

**CITY OF KETCHUM, IDAHO**

**Financial Statements**

**Year Ended September 30, 2018**

**CITY OF KETCHUM, IDAHO**  
**Financial Statements**  
**For the year ended September 30, 2018**

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## INDEPENDENT AUDITOR'S REPORT

November 9, 2018

To the City Council  
City of Ketchum, Idaho

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ketchum, Idaho, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Ketchum, Idaho's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ketchum, Idaho, as of September 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters****Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–11 and 35–38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on pages 39-46 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 supplementary information along with the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2018, on our consideration of the City of Ketchum, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ketchum, Idaho's internal control over financial reporting and compliance.

*Workman & Company*

WORKMAN AND COMPANY  
Certified Public Accountants  
Twin Falls, Idaho



## CITY OF KETCHUM, IDAHO

### Management's Discussion and Analysis

November 9, 2018

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 \$ 35,978,134. Of that amount, \$ 8,905,756 (unrestricted net position) may be used to meet future obligations and programs.
- The Local Option Tax (LOT) receipts increased \$ 241,985 from the previous year. This increase is due to the slightly increased economy in the Valley over the previous year. This Special Revenue Fund received an amount of, \$4,643,332 in the current year.
- Governmental Fund Revenues were \$ 17,567,692 and expenditures were \$18,109,221.

#### 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 Financial Statements	Fund 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 (\$ 26,596,623) 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 \$475,755. 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, 2018, derived from the government-wide Statement of Net Position.

**Table 2: Condensed Statement of Net Position**  
**As of September 30, 2018**

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit - Urban Renewal Agency
Current and other assets	\$ 8,283,257	\$ 2,621,181	\$ 10,904,438	\$ 1,144,419
Capital assets	20,187,056	12,261,664	32,448,720	4,909,260
Total Assets	<u>28,470,313</u>	<u>14,882,845</u>	<u>43,353,158</u>	<u>6,053,679</u>
Deferred Outflows	151,228	54,933	206,161	
Current Liabilities	247,102	371,650	618,752	298,350
Long-term liabilities	1,327,700	5,449,024	6,776,724	5,446,806
Total Liabilities	<u>1,574,802</u>	<u>5,820,674</u>	<u>7,395,476</u>	<u>5,745,156</u>
Deferred Inflows	160,857	24,852	185,709	
Net assets:				
Invested in capital assets net of related debt	19,776,056	6,820,567	26,596,623	0
Restricted	263,755	212,000	475,755	1,811,404
Unrestricted	6,846,071	2,059,685	8,905,756	(1,502,879)
Total Net Position	<u>\$ 26,885,882</u>	<u>\$ 9,092,252</u>	<u>\$ 35,978,134</u>	<u>\$ 308,525</u>

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the fiscal year ended September 30, 2018 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 \$ 8,180,781 or 43.7% percent, the net position of the business-type activities increased by \$ 723,525 or 8.6%, and the net position of the City's Component Unit (Urban Renewal Agency) decreased \$ 2,223,157 or -87.88%. The increase in the City's governmental activities and the decrease in the URA's net position is due mainly to the URA's contribution of property to the City.

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

Continued...

**Table 3: Condensed Statement of Activities  
As of September 30, 2018**

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit Urban Renewal Agency
<b>Revenue:</b>				
Program revenues				
Charges for services	\$ 4,118,759	\$ 4,171,410	\$ 8,290,169	\$ 50,098
Capital grants /contributions	4,463,588		4,463,588	
Total program revenues	<u>8,582,347</u>	<u>4,171,410</u>	<u>12,753,757</u>	<u>50,098</u>
General revenues				
Taxes	8,778,729		8,778,729	1,410,408
Franchise, licenses, permits	1,239,003		1,239,003	
State shared revenues	1,548,803		1,548,803	
Interest	136,540	40,881	177,421	23,248
Gain (Loss) on sale of assets	1,352,614		1,352,614	
Other revenues	374,939	30,912	405,851	3,988
Total general revenues	<u>13,430,628</u>	<u>71,793</u>	<u>13,502,421</u>	<u>1,437,644</u>
Total revenues	<u>22,012,975</u>	<u>4,243,203</u>	<u>26,256,178</u>	<u>1,487,742</u>
<b>Program expenses:</b>				
General government	4,512,875		4,512,875	3,422,276
Public safety	3,992,820		3,992,820	
Streets	1,619,570		1,619,570	
Parks and recreation	529,576		529,576	
Transportation	3,083,953		3,083,953	
Affordable Housing	70,000		70,000	
Wastewater		1,776,289	1,776,289	
Water		1,531,347	1,531,347	
Interest, long-term debt	23,400	212,042	235,442	301,623
Total program expenses	<u>13,832,194</u>	<u>3,519,678</u>	<u>17,351,872</u>	<u>3,723,899</u>
<b>Change in net position</b>	<u>8,180,781</u>	<u>723,525</u>	<u>8,904,306</u>	<u>(2,236,157)</u>
Beginning net position	18,705,101	8,368,727	27,073,828	2,544,682
Ending net position	<u>\$ 26,885,882</u>	<u>\$ 9,092,252</u>	<u>\$ 35,978,134</u>	<u>\$ 308,525</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, 2018**

	Program Expenses	Program Revenues	Net Expense (Revenues) (a)
General government	\$ 4,512,875	\$ 7,801,584	\$ 3,288,709
Public safety	3,992,820	471,265	(3,521,555)
Streets	1,619,570	110,095	(1,509,475)
Parks and Recreation	529,576	199,403	(330,173)
Transportation	3,083,953		(3,083,953)
Affordable Housing	70,000		(70,000)
Interest on long-term debt	23,400		(23,400)
Totals	<u>\$ 13,832,194</u>	<u>\$ 8,582,347</u>	<u>\$ (5,249,847)</u>

(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, 2018**

City Programs	Program Expenses	Program Revenues	Net Program Expenses (Revenues)
Wastewater	\$ 1,776,289	\$ 2,213,492	\$ 437,203
Water	1,531,347	1,957,918	426,571
Interest on long-term debt	212,042		(212,042)
Totals	<u>\$ 3,519,678</u>	<u>\$ 4,171,410</u>	<u>\$ 651,732</u>

**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.

**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.

**Table 6: Analysis of Significant Budget Variances  
for Major Government Activities  
For the Fiscal Year Ended September 30, 2018**

	Final Budget	Actual	Variances
<b>Revenues:</b>			
Taxes (including penalties/interest)	\$ 8,604,701	\$ 8,778,729	\$ 174,028
Franchises, licenses, permits	767,425	960,223	192,798
State of Idaho	1,466,046	1,548,803	82,757
Fees, Charges for Services	3,237,049	3,815,194	578,145
Other	202,509	295,953	93,444
<b>Totals</b>	<u>14,277,730</u>	<u>15,398,902</u>	<u>1,121,172</u>
<b>Expenditures:</b>			
General Government	3,926,124	3,916,567	9,557
Public Safety	3,775,307	3,871,376	(96,069)
Streets	1,659,914	1,470,612	189,302
Capital Outlay	1,814,056	19,073	1,794,983
Parks and Recreation	569,264	485,810	83,454
Transportation	3,083,953	3,083,953	0
Affordable Housing	70,000	70,000	0
<b>Totals</b>	<u>14,898,618</u>	<u>12,917,391</u>	<u>1,981,227</u>
<b>Excess (Deficiency)</b>	<u>\$ (620,888)</u>	<u>\$ 2,481,511</u>	<u>\$ 3,102,399</u>

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

Continued...

