$ 220,645
Cash with fiscal agent	-	3,384,603	2,783,851	-	-	6,168,454	10,529,321
Accrued interest	-	10,792	8,266	-	-	19,058	7,609
Property tax receivable	-	2,165,629	93,319	5,182	56,283	2,320,413	2,634,323
Notes receivable	15,000	2,081,868	-	-	-	2,096,868	2,321,868
Inventory	-	418,743	-	-	-	418,743	418,743
	<u>\$ 308,471</u>	<u>\$ 8,114,266</u>	<u>\$ 2,885,436</u>	<u>\$ 5,219</u>	<u>\$ 56,283</u>	<u>\$ 11,369,675</u>	<u>\$ 16,132,509</u>
<b>LIABILITIES</b>							
Accounts payable	\$ 3,125	\$ -	\$ -	\$ -	\$ -	\$ 3,125	\$ 6,224
Accrued interest payable	-	79,707	177,621	-	-	257,328	100,241
Deferred tax revenues	-	1,911,328	93,319	5,182	34,547	2,044,376	2,206,827
Deferred notes receivable revenues	15,000	2,081,868	-	-	-	2,096,868	2,321,868
	<u>18,125</u>	<u>4,072,903</u>	<u>270,940</u>	<u>5,182</u>	<u>34,547</u>	<u>4,401,697</u>	<u>4,635,160</u>
<b>FUND BALANCES</b>							
Reserved for:							
Inventory	-	418,743	-	-	-	418,743	418,743
Debt service	-	751,453	691,907	-	-	1,443,360	1,429,135
Unreserved							
General fund	290,346	-	-	-	-	290,346	274,166
Special revenue	-	2,871,167	1,922,589	37	21,736	4,815,529	9,375,305
	<u>290,346</u>	<u>4,041,363</u>	<u>2,614,496</u>	<u>37</u>	<u>21,736</u>	<u>6,967,978</u>	<u>11,497,349</u>
	<u>\$ 308,471</u>	<u>\$ 8,114,266</u>	<u>\$ 2,885,436</u>	<u>\$ 5,219</u>	<u>\$ 56,283</u>		

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

Certain receivables are not current resources and are reported as deferred revenues in the governmental funds	4,141,244	4,528,695
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	(12,572,000)	(13,245,000)
Debt issuance costs - net of amortization	144,513	150,801
	<u>(12,427,487)</u>	<u>(13,094,199)</u>
Net Assets of Governmental Activities	<u>\$ (1,318,265)</u>	<u>\$ 2,931,845</u>

The accompanying notes are an integral part of these financial statements

**POCATELLO DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004**

	General Fund	Consolidated Corridor	North Yellowstone	Kress Building	Newton	2005	2004
<b>REVENUES</b>							
Property taxes	\$ -	\$ 2,115,800	\$ -	\$ 3,255	\$ 56,640	\$ 2,175,695	\$ 2,238,236
Interest and other	8,156	85,607	119,289	-	-	213,052	238,919
	<u>8,156</u>	<u>2,201,407</u>	<u>119,289</u>	<u>3,255</u>	<u>56,640</u>	<u>2,388,747</u>	<u>2,477,155</u>
<b>EXPENDITURES</b>							
Administration	13,561	-	-	-	-	13,561	14,457
Projects and grants	200,000	1,400,142	4,121,334	5,550	-	5,727,026	2,928,932
Project loans	15,000	-	-	-	-	15,000	419,501
Professional services	3,414	4,406	2,500	-	-	10,320	18,121
Bond issuance costs	-	-	-	-	-	-	151,325
Debt services	-	-	-	-	-	-	-
Principal retirement	-	673,000	-	-	-	673,000	966,000
Interest	-	248,725	470,490	-	-	719,215	276,989
	<u>231,975</u>	<u>2,326,273</u>	<u>4,594,324</u>	<u>5,550</u>	<u>-</u>	<u>7,158,122</u>	<u>4,775,325</u>
<b>EXCESS REVENUES OR (EXPENDITURES)</b>	(223,819)	(124,866)	(4,475,035)	(2,295)	56,640	(4,769,375)	(2,298,170)
<b>OTHER FINANCING SOURCES</b>							
Notes receivable collections	-	240,000	-	-	-	240,000	-
Bond proceeds	-	-	-	-	-	-	7,755,000
Transfers in (out)	240,000	(181,218)	-	-	(58,782)	-	-
	<u>240,000</u>	<u>58,782</u>	<u>-</u>	<u>-</u>	<u>(58,782)</u>	<u>240,000</u>	<u>7,755,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	16,181	(66,084)	(4,475,035)	(2,295)	(2,142)	(4,529,375)	5,456,830
<b>BEGINNING FUND BALANCE</b>	<u>274,165</u>	<u>4,107,447</u>	<u>7,089,531</u>	<u>2,332</u>	<u>23,878</u>		
<b>ENDING FUND BALANCE</b>	<u>\$ 290,346</u>	<u>\$ 4,041,363</u>	<u>\$ 2,614,496</u>	<u>\$ 37</u>	<u>\$ 21,736</u>		

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

Governmental funds only report taxes received within sixty days as current fund revenues. All taxes receivable are treated as revenues in the statement of activities.

