

CITY OF KETCHUM, IDAHO

Financial Statements

Year Ended September 30, 2012

CITY OF KETCHUM, IDAHO
Financial Statements
For the year ended September 30, 2012

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INDEPENDENT AUDITOR'S REPORT

November 9, 2012

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the discretely presented component unit of the City of Ketchum, Idaho, as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ketchum, Idaho's management. My responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 9, 2012, on my consideration of the City of Ketchum, Idaho's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information, on pages 2-10 and 30-38, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Also, the information presented as supplementary information on pages 39-43 is not a required part of the basic financial statements. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

DENNIS R. BROWN
Certified Public Accountant



CITY OF KETCHUM, IDAHO

Management's Discussion and Analysis

November 9, 2012

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 \$ 20,086,581. Of that amount, \$ 3,047,890 (unrestricted net assets) may be used to meet future obligations and programs.
- The Local Option Tax (LOT) receipts increased \$116,720 from the previous year. This Special Revenue Fund received an amount of, \$ 1,755,624.
- General Fund Revenues were \$9,158,317 and expenditures were \$8,874,945.

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 Assets. Information on how the City's net assets 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	<i>Governmental Funds</i>	<i>Proprietary Funds</i>
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	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows
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	* Revenues for which cash is received during or soon after the end of the year * Expenditures when goods or services have been received and payment is due during the year or soon thereafter	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 Assets

The largest component (\$ 15,948,862) of the City's net assets 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, these net assets are not eligible for future spending. Restricted net assets total \$ 1,089,829. Restricted net assets represent resources that are subject to

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

external restrictions, constitutional provisions, debt service requirements, or enabling legislation on how they can be used. The remaining portion of net assets is unrestricted, which can be used to finance government operation.

Table 2 below presents the City's condensed statement of net assets as of September 30, 2012, derived from the government-wide Statement of Net Assets.

Table 2: Condensed Statement of Net Assets				
As of September 30, 2012				
	<u>Governmental</u> <u>Activities</u>	<u>Business-</u> <u>type</u> <u>Activities</u>	<u>Total</u> <u>Primary</u> <u>Government</u>	<u>Component</u> <u>Unit - Urban</u> <u>Renewal Agency</u>
Current and other assets	\$ 3,322,198	\$ 1,252,966	\$ 4,575,164	\$ 1,476,855
Capital assets	10,932,060	13,933,802	24,865,862	6,550,201
Total Assets	<u>14,254,258</u>	<u>15,186,768</u>	<u>29,441,026</u>	<u>8,027,056</u>
Current Liabilities	119,517	332,361	451,878	212,265
Long-term liabilities	1,287,741	7,614,826	8,902,567	6,325,000
Total Liabilities	<u>1,407,258</u>	<u>7,947,187</u>	<u>9,354,445</u>	<u>6,537,265</u>
Net assets:			0	
Invested in capital assets			0	
net of related debt	9,835,060	6,113,802	15,948,862	160,201
Restricted	439,200	650,629	1,089,829	1,329,590
Unrestricted	<u>2,572,740</u>	<u>475,150</u>	<u>3,047,890</u>	
Total Net Assets	<u>\$ 12,847,000</u>	<u>\$ 7,239,581</u>	<u>\$ 20,086,581</u>	<u>\$ 1,489,791</u>

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the fiscal year ended September 30, 2012 as derived from the government-wide Statement of Activities. Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities decreased by \$ 10,485 or 0.08% percent, and the net assets of the business-type activities increased by \$ 92,225 or 1.29%.

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

Table 3: Condensed Statement of Activities
As of September 30, 2012

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit Urban Renewal Agency
Revenue:				
Program revenues				
Charges for services	\$ 1,692,884	\$ 3,295,748	\$ 4,988,632	\$
Capital grants /contributions	151,844		151,844	
Total program revenues	<u>1,844,728</u>	<u>3,295,748</u>	<u>5,140,476</u>	<u>0</u>
General revenues				
Taxes	5,127,194		5,127,194	631,188
Franchise, licenses, permits	833,256		833,256	
State shared revenues	1,273,717		1,273,717	
Interest	11,201	9,925	21,126	1,328
Other revenues	68,221		68,221	52,347
Total general revenues	<u>7,313,589</u>	<u>9,925</u>	<u>7,323,514</u>	<u>684,863</u>
Total revenues	<u>9,158,317</u>	<u>3,305,673</u>	<u>12,463,990</u>	<u>684,863</u>
Program expenses:				
General government	2,330,977		2,330,977	
Public safety	3,195,854		3,195,854	
Streets	1,398,971		1,398,971	
Parks and recreation	1,001,915		1,001,915	
Transportation	547,610		547,610	
Affordable Housing	200,000		200,000	240,653
Unallocated Depreciation	443,573		443,573	
Wastewater		1,606,185	1,606,185	
Water		1,256,878	1,256,878	
Interest, long-term debt	49,902	350,385	400,287	321,347
Total program expenses	<u>9,168,802</u>	<u>3,213,448</u>	<u>12,382,250</u>	<u>562,000</u>
Change in net assets	(10,485)	92,225	81,740	122,863
Beginning net assets	<u>12,857,485</u>	<u>7,147,356</u>	<u>20,004,841</u>	<u>1,366,928</u>
Ending net assets	<u>\$ 12,847,000</u>	<u>\$ 7,239,581</u>	<u>\$ 20,086,581</u>	<u>\$ 1,489,791</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.

