

**CITY OF KETCHUM, IDAHO**

**Financial Statements**

**Year Ended September 30, 2009**

**CITY OF KETCHUM, IDAHO**  
**Financial Statements**  
**For the year ended September 30, 2009**

**Table of Contents**

Independent Auditor's Report .....	1
Required Supplementary Information - Part I	
Management's Discussion and Analysis .....	2-10
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets .....	11
Statement of Activities .....	12
Fund Financial Statements:	
Balance Sheet .....	13-14
Statement of Revenues, Expenditures and Changes in Fund Balances .....	15-16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	17
Proprietary Funds:	
Statement of Net Assets .....	18
Statement of Revenues, Expenditures, and Changes in Net Assets .....	19
Statement of Cash Flows .....	20
Notes to the Financial Statements .....	21-29
Required Supplementary Information - Part II	
General Fund Budgetary Comparison Schedule .....	30
City Sales Tax Fund Budgetary Comparison Schedule .....	31
General Obligation Bond Debt Fund Budgetary Comparison Schedule .....	32
Capital Improvement Fund Budgetary Comparison Schedule .....	33
In-Lieu Housing Fund Budgetary Comparison Schedule .....	34
Wagon Days Fund Budgetary Comparison Schedule .....	35
Police Trust Fund Budgetary Comparison Schedule .....	36
Planning and Zoning Trust Fund Budgetary Comparison Schedule .....	37
Supplementary Information - Part III	
Bond - Future Principal and Interest Requirements .....	38-42
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of the General Purpose Financial Statements Performed in Accordance with Government Auditing Standards .....	43-45

**DB DENNIS R. BROWN**  
**Certified Public Accountant**

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INDEPENDENT AUDITOR'S REPORT

November 3, 2009

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

I have audited the accompanying financial statements of the governmental activities, the business-type activities, and the discretely presented component unit of the City of Ketchum, Idaho, as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Ketchum, Idaho's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, and the discretely presented component unit of the City of Ketchum, Idaho as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated November 3, 2009, on my consideration of the City of Ketchum, Idaho's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

The management's discussion and analysis and budgetary comparison information, on pages 2-10 and 30-37, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Also, the information presented as supplementary information on pages 38-42 is not a required part of the basic financial statements. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



DENNIS R. BROWN  
Certified Public Accountant



## CITY OF KETCHUM, IDAHO

### Management's Discussion and Analysis

November 3, 2009

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 \$ 19,257,227. Of that amount, \$ 1,807,763 (unrestricted net assets) may be used to meet future obligations and programs.
- The Local Option Tax (LOT) receipts declined drastically from the previous year. The General Fund received an amount of, \$ 1,562,275.
- General Fund Revenues were \$9,613,806 and expenditures were \$8,701,105.
- Construction at the Wastewater Treatment Plant and Water Distribution System improvements are complete, funded by voter approved revenue bonds.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### Government-wide Financial Statements

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

##### Fund Financial Statements

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

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

Continued...

	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 assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net assets * Statement of revenues, expenses, and changes in net assets * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	* Revenues for which cash is received during or soon after the end of the year * Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

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

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

**CONDENSED FINANCIAL INFORMATION**

Condensed Statement of Net Assets

The largest component (\$ 16,078,096) of the City's net assets reflects its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and others), less any related debt outstanding that was needed to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, these net assets are not eligible for future spending. Restricted net assets total \$ 1,371,368. Restricted net assets

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

Continued...

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

Table 2 below presents the City's condensed statement of net assets as of September 30, 2009, derived from the government-wide Statement of Net Assets.

	Governmental Activities	Business- Type Activities	Total Primary Government
Current and other assets	\$ 1,932,151	\$ 1,811,218	\$ 3,743,369
Capital assets	11,513,776	14,701,039	26,214,815
<b>Total Assets</b>	<b>13,445,927</b>	<b>16,512,257</b>	<b>29,958,184</b>
Current Liabilities	232,428	307,040	539,468
Long-term liabilities	1,683,891	8,477,598	10,161,489
<b>Total Liabilities</b>	<b>1,916,319</b>	<b>8,784,638</b>	<b>10,700,957</b>
Net assets:			
Invested in capital assets net of related debt	10,017,057	6,061,039	16,078,096
Restricted	780,606	590,762	1,371,368
Unrestricted	731,945	1,075,818	1,807,763
<b>Total Net Assets</b>	<b>\$ 11,529,608</b>	<b>\$ 7,727,619</b>	<b>\$ 19,257,227</b>

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the fiscal year ended September 30, 2009 as derived from the government-wide Statement of Activities. Over time, increases and decreases in net assets measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net assets of the governmental activities increased by \$ 365,721 or 3.28% percent, and the net assets of the business-type activities decreased by \$ 395,605 or 4.87%.

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

Continued...

**Table 3: Condensed Statement of Activities**  
**As of September 30, 2009**

	Governmental Activities	Business- type Activities	Total Primary Government	Urban Renewal Agency
<b>Revenue:</b>				
Program revenues				
Charges for services	\$ 2,051,545	\$ 2,595,200	\$ 4,646,745	\$
Capital grants /contributions	479,313		479,313	
Total program revenues	<u>2,530,858</u>	<u>2,595,200</u>	<u>5,126,058</u>	<u>0</u>
General revenues				
Taxes	4,591,720		4,591,720	460,357
Franchise, licenses, permits	665,212		665,212	
State shared revenues	1,317,330		1,317,330	
Interest	16,562	31,526	48,088	10,745
Other revenues	200,179		200,179	477
Total general revenues	<u>6,791,003</u>	<u>31,526</u>	<u>6,822,529</u>	<u>471,579</u>
Total revenues	<u>9,321,861</u>	<u>2,626,726</u>	<u>11,948,587</u>	<u>471,579</u>
<b>Program expenses:</b>				
General government	2,686,935		2,686,935	
Public safety	3,169,054		3,169,054	
Streets	1,290,269		1,290,269	
Parks and recreation	707,907		707,907	
Transportation	497,610		497,610	
Affordable Housing	70,000		70,000	179,959
Unallocated Depreciation	473,878		473,878	
Wastewater		1,237,209	1,237,209	
Water		1,404,300	1,404,300	
Interest, long-term debt	60,487	380,822	441,309	236,901
Total program expenses	<u>8,956,140</u>	<u>3,022,331</u>	<u>11,978,471</u>	<u>416,860</u>
<b>Change in net assets</b>	<u>365,721</u>	<u>(395,605)</u>	<u>(29,884)</u>	<u>54,719</u>
Beginning net assets	11,163,887	8,123,224	19,287,111	1,138,573
Ending net assets	<u>\$ 11,529,608</u>	<u>\$ 7,727,619</u>	<u>\$ 19,257,227</u>	<u>\$ 1,193,292</u>

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

Continued...

