

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013



Certified Public Accountants

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

	Page
Introductory Section:	
Letter of Transmittal	1-4
List of Principal Officials	5
Organization Chart	6
Independent auditor's report	7-8
Management's discussion and analysis	9-12
Financial statements	
Government Wide	
Statements of net position	13
Statements of activities and changes in net position	14
Governmental Funds	
Balance sheets	15
Statements of revenues, expenditures, and changes in fund balances	16
Notes to financial statements	17-23
Required supplementary information	24
Statement of revenues and expenditures - budget to actual	25
Notes to the statement of revenues and expenditures - budget to actual	26
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	27-28

Pocatello Development Authority

911 North 7th Street
Pocatello, Idaho 83201

An urban renewal agency for the City of Pocatello, Idaho

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

Idaho State Law requires that all development authorities submit audited financial statements 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, 2013.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive frame-work 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, has issued an unmodified ("clean") opinion on the Pocatello Development Authority's financial statements for the year ended September 30, 2013. 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 goes to the various taxing entities providing services to that property, (i.e. Bannock County, School District 25, and City of Pocatello), 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 statutory ability 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 seventeen (17) tif districts. Seven of the Districts have completed their mission and been dissolved. These include the Domsea District, Gateway District, New Town District, Kress District, Varsity Square District, the Roosevelt District, the East Center District and the Central Corridor District.

All of the dissolved districts, with the exception of the Domsea District and the East Center 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 levy 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 on 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. The East Center District was established to provide for infrastructure to a proposed medical building. The project was abandoned when funding disappeared and the District was closed.

All of the dissolved 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 the remodeling of an existing building. The increase in valuation, accomplished by the effective use of these tif districts, is in excess of \$168 million.

On November 17, 2010 the Board passed Resolution No. 2010-3 recommending the Pocatello City Council terminate the revenue allocation area provision of the Central Corridor District. The increased valuation of the district was returned to the citizens and increased property valuation for general property taxes by \$83,004,784. Property taxes collected in the district since then have been for taxes levied in prior years that were collected in the current year. These property taxes receivable have been reported on the Balance Sheet of the District.

The remaining districts are the North Yellowstone District, the Naval Ordinance Plant District, the North Portneuf District and the Airport District.

The North Yellowstone District provided \$6 million in funding to renovate an area which now houses several new businesses including Lowes, Costco, Bed, Bath and Beyond, and has generated enough property tax revenue to allow the Authority to contribute \$1,004,409.18 toward the advanced refunding of its bonded debt this year. On January 24, 2013 the Authority sold a bond for \$6,775,000.00 with a coupon rate of 2.85 and a final maturity of August 1, 2024. The proceed of this sale went into an escrow to redeem the existing bond with a book value of \$6,890,000.00, an average coupon of 5.968% and a final maturity of August 1, 2028. This early redemption of the existing debt provided a net present value benefit of \$986,401.92. The incremental property valuation of this district is currently at \$71,728,918.

The Naval Ordinance District was formed in July, 2006. Current economic conditions have stalled the development at the site, but the valuation has increased \$12,874,081 with current renovations. The recent addition of the ATCO company has been positively significant.

The North Portneuf District was formed May 3, 2007 in north west Pocatello in a 9 acre area along the Portneuf river to provide revenue to pay for land acquisition, right of way purchase and road and bridge construction associated with the construction of the \$244 million Hoku polysilicon manufacturing plant. Current tax collections are based on the value of the new electric power substation built on the site. The manufacturing plant, while very near completion, has never become operational and the owners have declared bankruptcy. The authority awaits resolution of the situation

The Airport District was created in 2009 to develop infrastructure at the Pocatello Regional Airport. Today \$70 million in value has been added do the district with the advent of Petersons Incorporated production facility. The Authority has authorized engineering studies to determine future development cost in the district.

