

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

**POCATELLO DEVELOPMENT AUTHORITY
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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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, 2019.

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, 2019. 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 complements 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 Corporation 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 Corporation to get businesses to move into these blighted areas.

Businesses that are interested in moving to the area are looking for a site that makes business sense. In some instances, a company will consider moving if there is financial aid available for infrastructure development or assistance with construction costs. Tax Increment Financing Districts provide the financial aid or assistance to a company as an added incentive to locate in the area.

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. Eight 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 Consolidated 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 are 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.

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

The North Yellowstone District, created in 2004, provided \$6 million in funding to renovate an area which now houses several new businesses including Lowes, Costco, and Bed, Bath and Beyond, and has generated enough property tax revenue to allow the Authority to payoff the existing debt that was bonded for in 2013. This district was closed in FY 2019 and property taxes collected in excess of the bond payoff was remitted back to the County. The incremental added value is \$83,758,079.

The Naval Ordinance District was formed in July, 2006. The added value is \$14,169,161. The addition of the ATCO Company alone has been positively significant by adding over 100 jobs to Pocatello.

The North Portneuf District was formed May 3, 2007, in northwest Pocatello in a 9 acre area along the Portneuf River . The District was formed 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 never became operational and the owners have declared bankruptcy. The added value of this district is \$7,268,258. The Authority purchased the land from the City of Pocatello for further economic development purposes.

The Airport District was created in 2009 to develop infrastructure at the Pocatello Regional Airport. Today the district has added value of \$5,458,762 with the advent of the Petersen, Inc. production facility. The Authority has authorized engineering studies to determine future development cost in the district.

During FY 2019, the Pocatello City Council adopted an ordinance creating the urban renewal area and tax increment financing plan for the new Northgate development. Receipt of funds for projects in this area is anticipated beginning in 2021.

Acknowledgments

The Board of Directors of the Pocatello Development Authority would like to acknowledge and thank the supporting staff of the City of Pocatello and the Bannock Development Corporation for their contributions to this organization.

Respectfully submitted March 18, 2020

Melanie Gygli
Executive Director, Pocatello Development Authority

**POCATELLO DEVELOPMENT AUTHORITY
LIST OF OFFICIALS**

Scott J. Smith, Council Member, Chairman of the Board

Chad Carr, Vice Chairperson of the Board

Brian Blad, Mayor of Pocatello, Board member

Terrel Tovey, Bannock County Commissioner, Board member

Jim Johnston, City Council Board member

Robert Lion, Board member

Thomas Ottaway, Board member

Scott Turner, Board member

Matt Bloxham, Board Member

Melanie Gygli, City of Pocatello, Executive Director

Melanie Gygli, City of Pocatello, Acting Secretary

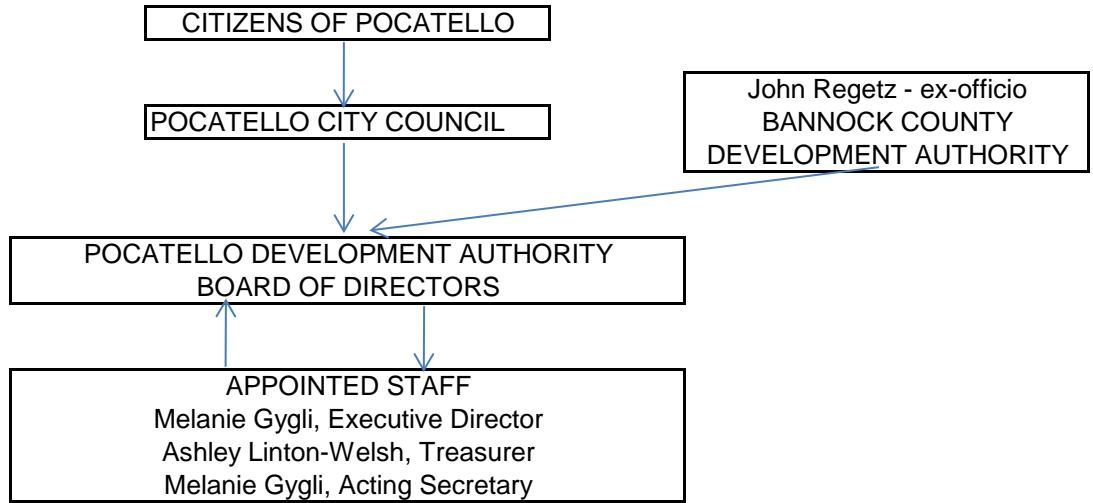
Ashley Linton-Welsh, City of Pocatello, Treasurer