Program Expenses and Revenues for Governmental Activities

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

<b>Table 4: Program Expenses and Revenues for Government Activities For the Fiscal Year Ended September 30, 2009</b>			
	Program Expenses	Program Revenues	Net Expense (Revenues) (a)
General government	\$ 2,686,935	\$ 2,368,915	\$ (318,020)
Public safety	3,169,054		(3,169,054)
Streets	1,290,269		(1,290,269)
Parks and Recreation	707,907	161,943	(545,964)
Transportation	497,610		(497,610)
Affordable Housing	70,000		(70,000)
Interest on long-term debt	60,487		(60,487)
Unallocated depreciation	473,878		(473,878)
Totals	\$ 8,956,140	\$ 2,530,858	\$ (6,425,282)

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

Program Expenses and Revenues for Business-type Activities

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

<b>Table 5: Program Expenses and Revenues for Business-type Activities For the Fiscal Year Ended September 30, 2009</b>			
City Programs	Program Expenses	Program Revenues	Net Program Expenses (Revenues)
Wastewater	\$ 1,237,209	\$ 1,086,687	\$ (150,522)
Water	1,404,300	1,508,513	104,213
Interest on long-term debt	380,822		(380,822)
Totals	\$ 3,022,331	\$ 2,595,200	\$ (427,131)



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

Continued...

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

**Table 6: Analysis of Significant Budget Variances  
for Government Activities  
For the Fiscal Year Ended September 30, 2009**

	Original and Final Budget	Actual	Variances
<b>Revenues:</b>			
Taxes (including penalties/interest)	\$ 5,816,488	\$ 4,601,963	\$ (1,214,525)
Franchises, licenses, permits	917,480	665,212	(252,268)
State of Idaho	1,433,251	1,317,330	(115,921)
Fees, Charges for Services	2,213,815	2,039,050	(174,765)
Other	951,350	990,251	38,901
Totals	<u>11,332,384</u>	<u>9,613,806</u>	<u>(1,714,969)</u>
<b>Expenditures:</b>			
General Government	3,167,564	2,514,383	653,181
Public Safety	3,578,264	3,169,054	409,210
Streets	1,380,995	1,215,275	165,720
Capital Outlay	1,000,000	376,890	623,110
Parks and Recreation	787,308	707,907	79,401
Transportation	513,000	497,610	15,390
Affordable Housing	70,000	70,000	0
Debt Service	149,987	149,987	0
Totals	<u>10,647,118</u>	<u>8,701,106</u>	<u>1,946,012</u>
Excess (Deficiency)	<u>\$ 685,266</u>	<u>\$ 912,700</u>	<u>\$ 231,043</u>

**BUDGET VARIANCES IN THE GENERAL FUND**

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

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

Continued...

**Table 7: Comparison of Statement of Net Assets**  
**As of September 30, 2009 and 2008**

	<u>2009</u>	<u>2008</u>	<u>Percentage Change</u>
Current Assets	\$ 3,743,369	\$ 3,847,962	-2.72%
Capital Assets	<u>26,214,815</u>	<u>27,025,964</u>	-3.00%
<b>Total Assets</b>	<u>29,958,184</u>	<u>30,873,926</u>	-2.97%
Current Liabilities	539,468	881,827	-38.82%
Long Term Liabilities	<u>10,161,489</u>	<u>10,704,988</u>	-5.08%
<b>Total Liabilities</b>	<u>10,700,957</u>	<u>11,586,815</u>	-7.65%
<b>Net Assets:</b>			
Invested in Capital Assets net of related debt	16,078,096	16,489,387	-2.49%
Restricted	1,371,368	682,811	100.00%
Unrestricted	<u>1,807,763</u>	<u>2,114,913</u>	14.52%
<b>Total Net Assets</b>	<u>\$ 19,257,227</u>	<u>\$ 19,287,111</u>	-.15%

**OVERALL ANALYSIS**

Financial highlights for the City as a whole during the fiscal year ended September 30, 2009 show the assets of the City exceeded its liabilities (net assets) at the close to the fiscal year by \$19,257,227 (for governmental activities \$11,529,608, for the business-type activities \$7,727,619). Additionally, the City's total net assets decreased during the year by \$ 29,884. Net assets of the governmental activities increased by \$ 365,721, while net assets of business-type activities decreased by \$ 395,605.

**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, 2009**

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Infrastructure	\$ 4,921,098			\$ 4,921,098
Buildings and Improvements	26,472,047	2,266,765		28,738,812
Vehicles and Equipment	7,357,280			7,357,280
Construction in Progress	1,650,561		(1,650,561)	
<b>Totals</b>	<b>40,400,986</b>	<b>2,266,765</b>	<b>(1,650,561)</b>	<b>41,017,190</b>
Accumulated Depreciation	(13,771,339)	(1,031,036)		(14,802,375)
Net Book Value	\$ 26,629,647			\$ 26,214,815

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

Capital Asset Activity

At September 30, 2009, the City reported \$11,513,776 in capital assets for governmental activities and \$14,701,039 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 \$ 1,847,582. The fund balance increased \$ 912,701 during the fiscal year. The increase is the result of \$9,613,806 of revenues reduced by \$ 8,701,105 of expenditures. During the prior fiscal year (FY 2007-08) the City's governmental funds reported a significant reduction in the combined ending fund balance due to purchases of capital assets. Shortly thereafter, during FY 2008-09, it became apparent that the City's governmental fund revenue collections were seeing significant reductions due to a faltering economy. Given the dual conditions of a reduced fund balance and declining revenue collections, the City instituted an aggressive program of spending reductions. The reductions were designed to offset projected revenue losses and increase the fund balance. The resulting \$912,701 increase in the combined fund balance demonstrates that the City's proactive efforts to protect and strengthen its financial position have been effective. The accomplishment is due to the commitment and determination of the City Council and staff to make difficult budget decisions during a time of significant economic distress. 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, 2009**

	Investment in Capital Assets	Restricted	Unrestricted	Total Balance
General Fund	\$		\$ 1,151,545	\$ 1,151,545
City Sales Tax Fund		64		64
GO Bond Debt Fund		51,514		51,514
Capital Improvement Fund		(2,206)		(2,206)
In-Lieu Housing Fund		454,437		454,437
Wagon Days Fund		27,043		27,043
Police Trust Fund		165,185		165,185
Enterprise Funds:				
Water	1,259,929	149,017	306,854	1,715,800
Wastewater	4,801,110	441,745	798,964	6,011,819

**REQUESTS FOR INFORMATION**

Requests for information regarding City finances should be directed to:

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

**ACKNOWLEDGMENTS**

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

Respectfully submitted,

Gary B. Marks  
CITY ADMINISTRATOR

**CITY OF KETCHUM, IDAHO**  
**Statement of Net Assets**  
**at September 30, 2009**

	<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 Cash Equivalents	\$ 871,390	\$ 1,114,503	\$ 1,985,893	\$ 258,546
Accounts Receivable & Prepaid Expenses	6,276	21,818	28,094	
Taxes Receivable	58,441		58,441	
Due From Other Governments	215,438	84,135	299,573	
Restricted Cash	780,606	590,762	1,371,368	
Totals	<u>1,932,151</u>	<u>1,811,218</u>	<u>3,743,369</u>	<u>258,546</u>
Capital Assets:				
Land	4,347,889	15,380	4,363,269	6,494,746
Infrastructure	557,829		557,829	
Buildings and Improvements	6,427,654	22,311,158	28,738,812	
Equipment and Vehicles	6,747,561	609,719	7,357,280	
Accumulated Depreciation	(6,567,157)	(8,235,218)	(14,802,375)	
Total Capital Assets	<u>11,513,776</u>	<u>14,701,039</u>	<u>26,214,815</u>	<u>6,494,746</u>
<b>Total Assets</b>	<u>13,445,927</u>	<u>16,512,257</u>	<u>29,958,184</u>	<u>6,753,292</u>
<b><u>LIABILITIES</u></b>				
Accounts and Interest Payable	84,569	47,040	131,609	
Due To Other Funds				
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	92,000	260,000	352,000	
Capital Leases	55,859		55,859	
Portion due or payable after one year:				
Bonds and Loans Payable	1,293,000	8,380,000	9,673,000	5,560,000
Capital Leases	55,860		55,860	
Compensated Absences	335,031	97,598	432,629	
<b>Total Liabilities</b>	<u>1,916,319</u>	<u>8,784,638</u>	<u>10,700,957</u>	<u>5,560,000</u>
<b><u>NET ASSETS</u></b>				
Invested in Capital Assets - net of related debt	10,017,057	6,061,039	16,078,096	934,746
Restricted For:				
Debt Service		590,762	590,762	
Other Purposes	780,606		780,606	258,546
Unrestricted	731,945	1,075,818	1,807,763	
<b>Total Net Assets</b>	<u>\$ 11,529,608</u>	<u>\$ 7,727,619</u>	<u>\$ 19,257,227</u>	<u>\$ 1,193,292</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Statement of Activities**  
**For the Year Ended September 30, 2009**

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	\$ 2,686,935	\$ 1,889,602	\$ 479,313	\$ (318,020)		\$ (318,020)	
Public Protection:							
Public Safety	3,169,054			(3,169,054)		(3,169,054)	
Streets	1,290,269			(1,290,269)		(1,290,269)	
Parks and Recreation	707,907	161,943		(545,964)		(545,964)	
Transportation	497,610			(497,610)		(497,610)	
Affordable Housing	70,000			(70,000)		(70,000)	
Interest - on long-term debt	60,487			(60,487)		(60,487)	
Unallocated Depreciation	473,878			(473,878)		(473,878)	
Total Governmental Activities	<u>8,956,140</u>	<u>2,051,545</u>	<u>479,313</u>	<u>(6,425,282)</u>		<u>(6,425,282)</u>	
<b>Business Type:</b>							
Water	1,237,209	1,086,687			\$ (150,522)	(150,522)	
Wastewater	1,404,300	1,508,513			104,213	104,213	
Interest - on long-term debt	380,822				(380,822)	(380,822)	\$ (236,901)
Total Business-type Activities	<u>3,022,331</u>	<u>2,595,200</u>			<u>(427,131)</u>	<u>(427,131)</u>	
Total City of Ketchum, Idaho	<u>\$ 11,978,471</u>	<u>\$ 4,646,745</u>	<u>\$ 479,313</u>	<u>(6,425,282)</u>	<u>(427,131)</u>	<u>(6,852,413)</u>	
<b>Component Units:</b>							
Urban Renewal Agency	\$ 179,959						(179,959)
Total							(416,860)
<b>General Revenues:</b>							
Property taxes				3,029,445		3,029,445	460,357
Local Option sales taxes				1,562,275		1,562,275	
Franchises, licenses, permits				665,212		665,212	
State of Idaho revenue sharing				824,082		824,082	
State of Idaho sales tax				72,662		72,662	
State of Idaho liquor receipts				308,295		308,295	
State highway user collections				112,291		112,291	
Penalty and interest on property taxes				10,243		10,243	477
County court fines				21,316		21,316	
Earnings on investments				16,562	31,526	48,088	10,745
Miscellaneous				168,620		168,620	
Gain on Sale of Assets						0	
Total general revenues and transfers				<u>6,791,003</u>	<u>31,526</u>	<u>6,822,529</u>	<u>471,579</u>
Changes in net assets				365,721	(395,605)	(29,884)	54,719
Net Assets - Beginning				11,163,887	8,123,224	19,287,111	1,138,573
Net Assets - Ending				<u>\$ 11,529,608</u>	<u>\$ 7,727,619</u>	<u>\$ 19,257,227</u>	<u>\$ 1,193,292</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Balance Sheet**  
**Governmental Funds**  
for the year ended September 30, 2009

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>GO Bond Debt Fund</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 871,390	\$ 64	\$ 51,514
Taxes Receivable	58,441		
Prepaid Expenses	6,276		
Due From Other Governments	<u>215,438</u>		
 Total Assets	 <u>\$ 1,151,545</u>	 <u>64</u>	 <u>51,514</u>
 <b>LIABILITIES:</b>			
Accounts Payable			
Funds Held in Trust			
Due To Other Funds			
 Total Liabilities	 <u>0</u>	 <u>0</u>	 <u>0</u>
 <b>FUND BALANCE:</b>			
General Fund	1,151,545		
Special Revenue Funds		64	
Debt Service Funds			51,514
Capital Project Funds			
 Total Fund Balance	 <u>1,151,545</u>	 <u>64</u>	 <u>51,514</u>
 Total Liabilities and Fund Balance	 <u>\$ 1,151,545</u>	 <u>\$ 64</u>	 <u>\$ 51,514</u>

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

Governmental fund capital assets are not financial resources and therefore are not reported in the funds.  
The cost of assets is \$ 18,080,933 and the accumulated depreciation is \$ 6,567,157 .....

Long-term liabilities, including bonds, capital leases payable and compensated absences are not payable in the current period and therefore are not reported in the governmental funds .....

Net Assets of Governmental Funds .....

The accompanying notes are a part of these financial statements.

<u>Capital Improvement Fund</u>	<u>In-Lieu Housing Fund</u>	<u>Wagon Days Fund</u>	<u>Police Trust Fund</u>	<u>Planning &amp; Zoning Trust Fund</u>	<u>Total Governmental Funds</u>
\$ (2,206)	454,437	\$ 27,043	\$ 165,185	\$ 84,569	\$ 1,651,996
					58,441
					6,276
					215,438
<u>(2,206)</u>	<u>454,437</u>	<u>27,043</u>	<u>165,185</u>	<u>84,569</u>	<u>1,932,151</u>
					0
				84,569	84,569
					0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>84,569</u>	<u>84,569</u>
					1,151,545
	454,437	27,043	165,185	0	646,729
<u>(2,206)</u>					51,514
					<u>(2,206)</u>
<u>(2,206)</u>	<u>454,437</u>	<u>27,043</u>	<u>165,185</u>	<u>0</u>	<u>1,847,582</u>
\$ <u>(2,206)</u>	\$ <u>454,437</u>	\$ <u>27,043</u>	\$ <u>165,185</u>	\$ <u>84,569</u>	\$
					11,513,776
					<u>(1,831,750)</u>
					\$ <u>11,529,608</u>

The accompanying notes are a part of these financial statements.