**Table 7: Comparison of Statement of Net Position  
As of September 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Current Assets	\$ 10,904,438	\$ 11,291,669	-3.4294%
Capital Assets	<u>32,448,720</u>	<u>23,701,651</u>	<u>36.9049%</u>
Total Assets	<u>43,353,158</u>	<u>34,993,320</u>	<u>23.8898%</u>
Deferred Outflow of Resources	<u>206,161</u>	<u>230,585</u>	<u>-10.5922%</u>
Current Liabilities	618,752	547,576	12.9984%
Long Term Liabilities	<u>6,776,724</u>	<u>7,398,221</u>	<u>-8.4006%</u>
Total Liabilities	<u>7,395,476</u>	<u>7,945,797</u>	<u>-6.9259%</u>
Deferred Inflow of Resources	<u>185,709</u>	<u>204,281</u>	<u>-9.0914%</u>
Net Position:			
Invested in Capital Assets net of related debt	26,596,623	17,356,032	53.2414%
Restricted	475,755	362,242	31.3362%
Unrestricted	<u>8,905,756</u>	<u>9,355,553</u>	<u>-4.8078%</u>
Total Net Position	\$ <u><u>35,978,134</u></u>	\$ <u><u>27,073,827</u></u>	<u><u>32.8890%</u></u>

**OVERALL ANALYSIS**

Financial highlights for the City as a whole during the fiscal year ended September 30, 2018 show the assets of the City exceeded its liabilities (net position) at the close to the fiscal year by \$35,978,134 (for governmental activities \$26,885,882, for the business-type activities \$9,092,252). Additionally, the City's total net position increased during the year by \$8,904,306. The net position of the governmental activities increased by \$ 8,180,781, while the net position of the business-type activities increased by \$ 723,525.

**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, 2018**

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Infrastructure	\$ 5,748,078	5,535,430	(110,000)	\$ 11,173,508
Buildings and Improvements	30,776,518	3,347,598		34,124,116
Vehicles and Equipment	7,590,383	585,933	(68,018)	8,108,298
Construction in Progress	122,216	402,410		524,626
<b>Totals</b>	<u>44,237,195</u>	<u>9,871,371</u>	<u>(178,018)</u>	<u>53,930,548</u>
Accumulated Depreciation	<u>(20,535,543)</u>	<u>(1,007,145)</u>	<u>60,860</u>	<u>(21,481,828)</u>
<b>Net Book Value</b>	<b>\$ <u>23,701,652</u></b>			<b>\$ <u>32,448,720</u></b>

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

Capital Asset Activity

At September 30, 2018, the City reported \$20,187,056 in capital assets for governmental activities and \$12,261,664 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 \$8,167,155. The fund balance decreased \$ 541,529 during the fiscal year. The decrease is the result of \$17,567,692 of revenues reduced by \$ 18,109,221 of expenditures. The increase in fund balance follows a fund balance increase of \$787,048 in FY2017, and results in large part from budgeted expenditures for capital improvements in the City's funds. The City's managements and Council continue to expend resources under approved budgets and strive to strengthen the City's financial position during uncertain economic times. This ongoing accomplishment is due to the commitment and determination of the City Council and staff to make prudent financial decisions while also seeking to preserve levels of service to the community by continually pursuing and implementing cost savings and efficiencies in operations.

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

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

Continued...

**Table 9: Analysis of Fund Balances  
for All Funds  
For the Fiscal Year Ended September 30, 2018**

	<u>Investment in Capital Assets</u>	<u>Restricted or Assigned</u>	<u>Unassigned</u>	<u>Total Balance</u>
General Fund	\$	91,352	\$ 2,952,292	\$ 3,043,644
City Sales Tax Fund		379,182		379,182
In-Lieu Housing Fund		2,418,519		2,418,519
Capital Improvement Funds		2,050,379		2,050,379
GO Bond Debt Fund		1,945		1,945
Wagon Days Fund		9,731		9,731
Police Trust Fund		97,154		97,154
Community Development Trust Fund		0		0
Park Trust Fund		166,601		166,601
Water	1,152,598	0	806,701	1,959,299
Wastewater	5,667,969	212,000	1,252,984	7,132,953

**REQUESTS FOR INFORMATION**

Requests for information regarding City finances should be directed to:

Grant Gager City Finance Director  
City of Ketchum, Idaho  
P.O. Box 2315  
Ketchum, Idaho, 83340  
Telephone: (208) 726-3841

**ACKNOWLEDGMENTS**

A special thanks to the City Finance Director, City Clerk and staff, 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, 2018**

	<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	\$ 7,389,051	\$ 2,315,519	\$ 9,704,570	\$ 583,623
Accounts Receivable & Prepaid Expenses		54,498	54,498	
Taxes Receivable	237,022		237,022	11,079
Due From Other Governments	391,212	39,164	430,376	
Restricted Cash	263,755	212,000	475,755	549,717
Other Assets	2,217		2,217	
Totals	<u>8,283,257</u>	<u>2,621,181</u>	<u>10,904,438</u>	<u>1,144,419</u>
Capital Assets:				
Land	8,809,038	15,380	8,824,418	4,768,746
Construction in Progress		524,626	524,626	
Infrastructure	2,349,090		2,349,090	146,369
Buildings and Improvements	9,995,787	24,128,329	34,124,116	
Equipment and Vehicles	7,292,832	815,466	8,108,298	
Accumulated Deprecation	<u>(8,259,691)</u>	<u>(13,222,137)</u>	<u>(21,481,828)</u>	<u>(5,855)</u>
Total Capital Assets	<u>20,187,056</u>	<u>12,261,664</u>	<u>32,448,720</u>	<u>4,909,260</u>
<b>Total Assets</b>	<u>28,470,313</u>	<u>14,882,845</u>	<u>43,353,158</u>	<u>6,053,679</u>
Deferred Outflows of Resources:				
Deferred Outflows from Pension Activity	<u>151,228</u>	<u>54,933</u>	<u>206,161</u>	<u>0</u>
<b><u>LIABILITIES</u></b>				
Accounts and Interest Payable	116,102	13,650	129,752	138,350
Due To Other Funds				
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	131,000	358,000	489,000	160,000
Portion due or payable after one year:				
Bonds Payable	280,000	4,813,000	5,093,000	5,620,000
Unamortized Bond Discount		(31,881)	(31,881)	(173,194)
Unamortized Bond Premium		301,978	301,978	
Net Pension Liability	857,442	321,690	1,179,132	
Compensated Absences	<u>190,258</u>	<u>44,237</u>	<u>234,495</u>	
<b>Total Liabilities</b>	<u>1,574,802</u>	<u>5,820,674</u>	<u>7,395,476</u>	<u>5,745,156</u>
Deferred Inflows of Resources:				
Deferred Inflows from Pension Activities	<u>160,857</u>	<u>24,852</u>	<u>185,709</u>	<u>0</u>
<b><u>NET POSITION</u></b>				
Invested in Capital Assets - net of related debt	19,776,056	6,820,567	26,596,623	0
Restricted For:				
Debt Service		212,000	212,000	549,717
Other Purposes	263,755		263,755	1,261,687
Unrestricted	<u>6,846,071</u>	<u>2,059,685</u>	<u>8,905,756</u>	<u>(1,502,879)</u>
<b>Total Net Position</b>	<u>\$ 26,885,882</u>	<u>\$ 9,092,252</u>	<u>\$ 35,978,134</u>	<u>\$ 308,525</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Statement of Activities**  
**For the Year Ended September 30, 2018**