Table 4: Program Expenses and Revenues for Government Activities For the Fiscal Year Ended September 30, 2012			
	Program Expenses	Program Revenues	Net Expense (Revenues) (a)
General government	\$ 2,330,977	\$ 1,515,921	\$ (815,056)
Public safety	3,195,854		(3,195,854)
Streets	1,398,971		(1,398,971)
Parks and Recreation	1,001,915	176,963	(824,952)
Transportation	547,610		(547,610)
Affordable Housing	200,000		(200,000)
Interest on long-term debt	49,902		(49,902)
Unallocated depreciation	443,573		(443,573)
Totals	\$ 9,168,802	\$ 1,692,884	\$ (7,475,918)

(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 sufficient to cover program expenses.

Table 5: Program Expenses and Revenues for Business-type Activities For the Fiscal Year Ended September 30, 2012			
City Programs	Program Expenses	Program Revenues	Net Program Expenses (Revenues)
Wastewater	\$ 1,606,185	\$ 1,744,727	\$ 138,542
Water	1,256,878	1,551,021	294,143
Interest on long-term debt	350,385		(350,385)
Totals	\$ 3,213,448	\$ 3,295,748	\$ 82,300

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, 2012**

	Original and Final Budget	Actual	Variances
Revenues:			
Taxes (including penalties/interest)	\$ 5,392,733	\$ 5,127,194	\$ (265,539)
Franchises, licenses, permits	1,013,685	833,256	(180,429)
State of Idaho	1,267,000	1,321,739	54,739
Fees, Charges for Services	1,557,920	1,692,884	134,964
Other	498,000	183,244	(314,756)
Totals	<u>9,729,338</u>	<u>9,158,317</u>	<u>(571,021)</u>
Expenditures:			
General Government	2,532,566	2,339,986	192,580
Public Safety	3,634,492	3,223,804	410,688
Streets	1,846,591	1,398,971	447,620
Capital Outlay	10,000	0	10,000
Parks and Recreation	1,035,347	1,014,672	20,675
Transportation	507,610	547,610	(40,000)
Affordable Housing	200,000	200,000	0
Debt Service	149,902	149,902	0
Totals	<u>9,916,508</u>	<u>8,874,945</u>	<u>1,041,563</u>
Excess (Deficiency)	<u>\$ (187,170)</u>	<u>\$ 283,372</u>	<u>\$ 470,542</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 Assets
As of September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>	Percentage Change
Current Assets	\$ 4,575,164	\$ 4,338,694	5.4503%
Capital Assets	<u>24,865,862</u>	<u>25,402,975</u>	-2.1144%
Total Assets	<u>29,441,026</u>	<u>29,741,669</u>	-1.0108%
Current Liabilities	451,878	429,798	5.1373%
Long Term Liabilities	<u>8,902,567</u>	<u>9,307,030</u>	-4.3458%
Total Liabilities	<u>9,354,445</u>	<u>9,736,828</u>	-3.9272%
Net Assets:			
Invested in Capital Assets net of related debt	15,948,862	16,100,975	-0.9447%
Restricted	1,089,829	853,335	27.7141%
Unrestricted	<u>3,047,890</u>	<u>3,050,531</u>	-0.0866%
Total Net Assets	<u>\$ 20,086,581</u>	<u>\$ 20,004,841</u>	<u>0.4086%</u>

OVERALL ANALYSIS

Financial highlights for the City as a whole during the fiscal year ended September 30, 2012 show the assets of the City exceeded its liabilities (net assets) at the close to the fiscal year by \$20,086,581 (for governmental activities \$12,847,000, for the business-type activities \$7,239,581). Additionally, the City's total net assets increased during the year by \$ 81,740. Net assets of the governmental activities decreased by \$ 10,485, while net assets of business-type activities increased by \$ 92,225.

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, 2012**

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Infrastructure	\$ 4,921,098			\$ 4,921,098
Buildings and Improvements	29,655,347	371,951		30,027,298
Vehicles and Equipment	7,531,537	96,483		7,628,020
Construction in Progress				0
Totals	<u>42,107,982</u>	<u>468,434</u>	<u>0</u>	<u>42,576,416</u>
Accumulated Depreciation	<u>(16,705,008)</u>	<u>(1,005,546)</u>		<u>(17,710,554)</u>
Net Book Value	<u>\$ 25,402,974</u>			<u>\$ 24,865,862</u>

CAPITAL ASSET AND LONG-TERM, ACTIVITY

Capital Asset Activity

At September 30, 2012, the City reported \$10,932,060 in capital assets for governmental activities and \$13,933,802 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 \$3,305,681. The fund balance increased \$ 283,372 during the fiscal year. The increase is the result of \$9,158,317 of revenues reduced by \$ 8,874,945 of expenditures. The increase in fund balance follows a fund balance increase of \$371,312 in FY2010-11, and results from a continuation of fiscal policies designed to limit spending and preserve and 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, 2012**

