

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE YEAR ENDED SEPTEMBER 30, 2014**



*Certified Public Accountants*

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

	<u>Page</u>
<b>Introductory Section:</b>	
Letter of Transmittal	1-4
List of Principal Officials	5
Organization Chart	6
<b>Independent auditor's report</b>	7-9
<b>Management's discussion and analysis</b>	10-13
<b>Financial statements</b>	
Government Wide	
Statements of net position	14
Statements of activities and changes in net position	15
Governmental Funds	
Balance sheets	16
Statements of revenues, expenditures, and changes in fund balances	17
<b>Notes to financial statements</b>	18-23
<b>Required supplementary information</b>	24
Statement of revenues and expenditures - budget to actual	25
Notes to the statement of revenues and expenditures - budget to actual	26
<b>Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards</b>	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, 2014.

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, 2014. 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 through the courts.

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.

R    espectfully submitted February 18, 2015



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

Linda Tigert, Bannock County Commissioner, Board member

Michael Orr, City Council Member, Board member

Darlene Gerry, Board member

Caroline Wight, Board member

Cynthia Hill, Board member

Larry Fisher, Board member

Lonnie Crowell, City of Pocatello, Executive Director

Tiffany Olson, City of Pocatello, Secretary

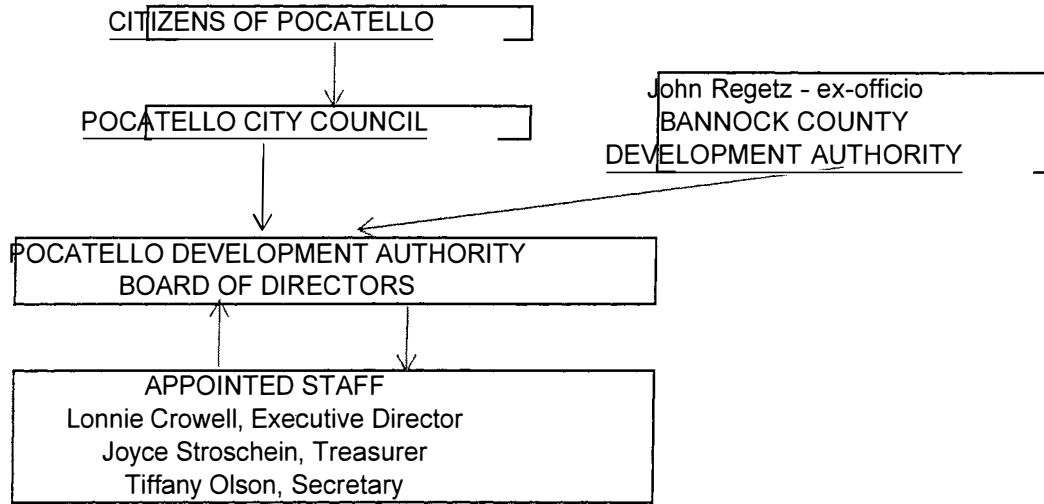
Joyce Stroschein, City of Pocatello, Treasurer

**LIST OF EX-OFFICIO ADVISORS**

Dean Tranmer, City of Pocatello, Legal Council

John Regetz, Bannock Development Authority, ex-officio member

**POCATELLO DEVELOPMENT AUTHORITY  
ORGANIZATION CHART**



**City of Pocatello, Advisory Staff:**  
Dean Tranmer, Attorney, legal council



## 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 year ended September 30, 2014, 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, 2014, 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 10-13 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.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the Authority's basic financial statements for the year ended September 30, 2013, which are not presented with the accompanying financial statements and we expressed unmodified opinions on the respective financial statements of the governmental activities, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Pocatello Development Authority's basic financial statements as a whole. The summarized comparative information is consistent, in all material respects, with the audited financial statements from which it has been derived.

## Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 17, 2015, 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.

*Deaton & Company*

Pocatello, Idaho  
February 17, 2015

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

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, 2014. **All amounts, unless otherwise indicated, are expressed in dollars.**

**FINANCIAL HIGHLIGHTS**

Over the course of the 2014 fiscal year, Pocatello Development Authority's total net position decreased by \$842,911.

At the end of the current year, committed fund balance for the General Fund was \$244,862.

**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 fund 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, 2014**

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 year 2011.

Table A-1 summarizes net position for the 2012 - 2014 years.

