

**KETCHUM URBAN RENEWAL AGENCY**

**KETCHUM, IDAHO**

**Financial Statements  
at September 30, 2016**

**KETCHUM URBAN RENEWAL AGENCY  
KETCHUM, IDAHO**

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## INDEPENDENT AUDITOR'S REPORT

November 17, 2016

To the Board of Commissioners  
Ketchum Urban Renewal Agency  
Ketchum, Idaho

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

We have audited the accompanying financial statements of the governmental activities of the Ketchum Urban Renewal Agency, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Ketchum Urban Renewal Agency'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 of the Ketchum Urban Renewal Agency, as of September 30, 2016, and the respective changes in financial position 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 page 12 be presented to supplement the basic financial statements. Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information. 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 page 16 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 17, 2016, on our consideration of the Ketchum Urban Renewal Agency'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 Ketchum Urban Renewal Agency's internal control over financial reporting and compliance.



DENNIS R BROWN  
Certified Public Accountant  
Twin Falls, Idaho

**KETCHUM URBAN RENEWAL AGENCY**  
**Statement of Net Position**  
**at September 30, 2016**

	<u>Total Primary Government</u>	<u>Total Reporting Entity</u>
<b><u>ASSETS</u></b>		
Cash and Deposits	\$ 1,128,878	\$ 1,128,878
Restricted Cash and Deposits	549,717	549,717
Accounts and Property Tax Receivable	10,462	10,462
Total	1,689,057	1,689,057
Capital Assets:		
Land, Buildings and Improvements	5,672,705	5,672,705
Fourth Street Corridor Improvements	1,000,000	1,000,000
Less Accumulated Depreciation	(275,592)	(275,592)
Total Capital Assets	6,397,113	6,397,113
<b>Total Assets</b>	8,086,170	8,086,170
<b><u>LIABILITIES</u></b>		
Accrued Interest Payable	142,841	142,841
Long-term Liabilities:		
Portion due or payable within one year:		
Bonds Payable	120,000	120,000
Portion due or payable after one year:		
Bonds Payable	5,920,000	5,920,000
Unamortized Bond Discounts	(131,926)	(131,926)
Unamortized Pre-Issuance Bond Costs	(61,644)	(61,644)
<b>Total Liabilities</b>	5,989,271	5,989,271
<b><u>NET POSITION</u></b>		
Invested in Capital Assets - net of related debt	550,683	550,683
Restricted For:		
Capital Projects	0	0
Debt Service	549,717	549,717
Affordable Housing	996,499	996,499
Unrestricted	0	0
<b>Total Net Position</b>	\$ 2,096,899	\$ 2,096,899

The accompanying notes are a part of these financial statements.

**KETCHUM URBAN RENEWAL AGENCY**  
**Statement of Activities**  
**For the Year Ended September 30, 2016**

<b>Activities:</b>	<b>Expenses</b>	<b>Program Revenues</b>		<b>Net (Expense) Revenues and</b>	
<b>Governmental:</b>		<b>Fees, Fines,</b>	<b>Capital</b>	<b>Changes in Net Position</b>	
		<b>and Charges</b>	<b>Grants and</b>	<b>Governmental</b>	<b>Total</b>
		<b>for Services</b>	<b>Contributions</b>	<b>Activities</b>	
General Government	\$ 1,178,415	\$ 72,160	\$ 0	\$ (1,106,255)	\$ (1,106,255)
Total Governmental Activities	1,178,415	72,160	0	(1,106,255)	(1,106,255)

General Revenues:

Property Taxes	1,026,852	1,026,852
Penalty and Interest on Taxes	4,764	4,764
Refunds and Reimbursements	25,343	25,343
Interest	4,985	4,985
Total general revenues and transfers	1,061,944	1,061,944
Changes in net position	(44,311)	(44,311)
Net Position - Beginning	2,141,210	2,141,210
Net Position - Ending	\$ 2,096,899	\$ 2,096,899

The accompanying notes are a part of these financial statements.

**KETCHUM URBAN RENEWAL AGENCY**

**Balance Sheet**

**Governmental Funds**

**at September 30, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 646,194	\$ 482,684	\$ 1,128,878
Reserved Cash		549,717	549,717
Taxes Receivable	9,412	0	9,412
Due From Other Sources	<u>1,050</u>	<u>0</u>	<u>1,050</u>
 Total Assets	 <u>\$ 656,656</u>	 <u>\$ 1,032,401</u>	 <u>\$ 1,689,057</u>
<b>LIABILITIES:</b>			
Accounts and Accrued Payables	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
 Total Liabilities	 <u>0</u>	 <u>0</u>	 <u>0</u>
<b>FUND BALANCE:</b>			
Non-spendable	0	0	0
Restricted	0	549,717	549,717
Committed	0	0	0
Assigned	0	0	0
Unassigned	<u>656,656</u>	<u>482,684</u>	1,139,340
 Total Fund Balance	 <u>656,656</u>	 <u>1,032,401</u>	
 Total Liabilities and Fund Balance	 <u>\$ 656,656</u>	 <u>\$ 1,032,401</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 3) are different because:

Government fund capital assets are not financial resources and therefore are not reported in the funds. The costs of assets is \$ 6,672,705 and the accumulated depreciation is \$ 275,592 6,397,113

Bond discounts and pre-issuance costs are not financial resources and therefore are not reported in the funds. 193,570

Long-term liabilities, including bonds, compensated absences and loans are not payable in the current period and therefore are not reported in the governmental funds (6,182,841)

Net Position of Governmental Funds \$ 2,096,899

The accompanying notes are a part of these financial statements.

