

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

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, 2017.

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, 2017. 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.

On November 17, 2010 the Board passed Resolution No. 2010-3 recommending the Pocatello City Council terminate the revenue allocation area provision of the Consolidated 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 Ordnance 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, and Bed, Bath and Beyond, and has generated enough property tax revenue to allow the Authority to contribute \$1,004,409 toward the advanced refunding of its bonded debt in 2013. 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 \$986,401. The incremental added value is \$79,977,242.

The Naval Ordnance District was formed in July, 2006. The added value is \$13,233,412. 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 \$4,143,571. 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 \$5,408,361 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 and thank the supporting staff of the City of Pocatello and the Bannock Development Corporation for their contributions to this organization.

Respectfully submitted January 12, 2018

Melanie Gygli
Interim Executive Director, Pocatello Development Authority

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Respectfully submitted January 10, 2018

Melanie Gygli
Interim 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

Evan Frasure, Bannock County Commissioner, Board member

Steve Brown, City Council Board member

Russ Meyers, Board member

Thomas Ottaway, Board member

Scott Turner, Board member

Larry Fisher, Board member

Melanie Gygli, City of Pocatello, Interim Executive Director

Melanie Gygli, City of Pocatello, Acting Secretary

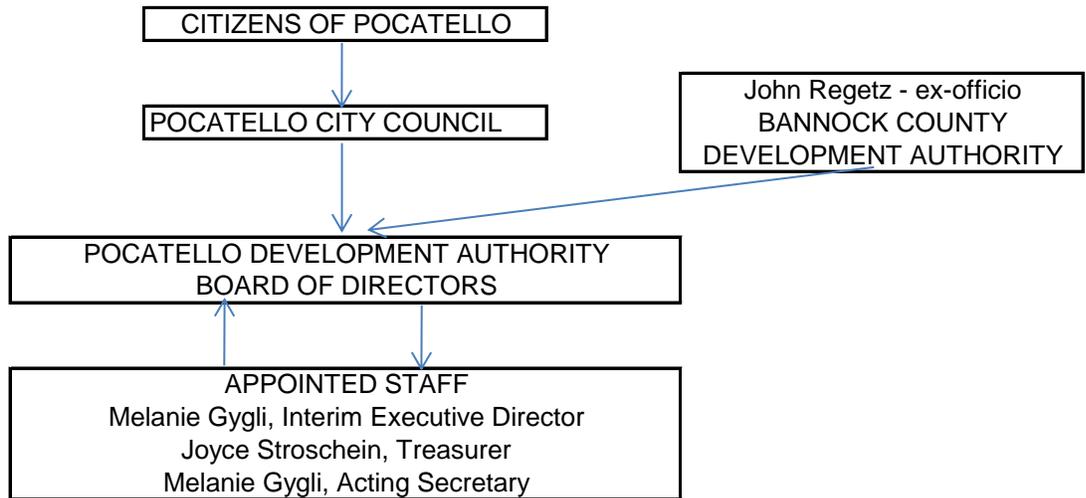
Joyce Stroschein, City of Pocatello, Treasurer

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



INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Pocatello Development Authority
Pocatello, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Pocatello Development Authority, a component unit of the City of Pocatello, Idaho, as of and for the years ended September 30, 2017, 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, a component unit of the City of Pocatello, Idaho, as of September 30, 2017, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The introductory section has 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, 2016, 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 January 11, 2018, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Pocatello Development Authority's internal control over financial reporting and compliance.



Pocatello, Idaho
January 11, 2018

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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, 2017. **All amounts, unless otherwise indicated, are expressed in dollars.**

FINANCIAL HIGHLIGHTS

Over the course of the 2017 fiscal year, Pocatello Development Authority's total net position increased from \$2,962,071 to \$4,410,475.

At the end of the current year, committed fund balance for the General Fund was \$2,050,000, or 56.98% of 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, 2017**

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 2017 through 2014

Table A-1 - Net position

	Governmental Activities			
	2017	2016	2015	2014
Cash	\$ 7,095,053	\$ 6,272,632	\$ 5,743,813	\$ 6,210,541
Other assets	1,691,611	1,632,966	712,836	290,102
Total assets	8,786,664	7,905,598	6,456,649	6,500,643
Deferred Outflows of Resources	-	-	-	-
Long-term debt outstanding	4,356,728	4,921,468	5,174,000	5,691,000
Other liabilities	19,461	22,059	53,408	27,032
Total liabilities	4,376,189	4,943,527	5,227,408	5,718,032
Unrestricted (deficit) net assets	3,732,634	2,284,525	551,730	105,105
Restricted net assets	677,841	677,546	677,511	677,506
Total net position	\$ 4,410,475	\$ 2,962,071	\$ 1,229,241	\$ 782,611

Net position of Pocatello Development Authority's governmental activities increased \$ 1,448,404.