Table A-1 - Net position and net assets

	Governmental Activities			
	2014	2013	2012	2011
Cash	\$ 6,210,541	\$ 7,139,211	\$ 8,275,486	\$ 7,075,651
Other assets	388,972	319,096	359,858	1,709,516
Total assets	6,599,513	7,458,307	8,635,344	8,785,167
Deferred Outflows of Resources	-	391,238	-	-
Long-term debt outstanding	5,691,000	6,195,000	6,890,000	7,150,000
Other liabilities	27,032	29,023	62,293	64,644
Total liabilities	5,718,032	6,224,023	6,952,293	7,214,644
Unrestricted (deficit) net assets	105,105	948,010	(6,220,899)	(5,031,590)
Restricted net assets	677,506	677,512	7,903,950	6,602,113
Total net assets	<u>782,611</u>	<u>1,625,522</u>	<u>1,683,051</u>	<u>\$ 1,570,523</u>
Total net position	<u>\$ 782,611</u>	<u>\$ 1,625,522</u>	<u>\$ 1,683,051</u>	

Net position of Pocatello Development Authority's governmental activities decreased \$782,611.



**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Government-wide Financial Statements - continued**

**Change in net position** - Table A-2 summarizes changes in net assets for the year 2011.

Table A-2 summarizes changes in net position for the 2012 - 2014 years.

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

	Governmental Activities			
	2014	2013	2012	2011
Revenues	\$ 2,196,129	\$ 1,856,311	\$ 1,470,805	\$ 3,033,394
Expenses	3,039,040	1,913,840	1,249,920	637,267
Change in net assets	(842,911)	(57,529)	220,885	2,396,127
Beginning net position (see prior period note)	1,625,522	1,683,051	1,462,166	-
Beginning net assets	-	-	-	-
Ending net position	<u>\$ 782,611</u>	<u>\$ 1,625,522</u>	<u>\$ 1,683,051</u>	-
Ending net assets				<u>\$ 2,396,127</u>

The Pocatello Development Authority's total revenues increased by \$339,818 over 2013 operations and expenses increased \$1,125,200. The majority of the Pocatello Development Authority's revenues comes from property taxes. The majority of expenses were for project payments (\$2,427,015).

**Governmental Activities**

fund balances in Governmental Funds decreased by \$945,292. The decrease was primarily due to payments on projects, particularly the South Valley Road project payment of \$1,850,000.

General Fund

Administrative expenses totaled \$9,020 in the general fund and consisted of the following:

	General Fund			
	2014	2013	2012	2011
Audit	\$ 4,150	\$ 3,900	\$ 3,900	\$ 3,800
Commissioner meetings	3,120	2,651	1,154	1,474
Professional services	1,750	1,866	2,500	1,000
	<u>\$ 9,020</u>	<u>\$ 8,417</u>	<u>\$ 7,554</u>	<u>\$ 6,274</u>

Special Revenue Funds

Administrative expenses (professional services) totaled \$37,200 in the special revenue fund or 1.68% of total special revenue fund revenues and consisted of the following:

	Special Revenue Funds			
	2014	2013	2012	2011
General Fund service charge	\$ -	\$ 260,000	\$ -	\$ -
Legal fees	-	-	-	663
Engineering services	30,000	-	-	-
Airport report fees	4,700	-	4,200	8,235
Bank charges	2,500	1,252	-	4,956
	<u>\$ 37,200</u>	<u>\$ 261,252</u>	<u>\$ 4,200</u>	<u>\$ 13,854</u>

**POCATELLO DEVELOPMENT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**Budgetary Highlights**

The 2014 budget was not amended during the year. Actual expenditures were under budgeted expenditures by \$5,263,744.

The Pocatello Development Authority had \$5,691,000 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, 2014**  
**WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2013**

	<b>Governmental Activities</b>	
	2014	2013
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,533,035	\$ 6,461,699
Restricted cash and cash equivalents	677,506	677,512
Accrued interest	10,982	8,138
Property tax receivable	32,038	61,795
Notes receivable (less reserve for bad debts)	247,082	249,163
Total assets	6,500,643	7,458,307
Deferred outflows of resources - debt refunding	-	391,238
<b>LIABILITIES</b>		
Accrued interest payable	27,032	29,023
Noncurrent liabilities:		
Current portion of long-term debt	517,000	504,000
Long-term liabilities - net of current portion	5,174,000	5,691,000
Total liabilities	5,718,032	6,224,023
<b>NET POSITION</b>		
Unrestricted	105,105	948,010
Restricted	677,506	677,512
Total net position	\$ 782,611	\$ 1,625,522



**POCATELLO DEVELOPMENT AUTHORITY  
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014  
 WITH COMPARATIVE TOTAL FOR THE ENDED SEPTEMBER 30, 2013**