	<u>Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total Balance</u>
General Fund	\$		\$ 2,668,830	\$ 2,668,830
City Sales Tax Fund		206,752		206,752
GO Bond Debt Fund		1,575		1,575
Capital Improvement Fund		221,087		221,087
In-Lieu Housing Fund		77,296		77,296
Wagon Days Fund		10,152		10,152
Police Trust Fund		108,581		108,581
Community Development Trust Fund		24,678		24,678
Park Trust Fund		3,247		3,247
Water	903,868	361,945	(219,705)	1,046,108
Wastewater	5,209,934	288,684	694,855	6,193,473

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 Assets
at September 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit Urban Renewal Agency</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 2,551,233	\$ 558,699	\$ 3,109,932	\$ 682,862
Accounts Receivable & Prepaid Expenses		25,989	25,989	
Taxes Receivable	100,408		100,408	10,231
Due From Other Governments	231,357	17,649	249,006	
Restricted Cash	439,200	650,629	1,089,829	549,440
Other Assets			0	234,322
Totals	<u>3,322,198</u>	<u>1,252,966</u>	<u>4,575,164</u>	<u>1,476,855</u>
Capital Assets:				
Land	4,347,889	15,380	4,363,269	4,494,746
Infrastructure	557,829		557,829	
Buildings and Improvements	6,914,205	23,127,878	30,042,083	2,141,099
Equipment and Vehicles	6,947,740	665,495	7,613,235	
Accumulated Depreciation	<u>(7,835,603)</u>	<u>(9,874,951)</u>	<u>(17,710,554)</u>	<u>(85,644)</u>
Total Capital Assets	<u>10,932,060</u>	<u>13,933,802</u>	<u>24,865,862</u>	<u>6,550,201</u>
Total Assets	<u>14,254,258</u>	<u>15,186,768</u>	<u>29,441,026</u>	<u>8,027,056</u>
<u>LIABILITIES</u>				
Accounts and Interest Payable	16,517	42,361	58,878	147,265
Due To Other Funds				
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	103,000	290,000	393,000	65,000
Portion due or payable after one year:				
Bonds Payable	994,000	7,530,000	8,524,000	6,325,000
Compensated Absences	<u>293,741</u>	<u>84,826</u>	<u>378,567</u>	
Total Liabilities	<u>1,407,258</u>	<u>7,947,187</u>	<u>9,354,445</u>	<u>6,537,265</u>
<u>NET ASSETS</u>				
Invested in Capital Assets - net of related debt	9,835,060	6,113,802	15,948,862	160,201
Restricted For:				
Debt Service		650,629	650,629	549,440
Other Purposes	439,200		439,200	780,150
Unrestricted	<u>2,572,740</u>	<u>475,150</u>	<u>3,047,890</u>	<u>0</u>
Total Net Assets	<u>\$ 12,847,000</u>	<u>\$ 7,239,581</u>	<u>\$ 20,086,581</u>	<u>\$ 1,489,791</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Activities
For the Year Ended September 30, 2012

Activities:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets			Component Unit - Urban Renewal Agency
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
Governmental:							
General Government	\$ 2,330,977	\$ 1,515,921	\$ 25,634	\$ (789,422)		\$ (789,422)	
Public Protection:							
Public Safety	3,195,854		34,500	(3,161,354)		(3,161,354)	
Streets	1,398,971			(1,398,971)		(1,398,971)	
Parks and Recreation	1,001,915	176,963	91,710	(733,242)		(733,242)	
Transportation	547,610			(547,610)		(547,610)	
Affordable Housing	200,000			(200,000)		(200,000)	
Interest - on long-term debt	49,902			(49,902)		(49,902)	
Unallocated Depreciation	443,573			(443,573)		(443,573)	
Total Governmental Activities	<u>9,168,802</u>	<u>1,692,884</u>	<u>151,844</u>	<u>(7,324,074)</u>		<u>(7,324,074)</u>	
Business Type:							
Water	1,256,878	1,551,021			\$ 294,143	294,143	
Wastewater	1,606,185	1,744,727			138,542	138,542	
Interest - on long-term debt	350,385				(350,385)	(350,385)	\$ (321,347)
Total Business-type Activities	<u>3,213,448</u>	<u>3,295,748</u>	<u>0</u>		<u>82,300</u>	<u>82,300</u>	
Total City of Ketchum, Idaho	<u>\$ 12,382,250</u>	<u>\$ 4,988,632</u>	<u>\$ 151,844</u>	<u>(7,324,074)</u>	<u>82,300</u>	<u>(7,241,774)</u>	
Component Units:							
Urban Renewal Agency	\$ <u>240,653</u>						<u>(240,653)</u>
Total							<u>(562,000)</u>
General Revenues:							
Property taxes				3,371,570		3,371,570	631,188
Local Option sales taxes				1,755,624		1,755,624	
Franchises, licenses, permits				833,256		833,256	
State of Idaho revenue sharing				827,394		827,394	
State of Idaho sales tax				69,787		69,787	
State of Idaho liquor receipts				275,488		275,488	
State highway user collections				101,048		101,048	
Penalty and interest on property taxes				17,127		17,127	3,749
County court fines				30,895		30,895	
Earnings on investments				11,201	9,925	21,126	1,328
Miscellaneous				20,199		20,199	48,598
Gain on Sale of Assets						0	
Total general revenues and transfers				<u>7,313,589</u>	<u>9,925</u>	<u>7,323,514</u>	<u>684,863</u>
Changes in net assets				(10,485)	92,225	81,740	122,863
Net Assets - Beginning				<u>12,857,485</u>	<u>7,147,356</u>	<u>20,004,841</u>	<u>1,366,928</u>
Net Assets - Ending				<u>\$ 12,847,000</u>	<u>\$ 7,239,581</u>	<u>\$ 20,086,581</u>	<u>\$ 1,489,791</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, 2012