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	
<b>Governmental:</b>							
General Government	\$ 4,512,875	\$ 3,386,688	\$ 4,414,896	\$ 3,288,709		\$ 3,288,709	\$ 50,098
Public Protection:							
Public Safety	3,992,820	471,265		(3,521,555)		(3,521,555)	
Streets	1,619,570	102,295	7,800	(1,509,475)		(1,509,475)	
Parks and Recreation	529,576	158,511	40,892	(330,173)		(330,173)	
Transportation	3,083,953			(3,083,953)		(3,083,953)	
Affordable Housing	70,000			(70,000)		(70,000)	
Interest - on long-term debt	23,400			(23,400)		(23,400)	
Total Governmental Activities	<u>13,832,194</u>	<u>4,118,759</u>	<u>4,463,588</u>	<u>(5,249,847)</u>		<u>(5,249,847)</u>	
<b>Business Type:</b>							
Water	1,531,347	1,957,918			\$ 426,571	426,571	
Wastewater	1,776,289	2,213,492			437,203	437,203	
Interest - on long-term debt	212,042				(212,042)	(212,042)	
Total Business-type Activities	<u>3,519,678</u>	<u>4,171,410</u>	<u>0</u>		<u>651,732</u>	<u>651,732</u>	
Total City of Ketchum, Idaho	<u>\$ 17,351,872</u>	<u>\$ 8,290,169</u>	<u>\$ 4,463,588</u>	<u>(5,249,847)</u>	<u>651,732</u>	<u>(4,598,115)</u>	
<b>Component Units:</b>							
Urban Renewal Agency	\$ 3,723,899						(3,723,899)
<b>Total</b>							<u>(3,673,801)</u>
		<b>General Revenues:</b>					
		Property taxes		4,135,397		4,135,397	1,410,408
		Local Option sales taxes		4,643,332		4,643,332	
		Franchises, licenses, permits		1,239,003		1,239,003	
		State of Idaho revenue sharing		954,367		954,367	
		State of Idaho sales tax		96,317		96,317	
		State of Idaho liquor receipts		369,662		369,662	
		State highway user collections		128,457		128,457	
		Penalty and interest on property taxes		12,694		12,694	3,963
		County court and parking fines		25,998		25,998	
		Gain (Loss) from Sale of Assets		1,352,614		1,352,614	
		Earnings on investments		136,540	40,881	177,421	23,248
		Miscellaneous		174,806		174,806	25
		Amortization of Bond Premium			18,843	18,843	
		Amortization of Bond Discount			(3,321)	(3,321)	
		Gain (Loss) from Pension Activity		161,441	15,390	176,831	
		Total general revenues and transfers		<u>13,430,628</u>	<u>71,793</u>	<u>13,502,421</u>	<u>1,437,644</u>
		Changes in net position		8,180,781	723,525	8,904,306	(2,236,157)
		Net Position - Beginning		<u>18,705,101</u>	<u>8,368,727</u>	<u>27,073,828</u>	<u>2,544,682</u>
		Net Position - Ending		<u>\$ 26,885,882</u>	<u>\$ 9,092,252</u>	<u>\$ 35,978,134</u>	<u>\$ 308,525</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Balance Sheet**  
**Governmental Funds**  
**at September 30, 2018**

	<b>General Fund</b>	<b>City Sales Tax Fund</b>	<b>In-Lieu Housing Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS:</b>					
Cash and Cash Deposits	\$ 2,699,843	\$ 170,415	\$ 2,418,519	\$ 2,364,029	\$ 7,652,806
Taxes Receivable	28,255	208,767			237,022
Accounts Receivable	2,217				2,217
Due From Other Governments	391,212				391,212
<b>Total Assets</b>	<b>\$ 3,121,527</b>	<b>\$ 379,182</b>	<b>\$ 2,418,519</b>	<b>\$ 2,364,029</b>	<b>\$ 8,283,257</b>
<b>LIABILITIES:</b>					
Accounts Payable	\$ 77,883				\$ 77,883
Funds Held in Trust				38,219	38,219
Due To Other Funds					0
<b>Total Liabilities</b>	77,883	0	0	38,219	116,102
<b>FUND BALANCE:</b>					
Non-spendable					0
Restricted				263,755	263,755
Committed					0
Assigned	91,352	379,182	2,418,519	2,062,055	4,951,108
Unassigned	2,952,292				2,952,292
<b>Total Fund Balance</b>	3,043,644	379,182	2,418,519	2,325,810	\$ 8,167,155
<b>Total Liabilities and Fund Balance</b>	<b>\$ 3,121,527</b>	<b>\$ 379,182</b>	<b>\$ 2,418,519</b>	<b>\$ 2,364,029</b>	

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 \$ 28,446,747 and the accumulated depreciation is \$ 8,259,691	20,187,056
Long-term liabilities, including bonds, net pension liability, and compensated absences are not payable in the current period and therefore are not reported in the governmental funds	(1,468,329)
<b>Net Assets of Governmental Activities</b>	<b>\$ 26,885,882</b>

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, 2018**

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>In-Lieu Housing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>					
Property taxes	\$ 4,135,397				\$ 4,135,397
Local Option sales taxes		4,643,332			4,643,332
Franchises, licenses, permits	960,223			278,780	1,239,003
State of Idaho shared revenue	954,367				954,367
State of Idaho sales tax	96,317				96,317
State of Idaho liquor receipts	369,662				369,662
State highway user collections	128,457				128,457
Penalty/Interest on property taxes	12,694				12,694
County court and parking fines	25,998				25,998
Proceeds from sale of assets				1,469,772	1,469,772
Fees and charges for services	3,327,107		488,087	303,565	4,118,759
Grants and contributions	6,271			56,317	62,588
Earnings on investments	56,490	2,448	34,879	42,723	136,540
Miscellaneous and Reimbursements	72,930		84,243	17,633	174,806
<b>Total Revenue</b>	<u>10,145,913</u>	<u>4,645,780</u>	<u>607,209</u>	<u>2,168,790</u>	<u>17,567,692</u>
<b>EXPENDITURES:</b>					
General Government	3,859,516	57,051		227,137	4,143,704
Public Safety	3,727,835	143,541		4,500	3,875,876
Streets	1,470,612				1,470,612
Capital outlay			19,073	4,788,207	4,807,280
Parks and Recreation	485,810			22,586	508,396
Transportation		3,083,953			3,083,953
Affordable Housing			70,000		70,000
Debt Service				149,400	149,400
<b>Total Expenditures</b>	<u>9,543,773</u>	<u>3,284,545</u>	<u>89,073</u>	<u>5,191,830</u>	<u>18,109,221</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	602,140	1,361,235	518,136	(3,023,040)	(541,529)
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating transfers from other funds	1,341,110			2,793,569	4,134,679
Operating transfers (to) other funds	<u>(2,186,288)</u>	<u>(1,473,360)</u>		<u>(475,031)</u>	<u>(4,134,679)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(243,038)	(112,125)	518,136	(704,502)	(541,529)
<b>FUND BALANCE - BEGINNING</b>	<u>3,286,682</u>	<u>491,307</u>	<u>1,900,383</u>	<u>3,030,312</u>	<u>8,708,684</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,043,644</u>	<u>\$ 379,182</u>	<u>\$ 2,418,519</u>	<u>\$ 2,325,810</u>	<u>\$ 8,167,155</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, 2018**