**CITY OF KETCHUM, IDAHO**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**for the year ended September 30, 2009**

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>GO Bond Debt Fund</u>
<b>REVENUE:</b>			
Property taxes	\$ 3,029,445	\$	\$
Local Option sales taxes		1,562,275	
Franchises, licenses, permits	475,999		
State of Idaho shared revenue	824,082		
State of Idaho sales tax	72,662		
State of Idaho liquor receipts	308,295		
State highway user collections	112,291		
Penalty and interest on property taxes	10,243		
County court fines	21,316		
Fees, fines and charges for services	1,910,619		
Grants and contributions	7,983		
Earnings on investments	3,703		921
Miscellaneous	458,674		
	<u>7,235,312</u>	<u>1,562,275</u>	<u>921</u>
<b>Total Revenue</b>			
<b>EXPENDITURES:</b>			
General Government	2,336,428		500
Public Safety	3,169,054		
Streets	1,215,275		
Capital outlay	142,650		
Parks and Recreation	707,907		
Transportation	497,610		
Affordable Housing			
Debt Service			149,486
	<u>8,068,924</u>	<u>0</u>	<u>149,986</u>
<b>Total Expenditures</b>			
<b>EXCESS REVENUE (EXPENDITURES)</b>	(833,612)	1,562,275	(149,065)
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	1,562,275		149,487
Operating transfers (to) other funds	<u>(224,487)</u>	<u>(1,562,275)</u>	
<b>NET CHANGE IN FUND BALANCES</b>	504,176	0	422
<b>FUND BALANCE - BEGINNING</b>	<u>647,369</u>	<u>64</u>	<u>51,092</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,151,545</u>	<u>\$ 64</u>	<u>\$ 51,514</u>

The accompanying notes are a part of these financial statements.

<u>Capital Improvement Fund</u>	<u>In-Lieu Housing Fund</u>	<u>Wagon Days Fund</u>	<u>Police Trust Fund</u>	<u>Planning &amp; Zoning Trust Fund</u>	<u>Total Governmental Funds</u>
\$		\$	\$	\$	\$
189,213					3,029,445
					1,562,275
					665,212
					824,082
					72,662
					308,295
					112,291
					10,243
					21,316
15,742	98,037	14,652		12,495	2,051,545
450,460		20,870			479,313
2,930	5,911	448	2,423	226	16,562
			1,891		460,565
<u>658,345</u>	<u>103,948</u>	<u>35,970</u>	<u>4,314</u>	<u>12,721</u>	<u>9,613,806</u>
2,495	5,312	122,879	29,197	18,072	2,514,883
					3,169,054
234,240					1,215,275
					376,890
					707,907
					497,610
	70,000				70,000
					149,486
<u>236,735</u>	<u>75,312</u>	<u>122,879</u>	<u>29,197</u>	<u>18,072</u>	<u>8,701,105</u>
421,610	28,636	(86,909)	(24,883)	(5,351)	912,701
		75,000			1,786,762
					(1,786,762)
421,610	28,636	(11,909)	(24,883)	(5,351)	912,701
(423,816)	425,801	38,952	190,068	5,351	934,881
<u>\$ (2,206)</u>	<u>454,437</u>	<u>\$ 27,043</u>	<u>\$ 165,185</u>	<u>\$ 0</u>	<u>\$ 1,847,582</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, 2009**

Net Change in Fund Balance - Total Governmental Funds (Page 16) \$ 912,701

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.

This is the amount of current year depreciation. (473,878)

This is the amount of new Governmental Fund assets. (34,955)

This is the amount of disposed of Governmental Fund assets.

Long term liabilities are not recorded in the Governmental funds. Capital lease payments are expensed in the period that the payments are paid. Capital leases are recorded as liabilities in the Statement of Net Assets. Current year payments reduce the amount of the debt.

This is the amount of current year payments of capital leases. 55,859

This is the amount of payments on General Obligation Bonds Payable 79,000

Liability for personal leave days are not recorded in Governmental funds.

This is the decrease in compensated leave during the year. (173,006)

Change in Net Assets of Governmental Activities (Page 12) \$ 365,721

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Statement of Net Assets**  
**Proprietary Funds**  
**at September 30, 2009**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Assets:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 369,519	\$ 744,984	\$ 1,114,503
Accts receivable - customers	9,126	12,692	21,818
Accts receivable - other govts.		84,135	84,135
	<u>378,645</u>	<u>841,811</u>	<u>1,220,456</u>
<b>Restricted Current Assets:</b>			
Cash and cash equivalents	<u>149,017</u>	<u>441,745</u>	<u>590,762</u>
Total Current Assets	<u>527,662</u>	<u>1,283,556</u>	<u>1,811,218</u>
<b>Capital Assets:</b>			
Plant and equipment	11,253,296	11,682,961	22,936,257
Accumulated depreciation	<u>(4,573,367)</u>	<u>(3,661,851)</u>	<u>(8,235,218)</u>
Net Plant and equipment	<u>6,679,929</u>	<u>8,021,110</u>	<u>14,701,039</u>
<b>Total Assets</b>	<u>7,207,591</u>	<u>9,304,666</u>	<u>16,512,257</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accounts and Interest Payable	20,262	26,778	47,040
Current portion long-term debt	<u>115,000</u>	<u>145,000</u>	<u>260,000</u>
Total current liabilities	<u>135,262</u>	<u>171,778</u>	<u>307,040</u>
<b>Noncurrent Liabilities:</b>			
Bonds Payable	5,305,000	3,075,000	8,380,000
Compensated Absences Payable	<u>51,529</u>	<u>46,069</u>	<u>97,598</u>
Total noncurrent liabilities	<u>5,356,529</u>	<u>3,121,069</u>	<u>8,477,598</u>
<b>Total Liabilities</b>	<u>5,491,791</u>	<u>3,292,847</u>	<u>8,784,638</u>
<b>Net Assets:</b>			
Investment in capital assets net of related debt	1,259,929	4,801,110	6,061,039
Restricted	149,017	441,745	590,762
Unrestricted	<u>306,854</u>	<u>768,964</u>	<u>1,075,818</u>
<b>Total Net Assets</b>	<u>\$ 1,715,800</u>	<u>\$ 6,011,819</u>	<u>\$ 7,727,619</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Statement of Revenues, Expenditures, and Changes in Net Assets**  
**Proprietary Funds**  
**for the year ended September 30, 2009**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,038,220	\$ 1,487,505	\$ 2,525,725
Hookups and connections	45,634	20,872	66,506
Reimbursements and Misc.	2,833	136	2,969
<b>Total Operating Revenue</b>	<u>1,086,687</u>	<u>1,508,513</u>	<u>2,595,200</u>
<b>Operating Expenses:</b>			
Salaries and benefits	644,407	766,694	1,411,101
Administrative and supplies	280,611	392,638	673,249
Depreciation	312,191	244,968	557,159
<b>Total Operating Expenses</b>	<u>1,237,209</u>	<u>1,404,300</u>	<u>2,641,509</u>
<b>Operating Income</b>	<u>(150,522)</u>	<u>104,213</u>	<u>(46,309)</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	16,083	15,443	31,526
Interest Expense	(247,127)	(133,695)	(380,822)
Gain (Loss) on asset disposal			0
Other			
<b>Total Nonoperating</b>	<u>(231,044)</u>	<u>(118,252)</u>	<u>(349,296)</u>
<b>Income (Loss) before transfers</b>	<u>(381,566)</u>	<u>(14,039)</u>	<u>(395,605)</u>
Transfers in			
Transfers out			
<b>Net Income (Loss)</b>	<u>(381,566)</u>	<u>(14,039)</u>	<u>(395,605)</u>
<b>Total Net Assets - Beginning</b>	<u>2,097,366</u>	<u>6,025,858</u>	<u>8,123,224</u>
<b>Total Net Assets - Ending</b>	<u>\$ 1,715,800</u>	<u>\$ 6,011,819</u>	<u>\$ 7,727,619</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, 2009