LIST OF EX-OFFICIO ADVISORS

Kirk Bybee, City of Pocatello, Legal Counsel

John Regetz, Bannock Development Authority, ex-officio member

**POCATELLO DEVELOPMENT AUTHORITY
ORGANIZATION CHART**



City of Pocatello, Advisory Staff:
Kirk Bybee, Attorney, Legal counsel

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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, 2019 **All amounts, unless otherwise indicated, are expressed in dollars.**

FINANCIAL HIGHLIGHTS

Over the course of the 2019 fiscal year, Pocatello Development Authority's total net position decreased from \$4,573,430 to \$4,248,886.

At the end of the current year, committed fund balance for the General Fund was \$39,130, or 4.27% of the total general fund balance.

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, 2019**

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. Fund accounting is used by the Pocatello Development Authority 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 2019 through 2016

Table A-1 - Net position

	Governmental Activities			
	2019	2018	2017	2016
Cash	\$ 2,775,117	\$ 6,731,949	\$ 7,095,053	\$ 6,272,632
Other assets	1,712,933	1,858,527	1,691,611	1,632,966
Total assets	4,488,050	8,590,476	8,786,664	7,905,598
Deferred Outflows of Resources	-	-	-	-
Long-term debt outstanding	224,247	3,774,988	4,356,728	4,921,468
Other liabilities	14,917	242,058	19,461	22,059
Total liabilities	239,164	4,017,046	4,376,189	4,943,527
Unrestricted (deficit) net assets	4,248,886	3,895,056	3,732,634	2,284,525
Restricted net assets	-	678,375	677,841	677,546
Total net position	<u>\$ 4,248,886</u>	<u>\$ 4,573,431</u>	<u>\$ 4,410,475</u>	<u>\$ 2,962,071</u>

Net position of Pocatello Development Authority's governmental activities decreased \$324,544.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Government-wide Financial Statements - continued

Change in net position - Table A-2 summarizes changes in net position for the years 2019 through 2016.

Table A-2 - Change in net position

	Governmental Activities			
	2019	2018	2017	2016
Revenues	\$ 2,332,936	\$ 2,060,887	\$ 1,883,212	\$ 1,857,314
Expenses	2,657,481	1,897,931	434,808	574,484
Change in net assets	(324,545)	162,956	1,448,404	1,282,830
Beginning net position(see prior period note)	4,599,431	4,410,475	2,962,071	1,229,241
<i>Prior Period Net Position - reclassification</i>	-			450,000
Ending net position	<u>\$ 4,274,886</u>	<u>\$ 4,573,431</u>	<u>\$ 4,410,475</u>	<u>\$ 2,962,071</u>

The Pocatello Development Authority's total revenues increased by \$272,049 over 2018 operations and expenses increased \$759,550. The majority of the Pocatello Development Authority's revenues comes from property taxes. The majority of expenses were for the North Yellowstone TIF closure (\$1,455,008) and project grants (\$509,141).

Governmental Activities

Fund balances in Governmental Funds decreased by \$4,127,965. The decrease was primarily due to the early retirement of debt and closing of the North Yellowstone districts.

General Fund

Administrative expenses and professional services totaled \$57,950 in the general fund or 29% of total revenues and consisted of the following:

	General Fund			
	2019	2018	2017	2016
Audit	\$ 4,150	\$ 4,150	\$ 4,185	\$ 4,130
Commissioner meetings & office supplies	2,441	2,072	2,451	2,264
Professional services	51,359	91,728	9,900	10,750
	<u>\$ 57,950</u>	<u>\$ 97,950</u>	<u>\$ 16,536</u>	<u>\$ 17,144</u>

Special Revenue Funds

Administrative fee transfers and professional services totaled \$226,459 in the special revenue fund and consisted of the following:

	Special Revenue Funds			
	2019	2018	2017	2016
General Fund administrative fee transfers	\$ 189,514	\$ 167,038	\$ 165,955	\$ 152,817
Legal fees	-	-	-	17,020
Other professional services	34,945	9,740	9,150	8,552
Engineering Services	-	-	8,018	8,018
Arbitrage report fees	-	1,250	1,000	1,000
Bank charges trustee fees	2,000	2,000	2,000	2,000

<u>\$ 226,459</u>	<u>\$ 180,028</u>	<u>\$ 186,123</u>	<u>\$ 189,407</u>
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**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Budgetary Highlights

The 2019 budget was not amended during the year. Actual expenditures were under budgeted expenditures by \$2,709,783.

