

**CITY OF KETCHUM, IDAHO**

**Financial Statements**

**Year Ended September 30, 2014**

**CITY OF KETCHUM, IDAHO**  
**Financial Statements**  
**For the year ended September 30, 2014**

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Independent Auditor's Report

November 11, 2014

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, 2014, 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, 2014, 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 (MD&A) 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.

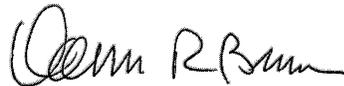
***Other Information***

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 11, 2014, 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  
Twin Falls, Idaho



## CITY OF KETCHUM, IDAHO

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### Management's Discussion and Analysis

November 11, 2014

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 \$ 21,254,558. Of that amount, \$ 3,515,717 (unrestricted net position) may be used to meet future obligations and programs.
- The Local Option Tax (LOT) receipts increased \$113,239 from the previous year. This Special Revenue Fund received an amount of, \$ 1,887,617.
- Governmental Fund Revenues were \$ 10,222,180 and expenditures were \$ 10,020,891.

#### 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	<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 position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses, and changes in net position * 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 Position

The largest component (\$ 16,977,565) 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 \$ 761,276. 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, 2014, derived from the government-wide Statement of Net Position.

<b>Table 2: Condensed Statement of Net Position</b>				
<b>As of September 30, 2014</b>				
	<u>Governmental</u> Activities	<u>Business-</u> type Activities	<u>Total</u> Primary Government	<u>Component</u> Unit - Urban Renewal Agency
Current and other assets	\$ 3,156,145	\$ 1,358,616	\$ 4,514,761	\$ 1,616,699
Capital assets	<u>11,695,330</u>	<u>13,388,235</u>	<u>25,083,565</u>	<u>6,458,913</u>
Total Assets	<u>14,851,475</u>	<u>14,746,851</u>	<u>29,598,326</u>	<u>8,075,612</u>
Current Liabilities	112,297	358,871	471,168	240,678
Long-term liabilities	<u>928,955</u>	<u>733,645</u>	<u>1,662,600</u>	<u>6,150,000</u>
Total Liabilities	<u>1,041,252</u>	<u>1,092,516</u>	<u>2,133,768</u>	<u>6,390,678</u>
Net assets:			0	
Invested in capital assets			0	
net of related debt	10,809,330	6,168,235	16,977,565	213,913
Restricted	102,091	659,185	761,276	1,471,021
Unrestricted	<u>2,898,802</u>	<u>616,915</u>	<u>3,515,717</u>	
Total Net Position	<u>\$ 13,810,223</u>	<u>\$ 7,444,335</u>	<u>\$ 21,254,558</u>	<u>\$ 1,684,934</u>

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the fiscal year ended September 30, 2014 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 \$ 576,012 or 4.17% percent, the net position of the business-type activities increased by \$ 197,674 or 2.655%, and the net position of the City's Component Unit (Urban Renewal Agency) increased by \$ 173,336 or 10.287%.

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

Continued...

**Table 3: Condensed Statement of Activities**  
**As of September 30, 2014**

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit Urban Renewal Agency
<b>Revenue:</b>				
Program revenues				
Charges for services	\$ 1,756,056	\$ 3,700,328	\$ 5,456,384	\$
Capital grants /contributions	380,222		380,222	
Total program revenues	<u>2,136,278</u>	<u>3,700,328</u>	<u>5,836,606</u>	<u>0</u>
General revenues				
Taxes	5,492,232		5,492,232	756,661
Franchise, licenses, permits	1,242,679		1,242,679	
State shared revenues	1,280,141		1,280,141	
Interest	9,097	8,764	17,861	763
Other revenues	61,753		61,753	81,241
Total general revenues	<u>8,085,902</u>	<u>8,764</u>	<u>8,094,666</u>	<u>838,665</u>
Total revenues	<u>10,222,180</u>	<u>3,709,092</u>	<u>13,931,272</u>	<u>838,665</u>
<b>Program expenses:</b>				
General government	2,723,523		2,723,523	
Public safety	3,668,477		3,668,477	
Streets	1,319,436		1,319,436	
Parks and recreation	1,126,856		1,126,856	
Transportation	550,000		550,000	
Affordable Housing	7,000		7,000	347,577
Unallocated Depreciaton	209,223		209,223	
Wastewater		1,858,967	1,858,967	
Water		1,326,418	1,326,418	
Interest, long-term debt	41,653	326,033	367,686	317,752
Total program expenses	<u>9,646,168</u>	<u>3,511,418</u>	<u>13,157,586</u>	<u>665,329</u>
<b>Change in net position</b>	<u>576,012</u>	<u>197,674</u>	<u>773,686</u>	<u>173,336</u>
Beginning net position	<u>13,234,211</u>	<u>7,246,661</u>	<u>20,480,872</u>	<u>1,511,598</u>
Ending net position	<u>\$ 13,810,223</u>	<u>\$ 7,444,335</u>	<u>\$ 21,254,558</u>	<u>\$ 1,684,934</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, 2014</b>			
	Program Expenses	Program Revenues	Net Expense (Revenues) (a)
General government	\$ 2,723,523	\$ 118,678	\$ (2,604,845)
Public safety	3,668,477	1,438,640	(2,229,837)
Streets	1,319,436		(1,319,436)
Parks and Recreation	1,126,856	198,738	(928,118)
Transportation	550,000		(550,000)
Affordable Housing	7,000		(7,000)
Interest on long-term debt	41,653		(41,653)
Unallocated depreciation	209,223		(209,223)
Totals	\$ 9,646,168	\$ 1,756,056	\$ (7,890,112)

