

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**AND THE NINE MONTH PERIOD ENDED DECEMBER 31, 2007**

**POCATELLO DEVELOPMENT AUTHORITY  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS**

|   | <u>Page</u> |
|---|-------------|
| <b>INTRODUCTORY SECTION:</b>  |             |
| Letter of Transmittal   | 3-5         |
| List of Principal Officials   | 6           |
| Organization Chart  | 7           |
| <b>AUDITOR'S REPORTS</b>  |             |
| Independent auditor's report  | 8-9         |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>   | 10-13       |
| <b>FINANCIAL STATEMENTS</b>   |             |
| Government Wide   |             |
| Statements of net assets  | 14          |
| Statements of activities  | 15          |
| Governmental Funds  |             |
| Balance sheets  | 16          |
| Statements of revenues, expenditures, and changes in fund balances  | 17          |
| <b>NOTES TO FINANCIAL STATEMENTS</b>  | 18-25       |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>   | 26          |
| Statement of revenues and expenditures - budget to actual   | 27          |
| Notes to the statement of revenues and expenditures - budget to actual  | 28          |
| <b>REPORTS REQUIRED BY GENERALLY ACCEPTED GOVERNMENT<br/>AUDITING STANDARDS</b>   |             |
| Report on Compliance and on Internal Control Over Financial Reporting<br>Based on an Audit of Financial Statements Performed in Accordance<br>With <i>Government Auditing Standards</i> | 29-30       |

## **To the Board of Commissioners, and Citizens of the City of Pocatello**

Idaho State Law requires that all development authorities submit audited financial statement to the entity that sponsored their corporate existence. For the Pocatello Development Authority this entity is the City of Pocatello. The statements must be presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. GAAP also mandates that development authorities are component units of their enabling entity and their balances and results of operations are reported in the enabling units financial statements. To this end, we hereby issue the comprehensive annual financial report for the Pocatello Development Authority for the fiscal year ended September 30, 2008

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that has been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free from any material misstatement.

Deaton & Company, Chartered, a firm of licensed certified public accountants have issued an unqualified ("clean") opinion on the Pocatello Development Authority's financial statements for the year ended September 30, 2008. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complement this letter of transmittal and should be read in conjunction with it.

### **Profile of the Pocatello Development Authority**

The Pocatello Development Authority was created by the City of Pocatello in 1988 pursuant to resolution 1988-13 in accordance with the Urban Renewal law of 1965 and the Local Economic Development Act. The Authority acts as an arm of the Idaho State government, entirely separate and distinct from the City of Pocatello, as provided in Idaho Code Section 50-2006

The purpose of the Pocatello Development Authority is to undertake urban renewal projects in areas designated by the City of Pocatello to be deteriorating and to undertake this rehabilitation, conservation, redevelopment, or a combination thereof of such area, or areas, in the interest of the public health, safety, morals or welfare of the residents of the City of Pocatello. The Authority shall afford maximum opportunity, consistent with the needs of the City of Pocatello as a whole, to the rehabilitation or redevelopment of the urban renewal areas by private enterprise.

The Board of Commissioner of the Pocatello Development Authority consists of nine members. Membership is constituted as follows: one member of the Pocatello City Council; one member of the Board of County Commissioners (or their designee); the Mayor of the City of Pocatello; one member with financial expertise such as accounting, banking or lending-institution experience; one member from the education community, and four other members from the citizenry at large. Each commissioner shall serve a four (4) year term. Commissioners may serve up to two (2) consecutive terms or eight (8) years. Terms are staggered in such a fashion that no more than two expire in any given year.

The Board of Commissioners shall elect the Chairman, Vice-Chairman, Secretary, Treasurer from the ranks of the commission for a term of one year. Elections are at the regular meeting in October.

The Chairman of the Board is chief presiding officer of the Pocatello Development Authority. The Chairman executes all deeds, bonds, contracts and other legal documents authorized by the Board. Some of the Chairman's duties may be delegated by the Board to the Executive Director of the Authority.

## **How Pocatello Development Authority works?**

Under Idaho Code Section 50-2006, the Pocatello Development Authority works with the City of Pocatello, the Bannock Development Authority and the private sector to remedy blighted urban areas within the city. Pocatello Development Authority provides the funding for these efforts.

The City of Pocatello is responsible for determining which areas of the City qualify under urban renewal law to be categorized as blighted. The City then recruits businesses or works with other recruiting efforts of the Bannock County Development Authority to get businesses to move into these blighted areas.

Businesses that are interested in moving are looking for a site that makes business sense and in some instances will consider moving if there is financial aid with infrastructure in site development or construction costs. This is where the City steps in again, through the use of Tax Increment Financing Districts.

Tax increment financing is a mechanism that allows for funding of urban renewal projects. When the City establishes a tax increment financing (tif) district the value on the property in the district is frozen. The property taxes collected on the frozen or base value still goes to the various taxing entities but the property taxes paid on the increased valuation goes to the Pocatello Development Authority. Here is where the Authority helps with the renewal process. It has the authority to issue bonded debt to provide funding for the infrastructure or site development needed to allow the business to build in the district. Once the business has moved in the property taxes collected on the increased valuation is "stripped" from collections and sent to the Authority to pay the debt. When the debt is paid the district is closed.

## **How has Pocatello Development Authority done?**

Since 1988 the Pocatello Development Authority has been involved with twelve (12) tif districts. One half of the districts (6) have completed their mission and been dissolved. These include the Domsea District, Gateway District, New Town District, Kress District, Varsity Square District, and the Roosevelt District.