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, 2019
WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2018

	Governmental Activities	
	2019	2018
ASSETS		
Cash and cash equivalents	\$ 2,775,117	\$ 6,053,574
Restricted cash and cash equivalents	-	678,375
Accrued interest	24,672	28,697
Receivables	4,500	2,250
Property tax receivable	216,050	299,333
Inventory - leasehold	125,000	424,779
Inventory - Land	1,027,468	1,027,468
Notes receivable (less reserve for bad debts)	315,243	76,000
Total assets	4,488,050	8,590,476
LIABILITIES		
Accrued interest payable	\$ -	\$ 16,782
Accounts payable	14,917	25,276
Security Deposit	-	200,000
Noncurrent liabilities:		
Current portion of long-term debt	17,740	596,740
Long-term liabilities - net of current portion	206,507	3,178,248
Total liabilities	239,164	4,017,046
NET POSITION		
Unrestricted - restated	4,248,886	3,895,056
Restricted	-	678,375
Total net position	\$ 4,248,886	\$ 4,573,431

**POCATELLO DEVELOPMENT AUTHORITY
STATEMENTS OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTAL FOR THE ENDED SEPTEMBER 30, 2018**

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
EXPENSES		
General Fund	\$ 978,155	\$ 1,747,950
North Yellowstone	1,505,651	117,335
Naval Ordinance Plant	134,850	-
North Portneuf	38,825	32,646
Airport	-	-
Northgate	-	-
	<u>2,657,481</u>	<u>1,897,931</u>
REVENUES		
Property taxes	2,041,843	1,982,454
Interest	82,053	49,403
Forefeiture of Security Deposit	200,000	-
Miscellaneous	9,040	29,030
	<u>2,332,936</u>	<u>2,060,887</u>
NET CHANGE IN NET POSITION	(324,545)	162,956
BEGINNING NET POSITION - restated	<u>4,573,431</u>	<u>4,410,475</u>
ENDING NET POSITION	<u><u>\$ 4,248,886</u></u>	<u><u>\$ 4,573,431</u></u>

**POCATELLO DEVELOPMENT AUTHORITY
BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019
WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2018**

	General Fund	North Yellowstone	Naval Ordinance Plant	North Portneuf	Airport	Northgate	2019	2018
ASSETS								
Cash and cash equivalents	\$ 788,990	\$ 1,554	\$ 980,164	\$ 394,725	\$ 609,684	\$ -	\$ 2,775,117	\$ 6,053,574
Cash with fiscal agent	-	-	-	-	-	-	-	678,375
Accrued interest	23,924	-	374	146	228	-	24,672	28,697
Accounts receivable	4,500	-	-	-	-	-	4,500	2,250
Property tax receivable	-	7,969	-	208,081	-	-	216,050	299,333
Notes receivable	426,528	-	-	-	-	-	426,528	76,000
Inventory - leasehold	125,000	-	-	-	-	-	125,000	424,779
	<u>\$ 1,368,942</u>	<u>\$ 9,523</u>	<u>\$ 980,538</u>	<u>\$ 602,952</u>	<u>\$ 609,912</u>		<u>\$ 3,571,867</u>	<u>\$ 7,563,008</u>
LIABILITIES								
Accounts payable	\$ 2,852	\$ 9,523	\$ -	\$ 2,542	\$ -	\$ -	\$ 14,917	\$ 25,277
Security Deposit	-	-	-	-	-	-	-	200,000
DEFERRED INFLOWS OF RESOURCES								
Unavailable interest revenues	23,633	-	-	-	-	-	23,633	23,633
Unavailable tax revenues	-	-	-	208,081	-	-	208,081	211,425
Unavailable notes receivable revenues	426,528	-	-	-	-	-	426,528	76,000
	<u>453,013</u>	<u>9,523</u>	<u>-</u>	<u>210,623</u>	<u>-</u>	<u>-</u>	<u>673,159</u>	<u>536,335</u>
FUND BALANCES								
Nonspendable	125,000	-	-	-	-	-	125,000	424,779
Restricted	-	-	-	-	-	-	-	678,375
Committed	-	-	980,538	392,329	609,912	-	1,982,779	5,366,461
Assigned	99,688	-	-	-	-	-	99,688	-
Unassigned	691,241	-	-	-	-	-	691,241	557,058
	<u>915,929</u>	<u>-</u>	<u>980,538</u>	<u>392,329</u>	<u>609,912</u>	<u>-</u>	<u>2,898,708</u>	<u>7,026,673</u>
	<u>\$ 1,368,942</u>	<u>\$ 9,523</u>	<u>\$ 980,538</u>	<u>\$ 602,952</u>	<u>\$ 609,912</u>	<u>\$ -</u>		