(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.

<b>Table 5: Program Expenses and Revenues for Business-type Activities For the Fiscal Year Ended September 30, 2014</b>			
City Programs	Program Expenses	Program Revenues	Net Program Expenses (Revenues)
Wastewater	\$ 1,858,967	\$ 2,032,800	\$ 173,833
Water	1,326,418	1,667,528	341,110
Interest on long-term debt	326,033		(326,033)
Totals	\$ 3,511,418	\$ 3,700,328	\$ 188,910

**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 in expenditures are insignificant.

**Table 6: Analysis of Significant Budget Variances  
for Government Activities  
For the Fiscal Year Ended September 30, 2014**

	Original and Final Budget	Actual	Variances
<b>Revenues:</b>			
Taxes (including penalties/interest)	\$ 5,813,976	\$ 5,508,812	\$ (305,164)
Franchises, licenses, permits	882,260	1,242,679	360,419
State of Idaho	1,342,120	1,280,141	(61,979)
Fees, Charges for Services	1,770,341	1,756,056	(14,285)
Other	490,351	434,492	(55,859)
Totals	<u>10,299,048</u>	<u>10,222,180</u>	<u>(76,868)</u>
<b>Expenditures:</b>			
General Government	3,201,085	2,888,446	312,639
Public Safety	3,721,524	3,668,477	53,047
Streets	1,533,754	1,410,182	123,572
Capital Outlay	150,000	148,355	1,645
Parks and Recreation	1,290,211	1,198,477	91,734
Transportation	550,000	550,000	0
Affordable Housing	7,000	7,000	0
Debt Service	149,954	149,954	0
Totals	<u>10,603,528</u>	<u>10,020,891</u>	<u>582,637</u>
Excess (Deficiency)	<u>\$ (304,480)</u>	<u>\$ 201,289</u>	<u>\$ 505,769</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, 2014 and 2013**

	<u>2014</u>	<u>2013</u>	Percentage Change
Current Assets	\$ 4,514,761	\$ 3,957,236	14.0887%
Capital Assets	<u>25,083,565</u>	<u>25,481,379</u>	-1.5612%
Total Assets	<u>29,598,326</u>	<u>29,438,615</u>	0.5425%
Current Liabilities	471,168	453,783	3.8311%
Long Term Liabilities	<u>1,662,600</u>	<u>8,503,960</u>	-80.4491%
Total Liabilities	<u>2,133,768</u>	<u>8,957,743</u>	-76.1796%
Net Position:			
Invested in Capital Assets net of related debt	16,977,565	16,962,379	0.0895%
Restricted	761,276	871,156	-12.6131%
Unrestricted	<u>3,515,717</u>	<u>2,647,337</u>	32.8020%
Total Net Position	<u>\$ 21,254,558</u>	<u>\$ 20,480,872</u>	<u>3.7776%</u>

OVERALL ANALYSIS

Financial highlights for the City as a whole during the fiscal year ended September 30, 2014 show the assets of the City exceeded its liabilities (net position) at the close to the fiscal year by \$21,254,558 (for governmental activities \$13,810,223, for the business-type activities \$7,444,335). Additionally, the City's total net position increased during the year by \$ 773,686. The net position of the governmental activities increased by \$ 576,012, while the net position of the business-type activities increased by \$ 197,674.