Acknowledgments

The Board of Directors of the Pocatello Development Authority would like to acknowledge the efforts of John Regetz with the Bannock County Development Authority and Lonnie Crowell of the 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 December 17, 2013



Lonnie Crowell
Executive Director, Pocatello Development Authority

**POCATELLO DEVELOPMENT AUTHORITY
LIST OF OFFICIALS**

Ryan Ward, Chairman of the Board

Russ Meyers, Vice Chairperson of the Board

Brian Blad, Mayor of Pocatello, Board member

Karl Anderson, Bannock County Commissioner, Board member

Roger Bray, City Council Member, Board member

Darlene Gerry, Board member

Michael Orr, Board member

→ Cynthia Hill, Board member

Larry Fisher, Board member

Lonnie Crowell, City of Pocatello, Executive Director

Tiffany Olson, City of Pocatello, Secretary

Jerry Higgins, City of Pocatello, Treasurer

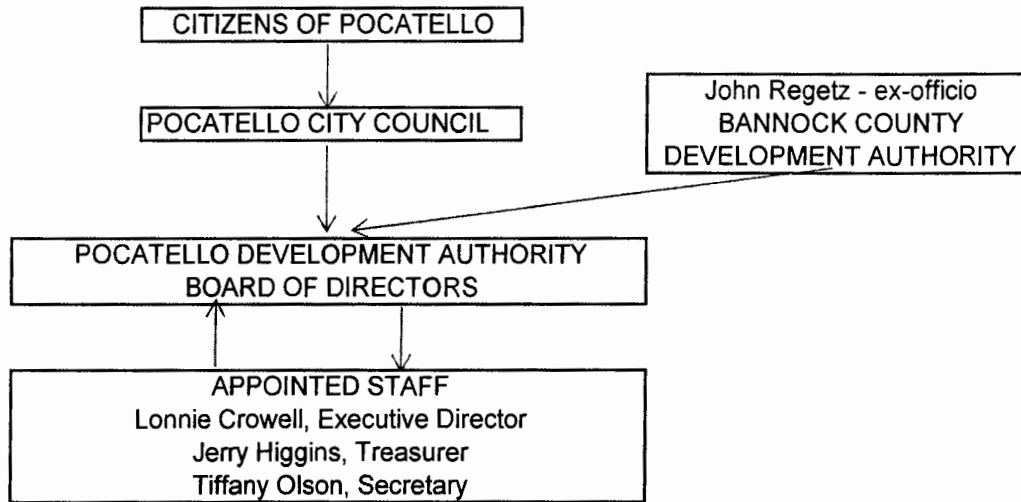
LIST OF EX-OFFICIO ADVISORS

Dean Tranmer, City of Pocatello, Legal Council

David Swindell, City of Pocatello, Budget and Financial Advisor

John Regetz, Bannock Development Authority, ex-officio member

**POCATELLO DEVELOPMENT AUTHORITY
ORGANIZATION CHART**



City of Pocatello, Advisory Staff:

Dean Tranmer, Attorney, legal council

David Swindell, Chief Financial Officer, Budget and Financial Advisor

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Pocatello Development Authority
Pocatello, Idaho

Report on the Financial Statements

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 September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 information of the Pocatello Development Authority, as of September 30, 2013 and 2012, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 9-12 and 25 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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 do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 17, 2013, on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocatello Development Authority's internal control over financial reporting and compliance.



Pocatello, Idaho
December 17, 2013

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

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 year period ended September 30, 2013. **All amounts, unless otherwise indicated, are expressed in dollars.**

FINANCIAL HIGHLIGHTS

Over the course of the 2013 fiscal year, Pocatello Development Authority's total net position decreased by \$57,529.

At the end of the current year, committed fund balance for the General Fund was \$253,842, or 6.62% of total general fund expenditures.

The Pocatello Development Authority's total debt of \$6,890,000 was refunded through a combination of new bonded debt of \$6,775,000 and a cash pay down of \$1,004,409. The new debts principal was reduced during the year by \$580,000 or 8.56%. This refunding produced a net present value benefit of \$986,401 and reduced the debt term by four years.

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 position includes all of the government's assets, deferred inflow of resources, liabilities and deferred outflow of resources. 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, 2013**

The two government-wide statements report the Pocatello Development Authority's net positions and how it has changed. Net position, the difference between Pocatello Development Authority's assets plus deferred outflow of resources and liabilities plus deferred inflow of resources, 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.