	General Fund	City Sales Tax Fund	GO Bond Debt Fund	Capital Improvement Fund
ASSETS:				
Cash and Cash Deposits	\$ 2,337,065	\$ 206,752	\$ 1,575	\$ 221,087
Taxes Receivable	100,408			
Prepaid Expenses				
Due From Other Governments	231,357			
Total Assets	\$ 2,668,830	\$ 206,752	\$ 1,575	\$ 221,087
LIABILITIES:				
Accounts Payable	\$ 16,190	\$ 327	\$	\$
Funds Held in Trust				
Due To Other Funds				
Total Liabilities	16,190	327	0	0
FUND BALANCE:				
General Fund	2,652,640			
Special Revenue Funds		206,425		
Debt Service Funds			1,575	
Capital Project Funds				221,087
Total Fund Balance	2,652,640	206,425	1,575	221,087
Total Liabilities and Fund Balance	\$ 2,668,830	\$ 206,752	\$ 1,575	\$ 221,087

Amounts reported for governmental activities in the Statement of Net Assets (page 11) are different because:

Governmental fund capital assets are not financial resources and therefore are not reported in the funds.
The cost of assets is \$ 18,767,663 and the accumulated depreciation is \$ 7,835,603

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 & Fire Trust Fund</u>	<u>Community Development Trust Fund</u>	<u>Park Trust Fund</u>	<u>Total Governmental Funds</u>
\$ 77,296	\$ 10,152	\$ 108,581	\$ 24,678	\$ 3,247	\$ 2,990,433
					100,408
					0
					231,357
<u>\$ 77,296</u>	<u>\$ 10,152</u>	<u>\$ 108,581</u>	<u>\$ 24,678</u>	<u>\$ 3,247</u>	<u>\$ 3,322,198</u>
\$	\$	\$	\$	\$	\$ 16,517
					0
					0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,517</u>
77,296	10,152	108,581	24,678	3,247	2,652,640
					430,379
					1,575
					221,087
<u>77,296</u>	<u>10,152</u>	<u>108,581</u>	<u>24,678</u>	<u>3,247</u>	<u>\$ 3,305,681</u>
<u>\$ 77,296</u>	<u>\$ 10,152</u>	<u>\$ 108,581</u>	<u>\$ 24,678</u>	<u>\$ 3,247</u>	
.....					10,932,060
.....					(1,390,741)
.....					<u>\$ 12,847,000</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, 2012

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>GO Bond Debt Fund</u>	<u>Capital Improvement Fund</u>
REVENUE:				
Property taxes	\$ 3,371,570	\$	\$	\$
Local Option sales taxes		1,755,624		
Franchises, licenses, permits	583,021	32,470		217,765
State of Idaho shared revenue	827,394			
State of Idaho sales tax	69,787			
State of Idaho liquor receipts	275,488			
State highway user collections	101,048			
Penalty and interest on property taxes	17,127			
County court fines	30,895			
Fees, fines and charges for services	1,636,925			
Grants and contributions	8,250			
Earnings on investments	10,436	2	4	60
Miscellaneous	19,896			
Total Revenue	<u>6,951,837</u>	<u>1,788,096</u>	<u>4</u>	<u>217,825</u>
EXPENDITURES:				
General Government	1,435,517	755,563	500	
Public Safety	3,022,324	166,981		
Streets	1,398,971			
Capital outlay				
Parks and Recreation	926,202			
Transportation		547,610		
Affordable Housing				
Debt Service			149,902	
Total Expenditures	<u>6,783,014</u>	<u>1,470,154</u>	<u>150,402</u>	<u>0</u>
EXCESS REVENUE (EXPENDITURES)	168,823	317,942	(150,398)	217,825
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	188,032		150,000	
Operating transfers (to) other funds	<u>(150,000)</u>	<u>(273,032)</u>		
NET CHANGE IN FUND BALANCES	206,855	44,910	(398)	217,825
FUND BALANCE - BEGINNING	<u>2,445,785</u>	<u>161,515</u>	<u>1,973</u>	<u>3,262</u>
FUND BALANCE - ENDING	<u>\$ 2,652,640</u>	<u>\$ 206,425</u>	<u>\$ 1,575</u>	<u>\$ 221,087</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>
\$	\$	\$	\$	\$	\$
					3,371,570
					1,755,624
					833,256
					827,394
					69,787
					275,488
					101,048
					17,127
					30,895
	9,240		46,719		1,692,884
	17,384	34,500		91,710	151,844
403	44	233	12	7	11,201
		303			20,199
<u>403</u>	<u>26,668</u>	<u>35,036</u>	<u>46,731</u>	<u>91,717</u>	<u>9,158,317</u>
	109,371		39,035		2,339,986
		34,499			3,223,804
					1,398,971
					0
				88,470	1,014,672
200,000					547,610
					200,000
					149,902
<u>200,000</u>	<u>109,371</u>	<u>34,499</u>	<u>39,035</u>	<u>88,470</u>	<u>8,874,945</u>
(199,597)	(82,703)	537	7,696	3,247	283,372
	85,000				423,032
					(423,032)
<u>(199,597)</u>	<u>2,297</u>	<u>537</u>	<u>7,696</u>	<u>3,247</u>	<u>283,372</u>
<u>276,893</u>	<u>7,855</u>	<u>108,044</u>	<u>16,982</u>		<u>3,022,309</u>
\$ <u>77,296</u>	\$ <u>10,152</u>	\$ <u>108,581</u>	\$ <u>24,678</u>	\$ <u>3,247</u>	\$ <u>3,305,681</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, 2012