**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, 2014**

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Infrastructure	\$ 5,382,573			\$ 5,382,573
Buildings and Improvements	30,555,339	196,966		30,752,305
Vehicles and Equipment	7,874,123	131,746		8,005,869
Construction in Progress	268,050	71,621		339,671
<b>Totals</b>	<u>44,080,085</u>	<u>400,333</u>	<u>0</u>	<u>44,480,418</u>
Accumulated Depreciation	<u>(18,598,706)</u>	<u>(798,147)</u>		<u>(19,396,853)</u>
Net Book Value	\$ <u>25,481,379</u>			\$ <u>25,083,565</u>

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

Capital Asset Activity

At September 30, 2014, the City reported \$11,695,330 in capital assets for governmental activities and \$13,388,235 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 \$2,984,659. The fund balance increased \$ 201,289 during the fiscal year. The increase is the result of \$10,222,180 of revenues reduced by \$ 10,020,891 of expenditures. The increase in fund balance follows a fund balance decrease of \$522,314 in FY2013, and results from budgeted expenditures for general government activities not being expended in the current period. 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, 2014**

	<u>Investment in Capital Assets</u>	<u>Restricted or Assigned</u>	<u>Unassigned</u>	<u>Total Balance</u>
General Fund	\$		\$ 2,414,713	\$ 2,414,713
City Sales Tax Fund		217,426		217,426
GO Bond Debt Fund		1,126		1,126
Capital Improvement Fund		114,248		114,248
In-Lieu Housing Fund		12,947		12,947
Wagon Days Fund		36,322		36,322
Police Trust Fund		102,091		102,091
Community Development Trust Fund				0
Park Trust Fund		85,782		85,782
Water	646,990	369,663	158,775	1,175,428
Wastewater	5,521,245	289,522	458,140	6,268,907

**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,

Suzanne Frick  
CITY ADMINISTRATOR

**CITY OF KETCHUM, IDAHO**  
**Statement of Net Position**  
**at September 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit Urban Renewal Agency</u>
<b><u>ASSETS</u></b>				
Cash and Deposits	\$ 2,507,529	\$ 637,184	\$ 3,144,713	\$ 843,913
Accounts Receivable & Prepaid Expenses		35,239	35,239	
Taxes Receivable	201,581		201,581	9,122
Due From Other Governments	344,944	27,008	371,952	
Restricted Cash	102,091	659,185	761,276	549,717
Other Assets			0	213,947
Totals	<u>3,156,145</u>	<u>1,358,616</u>	<u>4,514,761</u>	<u>1,616,699</u>
Capital Assets:				
Land	4,347,889	15,380	4,363,269	4,494,746
Construction in Progress	303,628	36,043	339,671	
Infrastructure	1,019,304		1,019,304	
Buildings and Improvements	6,984,133	23,642,172	30,626,305	2,141,099
Equipment and Vehicles	7,269,200	731,669	8,000,869	
Accumulated Deprecation	<u>(8,228,824)</u>	<u>(11,037,029)</u>	<u>(19,265,853)</u>	<u>(176,932)</u>
Total Capital Assets	<u>11,695,330</u>	<u>13,388,235</u>	<u>25,083,565</u>	<u>6,458,913</u>
<b>Total Assets</b>	<u>14,851,475</u>	<u>14,746,851</u>	<u>29,598,326</u>	<u>8,075,612</u>
<b><u>LIABILITIES</u></b>				
Accounts and Interest Payable	297	38,871	39,168	145,678
Due To Other Funds				
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	112,000	320,000	432,000	95,000
Portion due or payable after one year:				
Bonds Payable	774,000	6,900,000	7,674,000	6,150,000
Compensated Absences	<u>154,955</u>	<u>43,645</u>	<u>198,600</u>	
<b>Total Liabilities</b>	<u>1,041,252</u>	<u>7,302,516</u>	<u>8,343,768</u>	<u>6,390,678</u>
<b><u>NET POSITION</u></b>				
Invested in Capital Assets - net of related debt	10,809,330	6,168,235	16,977,565	213,913
Restricted For:				
Debt Service		659,185	659,185	549,717
Other Purposes	102,091		102,091	921,304
Unrestricted	<u>2,898,802</u>	<u>616,915</u>	<u>3,515,717</u>	<u>0</u>
<b>Total Net Position</b>	<u>\$ 13,810,223</u>	<u>\$ 7,444,335</u>	<u>\$ 21,254,558</u>	<u>\$ 1,684,934</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, 2014**

	<b>General Fund</b>	<b>City Sales Tax Fund</b>	<b>GO Bond Debt Fund</b>	<b>Underground Improvement Fund</b>
<b>ASSETS:</b>				
Cash and Cash Deposits	\$ 2,047,814	\$ 69,819	\$ 1,126	\$ 114,248
Taxes Receivable	53,971	147,610		
Due From Other Governments	313,225			
	<u>2,415,010</u>	<u>217,429</u>	<u>1,126</u>	<u>114,248</u>
Total Assets	<u>\$ 2,415,010</u>	<u>\$ 217,429</u>	<u>\$ 1,126</u>	<u>\$ 114,248</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$ 297	\$	\$	\$
Funds Held in Trust				
Due To Other Funds				
	<u>297</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>297</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE:</b>				
Non-spendable				
Restricted				
Committed				
Assigned		217,429	1,126	114,248
Unassigned	2,414,713			
	<u>2,414,713</u>	<u>217,429</u>	<u>1,126</u>	<u>114,248</u>
Total Fund Balance	<u>2,414,713</u>	<u>217,429</u>	<u>1,126</u>	<u>114,248</u>
Total Liabilities and Fund Balance	<u>\$ 2,415,010</u>	<u>\$ 217,429</u>	<u>\$ 1,126</u>	<u>\$ 114,248</u>

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 \$ 19,924,154 and the accumulated depreciation is \$ 8,228,824 .....