Pocatello Development Authority establishes funds to control and manage money for particular purposes and 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 the reader 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 position - Table A-1 summarizes net assets for the years 2011 through 2010

Table A-1 summarizes net position for the 2012 and 2013 years

Table A-1 - Net position and net assets

	Governmental Activities			
	2013	2012	2011	2010
Cash	\$ 7,139,211	\$ 8,275,486	\$ 7,075,651	\$ 5,888,288
Other assets	319,096	359,858	1,709,516	1,682,619
Total assets	7,458,307	8,635,344	8,785,167	7,570,907
Deferred Outflows of Resources	391,238	-	-	-
Long-term debt outstanding	6,195,000	6,890,000	7,150,000	8,305,000
Other liabilities	29,023	62,293	64,644	91,511
Total liabilities	6,224,023	6,952,293	7,214,644	8,396,511
Unrestricted (deficit) net assets	(974,073)	(6,220,899)	(5,031,590)	(6,207,593)
Restricted net assets	2,599,595	7,903,950	6,602,113	5,381,989
Total net assets			\$ 1,570,523	\$ (825,604)
Total net position	\$ 1,625,522	\$ 1,683,051		

Net position of Pocatello Development Authority's governmental activities decreased \$ 57,529.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Government-wide Financial Statements - continued

Change in net position - Table A-2 summarizes changes in net assets for the years 2011 through 2010.

Table A-2 summarizes changes in net position for the 2012 and 2013 years.

Table A-2 - Change in net position and net assets

	Governmental Activities			
	2013	2012	2011	2010
Revenues	\$ 1,856,311	\$ 1,470,805	\$ 3,033,394	\$ 2,722,382
Expenses	1,913,840	1,249,920	637,267	920,427
Change in net assets	(57,529)	220,885	2,396,127	1,801,955
Beginning net position (see prior period note)	1,683,051	1,462,166	-	-
Beginning net assets	-	-	(825,604)	(2,627,559)
Ending net position	<u>\$ 1,625,522</u>	<u>\$ 1,683,051</u>	-	-
Ending net assets			<u>\$ 1,570,523</u>	<u>\$ (825,604)</u>

The Pocatello Development Authority's total revenues decreased by \$385,507 over 2012 operations and expenses increased \$657,633. The majority of the Pocatello Development Authority's revenues comes from property taxes. The majority of expenses were for project payments (\$1,069,460).

Governmental Activities

Fund balances in Governmental Funds decreased by \$1,122,855. The decrease was primarily due to payment into the escrow account of the refunded debt of \$1,004,409.

General Fund

Administrative expenses totaled \$8,417 in the general fund or 3.2% of total revenues and consisted of the following:

	General Fund			
	2013	2012	2011	2010
Audit	\$ 3,900	\$ 3,900	\$ 3,800	\$ 3,830
Commissioner meetings	2,651	1,154	1,474	1,154
Professional services	1,866	2,500	1,000	30
	<u>\$ 8,417</u>	<u>\$ 7,554</u>	<u>\$ 6,274</u>	<u>\$ 5,014</u>

Special Revenue Funds

Administrative expenses (professional services) totaled \$261,252 in the special revenue fund or 16% of total special revenue fund revenues and consisted of the following:

	Special Revenue Funds			
	2012	2012	2011	2010
General Fund service charge	\$ 260,000	\$ -	\$ -	\$ 16,318
Legal fees	-	-	663	-
Arbitrage report fees	-	4,200	8,235	5,900
Bank charges	1,252	-	4,956	-
	<u>\$ 261,252</u>	<u>\$ 4,200</u>	<u>\$ 13,854</u>	<u>\$ 22,218</u>

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Budgetary Highlights

The 2013 budget was not amended during the year. Actual expenditures were under budgeted expenditures by \$1,603,468.

The Pocatello Development Authority had \$6,195,000. in bonds outstanding at year end.

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 POSITION
SEPTEMBER 30, 2013
WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2012

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
ASSETS		
Cash and cash equivalents	\$ 6,461,699	\$ 5,682,630
Restricted cash and cash equivalents	677,512	2,592,856
Accrued interest	8,138	20,480
Property tax receivable	61,795	92,510
Notes receivable (less reserve for bad debts)	249,163	246,868
Total assets	<u>7,458,307</u>	<u>8,635,344</u>
Deferred Outflows of resources - debt refunding	<u>391,238</u>	<u>-</u>
LIABILITIES		
Accrued interest payable	29,023	62,293
Noncurrent liabilities:		
Current portion of long-term debt	504,000	275,000
Long-term liabilities - net of current portion	5,691,000	6,615,000
Total liabilities	<u>6,224,023</u>	<u>6,952,293</u>
NET POSITION		
Unrestricted	948,010	(6,220,899)
Restricted	677,512	7,903,950
Total net position	<u>\$ 1,625,522</u>	<u>\$ 1,683,051</u>