Net Change in Fund Balance - Total Governmental Funds (Page 15)	\$ (541,529)
<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.	(470,381)
This is the amount of new Governmental Fund assets.	9,080,724
This is the amount of disposed of Governmental Fund assets.	(110,000)
<p>Long term liabilities are not recorded in the Governmental funds.</p>	
This is the amount of payments on General Obligation Bonds Payable	126,000
This is the amount of changes in net pension liabilities	154,283
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the increase in compensated leave during the year.	<u>(58,316)</u>
Change in Net Assets of Governmental Activities (Page 13)	<u>\$ 8,180,781</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Statement of Net Position**  
**Proprietary Funds**  
**at September 30, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and Deposits	\$ 906,607	\$ 1,408,912	\$ 2,315,519
Accts receivable - customers	33,600	20,898	54,498
Accts receivable - other govts.	940,207	39,164	39,164
	<u>940,207</u>	<u>1,468,974</u>	<u>2,409,181</u>
<b>Restricted Current Assets:</b>			
Cash and Deposits		212,000	212,000
Total Current Assets	<u>940,207</u>	<u>1,680,974</u>	<u>2,621,181</u>
<b>Capital Assets:</b>			
Plant and equipment	12,118,515	13,365,286	25,483,801
Accumulated depreciation	(7,167,130)	(6,055,007)	(13,222,137)
Net Plant and equipment	<u>4,951,385</u>	<u>7,310,279</u>	<u>12,261,664</u>
<b>Total Assets</b>	<u>5,891,592</u>	<u>8,991,253</u>	<u>14,882,845</u>
<b>Deferred Outflow of Resources:</b>			
Deferred Outflows from Pension Activity	<u>7,540</u>	<u>47,393</u>	<u>54,933</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts and Interest Payable	10,679	2,971	13,650
Current portion long-term debt	173,000	185,000	358,000
Total current liabilities	<u>183,679</u>	<u>187,971</u>	<u>371,650</u>
<b>Noncurrent Liabilities:</b>			
Bonds Payable	3,498,000	1,315,000	4,813,000
Unamortized Bond Discount	(31,881)		(31,881)
Unamortized Bond Premium	159,668	142,310	301,978
Net Pension Liability	97,115	224,575	321,690
Compensated Absences Payable	26,850	17,387	44,237
Total noncurrent liabilities	<u>3,749,752</u>	<u>1,699,272</u>	<u>5,449,024</u>
<b>Total Liabilities</b>	<u>3,933,431</u>	<u>1,887,243</u>	<u>5,820,674</u>
<b>Deferred Inflow of Resources:</b>			
Deferred Inflows from Pension Activity	<u>6,402</u>	<u>18,450</u>	<u>24,852</u>
<b>Net Position:</b>			
Investment in capital assets net of related debt	1,152,598	5,667,969	6,820,567
Restricted	0	212,000	212,000
Unrestricted	806,701	1,252,984	2,059,685
<b>Total Net Position</b>	<u>\$ 1,959,299</u>	<u>\$ 7,132,953</u>	<u>\$ 9,092,252</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, 2018**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,833,219	\$ 2,086,818	\$ 3,920,037
Hookups, connections, impact fees	108,543	100,555	209,098
Reimbursements and Misc.	16,156	26,119	42,275
	<u>1,957,918</u>	<u>2,213,492</u>	<u>4,171,410</u>
<b>Operating Expenses:</b>			
Salaries and benefits	424,029	643,283	1,067,312
Administrative and supplies	860,246	843,314	1,703,560
Depreciation	247,072	289,692	536,764
	<u>1,531,347</u>	<u>1,776,289</u>	<u>3,307,636</u>
<b>Operating Income</b>	<u>426,571</u>	<u>437,203</u>	<u>863,774</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	14,652	26,229	40,881
Interest Expense	(136,956)	(75,086)	(212,042)
Gain (Loss) on pension activity	13,587	1,803	15,390
Amortization of bond discount	(3,321)		(3,321)
Amortization of bond premium	1,766	17,077	18,843
	<u>(110,272)</u>	<u>(29,977)</u>	<u>(140,249)</u>
<b>Income before transfers</b>	<u>316,299</u>	<u>407,226</u>	<u>723,525</u>
Transfers in			
Transfers out			
<b>Net Income</b>	316,299	407,226	723,525
<b>Total Net Position - Beginning</b>	<u>1,643,000</u>	<u>6,725,727</u>	<u>8,368,727</u>
<b>Total Net Position - Ending</b>	<u>\$ 1,959,299</u>	<u>\$ 7,132,953</u>	<u>\$ 9,092,252</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, 2018**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 1,944,914	\$ 2,191,930	\$ 4,136,844
Payments to suppliers	(860,246)	(843,314)	(1,703,560)
Payments to employees	(417,938)	(636,981)	(1,054,919)
Payments from (to) other funds			
Other receipts	16,156	26,119	42,275
Net cash provided (used) by operations	<u>682,886</u>	<u>737,754</u>	<u>1,420,640</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase and construction of capital assets	(371,241)	(419,406)	(790,647)
Principal paid on capital debt	(172,000)	(180,000)	(352,000)
Interest paid on capital debt	<u>(137,750)</u>	<u>(75,237)</u>	<u>(212,987)</u>
Net cash provided (used) by capital and related financing activities	<u>(680,991)</u>	<u>(674,643)</u>	<u>(1,355,634)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest Income	<u>14,652</u>	<u>26,229</u>	<u>40,881</u>
<b>Net Increase (Decrease) in Cash and Deposits</b>	16,547	89,340	105,887
<b>Balances - Beginning of the year</b>	<u>890,060</u>	<u>1,531,572</u>	<u>2,421,632</u>
<b>Balances - Ending of the year</b>	<u>\$ 906,607</u>	<u>\$ 1,620,912</u>	<u>\$ 2,527,519</u>
Displayed as:			
Pooled Cash and Investments	906,607	1,408,912	2,315,519
Restricted Assets	<u>212,000</u>	<u>212,000</u>	<u>212,000</u>
<b>Balances - Ending of the year</b>	<u>\$ 906,607</u>	<u>\$ 1,620,912</u>	<u>\$ 2,527,519</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	426,571	437,203	863,774
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	247,072	289,692	536,764
Changes in assets and liabilities:			
Receivables, net	3,152	4,557	7,709
Accounts and other payables	<u>6,091</u>	<u>6,302</u>	<u>12,393</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 682,886</u>	<u>\$ 737,754</u>	<u>\$ 1,420,640</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

**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.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

-Continued

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.