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>
\$ 12,947	\$ 36,322	\$ 70,372	\$ 171,190	\$ 85,782	\$ 2,609,620
		31,719			201,581
					344,944
<u>\$ 12,947</u>	<u>\$ 36,322</u>	<u>\$ 102,091</u>	<u>\$ 171,190</u>	<u>\$ 85,782</u>	<u>\$ 3,156,145</u>
\$	\$	\$	\$	\$	\$
			171,191		297
					171,191
					0
<u>0</u>	<u>0</u>	<u>0</u>	<u>171,191</u>	<u>0</u>	<u>171,488</u>
		102,091			0
12,947	36,322			85,782	102,091
					0
					467,854
					2,414,713
<u>12,947</u>	<u>36,322</u>	<u>102,091</u>	<u>0</u>	<u>85,782</u>	<u>\$ 2,984,658</u>
<u>\$ 12,947</u>	<u>\$ 36,322</u>	<u>\$ 102,091</u>	<u>\$ 171,191</u>	<u>\$ 85,782</u>	
.....					11,695,330
.....					(869,765)
.....					<u>\$ 13,810,223</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, 2014**

	<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	\$ 3,604,615	\$	\$	\$
Local Option sales taxes		1,887,617		
Franchises, licenses, permits	947,098	29,850		265,731
State of Idaho shared revenue	831,579			
State of Idaho sales tax	78,333			
State of Idaho liquor receipts	281,542			
State highway user collections	88,687			
Penalty and interest on property taxes	16,580			
County court fines	27,009			
Fees and charges for services	1,643,023			
Grants and contributions	236,004			
Earnings on investments	8,679	18	2	132
Miscellaneous	17,836	328		
	<u>7,780,985</u>	<u>1,917,813</u>	<u>2</u>	<u>265,863</u>
Total Revenue				
<b>EXPENDITURES:</b>				
General Government	1,835,938	802,781	500	
Public Safety	3,419,543	243,934		
Streets	1,410,182			
Capital outlay				148,355
Parks and Recreation	1,099,863			
Transportation		550,000		
Affordable Housing				
Debt Service			149,954	
	<u>7,765,526</u>	<u>1,596,715</u>	<u>150,454</u>	<u>148,355</u>
Total Expenditures				
<b>EXCESS REVENUE (EXPENDITURES)</b>	15,459	321,098	(150,452)	117,508
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds	362,287	160,499	150,000	
Operating transfers (to) other funds	<u>(364,754)</u>	<u>(393,032)</u>		
<b>NET CHANGE IN FUND BALANCES</b>	12,992	88,565	(452)	117,508
<b>FUND BALANCE - BEGINNING</b>	<u>2,401,721</u>	<u>128,865</u>	<u>1,578</u>	<u>(3,260)</u>
<b>FUND BALANCE - ENDING</b>	\$ <u><u>2,414,713</u></u>	\$ <u><u>217,430</u></u>	\$ <u><u>1,126</u></u>	\$ <u><u>114,248</u></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>
\$	\$	\$	\$	\$	\$
					3,604,615
					1,887,617
					1,242,679
					831,579
					78,333
					281,542
					88,687
					16,580
					27,009
12,571	12,621		87,841		1,756,056
12	23,184			121,034	380,222
	42	118	4	90	9,097
<u>12,583</u>	<u>35,847</u>	<u>118</u>	<u>87,845</u>	<u>121,124</u>	<u>10,222,180</u>
	109,465		139,762		2,888,446
		5,000			3,668,477
					1,410,182
					148,355
				98,614	1,198,477
7,000					550,000
					7,000
<u>7,000</u>	<u>109,465</u>	<u>5,000</u>	<u>139,762</u>	<u>98,614</u>	<u>10,020,891</u>
5,583	(73,618)	(4,882)	(51,917)	22,510	201,289
	85,000				757,786
					(757,786)
5,583	11,382	(4,882)	(51,917)	22,510	201,289
7,364	24,940	106,973	51,917	63,272	2,783,370
<u>\$ 12,947</u>	<u>\$ 36,322</u>	<u>\$ 102,091</u>	<u>\$ 0</u>	<u>\$ 85,782</u>	<u>\$ 2,984,659</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, 2014**