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 1,085,498	\$ 1,511,196	\$ 2,596,694
Payments to suppliers	(319,778)	(465,108)	(784,886)
Payments to employees	(650,692)	(788,044)	(1,438,736)
Payments from (to) other funds			
Other receipts	2,833	136	2,969
Net cash provided (used) by operations	<u>117,861</u>	<u>258,180</u>	<u>376,041</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase and construction of capital assets	(303,344)	(312,860)	(616,204)
Proceeds from bond issue			0
Principal paid on capital debt	(110,000)	(145,000)	(255,000)
Interest paid on capital debt	<u>(246,760)</u>	<u>(134,712)</u>	<u>(381,472)</u>
Net cash provided (used) by capital and related financing activities	<u>(660,104)</u>	<u>(592,572)</u>	<u>(1,252,676)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest Income	<u>16,083</u>	<u>15,443</u>	<u>31,526</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	(526,160)	(318,949)	(845,109)
<b>Balances - Beginning of the year</b>	<u>1,044,696</u>	<u>1,505,678</u>	<u>2,550,374</u>
<b>Balances - Ending of the year</b>	<u>\$ 518,536</u>	<u>\$ 1,186,729</u>	<u>\$ 1,705,265</u>
Displayed as:			
Pooled Cash and Investments	369,519	744,984	1,114,503
Restricted Assets	<u>149,017</u>	<u>441,745</u>	<u>590,762</u>
<b>Balances - Ending of the year</b>	<u>\$ 518,536</u>	<u>\$ 1,186,729</u>	<u>\$ 1,705,265</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income (Loss)	(150,522)	104,213	(46,309)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	312,191	244,968	557,159
Changes in assets and liabilities:			
Receivables, net	(1,644)	(14,974)	(16,618)
Accounts and other payables	<u>(42,164)</u>	<u>(76,027)</u>	<u>(118,191)</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 117,861</u>	<u>\$ 258,180</u>	<u>\$ 376,041</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

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

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

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

**Basis of Presentation:**

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

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

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

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

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

The City reports the following governmental funds:

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

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

-Continued

The City reports the following enterprise funds:

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

**Discretely Presented Component Unit**

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

**Measurement Focus, Basis of Accounting**

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

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

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

**Deposits and Investments**

The cash balances of substantially all funds are pooled and invested by the State of Idaho Treasurer's Office for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at September 30 of each year based on market prices. The individual funds' portions of the pool's fair value are presented as "Pooled Cash and Investments". 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 Cash Equivalents**

The City considers cash and cash equivalents 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 cash equivalent.



**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

-Continued

**Receivables and Payable**

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

**Property Tax Calendar**

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

**Capital Assets**

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

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office and Other Equipment	3-15
Computer Equipment	3-15

**Compensated Absences**

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

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

-Continued

**NOTE 2 – CASH AND CASH EQUIVALENTS**

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 Cash Equivalents".

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

Cash on Hand	\$ 100
Deposits with financial institutions:	
Demand deposits	157,252
State of Idaho Investment Pool	2,777,945
Other Banks and Investments	<u>422,064</u>
Total	<u>\$3,357,261</u>

Cash and Cash Equivalents are reflected on the Statement of Net Assets as follows:

Cash and Cash Equivalents	\$1,985,893
Restricted Assets	<u>1,371,368</u>
Total	<u>\$3,357,261</u>

**Deposits**

The carrying amount of the City's deposits with financial institutions was \$157,252 and the bank balance was \$157,252. The bank balance is categorized as follows:

Amounts insured by the FDIC	<u>\$157,252</u>
Total Bank Balance	<u>\$157,252</u>

Custodial Credit Risk, Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. Custodial Credit Risk, Investments - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterpart, the City will not be able to recover the value of its investment. Credit Risk - Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. It is the City's policy to limit investments to the safest types of securities and to diversify the City's investment portfolio so that potential losses on securities will be minimized. The City follows Idaho statute that outlines qualifying investment options.

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

-Continued

**NOTE 3 – CAPITAL ASSETS**

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

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 4,347,889	\$	\$	\$ 4,347,889
Construction in Progress				
Total	<u>4,347,889</u>	<u>0</u>	<u>0</u>	<u>4,347,889</u>
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	6,427,654			6,427,654
Infrastructure	557,829			557,829
Vehicles and Equipment	6,747,561			6,747,561
Total	<u>13,733,044</u>	<u>0</u>	<u>0</u>	<u>13,733,044</u>
Less: Accumulated Depreciation:	<u>6,093,279</u>	<u>473,878</u>		<u>6,567,157</u>
Total Net Depreciated Assets	<u>7,639,765</u>	<u>473,878</u>		<u>7,165,887</u>
 Governmental capital assets, net	 <u>\$ 11,987,654</u>	 <u>\$ 473,878</u>	 <u>\$ 0</u>	 <u>\$ 11,513,776</u>
 <b>Business-type activities:</b>				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 15,380	\$	\$	\$ 15,380
Construction in Progress	1,650,561		(1,650,561)	0
Total	<u>1,665,941</u>		<u>(1,650,561)</u>	<u>15,380</u>
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	20,044,393	2,266,765		22,311,158
Vehicles and Equipment	609,719			609,719
Total	<u>20,654,112</u>	<u>2,266,765</u>	<u>0</u>	<u>22,920,877</u>
Less: Accumulated Depreciation	<u>7,678,060</u>	<u>557,158</u>		<u>8,235,218</u>
Total Net Depreciated Assets	<u>12,976,052</u>	<u>1,709,607</u>	<u>0</u>	<u>14,685,659</u>
 Business-type capital assets, net	 <u>\$ 14,641,993</u>	 <u>\$ 1,709,607</u>	 <u>\$ (1,650,561)</u>	 <u>\$ 14,701,039</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

-Continued

**NOTE 4 - BONDS PAYABLE**

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

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

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

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

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

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

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

<u>FY</u>	<u>Water Refunding Bonds 2006B</u>		<u>Sewer Revenue Bonds 2004</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2000	\$ 119,065	\$ 100,000	\$ 62,160	\$ 80,000
2011	115,065	105,000	59,479	85,000
2012	110,865	105,000	56,610	85,000
2013	106,665	110,000	53,547	90,000
2014-2027	<u>830,727</u>	<u>2,240,000</u>	<u>345,706</u>	<u>1,355,000</u>
Total	<u>\$1,282,387</u>	<u>\$ 2,660,000</u>	<u>\$577,502</u>	<u>\$1,695,000</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