(161,923) -

Principal payments received on notes receivable are current fund sources in governmental funds, but are presented as reductions of notes receivable in the statements of net assets

(240,000) -

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

Bond proceeds	-	(7,755,000)
Bond issuance costs	-	150,801
Amortization of bond issuance costs	(6,812)	-
	<u>(6,812)</u>	<u>(7,604,199)</u>

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

673,000 966,000

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

15,000 419,501

Change in Net Assets of Governmental Activities

\$ (4,250,110) \$ (761,868)

The accompanying notes are an integral part of these financial statements

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (PAGE 1 OF 6)**

**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 discretely presented 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.

**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 related to the timing of the measurement made regardless of the measurement focus applied.

**POCATELLO DEVELOPMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS (PAGE 2 OF 6)**

**D. Basis of Accounting (Continued)**

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.

**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 payables are classified as "due from other funds" or "due to other funds" on the balance sheets.

**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.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (PAGE 3 OF 6)**

**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.

**NOTE 2 - Deposits and Investments**

**Deposits**

At year-end, the carrying amount (reconciled balance reported in the financial statements) of the Authority's deposits was \$346,139 and the bank balance (unreconciled balance per bank statements) was \$414,100. 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 yearend.

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 yearend, investments consisted of the following:

	<u>Category 3</u>	<u>Carrying/ Fair Value</u>
Held by fiscal agent	\$ 6,168,454	\$ 6,168,454

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (PAGE 4 OF 6)**

**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.

**NOTE 4 - Notes Receivable and Deferred Notes Receivable Revenue**

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 loan at zero percent interest.

The Consolidated Corridor Fund has loaned the City of Pocatello \$200,000, 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 corporation's business park or by March 15, 2007, whichever occurs first.

The Consolidated Corridor Fund has loaned \$200,00 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 corporation's business park or by December 16, 2009, whichever occurs first.

The Consolidated Corridor Fund has loaned \$400,00 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).

The General fund has loaned \$15,000 to a local corporation, at zero percent interest. The terms of the agreement require payment within five years from the date of the loan (January 21, 2005).

Revenue from notes receivable is recognized when received and when received within 60 days after yearend. Principal balances not received with 60 days after yearend is shown as deferred note receivable revenues.

**NOTE 5 - Property Tax Receivable and Deferred Tax Revenues**

At yearend, property tax receivable and deferred tax revenues consisted of the following:

	<u>Receivables</u>	<u>Deferred Tax</u>
Kress Building	\$ 5,182	\$ 5,182
Newton	56,283	34,547
North Yellowstone	93,319	93,319
Consolidated Corridor Districts		
Central Corridor	396,059	336,382
Roosevelt	262,750	247,539
North Main	84,697	83,479
Old Town	378,493	200,298
Alvin Ricken Drive	1,043,630	1,043,630
	<u>2,165,629</u>	<u>1,911,328</u>
	<u>\$ 2,320,413</u>	<u>\$ 2,044,376</u>



**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (PAGE 5 OF 6)**

**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:

Year	Old town 1997 - 5.15%		North Yellowstone 2004 - 5.50% to 6.00%	
	Principal	Interest	Principal	Interest
2006	\$ 70,000	\$ 5,665	\$ -	\$ 453,325
2007	75,000	1,931	-	453,325
2008	-	-	-	453,325
2009	-	-	125,000	453,325
2010-2014	-	-	1,305,000	2,096,400
2015-2019	-	-	1,705,000	1,694,475
2020-2024	-	-	2,265,000	1,130,700
2025-2008	-	-	2,355,000	363,300
	<u>\$ 145,000</u>	<u>\$ 7,596</u>	<u>\$ 7,755,000</u>	<u>\$ 7,098,175</u>

Year	North Main District 1997 - 5.50%		Central Corridor 2001 - 4.75% to 5.15%	
	Principal	Interest	Principal	Interest
2006	\$ 40,000	\$ 5,060	\$ 595,000	\$ 215,165
2007	72,000	1,980	595,000	185,862
2008	-	-	780,000	151,635
2009	-	-	820,000	111,430
2010-2014	-	-	1,770,000	92,228
	<u>\$ 112,000</u>	<u>\$ 7,040</u>	<u>\$ 4,560,000</u>	<u>\$ 756,320</u>