Net Change in Fund Balance - Total Governmental Funds (Page 17)	\$ 201,289
<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.	(209,223)
This is the amount of new Governmental Fund assets.	351,168
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	108,000
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the decrease in compensated leave during the year.	<u>124,778</u>
Change in Net Assets of Governmental Activities (Page 13)	<u>\$ 576,012</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Statement of Net Position**  
**Proprietary Funds**  
**at September 30, 2014**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Assets:</b>			
Current Assets:			
Cash and Deposits	\$ 173,995	\$ 463,189	\$ 637,184
Accts receivable - customers	15,632	19,607	35,239
Accts receivable - other govts.		27,008	27,008
	<u>189,627</u>	<u>509,804</u>	<u>699,431</u>
<b>Restricted Current Assets:</b>			
Cash and Deposits	<u>369,663</u>	<u>289,522</u>	<u>659,185</u>
Total Current Assets	<u>559,290</u>	<u>799,326</u>	<u>1,358,616</u>
<b>Capital Assets:</b>			
Plant and equipment	11,562,034	12,863,231	24,425,265
Accumulated depreciation	<u>(6,120,044)</u>	<u>(4,916,986)</u>	<u>(11,037,030)</u>
Net Plant and equipment	<u>5,441,990</u>	<u>7,946,245</u>	<u>13,388,235</u>
<b>Total Assets</b>	<u>6,001,280</u>	<u>8,745,571</u>	<u>14,746,851</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts and Interest Payable	18,318	20,553	38,871
Current portion long-term debt	<u>140,000</u>	<u>180,000</u>	<u>320,000</u>
Total current liabilities	<u>158,318</u>	<u>200,553</u>	<u>358,871</u>
<b>Noncurrent Liabilities:</b>			
Bonds Payable	4,655,000	2,245,000	6,900,000
Compensated Absences Payable	<u>12,534</u>	<u>31,111</u>	<u>43,645</u>
Total noncurrent liabilities	<u>4,667,534</u>	<u>2,276,111</u>	<u>6,943,645</u>
<b>Total Liabilities</b>	<u>4,825,852</u>	<u>2,476,664</u>	<u>7,302,516</u>
<b>Net Position:</b>			
Investment in capital assets net of related debt	646,990	5,521,245	6,168,235
Restricted	369,663	289,522	659,185
Unrestricted	<u>158,775</u>	<u>458,140</u>	<u>616,915</u>
<b>Total Net Position</b>	<u>\$ 1,175,428</u>	<u>\$ 6,268,907</u>	<u>\$ 7,444,335</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, 2014**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,643,417	\$ 2,031,697	\$ 3,675,114
Hookups and connections	14,615		14,615
Reimbursements and Misc.	<u>9,496</u>	<u>1,103</u>	<u>10,599</u>
Total Operating Revenue	<u>1,667,528</u>	<u>2,032,800</u>	<u>3,700,328</u>
<b>Operating Expenses:</b>			
Salaries and benefits	561,065	964,098	1,525,163
Administrative and supplies	453,316	617,982	1,071,298
Depreciation	<u>312,037</u>	<u>276,887</u>	<u>588,924</u>
Total Operating Expenses	<u>1,326,418</u>	<u>1,858,967</u>	<u>3,185,385</u>
<b>Operating Income</b>	<u>341,110</u>	<u>173,833</u>	<u>514,943</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	4,356	4,408	8,764
Interest Expense	(221,675)	(104,358)	(326,033)
Gain (Loss) on asset disposal			0
Other			
Total Nonoperating	<u>(217,319)</u>	<u>(99,950)</u>	<u>(317,269)</u>
<b>Income before transfers</b>	<u>123,791</u>	<u>73,883</u>	<u>197,674</u>
Transfers in			
Transfers out			
<b>Net Income</b>	123,791	73,883	197,674
<b>Total Net Position - Beginning</b>	<u>1,051,637</u>	<u>6,195,024</u>	<u>7,246,661</u>
<b>Total Net Position - Ending</b>	<u>\$ 1,175,428</u>	<u>\$ 6,268,907</u>	<u>\$ 7,444,335</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, 2014**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 1,654,701	\$ 2,004,199	\$ 3,658,900
Payments to suppliers	(452,952)	(617,981)	(1,070,933)
Payments to employees	(583,078)	(999,055)	(1,582,133)
Payments from (to) other funds			
Other receipts	9,496	1,103	10,599
Net cash provided (used) by operations	<u>628,167</u>	<u>388,266</u>	<u>1,016,433</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase and construction of capital assets	(100,071)	(137,895)	(237,966)
Principal paid on capital debt	(135,000)	(170,000)	(305,000)
Interest paid on capital debt	<u>(222,241)</u>	<u>(105,742)</u>	<u>(327,983)</u>
Net cash provided (used) by capital and related financing activities	<u>(457,312)</u>	<u>(413,637)</u>	<u>(870,949)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest Income	<u>4,356</u>	<u>4,408</u>	<u>8,764</u>
<b>Net Increase (Decrease) in Cash and Deposits</b>	175,211	(20,963)	154,248
<b>Balances - Beginning of the year</b>	<u>368,447</u>	<u>773,674</u>	<u>1,142,121</u>
<b>Balances - Ending of the year</b>	<u>\$ 543,658</u>	<u>\$ 752,711</u>	<u>\$ 1,296,369</u>
Displayed as:			
Pooled Cash and Investments	173,995	463,189	637,184
Restricted Assets	<u>369,663</u>	<u>289,522</u>	<u>659,185</u>
<b>Balances - Ending of the year</b>	<u>\$ 543,658</u>	<u>\$ 752,711</u>	<u>\$ 1,296,369</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	341,110	173,833	514,943
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	312,037	276,887	588,924
Changes in assets and liabilities:			
Receivables, net	(3,331)	(27,498)	(30,829)
Accounts and other payables	<u>(21,649)</u>	<u>(34,956)</u>	<u>(56,605)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 628,167</u>	<u>\$ 388,266</u>	<u>\$ 1,016,433</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2014**