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Government-wide Financial Statements - continued

Change in net position - Table A-2 summarizes changes in net position for the years 2017 through 2014.

Table A-2 - Change in net position

	Governmental Activities			
	2017	2016	2015	2014
Revenues	\$ 1,883,212	\$ 1,857,314	\$ 2,202,189	\$ 2,196,129
Expenses	434,808	574,484	1,755,559	3,039,040
Change in net assets	1,448,404	1,282,830	446,630	(842,911)
Beginning net position (see prior period note)	2,962,071	1,229,241	782,611	1,625,522
<i>Prior Period Net Position - reclassification</i>	-	450,000	-	-
Ending net position	<u>\$ 4,410,475</u>	<u>\$ 2,962,071</u>	<u>\$ 1,229,241</u>	<u>\$ 782,611</u>

The Pocatello Development Authority's total revenues increased by \$25,898 over 2016 operations and expenses decreased \$139,676. The majority of the Pocatello Development Authority's revenues comes from property taxes. The majority of expenses were for project grants (\$275,515) and bond interest (\$129,756).

Governmental Activities

Fund balances in Governmental Funds increased by \$804,086. The increase was primarily due to less projects in the North Yellowstone, and Naval Ordnance districts.

General Fund

Administrative expenses and professional services totaled \$16,536 in the general fund or 4 % of total revenues and consisted of the following:

	General Fund			
	2017	2016	2015	2014
Audit	\$ 4,185	\$ 4,130	\$ 4,180	\$ 4,150
Commissioner meetings & office supplies	2,451	2,264	2,330	3,120
Professional services	9,900	10,750	10,750	1,750
	<u>\$ 16,536</u>	<u>\$ 17,144</u>	<u>\$ 17,260</u>	<u>\$ 9,020</u>

Special Revenue Funds

Administrative fee transfers and professional services totaled \$186,123 in the special revenue fund and consisted of the following:

	Special Revenue Funds			
	2017	2016	2015	2014
General Fund administrative fee transfers	\$ 165,955	\$ 152,817	\$ 2,914,926	\$ -
Legal fees		17,020	-	-
Other professional services	9,150	8,552	-	-
Engineering Services	8,018	8,018	36,305	30,000
Arbitrage report fees	1,000	1,000	1,250	4,700
Bank charges trustee fees	2,000	2,000	2,000	2,500
	<u>\$ 186,123</u>	<u>\$ 189,407</u>	<u>\$ 2,954,481</u>	<u>\$ 37,200</u>

**POCATELLO DEVELOPMENT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Budgetary Highlights

The 2017 budget was not amended during the year. Actual expenditures were under budgeted expenditures by \$6,567,705.

The Pocatello Development Authority had \$4,356,728, in bonds outstanding at year end.

The board voted to collapse the Consolidated Corridor into the General Fund. The only assets remaining were receivables. The repayment of the receivables would be transferred into the General Fund as a final allocation of the districts administrative fees. The collapse of the funds simplifies this process.

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, 2017
WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2016

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and cash equivalents	\$ 6,417,212	\$ 5,595,086
Restricted cash and cash equivalents	677,841	677,546
Accrued interest	21,496	16,955
Receivables	-	8,265
Property tax receivable	141,868	105,499
Inventory - leasehold	424,779	424,779
Inventory - Land	1,027,468	1,027,468
Notes receivable (less reserve for bad debts)	<u>76,000</u>	<u>50,000</u>
Total assets	<u>8,786,664</u>	<u>7,905,598</u>
LIABILITIES		
Accrued interest payable	\$ 19,461	\$ 22,059
Noncurrent liabilities:		
Current portion of long-term debt	581,740	564,740
Long-term liabilities - net of current portion	<u>3,774,988</u>	<u>4,356,728</u>
Total liabilities	<u>4,376,189</u>	<u>4,943,527</u>
NET POSITION		
Unrestricted	3,732,634	2,284,525
Restricted	<u>677,841</u>	<u>677,546</u>
Total net position	<u>\$ 4,410,475</u>	<u>\$ 2,962,071</u>