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.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

-continued

*Entity Classifications.*

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



**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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**(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.

**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.

**Deferred Outflows/Inflows of Resources**

In 2007, the Governmental Accounting Standards Board (GASB) released Concepts Statement No. 4 *Elements of Financial Statements* which provides a framework for determining the nature of financial accounting or reporting issues. Since the release of the framework, GASB has been looking at the assets and liabilities on the balance sheet to determine if they should continue to be reflected as such. GASB has concluded that, in order to improve financial reporting, there are assets and liabilities that no longer should be reflected as assets and liabilities. These changes are included in the recently-issued GASB Statement No. 65, *Items Previously Reported as Asset and Liabilities*.

These changes include two new items that are reflected on the Statement of Net Position.

- Deferred outflow of resources – the current *consumption* of net assets that is applicable to a *future* reporting period.
- Deferred inflows of resources – the current *acquisition* of net assets that is applicable to a *future* reporting period.

The City's financial statements may report a separate section for deferred inflows of resources which reflects an increase in resources that applies to a future period.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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**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.

**Pensions**

For purposes of measuring the net pension liability and pension expense, information about the fiduciary net position of the Public Employee Retirement System of Idaho Base Plan (Base Plan) and additions to/deductions from Base Plan's fiduciary net position have been determined on the same basis as they are reported by the Base Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**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.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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*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 \$ 9,654,261. (Combined with cash deposits)

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	\$	345
Deposits with financial institutions:		
Demand deposits		525,719
State of Idaho Investment Pool		<u>9,654,261</u>
Total		<u>\$ 10,180,325</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

– 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	\$ 4,571,149	\$ (110,000)	\$ 8,809,038
Construction in Progress	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>4,347,889</u>	<u>4,571,149</u>	<u>(110,000)</u>	<u>8,809,038</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	6,995,787	3,000,000		9,995,787
Infrastructure	1,384,809	964,281		2,349,090
Vehicles and Equipment	<u>6,815,556</u>	<u>545,294</u>	<u>(68,018)</u>	<u>7,292,832</u>
Total	15,196,152	4,509,575	(68,018)	19,637,709
Less: Accumulated Depreciation:	<u>7,850,170</u>	<u>470,381</u>	<u>60,860</u>	<u>8,259,691</u>
Total Net Depreciated Assets	<u>7,345,982</u>	<u>4,039,194</u>	<u>(128,878)</u>	<u>11,378,018</u>
 Governmental capital assets, net	 \$ <u>11,693,871</u>	 \$ <u>8,610,343</u>	 \$ <u>(238,878)</u>	 \$ <u>20,187,056</u>
 <b>Business-type activities:</b>				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 15,380	\$ 0	\$ 0	\$ 15,380
Construction in Progress	<u>122,216</u>	<u>402,410</u>	<u>0</u>	<u>524,626</u>
Total	<u>137,596</u>	<u>402,410</u>	<u>0</u>	<u>540,006</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	23,780,731	347,598		24,128,329
Vehicles and Equipment	<u>774,827</u>	<u>40,639</u>	<u>0</u>	<u>815,466</u>
Total	24,555,558	388,237	0	24,943,795
Less: Accumulated Depreciation	<u>12,685,373</u>	<u>536,764</u>	<u>0</u>	<u>13,222,137</u>
Total Net Depreciated Assets	<u>11,870,185</u>	<u>(148,527)</u>	<u>0</u>	<u>11,721,658</u>
 Business-type capital assets, net	 \$ <u>12,007,781</u>	 \$ <u>253,883</u>	 \$ <u>0</u>	 \$ <u>12,261,664</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

– Continued

**NOTE 4 - BONDS PAYABLE**

In December of 2004, the City sold \$ 1,990,000 of Sewer Revenue Bonds, Series 2004. The proceeds of this issue were used to make improvements to the City's waste water system. The bonds were retired with funds from the 2014 Wastewater Refunding Bonds 2014.

In May of 2006, the City sold \$ 1,730,000 of Sewer Revenue Bonds, Series 2006A. The proceeds of this issue were used to make improvements to the City's waste water system. The bonds were retired by the 2014 bond issue.

In November of 2014 the City sold \$ 1,950,000 of Sewer Revenue Refunding Bonds, Series 2014. The proceeds from this bond issue retired the City's 2004 and 2006 bond series. This bond issue is to be retired by user fees generated by the City's enterprise fund.

In 2006 outstanding bonds from the City's series 1998 issue 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. These bonds were retired by the City's Water Revenue Refunding Bonds Series 2016.

In September of 2016 the City sold \$ 1,697,000 of Water Revenue Refunding Bonds, Series 2016. The proceeds from this bond issue retired the City's 2006B bond series. This bond issue is to be retired by user fees generated by the City's enterprise fund.

In May of 2006, the City sold \$ 2,780,000 of Water Revenue Bonds, Series 2006A. The proceeds of this issue were used to make improvements to the City's water system. These bonds were retired by the City's Water Revenue Refunding Bonds Series 2015.

In September of 2015 the City sold \$ 2,310,000 of Water Revenue Refunding Bonds, Series 2015. The proceeds from this bond issue retired the City's 2006A bond series. This bond issue is to be retired by user fees generated by 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 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>Sewer Refunding Bond Series 2014</u>	
	<u>Interest</u>	<u>Principal</u>
2019	\$ 71,300	\$ 185,000
2020	65,750	195,000
2021	56,000	205,000
2022	45,750	215,000
2023	35,000	220,000
2024-2025	<u>36,500</u>	<u>480,000</u>
Total	<u>\$ 310,300</u>	<u>\$ 1,500,000</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

Bonds Payable – Continued

<u>FY</u>	<u>Water Refunding Bonds 2015</u>		<u>Water Revenue Bonds 2016</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2019	\$ 110,075	\$ 30,000	\$ 24,551	\$ 143,000
2020	109,475	30,000	22,064	145,000
2022	108,575	30,000	19,540	151,000
2022	107,675	30,000	16,912	152,000
2023	106,475	30,000	14,269	157,000
2024-2034	<u>812,500</u>	<u>2,110,000</u>	<u>29,163</u>	<u>663,000</u>
Total	<u>\$1,354,775</u>	<u>\$ 2,260,000</u>	<u>\$126,499</u>	<u>\$1,558,000</u>

General Obligation Bonds Series June 5, 2007

<u>FY</u>	<u>Interest</u>	<u>Principal</u>
2019	\$ 18,007	\$ 131,000
2020	12,336	137,000
2021	<u>6,335</u>	<u>143,000</u>
Total	\$ <u>36,678</u>	\$ <u>411,000</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>Total Governmental</u>
Rents	\$ 60,449
URA Refund of Affordable Housing funds	84,243
Sale of Fixed Assets	10,516
Miscellaneous	<u>19,598</u>
Total	<u>\$ 174,806</u>

**NOTE 6 – LITIGATION**

The City, at the financial statement date, is not involved in an action as defendant.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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**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 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>
Various Trust Cash	\$ 263,755	
Wastewater Bonds Debt Service		\$ <u>212,000</u>
Totals	<u>\$ 263,755</u>	<u>\$ 212,000</u>

**NOTE 8 – RISK MANAGEMENT**

A City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the City is contracted with Idaho County Risk Management Program (ICRMP) for property, crime and fleet insurance and the State Insurance Fund for workman's compensation. Under the terms of the ICRMP policy, the City of Ketchum's liability is limited to the amount of annual financial membership contributions, including a per occurrence deductible. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**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. Complete financial statements for the current year are available from the Agency.