**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, 2014**

-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, 2014**

-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, 2014**

-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, 2014**

-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     \$ 4,266,042

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	(360,092)
State of Idaho Investment Pool	<u>4,266,042</u>
Total	<u>\$ 3,905,970</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2014**

-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>
<b>Governmental Activities:</b>							
<i>Capital Assets not being depreciated:</i>							
Land	\$ 4,347,889	\$		\$		\$	4,347,889
Construction in Progress	232,007		71,621				303,628
Total	<u>4,579,896</u>		<u>71,621</u>		<u>0</u>		<u>4,651,517</u>
<i>Capital Assets being depreciated:</i>							
Buildings & Improvements	7,110,133				126,000		6,984,133
Infrastructure	1,019,304						1,019,304
Vehicles and Equipment	7,183,454		90,746		5,000		7,269,200
Total	15,312,891		90,746		131,000		15,272,637
Less: Accumulated Depreciation:	8,150,601		209,223		131,000		8,228,824
Total Net Depreciated Assets	<u>7,162,290</u>		<u>(118,477)</u>		<u>0</u>		<u>7,043,813</u>
 Governmental capital assets, net	 \$ <u>11,742,186</u>	\$	 <u>(46,856)</u>	\$	 <u>0</u>	\$	 <u>11,695,330</u>
<b>Business-type activities:</b>							
<i>Capital Assets not being depreciated:</i>							
Land	\$ 15,380	\$		\$		\$	15,380
Construction in Progress	36,043						36,043
Total	<u>51,423</u>		<u>0</u>		<u>0</u>		<u>51,423</u>
<i>Capital Assets being depreciated:</i>							
Buildings & Improvements	23,445,206		196,966				23,642,172
Vehicles and Equipment	690,669		41,000				731,669
Total	24,135,875		237,966		0		24,373,841
Less: Accumulated Depreciation	10,448,105		588,924				11,037,029
Total Net Depreciated Assets	<u>13,687,770</u>		<u>(350,958)</u>		<u>0</u>		<u>13,336,812</u>
 Business-type capital assets, net	 \$ <u>13,739,193</u>	\$	 <u>(350,958)</u>	\$	 <u>0</u>	\$	 <u>13,388,235</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2014**

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**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>
2015	\$ 95,165	\$ 125,000	\$ 47,184	\$ 95,000
2016	88,165	130,000	43,770	100,000
2017	82,415	135,000	40,144	100,000
2018	77,015	145,000	36,353	105,000
2019	70,925	145,000	32,348	110,000
2020-2027	<u>315,877</u>	<u>1,440,000</u>	<u>95,510</u>	<u>755,000</u>
Total	<u>\$ 729,562</u>	<u>\$ 2,120,000</u>	<u>\$295,309</u>	<u>\$1,265,000</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2014**

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>
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	39,245	95,000	117,778	20,000
2019	35,255	100,000	116,937	25,000
2020-2035	<u>114,880</u>	<u>705,000</u>	<u>1,400,151</u>	<u>2,575,000</u>
Total	\$ <u>330,665</u>	\$ <u>1,160,000</u>	\$ <u>1,993,348</u>	\$ <u>2,675,000</u>

General Obligation Bonds Series June 5, 2007

<u>FY</u>	<u>Interest</u>	<u>Principal</u>
2015	\$ 37,644	\$ 112,000
2016	33,131	116,000
2017	28,397	121,000
2018	23,400	126,000
2019	18,007	131,000
2018-2021	<u>18,671</u>	<u>280,000</u>
Total	\$ <u>159,250</u>	\$ <u>886,000</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	\$ 17,707
Miscellaneous	<u>457</u>
Total	\$ <u>18,164</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2014**

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**NOTE 6 – LITIGATION**

The City, at the financial statement date, is involved in a personal injury action as defendant. The issue is currently pending before District Court. Potential loss to the City is not determinable at the balance sheet date.