Net Change in Fund Balance - Total Governmental Funds (Page 16)	\$ 283,372
<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.	(443,573)
This is the amount of new Governmental Fund assets.	40,707
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	149,902
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the decrease in compensated leave during the year.	<u>(40,893)</u>
Change in Net Assets of Governmental Activities (Page 12)	<u>\$ (10,485)</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Net Assets
Proprietary Funds
at September 30, 2012

	Water	Wastewater	Totals
Assets:			
Current Assets:			
Cash and Deposits	\$ (185,291)	\$ 743,990	\$ 558,699
Accts receivable - customers	12,908	13,081	25,989
Accts receivable - other govts.		17,649	17,649
	(172,383)	774,720	602,337
Restricted Current Assets:			
Cash and Deposits	361,945	288,684	650,629
Total Current Assets	189,562	1,063,404	1,252,966
Capital Assets:			
Plant and equipment	11,461,963	12,346,790	23,808,753
Accumulated depreciation	(5,498,095)	(4,376,856)	(9,874,951)
Net Plant and equipment	5,963,868	7,969,934	13,933,802
Total Assets	6,153,430	9,033,338	15,186,768
Liabilities:			
Current Liabilities:			
Accounts and Interest Payable	19,062	23,299	42,361
Current portion long-term debt	125,000	165,000	290,000
Total current liabilities	144,062	188,299	332,361
Noncurrent Liabilities:			
Bonds Payable	4,935,000	2,595,000	7,530,000
Compensated Absences Payable	28,260	56,566	84,826
Total noncurrent liabilities	4,963,260	2,651,566	7,614,826
Total Liabilities	5,107,322	2,839,865	7,947,187
Net Assets:			
Investment in capital assets net of related debt	903,868	5,209,934	6,113,802
Restricted	361,945	288,684	650,629
Unrestricted	(219,705)	694,855	475,150
Total Net Assets	\$ 1,046,108	\$ 6,193,473	\$ 7,239,581

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Revenues, Expenditures, and Changes in Net Assets
Proprietary Funds
for the year ended September 30, 2012

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 1,512,043	\$ 1,726,988	\$ 3,239,031
Hookups and connections	34,997	14,823	49,820
Reimbursements and Misc.	<u>3,981</u>	<u>2,916</u>	<u>6,897</u>
Total Operating Revenue	<u>1,551,021</u>	<u>1,744,727</u>	<u>3,295,748</u>
Operating Expenses:			
Salaries and benefits	509,433	866,200	1,375,633
Administrative and supplies	437,532	487,925	925,457
Depreciation	<u>309,913</u>	<u>252,060</u>	<u>561,973</u>
Total Operating Expenses	<u>1,256,878</u>	<u>1,606,185</u>	<u>2,863,063</u>
Operating Income	<u>294,143</u>	<u>138,542</u>	<u>432,685</u>
Nonoperating Revenues (Expenses):			
Interest Income	4,227	5,698	9,925
Interest Expense	(232,940)	(117,445)	(350,385)
Gain (Loss) on asset disposal			0
Other			
Total Nonoperating	<u>(228,713)</u>	<u>(111,747)</u>	<u>(340,460)</u>
Income before transfers	<u>65,430</u>	<u>26,795</u>	<u>92,225</u>
Transfers in			
Transfers out			
Net Income	65,430	26,795	92,225
Total Net Assets - Beginning	<u>980,678</u>	<u>6,166,678</u>	<u>7,147,356</u>
Total Net Assets - Ending	<u>\$ 1,046,108</u>	<u>\$ 6,193,473</u>	<u>\$ 7,239,581</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, 2012