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

Certain receivables are not current resources and are reported as deferred revenues in the governmental funds.	634,609	287,425
Accrual adjustments for allowance for doubtful accounts.	(111,285)	-
Recognition of capital purchases are reported as expenses in the governmental funds	1,027,468	1,027,468
Interest accrued on notes receivable not classified as current assets.	23,633	23,633
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Long-term debt	(224,247)	(3,774,988)
Accrued interest on long-term debt	-	(16,782)
Total long-term liabilities adjustment	<u>(224,247)</u>	<u>(3,791,770)</u>

The accompanying notes are an integral part of these financial statements

Net Position of Governmental Activities

\$ 4,248,886 \$ 4,573,429

POCATELLO DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019
WITH COMPARATIVE TOTAL FOR YEAR ENDED SEPTEMBER 30, 2018

	General Fund	North Yellowstone	Naval Ordnance Plant	North Portneuf	Airport	Northgate	2019	2018
REVENUES								
Property taxes	\$ -	\$ 1,580,754	\$ 268,657	\$ 87,245	\$ 108,532	\$ -	\$ 2,045,188	\$ 1,899,030
Interest	2,936	45,225	2,938	29,182	1,772	-	82,053	45,896
Miscellaneous revenue	9,040	-	-	200,000	-	-	209,040	29,030
	<u>11,976</u>	<u>1,625,979</u>	<u>271,595</u>	<u>316,427</u>	<u>110,304</u>	<u>-</u>	<u>2,336,281</u>	<u>1,973,956</u>
EXPENDITURES								
Administration	3,791	2,000	-	170	-	-	5,961	53,026
Projects and grants	859,669	-	-	-	-	-	859,669	1,650,000
Professional services	54,159	2,773	-	38,655	-	-	95,587	80,820
Capital Construction	-	-	134,850	-	-	-	134,850	-
Loss on Write-Down of Inventory	299,779	-	-	-	-	-	299,779	-
TIF District Closure	-	1,455,008	-	-	-	-	1,455,008	-
Debt services:								
Principal retirement	-	3,533,000	-	17,740	-	-	3,550,740	581,740
Interest	-	62,652	-	-	-	-	62,652	116,765
	<u>1,217,398</u>	<u>5,055,433</u>	<u>134,850</u>	<u>56,565</u>	<u>-</u>	<u>-</u>	<u>6,464,246</u>	<u>2,482,351</u>
EXCESS REVENUES OR (EXPENDITURES)	(1,205,422)	(3,429,454)	136,745	259,862	110,304	-	(4,127,965)	(508,395)
OTHER FINANCING SOURCES/(USES):								
Transfers in	189,514	-	-	-	-	-	189,514	167,038
Transfers out	-	(160,781)	(24,870)	(3,863)	-	-	(189,514)	(167,038)
NET CHANGE IN FUND BALANCE	(1,015,908)	(3,590,235)	111,875	255,999	110,304	-	(4,127,965)	(508,395)
BEGINNING FUND BALANCE	1,931,837	3,590,235	868,663	136,330	499,608			
ENDING FUND BALANCE	<u>\$ 915,929</u>	<u>\$ -</u>	<u>\$ 980,538</u>	<u>\$ 392,329</u>	<u>\$ 609,912</u>	<u>\$ -</u>		