**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	\$ 102,091	
Water Revenue Bond Debt Service		\$ 369,663
Wastewater Bonds Debt Service	_____	<u>289,522</u>
Totals	<u>\$ 102,091</u>	<u>\$ 659,185</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, 2014**

-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 6.79% for general members and 8.36% for police/firefighter members. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members. The City contributions required and paid were \$ 532,690, \$ 495,629, and \$ 444,709 for the three years ended September 30, 2014, 2013, and 2012 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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$ 3,604,615	\$ 3,597,141	\$ 7,474
Franchises, licenses, permits	947,098	603,260	343,838
State of Idaho shared revenue	831,579	845,000	(13,421)
State of Idaho sales tax	78,333	71,000	7,333
State of Idaho liquor receipts	281,542	290,000	(8,458)
State highway user collections	88,687	89,400	(713)
Penalty and interest on property taxes	16,580	20,720	(4,140)
County court fines	27,009	26,000	1,009
Fees, fines and charges for services	1,643,023	1,612,841	30,182
Grants and contributions	236,004	269,780	(33,776)
Earnings on investments	8,679	8,450	229
Miscellaneous	17,836	32,861	(15,025)
	<u>7,780,985</u>	<u>7,466,453</u>	<u>314,532</u>
<b>EXPENDITURES:</b>			
General Government	1,835,938	2,011,653	175,715
Public Safety	3,419,543	3,472,590	53,047
Streets	1,410,182	1,533,754	123,572
Capital outlay			
Parks and Recreation	1,099,863	1,120,951	21,088
Transportation			
Affordable Housing			
Debt Service			
	<u>7,765,526</u>	<u>8,138,948</u>	<u>373,422</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	<b>15,459</b>	<b>(672,495)</b>	<b>687,954</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	362,287	308,032	(54,255)
Operating transfers (to) other funds	(364,754)	(150,000)	214,754
	<u>12,992</u>	<u>(514,463)</u>	<u>848,453</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>12,992</b>	<b>(514,463)</b>	<b>848,453</b>
<b>FUND BALANCE - BEGINNING</b>	<b>2,401,721</b>	<b>2,401,721</b>	
<b>FUND BALANCE - ENDING</b>	<b>\$ 2,414,713</b>	<b>\$ 1,887,258</b>	

