

**CITY COUNCIL CALENDAR OF THE CITY OF KETCHUM, IDAHO**

**Monday, December 2, 2013, beginning at 5:30 p.m.**

**480 East Avenue North, Ketchum, Idaho**

Approximate starting time for each agenda item is indicated at left.



- 5:30 1. CALL TO ORDER.
2. COMMUNICATIONS FROM MAYOR AND COUNCILORS.
- 5:30 a) Communications from Mayor and Councilors.
- 5:40 b) Presentation of Certificates of Recognition - Mayor Hall.
3. COMMUNICATIONS FROM THE PUBLIC.
- 5:50 a) Communications from the public.
- 6:05 b) Ketchum Arts Commission Update - Claudia McCain. Tab 1
- 6:25 c) Ketchum Events Commission Update. Tab 2
- 6:50 d) FY2012-13 Independent Audit Report - Dennis R. Brown, CPA. Tab 3
- 7:05 4. COMMUNICATIONS FROM THE PRESS.
5. PUBLIC HEARINGS.
- 7:10 a) Request for Subdivision Preliminary Plat at Lot 14, Mortgage Row Subdivision (91 Meadow Circle) to subdivide the existing Lot 14 into two (2) lots, Lots 14A and 14B, located in the Limited Residential (LR) zoning district. Tab 4
6. AGREEMENTS AND CONTRACTS.
- 7:45 a) FY2013-14 Sustain Blaine Contract for Services - Lisa Horowitz, Community and Economic Development Director. Tab 5
- 8:00 b) FY2013-14 Sun Valley Marketing Board Contract for Services Amendment for in-kind rent - Lisa Horowitz, Community and Economic Development Director. Tab 6
- 8:15 c) Landscape Architect Contract for Services for the Ketchum Transportation Hub Project - Lisa Horowitz, Community and Economic Development Director. Tab 7
7. RESOLUTIONS.
- 8:35 a) Resolution 13-018: Setting 2014 City Council meeting dates - Gary Marks, City Administrator. Tab 8
- 8:40 b) Resolution 13-019: Setting 2014 Planning and Zoning Commission meeting dates - Gary Marks, City Administrator. Tab 9
- 8:45 8. CONSENT CALENDAR. Tab 10
- a) Approval of minutes from the November 18, 2013 Council meeting.
- b) Recommendation to approve current bills and payroll summary.
9. EXECUTIVE SESSION to discuss personnel, litigation and land acquisition pursuant to Idaho Code §§67-2345 1(a) (b), (c) and (f).
10. ADJOURNMENT.

Any person needing special accommodations to participate in the above noticed meeting should contact the City of Ketchum three days prior to the meeting at (208) 726-3841.

This agenda is subject to revisions and additions. NOTE: Revised portions of the agenda are underlined in **bold**. Public information on agenda items is available in the Clerk's Office located at 480 East Ave. N in Ketchum or (208) 726-3841.

Check out our website: [www.ketchumidaho.org](http://www.ketchumidaho.org).

# City of Ketchum, Idaho

P.O. Box 2315 Ketchum, ID 83340 (208) 726-3841 Fax: (208) 726-8234



November 27, 2013

Mayor Hall and City Councilors  
City of Ketchum  
Ketchum, Idaho

Mayor Hall and City Councilors:

## December 2, 2013 City Council Agenda Report

The regular Council meeting will begin at **5:30 p.m.**

### 2. COMMUNICATION FROM MAYOR AND COUNCIL.

#### b) Presentation of Certificates of Recognition - Mayor Hall.

Mayor Hall will recognize individuals and businesses for their service to the Ketchum community.

RECOMMENDATION: None.

**RECOMMENDED MOTION: None.**

This is an executive function.

### 3. COMMUNICATIONS FROM THE PUBLIC.

#### b) Ketchum Arts Commission Update - Claudia McCain.

Claudia McCain will update the Council on the activities of the Arts Commission. A staff report from Jen Smith has been provided in the packet for Council review.

RECOMMENDATION: None. This item is informational only.

**RECOMMENDED MOTION: None.**

This is a legislative matter.

#### c) Ketchum Events Commission Update.

Representatives of the Ketchum Events Commission will update the Council on the Commission's activities. A staff report from Jen Smith has been provided in the packet for Council review.

RECOMMENDATION: None. This item is informational only.

**RECOMMENDED MOTION: None.**

This is a legislative matter.

- d) FY2012-13 Independent Audit Report - Dennis R. Brown, CPA.

The City's Independent Auditor, Dennis Brown, has recently completed the City's FY2012-13 annual audit. Mr. Brown will report to the Council on his findings. A staff report from Sandy Cady and a copy of the audit report have been provided in the packet for Council review.

RECOMMENDATION: Staff respectfully recommends the City Council accept the Audited FY2012-13 Financial Statements.

**RECOMMENDED MOTION: *"I move to accept the Audited FY2012-13 Financial Statements."***

This is a legislative matter.

5. PUBLIC HEARINGS.

- a) Request for Subdivision Preliminary Plat at Lot 14, Mortgage Row Subdivision (91 Meadow Circle) to subdivide the existing Lot 14 into two (2) lots, Lots 14A and 14B, located in the Limited Residential (LR) zoning district.

The applicant, RGSV LLC, is seeking preliminary plat approval to subdivide an existing lot at 91 Meadow Circle into two lots. A staff report from Rebecca Bundy has been provided in the packet for Council review.

RECOMMENDATION: Staff respectfully requests the Council approve the application by RGSV LLC for the subdivision preliminary plat of Lot 14, Mortgage Row Subdivision (91 Meadow Circle) into two (2) single family lots, Lots 14A and 14B.

**RECOMMENDED MOTION: *"I move to approve the application by RGSV LLC for the subdivision preliminary plat of Lot 14, Mortgage Row Subdivision (91 Meadow Circle) into two (2) single family lots, Lots 14A and 14B, finding that the application meets the standards for approval under Ketchum Municipal Code, Chapter 16.04, Subdivisions."***

This is a quasi-judicial matter.

6. AGREEMENTS AND CONTRACTS.

- a) FY2013-14 Sustain Blaine Contract for Services - Lisa Horowitz, Community and Economic Development Director.

Staff is seeking Council approval of the FY2013-14 contract for services with Sustain Blaine in the amount of \$10,000. This is the same amount provided through contract to Sustain Blaine in FY2012-13. A copy of the contract and a staff report from Lisa Horowitz has been provided in the packet for Council review.

RECOMMENDATION: Staff respectfully requests the Council approve the FY2013-14 contract for services with Sustain Blaine.

**RECOMMENDED MOTION: *“I move to approve the FY2013-14 contract for services with Sustain Blaine in an amount not to exceed \$10,000.”***

This is a legislative matter.

- b) FY2013-14 Sun Valley Marketing Board Contract for Services Amendment for in-kind rent - Lisa Horowitz, Community and Economic Development Director.

Staff is seeking Council approval of an amendment to the FY2013-14 Contract for Services with the Sun Valley Marketing Board. The amendment adds \$6,000 to the contract for in-kind rent. The Council previously approved the contract in a not to exceed amount of \$450,000. A copy of the contract amendment and a staff report from Lisa Horowitz has been provided in the packet for Council review.

RECOMMENDATION: Staff respectfully requests the Council approve the FY2013-14 contract amendment for the Sun Valley Marketing Board in an amount not to exceed \$6,000.

**RECOMMENDED MOTION: *“I move to approve the FY2013-14 contract amendment for the Sun Valley Marketing Board in an amount not to exceed \$6,000 for in-kind rent.”***

This is a legislative matter.

- c) Landscape Architect Contract for Services for the Ketchum Transportation Hub Project - Lisa Horowitz, Community and Economic Development Director.

Staff is seeking Council approval of a contract for services in an amount not to exceed \$19,620 as partial funding for landscape architect services for the Ketchum Transportation Hub Project. The contract totals \$90,000, with the balance of funds being provided by Mountain Rides Transportation Authority. The contract is between the City, Mountain Rides and Eggers Associates, P.A. A copy of the contract amendment and a detailed staff report from Lisa Horowitz has been provided in the packet for Council review.

RECOMMENDATION: Staff respectfully requests the Council approve the contract for services for landscape services in an amount not to exceed \$19,620 for the Ketchum Transportation Hub Project.

**RECOMMENDED MOTION: *"I move to approve the contract for services with Mountain Rides Transportation Authority and Eggers Associates, P.A. for landscape services in an amount not to exceed \$19,620 for the Ketchum Transportation Hub Project."***

This is a legislative matter.

7. RESOLUTIONS.

- a) Resolution 13-018: Setting 2014 City Council meeting dates - Gary Marks, City Administrator.

Resolution 13-018 establishes the regular meeting dates of the City Council for calendar year 2014. A staff report from Sandy Cady and a copy of the resolution have been provided in the packet for Council review.

RECOMMENDATION: Staff respectfully recommends the City Council approve Resolution 13-018 setting 2014 City Council meeting dates.

**RECOMMENDED MOTION: *"I move to approve Resolution 13-018 setting 2014 City Council meeting dates."***

This is a legislative matter.

- b) Resolution 13-019: Setting 2014 Planning and Zoning Commission meeting dates - Gary Marks, City Administrator.

Resolution 13-019 establishes the regular meeting dates of the Planning and Zoning Commission for calendar year 2014. A staff report from Rachel Martin and a copy of the resolution have been provided in the packet for Council review.

RECOMMENDATION: Staff respectfully recommends the City Council approve Resolution 13-019 setting 2014 Planning and Zoning Commission meeting dates.

**RECOMMENDED MOTION: *"I move to approve Resolution 13-019 setting 2014 Planning and Zoning Commission meeting dates."***

This is a legislative matter.

8. CONSENT AGENDA.

- a) Approval of minutes from the November 18, 2013 Council meeting.