The accompanying notes are an integral part of these financial statements

**POCATELLO DEVELOPMENT AUTHORITY
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2013
 WITH COMPARATIVE TOTAL FOR THE ENDED SEPTEMBER 30, 2012**

	Governmental Activities	
	<u>2013</u>	<u>2012</u>
EXPENSES		
Administration	\$ 13,653	\$ 5,055
Project payments	1,069,460	820,466
Professional services	266,016	6,700
Interest	458,266	417,699
Bond sale costs	106,445	-
	<u>1,913,840</u>	<u>1,249,920</u>
REVENUES		
Property taxes	1,575,631	1,457,401
Interest	20,680	13,404
Professional services	260,000	-
	<u>1,856,311</u>	<u>1,470,805</u>
NET CHANGE IN NET ASSETS	(57,529)	220,885
BEGINNING NET POSITION <i>(see note 4I)</i>	<u>1,683,051</u>	<u>1,462,166</u>
ENDING NET POSITION	<u><u>\$ 1,625,522</u></u>	<u><u>\$ 1,683,051</u></u>

The accompanying notes are an integral part of these financial statements

**BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013
WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2012**

	General Fund	Consolidated Corridor	North Yellowstone	Naval Ordinance Plant	North Portneuf	Airport	2013	2012
ASSETS								
Cash and cash equivalents	\$ 253,843	\$ 4,285,773	\$ 1,293,966	\$ 213,251	\$ 328,742	\$ 86,124	\$ 6,461,699	\$ 5,682,643
Restricted cash	-	-	677,512	-	-	-	677,512	2,592,843
Accrued interest	-	8,102	36	-	-	-	8,138	20,479
Property tax receivable	-	21,713	27,117	-	12,965	-	61,795	92,510
Notes receivable	50,000	599,163	-	-	-	-	649,163	646,868
Due from other funds	-	-	-	-	-	-	-	-
	<u>\$ 303,843</u>	<u>\$ 4,914,751</u>	<u>\$ 1,998,631</u>	<u>\$ 213,251</u>	<u>\$ 341,707</u>	<u>\$ 86,124</u>	<u>\$ 7,858,307</u>	<u>\$ 9,035,343</u>
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES								
Unavailable tax revenues	\$ -	\$ 15,601	\$ 14,241	\$ -	\$ 12,965	\$ -	\$ 42,807	\$ 86,961
Unavailable notes receivable revenues	50,000	606,925	-	-	-	-	656,925	667,292
	<u>50,000</u>	<u>622,526</u>	<u>14,241</u>	<u>-</u>	<u>12,965</u>	<u>-</u>	<u>699,732</u>	<u>754,253</u>
FUND BALANCES								
Restricted	-	-	677,512	-	-	-	677,512	7,903,950
Committed	253,843	4,292,225	1,306,878	213,251	328,742	86,124	6,481,063	377,140
	<u>253,843</u>	<u>4,292,225</u>	<u>1,984,390</u>	<u>213,251</u>	<u>328,742</u>	<u>86,124</u>	<u>7,158,575</u>	<u>8,281,090</u>
	<u>\$ 303,843</u>	<u>\$ 4,914,751</u>	<u>\$ 1,998,631</u>	<u>\$ 213,251</u>	<u>\$ 341,707</u>	<u>\$ 86,124</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.	699,732	754,253
Recognition of bad debt reserves and note receivable write off are not reported as all receivables are deferred.	(400,000)	(400,000)
Deferred outflows from refunding of debt	782,476	-
Current charge of deferred outflows to interest expense.	(391,238)	-
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Long-term debt	(6,195,000)	(6,890,000)
Accrued interest on long-term debt	(29,023)	(62,292)
Total long-term liabilities adjustment	<u>(6,224,023)</u>	<u>(6,952,292)</u>
Net Assets of Governmental Activities	<u>\$ 1,625,522</u>	<u>\$ 1,683,051</u>