**Changes in Long-term Liabilities**

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

	Beginning Balance	Additions	Reductions	Ending Balance
North Yellowstone Alvin Ricken Bond	\$ 7,755,000	\$ -	\$ -	\$ 7,755,000
Old town Bond	210,000	-	65,000	145,000
North Main Bond	150,000	-	38,000	112,000
Central Corridor Bond	5,130,000	-	570,000	4,560,000
	<u>\$ 13,245,000</u>	<u>\$ -</u>	<u>\$ 673,000</u>	<u>\$ 12,572,000</u>

**NOTE 7 - Grants**

Pocatello Development Authority has provided grants to business wanting to locate in Pocatello, Idaho. These grants contain conditions requiring the grantee to perform specified conditions to receive the grant awards. The grantee is required to repay the grant if the conditions of the grant are not met.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS (PAGE 6 OF 6)**

**NOTE 8 - Expenditures Over Budget**

Expenditures in excess of budget were as follows:

Kress Building	\$ 165
Consolidated Corridor	<u>211,368</u>
	<u>\$ 211,533</u>

**NOTE 9 - 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 an urban renewal district to fund 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.

**REQUIRED SUPPLEMENTARY INFORMATION**

**POCATELLO DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED 'DECEMBER 31, 2005**

	<u>Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance</u>
<b>REVENUES</b>			
<b>GENERAL FUND</b>			
General funds	\$ -	\$ 115	\$ 115
Board Discretionary	-	291,476	291,476
Interest	3,240	8,369	5,129
	<u>3,240</u>	<u>299,960</u>	<u>296,720</u>
<b>SPECIAL REVENUES FUNDS</b>			
North Yellowstone	102,275	115,048	12,773
Kress Building	5,634	5,587	(47)
Newtown	58,616	58,781	165
Consolidated Corridor			
Central Corridor	558,831	404,833	(153,998)
Old Town	260,556	296,258	35,702
North Main	131,927	117,005	(14,922)
Roosevelt	414,694	417,574	2,880
Alvin Ricken Drive	1,023,588	1,024,018	430
	<u>2,389,596</u>	<u>2,259,688</u>	<u>(129,908)</u>
	<u>2,556,121</u>	<u>2,439,104</u>	<u>(117,017)</u>
	2,559,361	2,739,064	179,703
<b>EXPENDITURES</b>			
<b>GENERAL FUND</b>			
Administration	14,300	17,228	2,928
Board Discretionary	-	266,552	266,552
	<u>14,300</u>	<u>283,780</u>	<u>269,480</u>
<b>SPECIAL REVENUES</b>			
North Yellowstone	-	-	-
Kress Building	5,634	5,550	84
Newtown	58,616	58,781	(165)
Consolidated Corridor			
Central Corridor	371,031	401,900	(30,869)
Old Town	260,556	299,474	(38,918)
North Main	131,927	117,005	14,922
Roosevelt	280,652	421,803	(141,151)
Alvin Ricken Drive	1,023,588	1,024,018	(430)
	<u>2,067,754</u>	<u>2,264,200</u>	<u>(196,446)</u>
	<u>2,132,004</u>	<u>2,328,531</u>	<u>(196,527)</u>
	<u>2,146,304</u>	<u>2,612,311</u>	<u>72,953</u>
<b>EXCESS REVENUES OR (EXPENDITURES)</b>	413,057	126,753	252,656
<b>BEGINNING UNRESTRICTED CASH</b>	<u>348,000</u>	<u>220,645</u>	<u>127,355</u>
<b>ENDING UNRESTRICTED CASH</b>	<u>\$ 761,057</u>	<u>\$ 347,398</u>	<u>\$ 380,011</u>

DEATON & COMPANY, CHARTERED

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL**

**NOTE 1 - Summary of Significant Accounting Policies**

Pocatello Development Authority prepares its budget on the cash basis.

Budgeted revenues consist of the expected tax receipts for special revenue funds and anticipated interest income for the general fund.

Budgeted expenditures consist of the amount anticipated for project expenditures and administrative expenditures and the amounts transferred to the fiscal agent for debt services and reserves.