Copies of the minutes from the November 18, 2013 Council meeting have been provided in the packet for Council review.

b) Recommendation to approve current bills and payroll summary.

A list of bills for approval and the payroll summary have been included in the packet for Council review.

Sincerely,

Gary B. Marks  
City Administrator

# City of Ketchum, Idaho

P.O. Box 2315 Ketchum, ID 83340 (208) 726-3841 Fax: (208) 726-8234



December 2, 2013

Mayor Hall and City Councilors  
City of Ketchum  
Ketchum, Idaho

Mayor Hall and City Councilors:

## 2013 Annual Report: Ketchum Arts Commission

### Introduction/History

The Ketchum Arts Commission (KAC), a recommending committee of the City, was formally placed as a Division under the Ketchum Parks & Recreation Department in October 2010 at the request of Mayor Randy Hall. Previously, the KAC existed as a "team" of the Ketchum Community Development Corporation. The KAC's recommendation to Mayor Hall to move under the auspices of the Parks & Recreation Department was mainly due to the logistical, functional, and financial support offered to the KAC by the Parks & Recreation Department for the past several years.

Mayor-elect Nina Jonas is included in email correspondence (as a current member of City Council) and has attended KAC meetings as she is available.

### Current Report

A PowerPoint presentation will cover the following topics:

- Governance and Policy:
  - Introduction of current and past commission members, staff liaisons, partnership with KCDC
    - Claudia McCain, Chair
    - Marybeth Flower, Vice Chair
    - Anne Winton, Recording Secretary
    - Adam Elias, Treasurer
    - Curtis Kemp
    - Trina Peters
    - Kristin Poole
    - Gail Severn
    - Jen Smith, Juerg Stauffacher, Ketchum Parks & Recreation liaisons (non-voting)
    - Jon Duval; Ketchum Community Development Corporation liaison (non-voting)
    - KO Ogilvie (resigned)

### **Parks & Recreation Department**

Jennifer L. Smith, Director | [jsmith@ketchumidaho.org](mailto:jsmith@ketchumidaho.org)  
208.726.7820 | [www.ketchumidaho.org](http://www.ketchumidaho.org)

- Pauli Ochi (resigned)
  - Percent For Art Ordinance, Memorials & Donations Resolution
  - Calls/Contracts For Artists
  - Membership and affiliations: Wood River Arts Alliance and relationship with Idaho Commission on the Arts
  - Bylaws and membership appointment
  - Budget (currently integrated with KP&RD as described in Financial Requirement/Impact section below)
  - Establishment of KAC Trust Fund which includes Kagan Park supplemental funds, Cover Art, general donations, Percent For Art contributions, and capacity for additional restricted-fund projects
- Current and Completed Projects
  - Upkeep of City's permanent collection: Kagan Park, created in 2011 in memory of Rod Kagan; Priscilla Panzer donation: Delos Van Earl (*Dutchman's Bend*, bronze 2006) at Lucy Loken Park; Gail & Jack Thornton donation: Michael Zapponi (*Untitled*, C. 2000) at Rotary Park
  - Two additional donations in progress
  - Art on 4<sup>th</sup> – temporary installations (2013 was 5th Annual)
  - Performance art: two dance events (Molly Sides and Kaley Pruitt)
  - Communication/collaboration with Ketchum Events Commission
  - Cover Art – utility box vinyl wrap project (Three additional installations in 2013: Josh Udeson, J. Pierce, Grant Olsen); Kilby is work-in progress; Idaho Power issues
  - Jack Mackie visit: Seattle public works artist and consultant to advise KAC regarding public infrastructure art, led to transit hub and Wood River Trail discussions
  - Engagement with City Administration to ensure efficacy of Percent For Art Ordinance
  - StreetArt: manhole cover project in conjunction with Utilities Department and City Administration
- Future Projects and Potentials
  - Continuance of Art on 4<sup>th</sup>
  - Ongoing strategic planning (second annual session set for January 2014)
  - Need for additional staff support
  - Work in progress with Sun Valley Company (Cover Art)
  - Wall mural
  - Public art inclusion: Wood River Trail
  - Public art inclusion: transit hub

#### Financial Requirement/Impact

Annual budget expenses for KAC initiatives continue to come from several line items within the Parks & Recreation budget including:

- Office supplies and postage (artist calls, publications, etc.);

#### **Parks & Recreation Department**

Jennifer L. Smith, Director | [jsmith@ketchumidaho.org](mailto:jsmith@ketchumidaho.org)

208.726.7820 | [www.ketchumidaho.org](http://www.ketchumidaho.org)

- Professional services (artist stipends/payments, etc.);
- Advertising and publications (event posters, brochures, etc.);
- Dues, subscriptions, memberships (WRAA membership, etc.);
- Maintenance (supplies for regular maintenance of City's permanent collection and temporary installations, etc.);
- Personal services (salary portions of Director, Park Superintendent, Grounds Supervisor, Events & Park Reservations Coordinator, and seasonal/part time staff contribute to KAC functions)

A staff promotion recommendation for KAC support was made to Mayor Hall and City Administrator Gary Marks on October 24, 2013. The recommendation includes consideration of offering more hours and fringe benefits to an existing employee. The recommendation has not yet been addressed.

Recommendation

It is recommended that a staff support decision be made as soon as possible.

Suggested Motion

No suggested motion at this time.

Sincerely,



Jennifer L. Smith  
Director of Parks & Recreation



Claudia McCain  
Ketchum Arts Commission Chair

**Parks & Recreation Department**

Jennifer L. Smith, Director | [jsmith@ketchumidaho.org](mailto:jsmith@ketchumidaho.org)  
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# City of Ketchum, Idaho

P.O. Box 2315 Ketchum, ID 83340 (208) 726-3841 Fax: (208) 726-8234



December 2, 2013

Mayor Hall and City Councilors  
City of Ketchum  
Ketchum, Idaho

Mayor Hall and City Councilors:

## Ketchum Events Commission Annual Report

### Introduction/History

The Ketchum Events Commission (KEC) was formed in January 2012. The mission of the KEC is to facilitate organization and communication of the development and delivery of events in the City of Ketchum.

The further mission of this Commission is:

- To support and conduct entertainment and events which celebrate the spirit, character, history, and heroes of the City of Ketchum.
- Develop programs and events within the City that will support the City and its businesses.
- Provide events that bring Ketchum and the surrounding communities together.

The Ketchum Events Commission was formed, in part, to fill the “events gap” left by the dissolution of the Ketchum/Sun Valley Chamber and Visitors’ Bureau (KSVCVB). Formerly, the KSVCVB facilitated a series of “City-sponsored events” whereby the KSVCVB received \$30,000 from the City of Ketchum to procure and manage events. The City then generally offered department services and extended liability insurance to these events. Currently, these budget dollars exist in the Ketchum Parks & Recreation Department’s budget, though the series of events continues to be in its regular state of re-evaluation and flux.

An events sponsorship line item was created within the Community and Economic Development Department to offer financial support to new events under criteria established by the KEC. The line item totals \$30,000.

Members of the KEC are confirmed by the Mayor and include:

- Jen Smith, *Chair*
- Lisa Horowitz, *Acting Vice Chair*

### **Parks & Recreation Department**

Jennifer L. Smith, Director | [jsmith@ketchumidaho.org](mailto:jsmith@ketchumidaho.org)  
208.726.7820 | [www.ketchumidaho.org](http://www.ketchumidaho.org)

- Sharon Arms, *ex-officio*, recording secretary
- Christl Holzl
- Greg Randolph
- Dani Stern
- Julian Tyo

Commission membership is designed to represent a diverse body of individuals who adhere to KEC governance documents and best management practices and who do not represent individual interests.

#### Current Report

Commission work has focused on mission, governance, officer elections, roles and responsibilities of members and (in some cases) member affiliations, best management practices relative to similar organizations, budget, calendars and discussions regarding events locally, regionally and nationally.

The KEC continues to work with City staff, elected officials, stakeholder groups, Ketchum's business community, and event producers to cultivate an efficient and highly organized event delivery system designed to reveal economic and social benefits while adhering to best practices as exhibited by similar resort communities. It is requested that City Council continue to support the KEC and remain patient as the KEC further develops its role within City government.

A PowerPoint presentation will highlight the following items:

- Sponsored community and regional events list from fiscal year 2012-13
- Local Animation Events supported in fiscal year 2012-13

#### Financial Requirement/Impact

No financial requirement.

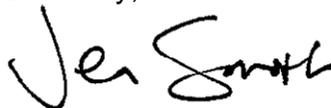
#### Recommendation

No recommendation.

#### Suggested Motion

*No suggested motion.*

Sincerely,



Jennifer L. Smith  
Director of Parks & Recreation  
Chair, Ketchum Events Commission

#### **Parks & Recreation Department**

Jennifer L. Smith, Director | [jsmith@ketchumidaho.org](mailto:jsmith@ketchumidaho.org)  
208.726.7820 | [www.ketchumidaho.org](http://www.ketchumidaho.org)

# City of Ketchum, Idaho

P.O. Box 2315 Ketchum, ID 83340 (208) 726-3841 Fax: (208) 726-8234



December 2, 2013

Mayor Hall and City Councilors  
City of Ketchum  
Ketchum, Idaho

Mayor Hall and City Councilors:

## Recommendation to Accept the Audited FY 12-13 Financial Statements

### Introduction/History

The City has contracted with Dennis R. Brown, CPA for auditing services for the Fiscal Years ending September 30, 2012, September 30, 2013 and September 30, 2014.

The fee for auditing services are:

\$7,400 for FY 2012  
\$7,600 for FY 2013  
\$7,800 for FY 2014

### Current Report

Dennis Brown has completed the audit for FY 12-13 and will be presenting it to the City Council for adoption.