The accompanying notes are an integral part of these financial statements
Page 15

**GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013
WITH COMPARATIVE TOTAL FOR YEAR ENDED SEPTEMBER 30, 2012**

	General Fund	Consolidated Corridor	North Yellowstone	Naval Ordinance Plant	North Portneuf	Airport	2013	2012
REVENUES								
Property taxes	\$ -	\$ 34,619	\$ 1,198,588	\$ 172,616	\$127,839	\$ 86,124	\$ 1,619,786	\$ 1,503,491
Interest	119	29,326	425	-	-	-	29,870	674
Professional services	260,000	-	-	-	-	-	260,000	-
Miscellaneous revenue	-	340	-	-	-	-	340	-
	<u>260,119</u>	<u>64,285</u>	<u>1,199,013</u>	<u>172,616</u>	<u>127,839</u>	<u>86,124</u>	<u>1,909,996</u>	<u>1,504,165</u>
EXPENDITURES								
Administration	3,400	10,000	252	-	-	-	13,652	5,055
Projects and grants	375,000	197,445	122,015	375,000	10,000	-	1,079,460	820,466
Professional services	5,016	250,000	1,000	-	-	-	256,016	6,700
Bond sale costs	-	-	106,445	-	-	-	106,445	-
Debt services:								
Principal retirement	-	-	580,000	-	-	-	580,000	260,000
Interest	-	-	100,299	-	-	-	100,299	420,050
	<u>383,416</u>	<u>457,445</u>	<u>910,011</u>	<u>375,000</u>	<u>10,000</u>	<u>-</u>	<u>2,135,872</u>	<u>1,512,271</u>
EXCESS REVENUES OR (EXPENDITURES)	(123,297)	(393,160)	289,002	(202,385)	117,839	86,124	(225,876)	(8,106)
OTHER FINANCING SOURCES/(USES):								
Notes receivable collections	-	837	-	-	-	-	837	1,200,000
Proceed from refunding bond issuance	-	-	6,775,000	-	-	-	6,775,000	-
(Payment into refunded bond escrow account)	-	-	(7,672,475)	-	-	-	(7,672,475)	-
NET CHANGE IN FUND BALANCE	(123,297)	(392,323)	(608,473)	(202,385)	117,839	86,124	(1,122,514)	1,191,894
BEGINNING FUND BALANCE	377,140	4,684,548	2,592,864	415,635	210,903	-		
ENDING FUND BALANCE	\$ 253,843	\$ 4,292,225	\$ 1,984,390	\$ 213,251	\$328,742	\$ 86,124		

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.	(44,154)	(46,090)
Principal payments received on notes receivable are current fund sources in governmental funds, but are presented as reductions of notes receivable on the statements of net position	(838)	(1,200,000)
Interest on notes receivable not meeting the definition of current asset for modified accrual are recognized on the statements of net position	(9,530)	12,729
Accrued interest on long-term debt is not recognized in governmental funds.	33,270	2,351
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 position	580,000	260,000
The difference between the other source of funds and other use of funds: Deferred outflow of resources in the amount of \$ 782,476 and gain on sale of bonds of \$115,000	897,475	-
Deferred outflow of resources for refunding should be recognized as a component of interest over the life of the old debt	(391,238)	
Change in Net Position of Governmental Activities	\$ (57,529)	\$ 220,885

The accompanying notes are an integral part of these financial statements
Page 16

**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 blighted areas are in existence, 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. *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.

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.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Summary of Significant Accounting Policies (Continued)

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

1. *Deposits and investments -continued*

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.

3. *Inventory and prepaid items*

There were no inventory or prepaid items this year.

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

Net assets of the special revenue funds are restricted as to usage by the State Code to payment of District expenses and debt service and an administrative fee to the General Fund of the Authority. Remaining net assets representing property taxes collected are to be refunded to the taxing districts from which the taxes were collected.

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

5. *Capital Assets*

The Authority has no capital assets.

6. *Compensated Absences*

The Authority has no liability for compensated absences

7. *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.