All of the dissolved districts, with the exception of the Domsea District, were successful in that the increase in valuation due to improvements allowed for the payment of the bonds issued to finance the improvements. The property taxes being paid due to the increased valuation is now going to the other taxing districts in the area and lowering the tax levie to other property tax payers. The Domsea district was the first district the City established and the increased valuation was based on personal property not real property. The City put in new sewer lines and was relying property taxes paid on the increase valuation to reimburse itself. The business went bust, the personal property disappeared and the City absorbed the cost of the new sewer line.

All of the disolved districts financed construction of infrastructure including, sidewalks, curb gutter, sewer upgrades, and/or waterline upgrades except the Kress District which provided low income rental housing through remodeling of an existing building. The increase in valuation accomplished by the effective use of these tif districts is in excess of \$26 million.

The remaining six districts are the Central Corridor District, which includes the New Town, Alvin Ricken, Old Town and North Main Districts, the North Yellowstone District and the Naval Ordinance Plant District.

The Central Corridor District which absorbed New Town, Alvin Ricken, Old Town and North Main Districts was scheduled to dissolve in 2010 but the City of Pocatello extended its economic life by one year. The projects completed in this extensive district include the Downtown Reinvestment Phase 1 and Phase 11 which installed new stormsewer, streets and lighting in the downtown area, the Halliday storm sewer flood control project, AMI engineering building, triangle area parcel consolidation and debris removal, and the Clark Street Overpass match. Current project are the triangle construction and the Whitmen Hotel renovation. The South Valley Connector is the remaining large project.

The North Yellowstone District provided \$6 million in funding to renovate an area which now houses several new businesses include Lowes, Costco, Bed, Bath and Beyond and by estimates will generate enough property tax revenue to allow the Authority to retire its debt early.

The Naval Ordinance District is just coming on line. A new company at the site is intent on purchasing the old Naval Ordinance plant from its current owner and doing some major renovations. Current economic conditions have stalled the purchase however, but the valuation has increased \$3 million with current renovations.

#### **What is in Pocatello Development Authority's future?**

There are two other districts that have been established by the City of Pocatello but have had no activity as yet. They are the North Portneuf District and the East Center District.

The North Portneuf District site is in north west Pocatello in a 9 acre area along the Portneuf river. The Hoku company is installing a \$244 million polysilicone plant. Construction is in progress but on site valuation has not increased enough to attempt to float a planned \$9.5 million bond issue to build a road along the site and an overpass over the Union Pacific railroad lines.

The East Center District was designed to support a major medical treatment project at the current east campus of the Portneuf Medical Center. The privatization of the Medical Center will generate a large value increment but no projects have been approved for the site and it may be closed.

#### **Acknowledgments**

The Board of Directors of the Pocatello Development Authority would like to acknowledge the efforts of Gynii Gilliam, Bannock County Development Authority and Robert Chambers, City of Pocatello in bringing interested businesses to the Pocatello area. We would also like to thank the talented staff of the City of Pocatello for their assistance and advice.

Respectfully submitted February 23, 2009



Steve Brown  
Chairman, Pocatello Development Authority

**POCATELLO DEVELOPMENT AUTHORITY  
LIST OF OFFICIALS**

Steve Brown, Chairman of the Board

Terry Brower, Vice Chairperson of the Board

Ryan Ward, Treasurer

Roger Chase, Mayor of Pocatello, Board member

Larry Ghan, Bannock County Commissioner, Board member

Gary Moore, City Council Member, Board member

Ken Monroe, Board member

Cynthia Hill, Board member

Darsi Johnson, Board member

**LIST OF EX-OFFICIO ADVISORS**

Darcy Taylor, City of Pocatello, Secretary

Dean Tranmer, City of Pocatello, Legal Council

Robert Chambers, City of Pocatello, Acting Executive Director

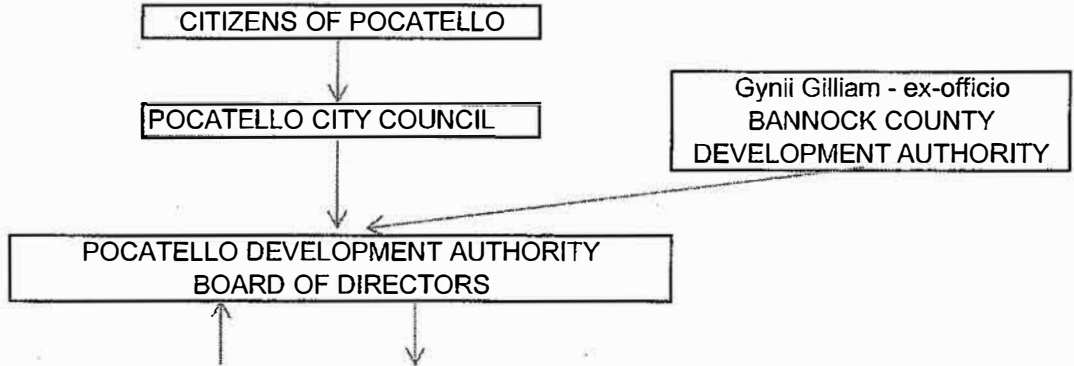
David Swindell, City of Pocatello, Budget and Financial Advisor

Jerry Higgins, City of Pocatello, Treasury Functions and Reporting

Gynii Gilliam, Bannock Development Authority, ex-officio member

Jesse Schuerman, City of Pocatello, Project Engineer

**POCATELLO DEVELOPMENT AUTHORITY  
ORGANIZATION CHART**



**City of Pocatello, Advisory Staff:**

Robert Chambers, Community Development Director, Acting Executive Director  
Dean Tranmer, Attorney, legal council  
Darcy Taylor, Paralegal, Secretary  
Jesse Schuerman, Engineer, Project Engineering  
David Swindell, Chief Financial Officer, Budget and Financial Advisor  
Jerry Higgins, Treasurer, Treasury Functions and Reporting

**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 Pocatello Development Authority, as of and for the years ended September 30, 2008 and 2007, 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. 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 September 30, 2008 and 2007, and the respective changes in financial position 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 February 23, 2009, on our consideration of the Pocatello Development Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 10 through 13 and 26 through 28, 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 audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pocatello Development Authority's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements 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. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



Pocatello, Idaho  
February 23, 2009

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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 nine month period ended September 30, 2008. Last year the board decided to change its year end from December to September which is the fiscal year end of the City of Pocatello. The decision was made to make the results of operation comparable. Reader should understand that last year amounts for revenues and expenses are not based on a 12 month operation. *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 \$5,897.