In FY 09-10 the Street Maintenance Fund was separated out of the General Fund for budgeting purposes. In FY 10-11 the Fire & Rescue Fund, Ambulance Service Fund and Parks & Recreation Fund were also separated out of the General Fund for budgeting purposes. The Financial Statements have combined the General Fund, Street Maintenance Fund, Fire & Rescue Fund, Ambulance Service Fund and Parks & Recreation Fund, since they do not qualify as Special Funds.

The Ending Fund Balance for FY 12-13 for the individual funds, combined with the General Fund are as follows:

General Fund	\$1,621,089
Street Maintenance Fund	\$ 446,970
Fire and Rescue Fund	\$ 283,788
Ambulance Service Fund	\$ 23,616
Parks and Recreation Fund	\$ 26,258
Total Combined General Fund	\$2,401,721 (See Page 16 of Financial Statements)

Financial Requirement/Impact

The cost for auditing services for the FY 12-13 is \$7,600.

Recommendation

I respectfully recommend the City Council accept the Audited FY 12-13 Financial Statements.

Recommended Motion

*"I move to accept the Audited FY 12-13 Financial Statements."*

Sincerely,

A handwritten signature in cursive script that reads "Sandra E. Cady".

Sandra E. Cady, CMC  
City Treasurer/Clerk

**CITY OF KETCHUM, IDAHO**

**Financial Statements**

**Year Ended September 30, 2013**

**CITY OF KETCHUM, IDAHO**  
**Financial Statements**  
**For the year ended September 30, 2013**

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828 Blue Lakes Boulevard North • P.O. Box 2367 • Twin Falls, Idaho 83303 • (208) 733-1161 • Fax: (208) 733-6100

Independent Auditor's Report

November 15, 2013

To the Honorable Mayor and City Council  
City of Ketchum, Idaho

*Report on the Financial Statements*

I have audited the accompanying financial statements of the government activities, the business-type activities, and the discretely presented component unit of the City of Ketchum, Idaho (City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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*

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I 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 City'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 City's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

*Opinions*

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit of the City of Ketchum, Idaho as of September 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year 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 3-11 and 32-40 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

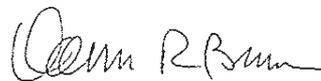
*Other Information*

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ketchum, Idaho's basic financial statements. The accompanying other supplementary information on page 41-45 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Other Reporting Required by Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated November 15, 2013, on my consideration of the City's internal control over financial reporting and on my 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 my 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 City's internal control over financial reporting and compliance.



DENNIS R BROWN  
Certified Public Accountant



**CITY OF KETCHUM, IDAHO**  
**Management's Discussion and Analysis**

November 15, 2013

The City of Ketchum, Idaho's general purpose external financial statements are presented in this report. The components of the general purpose external financial statements include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Other Required Supplementary Information (RSI).

**FINANCIAL HIGHLIGHTS**

- The total of all fund assets of the City of Ketchum exceeded liabilities at the close of the most recent fiscal year by \$ 20,480,872. Of that amount, \$ 2,647,337 (unrestricted net position) may be used to meet future obligations and programs.
- The Local Option Tax (LOT) receipts increased \$18,754 from the previous year. This Special Revenue Fund received an amount of, \$ 1,774,378.
- General Fund Revenues were \$ 9,974,280 and expenditures were \$ 10,496,594.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Ketchum's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the City's overall financial condition. Changes in the City's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the City's net position changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

Fund financial statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements. Fund financial statements include the statements for governmental and proprietary funds. Financial statements for the City's component unit are also presented.

**City of Ketchum, Idaho**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

Table 1: Major Features of the Basic Financial Statements

	Government-wide	Fund Financial Statements	
	Financial Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government and the City's component unit.	Activities of the City that are not proprietary.	Activities of the City that are operated similar to private businesses
Required financial statements	<ul style="list-style-type: none"> <li>* Statement of net position</li> <li>* Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>* Balance sheet</li> <li>* Statement of revenues, expenditures, and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>* Statement of net position</li> <li>* Statement of revenues, expenses, and changes in net position</li> <li>* Statement of cash flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	<ul style="list-style-type: none"> <li>* Revenues for which cash is received during or soon after the end of the year</li> <li>* Expenditures when goods or services have been received and payment is due during the year or soon thereafter</li> </ul>	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 of the financial statements for more detailed information on the elements of the financial statements. Table 1 above summarizes the major features of the basic financial statements.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

The largest component (\$ 16,962,379) of the City's net position reflects its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and others), less any related debt outstanding that was needed to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, this net position amount is not eligible for future spending. Restricted net position totals \$ 871,156. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, debt service requirements, or enabling

**City of Ketchum, Idaho**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

legislation on how they can be used. The remaining portion of net position is unrestricted, which can be used to finance government operations.

Table 2 below presents the City's condensed statement of net position as of September 30, 2013, derived from the government-wide Statement of Net Position.

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit - Urban Renewal Agency
Current and other assets	\$ 2,783,697	\$ 1,173,539	\$ 3,957,236	\$ 1,478,635
Capital assets	11,742,186	13,739,193	25,481,379	6,504,557
<b>Total Assets</b>	<b>14,525,883</b>	<b>14,912,732</b>	<b>29,438,615</b>	<b>7,983,192</b>
Current Liabilities	108,327	345,456	453,783	226,594
Long-term liabilities	1,183,345	7,320,615	8,503,960	6,245,000
<b>Total Liabilities</b>	<b>1,291,672</b>	<b>7,666,071</b>	<b>8,957,743</b>	<b>6,471,594</b>
Net assets:			0	
Invested in capital assets			0	
net of related debt	10,748,186	6,214,193	16,962,379	179,557
Restricted	222,162	648,994	871,156	1,332,041
Unrestricted	2,263,863	383,474	2,647,337	
<b>Total Net Assets</b>	<b>\$ 13,234,211</b>	<b>\$ 7,246,661</b>	<b>\$ 20,480,872</b>	<b>\$ 1,511,598</b>

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the fiscal year ended September 30, 2013 as derived from the government-wide Statement of Activities. Over time, increases and decreases in net position measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities increased by \$ 387,211 or 3.00% percent, the net position of the business-type activities increased by \$ 7,080 or .010%, and the net position of the City's Component Unit (Urban Renewal Agency) increased by \$ 21,807 or 1.06%.

City of Ketchum, Idaho  
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

**Table 3: Condensed Statement of Activities  
As of September 30, 2013**

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit Urban Renewal Agency
<b>Revenue:</b>				
Program revenues				
Charges for services	\$ 1,810,007	\$ 3,470,187	\$ 5,280,194	\$
Capital grants /contributions	631,547		631,547	
Total program revenues	<u>2,441,554</u>	<u>3,470,187</u>	<u>5,911,741</u>	<u>0</u>
General revenues				
Taxes	5,253,725		5,253,725	674,391
Franchise, licenses, permits	882,046		882,046	
State shared revenues	1,303,341		1,303,341	
Interest	10,643	8,529	19,172	1,428
Other revenues	82,971		82,971	76,030
Total general revenues	<u>7,532,726</u>	<u>8,529</u>	<u>7,541,255</u>	<u>751,849</u>
Total revenues	<u>9,974,280</u>	<u>3,478,716</u>	<u>13,452,996</u>	<u>751,849</u>
<b>Program expenses:</b>				
General government	2,938,850		2,938,850	
Public safety	3,716,558		3,716,558	
Streets	1,176,150		1,176,150	
Parks and recreation	801,891		801,891	
Transportation	522,610		522,610	
Affordable Housing	70,000		70,000	410,183
Unallocated Depreciation	314,998		314,998	
Wastewater		1,764,790	1,764,790	
Water		1,367,366	1,367,366	
Interest, long-term debt	46,012	339,480	385,492	319,859
Total program expenses	<u>9,587,069</u>	<u>3,471,636</u>	<u>13,058,705</u>	<u>730,042</u>
<b>Change in net position</b>	<u>387,211</u>	<u>7,080</u>	<u>394,291</u>	<u>21,807</u>
Beginning net position	12,847,000	7,239,581	20,086,581	1,489,791
Ending net position	<u>\$ 13,234,211</u>	<u>\$ 7,246,661</u>	<u>\$ 20,480,872</u>	<u>\$ 1,511,598</u>

City of Ketchum, Idaho  
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were not sufficient to cover program expenses for governmental activities. The net program expenses of these governmental activities were therefore supported by general revenues, mainly taxes.

<b>Table 4: Program Expenses and Revenues for Government Activities For the Fiscal Year Ended September 30, 2013</b>			
	Program Expenses	Program Revenues	Net Expense (Revenues) (a)
General government	\$ 2,938,850	\$ 1,602,857	\$ (1,335,993)
Public safety	3,716,558	31,719	(3,684,839)
Streets	1,176,150		(1,176,150)
Parks and Recreation	801,891	175,431	(626,460)
Transportation	522,610		(522,610)
Affordable Housing	70,000		(70,000)
Interest on long-term debt	46,012		(46,012)
Unallocated depreciation	314,998		(314,998)
Totals	\$ 9,587,069	\$ 1,810,007	\$ (7,777,062)

(a) Net Program Expenses are mainly supported by taxes.

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. Program revenues generated from business-type activities were insufficient to cover program expenses.

<b>Table 5: Program Expenses and Revenues for Business-type Activities For the Fiscal Year Ended September 30, 2013</b>			
City Programs	Program Expenses	Program Revenues	Net Program Expenses (Revenues)
Wastewater	\$ 1,764,790	\$ 1,872,760	\$ 107,970
Water	1,367,366	1,597,427	230,061
Interest on long-term debt	339,480		(339,480)
Totals	\$ 3,471,636	\$ 3,470,187	\$ (1,449)

**City of Ketchum, Idaho**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

The City of Ketchum, Idaho adopts an annual budget. A budgetary comparison statement of Governmental Funds is provided below. In total, any negative variances are insignificant.

