

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

FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

**POCATELLO DEVELOPMENT AUTHORITY
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Members of Idaho Society of Certified Public Accountants
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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, 2006 and 2005, 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, 2006 and 2005, 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 31, 2007, 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.

Pocatello, Idaho
March 31, 2007

A handwritten signature in cursive script that reads "Deaton & Company". The signature is written in dark ink and is positioned to the right of the typed name and date.

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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 years ended December 31, 2006 and 2005, which collectively comprise the Pocatello Development Authority's basic financial statements and have issued our report thereon dated March 31, 2007. 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.

Pocatello, Idaho
March 31, 2007

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

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006 (PAGE 1 OF 4)**

As management of the Pocatello Development Authority, we offer readers of the Pocatello Development Authority's financial statements this narrative overview and analysis of the financial activities of the Pocatello Development Authority for the calendar year ended December 31, 2006. *All amounts, unless otherwise indicated, are expressed in dollars.*

FINANCIAL HIGHLIGHTS

Over the course of the year's operations, Pocatello Development Authority's total net assets decreased by \$971,196.

At the end of the current year, unreserved fund balance for the General Fund was \$426,614, or 463% of total general fund expenditures.

Pocatello Development Authority closed the Roosevelt District one year earlier than projections. At the end of the year there was \$196,209 in collected property taxes available for refund to the contribution taxing districts. As of the end of the year the board of directors had not yet authorized a refund.

The North Yellowstone project is finishing considerably under budget. The fiscal agents of the PDA still retain \$1,562,382.16 in bond proceeds in the construction account for this district. A determination on the disposition of these proceeds had not been made by the board as of December 31, 2006.

The Pocatello Development Authority's total debt decreased by \$705,000.00, 6%, during the year.

The Central Corridor district is on track to close in the year 2010.

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.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006 (PAGE 2 OF 4)**

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.

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.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006 (PAGE 3 OF 4)**

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

	Governmental Activities		
	2006	2005	2004
Cash	\$ 3,899,997	\$ 6,514,593	\$ 10,749,966
Other assets	6,034,867	5,110,138	5,533,344
Total assets	<u>9,934,864</u>	<u>11,624,731</u>	<u>16,283,310</u>
Long-term debt outstanding	11,867,000	11,867,000	12,572,000
Other liabilities	246,782	965,453	779,465
Total liabilities	<u>12,113,782</u>	<u>12,832,453</u>	<u>13,351,465</u>
Restricted net assets	1,862,103	1,862,102	1,847,878
Unrestricted (deficit) net assets	(4,041,021)	(3,069,825)	1,083,967
Total net assets	<u>\$ (2,178,918)</u>	<u>\$ (1,207,722)</u>	<u>\$ 2,931,845</u>

Net assets of Pocatello Development Authority's governmental activities decreased \$971,196.

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

Table A-2 - Change in net assets

	Governmental Activities		
	2006	2005	2004
Revenues	\$ 2,370,442	\$ 2,337,367	\$ 2,477,155
Expenses	<u>3,341,638</u>	<u>6,476,934</u>	<u>3,235,891</u>
Change in net assets	(971,196)	(4,139,567)	(758,736)
Beginning net assets	<u>(1,207,722)</u>	<u>2,931,845</u>	<u>3,690,581</u>
Ending net assets	<u>\$ (2,178,918)</u>	<u>\$ (1,207,722)</u>	<u>\$ 2,931,845</u>

The Pocatello Development Authority's total revenues decreased by \$33,075 and expenses decreased by \$3,135,296. The majority of the Pocatello Development Authority's revenues comes from property taxes. The majority of expenses were for project payments.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2006 (PAGE 4 OF 4)**

Governmental Activities

Fund balances in Governmental Funds decreased by \$971,196. The decrease was primarily due to project expenditures.

General Fund

Administrative expenses totaled \$17,117 in the general fund or 7% of total revenues and consisted of the following:

	General Fund		
	2006	2005	2004
Management fees	\$ 12,500	\$ 12,500	\$ 12,500
Audit	3,350	3,800	3,685
Commissioner meetings	1,237	1,531	1,053
Other expenses	30	426	78
	<u>\$ 17,117</u>	<u>\$ 18,257</u>	<u>\$ 17,316</u>

Special Revenue Funds

Administrative expenses totaled \$226,884 in the special revenue fund or 8% of total special revenue fund revenues and consisted of the following:

General Fund service charge	\$ 222,634	\$ -	\$ -
Bank charges	4,250	5,702	5,806
	<u>\$ 226,884</u>	<u>\$ 5,702</u>	<u>\$ 5,806</u>

Budgetary Highlights

The Pocatello Development Authority had \$11,867,000 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, 2006
WITH COMPARATIVE TOTAL AT DECEMBER 31, 2005

	Governmental Activities	
	2006	2005
ASSETS		
Cash and cash equivalents	\$ 3,899,997	\$ 5,071,233
Restricted cash and cash equivalents	1,443,360	1,443,360
Accrued interest	18,884	19,058
Property tax receivable	2,128,788	2,430,956
Notes receivable	1,886,868	2,096,868
Inventory	418,743	418,743
Bond issuance cost - net of amortization	138,224	144,513
Total assets	\$ 9,934,864	\$ 11,624,731
LIABILITIES		
Accounts payable	3,125	3,125
Accrued interest payable	243,657	257,328
Current portion of long-term debt	742,000	705,000
Long-term liabilities - net of current portion	11,125,000	11,867,000
Total liabilities	12,113,782	12,832,453
NET ASSETS (DEFICIT)		
Restricted for:		
Inventory	418,743	418,743
Restricted for debt service	1,443,360	1,443,360
Unrestricted	(4,041,021)	(3,069,825)
Total net assets (deficit)	(2,178,918)	(1,207,722)
Total liabilities and net assets (deficit)	\$ 9,934,864	\$ 11,624,731

POCATELLO DEVELOPMENT AUTHORITY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 2005

	Governmental Activities	
	<u>2006</u>	<u>2005</u>
EXPENSES		
Administration	\$ 1,238	\$ 13,561
Project payments	2,648,437	5,727,026
Professional services	20,131	10,320
Interest	665,544	719,215
Amortization of bond issuance costs	<u>6,288</u>	<u>6,812</u>
	3,341,638	6,476,934
REVENUES		
Property taxes	2,135,806	2,124,315
Interest and other	<u>234,636</u>	<u>213,052</u>
	2,370,442	2,337,367
NET CHANGE IN NET ASSETS	(971,196)	(4,139,567)
BEGINNING NET ASSETS	<u>(1,207,722)</u>	<u>2,931,845</u>
ENDING NET ASSETS	<u><u>\$ (2,178,918)</u></u>	<u><u>\$ (1,207,722)</u></u>

**POCATELLO DEVELOPMENT AUTHORITY
BALANCE SHEETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2006
WITH COMPARATIVE TOTAL AT DECEMBER 31, 2005**

	General Fund	Consolidated Corridor	North Yellowstone	Kress Building	Newtown	2006	2005
ASSETS							
Cash and cash equivalents	\$ 429,739	\$ 250,391	\$ -	\$ 37	\$ -	\$ 680,167	\$ 346,139
Cash with fiscal agent	-	2,250,863	2,412,327	-	-	4,663,190	6,168,454
Accrued interest	-	9,120	9,764	-	-	18,884	19,058
Property tax receivable	-	1,697,945	368,864	5,749	56,230	2,128,788	2,430,956
Notes receivable	15,000	1,871,868	-	-	-	1,886,868	2,096,868
Inventory	-	418,743	-	-	-	418,743	418,743
	<u>\$ 444,739</u>	<u>\$ 6,498,930</u>	<u>\$ 2,790,955</u>	<u>\$ 5,786</u>	<u>\$ 56,230</u>	<u>\$ 9,796,640</u>	<u>\$ 11,480,218</u>
LIABILITIES							
Accounts payable	\$ 3,125	\$ -	\$ -	\$ -	\$ -	\$ 3,125	\$ 3,125
Accrued interest payable	-	66,036	177,621	-	-	243,657	257,328
Deferred tax revenues	-	1,534,259	268,973	3,443	35,899	1,842,574	2,165,129
Deferred notes receivable revenues	15,000	1,871,868	-	-	-	1,886,868	2,096,868
	<u>18,125</u>	<u>3,472,163</u>	<u>446,594</u>	<u>3,443</u>	<u>35,899</u>	<u>3,976,224</u>	<u>4,522,450</u>
FUND BALANCES							
Reserved for:							
Inventory	-	418,743	-	-	-	418,743	418,743
Debt service	-	751,453	691,907	-	-	1,443,360	1,443,360
Unreserved							
General fund	426,614	-	-	-	-	426,614	290,346
Special revenue	-	1,856,571	1,652,454	2,343	20,331	3,531,699	4,805,318
	<u>426,614</u>	<u>3,026,767</u>	<u>2,344,361</u>	<u>2,343</u>	<u>20,331</u>	<u>5,820,416</u>	<u>6,957,767</u>
	<u>\$ 444,739</u>	<u>\$ 6,498,930</u>	<u>\$ 2,790,955</u>	<u>\$ 5,786</u>	<u>\$ 56,230</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	3,729,442	4,261,997
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	(11,867,000)	(12,572,000)
Debt issuance costs - net of amortization	138,224	144,513
	<u>(11,728,776)</u>	<u>(12,427,487)</u>
Net Assets of Governmental Activities	<u>\$ (2,178,918)</u>	<u>\$ (1,207,722)</u>