8. *Fund Equity*

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are subject to externally enforceable legal restrictions. Commitments of fund balance represent amounts whose use is constrained by limitations that the Board has imposed upon itself.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

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 position - 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 \$6,224,023 difference follows:

Current portion of long-term Bonds	\$ (504,000)
Long-term Bonds Payable	(5,691,000)
Accrued interest on Bonds Payable	(29,023)
Total Long -term bonds	\$ (6,224,023)

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 \$691,630 difference are as follows:"

Deferred Property Taxes, Consolidated Corridor	\$ 42,807
Deferred Notes receivable	648,823
Deferred Interest receivable	8,102
	\$ 699,732

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.

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	\$ 4,959,843
Cash in trust with fiscal agent	2,179,368
	\$ 7,139,211

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - Detailed Notes on all Funds - continued

A. *Deposits and Investments - continued*

The Authority 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 \$4,959,843 and the bank balance (balance per bank statements) was \$4,959,843. Of the cash balance, \$250,000 was covered by federal depository insurance. There exists a custodial risk that \$4,709,843.

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 nil 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 \$2,179,368 due to all trust deposits held within one trust department and invested in same money market fund.

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 Unavailable Notes Receivable Revenue*

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. Collection of the note has been deferred due to negotiation for some property by the corporation. The board extended the term of the note to March 15, 2013 but imposed a 5% interest rate on the extension. In April of 2013 the board changed the term of the note to require monthly installment of \$1,000 and interest of 5%. During the year \$837 of principal was paid and \$409 of accrued interest receivable was recorded on the balance sheet.

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 corporation has not been profitable enough to repay the loan, which has been extended. The entire \$400,000 has been reserved as a bad debt.

\$50,000 was loaned to a local corporation at zero percent interest due in 12 months. In November of 2011 the Board extended the loan by one year and imposed a 5% interest rate. Accrued interest receivable on this note of \$7,693 has been recorded on the balance sheet.

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 are shown as deferred notes receivable revenues.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - Detailed Notes on all Funds - 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
North Yellowstone District	\$ 27,117	\$ 14,241
North Portneuf District	12,965	12,965
Consolidated Corridor Districts	21,713	15,601
	\$ 61,795	\$ 42,807

C. Long-term Debt

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

Year	North Yellowstone 2013 - 2.85%	
	Principal	Interest
2014 - Current portion	\$ 504,000	\$ 176,558
2015	517,000	162,194
2016	530,000	147,459
2017	547,000	132,354
2018	564,000	116,765
2019-2023	3,056,000	334,191
2024	477,000	13,595
	\$ 6,195,000	\$ 1,083,114

2. Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
North Yellowstone 2004	\$ 6,890,000	\$ -	\$ 6,890,000	\$ -	\$ -
North Yellowstone 2013		\$ 6,775,000	\$ 580,000	\$ 6,195,000	\$ 504,000

On January 24, 2013 the Authority sold a bond for \$6,775,000 with a coupon rate of 2.85 and a final maturity of August 1, 2024. The proceed of this sale went into an escrow to redeem the existing bond with a book value of \$6,890,000, an average coupon of 5.968% and a final maturity of August 1, 2028. This early redemption of the existing debt provided a net present value benefit of \$986,402.

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 North Yellowstone District has \$677,512 in cash asset restricted for future revenue bond payments. These are external third party restrictions by covenant.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - Detailed Notes on all Funds (Continued)

F. Restricted Assets- (continued)

The restricted net asset amounts at year end are as follows:

Bond restrictions	\$	677,512
	\$	677,512

G. Committed Assets

The net assets of special revenue funds are committed by state law to pay for expenditures of Tax Increment Financing Districts. The Districts are established by ordinances passed by the City. The ordinance establishing the District define types of construction, bonded debt, administrative costs, and collected taxes to be refunded to the taxing districts from which they were derived. The Pocatello Development Authority's Board of Directors have made written commitments to fund projects when funds become available in the General Fund. As of September 30, 2013, the commitments exceeded the fund balance in the General Fund.

H. Accounting Changes and Accounting Standards

In fiscal year 2013, the authority implemented Governmental Accounting Standards Board (GASB) Statement 63 "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" and Statement 65 "Items Previously Reported as Assets and Liabilities". Statement 63 will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effect on a government's net position. The objective of Statement 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or to recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

The implementation of Statement 65 resulted in the reclassification of the beginning net position of the governmental activities in the government-wide financial statements. The deferred charges for issuance costs were reclassified as expense of the prior period and resulted in the adjustments below:

		2012
Beginning fund balance	\$	1,785,120
unamortized bond issuance cost adjustment		(102,069)
Adjusted beginning fund balance		\$1,683,051

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.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - Subsequent Events

Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Pocatello Development Authority recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements.