	<b>Governmental Activities</b>	
	2014	2013
<b>EXPENSES</b>		
Administration	\$ 3,120	\$ 13,653
Project payments	2,427,015	1,069,460
Professional services	43,100	266,016
Interest	565,805	458,266
Bond sale costs	-	106,445
	3,039,040	1,913,840
<b>REVENUES</b>		
Property taxes	1,685,858	1,575,631
Interest	21,188	20,680
Professional services	-	260,000
Revenue reimbursement	489,083	-
	2,196,129	1,856,311
<b>NET CHANGE IN NET ASSETS</b>	(842,911)	(57,529)
<b>BEGINNING NET POSITION</b> <small>(see note 4I)</small>	1,625,522	1,683,051
<b>ENDING NET POSITION</b>	\$ 782,611	\$ 1,625,522

**POCATELLO DEVELOPMENT AUTHORITY  
BALANCE SHEETS  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2014  
WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2013**

	General Fund	Consolidated Corridor	North Yellowstone	Naval Ordinance Plant	North Portneuf	Airport	2014	2013
<b>ASSETS</b>								
Cash and cash equivalents	\$ 244,862	\$ 2,968,033	\$ 1,724,918	\$ 418,042	\$ 14,680	\$ 162,500	\$ 5,533,035	\$ 6,461,699
Cash with fiscal agent	-	-	677,506	-	-	-	677,506	677,512
Accrued interest	10,577	405	-	-	-	-	10,982	8,138
Property tax receivable	-	-	21,826	-	10,212	-	32,038	61,795
Notes receivable	50,000	597,082	-	-	-	-	647,082	649,163
Due from other funds	-	-	-	-	-	-	-	-
	<u>\$ 305,439</u>	<u>\$ 3,565,520</u>	<u>\$ 2,424,250</u>	<u>\$ 418,042</u>	<u>\$ 24,892</u>	<u>\$ 162,500</u>	<u>\$ 6,900,643</u>	<u>\$ 7,858,307</u>
<b>LIABILITIES</b>								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable interest revenues	10,577	-	-	-	-	-	10,577	-
Unavailable tax revenues	-	-	19,489	-	10,212	-	29,701	42,807
Unavailable notes receivable revenues	50,000	597,082	-	-	-	-	647,082	656,925
	<u>60,577</u>	<u>597,082</u>	<u>19,489</u>	<u>-</u>	<u>10,212</u>	<u>-</u>	<u>687,360</u>	<u>699,732</u>
<b>FUND BALANCES</b>								
Restricted	-	-	677,506	-	-	-	677,506	677,512
Committed	244,862	2,968,438	1,727,255	418,042	14,680	162,500	5,535,777	6,481,063
	<u>244,862</u>	<u>2,968,438</u>	<u>2,404,761</u>	<u>418,042</u>	<u>14,680</u>	<u>162,500</u>	<u>6,213,283</u>	<u>7,158,575</u>
	<u>\$ 305,439</u>	<u>\$ 3,565,520</u>	<u>\$ 2,424,250</u>	<u>\$ 418,042</u>	<u>\$ 24,892</u>	<u>\$ 162,500</u>		
<b>Amounts reported for governmental activities in the statements of net position are different because:</b>								
Certain receivables are not current resources and are reported as deferred revenues in the governmental funds.							676,783	699,732
Recognition of bad debt reserves and note receivable write off are not reported as all receivables are deferred.							(400,000)	(400,000)
Interest accrued on Noted receivable not classified as current assets.							10,577	-
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							(5,691,000)	(6,195,000)
Accrued interest on long-term debt							(27,032)	(29,023)
Total long-term liabilities adjustment							<u>(5,718,032)</u>	<u>(6,224,023)</u>
Net Position of Governmental Activities							<u>\$ 782,611</u>	<u>\$ 1,625,522</u>

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

**POCATELLO DEVELOPMENT AUTHORITY**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2014**  
**WITH COMPARATIVE TOTAL FOR YEAR ENDED SEPTEMBER 30, 2013**