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

Governmental funds only report revenue on receivables that are available to pay current expenditures within the first 60 days of the fiscal year. All receivables minus allowances for bad debt are treated as revenues received in the statement of activities.	235,898	83,425
Interest on notes receivable not meeting the definition of current asset for modified accrual are recognized on the statements of net	-	3,507
Accrued interest on long-term debt is not recognized in governmental funds.	16,782	2,679
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	-	-
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	3,550,740	581,740
Change in Net Position of Governmental Activities	<u>\$ (324,545)</u>	<u>\$ 162,956</u>

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - Summary of Significant Accounting Policies

A. *Reporting entity*

The Idaho Urban Renewal Law of 1965 authorized the Mayor, with advice and consent of the City Council, to appoint a board of commissioners for an urban renewal agency to function within the municipality of Pocatello, provided that the Council has first passed a resolution finding that one or more 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

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 was a foreclosure on a receivable balance which was recovered with the leasehold property owned by the company. This property is held for resale and classified as inventory - leasehold. The property is valued at the lower of cost or market.

Inventory is reported at the lower of cost or fair market value.

4. Restricted assets reported on the statement of net position

The 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 position 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 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 \$224,247 difference follows:

Current portion of long-term Bonds and Notes	\$ (17,740)
Long-term Bonds Payable and Notes Payable	<u>(206,507)</u>
Total Long -term bonds	<u><u>\$ (224,247)</u></u>

Another element of the reconciliation explains that "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds". The detail of this \$1,027,468 difference are as follows:

Land	\$ 1,027,468
	<u><u>\$ 1,027,468</u></u>

Another element of the reconciliation explains that "Certain receivables are not current resources and are reported as deferred revenues in the governmental funds". The detail of this \$658,242 difference are as follows:

Deferred property taxes, North Portneuf	\$ 208,081
Deferred interest receivable on notes and investments	23,633
Deferred notes receivable	<u>426,528</u>
	<u><u>\$ 658,242</u></u>

One element of the reconciliation is titled "accrual adjustments for allowance for doubtful accounts." Governmental funds do not record an adjustment to accounts or loans receivable that represents the estimated amount of the receivables that will not be collectable. Instead, receivables not available for current spending are deferred.

Allowance for doubtful accounts	\$ (111,285)
	<u><u>\$ (111,285)</u></u>

NOTE 3 - Stewardship, Compliance and Accountability

A. Budgetary Information

The budget is prepared on a modified accrual basis by fund, (each tax increment financing district is represented by it own fund), and includes information about the current year.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

The Board of the Pocatello Development Authority holds a public meeting in conjunction with adoption of its annual budget. The new budget is submitted to the board at its meeting in August 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. The Budget is published as required.

**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	<u>\$ 2,775,117</u>
	<u>\$ 2,775,117</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 \$2,775,117 and the bank balance (balance per bank statements) was \$2,775,117. Of the cash balance, \$250,000 was covered by federal depository insurance at Idaho Central Credit Union. There exists a custodial risk of \$2,525,117.

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 does not exist 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.

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.

\$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 \$23,633 has been recorded on the balance sheet.

\$26,000 was loaned to a local limited liability company at zero percent interest for 12 months. The loan was assumed by the Yellowstone Restaurant, LLC with the first quarterly payment to begin on or before February 1, 2020.

A loan of up to \$100,000 was given to a local limited liability company at zero percent interest for 12 months. Quarterly payments will begin on or before August 1, 2020.

A loan of up to \$200,000 was given to a local limited liability company at zero percent interest for 12 months. Quarterly payments will begin on or before June 1, 2020.

A loan of up to \$125,00 was given to a local limited liability company at zero percent interest for 12 months. Quarterly payments will begin on or before June 1, 2020.

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

The PDA entered into an agreement with the City of Pocatello for the purchase of the HOKU land in the North Portneuf Taxing District. The loan is a no interest loan to be repaid over 16 years in annual installments of \$17,740 per year.