**Table 6: Analysis of Significant Budget Variances  
for Government Activities  
For the Fiscal Year Ended September 30, 2013**

	Original and Final Budget	Actual	Variances
<b>Revenues:</b>			
Taxes (including penalties/interest)	\$ 5,557,421	\$ 5,253,725	\$ (303,696)
Franchises, licenses, permits	776,170	882,046	105,876
State of Idaho	1,314,282	1,361,834	47,552
Fees, Charges for Services	1,760,717	1,810,007	49,290
Other	787,160	666,668	(120,492)
Totals	<u>10,195,750</u>	<u>9,974,280</u>	<u>(221,470)</u>
<b>Expenditures:</b>			
General Government	3,204,812	2,970,450	234,362
Public Safety	3,824,579	3,716,558	108,021
Streets	1,525,489	1,401,162	124,327
Capital Outlay	468,539	461,476	7,063
Parks and Recreation	1,213,892	1,205,326	8,566
Transportation	522,610	522,610	0
Affordable Housing	70,000	70,000	0
Debt Service	149,012	149,012	0
Totals	<u>10,978,933</u>	<u>10,496,594</u>	<u>482,339</u>
Excess (Deficiency)	<u>\$ (783,183)</u>	<u>\$ (522,314)</u>	<u>\$ 260,869</u>

**BUDGET VARIANCES IN THE GENERAL FUND**

The changes made to the budget format have moved the City into compliance with the budget standards developed by the Government Finance Officers of America (GFOA). An analysis of budget variances this year shows that more assets were budgeted for expenditure than were expended during the current operating cycle.

**City of Ketchum, Idaho**  
**MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

**Table 7: Comparison of Statement of Net Position**  
**As of September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>	Percentage Change
Current Assets	\$ 3,957,236	\$ 4,575,164	-13.5061%
Capital Assets	<u>25,481,379</u>	<u>24,865,862</u>	<u>2.4753%</u>
Total Assets	<u>29,438,615</u>	<u>29,441,026</u>	<u>-0.0082%</u>
Current Liabilities	453,783	451,878	0.4216%
Long Term Liabilities	<u>8,503,960</u>	<u>8,902,567</u>	<u>-4.4774%</u>
Total Liabilities	<u>8,957,743</u>	<u>9,354,445</u>	<u>-4.2408%</u>
Net Position:			
Invested in Capital Assets net of related debt	16,962,379	15,948,862	6.3548%
Restricted	871,156	1,089,829	-20.0649%
Unrestricted	<u>2,647,337</u>	<u>3,047,890</u>	<u>-13.1420%</u>
Total Net Position	<u>\$ 20,480,872</u>	<u>\$ 20,086,581</u>	<u>1.9630%</u>

**OVERALL ANALYSIS**

Financial highlights for the City as a whole during the fiscal year ended September 30, 2013 show the assets of the City exceeded its liabilities (net position) at the close to the fiscal year by \$20,480,872 (for governmental activities \$13,234,211, for the business-type activities \$7,246,661). Additionally, the City's total net position increased during the year by \$ 394,291. The net position of the governmental activities increased by \$ 387,211, while the net position of the business-type activities increased by \$ 7,080.

**City of Ketchum, Idaho  
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

**Table 8: Changes in Fixed Assets  
for All Funds  
For the Fiscal Year Ended September 30, 2013**

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Infrastructure	\$ 4,921,098	461,475		\$ 5,382,573
Buildings and Improvements	30,027,297	528,042		30,555,339
Vehicles and Equipment	7,628,020	246,103		7,874,123
Construction in Progress		268,050		268,050
<b>Totals</b>	<u>42,576,415</u>	<u>1,503,670</u>	<u>0</u>	<u>44,080,085</u>
Accumulated Depreciation	<u>(17,710,553)</u>	<u>(888,153)</u>		<u>(18,598,706)</u>
<b>Net Book Value</b>	<u>\$ 24,865,862</u>			<u>\$ 25,481,379</u>

**CAPITAL ASSET AND LONG-TERM, ACTIVITY**

Capital Asset Activity

At September 30, 2013, the City reported \$11,742,186 in capital assets for governmental activities and \$13,739,193 in capital assets for business-type activities.

Long-term Debt Activity

See Note 4 of the financial statements for information on the City's long-term debt.

**FUNDS ANALYSIS**

Funds that experienced significant changes during the year are as follows:

Governmental funds

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$2,783,370. The fund balance decreased \$ 522,314 during the fiscal year. The decrease is the result of \$9,974,280 of revenues reduced by \$ 10,496,594 of expenditures. The decrease in fund balance follows a fund balance increase of \$283,372 in FY2012, and results from budgeted expenditures for capital improvements in the City's funds. The City's managements and Council continue to expend resources under approved budgets and strive to strengthen the City's financial position during uncertain economic times. This ongoing accomplishment is due to the commitment and determination of the City Council and staff to make prudent financial decisions while also seeking to preserve levels of service to the community by continually pursuing and implementing cost savings and efficiencies in operations.

Table 9 below presents an analysis of the fund balances in the Governmental Funds and Enterprise Funds.

City of Ketchum, Idaho  
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

**Table 9: Analysis of Fund Balances  
for All Funds  
For the Fiscal Year Ended September 30, 2013**

	<u>Investment in Capital Assets</u>	<u>Restricted/ Assigned</u>	<u>Unassigned</u>	<u>Total Balance</u>
General Fund	\$		\$ 2,401,721	\$ 2,401,721
City Sales Tax Fund		128,865		128,865
GO Bond Debt Fund		1,578		1,578
Capital Improvement Fund			(3,260)	(3,260)
In-Lieu Housing Fund		7,364		7,364
Wagon Days Fund		24,940		24,940
Police Trust Fund		106,973		106,973
Community Development Trust Fund		51,917		51,917
Park Trust Fund		63,272		63,272
Water	723,956	365,664	(37,983)	1,051,637
Wastewater	5,490,237	283,330	421,457	6,195,024

REQUESTS FOR INFORMATION

Requests for information regarding City finances should be directed to:

Sandra Cady, CMC  
City Treasurer/ Clerk  
City of Ketchum, Idaho  
P.O. Box 2315  
Ketchum, Idaho, 83340  
Telephone: (208) 726-3841

ACKNOWLEDGMENTS

A special thanks to City Treasurer/Clerk, Sandra Cady and her staff, Patricia Bennett, Katie Carnduff, and Kathleen Schwartzenberger, for working so hard to operate the financial department of the City. Also, appreciation is expressed to the Mayor, City Council and all the Department Directors for their cooperation and assistance throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,

Gary B. Marks  
CITY ADMINISTRATOR

CITY OF KETCHUM, IDAHO  
Statement of Net Position  
at September 30, 2013

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit Urban Renewal Agency
<b>ASSETS</b>				
Cash and Deposits	\$ 1,956,092	\$ 493,127	\$ 2,449,219	\$ 691,291
Accounts Receivable & Prepaid Expenses		30,045	30,045	
Taxes Receivable	231,011		231,011	13,493
Due From Other Governments	374,432	1,373	375,805	
Restricted Cash	222,162	648,994	871,156	549,717
Other Assets			0	224,134
Totals	<u>2,783,697</u>	<u>1,173,539</u>	<u>3,957,236</u>	<u>1,478,635</u>
Capital Assets:				
Land	4,347,889	15,380	4,363,269	4,494,746
Construction in Progress	232,007	36,043	268,050	
Infrastructure	1,019,304		1,019,304	
Buildings and Improvements	7,110,133	23,445,206	30,555,339	2,141,099
Equipment and Vehicles	7,183,454	690,669	7,874,123	
Accumulated Depreciation	(8,150,601)	(10,448,105)	(18,598,706)	(131,288)
Total Capital Assets	<u>11,742,186</u>	<u>13,739,193</u>	<u>25,481,379</u>	<u>6,504,557</u>
<b>Total Assets</b>	<u>14,525,883</u>	<u>14,912,732</u>	<u>29,438,615</u>	<u>7,983,192</u>
<b>LIABILITIES</b>				
Accounts and Interest Payable	327	40,456	40,783	146,594
Due To Other Funds				
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	108,000	305,000	413,000	80,000
Portion due or payable after one year:				
Bonds Payable	886,000	7,220,000	8,106,000	6,245,000
Compensated Absences	297,345	100,615	397,960	
<b>Total Liabilities</b>	<u>1,291,672</u>	<u>7,666,071</u>	<u>8,957,743</u>	<u>6,471,594</u>
<b>NET POSITION</b>				
Invested in Capital Assets - net of related debt	10,748,186	6,214,193	16,962,379	179,557
Restricted For:				
Debt Service		648,994	648,994	549,717
Other Purposes	222,162		222,162	782,324
Unrestricted	<u>2,263,863</u>	<u>383,474</u>	<u>2,647,337</u>	<u>0</u>
<b>Total Net Position</b>	<u>\$ 13,234,211</u>	<u>\$ 7,246,661</u>	<u>\$ 20,480,872</u>	<u>\$ 1,511,598</u>

The accompanying notes are a part of these financial statements.