**SUPPLEMENTARY INFORMATION**

**POCATELLO DEVELOPMENT AUTHORITY  
COMBINING BALANCE SHEETS  
CONSOLIDATED CORRIDOR DISTRICTS  
DECEMBER 31, 2005 AND 2004**

	Central Corridor	Old Town	North Main	Roosevelt	Alvin Ricken	2005	2004
<b>ASSETS</b>							
Cash and cash equivalents	\$ 3,291	\$ -	\$ -	\$ 49,340	\$ -	\$ 52,631	\$ 58,403
Cash with fiscal agent	3,286,111	60,673	37,819	-	-	3,384,603	3,318,116
Accrued interest	10,488	186	118	-	-	10,792	4,887
Property tax receivable	396,059	262,750	84,697	378,493	1,043,630	2,165,629	2,555,060
Notes receivable	2,081,868	-	-	-	-	2,081,868	2,321,868
Land	418,743	-	-	-	-	418,743	418,743
	<u>\$ 6,196,560</u>	<u>\$ 323,609</u>	<u>\$ 122,634</u>	<u>\$ 427,833</u>	<u>\$ 1,043,630</u>	<u>\$ 8,114,266</u>	<u>\$ 8,677,077</u>
<b>LIABILITIES</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,100
Accrued interest payable	75,584	3,110	1,013	-	-	79,707	90,892
Deferred tax revenue	338,382	247,539	83,479	200,298	1,043,630	1,911,328	2,153,772
Deferred notes receivable revenue	2,081,868	-	-	-	-	2,081,868	2,321,868
	2,493,834	250,649	84,492	200,298	1,043,630	4,072,903	4,569,632
<b>FUND BALANCES</b>							
Reserves for:							
Inventory	418,743	-	-	-	-	418,743	418,743
Debt service	655,453	58,500	37,500	-	-	751,453	747,235
Unreserved	2,628,530	14,460	642	227,535	-	2,871,167	2,941,469
	<u>3,702,726</u>	<u>72,960</u>	<u>38,142</u>	<u>227,535</u>	<u>-</u>	<u>4,041,363</u>	<u>4,107,447</u>
	<u>\$ 6,196,560</u>	<u>\$ 323,609</u>	<u>\$ 122,634</u>	<u>\$ 427,833</u>	<u>\$ 1,043,630</u>	<u>\$ 8,114,266</u>	<u>\$ 8,677,077</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 YEARS ENDED DECEMBER 31, 2005 AND 2004**

	Central Corridor	Old Town	North Main	Roosevelt	Alvin Ricken	2005	2004
<b>REVENUES</b>							
Property taxes	\$ 408,306	\$ 301,763	\$ 22,109	\$ 404,245	\$ 979,377	\$ 2,115,800	\$ 2,174,377
Interest and other	82,852	1,677	1,078	-	-	85,607	203,713
	<u>491,158</u>	<u>303,440</u>	<u>23,187</u>	<u>404,245</u>	<u>979,377</u>	<u>2,201,407</u>	<u>2,378,090</u>
<b>EXPENDITURES</b>							
Project payments	976,339	-	-	421,803	-	1,400,142	2,397,696
Project loans	-	-	-	-	-	-	419,501
Professional services	4,406	-	-	-	-	4,406	4,633
Debt services							
Principal retirement	570,000	65,000	38,000	-	-	673,000	966,000
Interest	234,117	7,747	6,861	-	-	248,725	267,641
	<u>1,786,862</u>	<u>72,747</u>	<u>44,861</u>	<u>421,803</u>	<u>-</u>	<u>2,326,273</u>	<u>4,055,471</u>
<b>EXCESS REVENUES OR (EXPENSES)</b>	(1,295,704)	230,693	(21,674)	(17,558)	979,377	(124,866)	(1,677,381)
<b>OTHER FINANCING SOURCES</b>							
Notes receivable collections	240,000	-	-	-	-	240,000	-
Transfers in (out)	1,141,789	(226,356)	(72,633)	-	(1,024,018)	(181,218)	(67,022)
	<u>1,381,789</u>	<u>(226,356)</u>	<u>(72,633)</u>	<u>-</u>	<u>(1,024,018)</u>	<u>58,782</u>	<u>(67,022)</u>
<b>NET CHANGE IN FUND BALANCE</b>	86,085	4,337	(94,307)	(17,558)	(44,641)	(66,084)	(1,744,403)
<b>BEGINNING FUND BALANCE</b>	<u>3,616,641</u>	<u>68,623</u>	<u>132,449</u>	<u>245,093</u>	<u>44,641</u>	<u>4,107,447</u>	<u>5,851,850</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 3,702,726</u>	<u>\$ 72,960</u>	<u>\$ 38,142</u>	<u>\$ 227,535</u>	<u>\$ -</u>	<u>\$ 4,041,363</u>	<u>\$ 4,107,447</u>

The accompanying notes are an integral part of these financial statements