The accompanying notes are an integral part of these financial statements
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POCATELLO DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 2005

	General Fund	Consolidated Corridor	North Yellowstone	Kress Building	Newtown	2006	2005
REVENUES							
Property taxes	\$ -	\$ 2,176,486	\$ 221,681	\$ 5,308	\$ 54,886	\$ 2,458,361	\$ 2,165,485
Professional services	222,634	-	-	-	-	222,634	-
Interest and other	5,752	123,092	105,793	-	-	234,637	213,052
	<u>228,386</u>	<u>2,299,578</u>	<u>327,474</u>	<u>5,308</u>	<u>54,886</u>	<u>2,915,632</u>	<u>2,378,537</u>
EXPENDITURES							
Administration	17,117	-	-	-	-	17,117	13,561
Projects and grants	-	2,498,969	144,286	5,182	-	2,648,437	5,727,026
Project loans	75,000	-	-	-	-	75,000	15,000
Professional services	-	226,884	-	-	-	226,884	10,320
Debt services							
Principal retirement	-	705,000	-	-	-	705,000	673,000
Interest	-	212,220	453,325	-	-	665,545	719,215
	<u>92,117</u>	<u>3,643,073</u>	<u>597,611</u>	<u>5,182</u>	<u>-</u>	<u>4,337,983</u>	<u>7,158,122</u>
EXCESS REVENUES OR (EXPENDITURES)	136,268	(1,343,495)	(270,136)	126	54,886	(1,422,352)	(4,779,585)
OTHER FINANCING SOURCES							
Notes receivable collections	-	285,000	-	-	-	285,000	240,000
Transfers in (out)	-	56,290	-	-	(56,290)	-	-
	<u>-</u>	<u>341,290</u>	<u>-</u>	<u>-</u>	<u>(56,290)</u>	<u>285,000</u>	<u>240,000</u>
NET CHANGE IN FUND BALANCE	136,268	(1,002,205)	(270,136)	126	(1,404)	(1,137,352)	(4,539,585)
BEGINNING FUND BALANCE	290,346	4,028,972	2,614,496	2,217	21,736		6,957,767
ENDING FUND BALANCE	<u>\$ 426,614</u>	<u>\$ 3,026,767</u>	<u>\$ 2,344,359</u>	<u>\$ 2,343</u>	<u>\$ 20,332</u>		5,820,415

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.

(322,556) (41,171)

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

(285,000) (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

Amortization of bond issuance costs

(6,288) (6,812)
(6,288) (6,812)

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

705,000 673,000

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

75,000 15,000

Change in Net Assets of Governmental Activities

\$ (971,196) \$ (4,139,568)

POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (PAGE 13 OF 26)

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.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (PAGE 14 OF 26)**

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 related 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.

POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (PAGE 15 OF 26)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

D. Basis of Accounting (Continued)

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.

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.

POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (PAGE 16 OF 26)

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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 and investments at yearend consist of the following:

Deposits	
Cash in bank	\$ 680,167
Cash in fiscal agent	4,663,190
	<u>\$ 5,343,357</u>

Deposits are disclosed as follows:

Cash and cash equivalents	\$ 3,899,997
Restricted cash	1,443,360
	<u>\$ 5,343,357</u>

PDA has no investments

Deposits - Custodial Credit Risk for deposits is the risk that, in the event of bank failure, the government's deposits may not be returned to it. At year-end, the Authority's carrying amount (reconciled balance reported in the financial statements) of deposits was \$5,343,356 and the bank balance (balance per bank statements) was \$5,343,356. 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.

Deposits and Investment transactions are subject to a variety of risks.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the value of an investment.

Credit Risk is the risk that an issuer or a counter party to an investment will not fulfill its obligations.