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,538,985	\$ 1,806,832	\$ 3,345,817
Payments to suppliers	(437,532)	(487,925)	(925,457)
Payments to employees	(509,433)	(866,200)	(1,375,633)
Payments from (to) other funds			
Other receipts	<u>3,981</u>	<u>2,919</u>	<u>6,900</u>
Net cash provided (used) by operations	<u>596,001</u>	<u>455,626</u>	<u>1,051,627</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase and construction of capital assets	(99,109)	(328,617)	(427,726)
Principal paid on capital debt	(125,000)	(160,000)	(285,000)
Interest paid on capital debt	<u>(232,940)</u>	<u>(117,445)</u>	<u>(350,385)</u>
Net cash provided (used) by capital and related financing activities	<u>(457,049)</u>	<u>(606,062)</u>	<u>(1,063,111)</u>
Cash Flows From Investing Activities:			
Interest Income	<u>4,227</u>	<u>5,698</u>	<u>9,925</u>
Net Increase (Decrease) in Cash and Deposits	143,179	(144,738)	(1,559)
Balances - Beginning of the year	<u>33,475</u>	<u>1,177,412</u>	<u>1,210,887</u>
Balances - Ending of the year	<u>\$ 176,654</u>	<u>\$ 1,032,674</u>	<u>\$ 1,209,328</u>
Displayed as:			
Pooled Cash and Investments	(185,291)	743,990	558,699
Restricted Assets	<u>361,945</u>	<u>288,684</u>	<u>650,629</u>
Balances - Ending of the year	<u>\$ 176,654</u>	<u>\$ 1,032,674</u>	<u>\$ 1,209,328</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	294,143	138,542	432,685
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	309,913	252,060	561,973
Changes in assets and liabilities:			
Receivables, net	(5,204)	65,421	60,217
Accounts and other payables	<u>(2,851)</u>	<u>(397)</u>	<u>(3,248)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 596,001</u>	<u>\$ 455,626</u>	<u>\$ 1,051,627</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2012

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, 2012

-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.

(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.

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.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2012

-Continued

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	2-15
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, 2012

-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 \$ 3,461,833

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		79,001
Other Banks and Investments		658,907
State of Idaho Investment Pool		<u>3,461,833</u>
Total		<u>\$ 4,199,761</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2012

-Continued

NOTE 3 – CAPITAL ASSETS

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

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 4,347,889	\$	\$	\$ 4,347,889
Construction in Progress				
Total	<u>4,347,889</u>	<u>0</u>	<u>0</u>	<u>4,347,889</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	6,914,205			6,914,205
Infrastructure	557,829			557,829
Vehicles and Equipment	6,907,033	40,707		6,947,740
Total	<u>14,379,067</u>	<u>40,707</u>	<u>0</u>	<u>14,419,774</u>
Less: Accumulated Depreciation:	<u>7,392,030</u>	<u>443,573</u>		<u>7,835,603</u>
Total Net Depreciated Assets	<u>6,987,037</u>	<u>(402,866)</u>	<u>0</u>	<u>6,584,171</u>
 Governmental capital assets, net	 <u>\$ 11,334,926</u>	 <u>\$ (402,866)</u>	 <u>\$ 0</u>	 <u>\$ 10,932,060</u>
 Business-type activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 15,380	\$	\$	\$ 15,380
Construction in Progress				0
Total	<u>15,380</u>	<u>0</u>	<u>0</u>	<u>15,380</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	22,741,142	371,951		23,113,093
Vehicles and Equipment	624,504	55,776		680,280
Total	<u>23,365,646</u>	<u>427,727</u>	<u>0</u>	<u>23,793,373</u>
Less: Accumulated Depreciation	<u>9,312,978</u>	<u>561,973</u>		<u>9,874,951</u>
Total Net Depreciated Assets	<u>14,052,668</u>	<u>(134,246)</u>	<u>0</u>	<u>13,918,422</u>
 Business-type capital assets, net	 <u>\$ 14,068,048</u>	 <u>\$ (134,246)</u>	 <u>\$ 0</u>	 <u>\$ 13,933,802</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2012

– 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>Water Refunding Bonds 2006B</u>		<u>Sewer Revenue Bonds 2004</u>	
<u>FY</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2013	\$ 106,665	\$ 110,000	\$ 53,547	\$ 90,000
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
2017-2027	<u>545,482</u>	<u>1,865,000</u>	<u>204,355</u>	<u>1,070,000</u>
Total	<u>\$ 937,392</u>	<u>\$ 2,350,000</u>	<u>\$399,253</u>	<u>\$1,445,000</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2012

Bonds Payable – Continued

<u>FY</u>	<u>Sewer Revenue Bonds 2006A</u>		<u>Water Revenue Bonds 2006A</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2013	\$ 59,095	\$ 75,000	\$ 122,077	\$ 20,000
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
2017-2035	<u>232,225</u>	<u>990,000</u>	<u>1,753,443</u>	<u>2,640,000</u>
Total	\$ <u>445,105</u>	\$ <u>1,315,000</u>	\$ <u>2,236,503</u>	\$ <u>2,710,000</u>

General Obligation Bonds Series June 5, 2007

<u>FY</u>	<u>Interest</u>	<u>Principal</u>
2013	\$ 46,012	\$ 103,000
2014	41,954	108,000
2015	37,644	112,000
2016	33,131	116,000
2017-2021	<u>88,475</u>	<u>658,000</u>
Total	\$ <u>247,216</u>	\$ <u>1,097,000</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	\$ 17,613
Miscellaneous	<u>2,586</u>
Total	\$ <u>20,199</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2012

-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	\$ 108,581	
Planning & Zoning Trust Cash	28,566	
Parks Trust Cash	4,458	
In-Lieu Housing Cash	77,297	
Capital Improvement Cash	220,298	
Water Revenue Bond Debt Service		\$ 361,945
Wastewater Bonds Debt Service	<u> </u>	<u>288,684</u>
Totals	<u>\$ 439,200</u>	<u>\$ 650,629</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, 2012

-Continued

NOTE 10 - PENSION PLAN

Public Employee Retirement System of Idaho - The Public Employee Retirement System of Idaho (PERSI), 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. 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. Financial reports for the plan are available from PERSI upon request.