The City advanced \$1,495,830 of cash held for affordable housing construction to the Agency to begin their operations. The Agency has determined to pay this amount back to the City over the next several years as funds become available. These amounts are not accrued in the City's records, but will be recognized as revenue when received in the "In-Lieu Housing Fund". The balance remaining unpaid at the date of these financial statements is \$ 1,261,687.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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**NOTE 10 – EMPLOYEE RETIREMENT PLAN**

*Plan Description*

The City of Ketchum contributes to the Base Plan which is a cost-sharing multiple-employer defined benefit pension plan administered by Public Employee Retirement System of Idaho (PERSI or System) that covers substantially all employees of the State of Idaho, its agencies and various participating political subdivisions. The cost to administer the plan is financed through the contributions and investment earnings of the plan. PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov).

Responsibility for administration of the Base Plan is assigned to the Board comprised of five members appointed by the Governor and confirmed by the Idaho Senate. State law requires that two members of the Board be active Base Plan members with at least ten years of service and three members who are Idaho citizens not members of the Base Plan except by reason of having served on the Board.

*Pension Benefits*

The Base Plan provides retirement, disability, death and survivor benefits of eligible members or beneficiaries. Benefits are based on members' years of service, age and highest average salary. Members become fully vested in their retirement benefits with five years of credited services (5 months for elected or appointed officials). Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. The annual service retirement allowance for each month of credited service is 2.0% (2.3% for police/firefighters) of the average monthly salary for the highest consecutive 42 months.

The benefit payments for the Base Plan are calculated using a benefit formula adopted by the Idaho Legislature. The Base Plan is required to provide a 1% minimum cost of living increase per year provided the Consumer Price Index increases 1% or more. The PERSI Board has the authority to provide higher cost of living increases to a maximum of the Consumer Price Index movement or 6%, whichever is less; however, any amount above the 1% minimum is subject to review by the Idaho Legislature.

*Member and Employer Contributions*

Member and employer contributions paid to the Base Plan are set by statute and are established as a percent of covered compensation and earnings from investments. Contribution rates are determined by the PERSI Board within limitations, as defined by state law. The Board may make periodic changes to employer and employee contribution rates (expressed as percentages of annual covered payroll) that are adequate to accumulate sufficient assets to pay benefits when due.

The contribution rates for employees are set by statute at 60% of employer rate for general employees and 72% for police and firefighters. As of June 30, 2018, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's contributions were \$455,247 for the year ended September 30, 2018.



**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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*Pension Liabilities, Pension Expense (Revenue), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*

At September 30, 2018, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2018, the City's proportion was 0.0799402 percent.

For the year ended September 30, 2018, the City recognized pension expense (revenue) of (\$176,831). At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 129,435	\$ 131,008
Changes in assumptions or other inputs	\$ 76,726	
Net difference between projected and actual earnings on pension plan investments	\$( 68,879)	\$ 54,701
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$ ( 15,794)	
City's contributions subsequent to the measurement date	\$ 84,673	
<b>Total</b>	<b>\$ 206,161</b>	<b>\$ 185,709</b>

\$ 84,673 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2019.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2017 the beginning of the measurement period ended June 30, 2018 is 4.9 and 5.5 for the measurement period June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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**Year ended September 30, 2018:**

2018	(\$ 68,309)
2019	\$ 118,051
2020	\$ 33,496
2021	(\$ 74,419)
2022	\$ 0
Thereafter	\$ 0

*Actuarial Assumptions*

Valuations are based on actuarial assumptions, the benefit formulas, and employee groups. Level percentages of payroll normal costs are determined using the Entry Age Normal Cost Method. Under the Entry Age Normal Cost Method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated as a level percentage of each year's earnings of the individual between entry age and assumed exit age. The Base Plan amortizes any unfunded actuarial accrued liability based on a level percentage of payroll. The maximum amortization period for the Base Plan permitted under Section 59-1322, Idaho Code, is 25 years.

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Salary increases	4.25 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.10%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2007 through June 30, 2013 which reviewed all economic and demographic assumptions other than mortality. Mortality and all economic assumptions were studied in 2014 for the period from July 1, 2009 through June 30, 2013. The Total Pension Liability as of June 30, 2018 is based on the results of an actuarial valuation date of July 1, 2018.

The long-term expected rate of return on pension plan investments was determined using the building block approach and a forward-looking model in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017.

**Capital Market Assumptions**

	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities:			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income:	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%

	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
<b>Total Fund</b>				
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

\* Expected arithmetic return net of fees and expenses

Actuarial Assumptions:

Assumed Inflation - Standard Deviation	3.25%
Portfolio Arithmetic Mean Return	8.42%
Portfolio Long-Term Expected Geometric Rate of Return	
Assumed Investment Expenses	7.50%
<b>Long-Term Expected Geometric Rate of Return Net of Investment Expenses</b>	<u>0.40%</u>
	7.10%

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2018**

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*Discount Rate*

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

*Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.10%) or 1-percentage-point higher (8.10%) than the current rate:

	<b>1% Decrease (6.10%)</b>	<b>Current Discount Rate (7.10%)</b>	<b>1% Increase (8.10%)</b>
Employer's proportionate share of the net pension liability (asset)	\$1,297,045	\$1,179,132	\$1,061,219

*Pension plan fiduciary net position*

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERSI financial report.

PERSI issues a publicly available financial report that includes financial statements and the required supplementary information for PERSI. That report may be obtained on the PERSI website at [www.persi.idaho.gov](http://www.persi.idaho.gov)

*Payables to the pension plan*

At September 30, 2018, the City reported payables to the defined benefit pension plan of \$ 0 for legally required employer contributions and \$ 0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**NOTE 11 – SUBSEQUENT EVENTS**

Subsequent events were evaluated through the date of the auditor's report, which is the date the financial statements were available to be issued.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF KETCHUM, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- General Fund**  
**for the year ended September 30, 2018**