Concentration of Credit Risk is the risk of loss attributed to the magnitude of an investment in a single issuer. The Authority has a concentration risk of \$5,243,356 due to all deposits held within one issuer.

POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (PAGE 17 OF 26)

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 ten years from the date of the loan at zero percent interest. The loan is due June 11, 2012.

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 corporation's business park or by December 16, 2009, whichever occurs first. \$3,132 was paid on this note in the current year leaving a balance of \$196,868.

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).

The Consolidated Corridor Fund has loaned \$75,000 to a local corporation, at zero percent interest. The terms of the agreement require payment within one year from the date of the loan (August 16, 2006) unless certain employment goals are met. If so, the loan is forgiven.

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.

POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (PAGE 18 OF 26)

NOTE 5 - Property Tax Receivable and Deferred Property Taxes

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

	<u>Receivables</u>	<u>Deferred Tax</u>
Kress Building	\$ 5,749	\$ 3,443
Newtown	56,230	35,899
North Yellowstone	368,864	268,973
Consolidated Corridor Districts		
Central Corridor	499,215	376,921
North Main	56,817	20,525
Old Town	308,561	303,461
Alvin Ricken Drive	833,352	833,352
	<u>1,697,946</u>	<u>1,534,258</u>
	<u>\$ 2,128,789</u>	<u>\$ 1,842,574</u>

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>Old town 1997 - 5.15%</u>		<u>North Yellowstone 2004 - 5.50% to 6.00%</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 75,000	\$ 1,931	\$ -	\$ 453,325
2008	-	-	-	453,325
2009	-	-	125,000	453,325
2010	-	-	235,000	446,450
2011-2015	-	-	1,375,000	2,024,625
2016-2020	-	-	1,800,000	1,597,000
2021-2025	-	-	2,405,000	994,800
2026-2028	-	-	1,815,000	222,000
	<u>\$ 75,000</u>	<u>\$ 1,931</u>	<u>\$ 7,755,000</u>	<u>\$ 6,644,850</u>

<u>Year</u>	<u>North Main District 1997 - 5.50%</u>		<u>Central Corridor 2001 - 4.75% to 5.15%</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 72,000	\$ 1,980	\$ 595,000	\$ 185,861
2008	-	-	780,000	151,635
2009	-	-	820,000	111,430
2010	-	-	860,000	68,795
2011-2014	-	-	910,000	23,433
	<u>\$ 72,000</u>	<u>\$ 1,980</u>	<u>\$ 3,965,000</u>	<u>\$ 541,154</u>

POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (PAGE 19 OF 26)

NOTE 6 - Long-term Debt (Continued)

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	145,000	-	70,000	75,000
North Main Bond	112,000	-	40,000	72,000
Central Corridor Bond	4,560,000	-	595,000	3,965,000
	<u>\$ 12,572,000</u>	<u>\$ -</u>	<u>\$ 705,000</u>	<u>\$ 11,867,000</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.

NOTE 8 - Expenditures over Budget

Expenditures in excess of budget were as follows:

North Yellowstone \$ 111,549

The overage in North Yellowstone District was the result of underestimate tax revenue at the beginning year. Tax revenues received and remitted to the fiscal agent were \$111,549 over budget.

POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS (PAGE 20 OF 26)

NOTE 9 - Prior period restatement

A material misstatement of the property taxes receivable, deferred property tax revenue for the year ended December 31, 2005 has required the restatement of the financial totals of the 2005 financial statements. The results of this restatement are as follows:

	<u>Restatement Amount</u>	<u>End 2005</u>	<u>Restated 2005</u>
Statement of net Assets			
Property tax receivable	110,542	2,320,413	2,430,956
Total Assets	<u>\$ 110,542</u>	<u>\$ 2,320,413</u>	<u>\$ 2,430,956</u>
Net Assets (Deficit)			
Unrestricted net assets	110,542	(3,180,368)	(3,069,826)
Total net assets	<u>\$ 110,542</u>	<u>\$ (3,180,368)</u>	<u>\$ (3,069,826)</u>
	<u>Restatement Amount</u>	<u>Ending 2005</u>	<u>Restated 2005</u>
Statement of Activities			
Expenses	\$ -	\$ 6,476,934	\$ 6,476,934
Revenues			
Property Tax revenue	\$ (110,542)	\$ 2,124,314	\$ 2,013,772
Total revenue	<u>\$ (110,542)</u>	<u>\$ 2,337,366</u>	<u>\$ 2,226,824</u>
Change in net assets	<u>\$ (110,542)</u>	<u>\$ (4,139,568)</u>	<u>\$ (4,250,110)</u>