At the end of the current year, unreserved fund balance for the General Fund was \$345,717, or 47% of total general fund expenditures.

A property tax payer in the Consolidated Central Corridor was awarded an appeal on its personal property assessment. As a result \$433,786 in collected property taxes were refunded to the tax payer. During the year the Board of Commissioners voted to extend the life of the Consolidated Central Corridor by one year. The district is now slated to expire at the end of the 2011 fiscal year.

The North Yellowstone District's economic viability has been insured during the year with the arrival of Costco, a large discount shopping center. The assessed valuation of the new businesses located in the district will provide a stream of property tax revenue which will allow the authority to pay the districts bonded debt off early.

The Pocatello Development Authority's total debt decreased by \$780,000, 7%, during the year.

**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.

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Government-wide Statements - Continued**

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.

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.

**FINANCIAL ANALYSIS OF POCATELLO DEVELOPMENT AUTHORITY**

**Government-wide Financial Statements**

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

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

Table A-1 - Net assets

|                                   | Governmental Activities      |                              |                              |                              |                            |
|-----------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|
|                                   | 2008                         | 2007                         | 2006                         | 2005                         | 2004                       |
| Cash                              | \$ 4,743,481                 | \$ 5,211,034                 | \$ 5,343,357                 | \$ 6,514,593                 | \$ 10,749,966              |
| Other assets                      | 2,074,810                    | 2,396,349                    | 4,591,507                    | 5,110,138                    | 5,533,344                  |
| Total assets                      | <u>6,818,291</u>             | <u>7,607,383</u>             | <u>9,934,864</u>             | <u>11,624,731</u>            | <u>16,283,310</u>          |
| Long-term debt outstanding        | 9,400,000                    | 10,345,000                   | 11,125,000                   | 11,867,000                   | 12,572,000                 |
| Other liabilities                 | 1,025,506                    | 863,701                      | 988,782                      | 965,453                      | 779,465                    |
| Total liabilities                 | <u>10,425,506</u>            | <u>11,208,701</u>            | <u>12,113,782</u>            | <u>12,832,453</u>            | <u>13,351,465</u>          |
| Restricted net assets             | 1,332,788                    | 1,641,032                    | 1,862,103                    | 1,862,102                    | 1,847,878                  |
| Unrestricted (deficit) net assets | <u>(4,940,003)</u>           | <u>(5,242,350)</u>           | <u>(4,041,021)</u>           | <u>(3,069,824)</u>           | <u>1,083,967</u>           |
| Total net assets                  | <u><u>\$ (3,607,215)</u></u> | <u><u>\$ (3,601,318)</u></u> | <u><u>\$ (2,178,918)</u></u> | <u><u>\$ (1,207,722)</u></u> | <u><u>\$ 2,931,845</u></u> |

Net assets of Pocatello Development Authority's governmental activities decreased \$5,897.

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

Table A-2 - Change in net assets

|                      | Governmental Activities      |                              |                              |                              |                            |
|----------------------|------------------------------|------------------------------|------------------------------|------------------------------|----------------------------|
|                      | 2008                         | 2007                         | 2006                         | 2005                         | 2004                       |
| Revenues             | \$ 2,592,884                 | \$ 123,382                   | \$ 2,370,442                 | \$ 2,337,367                 | \$ 2,477,155               |
| Expenses             | <u>2,598,781</u>             | <u>1,545,782</u>             | <u>3,341,638</u>             | <u>6,476,934</u>             | <u>3,235,891</u>           |
| Change in net assets | (5,897)                      | (1,422,400)                  | (971,196)                    | (4,139,567)                  | (758,736)                  |
| Beginning net assets | <u>\$ (3,601,318)</u>        | <u>(2,178,918)</u>           | <u>(1,207,722)</u>           | <u>2,931,845</u>             | <u>3,690,581</u>           |
| Ending net assets    | <u><u>\$ (3,607,215)</u></u> | <u><u>\$ (3,601,318)</u></u> | <u><u>\$ (2,178,918)</u></u> | <u><u>\$ (1,207,722)</u></u> | <u><u>\$ 2,931,845</u></u> |

The Pocatello Development Authority's total revenues increased by \$222,442 over 2006 operations which was the latest full year reported and expenses decreased by \$742,857. The majority of the Pocatello Development Authority's revenues comes from property taxes. The majority of expenses were for project payments (\$1,494,858).

**Governmental Activities**

Fund balances in Governmental Funds decreased by \$5,897. The decrease was primarily due to project expenditures.