	<u>Actual Amounts</u>	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>				
Property taxes	\$ 4,135,397	\$ 4,089,943	\$ 4,101,701	\$ 33,696
Franchises, licenses, permits	960,223	739,163	767,425	192,798
State of Idaho shared revenue	954,367	909,176	893,837	60,530
State of Idaho sales tax	96,317	92,676	92,676	3,641
State of Idaho liquor receipts	369,662	326,785	356,785	12,877
State highway user collections	128,457	122,748	122,748	5,709
Penalty and interest on property taxes	12,694	7,135	7,135	5,559
County court and parking fines	25,998	17,346	34,586	(8,588)
Fees, fines and charges for services	3,327,107	2,799,309	3,237,049	90,058
Grants and contributions	6,271			6,271
Earnings on investments	56,490	20,000	20,000	36,490
Miscellaneous	72,930	4,402	59,402	13,528
<b>Total Revenue</b>	<u>10,145,913</u>	<u>9,128,683</u>	<u>9,693,344</u>	<u>452,569</u>
<b>EXPENDITURES:</b>				
General Government	3,859,516	3,777,144	3,862,124	2,608
Public Safety	3,727,835	3,635,947	3,635,947	(91,888)
Streets	1,470,612	1,936,986	1,659,914	189,302
Capital outlay				
Parks and Recreation	485,810	569,264	569,264	83,454
Transportation				
Affordable Housing				
Debt Service				
<b>Total Expenditures</b>	<u>9,543,773</u>	<u>9,919,341</u>	<u>9,727,249</u>	<u>183,476</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	602,140	(790,658)	(33,905)	636,045
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds	1,341,110	1,014,023	1,344,937	3,827
Operating transfers (to) other funds	<u>(2,186,288)</u>	<u>(1,031,669)</u>	<u>(2,186,288)</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	(243,038)	(808,304)	(875,256)	639,872
<b>FUND BALANCE - BEGINNING</b>	<u>3,286,682</u>	<u>3,286,682</u>	<u>3,286,682</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 3,043,644</u>	<u>2,478,378</u>	<u>\$ 2,411,426</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, 2018**

	<u>Actual Amounts</u>	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>				
Property taxes	\$ 4,643,332	\$ 4,363,000	\$ 4,503,000	\$ 140,332
Local Option sales taxes				0
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	2,448	386	386	2,062
Miscellaneous				
	<u>4,645,780</u>	<u>4,363,386</u>	<u>4,503,386</u>	<u>142,394</u>
<b>Total Revenue</b>				
<b>EXPENDITURES:</b>				
General Government	57,051	49,000	64,000	6,949
Public Safety	143,541	139,360	139,360	(4,181)
Streets				
Capital outlay				
Parks and Recreation				
Transportation	3,083,953	3,060,753	3,083,953	0
Affordable Housing				
Debt Service				
	<u>3,284,545</u>	<u>3,249,113</u>	<u>3,287,313</u>	<u>2,768</u>
<b>Total Expenditures</b>				
<b>EXCESS REVENUE (EXPENDITURES)</b>	1,361,235	1,114,273	1,216,073	145,162
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds				0
Operating transfers (to) other funds	(1,473,360)	(1,114,273)	(1,466,073)	7,287
<b>NET CHANGE IN FUND BALANCES</b>	(112,125)	0	(250,000)	152,449
<b>FUND BALANCE - BEGINNING</b>	<u>491,307</u>	<u>491,307</u>	<u>491,307</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 379,182</u>	<u>\$ 491,307</u>	<u>\$ 241,307</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, 2018**

	<u>Actual Amounts</u>	<u>Original Budget Amounts</u>	<u>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	488,087			488,087
Grants and contributions				
Earnings on investments	34,879	5,000	5,000	29,879
Miscellaneous	84,243	76,000	76,000	8,243
	<u>607,209</u>	<u>81,000</u>	<u>81,000</u>	<u>526,209</u>
<b>Total Revenue</b>				
<b>EXPENDITURES:</b>				
General Government				0
Public Safety				
Streets				
Capital outlay	19,073	1,814,056	1,814,056	(1,794,983)
Parks and Recreation				
Transportation				
Affordable Housing	70,000	70,000	70,000	0
Debt Service				
	<u>89,073</u>	<u>1,884,056</u>	<u>1,884,056</u>	<u>(1,794,983)</u>
<b>Total Expenditures</b>				
<b>EXCESS REVENUE (EXPENDITURES)</b>	518,136	(1,803,056)	(1,803,056)	(1,268,774)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds				
Operating transfers (to) other funds				
<b>NET CHANGE IN FUND BALANCES</b>	518,136	(1,803,056)	(1,803,056)	(1,268,774)
<b>FUND BALANCE - BEGINNING</b>	<u>1,900,383</u>	<u>1,900,383</u>	<u>1,900,383</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,418,519</u>	<u>\$ 97,327</u>	<u>\$ 97,327</u>	



**CITY OF KETCHUM, IDAHO**  
**PUBLIC EMPLOYEE PENSION INFORMATION**  
For the year ended September 30, 2018

**Required Supplementary Information**

**Schedule of Employer's Share of Net Pension Liability**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	.0799402%	.0866389%	.0857958%	.0889864%
Employer's proportionate share of the net pension liability	\$ 1,179,132	\$ 1,361,816	\$ 1,739,214	\$ 1,171,806
Employer's covered-employee payroll	3,742,286	3,585,052	3,435,203	2,691,486
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	31.51%	37.99%	50.63%	43.54%
Plan fiduciary net position as a percentage of the total pension liability	3051.24%	1988.07%	1439.94%	1794.56%

\* GASB Statement No. 68 required ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Data reported is measured as of June 30, 2018

**Schedule of Employer's Contributions**  
**PERSI - Base Plan**  
**Last 10 - Fiscal Years\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 455,247	\$ 445,468	\$ 425,702	\$ 393,730
Contributions in relation to the statutorily required contribution	(455,247)	(445,468)	(425,702)	(393,730)
Contribution (deficiency) excess	0	0	0	0
Employer's covered-employee payroll	3,742,286	3,585,052	3,435,203	2,691,486
Contributions as a percentage of covered-employee payroll	12.16%	12.43%	12.39%	14.63%

**OTHER  
SUPPLEMENTARY INFORMATION**

**CITY OF KETCHUM, IDAHO**  
**Combining Balance Sheets**  
**Combining Other Governmental Funds**  
**at September 30, 2018**

	<u>General Capital Improvement Fund</u>	<u>Street Capital Improvement Fund</u>	<u>Law Enforce Capital Improvement Fund</u>	<u>Fire/Rescue Capital Improvement Fund</u>
<b>ASSETS:</b>				
Cash and Cash Deposits	\$ 1,148,776	\$ 398,935	\$ 18,025	\$ 472,559
Taxes Receivable				
Due From Other Governments				
<b>Total Assets</b>	<u>\$ 1,148,776</u>	<u>\$ 398,935</u>	<u>\$ 18,025</u>	<u>\$ 472,559</u>
<b>LIABILITIES:</b>				
Accounts Payable	\$	\$	\$	\$
Funds Held in Trust				
Due To Other Funds				
<b>Total Liabilities</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE:</b>				
Non-spendable				
Restricted				
Committed				
Assigned	1,148,776	398,935	18,025	472,559
Unassigned				
<b>Total Fund Balance</b>	<u>1,148,776</u>	<u>398,935</u>	<u>18,025</u>	<u>472,559</u>
<b>Total Liabilities and Fund Balance</b>	<u>\$ 1,148,776</u>	<u>\$ 398,935</u>	<u>\$ 18,025</u>	<u>\$ 472,559</u>

The accompanying notes are a part of these financial statements.