CITY OF KETCHUM, IDAHO  
 Balance Sheet  
 Governmental Funds  
 for the year ended September 30, 2013

	General Fund	City Sales Tax Fund	GO Bond Debt Fund	Capital Improvement Fund
<b>ASSETS:</b>				
Cash and Cash Deposits	\$ 1,827,997	\$ 129,192	\$ 1,578	\$ (3,260)
Taxes Receivable	231,011			
Due From Other Governments	342,713	_____	_____	_____
Total Assets	\$ 2,401,721	\$ 129,192	\$ 1,578	\$ (3,260)
<b>LIABILITIES:</b>				
Accounts Payable	\$	\$ 327	\$	\$
Funds Held in Trust				
Due To Other Funds	_____	_____	_____	_____
Total Liabilities	0	327	0	0
<b>FUND BALANCE:</b>				
Non-spendable				
Restricted				
Committed				
Assigned		128,865	1,578	
Unassigned	2,401,721	_____	_____	(3,260)
Total Fund Balance	2,401,721	128,865	1,578	(3,260)
Total Liabilities and Fund Balance	\$ 2,401,721	\$ 129,192	\$ 1,578	\$ (3,260)

Amounts reported for governmental activities in the Statement of Net Position (page 12) are different because:

- Governmental fund capital assets are not financial resources and therefore are not reported in the funds.  
 The cost of assets is \$ 19,892,787 and the accumulated depreciation is \$ 8,150,601 .....
- Long-term liabilities, including bonds and compensated absences  
 are not payable in the current period and therefore are not reported in the governmental funds .....
- Net Assets of Governmental Funds .....

The accompanying notes are a part of these financial statements.

<u>In-Lieu Housing Fund</u>	<u>Wagon Days Fund</u>	<u>Police &amp; Fire Trust Fund</u>	<u>Community Development Trust Fund</u>	<u>Park Trust Fund</u>	<u>Total Governmental Funds</u>
\$ 7,364	\$ 24,940	\$ 75,254	\$ 51,917	\$ 63,272	\$ 2,178,254
		31,719			231,011
					374,432
<u>\$ 7,364</u>	<u>\$ 24,940</u>	<u>\$ 106,973</u>	<u>\$ 51,917</u>	<u>\$ 63,272</u>	<u>\$ 2,783,697</u>
\$	\$	\$	\$	\$	\$ 327
					0
					0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>327</u>
					0
		106,973	51,917	63,272	222,162
7,364	24,940				0
					162,747
					2,398,461
<u>7,364</u>	<u>24,940</u>	<u>106,973</u>	<u>51,917</u>	<u>63,272</u>	<u>\$ 2,783,370</u>
<u>\$ 7,364</u>	<u>\$ 24,940</u>	<u>\$ 106,973</u>	<u>\$ 51,917</u>	<u>\$ 63,272</u>	

.....	11,742,186
.....	(1,291,345)
.....	<u>\$ 13,234,211</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**for the year ended September 30, 2013**

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>GO Bond Debt Fund</u>	<u>Underground Improvement Fund</u>
<b>REVENUE:</b>				
Property taxes	\$ 3,479,347	\$	\$	\$
Local Option sales taxes		1,774,378		
Franchises, licenses, permits	613,121	32,306		236,619
State of Idaho shared revenue	858,173			
State of Idaho sales tax	73,897			
State of Idaho liquor receipts	282,484			
State highway user collections	88,787			
Penalty and interest on property taxes	22,609			
County court fines	35,884			
Fees and charges for services	1,694,910			
Grants and contributions	229,272			
Earnings on investments	9,716	17	3	509
Miscellaneous	24,478			
<b>Total Revenue</b>	<u>7,412,678</u>	<u>1,806,701</u>	<u>3</u>	<u>237,128</u>
<b>EXPENDITURES:</b>				
General Government	1,893,978	919,202	500	
Public Safety	3,314,145	159,417		
Streets	1,401,162			
Capital outlay				461,476
Parks and Recreation	1,043,335			
Transportation		522,610		
Affordable Housing				
Debt Service			149,012	
<b>Total Expenditures</b>	<u>7,652,620</u>	<u>1,601,229</u>	<u>149,512</u>	<u>461,476</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	(239,942)	205,472	(149,509)	(224,348)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds			149,512	
Operating transfers (to) other funds	(10,978)	(283,032)		
<b>NET CHANGE IN FUND BALANCES</b>	(250,920)	(77,560)	3	(224,348)
<b>FUND BALANCE - BEGINNING</b>	<u>2,652,641</u>	<u>206,425</u>	<u>1,575</u>	<u>221,088</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,401,721</u>	<u>\$ 128,865</u>	<u>\$ 1,578</u>	<u>\$ (3,260)</u>

The accompanying notes are a part of these financial statements.

<u>In-Lieu Housing Fund</u>	<u>Wagon Days Fund</u>	<u>Police/Fire Trust Fund</u>	<u>Community Development Trust Fund</u>	<u>Park Trust Fund</u>	<u>Total Governmental Funds</u>
\$	\$	\$	\$	\$	\$
					3,479,347
					1,774,378
					882,046
					858,173
					73,897
					282,484
					88,787
					22,609
					35,884
	8,855	31,719	74,523		1,810,007
	20,350	209,474		172,451	631,547
67	61	195	8	67	10,643
					24,478
<u>67</u>	<u>29,266</u>	<u>241,388</u>	<u>74,531</u>	<u>172,518</u>	<u>9,974,280</u>
	109,478		47,292		2,970,450
		242,996			3,716,558
					1,401,162
					461,476
				161,991	1,205,326
70,000					522,610
					70,000
					149,012
<u>70,000</u>	<u>109,478</u>	<u>242,996</u>	<u>47,292</u>	<u>161,991</u>	<u>10,496,594</u>
(69,933)	(80,212)	(1,608)	27,239	10,527	(522,314)
	95,000			49,498	294,010
					(294,010)
(69,933)	14,788	(1,608)	27,239	60,025	(522,314)
<u>77,297</u>	<u>10,152</u>	<u>108,581</u>	<u>24,678</u>	<u>3,247</u>	<u>3,305,684</u>
\$ <u>7,364</u>	\$ <u>24,940</u>	\$ <u>106,973</u>	\$ <u>51,917</u>	\$ <u>63,272</u>	\$ <u>2,783,370</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of Governmental Funds  
 To the Statement of Activities  
 for the year ended September 30, 2013

Net Change in Fund Balance - Total Governmental Funds (Page 17)	\$ (522,314)
<p>Governmental funds report capital outlays as current year expenditures.          In the Statement of Activities the cost of these assets is allocated          over their estimated useful lives as depreciation expense. This is          the amount of current capital outlay for new fixed assets.</p>	
This is the amount of current year depreciation.	(314,998)
This is the amount of new Governmental Fund assets.	1,323,919
This is the amount of disposed of Governmental Fund assets.	
<p>Long term liabilities are not recorded in the Governmental funds.</p>	
This is the amount of payments on General Obligation Bonds Payable	(103,000)
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the increase in compensated leave during the year.	<u>3,604</u>
Change in Net Assets of Governmental Activities (Page 13)	\$ <u><u>387,211</u></u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
Statement of Net Position  
Proprietary Funds  
at September 30, 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and Deposits	\$ 2,783	\$ 490,344	\$ 493,127
Accts receivable - customers	12,301	17,744	30,045
Accts receivable - other govts.		1,373	1,373
	<u>15,084</u>	<u>509,461</u>	<u>524,545</u>
<b>Restricted Current Assets:</b>			
Cash and Deposits	<u>365,664</u>	<u>283,330</u>	<u>648,994</u>
Total Current Assets	<u>380,748</u>	<u>792,791</u>	<u>1,173,539</u>
<b>Capital Assets:</b>			
Plant and equipment	11,461,963	12,725,335	24,187,298
Accumulated depreciation	<u>(5,808,007)</u>	<u>(4,640,098)</u>	<u>(10,448,105)</u>
Net Plant and equipment	<u>5,653,956</u>	<u>8,085,237</u>	<u>13,739,193</u>
<b>Total Assets</b>	<u>6,034,704</u>	<u>8,878,028</u>	<u>14,912,732</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts and Interest Payable	18,520	21,936	40,456
Current portion long-term debt	<u>135,000</u>	<u>170,000</u>	<u>305,000</u>
Total current liabilities	<u>153,520</u>	<u>191,936</u>	<u>345,456</u>
<b>Noncurrent Liabilities:</b>			
Bonds Payable	4,795,000	2,425,000	7,220,000
Compensated Absences Payable	<u>34,547</u>	<u>66,068</u>	<u>100,615</u>
Total noncurrent liabilities	<u>4,829,547</u>	<u>2,491,068</u>	<u>7,320,615</u>
<b>Total Liabilities</b>	<u>4,983,067</u>	<u>2,683,004</u>	<u>7,666,071</u>
<b>Net Position:</b>			
Investment in capital assets net of related debt	723,956	5,490,237	6,214,193
Restricted	365,664	283,330	648,994
Unrestricted	<u>(37,983)</u>	<u>421,457</u>	<u>383,474</u>
<b>Total Net Position</b>	<u>\$ 1,051,637</u>	<u>\$ 6,195,024</u>	<u>\$ 7,246,661</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
Statement of Revenues, Expenditures, and Changes in Net Position  
Proprietary Funds  
for the year ended September 30, 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,571,387	\$ 1,829,990	\$ 3,401,377
Hookups and connections	19,334	37,036	56,370
Reimbursements and Misc.	6,706	5,734	12,440
	<u>1,597,427</u>	<u>1,872,760</u>	<u>3,470,187</u>
<b>Operating Expenses:</b>			
Salaries and benefits	529,216	936,950	1,466,166
Administrative and supplies	528,237	564,598	1,092,835
Depreciation	309,913	263,242	573,155
	<u>1,367,366</u>	<u>1,764,790</u>	<u>3,132,156</u>
<b>Operating Income</b>	<u>230,061</u>	<u>107,970</u>	<u>338,031</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	3,668	4,861	8,529
Interest Expense	(228,200)	(111,280)	(339,480)
Gain (Loss) on asset disposal			0
Other			
	<u>(224,532)</u>	<u>(106,419)</u>	<u>(330,951)</u>
<b>Income before transfers</b>	<u>5,529</u>	<u>1,551</u>	<u>7,080</u>
Transfers in			
Transfers out			
<b>Net Income</b>	5,529	1,551	7,080
<b>Total Net Position - Beginning</b>	<u>1,046,108</u>	<u>6,193,473</u>	<u>7,239,581</u>
<b>Total Net Position - Ending</b>	<u>\$ 1,051,637</u>	<u>\$ 6,195,024</u>	<u>\$ 7,246,661</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
Statement of Cash Flows  
Proprietary Funds  
for the year ended September 30, 2013