**POCATELLO DEVELOPMENT AUTHORITY
 STATEMENTS OF ACTIVITIES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED SEPTEMBER 30, 2017
 WITH COMPARATIVE TOTAL FOR THE ENDED SEPTEMBER 30, 2016**

	Governmental Activities	
	2017	2016
EXPENSES		
Administration	\$ 2,452	\$ 6,394
Project payments	275,515	372,015
Professional services	27,085	40,889
Utilities	-	10,244
Interest	129,756	144,942
	434,808	574,484
 REVENUES		
Property taxes	1,800,287	1,811,862
Interest	21,475	13,381
Miscellaneous	61,450	32,071
	1,883,212	1,857,314
 NET CHANGE IN NET POSITION	1,448,404	1,282,830
 BEGINNING NET POSITION	2,962,071	1,229,241
<i>PRIOR PERIOD NET POSITION RECLASS</i>	-	450,000
	\$ 4,410,475	\$ 2,962,071
 ENDING NET POSITION	\$ 4,410,475	\$ 2,962,071

**POCATELLO DEVELOPMENT AUTHORITY
BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017
WITH COMPARATIVE TOTAL AT SEPTEMBER 30, 2016**

	General Fund	North Yellowstone	Naval Ordnance Plant	North Portneuf	Airport	2017	2016
ASSETS							
Cash and cash equivalents	\$ 3,077,111	\$ 2,176,950	\$ 643,720	\$ 128,963	\$ 390,468	\$ 6,417,212	\$ 5,595,087
Cash with fiscal agent	-	677,841	-	-	-	677,841	677,546
Accrued interest	20,126	1,370	-	-	-	21,496	16,955
Accounts receivable	-	-	-	-	-	-	8,265
Prepaid expense	-	-	-	-	-	-	-
Property tax receivable	-	-	-	141,868	-	141,868	105,498
Notes receivable	76,000	-	-	-	-	76,000	50,000
Inventory - leasehold	424,779	-	-	-	-	424,779	424,779
	<u>\$ 3,598,016</u>	<u>\$ 2,856,161</u>	<u>\$ 643,720</u>	<u>\$ 270,831</u>	<u>\$ 390,468</u>	<u>\$ 7,759,196</u>	<u>\$ 6,878,130</u>
LIABILITIES							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES							
Unavailable interest revenues	20,126	-	-	-	-	20,126	16,787
Unavailable receivable revenues	-	-	-	-	-	-	6,450
Unavailable tax revenues	-	-	-	128,002	-	128,002	73,911
Unavailable notes receivable revenues	76,000	-	-	-	-	76,000	50,000
	<u>96,126</u>	<u>-</u>	<u>-</u>	<u>128,002</u>	<u>-</u>	<u>224,128</u>	<u>147,148</u>
FUND BALANCES							
Nonspendable	424,779	-	-	-	-	424,779	424,779
Restricted	-	677,841	-	-	-	677,841	677,546
Committed	2,050,000	2,178,320	643,720	142,829	390,468	5,405,337	2,765,788
Unassigned	1,027,111	-	-	-	-	1,027,111	2,862,869
	<u>3,501,890</u>	<u>2,856,161</u>	<u>643,720</u>	<u>142,829</u>	<u>390,468</u>	<u>7,535,068</u>	<u>6,730,982</u>
	<u>\$ 3,598,016</u>	<u>\$ 2,856,161</u>	<u>\$ 643,720</u>	<u>\$ 270,831</u>	<u>\$ 390,468</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.	204,002	130,361
Recognition of capital purchases are reported as expenses in the governmental funds	1,027,468	1,027,468
Interest accrued on noted receivable not classified as current assets.	20,126	16,787
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.		
Long-term debt	(4,356,728)	(4,921,468)
Accrued interest on long-term debt	(19,461)	(22,059)
Total long-term liabilities adjustment	<u>(4,376,189)</u>	<u>(4,943,527)</u>
Net Position of Governmental Activities	<u>\$ 4,410,475</u>	<u>\$ 2,962,071</u>

The accompanying notes are an integral part of these financial statements

POCATELLO DEVELOPMENT AUTHORITY
STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017
WITH COMPARATIVE TOTAL FOR YEAR ENDED SEPTEMBER 30, 2016