<u>Parks Capital Improvement Fund</u>	<u>GO Bond Debt 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>
\$ 12,084	\$ 1,945	\$ 9,731	\$ 97,154	\$ 38,219	\$ 166,601	\$ 2,364,029
						0
						0
<u>\$ 12,084</u>	<u>\$ 1,945</u>	<u>\$ 9,731</u>	<u>\$ 97,154</u>	<u>\$ 38,219</u>	<u>\$ 166,601</u>	<u>\$ 2,364,029</u>
\$	\$	\$	\$	\$	\$	\$ 0
				38,219		38,219
						0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>38,219</u>	<u>0</u>	<u>38,219</u>
						0
			97,154		166,601	263,755
12,084	1,945	9,731				0
						2,062,055
						0
<u>12,084</u>	<u>1,945</u>	<u>9,731</u>	<u>97,154</u>	<u>0</u>	<u>166,601</u>	<u>2,325,810</u>
<u>\$ 12,084</u>	<u>\$ 1,945</u>	<u>\$ 9,731</u>	<u>\$ 97,154</u>	<u>\$ 38,219</u>	<u>\$ 166,601</u>	<u>\$ 2,364,029</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Combining Other Governmental Funds**  
**for the year ended September 30, 2018**

	<u>General Capital Improvement Fund</u>	<u>Street Capital Improvement Fund</u>	<u>Law Enforce Capital Improvement Fund</u>	<u>Fire/Rescue Capital Improvement Fund</u>
<b>REVENUE:</b>				
Property taxes	\$	\$	\$	\$
Local Option sales taxes				
Franchises, licenses, permits	278,780			
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				
Proceeds from sale of assets	1,469,772			
Fees and charges for services	54,016	102,295	2,358	47,166
Grants and contributions		7,800		
Earnings on investments	22,528	9,034	234	6,863
Miscellaneous	17,333			
	<u>1,842,429</u>	<u>119,129</u>	<u>2,592</u>	<u>54,029</u>
Total Revenue				
<b>EXPENDITURES:</b>				
General Government	18,260			
Public Safety	4,500			
Streets				
Capital outlay	4,139,826	468,623		153,687
Parks and Recreation				
Transportation				
Affordable Housing				
Debt Service				
	<u>4,162,586</u>	<u>468,623</u>	<u>0</u>	<u>153,687</u>
Total Expenditures				
<b>EXCESS REVENUE (EXPENDITURES)</b>	(2,320,157)	(349,494)	2,592	(99,658)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds	2,095,088	328,331		56,000
Operating transfers (to) other funds	<u>(451,283)</u>	<u>(451,283)</u>		
<b>NET CHANGE IN FUND BALANCES</b>	(225,069)	(472,446)	2,592	(43,658)
<b>FUND BALANCE - BEGINNING</b>	<u>1,373,845</u>	<u>871,381</u>	<u>15,433</u>	<u>516,217</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,148,776</u>	<u>\$ 398,935</u>	<u>\$ 18,025</u>	<u>\$ 472,559</u>

The accompanying notes are a part of these financial statements.

<u>Parks Capital Improvement Fund</u>	<u>GO Bond Debt 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>
\$	\$	\$	\$	\$	\$	\$
						0
						0
						278,780
						0
						0
						0
						0
						0
						1,469,772
22,107		9,528		66,095		303,565
		7,625			40,892	56,317
298	302	116	1,506	12	1,830	42,723
			300			17,633
<u>22,405</u>	<u>302</u>	<u>17,269</u>	<u>1,806</u>	<u>66,107</u>	<u>42,722</u>	<u>2,168,790</u>
		142,770		66,107		227,137
						4,500
						0
					26,071	4,788,207
					22,586	22,586
						0
						0
	149,400					149,400
<u>0</u>	<u>149,400</u>	<u>142,770</u>	<u>0</u>	<u>66,107</u>	<u>48,657</u>	<u>5,191,830</u>
22,405	(149,098)	(125,501)	1,806	0	(5,935)	(3,023,040)
	149,900	132,250			32,000	2,793,569
<u>(23,748)</u>						<u>(475,031)</u>
(1,343)	802	6,749	1,806	0	26,065	(704,502)
<u>13,427</u>	<u>1,143</u>	<u>2,982</u>	<u>95,348</u>	<u>0</u>	<u>140,536</u>	<u>3,030,312</u>
<u>\$ 12,084</u>	<u>\$ 1,945</u>	<u>\$ 9,731</u>	<u>\$ 97,154</u>	<u>\$ 0</u>	<u>\$ 166,601</u>	<u>\$ 2,325,810</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2018**

	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%				
	4.33%	2019	\$ 131,000	\$ 18,007
	4.38%	2020	137,000	12,336
	4.43%	2021	143,000	6,335
			\$ 411,000	\$ 36,678

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2018**

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Water Revenue Bond:				
Water Refunding Bond 2016				
\$ 1,697,000, September 8, 2016				
1.74%				
	1.74%	2019	\$ 143,000	\$ 24,551
	1.74%	2020	145,000	22,064
	1.74%	2021	151,000	19,540
	1.74%	2022	152,000	16,912
	1.74%	2023	157,000	14,269
	1.74%	2024	162,000	11,537
	1.74%	2025	162,000	8,717
	1.74%	2026	166,000	5,899
	1.74%	2027	173,000	3,010
			\$ 1,411,000	\$ 126,499

The accompanying notes are a part of these financial statements.



**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2018**

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Water Revenue Bond:				
Water Revenue Refunding Bonds 2015				
\$2,310,000, September 2, 2015				
2.00% - 5.00%				
	2.00%	2019	\$ 30,000	\$ 110,075
	3.00%	2020	30,000	109,475
	3.00%	2021	30,000	108,575
	4.00%	2022	30,000	107,675
	3.25%	2023	30,000	106,475
	5.00%	2024	30,000	105,500
	5.00%	2025	35,000	104,000
	5.00%	2026	35,000	102,250
	5.00%	2027	30,000	100,500
	5.00%	2028	255,000	99,000
	5.00%	2029	270,000	86,250
	5.00%	2030	285,000	72,750
	5.00%	2031	295,000	58,500
	5.00%	2032	310,000	43,750
	5.00%	2033	330,000	28,250
	5.00%	2034	235,000	11,750
			\$ 2,260,000	\$ 1,354,775

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2018**

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Wastewater Revenue Bond:				
Wastewater Revenue Refunding Bonds 2014				
\$1,950,000, November 18, 2014				
2.00% - 5.00%				
	3.00%	2019	\$ 185,000	\$ 71,300
	5.00%	2020	195,000	65,750
	5.00%	2021	205,000	56,000
	5.00%	2022	215,000	45,750
	5.00%	2023	220,000	35,000
	5.00%	2024	230,000	24,000
	5.00%	2025	250,000	12,500
			\$ 1,500,000	\$ 310,300
			\$ 1,500,000	\$ 310,300

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 9, 2018

To the City Council  
City of Ketchum, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ketchum, Idaho, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Ketchum, Idaho's basic financial statements, and have issued our report thereon dated November 9, 2018.

**Internal Control over Financial Reporting**

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

Our consideration of 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 our audit we did not identify any deficiencies in internal control that we 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 of Ketchum, Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report Continued—

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Workman & Company*

WORKMAN AND COMPANY  
Certified Public Accountants  
Twin Falls, Idaho