	Water Fund	Wastewater Fund	Total
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 1,592,072	\$ 1,878,639	\$ 3,470,711
Payments to suppliers	(528,237)	(564,598)	(1,092,835)
Payments to employees	(529,216)	(928,811)	(1,458,027)
Payments from (to) other funds			
Other receipts	6,706	5,734	12,440
Net cash provided (used) by operations	<u>541,325</u>	<u>390,964</u>	<u>932,289</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase and construction of capital assets		(378,545)	(378,545)
Principal paid on capital debt	(125,000)	(165,000)	(290,000)
Interest paid on capital debt	(228,200)	(111,280)	(339,480)
Net cash provided (used) by capital and related financing activities	<u>(353,200)</u>	<u>(654,825)</u>	<u>(1,008,025)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest Income	3,668	4,861	8,529
<b>Net Increase (Decrease) in Cash and Deposits</b>	191,793	(259,000)	(67,207)
<b>Balances - Beginning of the year</b>	<u>176,654</u>	<u>1,032,674</u>	<u>1,209,328</u>
<b>Balances - Ending of the year</b>	<u>\$ 368,447</u>	<u>\$ 773,674</u>	<u>\$ 1,142,121</u>
Displayed as:			
Pooled Cash and Investments	2,783	490,344	493,127
Restricted Assets	<u>365,664</u>	<u>283,330</u>	<u>648,994</u>
<b>Balances - Ending of the year</b>	<u>\$ 368,447</u>	<u>\$ 773,674</u>	<u>\$ 1,142,121</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	230,061	107,970	338,031
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	309,913	263,242	573,155
Changes in assets and liabilities:			
Receivables, net	(4,394)	23,685	19,291
Accounts and other payables	5,745	(3,933)	1,812
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 541,325</u>	<u>\$ 390,964</u>	<u>\$ 932,289</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
Notes to the Financial Statements  
September 30, 2013

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Ketchum, Idaho became an incorporated city under the laws of the State of Idaho on October 16, 1961. The accounting policies of the City of Ketchum, Idaho conform to generally accepted accounting principles as applicable to governmental units. The financial statements of the City of Ketchum, Idaho have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities (enterprise funds) provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies:

**(A) Basis of Presentation – Basis of Accounting**

**Basis of Presentation:**

For this reporting period, the City has conformed its financial statement model to *Governmental Auditing Standards Board (GASB) Statement No. 34*. This model presents the financial statements as follows:

*Government-wide Statements:* The statement of net assets and the statement of activities display information about the primary government (the City). These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

*Fund Financial Statements:* The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental* and *proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following governmental funds:

*General Fund.* This is the City's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2013**

-Continued

The City reports the following enterprise funds:

*Water and Wastewater Fund.* This fund accounts for the operation, maintenance, and development of the City's water and waste-water facilities.

**Discretely Presented Component Unit**

The Component unit column in the financial statements includes the financial data of the City's only discretely presented component unit, the Ketchum Urban Renewal Agency. It is reported in a separate column to emphasize that it is separate from the City's operations. Complete financial statements of the Ketchum Urban Renewal Agency can be requested.

**Measurement Focus, Basis of Accounting**

*Government-wide and Proprietary Fund Financial Statements.* The government-wide and proprietary fund 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 at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

*Budgets and Budgetary Accounting.* The City adheres to City budget requirements in Title 50, Chapter 10 of the Idaho Code. The provisions of this chapter include the following procedures to establish budgetary data which is reflected in these financial statements:

- A. Prior to certifying the tax levy to the County Commissioners, and prior to passing the annual appropriation ordinance, a public meeting shall be held to adopt a budget by a favorable vote of a majority of the members of the council.
- B. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. Uncommitted appropriations lapse at year end.
- C. There are no provisions in Title 50, Chapter 10 for budget augmentations.

*Entity Classifications.*

- A. City-Wide Financial Statements – The City reports net position in three categories – invested in capital assets, restricted and unrestricted.

CITY OF KETCHUM, IDAHO  
Notes to the Financial Statements  
September 30, 2013

-continued

- B. Fund Financial Statements – The City has adopted GASB Statement No. 54 “Fund Balance Reporting and Governmental Fund Type Definitions” (GASB 54) which defines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balances as presented below:

Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. In this category, one would see inventory, long-term receivables, unless proceeds are restricted, committed, or assigned and legally or contractually required to be maintained intact (corpus or a permanent fund).

Restricted – These funds are governed by externally enforceable restrictions. In this category, one would see restricted purpose grant funds, debt service or capital projects.

Committed – Fund balances in this category are limited by the governments’ highest level of decision making. Any changes of designation must be done in the same manner that it was implemented and should occur prior to end of the fiscal year, though the exact amount may be determined subsequently.

Assigned – These funds are intended to be used for specific purposes, intent is expressed by governing body or an official delegated by the governing body.

Unassigned – This classification is the default for all funds that do not fit into the other categories. This, however, should not be a negative number for the general fund. If it is, the assigned fund balance must be adjusted.

Order of Use of Fund Balance – The City’s policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

*Allocation of Indirect Expenses.* The City allocates indirect expense, primarily comprised of central governmental services, to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions with public services and parks.

**(B) Assets, Liabilities, and Equity**

**Deposits and Investments**

The cash balances of substantially all funds are pooled and invested by the State of Idaho Treasurer’s Office for the purpose of increasing earnings through investment activities. The pool’s investments are reported at fair value at September 30 of each year based on market prices. The individual funds’ portions of the pool’s fair value are presented as “Cash and Deposits”. Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average daily balance of each participating fund.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2013**

-Continued

**Cash and Deposits**

The City considers cash and deposits in proprietary funds to be cash on hand. In addition, because the State Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a deposit.

**Receivables and Payable**

All trade and property tax receivables are shown net of an allowance for uncollectibles.

**Property Tax Calendar**

Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The Blaine County Assessor establishes assessed values. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied.

**Capital Assets**

Purchased or constructed capital assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. They are reported net of accumulated depreciation on the Statement of Net Assets. The City capitalizes assets in excess of \$5,000.

Under the requirements of *GASB Statement No. 34*, the City is considered a Phase 3 government, as its total annual revenues are less than \$10 million. Such governments are not required to report major general infrastructure assets retroactively. Accordingly, the City has determined not to retroactively report this type of capital asset.

Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office and Other Equipment	3-15
Computer Equipment	3-15

**Compensated Absences**

The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

CITY OF KETCHUM, IDAHO  
Notes to the Financial Statements  
September 30, 2013

-Continued

**NOTE 2 – CASH AND DEPOSITS**

*Deposits:* Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial credit risk. At year end, none of the City's bank balances were exposed to custodial credit risk because it was insured by the FDIC.

*Investments:* Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the City held the following investments:

Investment Type

Idaho State Local Government Investment Pool     \$ 3,901,445

These investments are unrated external investment pools sponsored by the Idaho State Treasurer's Office. They are classified as "Investments in an External Investment Pool" and are exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The elected Idaho State Treasurer, following Idaho Code, Section 67-2328, is authorized to sponsor an investment pool in which the City voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body - oversight is with the State Treasurer, and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name. And the fair value of the City's position in the external investment pool is the same as the value of the pool shares.

*Credit Risk:* The City's policy is to comply with Idaho State statutes which authorize the City to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

*Interest rate risk and concentration of credit risk:* The City has no policy regarding these two investment risk categories.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Cash and Deposits".

Cash and Deposits are comprised of the following at the financial statement date:

Cash on Hand	\$        20
Deposits with financial institutions:	
Demand deposits	(581,108)
State of Idaho Investment Pool	<u>3,901,445</u>
Total	<u>\$ 3,320,358</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2013**

-Continued

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the current year ended was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 4,347,889	\$	\$	\$ 4,347,889
Construction in Progress		<u>232,007</u>		<u>232,007</u>
Total	<u>4,347,889</u>	<u>232,007</u>	<u>0</u>	<u>4,579,896</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	6,914,205	195,928		7,110,133
Infrastructure	557,829	461,475		1,019,304
Vehicles and Equipment	6,947,740	235,714		7,183,454
Total	<u>14,419,774</u>	<u>893,117</u>	<u>0</u>	<u>15,312,891</u>
Less: Accumulated Depreciation:	<u>7,835,603</u>	<u>314,998</u>		<u>8,150,601</u>
Total Net Depreciated Assets	<u>6,584,171</u>	<u>578,119</u>	<u>0</u>	<u>7,162,290</u>
 Governmental capital assets, net	 <u>\$ 10,932,060</u>	 <u>\$ 810,126</u>	 <u>\$ 0</u>	 <u>\$ 11,742,186</u>
 <b>Business-type activities:</b>				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 15,380	\$	\$	\$ 15,380
Construction in Progress		<u>36,043</u>		<u>36,043</u>
Total	<u>15,380</u>	<u>36,043</u>	<u>0</u>	<u>51,423</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	23,113,092	332,114		23,445,206
Vehicles and Equipment	680,280	10,389		690,669
Total	<u>23,793,372</u>	<u>342,503</u>	<u>0</u>	<u>24,135,875</u>
Less: Accumulated Depreciation	<u>9,874,950</u>	<u>573,155</u>		<u>10,448,105</u>
Total Net Depreciated Assets	<u>13,918,422</u>	<u>(230,652)</u>	<u>0</u>	<u>13,687,770</u>
 Business-type capital assets, net	 <u>\$ 13,933,802</u>	 <u>\$ (194,609)</u>	 <u>\$ 0</u>	 <u>\$ 13,739,193</u>

CITY OF KETCHUM, IDAHO  
Notes to the Financial Statements  
September 30, 2013

-- Continued

**NOTE 4 - BONDS PAYABLE**

In July of 1998, the City sold \$ 3,405,000 of Water Revenue Bonds, Series 1998. The proceeds of this issue were used to construct a new water storage facility for the City. The bonds are to be retired by user fees generated in the City's enterprise fund.