Year	North Portneuf Principal
2020 - Current portion	\$ 17,740
2021	17,740
2022	17,740
2023	17,740
2024-2028	88,701
2029-2031	64,586
	\$ 224,247

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	\$ 7,969	\$ -
North Portneuf District	208,081	208,081
	\$ 216,050	\$ 208,081

B. Long-term Debt

1. Changes in Long-term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance
North Yellowstone 2013	\$ 3,533,000	\$ -	\$ 3,533,000	\$ -

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - Detailed Notes on all Funds (Continued)

C. Grants

Pocatello Development Authority has provided grants to businesses 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. Fund Equity

In the fund financial statements, governmental funds report the following fund balance classifications:

Nonspendable Assets

Nonspendable amounts that cannot be spent because they are not in spendable form or that are legally or contractually required to be maintained intact.

Restricted Assets

Restricted amounts are used for a particular purpose, primarily to satisfy regulatory or contractual requirements.

Committed Assets

The tax revenues 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.

Assigned Assets

Assigned amounts are intended to be used for certain purposes as determined by the board with a majority vote pursuant to accounting rules for fund balance reporting and the definition of Governmental Fund Type.

The Pocatello Development Authority's Board of Directors have assigned amounts to fund projects when funds become available in the General Fund. As of September 30, 2019, the assigned amounts were \$99,688 related to the economic development of various local businesses.

Unassigned Assets

Unassigned residual balances in the General Fund that have not been restricted, committed or assigned.

Other governmental funds may report a negative unassigned fund balance should the total of nonspendable, restricted, and committed fund balances exceed the total net resources for the fund.

It is the Authority's policy to first use restricted resources and then unrestricted resources as needed. When restricted resources are available for use, it is the Authority's policy to use resources in the following order; first committed, then assigned, and finally unassigned. Fund balance commitments may be established, modified or rescinded by the board.

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - Other Information

A. Contingent Liabilities

The majority of the revenue collected by PDA is derived from tax increment financing. Tax increment financing is a method of segregating a portion of the property taxes paid on properties within an urban renewal district to fund improvements for which the district was formed. This is accomplished by freezing the market value of property within the district.

A contingent liability exists when the market value increase in the district is not large enough to fund any debt incurred by the district to finance the improvements within the district.

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. During the October 2019 Board Meeting, the Board adopted Resolution 2019-5 authorizing the Chair to sign necessary documents to complete the Positron Facility property sale. At the November 2019 Board Meeting, the Board voted to accept the proposal made by Portneuf Capital to purchase the Hoku property and adopted Resolution 2019-6 authorizing signature on all appropriate documents to complete the property disposition.

Subsequent events were evaluated up to March 13, 2020, the date the financial statements were available to be issued.

NOTE 7 - Prior Period Adjustment - Reclassification

The Pocatello Development Authority FY 2018 Comprehensive Annual Financial Report overstated miscellaneous revenue by \$26,000. This amount has been corrected for FY 2019 and is reflected in the Financial Statements.

REQUIRED SUPPLEMENTARY INFORMATION

POCATELLO DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Original Budget Amounts	Actual Amounts	Variance
REVENUES			
GENERAL FUND			
Interest	\$ 500	\$ 2,936	\$ 2,436
Miscellaneous	-	9,040	9,040
	<u>500</u>	<u>11,976</u>	<u>11,476</u>
SPECIAL REVENUES FUNDS			
North Yellowstone	1,501,658	1,625,979	124,321
North Portneuf	234,790	271,595	36,805
Naval Ordnance Plant	140,432	316,427	175,995
Pocatello Regional Airport	96,092	110,304	14,212
Northgate	-	-	-
Subtotal special revenue funds	<u>1,972,972</u>	<u>2,324,305</u>	<u>351,333</u>
Total revenue all funds	1,973,472	2,336,281	362,809
EXPENDITURES			
GENERAL FUND			
Administration	2,300	3,791	1,491
Professional services	27,708	54,159	26,451
Projects and Grants	1,515,385	859,669	(655,716)
Loss on Write-Down of Inventory	-	299,779	299,779
	<u>1,545,393</u>	<u>1,217,398</u>	<u>(327,995)</u>
SPECIAL REVENUES			
North Yellowstone	5,737,996	5,055,433	(682,563)
North Portneuf	1,127,195	134,850	(992,345)
Naval Ordnance	310,893	56,565	(254,328)
Pocatello Regional Airport	545,164	-	(545,164)
Northgate	-	-	-
Subtotal special revenue funds	<u>7,721,248</u>	<u>5,246,848</u>	<u>(2,474,400)</u>
Total expenditures all funds	<u>9,266,641</u>	<u>6,464,246</u>	<u>(2,802,395)</u>
EXCESS REVENUES OR (EXPENDITURES)	(7,293,169)	(4,127,965)	3,165,204
OTHER FINANCING SOURCES (USES)			
Transfers in	186,328	189,514	3,186
Transfers out	<u>(186,328)</u>	<u>(189,514)</u>	<u>(3,186)</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ (7,293,169)</u>	<u>\$ (4,127,965)</u>	<u>\$ 3,165,204</u>
BEGINNING NET POSITION		<u>7,026,673</u>	
ENDING NET POSITION		<u>\$ 2,898,708</u>	
		\$ -	