	General Fund	Consolidated Corridor	North Yellowstone	Naval Ordinance Plant	North Portneuf	Airport	2014	2013
<b>REVENUES</b>								
Property taxes	\$ -	\$ 21,503	\$ 1,228,597	\$ 204,792	\$ 132,696	\$ 111,376	\$ 1,698,964	\$ 1,619,786
Interest	39	13,546	1,546	-	3,242	-	18,373	29,870
Professional services	-	-	-	-	-	-	-	260,000
Miscellaneous revenue	-	489,083	-	-	-	-	489,083	340
	<u>39</u>	<u>524,132</u>	<u>1,230,143</u>	<u>204,792</u>	<u>135,938</u>	<u>111,376</u>	<u>2,206,420</u>	<u>1,909,996</u>
<b>EXPENDITURES</b>								
Administration	3,120	-	-	-	-	-	3,120	13,652
Projects and grants	-	1,850,000	122,015	-	450,000	5,000	2,427,015	1,079,460
Professional services	5,900	-	7,200	-	-	30,000	43,100	256,016
Bond sale costs	-	-	-	-	-	-	-	106,445
Debt services:								
Principal retirement	-	-	504,000	-	-	-	504,000	580,000
Interest	-	-	176,557	-	-	-	176,557	100,299
	<u>9,020</u>	<u>1,850,000</u>	<u>809,772</u>	<u>-</u>	<u>450,000</u>	<u>35,000</u>	<u>3,153,792</u>	<u>2,135,872</u>
<b>EXCESS REVENUES OR (EXPENDITURES)</b>	<b>(8,981)</b>	<b>(1,325,868)</b>	<b>420,371</b>	<b>204,791</b>	<b>(314,062)</b>	<b>76,376</b>	<b>(947,372)</b>	<b>(225,876)</b>
<b>OTHER FINANCING SOURCES/(USES):</b>								
Notes receivable collections	-	2,081	-	-	-	-	2,081	837
Proceed from refunding bond issuance	-	-	-	-	-	-	-	6,775,000
(Payment into refunded bond escrow account)	-	-	-	-	-	-	-	(7,672,475)
<b>NET CHANGE IN FUND BALANCE</b>	<b>(8,981)</b>	<b>(1,323,787)</b>	<b>420,371</b>	<b>204,791</b>	<b>(314,062)</b>	<b>76,376</b>	<b>(945,291)</b>	<b>(1,122,514)</b>
<b>BEGINNING FUND BALANCE</b>	<b>253,843</b>	<b>4,292,225</b>	<b>1,984,390</b>	<b>213,251</b>	<b>328,742</b>	<b>86,124</b>		
<b>ENDING FUND BALANCE</b>	<b>\$ 244,862</b>	<b>\$ 2,968,438</b>	<b>\$ 2,404,761</b>	<b>\$ 418,042</b>	<b>\$ 14,680</b>	<b>\$ 162,500</b>		

**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.	(13,106)	(44,154)
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	(2,081)	(838)
Interest on notes receivable not meeting the definition of current asset for modified accrual are recognized on the statements of net position	2,814	(9,530)
Accrued interest on long-term debt is not recognized in governmental funds.	1,991	33,270
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	504,000	580,000
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)	(391,238)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (842,911)</b>	<b>\$ (57,529)</b>

**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 position and the statement of changes in net position) 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.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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

**D. *Assets, liabilities, and net position 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.

**3. *Inventory and prepaid items***

There were no inventory or prepaid items this year.

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

Fund balances 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 fund balances 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 fund balances or net position 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, 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, which are amortized over the term of the related debt.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

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

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

**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.

**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 position.***

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 position. 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 \$5,718,032 difference follows:

Current portion of long-term bonds	\$ (517,000)
Long-term bonds payable	(5,174,000)
Accrued interest on bonds payable	(27,032)
Total Long -term bonds	<u>\$ (5,718,032)</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 \$687,360 difference are as follows:"

Unavailable property taxes, Consolidated Corridor	\$ 29,701
Unavailable interest receivable on notes	10,577
Unavailable notes receivable	647,082
	<u>\$ 687,360</u>

**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 it 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.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**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	\$ 3,841,692
Cash in trust with fiscal agent	2,368,850
	<u>\$ 6,210,542</u>

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 \$3,841,692 and the bank balance (balance per bank statements) was \$3,841,692. Of the cash balance, \$250,000 was covered by federal depository insurance. There exists a custodial risk that \$3,591,692.

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 \$2,368,850 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 \$2,081 principal was paid and \$405 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.

**POCATELLO DEVELOPMENT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - Detailed Notes on all Funds - continued**

\$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 \$10,577 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.

**3. Property Tax Receivable and Unavailable Property Taxes**

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

	Receivables	Deferred Tax
North Yellowstone District	\$ 21,826	\$ 19,489
North Portneuf District	10,212	10,212
	\$ 32,038	\$ 29,701

**B. 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
2015 - Current portion	\$ 517,000	\$ 162,194
2016	530,000	147,459
2017	547,000	132,354
2018	564,000	116,765
2019	579,000	100,690
2020-2023	2,477,000	233,501
2024	477,000	13,595
	\$ 5,691,000	\$ 906,557

**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 2013	\$ 6,195,000	\$ -	\$ 504,000	\$ 5,691,000	\$ 517,000

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.