	General Fund	North Yellowstone	Naval Ordnance Plant	North Portneuf	Airport	2016	2015
REVENUES							
Property taxes	\$ -	\$ 1,349,536	\$ 244,817	\$ 38,309	\$ 113,535	\$ 1,746,197	\$ 1,763,510
Interest	224	14,020	2,129	1,745	17	18,135	10,201
Miscellaneous revenue	15,450	-	-	20,000	-	35,450	32,071
	<u>15,674</u>	<u>1,363,556</u>	<u>246,946</u>	<u>60,054</u>	<u>113,552</u>	<u>1,799,782</u>	<u>1,805,782</u>
EXPENDITURES							
Administration	2,451	-	-	-	-	2,451	6,394
Projects and grants	101,000	122,015	-	-	52,500	275,515	372,015
Professional services	14,936	3,000	-	2,700	-	20,636	47,339
Utilities	-	-	-	-	-	-	10,244
Capital outlay	-	-	-	-	-	-	577,468
Debt services:							
Principal retirement	-	547,000	-	17,740	-	564,740	530,000
Interest	-	132,354	-	-	-	132,354	147,459
	<u>118,387</u>	<u>804,369</u>	<u>-</u>	<u>20,440</u>	<u>52,500</u>	<u>995,696</u>	<u>1,690,919</u>
EXCESS REVENUES OR (EXPENDITURES)	(102,713)	559,187	246,946	39,614	61,052	804,086	114,863
OTHER FINANCING SOURCES/(USES):							
Notes receivable collections	-	-	-	-	-	-	194,519
Note proceeds	-	-	-	-	-	-	277,468
Transfers in	165,955	-	-	-	-	165,955	152,817
Transfers out	-	(130,795)	(23,623)	(11,537)	-	(165,955)	(152,817)
	<u>63,242</u>	<u>428,392</u>	<u>223,323</u>	<u>28,077</u>	<u>61,052</u>	<u>804,086</u>	<u>586,850</u>
NET CHANGE IN FUND BALANCE	63,242	428,392	223,323	28,077	61,052	804,086	586,850
BEGINNING FUND BALANCE	<u>3,438,648</u>	<u>2,427,770</u>	<u>420,396</u>	<u>114,752</u>	<u>329,416</u>		
ENDING FUND BALANCE	<u>\$ 3,501,890</u>	<u>\$ 2,856,161</u>	<u>\$ 643,720</u>	<u>\$ 142,829</u>	<u>\$ 390,468</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 are treated as revenues received in the statement of activities.	80,090	48,352
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	-	(194,519)
Interest on notes receivable not meeting the definition of current asset for modified accrual are recognized on the statements of net	3,339	3,180
Accrued interest on long-term debt is not recognized in governmental funds.	2,599	2,517
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	564,740	530,000
Proceeds received from other financing sources are not reported as income in the statement of activities.	-	(277,468)
Capital outlays are reported as expenses in the governmental funds, but are reported as assets in the statement of net assets.	-	577,468
Some reimbursement expenses reported in the governmental funds are not reported as expenses in the statement of activities.	(6,450)	6,450
Change in Net Position of Governmental Activities	<u>\$ 1,448,404</u>	<u>\$ 1,282,830</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 \$4,376,189 difference follows:

Current portion of long-term Bonds and Notes	\$ (581,740)
Long-term Bonds Payable and Notes Payable	(3,774,988)
Accrued interest on Bonds Payable	(19,461)
Total Long -term bonds	\$ (4,376,189)

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
	\$ 1,027,468

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 \$224,128 difference are as follows:

Deferred property taxes, North Portneuf	\$ 128,002
Deferred interest receivable on notes and investments	20,126
Deferred notes receivable	76,000
	\$ 224,128

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.

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	\$ 4,323,737
Cash in trust with fiscal agent	2,771,316
	<u>\$ 7,095,053</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 \$7,095,053 and the bank balance (balance per bank statements) was \$7,095,053. Of the cash balance, \$500,000 was covered by federal depository insurance at Wells Fargo Bank and Zions Bank. There exists a custodial risk that \$6,595,053.

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.

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 \$2,771,316 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.

\$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 \$20,126 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 remaining balance will be paid in quarterly payments for the remaining 4 years with interest accruing at the rate of 5.5%. The first quarterly payment is due March 31, 2018.

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.