In 2006 the outstanding bonds were defeased by placing proceeds of a new bond issue, Water Revenue Refunding Bonds Series 2006B for \$ 3,030,000, in an irrevocable trust to provide for all future debt payments on the old bonds. Accordingly, the trust accounts and the defeased bonds are not included in the financial statements.

In December of 2004, the City sold \$ 1,990,000 of Sewer Revenue Bonds, Series 2004. The proceeds of this issue were and are being used to make improvements to the City's waste water system. The bonds are to be retired by user fees generated in the City's enterprise fund.

In May of 2006, the City sold \$ 1,730,000 of Sewer Revenue Bonds, Series 2006A. The proceeds of this issue were and are being used to make improvements to the City's waste water system. The bonds are to be retired by user fees generated in the City's enterprise fund.

Also, in May of 2006, the City sold \$ 2,780,000 of Water Revenue Bonds, Series 2006A. The proceeds of this issue were and are being used to make improvements to the City's water system. The bonds are to be retired by user fees generated in the City's enterprise fund.

In June of 2007, the City sold \$1,550,000 of General Obligation Bonds, Series June 5, 2007. The proceeds of this issue were and are being used for capital equipment acquisitions.

The following is a list of the interest and principal payments through the end of the bond issues:

<u>FY</u>	<u>Water Refunding Bonds 2006B</u>		<u>Sewer Revenue Bonds 2004</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2014	\$ 101,165	\$ 120,000	\$ 50,397	\$ 90,000
2015	95,165	125,000	47,184	95,000
2016	88,915	130,000	43,770	100,000
2017	82,415	135,000	40,144	100,000
2018-2027	<u>463,067</u>	<u>1,730,000</u>	<u>164,211</u>	<u>970,000</u>
Total	\$ <u>830,727</u>	\$ <u>2,240,000</u>	\$ <u>345,706</u>	\$ <u>1,355,000</u>

CITY OF KETCHUM, IDAHO  
Notes to the Financial Statements  
September 30, 2013

Bonds Payable -- Continued

FY	<u>Sewer Revenue Bonds 2006A</u>		<u>Water Revenue Bonds 2006A</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2014	\$ 55,345	\$ 80,000	\$ 121,078	\$ 15,000
2015	51,345	85,000	120,327	15,000
2016	47,095	85,000	119,578	20,000
2017	42,845	90,000	118,577	20,000
2018-2035	<u>189,380</u>	<u>900,000</u>	<u>1,634,866</u>	<u>2,620,000</u>
Total	\$ <u>386,010</u>	\$ <u>1,240,000</u>	\$ <u>2,114,426</u>	\$ <u>2,690,000</u>

General Obligation Bonds Series June 5, 2007

<u>FY</u>	<u>Interest</u>	<u>Principal</u>
2014	\$ 41,954	\$ 108,000
2015	37,644	112,000
2016	33,131	116,000
2017	28,397	121,000
2018-2021	<u>60,078</u>	<u>537,000</u>
Total	\$ <u>201,204</u>	\$ <u>994,000</u>

**NOTE 5 – MISCELLANEOUS REVENUES, GOVERNMENTAL FUND TYPES**

The miscellaneous revenues section of the combined statement of revenues and expenditures includes the following amounts:

	<u>General</u>
Rents	\$ 15,911
Miscellaneous	<u>8,567</u>
Total	\$ <u>24,478</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2013**

-Continued

**NOTE 6 – LITIGATION**

The City, at the financial statement date, is not involved in any material disputes as either plaintiff or defendant.

**NOTE 7 – RESTRICTED NET ASSETS**

The ordinance authorizing the Enterprise Fund revenue bonds requires that the City establish certain restricted cash accounts to be used in the retirement of the bonds and improvements to the water and waste-water systems. In addition certain cash amounts are restricted for use in law enforcement, zoning ordinance enforcement, and for other restrictions imposed by the City Council in the general fund; and for debt retirement in the long-term debt group of accounts. The City's policy is to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. These restricted amounts are as follows:

	<u>General Fund</u>	<u>Enterprise Funds</u>
Police Fire Trust Cash	\$ 106,973	
Planning & Zoning Trust Cash	51,917	
Parks Trust Cash	63,272	
Water Revenue Bond Debt Service		\$ 365,664
Wastewater Bonds Debt Service		<u>283,330</u>
Totals	<u>\$ 222,162</u>	<u>\$ 648,994</u>

**NOTE 8 – RISK MANAGEMENT**

The City is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; injuries to the general public; and natural disasters. The City carries commercial insurance coverage for these risks to the extent deemed prudent by the City Council. The City is also protected by the Idaho Tort Claims Act, which limits exposure to tort claims against the City.

**NOTE 9 – KETCHUM URBAN RENEWAL AGENCY**

The component unit column in the combined financial statements includes the financial data of the Ketchum Urban Renewal Agency, the City's only discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City in accordance with State Urban Renewal law. The Agency has authority to construct public improvements including the acquisition of public right-of-way within the blighted area legally designated as the redevelopment district. The City appoints the governing board of the Agency. The Agency derives its funding from tax increment financing.

CITY OF KETCHUM, IDAHO  
Notes to the Financial Statements  
September 30, 2013

-Continued

**NOTE 10 - PENSION PLAN**

The Public Employee Retirement System of Idaho (PERSI) – The PERSI Base Plan, a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI.

After 5 years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive 42 months

PERSI issues publicly available stand alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website, [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the current year, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.69% for police/firefighter members. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighter members. The City contributions required and paid were \$ 495,629, \$ 444,709, and \$ 442,134 for the three years ended September 30, 2013, 2012, and 2011 respectively.

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- General Fund  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$ 3,479,347	\$ 3,471,583	\$ 7,764
Franchises, licenses, permits	613,121	534,170	78,951
State of Idaho shared revenue	858,173	850,165	8,008
State of Idaho sales tax	73,897	70,117	3,780
State of Idaho liquor receipts	282,484	250,000	32,484
State highway user collections	88,787	103,000	(14,213)
Penalty and interest on property taxes	22,609	15,000	7,609
County court fines	35,884	26,000	9,884
Fees, fines and charges for services	1,694,910	1,703,217	(8,307)
Grants and contributions	229,272	281,740	(52,468)
Earnings on investments	9,716	7,200	2,516
Miscellaneous	24,478	9,120	15,358
	<u>7,412,678</u>	<u>7,321,312</u>	<u>91,366</u>
Total Revenue			
EXPENDITURES:			
General Government	1,893,978	2,133,171	239,193
Public Safety	3,314,145	3,340,598	26,453
Streets	1,401,162	1,525,489	124,327
Capital outlay			
Parks and Recreation	1,043,335	1,051,892	8,557
Transportation			
Affordable Housing			
Debt Service			
	<u>7,652,620</u>	<u>8,051,150</u>	<u>398,530</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	(239,942)	(729,838)	489,896
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds		38,032	38,032
Operating transfers (to) other funds	(10,978)		10,978
NET CHANGE IN FUND BALANCES	(250,920)	(691,806)	538,906
FUND BALANCE - BEGINNING	<u>2,652,641</u>	<u>2,652,641</u>	
FUND BALANCE - ENDING	\$ <u><u>2,401,721</u></u>	\$ <u><u>1,960,835</u></u>	

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- City Sales Tax Fund  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$	\$	\$
Local Option sales taxes	1,774,378	2,085,838	(311,460)
Franchises, licenses, permits	32,306	27,000	5,306
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services			
Grants and contributions			
Earnings on investments	17	0	17
Miscellaneous			
	<u>1,806,701</u>	<u>2,112,838</u>	<u>(306,137)</u>
Total Revenue			
EXPENDITURES:			
General Government	919,202	911,641	(7,561)
Public Safety	159,417	166,981	7,564
Streets			
Capital outlay			
Parks and Recreation			
Transportation	522,610	522,610	0
Affordable Housing			
Debt Service			
	<u>1,601,229</u>	<u>1,601,232</u>	<u>3</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	205,472	511,606	(306,134)
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			0
Operating transfers (to) other funds	<u>(283,032)</u>	<u>(283,032)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	(77,560)	228,574	(306,134)
FUND BALANCE - BEGINNING	<u>206,425</u>	<u>206,425</u>	
FUND BALANCE - ENDING	<u>\$ 128,865</u>	<u>\$ 434,999</u>	

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- General Obligation Bond Debt Fund  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits			
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services			
Grants and contributions			
Earnings on investments	3	0	3
Miscellaneous			
	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenue	<u>    3</u>	<u>    0</u>	<u>    3</u>
EXPENDITURES:			
General Government	500	500	0
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service	<u>149,012</u>	<u>149,012</u>	<u>    0</u>
	<u>149,512</u>	<u>149,512</u>	<u>    0</u>
Total Expenditures	<u>149,512</u>	<u>149,512</u>	<u>    0</u>
EXCESS REVENUE (EXPENDITURES)	(149,509)	(149,512)	3
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	149,512	150,000	488
Operating transfers (to) other funds			
	<u>          </u>	<u>          </u>	<u>          </u>
NET CHANGE IN FUND BALANCES	3	488	491
FUND BALANCE - BEGINNING	<u>1,575</u>	<u>1,575</u>	
FUND BALANCE - ENDING	<u>\$ 1,578</u>	<u>\$ 2,063</u>	