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2008**

**Governmental Activities - Continued**

General Fund

Administrative expenses totaled \$15,590 in the general fund or 38% of total revenues and consisted of the following:

|                       | General Fund     |                  |                  |                  |                  |
|-----------------------|------------------|------------------|------------------|------------------|------------------|
|                       | <u>2008</u>      | <u>2007</u>      | <u>2006</u>      | <u>2005</u>      | <u>2004</u>      |
| Management fees       | \$ 6,250         | \$ 9,375         | \$ 12,500        | \$ 12,500        | \$ 12,500        |
| Audit                 | 3,500            | 3,500            | 3,350            | 3,800            | 3,685            |
| Commissioner meetings | 946              | 995              | 1,237            | 1,531            | 1,053            |
| Arbitrage report fees | 4,160            | -                | -                | -                | -                |
| Other expenses        | 734              | 570              | 30               | 426              | 78               |
|                       | <u>\$ 15,590</u> | <u>\$ 14,440</u> | <u>\$ 17,117</u> | <u>\$ 18,257</u> | <u>\$ 17,316</u> |

Special Revenue Funds

Administrative expenses totaled \$43,367 in the special revenue fund or 1% of total special revenue fund revenues and consisted of the following:

|                             | Special Revenue Funds |                 |                   |                 |                 |
|-----------------------------|-----------------------|-----------------|-------------------|-----------------|-----------------|
|                             | <u>2008</u>           | <u>2007</u>     | <u>2006</u>       | <u>2005</u>     | <u>2004</u>     |
| General Fund service charge | \$ 36,036             | \$ -            | \$ 222,634        | \$ -            | \$ -            |
| Arbitrage report fees       | 4,602                 |                 |                   |                 |                 |
| Bank charges                | 2,729                 | 3,000           | 4,250             | 5,702           | 5,806           |
|                             | <u>\$ 43,367</u>      | <u>\$ 3,000</u> | <u>\$ 226,884</u> | <u>\$ 5,702</u> | <u>\$ 5,806</u> |

**Budgetary Highlights**

The 2008 budget was amended in August, 2008. The General Fund's budget was increased by \$281,500 to cover unanticipated construction costs. The Central Corridor Districts budget was increase by \$433,786 to cover a refund of property taxes collected in the prior year that was unanticipated. Actual revenue exceed budgeted revenues by \$356,756. Actual expenditures were under budgeted expenditures by \$1,265,866.

The Pocatello Development Authority had \$10,345,000 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, 911 North 7th Avenue, Pocatello, Idaho 83201.

**POCATELLO DEVELOPMENT AUTHORITY**  
**STATEMENTS OF NET ASSETS**  
**SEPTEMBER 30, 2008**  
**WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2007**

|  | <b>Governmental Activities</b> |                       |
|--|--------------------------------|-----------------------|
|  | <u>2008</u>                    | <u>2007</u>           |
| <b>ASSETS</b>                                  |                                |                       |
| Cash and cash equivalents                      | \$ 276,046                     | \$ 3,876,607          |
| Restricted cash and cash equivalents           | 4,467,435                      | 1,334,427             |
| Accrued interest                               | 4,662                          | 13,642                |
| Property tax receivable                        | 71,059                         | 55,725                |
| Notes receivable                               | 1,871,868                      | 1,886,868             |
| Inventory                                      | -                              | 306,605               |
| Bond issuance cost - net of amortization       | 127,221                        | 133,509               |
|  | <u>6,818,291</u>               | <u>7,607,383</u>      |
| Total assets                                   |                                |                       |
| <b>LIABILITIES</b>                             |                                |                       |
| Accounts payable                               | -                              | 3,126                 |
| Accrued interest payable                       | 80,506                         | 80,575                |
| Current portion of long-term debt              | 945,000                        | 780,000               |
| Long-term liabilities - net of current portion | 9,400,000                      | 10,345,000            |
|  | <u>10,425,506</u>              | <u>11,208,701</u>     |
| Total liabilities                              |                                |                       |
| <b>NET ASSETS (DEFICIT)</b>                    |                                |                       |
| Restricted for:                                |                                |                       |
| Inventory                                      | -                              | 306,605               |
| Restricted for debt service                    | 1,332,788                      | 1,334,427             |
| Unrestricted                                   | (4,940,003)                    | (5,242,350)           |
|  | <u>(3,607,215)</u>             | <u>(5,242,350)</u>    |
| Total net assets (deficit)                     | <u>\$ (3,607,215)</u>          | <u>\$ (3,601,318)</u> |

The accompanying notes are an integral part of these financial statements

**POCATELLO DEVELOPMENT AUTHORITY**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**WITH COMPARATIVE TOTAL FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007**

|                                     | <b>Governmental Activities</b> |                |
|-------------------------------------|--------------------------------|----------------|
|                                     | 2008                           | 2007           |
| <b>EXPENSES</b>                     |                                |                |
| Administration                      | \$ 51,856                      | \$ 14,440      |
| Project payments                    | 1,494,858                      | 847,404        |
| Professional services               | 7,102                          | 3,000          |
| Collection refunded                 | 433,786                        | 196,208        |
| Interest                            | 604,891                        | 480,014        |
| Amortization of bond issuance costs | 6,288                          | 4,716          |
|                                     | 2,598,780                      | 1,545,782      |
| <br><b>REVENUES</b>                 |                                |                |
| Property taxes                      | 2,454,390                      | 70,286         |
| Interest and other                  | 138,494                        | 53,096         |
|                                     | 2,592,884                      | 123,382        |
| <br><b>NET CHANGE IN NET ASSETS</b> | (5,897)                        | (1,422,400)    |
| <br><b>BEGINNING NET ASSETS</b>     | (3,601,318)                    | (2,178,918)    |
| <br><b>ENDING NET ASSETS</b>        | \$ (3,607,215)                 | \$ (3,601,318) |