**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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$	\$	\$
Local Option sales taxes	1,887,617	2,216,835	(329,218)
Franchises, licenses, permits	29,850	32,000	(2,150)
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	18	0	18
Miscellaneous	328	0	328
	<u>1,917,813</u>	<u>2,248,835</u>	<u>(331,022)</u>
Total Revenue			
<b>EXPENDITURES:</b>			
General Government	802,781	884,432	81,651
Public Safety	243,934	243,934	0
Streets			
Capital outlay			
Parks and Recreation			
Transportation	550,000	550,000	0
Affordable Housing			
Debt Service			
	<u>1,596,715</u>	<u>1,678,366</u>	<u>81,651</u>
Total Expenditures			
<b>EXCESS REVENUE (EXPENDITURES)</b>	321,098	570,469	(249,371)
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	160,499		(160,499)
Operating transfers (to) other funds	(393,032)	(393,032)	0
<b>NET CHANGE IN FUND BALANCES</b>	88,565	177,437	(409,870)
<b>FUND BALANCE - BEGINNING</b>	<u>128,865</u>	<u>128,865</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 217,430</u>	<u>\$ 306,302</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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
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	2	0	2
Miscellaneous	<u>          </u>	<u>          </u>	<u>          </u>
Total Revenue	<u>          2</u>	<u>          0</u>	<u>          2</u>
<b>EXPENDITURES:</b>			
General Government	500	500	0
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service	<u>149,954</u>	<u>149,954</u>	<u>          0</u>
Total Expenditures	<u>150,454</u>	<u>150,454</u>	<u>          0</u>
EXCESS REVENUE (EXPENDITURES)	(150,452)	(150,454)	2
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	150,000	150,000	0
Operating transfers (to) other funds	<u>          </u>	<u>          </u>	<u>          </u>
NET CHANGE IN FUND BALANCES	(452)	(454)	2
FUND BALANCE - BEGINNING	<u>1,578</u>	<u>1,578</u>	
FUND BALANCE - ENDING	<u>\$ 1,126</u>	<u>\$ 1,124</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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits	265,731	247,000	18,731
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	132	0	132
Miscellaneous			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Revenue	<u>265,863</u>	<u>247,000</u>	<u>18,863</u>
<b>EXPENDITURES:</b>			
General Government	0	0	0
Public Safety			
Streets			
Capital outlay	148,355	150,000	1,645
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenditures	<u>148,355</u>	<u>150,000</u>	<u>1,645</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	<b>117,508</b>	<b>97,000</b>	<b>20,508</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			0
Operating transfers (to) other funds			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>117,508</b>	<b>97,000</b>	<b>20,508</b>
<b>FUND BALANCE - BEGINNING</b>	<u>(3,260)</u>	<u>(3,260)</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 114,248</u>	<u>\$ 93,740</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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
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	12,571		12,571
Grants and contributions			
Earnings on investments	12	0	12
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>12,583</u>	<u>0</u>	<u>12,583</u>
<b>EXPENDITURES:</b>			
General Government			0
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing	7,000	7,000	0
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>7,000</u>	<u>7,000</u>	<u>0</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	5,583	(7,000)	12,583
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCES</b>	5,583	(7,000)	12,583
<b>FUND BALANCE - BEGINNING</b>	<u>7,364</u>	<u>7,364</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 12,947</u>	<u>\$ 364</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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
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	12,621	7,500	5,121
Grants and contributions	23,184	10,000	13,184
Earnings on investments	42	0	42
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>35,847</u>	<u>17,500</u>	<u>18,347</u>
<b>EXPENDITURES:</b>			
General Government	109,465	109,500	35
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>109,465</u>	<u>109,500</u>	<u>35</u>
EXCESS REVENUE (EXPENDITURES)	(73,618)	(92,000)	18,382
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	85,000	85,000	0
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
NET CHANGE IN FUND BALANCES	11,382	(7,000)	18,382
FUND BALANCE - BEGINNING	<u>24,940</u>	<u>24,940</u>	
FUND BALANCE - ENDING	<u>\$ 36,322</u>	<u>\$ 17,940</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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
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	118	0	118
Miscellaneous	<u>0</u>	<u>          </u>	<u>0</u>
<b>Total Revenue</b>	<u>118</u>	<u>0</u>	<u>118</u>
<b>EXPENDITURES:</b>			
General Government			
Public Safety	5,000	5,000	0
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
<b>Total Expenditures</b>	<u>5,000</u>	<u>5,000</u>	<u>0</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	(4,882)	(5,000)	118
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
<b>NET CHANGE IN FUND BALANCES</b>	(4,882)	(5,000)	118
<b>FUND BALANCE - BEGINNING</b>	<u>106,973</u>	<u>106,973</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 102,091</u>	<u>\$ 101,973</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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
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	87,841	150,000	(62,159)
Grants and contributions			
Earnings on investments	4	0	4
Miscellaneous			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Revenue	<u>87,845</u>	<u>150,000</u>	<u>(62,155)</u>
<b>EXPENDITURES:</b>			
General Government	139,762	195,000	55,238
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Expenditures	<u>139,762</u>	<u>195,000</u>	<u>55,238</u>
EXCESS REVENUE (EXPENDITURES)	(51,917)	(45,000)	(6,917)
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
NET CHANGE IN FUND BALANCES	(51,917)	(45,000)	(6,917)
FUND BALANCE - BEGINNING	<u>51,917</u>	<u>51,917</u>	
FUND BALANCE - ENDING	<u>\$ 0</u>	<u>\$ 6,917</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, 2014**

	<u>Actual Amounts</u>	<u>Original and Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
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	121,034	169,260	(48,226)
Earnings on investments	90	0	90
Miscellaneous			
	<hr/>	<hr/>	<hr/>
Total Revenue	<u>121,124</u>	<u>169,260</u>	<u>(48,136)</u>
<b>EXPENDITURES:</b>			
General Government			
Public Safety			
Streets			
Capital outlay			
Parks and Recreation	98,614	169,260	70,646
Transportation			
Affordable Housing			
Debt Service			
	<hr/>	<hr/>	<hr/>
Total Expenditures	<u>98,614</u>	<u>169,260</u>	<u>70,646</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	22,510	0	22,510
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCES</b>	22,510	0	22,510
<b>FUND BALANCE - BEGINNING</b>	<u>63,272</u>	<u>63,272</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 85,782</u>	<u>\$ 63,272</u>	

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2014**

	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%				
	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
			\$ 886,000	\$ 159,250

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2014**

	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%	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
			<u>\$ 2,120,000</u>	<u>\$ 729,562</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2014**

	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%				
	3.45%	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
			\$ 1,265,000	\$ 295,309

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2014**

	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%	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
			\$ 1,160,000	\$ 330,665

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2014**

	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%	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>\$ 2,675,000</u>	<u>\$ 1,993,348</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 11, 2014

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, 2014, 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 11, 2014.

***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.

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  
Twin Falls, Idaho