NOTE 10 - 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, 2006**

	Budget Amounts	Actual Amounts	Variance
REVENUES			
GENERAL FUND			
Board Discretionary	\$ 237,484	\$ 222,634	\$ (14,850)
Interest	3,600	5,752	2,152
	<u>241,084</u>	<u>228,385</u>	<u>(12,699)</u>
SPECIAL REVENUES FUNDS			
North Yellowstone	93,319	282,264	188,945
Kress Building	5,182	5,308	126
Newtown	56,283	54,886	(1,397)
Consolidated Corridor			
Central Corridor	396,059	299,034	(97,025)
Old Town	260,886	350,332	89,446
North Main	84,698	233,150	148,451
Roosevelt	378,493	201,796	(176,696)
Alvin Ricken Drive	1,043,630	1,031,419	(12,211)
Subtotal Consolidated Corridor	<u>2,163,766</u>	<u>2,115,730</u>	<u>(48,036)</u>
Subtotal Special Revenue Funds	<u>2,318,550</u>	<u>2,458,188</u>	<u>139,638</u>
Total Revenue All Funds	2,559,634	2,686,573	126,939
EXPENDITURES			
GENERAL FUND			
Administration	17,800	17,117	683
Board Discretionary	315,000	160,000	155,000
	<u>332,800</u>	<u>177,117</u>	<u>155,683</u>
SPECIAL REVENUES			
North Yellowstone	93,319	204,869	(111,549)
Kress Building	5,182	5,182	(0)
Newtown	56,283	56,290	(7)
Consolidated Corridor			
Central Corridor	396,059	493,009	(96,950)
Old Town	260,886	270,981	(10,095)
North Main	84,698	104,700	(20,002)
Roosevelt	392,337	233,122	159,216
Alvin Ricken Drive	1,043,630	1,031,419	12,211
Subtotal Consolidated Corridor	<u>2,177,610</u>	<u>2,133,230</u>	<u>44,381</u>
Subtotal Special Revenue Funds	<u>2,332,395</u>	<u>2,399,571</u>	<u>(67,176)</u>
Total Expenditures All Funds	2,665,195	2,576,688	88,506
EXCESS REVENUES OR (EXPENDITURES)	(105,561)	109,885	215,445

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. Pocatello Development Authority does not budget for investment income on funds held in trust by its fiscal agent nor does it budget for investment income receivable or repayments on outstanding loans.

Budgeted expenditures consist of the amounts anticipated for project expenditures and administrative expenditures and the amounts transferred to the fiscal agent for debt service and reserves. Pocatello Development Authority does not budget for debt service paid from the funds held in trust by its fiscal agent nor does it budget for unanticipated loans or grants that might be made in a given year.

The reconciliation between PDA's budget and a GAAP budget follows:

	<u>Budget</u>	<u>Actual</u>
Budgeted revenues	\$ 2,559,634	\$ 2,686,573
Modified GAAP adjustments		
Principal on loans received	285,000	285,000
Interest earned on trust accounts held by fiscal agent	<u>229,059</u>	<u>229,059</u>
Modified GAAP budgeted revenues	\$ <u>3,073,693</u>	\$ <u>3,200,632</u>
 Budgeted Expenditures	 \$ 4,290,318	 \$ 2,576,688
Modified GAAP adjustments		
Principal paid on debt by trust funds	705,000	705,000
Interest paid on debt by trust funds	665,545	665,545
Grants made	386,500	386,500
Trustee expenses	<u>4,250</u>	<u>4,250</u>
Modified GAAP budgeted expenditures	\$ <u>6,051,613</u>	\$ <u>4,337,983</u>

SUPPLEMENTARY INFORMATION

**POCATELLO DEVELOPMENT AUTHORITY
COMBINING BALANCE SHEETS
CONSOLIDATED CORRIDOR DISTRICTS
DECEMBER 31, 2006
WITH COMPARATIVE TOTAL AT DECEMBER 31, 2005**