Bonds Payable – Continued

<u>FY</u>	<u>Sewer Revenue Bonds 2006A</u>		<u>Water Revenue Bonds 2006A</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 67,495	\$ 65,000	\$ 124,077	\$ 15,000
2011	64,895	70,000	123,478	15,000
2012	62,095	75,000	122,877	20,000
2013	59,095	75,000	122,077	20,000
2014-2035	<u>386,010</u>	<u>1,240,000</u>	<u>2,114,426</u>	<u>2,690,000</u>
Total	\$ <u>639,590</u>	\$ <u>1,525,000</u>	\$ <u>2,606,935</u>	\$ <u>2,760,000</u>

General Obligation Bonds Series June 5, 2007

<u>FY</u>	<u>Interest</u>	<u>Principal</u>
2010	\$ 57,131	\$ 92,000
2011	53,617	96,000
2012	49,902	100,000
2013	46,012	103,000
2014-2021	<u>201,204</u>	<u>994,000</u>
Total	\$ <u>407,866</u>	\$ <u>1,385,000</u>

**NOTE 5 - INSTALLMENT OBLIGATIONS/LEASE PURCHASES**

Commitments under lease agreements for facilities and equipment provide for minimum annual rental payments as follows:

	<u>Facilities</u>	<u>Equipment</u>	<u>Total</u>
2010	\$ 0	\$ 55,859	\$ 55,859
2011	<u>0</u>	<u>55,860</u>	<u>55,860</u>
Total	\$ <u>0</u>	\$ <u>111,719</u>	\$ <u>111,719</u>

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

-Continued

**NOTE 6 – MISCELLANEOUS REVENUES, GOVERNMENTAL FUND TYPES**

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

	<u>General</u>	<u>Police Trust</u>
Rents	\$ 20,724	\$
Sale of Fixed Assets	519	
URA Fund Reimbursement	291,945	
Health Insurance Refunds	90,933	
LID Project Fees	1,477	
Miscellaneous	<u>53,076</u>	<u>1,891</u>
Total	<u>\$ 458,674</u>	<u>\$1,891</u>

**NOTE 7 – LITIGATION**

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

**NOTE 8 – RESTRICTED NET ASSETS**

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

	<u>General Fund</u>	<u>Enterprise Funds</u>
Police Trust Cash	\$ 165,185	
Planning & Zoning Trust Cash	84,569	
In-Lieu Housing Cash	454,437	
Wagon Days Cash	27,043	
General Obligation Bond Cash	51,514	
Miscellaneous Other Cash	(2,142)	
Water Revenue Bond Debt Service		\$ 149,017
Wastewater Bonds Debt Service		<u>441,745</u>
Totals	<u>\$ 780,606</u>	<u>\$ 590,762</u>

**NOTE 9 – RISK MANAGEMENT**

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

**CITY OF KETCHUM, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2009**

-Continued

**NOTE 10 - PENSION PLAN**

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

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

For the current year, the required contribution rate for general employees was 6.23% and 7.65% of covered payroll for the City of Ketchum, Idaho and its employees, respectively, and 10.39% and 10.73% for police/firefighter employees, for the City of Ketchum, Idaho and its employees, respectively. The City of Ketchum, Idaho contributions required and paid were \$542,368, \$607,639, and \$397,000 for the three years ended September 30, 2009, 2008, and 2007 respectively.

**NOTE 11 - KETCHUM URBAN RENEWAL AGENCY**

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

**CITY OF KETCHUM, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- General Fund**  
**for the year ended September 30, 2009**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$ 3,019,288	\$ 3,029,445	\$ 10,157
Local Option sales taxes			
Franchises, licenses, permits	742,480	475,999	(266,481)
State of Idaho shared revenue	950,331	824,082	(126,249)
State of Idaho sales tax	80,717	72,662	(8,055)
State of Idaho liquor receipts	285,000	308,295	23,295
State highway user collections	117,203	112,291	(4,912)
Penalty and interest on property taxes	15,000	10,243	(4,757)
County court fines	20,000	21,316	1,316
Fees, fines and charges for services	1,844,199	1,910,619	66,420
Grants and contributions	4,800	7,983	3,183
Earnings on investments	30,000	3,703	(26,297)
Miscellaneous	53,200	458,674	405,474
	<u>7,162,218</u>	<u>7,235,312</u>	<u>73,094</u>
<b>Total Revenue</b>			
<b>EXPENDITURES:</b>			
General Government	2,775,964	2,336,428	439,536
Public Safety	3,578,264	3,169,054	409,210
Streets	1,380,995	1,215,275	165,720
Capital outlay	120,000	142,650	(22,650)
Parks and Recreation	787,308	707,907	79,401
Transportation	513,000	497,610	15,390
Affordable Housing			
Debt Service			
	<u>9,155,531</u>	<u>8,068,924</u>	<u>1,086,607</u>
<b>Total Expenditures</b>			
<b>EXCESS REVENUE (EXPENDITURES)</b>	(1,993,313)	(833,612)	1,159,701
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	2,217,800	1,562,275	(655,525)
Operating transfers (to) other funds	(224,487)	(224,487)	0
	<u>0</u>	<u>504,176</u>	<u>504,176</u>
<b>NET CHANGE IN FUND BALANCES</b>			
<b>FUND BALANCE - BEGINNING</b>	<u>0</u>	<u>647,369</u>	<u>647,369</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 0</u>	<u>\$ 1,151,545</u>	<u>\$ 1,151,545</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, 2009**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$	\$	\$
Local Option sales taxes	2,500,000	1,562,275	(937,725)
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			
Miscellaneous			
	<u>2,500,000</u>	<u>1,562,275</u>	<u>(937,725)</u>
<b>Total Revenue</b>	<u>2,500,000</u>	<u>1,562,275</u>	<u>(937,725)</u>
<b>EXPENDITURES:</b>			
General Government			
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	<u>2,500,000</u>	<u>1,562,275</u>	<u>(937,725)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds	<u>(2,500,000)</u>	<u>(1,562,275)</u>	<u>937,725</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>0</u>	<u>0</u>	<u>0</u>
<b>FUND BALANCE - BEGINNING</b>	<u>64</u>	<u>64</u>	<u>0</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 64</u>	<u>\$ 64</u>	<u>\$ 0</u>

**CITY OF KETCHUM, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- General Obligation Bond Debt Fund**  
**for the year ended September 30, 2009**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits			
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services			
Grants and contributions			
Earnings on investments	500	921	421
Miscellaneous			
	<u>500</u>	<u>921</u>	<u>421</u>
<b>Total Revenue</b>	<u>500</u>	<u>921</u>	<u>421</u>
<b>EXPENDITURES:</b>			
General Government			
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service	149,987	149,986	(1)
	<u>149,987</u>	<u>149,986</u>	<u>(1)</u>
<b>Total Expenditures</b>	<u>149,987</u>	<u>149,986</u>	<u>(1)</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	(149,487)	(149,065)	422
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	149,487	149,487	0
Operating transfers (to) other funds			
	<u>149,487</u>	<u>149,487</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	0	422	422
<b>FUND BALANCE - BEGINNING</b>	<u>51,092</u>	<u>51,092</u>	<u></u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 51,092</u>	<u>\$ 51,514</u>	<u>\$ 422</u>