The accompanying notes are an integral part of these financial statements

**POCATELLO DEVELOPMENT AUTHORITY  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2008  
WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2007**

|                                    | General<br>Fund     | Consolidated<br>Corridor | North<br>Yellowstone | Naval<br>Ordinance<br>Plant | 2008                | 2007                |
|------------------------------------|---------------------|--------------------------|----------------------|-----------------------------|---------------------|---------------------|
| <b>ASSETS</b>                      |                     |                          |                      |                             |                     |                     |
| Cash and cash equivalents          | \$ 270,785          | \$ -                     | \$ -                 | \$ 5,261                    | \$ 276,046          | \$ 1,051,816        |
| Cash with fiscal agent             | -                   | 3,097,532                | 1,369,903            | -                           | 4,467,435           | 4,159,218           |
| Accrued interest                   | -                   | 3,473                    | 1,190                | -                           | 4,663               | 13,641              |
| Property tax receivable            | -                   | 71,059                   | -                    | -                           | 71,059              | 55,726              |
| Notes receivable                   | -                   | 1,871,868                | -                    | -                           | 1,871,868           | 1,886,868           |
| Due from other funds               | 765,446             | -                        | -                    | -                           | 765,446             | -                   |
| Inventory                          | -                   | -                        | -                    | -                           | -                   | 306,605             |
|                                    | <u>\$ 1,036,231</u> | <u>\$ 5,043,932</u>      | <u>\$ 1,371,093</u>  | <u>\$ 5,261</u>             | <u>\$ 7,456,517</u> | <u>\$ 7,473,874</u> |
| <b>LIABILITIES</b>                 |                     |                          |                      |                             |                     |                     |
| Accounts payable                   | \$ -                | \$ -                     | \$ -                 | \$ -                        | \$ -                | \$ 3,125            |
| Due to other funds                 | -                   | 49,020                   | 641,426              | 75,000                      | 765,446             | -                   |
| Accrued interest payable           | -                   | 10,392                   | 70,114               | -                           | 80,506              | 80,575              |
| Deferred tax revenues              | -                   | 64,650                   | -                    | -                           | 64,650              | 48,372              |
| Deferred notes receivable revenues | -                   | 1,871,868                | -                    | -                           | 1,871,868           | 1,886,868           |
|                                    | -                   | <u>1,995,930</u>         | <u>711,540</u>       | <u>75,000</u>               | <u>2,782,470</u>    | <u>2,018,940</u>    |
| <b>FUND BALANCES</b>               |                     |                          |                      |                             |                     |                     |
| Reserved for:                      |                     |                          |                      |                             |                     |                     |
| Inventory                          | -                   | -                        | -                    | -                           | -                   | 306,605             |
| Debt service                       | -                   | 650,000                  | 682,788              | -                           | 1,332,788           | 1,334,427           |
| Designated                         | -                   | 2,398,001                | -                    | -                           | 2,398,001           | -                   |
| Unreserved                         |                     |                          |                      |                             |                     |                     |
| General fund                       | 1,036,231           | -                        | -                    | -                           | 1,036,231           | 996,117             |
| Special revenue                    | -                   | -                        | (23,235)             | (69,739)                    | (92,974)            | 2,817,785           |
|                                    | <u>1,036,231</u>    | <u>3,048,001</u>         | <u>659,553</u>       | <u>(69,739)</u>             | <u>4,674,046</u>    | <u>5,454,934</u>    |
|                                    | <u>\$ 1,036,231</u> | <u>\$ 5,043,931</u>      | <u>\$ 1,371,093</u>  | <u>\$ 5,261</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                 | 1,936,518             | 1,935,240             |
| 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  | (10,345,000)          | (11,125,000)          |
| Debt issuance costs - net of amortization   | 127,221               | 133,508               |
|   | <u>(10,217,779)</u>   | <u>(10,991,492)</u>   |
| Net Assets of Governmental Activities   | <u>\$ (3,607,215)</u> | <u>\$ (3,601,318)</u> |



**POGATELLO DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**  
**WITH COMPARATIVE TOTAL FOR THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2007**

|  | General<br>Fund     | Consolidated<br>Corridor | North<br>Yellowstone | Naval<br>Ordinance<br>Plant | 2008             | 2007             |
|--|---------------------|--------------------------|----------------------|-----------------------------|------------------|------------------|
| <b>REVENUES</b>                          |                     |                          |                      |                             |                  |                  |
| Property taxes                           | \$ -                | \$ 1,668,797             | \$ 764,120           | \$ 5,195                    | \$ 2,438,112     | \$ 1,864,489     |
| Professional services                    | 31,876              | -                        | -                    | -                           | 31,876           | -                |
| Interest and other                       | 8,829               | 73,421                   | 24,301               | 66                          | 106,617          | 146,283          |
|  | <u>40,705</u>       | <u>1,742,218</u>         | <u>788,421</u>       | <u>5,261</u>                | <u>2,576,605</u> | <u>2,010,772</u> |
| <b>EXPENDITURES</b>                      |                     |                          |                      |                             |                  |                  |
| Administration                           | 15,591              | 36,036                   | 229                  | -                           | 51,856           | 14,440           |
| Projects and grants                      | -                   | 773,963                  | 645,895              | 75,000                      | 1,494,858        | 847,404          |
| Collections refunded                     | -                   | 433,786                  | -                    | -                           | 433,786          | 196,208          |
| Professional services                    | -                   | 4,602                    | 2,500                | -                           | 7,102            | 3,000            |
| Debt services                            |                     |                          |                      |                             |                  |                  |
| Principal retirement                     | 15,000              | 780,000                  | -                    | -                           | 795,000          | 742,000          |
| Interest                                 | -                   | 151,566                  | 453,325              | -                           | 604,891          | 480,014          |
|  | <u>30,591</u>       | <u>2,179,953</u>         | <u>1,101,949</u>     | <u>75,000</u>               | <u>3,387,493</u> | <u>2,283,066</u> |
| <b>EXCESS REVENUES OR (EXPENDITURES)</b> | 10,114              | (437,735)                | (313,528)            | (69,739)                    | (810,888)        | (272,294)        |
| <b>OTHER FINANCING SOURCES</b>           |                     |                          |                      |                             |                  |                  |
| Notes receivable collections             | 15,000              | -                        | -                    | -                           | 15,000           | -                |
| Proceeds from debt                       | 15,000              | -                        | -                    | -                           | 15,000           | (93,187)         |
|  | <u>30,000</u>       | <u>-</u>                 | <u>-</u>             | <u>-</u>                    | <u>30,000</u>    | <u>(93,187)</u>  |
| <b>NET CHANGE IN FUND BALANCE</b>        | 40,114              | (437,735)                | (313,528)            | (69,739)                    | (780,888)        | (365,481)        |
| <b>BEGINNING FUND BALANCE</b>            | 996,117             | 3,485,736                | 973,081              | -                           |                  |                  |
| <b>ENDING FUND BALANCE</b>               | <u>\$ 1,036,231</u> | <u>\$ 3,048,001</u>      | <u>\$ 659,553</u>    | <u>\$ (69,739)</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.              | 16,279            | (1,794,203)           |
| 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 | (15,000)          | -                     |
| Amortization of bond issuance costs   | (6,288)           | (4,716)               |
| 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          | 780,000           | 742,000               |
| Change in Net Assets of Governmental Activities   | <u>\$ (5,897)</u> | <u>\$ (1,422,400)</u> |