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.

For the current year, the required contribution rate for general employees was 6.23% and 7.65% of covered payroll for the City of Ketchum, Idaho and its employees, respectively, and 10.39% and 10.73% for police/firefighter employees, for the City of Ketchum, Idaho and its employees, respectively. The City of Ketchum, Idaho contributions required and paid were \$ 444,709, \$ 442,134, and \$ 520,197 for the three years ended September 30, 2012, 2011, and 2010 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, 2012

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$ 3,371,570	\$ 3,363,954	\$ 7,616
Franchises, licenses, permits	583,021	786,685	(203,664)
State of Idaho shared revenue	827,394	790,000	37,394
State of Idaho sales tax	69,787	68,000	1,787
State of Idaho liquor receipts	275,488	250,000	25,488
State highway user collections	101,048	112,000	(10,952)
Penalty and interest on property taxes	17,127	15,000	2,127
County court fines	30,895	32,000	(1,105)
Fees, fines and charges for services	1,636,925	1,447,220	189,705
Grants and contributions	8,250	1,000	7,250
Earnings on investments	10,436	6,600	3,836
Miscellaneous	19,896	22,000	(2,104)
Total Revenue	<u>6,951,837</u>	<u>6,894,459</u>	<u>57,378</u>
EXPENDITURES:			
General Government	1,435,517	1,652,444	216,927
Public Safety	3,022,324	3,100,577	78,253
Streets	1,398,971	1,846,591	447,620
Capital outlay			
Parks and Recreation	926,202	935,347	9,145
Transportation			
Affordable Housing			
Debt Service			
Total Expenditures	<u>6,783,014</u>	<u>7,534,959</u>	<u>751,945</u>
EXCESS REVENUE (EXPENDITURES)	168,823	(640,500)	809,323
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	188,032	188,032	0
Operating transfers (to) other funds	(150,000)	(150,000)	0
NET CHANGE IN FUND BALANCES	206,855	(602,468)	809,323
FUND BALANCE - BEGINNING	<u>2,445,785</u>	<u>2,445,785</u>	
FUND BALANCE - ENDING	<u>\$ 2,652,640</u>	<u>\$ 1,843,317</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, 2012

	<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	1,755,624	2,028,779	(273,155)
Franchises, licenses, permits	32,470	27,000	5,470
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	2	50	(48)
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>1,788,096</u>	<u>2,055,829</u>	<u>(267,733)</u>
EXPENDITURES:			
General Government	755,563	650,122	(105,441)
Public Safety	166,981	168,915	1,934
Streets			
Capital outlay			
Parks and Recreation			
Transportation	547,610	507,610	(40,000)
Affordable Housing			
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>1,470,154</u>	<u>1,326,647</u>	<u>(143,507)</u>
 EXCESS REVENUE (EXPENDITURES)	 317,942	 729,182	 (411,240)
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			0
Operating transfers (to) other funds	<u>(273,032)</u>	<u>(273,032)</u>	<u>0</u>
 NET CHANGE IN FUND BALANCES	 44,910	 456,150	 (411,240)
 FUND BALANCE - BEGINNING	 <u>161,515</u>	 <u>161,515</u>	
 FUND BALANCE - ENDING	 <u>\$ 206,425</u>	 <u>\$ 617,665</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, 2012

	<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	4	0	4
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	4	0	4
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
General Government	500	500	0
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service	149,902	149,902	0
	<hr/>	<hr/>	<hr/>
Total Expenditures	150,402	150,402	0
	<hr/>	<hr/>	<hr/>
EXCESS REVENUE (EXPENDITURES)	(150,398)	(150,402)	4
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	150,000	150,000	0
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(398)	(402)	4
FUND BALANCE - BEGINNING	1,973	1,973	
	<hr/>	<hr/>	
FUND BALANCE - ENDING	\$ 1,575	\$ 1,571	
	<hr/> <hr/>	<hr/> <hr/>	

CITY OF KETCHUM, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Capital Improvement Fund
for the year ended September 30, 2012