**CITY OF KETCHUM, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- Capital Improvement Fund**  
**for the year ended September 30, 2009**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$	\$	\$
Local Option sales taxes	282,200		(282,200)
Franchises, licenses, permits	175,000	189,213	14,213
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	286,000	15,742	(270,258)
Grants and contributions	585,000	450,460	(134,540)
Earnings on investments	5,000	2,930	(2,070)
Miscellaneous			
	<u>1,333,200</u>	<u>658,345</u>	<u>(674,855)</u>
<b>Total Revenue</b>			
<b>EXPENDITURES:</b>			
General Government	0	2,495	(2,495)
Public Safety			
Streets			
Capital outlay	880,000	234,240	645,760
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>880,000</u>	<u>236,735</u>	<u>643,265</u>
<b>Total Expenditures</b>			
<b>EXCESS REVENUE (EXPENDITURES)</b>	453,200	421,610	(31,590)
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>NET CHANGE IN FUND BALANCES</b>	453,200	421,610	(31,590)
<b>FUND BALANCE - BEGINNING</b>	<u>(423,816)</u>	<u>(423,816)</u>	<u>0</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 29,384</u>	<u>\$ (2,206)</u>	<u>\$ (31,590)</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, 2009**

	<u>Original and Final Budget Amounts</u>	<u>Actual 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	72,866	98,037	25,171
Grants and contributions			
Earnings on investments	10,000	5,911	(4,089)
Miscellaneous			
	<u>82,866</u>	<u>103,948</u>	<u>21,082</u>
<b>Total Revenue</b>			
<b>EXPENDITURES:</b>			
General Government	10,000	5,312	4,688
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing	70,000	70,000	0
Debt Service			
	<u>80,000</u>	<u>75,312</u>	<u>4,688</u>
<b>Total Expenditures</b>			
<b>EXCESS REVENUE (EXPENDITURES)</b>	<b>2,866</b>	<b>28,636</b>	<b>25,770</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<u>2,866</u>	<u>28,636</u>	<u>25,770</u>
<b>NET CHANGE IN FUND BALANCES</b>			
	<b>2,866</b>	<b>28,636</b>	<b>25,770</b>
<b>FUND BALANCE - BEGINNING</b>	<b>425,801</b>	<b>425,801</b>	<b>0</b>
	<u>425,801</u>	<u>425,801</u>	<u>0</u>
<b>FUND BALANCE - ENDING</b>	<b>\$ 428,667</b>	<b>\$ 454,437</b>	<b>\$ 25,770</b>
	<u>\$ 428,667</u>	<u>\$ 454,437</u>	<u>\$ 25,770</u>

**CITY OF KETCHUM, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- Wagon Days Fund**  
**for the year ended September 30, 2009**

	<u>Original and Final Budget Amounts</u>	<u>Actual 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	10,750	14,652	3,902
Grants and contributions	26,000	20,870	(5,130)
Earnings on investments	600	448	(152)
Miscellaneous	750		(750)
	<u>38,100</u>	<u>35,970</u>	<u>(2,130)</u>
<b>Total Revenue</b>			
<b>EXPENDITURES:</b>			
General Government	138,100	122,879	15,221
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>138,100</u>	<u>122,879</u>	<u>15,221</u>
<b>Total Expenditures</b>			
<b>EXCESS REVENUE (EXPENDITURES)</b>	(100,000)	(86,909)	13,091
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	75,000	75,000	0
Operating transfers (to) other funds			
	<u>75,000</u>	<u>75,000</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	(25,000)	(11,909)	13,091
<b>FUND BALANCE - BEGINNING</b>	<u>38,952</u>	<u>38,952</u>	<u>0</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 13,952</u>	<u>\$ 27,043</u>	<u>\$ 13,091</u>

**CITY OF KETCHUM, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- Police Trust Fund**  
**for the year ended September 30, 2009**

	<u>Original and Final Budget Amounts</u>	<u>Actual 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			0
Grants and contributions	5,500		
Earnings on investments	10,000	2,423	(7,577)
Miscellaneous		1,891	
	<u>15,500</u>	<u>4,314</u>	<u>(7,577)</u>
<b>Total Revenue</b>			
<b>EXPENDITURES:</b>			
General Government	43,500	29,197	14,303
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
	<u>43,500</u>	<u>29,197</u>	<u>14,303</u>
<b>Total Expenditures</b>			
<b>EXCESS REVENUE (EXPENDITURES)</b>	(28,000)	(24,883)	6,726
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<u>          </u>	<u>          </u>	<u>          </u>
<b>NET CHANGE IN FUND BALANCES</b>	(28,000)	(24,883)	6,726
<b>FUND BALANCE - BEGINNING</b>	<u>190,068</u>	<u>190,068</u>	<u>0</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 162,068</u>	<u>\$ 165,185</u>	<u>\$ 6,726</u>

**CITY OF KETCHUM, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- Planning and Zoning Trust Fund**  
**for the year ended September 30, 2009**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$	\$	\$
Local Option sales taxes			
Franchises, licenses, permits			
State of Idaho shared revenue			
State of Idaho sales tax			
State of Idaho liquor receipts			
State highway user collections			
Penalty and interest on property taxes			
County court fines			
Fees, fines and charges for services			
Grants and contributions			
Earnings on investments		226	226
Miscellaneous	<u>200,000</u>	<u>12,495</u>	<u>(187,505)</u>
<b>Total Revenue</b>	<u>200,000</u>	<u>12,721</u>	<u>(187,279)</u>
<b>EXPENDITURES:</b>			
General Government	200,000	18,072	181,928
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service			
<b>Total Expenditures</b>	<u>200,000</u>	<u>18,072</u>	<u>181,928</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	0	(5,351)	(5,351)
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
<b>NET CHANGE IN FUND BALANCES</b>	0	(5,351)	(5,351)
<b>FUND BALANCE - BEGINNING</b>	<u>5,351</u>	<u>5,351</u>	<u>0</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 5,351</u>	<u>\$ 0</u>	<u>\$ (5,351)</u>

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2009**

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
General Obligation Bond:				
\$1,550,000 General Obligation Bonds				
Series June 5, 2007	3.82%	2010	\$ 92,000	\$ 57,131
3.72% - 4.43%	3.87%	2011	96,000	53,617
	3.89%	2012	100,000	49,902
	3.94%	2013	103,000	46,012
	3.99%	2014	108,000	41,954
	4.03%	2015	112,000	37,644
	4.08%	2016	116,000	33,131
	4.13%	2017	121,000	28,397
	4.28%	2018	126,000	23,400
	4.33%	2019	131,000	18,007
	4.38%	2020	137,000	12,336
	4.43%	2021	143,000	6,335
			<u>\$ 1,385,000</u>	<u>\$ 407,866</u>

The accompanying notes are a part of these financial statements.