**C. 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.

**D. Restricted Assets**

The North Yellowstone District has \$677,506 in restricted cash assets 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)**

***D. Restricted Assets - continued***

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

Bond restrictions	\$ 677,506
	<u>\$ 677,506</u>

***E. Committed Assets***

The fund balance 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, 2014, the commitments exceeded the fund balance in the General Fund.

**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.

**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 February 17, 2015, 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, 2014**

	Original and Final Budget Amounts	Actual Amounts	Variance
<b>REVENUES</b>			
<b>GENERAL FUND</b>			
Interest	\$ 20	\$ 39	\$ 19
Loan repayment	50,000	-	(50,000)
Administration fees	1,797,491	-	(1,797,491)
	<u>1,847,511</u>	<u>39</u>	<u>(1,847,472)</u>
<b>SPECIAL REVENUES FUNDS</b>			
North Yellowstone	1,199,430	1,230,144	30,714
North Portneuf	128,000	135,938	7,938
Naval Ordinance Plant	170,000	204,791	34,791
Pocatello Regional Airport	86,000	111,376	25,376
Consolidated Corridor	47,522	524,132	476,610
Subtotal Special Revenue Funds	<u>1,630,952</u>	<u>2,206,381</u>	<u>575,429</u>
Total Revenue All Funds	3,478,463	2,206,420	(1,272,043)
<b>EXPENDITURES</b>			
<b>GENERAL FUND</b>			
Administration	8,111	3,120	4,991
Professional services	-	5,900	
Contingency	2,000,000	-	2,000,000
	<u>2,008,111</u>	<u>9,020</u>	<u>2,004,991</u>
<b>SPECIAL REVENUES</b>			
North Yellowstone	1,057,572	809,772	247,800
North Portneuf	456,425	450,000	6,425
Naval Ordinance	383,251	-	383,251
Pocatello Regional Airport	172,123	35,000	137,123
Consolidated Corridor	4,334,154	1,850,000	2,484,154
Subtotal Special Revenue Funds	<u>6,403,525</u>	<u>3,144,772</u>	<u>3,258,753</u>
Total Expenditures All Funds	<u>8,411,636</u>	<u>3,153,792</u>	<u>5,263,744</u>
<b>EXCESS REVENUES OR (EXPENDITURES)</b>	(4,933,173)	(947,372)	3,985,801
<b>OTHER FINANCING SOURCES (USES)</b>			
Note receivable collection (Corridor)	-	2,081	2,081
Total other financing sources (uses)	<u>-</u>	<u>2,081</u>	<u>2,081</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (4,933,173)</u>	(945,291)	<u>\$ 3,987,882</u>
<b>BEGINNING NET POSITION</b>		<u>7,158,574</u>	
<b>ENDING NET POSITION</b>		<u>\$ 6,213,283</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 income, interfund loan repayments and third party debt repayments.

Budgeted expenditures consist of the amounts anticipated for project expenditures, administrative expenditures. Pocatello Development Authority does not budget for unanticipated loans or grants that might be made in a given year or loans between funds.

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

	<u>Budget</u>	<u>Actual</u>
Budgeted revenues	\$ 3,478,463	\$ 2,206,420
GAAP adjustments		
Interest accrued on notes receivable	2,814	2,814
Unavailable property taxes	(13,106)	(13,106)
GAAP budgeted revenues	<u>3,468,171</u>	<u>2,196,128</u>
 Budgeted Expenditures	 8,411,636	 3,153,792
GAAP adjustments		
Accrued interest on bonds payable	(1,991)	(1,991)
Principal payments on debt	(504,000)	(504,000)
Deferred outflow for refunding recognized as interest expense	391,238	391,238
GAAP budgeted expenditures	<u>8,296,883</u>	<u>3,039,039</u>
 Budgeted Other Financing Sources/Uses	 -	 (896,638)
GAAP adjustments		
Principal received on notes	-	(2,081)
Deferred outflow of resources from refund	-	-
GAAP Other Financing Sources/Uses	<u>-</u>	<u>(898,719)</u>
 Change in activity and net position	 <u>\$ (4,828,712)</u>	 <u>(842,911)</u>

**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, 2014, 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 February 17, 2015.

**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.

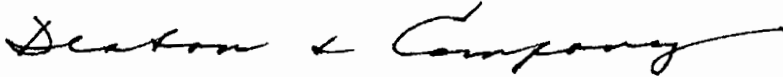
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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  
February 17, 2015