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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

**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 of Pocatello, 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. Last year PDA opted to change its corporate year end from December 31 to September 30, which is the fiscal yearend of the City of Pocatello. Hence the short period comparison for last year results.

**B. *Government-wide and fund financial statements***

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

**C. *Measurement focus, basis of accounting, and financial statement presentation***

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the authority.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**D. *Assets, liabilities, and net assets or equity***

**1. *Deposits 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.

**2. *Receivables and payables***

During the course of operations, some funds must borrow from other funds to make up for cash shortfalls. These receivables and payables are classified as "due to/from other funds" on the balance sheet. These balances are eliminated when preparing the government-wide statements.

Property taxes receivable are recorded when certified by the State Tax Commission in October of each year. Taxes not received within sixty days of year-end are deferred. The taxing authorities within each tax increment financing district levy property taxes by the third Monday of September on a market value basis. These taxes are billed to the taxpayers in November and 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 the Authority by Bannock County.

**2. *Inventories and prepaid items***

Land available for resale inventory which was carried at cost was contributed to a project this year. Certain payments to vendors may reflect cost applicable to future accounting periods and are recorded as prepaid items in government-wide and fund financial statements. There were no prepaid item this year.

**3. *Restricted assets reported on the statement of net assets***

Certain resources set aside for repayment of revenue bonds issued by the Authority for the Consolidated Corridor District are restricted by bond ordinance. These resources total \$650,000.

Certain resources set aside for repayment of revenue bonds issued by the Authority for the North Yellowstone District are restricted by bond ordinance. These resources total \$682,788.

It is the Authorities policy to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**4. *Capital Assets***

The Authority has no capital assets.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - Summary of Significant Accounting Policies (Continued)**

**D. *Assets, liabilities, and net assets or equity - continued***

*5. Compensated Absences*

The Authority has no liability for compensated absences.

*6. Long-term obligations*

In the government-wide financial statements long-term debt are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount and bond issuance costs, which are amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt, including capital leases, issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

*7. Fund Equity*

In the fund financial statements, governmental funds report reservation of fund balance for amounts that are not available for appropriation or are legally segregated by outside third-party for use for specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

**NOTE 2 - Reconciliation of Government-wide and Fund Financial Statements**

**A. *Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.***

The governmental fund balance sheet includes the reconciliation between *fund balance - total governmental funds* and *net assets - governmental activities* as reported in the government-wide statement of net assets. One element of the reconciliation explains the "Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds". The detail of this \$10,345,000 difference are as follows:

|                                    |                             |
|------------------------------------|-----------------------------|
| Current portion of long-term Bonds | \$ 945,000                  |
| Long-term Bonds Payable            | <u>9,400,000</u>            |
| Total Long -term bonds             | <u><u>\$ 10,345,000</u></u> |

Another element of the reconciliation explains that "Certain receivables are not current resources and are reported as deferred revenues in the governmental funds". The detail of this \$1,936,518 difference are as follows:

|  |                            |
|--|----------------------------|
| Deferred Property Taxes, Consolidated Corridor | \$ 64,650                  |
| Deferred Notes receivable                      | <u>1,871,868</u>           |
|  | <u><u>\$ 1,936,518</u></u> |

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 - Stewardship, compliance and accountability**

**A. Budgetary Information**

The budget is prepared on a cash basis by fund, (each tax increment financing district is represented by its own fund), and includes information about the current year and the next five future years. Since the budgets are prepared on an other than GAAP basis certain adjustments are necessary to compare the budget to actual schedules presented herein to the statement of changes in net assets for those funds that use the accrual basis of accounting. Certain collections are treated as revenue in the budget that would not be considered revenue under accrual accounting and do not appear in the statement of activities. These collections include principal payments received on loans. Certain expenditures are treated as expenses in the budget that would not be considered expenses under accrual accounting and do not appear in the statement of activities. These expenditures include principal payments on debt.

The Board of the Pocatello Development Authority does not and is not required to hold public meeting in conjunction with adoption of its annual budget. The new budget is submitted to the board at its meeting in October as part of the cash report presented by the Treasurer. When the cash report is approved by the board the budget is approved as well. Budgets may be amended by the same procedure used to adopt the budget.