**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2009**

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Revenue Bond:				
Water Refunding Bond 2006B				
\$3,030,000, May 11, 2006	4.00%	2010	\$ 100,000	\$ 119,065
4.00% - 5.00%	4.00%	2011	105,000	115,065
	4.00%	2012	105,000	110,865
	5.00%	2013	110,000	106,665
	5.00%	2014	120,000	101,165
	5.00%	2015	125,000	95,165
	5.00%	2016	130,000	88,915
	4.00%	2017	135,000	82,415
	4.20%	2018	145,000	77,015
	4.25%	2019	145,000	70,925
	4.25%	2020	150,000	64,763
	4.20%	2021	160,000	58,387
	4.25%	2022	165,000	51,667
	4.30%	2023	175,000	44,655
	4.30%	2024	185,000	37,130
	5.00%	2025	190,000	29,175
	5.00%	2026	200,000	19,675
	4.50%	2027	215,000	9,675
			<u>\$ 2,660,000</u>	<u>\$ 1,282,387</u>

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2009**

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Revenue Bond:				
Sewer Revenue Bonds 2004:				
\$1,990,000, December 15, 2004	3.25%	2010	\$ 80,000	\$ 62,160
2.50% - 4.15%	3.25%	2011	85,000	59,479
	3.50%	2012	85,000	56,610
	3.50%	2013	90,000	53,547
	3.50%	2014	90,000	50,397
	3.45%	2015	95,000	47,184
	3.55%	2016	100,000	43,770
	3.70%	2017	100,000	40,144
	3.70%	2018	105,000	36,353
	3.75%	2019	110,000	32,348
	3.80%	2020	115,000	28,100
	3.90%	2021	120,000	23,575
	4.00%	2022	125,000	18,735
	4.05%	2023	125,000	13,704
	4.12%	2024	130,000	8,491
	4.15%	2025	140,000	2,905
			\$ 1,695,000	\$ 577,502

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2009**

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Revenue Bond:				
Sewer Revenue Bonds 2006A				
\$1,730,000, May 11, 2006	4.00%	2010	\$ 65,000	\$ 67,495
4.00% - 5.00%	4.00%	2011	70,000	64,895
	4.00%	2012	75,000	62,095
	5.00%	2013	75,000	59,095
	5.00%	2014	80,000	55,345
	5.00%	2015	85,000	51,345
	5.00%	2016	85,000	47,095
	4.00%	2017	90,000	42,845
	4.20%	2018	95,000	39,245
	4.25%	2019	100,000	35,255
	4.25%	2020	105,000	31,005
	4.20%	2021	110,000	26,542
	4.25%	2022	115,000	21,923
	4.30%	2023	120,000	17,035
	4.30%	2024	125,000	11,875
	5.00%	2025	130,000	6,500
			\$ 1,525,000	\$ 639,590

The accompanying notes are a part of these financial statements.

**CITY OF KETCHUM, IDAHO**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2009**

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Revenue Bond:				
Water Revenue Bonds 2006A				
\$2,780,000, May 11, 2006	4.00%	2010	\$ 15,000	\$ 124,077
4.00% - 5.00%	4.00%	2011	15,000	123,478
	4.00%	2012	20,000	122,877
	5.00%	2013	20,000	122,077
	5.00%	2014	15,000	121,078
	5.00%	2015	15,000	120,327
	5.00%	2016	20,000	119,578
	4.00%	2017	20,000	118,577
	4.20%	2018	20,000	117,778
	4.25%	2019	25,000	116,937
	4.25%	2020	25,000	115,875
	4.20%	2021	25,000	114,813
	4.25%	2022	25,000	113,763
	4.30%	2023	25,000	112,700
	4.30%	2024	25,000	111,625
	5.00%	2025	30,000	110,550
	5.00%	2026	30,000	109,050
	4.50%	2027	25,000	107,550
	4.50%	2028	250,000	106,425
	4.50%	2029	265,000	95,175
	4.50%	2030	275,000	83,250
	4.50%	2031	285,000	70,875
	4.50%	2032	300,000	58,050
	4.50%	2033	315,000	44,550
	4.50%	2034	330,000	30,375
	4.50%	2035	345,000	15,525
			<u>\$ 2,760,000</u>	<u>\$ 2,606,935</u>

The accompanying notes are a part of these financial statements.



**DENNIS R. BROWN**  
**Certified Public Accountant**

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE  
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

November 3, 2009

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

I have audited the financial statements of the governmental activities, and business-type activities, and the discretely presented component unit of the City of Ketchum, Idaho, as of and for the year ended September 30, 2009, which collectively comprise the City of Ketchum, Idaho's basic financial statements and have issued my report thereon dated November 3, 2009. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified a deficiency in internal control over financial reporting that I consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. I consider the deficiency described in the accompanying schedule of findings to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant

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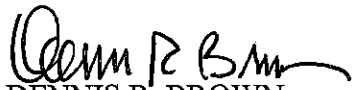
deficiencies that are also considered to be material weaknesses. However, I consider the significant deficiency described in item 2009-1 of the accompanying schedule of findings and responses to be a material weakness.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Ketchum, Idaho's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's response to the findings identified in my audit is described in the accompanying schedule of findings. I did not audit the City's response and, accordingly, I express no opinion on it.

This report is intended for the information and use of the City Council, management, others within the organization, and state and federal government oversight authorities and is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

  
DENNIS R. BROWN  
Certified Public Accountant

**CITY OF KETCHUM, IDAHO**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2009**

**Finding 2009-1: Lack of ability to independently prepare financial statements and related footnote disclosures.**

Condition: The City does not have the resources to independently prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

Criteria: Inherent in an adequate internal control structure is the ability to independently prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles.

Effect: The lack of this ability may result in more than a remote likelihood that a misstatement of the financial statements will not be prevented or detected by the City's internal control.

Recommendation: It is suggested the City budget for sufficient training of accounting personnel in order to provide them with the expertise necessary to prepare financial statements and related footnote disclosures in accordance with generally accepted accounting principles. Alternatively, the City could contract with an individual or firm other than the audit firm to prepare the financial statements and related footnote disclosures.

Response: We, the management of the City of Ketchum, Idaho, understand the circumstances that we and many small governments nationwide inevitably find ourselves in because of budget constraints. We acknowledge the fact that we do not have the necessary funding to staff additional accounting personnel to enable us to keep current with all accounting and auditing pronouncements and provisions to independently prepare financial statements and footnote disclosures. We believe the benefits of allocating such resources would be outweighed by the cost of maintaining or training our own accounting personnel and or contracting with another individual or firm to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles. We have requested that the auditors assist in drafting the financial statements and related footnote disclosures during the course of the audit. We have reviewed, approved and accepted responsibility for those financial statements prior to their issuance. We did not perform a detailed review of the financial statements, however, we are satisfied that our review was sufficient to allow us to accept responsibility for them.