	<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	217,765	200,000	17,765
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	60	50	10
Miscellaneous			
	<u> </u>	<u> </u>	<u> </u>
Total Revenue	<u>217,825</u>	<u>200,050</u>	<u>17,775</u>
EXPENDITURES:			
General Government	0	20,000	20,000
Public Safety			
Streets			
Capital outlay	0	10,000	10,000
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures	<u>0</u>	<u>30,000</u>	<u>30,000</u>
EXCESS REVENUE (EXPENDITURES)	217,825	170,050	47,775
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			0
Operating transfers (to) other funds			
	<u> </u>	<u> </u>	<u> </u>
NET CHANGE IN FUND BALANCES	217,825	170,050	47,775
FUND BALANCE - BEGINNING	<u>3,262</u>	<u>3,262</u>	
FUND BALANCE - ENDING	<u>\$ 221,087</u>	<u>\$ 173,312</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, 2012

	<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	403	150	253
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	403	150	253
	<hr/>	<hr/>	<hr/>
EXPENDITURES:			
General Government			0
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing	200,000	200,000	0
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	200,000	200,000	0
	<hr/>	<hr/>	<hr/>
EXCESS REVENUE (EXPENDITURES)	(199,597)	(199,850)	253
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	(199,597)	(199,850)	253
FUND BALANCE - BEGINNING	276,893	276,893	
	<hr/>	<hr/>	
FUND BALANCE - ENDING	\$ 77,296	\$ 77,043	
	<hr/> <hr/>	<hr/> <hr/>	

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, 2012

	<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	9,240	10,700	(1,460)
Grants and contributions	17,384	13,000	4,384
Earnings on investments	44	0	44
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	26,668	23,700	2,968
EXPENDITURES:			
General Government	109,371	109,500	129
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	109,371	109,500	129
EXCESS REVENUE (EXPENDITURES)	(82,703)	(85,800)	3,097
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	85,000	85,000	0
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	2,297	(800)	3,097
FUND BALANCE - BEGINNING	7,855	7,855	
	<hr/>	<hr/>	
FUND BALANCE - ENDING	\$ 10,152	\$ 7,055	
	<hr/> <hr/>	<hr/> <hr/>	

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, 2012

	<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	34,500	315,000	(280,500)
Earnings on investments	233	150	83
Miscellaneous	303	40,000	(39,697)
	<u>35,036</u>	<u>355,150</u>	<u>(320,114)</u>
Total Revenue			
EXPENDITURES:			
General Government			
Public Safety	34,499	365,000	330,501
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>34,499</u>	<u>365,000</u>	<u>330,501</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	537	(9,850)	10,387
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
NET CHANGE IN FUND BALANCES	537	(9,850)	10,387
FUND BALANCE - BEGINNING	<u>108,044</u>	<u>108,044</u>	
FUND BALANCE - ENDING	<u>\$ 108,581</u>	<u>\$ 98,194</u>	

CITY OF KETCHUM, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Planning and Zoning Trust Fund
for the year ended September 30, 2012

	<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	46,719	100,000	(53,281)
Grants and contributions			
Earnings on investments	12	0	12
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>46,731</u>	<u>100,000</u>	<u>(53,269)</u>
EXPENDITURES:			
General Government	39,035	100,000	60,965
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>39,035</u>	<u>100,000</u>	<u>60,965</u>
EXCESS REVENUE (EXPENDITURES)	7,696	0	7,696
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	7,696	0	7,696
FUND BALANCE - BEGINNING	<u>16,982</u>	<u>16,982</u>	
FUND BALANCE - ENDING	<u>\$ 24,678</u>	<u>\$ 16,982</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, 2012

	<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	91,710	100,000	(8,290)
Earnings on investments	7		7
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>91,717</u>	<u>100,000</u>	<u>(8,283)</u>
EXPENDITURES:			
General Government			
Public Safety			
Streets			
Capital outlay			
Parks and Recreation	88,470	100,000	11,530
Transportation			
Affordable Housing			
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>88,470</u>	<u>100,000</u>	<u>11,530</u>
EXCESS REVENUE (EXPENDITURES)	3,247	0	3,247
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	3,247	0	3,247
FUND BALANCE - BEGINNING	<u>0</u>	<u>0</u>	
FUND BALANCE - ENDING	<u>\$ 3,247</u>	<u>\$ 0</u>	

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2012

	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%				
	3.94%	2013	\$ 103,000	\$ 46,012
	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	143,000	6,335
			\$ 1,097,000	\$ 247,216

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2012

	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%	2013	\$ 110,000	\$ 106,665
	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
			\$ 2,350,000	\$ 937,392

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2012

	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%	2013	\$ 90,000	\$ 53,547
	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
			\$ 1,445,000	\$ 399,253

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2012

	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%	2013	\$ 75,000	\$ 59,095
	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
			\$ 1,315,000	\$ 445,105

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2012

	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%	2013	\$ 20,000	\$ 122,077
	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
			\$ 2,710,000	\$ 2,236,503

The accompanying notes are a part of these financial statements.



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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 9, 2012

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

I have audited the financial statements of the governmental activities, and business-type activities, and the discretely presented component unit of the City of Ketchum, Idaho, as of and for the year ended September 30, 2012, which collectively comprise the City of Ketchum, Idaho's basic financial statements and have issued my report thereon dated November 9, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the City of Ketchum, Idaho's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ketchum, Idaho'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*.

This report is intended solely for the information and use of management, City Council, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Dennis R. Brown". The signature is written in a cursive, flowing style.

DENNIS R. BROWN
Certified Public Accountant