**B. Excess of expenditures over appropriations.**

Project loans in the General Fund and short term debt payments exceed budget by \$150,891. \$135,891 are internal loans which are offset by loan revenue.

**C. Deficit Fund Equity**

The Naval Ordinance District has a deficit fund equity of \$69,739 at the end of the fiscal year. This deficit equity will disappear over time as property tax collection become sufficient to repay a loan to the General Fund. The North Yellowstone had deficit equity of \$23,235.

**NOTE 4. Detailed notes on all funds**

**A. Deposits and Investments**

Cash and cash equivalents at yearend consist of the following:

|                                 |              |
|---------------------------------|--------------|
| Deposits                        |              |
| Cash in bank                    | \$ 276,046   |
| Cash in trust with fiscal agent | 4,467,435    |
|                                 | \$ 4,743,481 |

Deposits are disclosed as follows:

|                           |              |
|---------------------------|--------------|
| Cash and cash equivalents | \$ 3,410,693 |
| Restricted cash           | 1,332,788    |
|                           | \$ 4,743,481 |

The Authority has no investments.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. Detailed notes on all funds - continued**

**A. Deposits and Investments- continued**

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 \$276,046 and the bank balance (balance per bank statements) was \$276,046. Of the bank balance, \$250,000 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. This risk is null since the Authority has no investments.

*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 \$4,467,435 due to all trust deposits held within one trust department and invested in same money market fund.

**B. Receivables**

**1. 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.

**2. 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 five years from the date of the loan (August 16, 2006) unless certain employment goals are met. If so, the loan is forgiven.

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

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. Detailed notes on all funds - continued**

**B. Receivables- continued**

3. *Property Tax Receivable and Deferred Property Taxes*

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

|                                 | Receivables | Deferred Tax |
|---------------------------------|-------------|--------------|
| Consolidated Corridor Districts | \$ 71,059   | \$ 64,650    |

4. *Internal Loans*

The General Fund loaned \$615,514 to the North Yellowstone District during the year. The loan was necessary to allow the district to meet the boards commitments on a construction project in the district and will be paid back as the district has cash in excess of its debt service restrictions.

The General Fund loaned \$75,000 to the Naval Ordinance Plant District during the year. The loan was necessary to allow the district to meet the boards commitments on a loan to a business locating in the district and will be paid back as the district has enough receipts to repay the loan.

**C. Long-term Debt**

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

| Year      | North Yellowstone<br>2004 - 5.50% to 6.00% |              |
|-----------|--|--------------|
|           | Principal                                  | Interest     |
| 2009      | \$ 125,000                                 | \$ 453,325   |
| 2010      | 235,000                                    | 446,450      |
| 2011      | 245,000                                    | 433,525      |
| 2012      | 260,000                                    | 420,050      |
| 2013      | 275,000                                    | 405,750      |
| 2014-2018 | 1,615,000                                  | 1,785,100    |
| 2019-2023 | 2,135,000                                  | 1,258,800    |
| 2024-2028 | 2,865,000                                  | 535,200      |
|           | \$ 7,755,000                               | \$ 5,738,200 |

| Year | Central Corridor<br>2001 - 4.75% to 5.15% |            |
|------|---|------------|
|      | Principal                                 | Interest   |
| 2009 | \$ 820,000                                | \$ 111,430 |
| 2010 | 860,000                                   | 68,795     |
| 2011 | 910,000                                   | 23,433     |
|      | \$ 2,590,000                              | \$ 203,658 |

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4. Detailed notes on all funds - continued**

**C. Long-term Debt - Continued**

*2. Changes in Long-term Liabilities*

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

|                       | Beginning<br>Balance | Additions | Reductions | Ending<br>Balance |
|-----------------------|----------------------|-----------|------------|-------------------|
| North Yellowstone     | \$ 7,755,000         | \$ -      | \$ -       | \$ 7,755,000      |
| Central Corridor Bond | 3,370,000            | -         | 780,000    | 2,590,000         |
|                       | \$ 11,125,000        | \$ -      | \$ 780,000 | \$ 10,345,000     |

**D. Unamortized bond issuance costs**

During the year, the following changes occurred related to bond issuance costs:

|   |           |
|---|-----------|
| Beginning balance - unamortized bond issuance costs | \$133,509 |
| Amortization of issuance costs                      | (6,288)   |
| Ending balance - unamortized bond issuance costs    | \$127,221 |

**E. 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.

**F. Restricted Assets**

The Consolidated Corridor District has \$650,000 in cash assets restricted for future revenue bond payments. The North Yellowstone District has \$682,788 in cash asset restricted for future revenue bond payments. These are external third party restrictions by covenant.

**G. Designated Balances Special Revenue Funds**

The Board of the Authority has designated the fund balance of two special revenue funds. Designation of unreserved fund balance means that there are tentative plans for these balances. These plans are subject to change on the advice of management. The purpose and amount of these designations are as follows:

|                                     |              |
|-------------------------------------|--------------|
| Consolidated Corridor District Fund |              |
| Whitman Hotel Project               | \$ 356,500   |
| Cheyenne Crossing                   | 2,041,501    |
| Total designation                   | \$ 2,398,001 |



**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5. Other Information**

***A. 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.

***B. Subsequent Events***

The Board of Commissioners of the Authority has entered into negotiations with the party owing the \$400,000 note to the Authority. Negotiations are to trade the receivable for an equity position in the party's corporation. At present, the percent of ownership that the Authority would acquire is not known nor has any paperwork been presented for review.