	Central Corridor	Old Town	North Main	Roosevelt	Alvin Ricken	2006	2005
ASSETS							
Cash and cash equivalents	\$ 1,286	\$ 4,213	\$ 48,683	\$ 196,209	\$ -	\$ 250,391	\$ 52,631
Cash with fiscal agent	2,152,967	59,930	37,966	-	-	2,250,863	3,384,603
Accrued interest	8,715	248	157	-	-	9,120	10,792
Property tax receivable	499,215	308,561	56,817	-	833,352	1,697,945	2,247,768
Notes receivable	1,871,868	-	-	-	-	1,871,868	2,081,868
Land	418,743	-	-	-	-	418,743	418,743
Total assets	<u>\$ 4,952,794</u>	<u>\$ 372,952</u>	<u>\$ 143,623</u>	<u>\$ 196,209</u>	<u>\$ 833,352</u>	<u>\$ 6,498,930</u>	<u>\$ 8,196,405</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	63,777	1,609	650	-	-	66,036	79,708
Deferred tax revenue	376,921	303,461	20,525	-	833,352	1,534,259	2,005,857
Deferred notes receivable revenue	1,871,868	-	-	-	-	1,871,868	2,081,868
Total liabilities	2,312,566	305,070	21,175	-	833,352	3,472,163	4,167,433
FUND BALANCES							
Reserves for:							
Inventory	418,743	-	-	-	-	418,743	418,743
Debt service	655,453	58,500	37,500	-	-	751,453	751,453
Unreserved	1,566,032	9,382	84,948	196,209	-	1,856,571	2,858,776
Total fund balances	<u>2,640,228</u>	<u>67,882</u>	<u>122,448</u>	<u>196,209</u>	<u>-</u>	<u>3,026,767</u>	<u>4,028,972</u>
Total liabilities and fund balance	<u>\$ 4,952,794</u>	<u>\$ 372,952</u>	<u>\$ 143,623</u>	<u>\$ 196,209</u>	<u>\$ 833,352</u>	<u>\$ 6,498,930</u>	<u>\$ 8,196,405</u>

The accompanying notes are an integral part of these financial statements
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POCATELLO DEVELOPMENT AUTHORITY
COMBINING STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
CONSOLIDATED CORRIDOR DISTRICTS
FOR THE YEAR ENDED DECEMBER 31, 2006
WITH COMPARATIVE TOTAL FOR THE YEAR ENDED DECEMBER 31, 2005

	Central Corridor	Old Town	North Main	Roosevelt	Alvin Ricken	2006	2005
REVENUES							
Property taxes	\$ 464,447	\$ 289,148	\$ 189,676	\$ 201,796	\$ 1,031,419	\$ 2,176,486	\$ 2,103,410
Interest and other	118,556	2,763	1,773	-	-	123,092	85,607
	<u>583,003</u>	<u>291,911</u>	<u>191,449</u>	<u>201,796</u>	<u>1,031,419</u>	<u>2,299,578</u>	<u>2,189,017</u>
EXPENDITURES							
Project payments	2,101,981	-	-	10,488	-	2,112,469	1,400,142
Project grants	386,500	-	-	-	-	386,500	-
Professional services	3,250	1,000	-	222,634	-	226,884	4,406
Loan made	-	-	-	-	-	-	-
Debt services							
Principal retirement	595,000	70,000	40,000	-	-	705,000	673,000
Interest	203,358	4,164	4,698	-	-	212,220	248,725
	<u>3,290,089</u>	<u>75,164</u>	<u>44,698</u>	<u>233,122</u>	<u>-</u>	<u>3,643,073</u>	<u>2,326,273</u>
EXCESS REVENUES OR	(2,707,086)	216,747	146,751	(31,326)	1,031,419	(1,343,495)	(137,256)
OTHER FINANCING SOURCES							
Notes receivable collections	285,000	-	-	-	-	285,000	240,000
Transfers in (out)	1,358,732	(209,797)	(61,226)	-	(1,031,419)	56,290	(181,218)
	<u>1,643,732</u>	<u>(209,797)</u>	<u>(61,226)</u>	<u>-</u>	<u>(1,031,419)</u>	<u>341,290</u>	<u>58,782</u>
NET CHANGE IN FUND BALANCE	(1,063,354)	6,950	85,525	(31,326)	-	(1,002,205)	(78,474)
BEGINNING FUND BALANCE	<u>3,703,581</u>	<u>60,932</u>	<u>36,925</u>	<u>227,534</u>	<u>-</u>	<u>4,028,972</u>	<u>4,107,446</u>
ENDING FUND BALANCE	<u>\$ 2,640,227</u>	<u>\$ 67,882</u>	<u>\$ 122,450</u>	<u>\$ 196,208</u>	<u>\$ -</u>	<u>\$ 3,026,767</u>	<u>\$ 4,028,972</u>

The accompanying notes are an integral part of these financial statements