Subsequent events were evaluated up to December 17, 2013, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**POCATELLO DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Original and Final Budget Amounts	Actual Amounts	Variance
REVENUES			
GENERAL FUND			
Interest	\$ 14	\$ 119	\$ 105
Loan repayment	50,000	-	(50,000)
Administration fees	1,945,595	260,000	(1,685,595)
	<u>1,995,609</u>	<u>260,119</u>	<u>(1,735,490)</u>
SPECIAL REVENUES FUNDS			
North Yellowstone	1,126,240	1,199,013	72,773
North Portneuf	113,934	127,839	13,905
Naval Ordinance Plant	363,750	172,616	(191,134)
Pocatello Regional Airport	67,825	86,124	18,299
Consolidated Corridor	420	64,285	63,865
Subtotal Special Revenue Funds	<u>1,672,169</u>	<u>1,649,877</u>	<u>(22,292)</u>
Total Revenue All Funds	3,667,778	1,909,996	(1,757,782)
EXPENDITURES			
GENERAL FUND			
Administration	8,020	8,416	(396)
Project loans	-	-	0
Debt service	-	-	0
Projects and Grants	-	375,000	(375,000)
Contingency	2,062,666	-	2,062,666
	<u>2,070,686</u>	<u>383,416</u>	<u>1,687,270</u>
SPECIAL REVENUES			
North Yellowstone	3,519,083	910,011	2,609,072
North Portneuf	324,519	10,000	314,519
Naval Ordinance	750,000	375,000	375,000
Pocatello Regional Airport	67,825	-	67,825
Consolidated Corridor	4,679,703	457,445	4,222,258
Subtotal Special Revenue Funds	<u>9,341,130</u>	<u>1,752,456</u>	<u>7,588,674</u>
Total Expenditures All Funds	<u>11,411,816</u>	<u>2,135,872</u>	<u>9,275,944</u>
EXCESS REVENUES OR (EXPENDITURES)	(7,744,038)	(225,876)	7,518,162
OTHER FINANCING SOURCES (USES)			
Proceeds from refunding bond issuance	-	6,775,000	6,775,000
(Payment into refunded bond escrow account)	-	(7,672,475)	(7,672,475)
Note receivable collection (Corridor)	-	837	837
Total other financing sources (uses)	<u>-</u>	<u>(896,638)</u>	<u>(896,638)</u>
CHANGE IN NET POSITION	<u>\$ (7,744,038)</u>	(1,122,514)	<u>\$ 6,621,524</u>
BEGINNING NET POSITION		<u>8,281,089</u>	
ENDING NET POSITION		<u>\$ 7,158,575</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, anticipated interest

Budgeted expenditures consist of the amounts anticipated for project expenditures, administrative

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

	<u>Budget</u>	<u>Actual</u>
Budgeted revenues	\$ 3,667,778	1,909,996
GAAP adjustments		
Interest accrued on notes receivable	(9,191)	(9,530)
Deferred property taxes	(44,154)	(44,155)
GAAP budgeted revenues	<u>\$ 3,614,433</u>	<u>1,856,311</u>
 Budgeted Expenditures	 \$ 11,411,816	 2,135,872
GAAP adjustments		
Accrued interest on bonds payable	(33,272)	(33,270)
Principal payments on debt	(580,000)	(580,000)
Deferred outflow for refunding recognized as interest expense	<u>391,238</u>	<u>391,238</u>
GAAP budgeted expenditures	<u>\$ 11,189,782</u>	<u>1,913,840</u>
 Budgeted Other Financing Sources/Uses	 -	 (896,638)
GAAP adjustments		
Principal received on notes	-	(837)
Deferred outflow of resources from refund	-	897,475
GAAP Other Financing Sources/Uses	<u>\$ -</u>	<u>-</u>
 Change in activity and net position	 \$ (7,575,349)	 (57,529)

**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Pocatello Development Authority, as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise Pocatello Development Authority's basic financial statements, and have issued our report thereon dated December 17, 2013.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Pocatello, Idaho
December 17, 2013