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

NOTE 1 - Expenditures in excess of budget

There were no taxing districts which expended in excess of their budget in fiscal year 2019.

**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

#REF!

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.

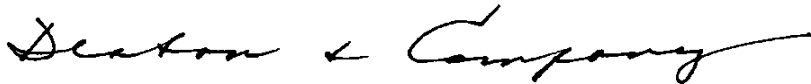
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

A handwritten signature in cursive script that reads "Deaton & Company". The signature is written in black ink and is positioned below the main body of text.

#REF!

#REF!

Amortization of HOKU Property Purchase

Year	Pincipal Payment	Total Paid	
2017	\$ 17,740.20	\$ 17,740.20	
2018	\$ 17,740.20	\$ 35,480.40	
2019	\$ 17,740.20	\$ 53,220.60	
2020	\$ 17,740.20	\$ 70,960.80	
2021	\$ 17,740.20	\$ 88,701.00	
2022	\$ 17,740.20	\$ 106,441.20	
2023	\$ 17,740.20	\$ 124,181.40	
2024	\$ 17,740.20	\$ 141,921.60	
2025	\$ 17,740.20	\$ 159,661.80	
2026	\$ 17,740.20	\$ 177,402.00	\$ 88,701.00
2027	\$ 17,740.20	\$ 195,142.20	
2028	\$ 17,740.20	\$ 212,882.40	
2029	\$ 17,740.20	\$ 230,622.60	
2030	\$ 17,740.20	\$ 248,362.80	
2031	\$ 29,105.31	\$ 277,468.11	\$ 100,066.11

Amortization of BLGL, LLC Loan

6.00%

Payment Date	Beginning Balance	Pincipal Payment	Interest	Payment Total
2/1/2020	\$ 26,000.00	\$ 1,449.89	\$ 390.00	\$ 1,839.89
5/1/2020	\$ 24,550.11	\$ 1,471.64	\$ 368.25	\$ 1,839.89
8/1/2020	\$ 23,078.47	\$ 1,493.72	\$ 346.18	\$ 1,839.90
11/1/2020	\$ 21,584.75	\$ 1,516.12	\$ 323.77	\$ 1,839.89
2/1/2021	\$ 20,068.63	\$ 1,538.86	\$ 301.03	\$ 1,839.89
5/1/2021	\$ 18,529.77	\$ 1,561.95	\$ 277.95	\$ 1,839.90
8/1/2021	\$ 16,967.82	\$ 1,585.37	\$ 254.52	\$ 1,839.89
11/1/2021	\$ 15,382.45	\$ 1,609.16	\$ 230.74	\$ 1,839.90
2/1/2022	\$ 13,773.29	\$ 1,633.29	\$ 206.60	\$ 1,839.89
5/1/2022	\$ 12,140.00	\$ 1,657.79	\$ 182.10	\$ 1,839.89
8/1/2022	\$ 10,482.21	\$ 1,682.66	\$ 157.23	\$ 1,839.89
11/1/2022	\$ 8,799.55	\$ 1,707.90	\$ 131.99	\$ 1,839.89
2/1/2023	\$ 7,091.65	\$ 1,733.52	\$ 106.37	\$ 1,839.89
5/1/2023	\$ 5,358.13	\$ 1,759.52	\$ 80.37	\$ 1,839.89
8/1/2023	\$ 3,598.61	\$ 1,785.91	\$ 53.98	\$ 1,839.89
11/1/2023	\$ 1,812.70	\$ 1,812.70	\$ 27.19	\$ 1,839.89
	\$ 26,000.00	\$ 3,438.27	\$ 29,438.27	