<u>Year</u>	<u>North Portneuf Principal</u>
2018 - Current portion	\$ 17,740
2019	17,740
2020	17,740
2021	17,740
2022-2026	88,701
2017-2031	100,067
	<u>\$ 259,728</u>

3. Property Tax Receivable and Deferred Property Taxes

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

	<u>Receivables</u>	<u>Deferred Tax</u>
North Portneuf District	\$ 141,868	\$ 128,002
	<u>\$ 141,868</u>	<u>\$ 128,002</u>

C. Long-term Debt

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

<u>Year</u>	<u>North Yellowstone 2013 - 2.85%</u>	
	<u>Principal</u>	<u>Interest</u>
2018 - Current portion	\$ 564,000	\$ 116,764
2019	579,000	100,691
2020	592,000	84,189
2021	610,000	67,317
2022	627,000	49,932
2023-2024	1,125,000	45,657
	<u>\$ 4,097,000</u>	<u>\$ 464,550</u>

2. Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Current Portion</u>
North Yellowstone 2013	\$ 4,644,000	\$ -	\$ 547,000	\$ 4,097,000	\$ 564,000

**POCATELLO DEVELOPMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - Detailed Notes on all Funds (Continued)

E. 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.

F. 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

The North Yellowstone District has \$677,841 in cash asset restricted for future revenue bond payments. These are external third party restrictions by covenant.

Committed Assets

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, 2017, the commitments were \$100,000 related to the economic development of bringing Bullydog Derive Power, LLC. The board also committed \$1,950,000 toward the construction of the Northgate Interchange for the future development of the Northgate project.

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.

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.

Subsequent events were evaluated up to January 11, 2018, the date the financial statements were available to be issued.

NOTE 7 - Prior Period Adjustment - Reclassification

In 2016, the Authority purchased land from the City of Pocatello (City). In 2015 the Authority provided a grant to the City for the prior purchase of land for economic development within the City. The City chose to allocate those monies, provided by the Authority, as part of a down payment towards the cost of the land. The total grant monies allocated to the purchase price was \$450,000. This amount was reclassified as a payment for land in the current year rather than a grant award expense in the prior year.

REQUIRED SUPPLEMENTARY INFORMATION

POCATELLO DEVELOPMENT AUTHORITY
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET TO ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Original Budget Amounts	Actual Amounts	Variance
REVENUES			
GENERAL FUND			
Interest	\$ 240	\$ 224	\$ (16)
Miscellaneous	-	15,450	15,450
	<u>240</u>	<u>15,674</u>	<u>15,434</u>
SPECIAL REVENUES FUNDS			
North Yellowstone	1,312,879	1,363,556	50,677
North Portneuf	83,826	60,054	(23,772)
Naval Ordnance Plant	230,217	246,946	16,729
Pocatello Regional Airport	106,734	113,552	6,818
Subtotal special revenue funds	<u>1,733,656</u>	<u>1,784,108</u>	<u>50,452</u>
Total revenue all funds	1,733,896	1,799,782	65,886
EXPENDITURES			
GENERAL FUND			
Administration	2,100	2,451	(351)
Professional services	16,519	14,936	1,583
Economic grants	2,000,000	101,000	1,899,000
	<u>2,018,619</u>	<u>118,387</u>	<u>1,900,232</u>
SPECIAL REVENUES			
North Yellowstone	4,295,745	804,369	3,491,376
North Portneuf	198,578	20,440	178,138
Naval Ordnance	627,038	-	627,038
Pocatello Regional Airport	436,150	52,500	383,650
Subtotal special revenue funds	<u>5,557,511</u>	<u>877,309</u>	<u>4,680,202</u>
Total expenditures all funds	<u>7,576,130</u>	<u>995,696</u>	<u>6,580,434</u>
EXCESS REVENUES OR (EXPENDITURES)	(5,842,234)	804,086	6,646,320
OTHER FINANCING SOURCES (USES)			
Transfers in	153,226	165,955	12,729
Transfers out	(153,226)	(165,955)	(12,729)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION	<u>\$ (5,842,234)</u>	804,086	<u>\$ 6,646,320</u>
BEGINNING NET POSITION		<u>6,730,982</u>	
ENDING NET POSITION		<u>\$ 7,535,068</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 2017.

**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, a component unit of the City of Pocatello, Idaho, as of and for the year ended September 30, 2017, 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 January 11, 2018.

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
January 11, 2018