**REQUIRED SUPPLEMENTARY INFORMATION**

**POCATELLO DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

|   | Original<br>Budget<br>Amounts | Amended<br>Budget<br>Amounts | Actual<br>Amounts          | Variance                   |
|---|-------------------------------|------------------------------|----------------------------|----------------------------|
| <b>REVENUES</b>                           |                               |                              |                            |                            |
| <b>GENERAL FUND</b>                       |                               |                              |                            |                            |
| Administration fees                       | \$ -                          | \$ -                         | \$ 31,876                  | \$ 31,876                  |
| Interest                                  | 7,000                         | 6,000                        | 8,829                      | 2,829                      |
|   | <u>7,000</u>                  | <u>6,000</u>                 | <u>40,705</u>              | <u>34,705</u>              |
| <b>SPECIAL REVENUES FUNDS</b>             |                               |                              |                            |                            |
| North Yellowstone                         | 368,864                       | 368,864                      | 788,421                    | 419,557                    |
| Naval Ordinance Plant                     | -                             | -                            | 5,261                      | 5,261                      |
| Consolidated Corridor                     | 1,085,555                     | 1,844,985                    | 1,742,218                  | (102,767)                  |
| Subtotal Special Revenue Funds            | <u>1,454,419</u>              | <u>2,213,849</u>             | <u>2,535,900</u>           | <u>322,051</u>             |
| Total Revenue All Funds                   | 1,461,419                     | 2,219,849                    | 2,576,605                  | 356,756                    |
| <b>EXPENDITURES</b>                       |                               |                              |                            |                            |
| <b>GENERAL FUND</b>                       |                               |                              |                            |                            |
| Administration                            | 13,820                        | 17,800                       | 15,590                     | 2,210                      |
| Project loans                             | -                             | 554,624                      | 690,514                    | (135,890)                  |
| Debt service                              | -                             | -                            | 15,000                     | (15,000)                   |
| Construction projects                     | 273,124                       | -                            | -                          | -                          |
|   | <u>286,944</u>                | <u>572,424</u>               | <u>721,104</u>             | <u>(148,680)</u>           |
| <b>SPECIAL REVENUES</b>                   |                               |                              |                            |                            |
| North Yellowstone                         | 1,170,682                     | 1,170,682                    | 1,101,950                  | 68,732                     |
| Naval Ordinance Plant                     | 75,000                        | 75,000                       | 75,000                     | -                          |
| Consolidated Corridor                     | 3,091,981                     | 3,525,767                    | 2,179,953                  | 1,345,814                  |
| Subtotal Special Revenue Funds            | <u>4,337,663</u>              | <u>4,771,449</u>             | <u>3,356,903</u>           | <u>1,414,546</u>           |
| Total Expenditures All Funds              | <u>4,624,607</u>              | <u>5,343,873</u>             | <u>4,078,007</u>           | <u>1,265,866</u>           |
| <b>EXCESS REVENUES OR (EXPENDITURES)</b>  | (3,163,188)                   | (3,124,024)                  | (1,501,402)                | 1,622,622                  |
| <b>OTHER FINANCING SOURCES (USES)</b>     |                               |                              |                            |                            |
| Debt Proceeds (General Fund)              | -                             | -                            | 15,000                     | 15,000                     |
| Debt Proceeds (Other Funds)               | -                             | -                            | 690,514                    | 690,514                    |
| Note receivable collection (General Fund) | 15,000                        | 15,000                       | 15,000                     | -                          |
| Total other financing sources (uses)      | <u>15,000</u>                 | <u>15,000</u>                | <u>720,514</u>             | <u>705,514</u>             |
| <b>NET CHANGE IN FUND BALANCE</b>         | <u><u>\$ (3,148,188)</u></u>  | <u><u>\$ (3,109,024)</u></u> | <u><u>\$ (780,888)</u></u> | <u><u>\$ 2,328,136</u></u> |

**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, investment income receivable, loans between funds or repayments on outstanding loans.

Budgeted expenditures consist of the amounts anticipated for project expenditures and administrative expenditures. Pocatello Development Authority does not budget for unanticipated loans between funds or loans and 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                   | \$ 2,234,849        | \$ 2,606,605        |
| Modified GAAP adjustments           |                     |                     |
| Naval Ordinance receipts            | 5,261               |                     |
| Admin. Fees not budgeted            | 31,876              |                     |
| Short-term borrowing                | 15,000              |                     |
| Interfund loans                     | 690,514             |                     |
| Interest on cash held in trust      | 97,788              |                     |
| Modified GAAP budgeted revenues     | <u>\$ 3,075,288</u> | <u>\$ 2,606,605</u> |
| <br>Budgeted Expenditures           | <br>\$ 4,653,359    | <br>\$ 3,387,493    |
| Modified GAAP adjustments           |                     |                     |
| Interfund loans                     | 690,514             |                     |
| Short-term loan payment             | 15,000              |                     |
| Naval Ordinance loan not budgeted   | 75,000              |                     |
| Modified GAAP budgeted expenditures | <u>\$ 5,433,873</u> | <u>\$ 3,387,493</u> |

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

To the Board of Commissioners  
Pocatello Development Authority  
Pocatello, Idaho

We have audited the financial statements of the governmental activities, and each major fund information of Pocatello Development Authority, as of and for the years ended September 30, 2008 and 2007, which collectively comprise the Pocatello Development Authority's basic financial statements and have issued our report thereon dated February 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Pocatello Development Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Pocatello Development Authority's financial statements that is more than inconsequential will not be prevented or detected by the Pocatello Development Authority's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Pocatello Development Authority's internal control.

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

Compliance and Other Matters

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

This report is intended solely for the information and use of management, Board of Commissioners, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Pocatello, Idaho  
February 23, 2009