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- Underground Improvement Fund  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits	236,619	215,000	21,619
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services			
Grants and contributions			
Earnings on investments	509	0	509
Miscellaneous			
	<u>237,128</u>	<u>215,000</u>	<u>22,128</u>
Total Revenue			
EXPENDITURES:			
General Government	0	0	0
Public Safety			
Streets			
Capital outlay	461,476	468,539	7,063
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>461,476</u>	<u>468,539</u>	<u>7,063</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	(224,348)	(253,539)	29,191
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			0
Operating transfers (to) other funds			
NET CHANGE IN FUND BALANCES	(224,348)	(253,539)	29,191
FUND BALANCE - BEGINNING	<u>221,088</u>	<u>221,088</u>	
FUND BALANCE - ENDING	<u>\$ (3,260)</u>	<u>\$ (32,451)</u>	

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- In-Lieu Housing Fund  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits			
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services			
Grants and contributions			
Earnings on investments	67	100	(33)
Miscellaneous			
	<u>        </u>	<u>        </u>	<u>        </u>
Total Revenue	<u>67</u>	<u>100</u>	<u>(33)</u>
EXPENDITURES:			
General Government			0
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing	70,000	70,000	0
Debt Service			
	<u>        </u>	<u>        </u>	<u>        </u>
Total Expenditures	<u>70,000</u>	<u>70,000</u>	<u>0</u>
EXCESS REVENUE (EXPENDITURES)	(69,933)	(69,900)	(33)
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<u>        </u>	<u>        </u>	<u>        </u>
NET CHANGE IN FUND BALANCES	(69,933)	(69,900)	(33)
FUND BALANCE - BEGINNING	<u>77,297</u>	<u>77,297</u>	
FUND BALANCE - ENDING	<u>\$ 7,364</u>	<u>\$ 7,397</u>	

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- Wagon Days Fund  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits			
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services	8,855	7,500	1,355
Grants and contributions	20,350	10,000	10,350
Earnings on investments	61	0	61
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>29,266</u>	<u>17,500</u>	<u>11,766</u>
EXPENDITURES:			
General Government	109,478	109,500	22
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>109,478</u>	<u>109,500</u>	<u>22</u>
EXCESS REVENUE (EXPENDITURES)	(80,212)	(92,000)	11,788
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	95,000	95,000	0
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	14,788	3,000	11,788
FUND BALANCE - BEGINNING	<u>10,152</u>	<u>10,152</u>	
FUND BALANCE - ENDING	<u>\$ 24,940</u>	<u>\$ 13,152</u>	

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- Police and Fire Trust Funds  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits			
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services	31,719		
Grants and contributions	209,474	317,000	(107,526)
Earnings on investments	195	0	195
Miscellaneous	0		0
	<u>241,388</u>	<u>317,000</u>	<u>(107,331)</u>
Total Revenue			
EXPENDITURES:			
General Government			
Public Safety	242,996	317,000	74,004
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>242,996</u>	<u>317,000</u>	<u>74,004</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	(1,608)	0	(33,327)
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
NET CHANGE IN FUND BALANCES	(1,608)	0	(33,327)
FUND BALANCE - BEGINNING	<u>108,581</u>	<u>108,581</u>	
FUND BALANCE - ENDING	<u>\$ 106,973</u>	<u>\$ 108,581</u>	

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- Community Development Trust Fund  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits			
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services	74,523	50,000	24,523
Grants and contributions			
Earnings on investments	8	0	8
Miscellaneous			
	<u>74,531</u>	<u>50,000</u>	<u>24,531</u>
Total Revenue			
EXPENDITURES:			
General Government	47,292	50,000	2,708
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>47,292</u>	<u>50,000</u>	<u>2,708</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	27,239	0	27,239
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
NET CHANGE IN FUND BALANCES	27,239	0	27,239
FUND BALANCE - BEGINNING	<u>24,678</u>	<u>24,678</u>	
FUND BALANCE - ENDING	<u>\$ 51,917</u>	<u>\$ 24,678</u>	

CITY OF KETCHUM, IDAHO  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual -- Park Trust Fund  
for the year ended September 30, 2013

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits			
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services			
Grants and contributions	172,451	162,000	10,451
Earnings on investments	67	0	67
Miscellaneous			
	<u>172,518</u>	<u>162,000</u>	<u>10,518</u>
Total Revenue			
EXPENDITURES:			
General Government			
Public Safety			
Streets			
Capital outlay			
Parks and Recreation	161,991	162,000	9
Transportation			
Affordable Housing			
Debt Service			
	<u>161,991</u>	<u>162,000</u>	<u>9</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	10,527	0	10,527
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	49,498		
Operating transfers (to) other funds			
NET CHANGE IN FUND BALANCES	60,025	0	10,527
FUND BALANCE - BEGINNING	<u>3,247</u>	<u>3,247</u>	
FUND BALANCE - ENDING	<u>\$ 63,272</u>	<u>\$ 3,247</u>	

CITY OF KETCHUM, IDAHO  
 Bond-Future Principal and Interest Requirements  
 at September 30, 2013

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
General Obligation Bond:				
\$1,550,000 General Obligation Bonds				
Series June 5, 2007				
3.72% - 4.43%				
	3.99%	2014	\$ 108,000	\$ 41,954
	4.03%	2015	112,000	37,644
	4.08%	2016	116,000	33,131
	4.13%	2017	121,000	28,397
	4.28%	2018	126,000	23,400
	4.33%	2019	131,000	18,007
	4.38%	2020	137,000	12,336
	4.43%	2021	<u>143,000</u>	<u>6,335</u>
			<u>\$ 994,000</u>	<u>\$ 201,204</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
 Bond-Future Principal and Interest Requirements  
 at September 30, 2013

	Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment	
Revenue Bond:				
Water Refunding Bond 2006B				
\$3,030,000, May 11, 2006				
4.00% - 5.00%				
5.00%	2014	\$ 120,000	\$	101,165
5.00%	2015	125,000		95,165
5.00%	2016	130,000		88,915
4.00%	2017	135,000		82,415
4.20%	2018	145,000		77,015
4.25%	2019	145,000		70,925
4.25%	2020	150,000		64,763
4.20%	2021	160,000		58,387
4.25%	2022	165,000		51,667
4.30%	2023	175,000		44,655
4.30%	2024	185,000		37,130
5.00%	2025	190,000		29,175
5.00%	2026	200,000		19,675
4.50%	2027	215,000		9,675
		\$ 2,240,000	\$	830,727

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
 Bond-Future Principal and Interest Requirements  
 at September 30, 2013

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Revenue Bond:				
Sewer Revenue Bonds 2004				
\$1,990,000, December 15, 2004				
2.50% - 4.15%				
	3.50%	2014	\$ 90,000	\$ 50,397
	3.45%	2015	95,000	47,184
	3.55%	2016	100,000	43,770
	3.70%	2017	100,000	40,144
	3.70%	2018	105,000	36,353
	3.75%	2019	110,000	32,348
	3.80%	2020	115,000	28,100
	3.90%	2021	120,000	23,575
	4.00%	2022	125,000	18,735
	4.05%	2023	125,000	13,704
	4.12%	2024	130,000	8,491
	4.15%	2025	140,000	2,905
			<u>\$ 1,355,000</u>	<u>\$ 345,706</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
 Bond-Future Principal and Interest Requirements  
 at September 30, 2013

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Revenue Bond:				
Sewer Revenue Bonds 2006A				
\$1,730,000, May 11, 2006				
4.00% - 5.00%				
	5.00%	2014	\$ 80,000	\$ 55,345
	5.00%	2015	85,000	51,345
	5.00%	2016	85,000	47,095
	4.00%	2017	90,000	42,845
	4.20%	2018	95,000	39,245
	4.25%	2019	100,000	35,255
	4.25%	2020	105,000	31,005
	4.20%	2021	110,000	26,542
	4.25%	2022	115,000	21,923
	4.30%	2023	120,000	17,035
	4.30%	2024	125,000	11,875
	5.00%	2025	130,000	6,500
			\$ 1,240,000	\$ 386,010

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO  
 Bond-Future Principal and Interest Requirements  
 at September 30, 2013

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Revenue Bond:				
Water Revenue Bonds 2006A				
\$2,780,000, May 11, 2006				
4.00% - 5.00%				
	5.00%	2014	\$ 15,000	\$ 121,078
	5.00%	2015	15,000	120,327
	5.00%	2016	20,000	119,578
	4.00%	2017	20,000	118,577
	4.20%	2018	20,000	117,778
	4.25%	2019	25,000	116,937
	4.25%	2020	25,000	115,875
	4.20%	2021	25,000	114,813
	4.25%	2022	25,000	113,763
	4.30%	2023	25,000	112,700
	4.30%	2024	25,000	111,625
	5.00%	2025	30,000	110,550
	5.00%	2026	30,000	109,050
	4.50%	2027	25,000	107,550
	4.50%	2028	250,000	106,425
	4.50%	2029	265,000	95,175
	4.50%	2030	275,000	83,250
	4.50%	2031	285,000	70,875
	4.50%	2032	300,000	58,050
	4.50%	2033	315,000	44,550
	4.50%	2034	330,000	30,375
	4.50%	2035	345,000	15,525
			<u>\$ 2,690,000</u>	<u>\$ 2,114,426</u>

The accompanying notes are a part of these financial statements.



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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

November 15, 2013

To the Honorable Mayor and City Council  
City of Ketchum, Idaho

I 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 City of Ketchum, Idaho (City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Ketchum, Idaho's basic financial statements, and have issued my report thereon dated November 15, 2013.

*Internal Control Over Financial Reporting*

In planning and performing my audit of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Ketchum, Idaho's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 my audit and, accordingly, I do not express such an opinion. The results of my 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 my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

DENNIS R. BROWN  
Certified Public Accountant