**KETCHUM URBAN RENEWAL AGENCY**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**for the year ended September 30, 2016**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>			
Tax Levy Revenue	\$ 1,031,616	\$	\$ 1,031,616
Rent Revenue	72,160		72,160
Refunds and Reimbursements	25,343		25,343
Interest Income	3,029	1,956	4,985
 Total Revenue	 <u>1,132,148</u>	 <u>1,956</u>	 <u>1,134,104</u>
<b>EXPENDITURES:</b>			
Office Expense	1,309		1,309
Professional Fees	33,240	1,600	34,840
Advertising and Publications	410		410
Insurance	2,476		2,476
Utilities	17,721		17,721
Administration	31,000		31,000
Repairs	40,029		40,029
Reimburse Ketchum City - General	92,912		92,912
Reimburse Ketchum City - In Lieu Housing	74,200		74,200
Capital Projects	512,319		512,319
Debt service		423,319	423,319
 Total Expenditures	 <u>805,616</u>	 <u>424,919</u>	 <u>1,230,535</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	<b>326,532</b>	<b>(422,963)</b>	<b>(96,431)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In (Out)	(424,919)	424,919	0
 <b>NET CHANGE IN FUND BALANCES</b>	 <b>(98,387)</b>	 <b>1,956</b>	 <b>(96,431)</b>
 <b>FUND BALANCE - BEGINNING</b>	 <b>755,043</b>	 <b>1,030,445</b>	 <b>1,785,488</b>
 <b>FUND BALANCE - ENDING</b>	 <b>\$ 656,656</b>	 <b>\$ 1,032,401</b>	 <b>\$ 1,689,057</b>

The accompanying notes are a part of these financial statements.



**KETCHUM URBAN RENEWAL AGENCY**  
**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, 2016**

Net Change in Fund Balance - Total Governmental Funds (Page 6) \$ (96,431)

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 depreciaton. (49,330)

This is the amount of current year amortization. (10,188)

This is the amount of new Governmental Fund assets. 0

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 Position. Current year payments reduce the amount of the debt.

This is the change in accrued interest on the outstanding debt. 1,638

This is the amount of current year payments of long term debt 110,000

Change in Net Position of Governmental Activities (Page 4) \$ (44,311)

The accompanying notes are a part of these financial statements.

**KETCHUM URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Ketchum Urban Renewal Agency (the Agency) was created for the purpose of redeveloping and rehabilitating certain deteriorating areas in the City of Ketchum, Idaho, and was established by a resolution from the Ketchum City Council dated April 3, 2006. The Agency is authorized under provisions of the Idaho Urban Renewal Law of 1965 (Chapter 20, Title 50, Idaho Code).

The Agency is a component unit, as defined by generally accepted accounting principles, of the City of Ketchum, Idaho, because of its operational and financial responsibility with the City. The City of Ketchum appoints the governing body of the Agency.

The financial statements of the Ketchum Urban Renewal Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net position) report information on all of the non-fiduciary activities of the Agency.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Agency's activities and general administrative services are classified as governmental activities. The Agency has no business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Agency receives cash.

The Agency reports the following major governmental funds:

- The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the Agency.
- The *Debt Service Fund* is the Agency's fund used to account for the payments of long term debt.

**KETCHUM URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

Continued—

Budgetary Policy

The Agency prepares a budget for its general fund operations. The statement of revenues and expenditures and changes in fund balances and actual-general fund presents comparison of the legally adopted budget with the actual data on a budgetary basis.

Under Idaho Code, the Agency's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Agency because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Capital Assets

Capital Assets, which include land, building and improvements, and furniture and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

The Agency's capital assets are being depreciated using the straight line method over their useful lives.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Entity Classifications

- A. City-Wide Financial Statements – The City reports net assets 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:

**KETCHUM URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

Continued—

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.

## 2. PROPERTY TAXES

Property taxes are billed and collected within the same period in which the taxes are levied. The Agency does not levy property taxes; however, it is entitled to the taxes levied on the increase in assessed valuation of real and personal property within its jurisdiction that occur after January 1, 2006.

In accordance with Idaho law, property taxes are levied in September for each calendar year. All personal taxes and one-half of real property taxes are due by December 20. The second half of the real property taxes is due by June 20. Tax levies on such assessed values are certified to the County prior to the commencement of the fiscal year.

Taxes are collected by Blaine County and remitted to the Agency primarily in January and July of the fiscal year. The Agency defers recognition of property taxes assessed but not collected within 60 days of the fiscal year-end. Such amounts have been recognized as revenues as they are deemed immaterial to the financial statements taken as a whole.

## 3. 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 Agency has no deposit policy for custodial credit risk. At year end, \$250,000 of the Agency's bank balance was not exposed to custodial credit risk because it was insured by the FDIC and the remaining \$303,729 was exposed to custodial credit risk.

**KETCHUM URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

Continued—

*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 Agency held the following investments:

Investment Type

Idaho State Local Government Investment Pool     \$ 1,178,536.

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 Agency 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 Agency's position in the external investment pool is the same as the value of the pool shares.

*Credit Risk:* The Agency's policy is to comply with Idaho State statutes which authorize the Agency 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 Agency has no policy regarding these two investment risk categories.

The Agency 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	\$	0
Deposits with financial institutions:		
Demand deposits		500,060
State of Idaho Investment Pool		<u>1,178,536</u>
Total		<u>\$1,678,595</u>

**4. RESTRICTED ASSETS AND BOND DISCOUNTS**

On August 19, 2010 the Agency created restricted cash deposits for bond contingencies (See Note 6). Additionally, the bonds were sold at a discount that will be amortized with bond originating costs over the life of the bonds.

**KETCHUM URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

Continued -

In fiscal year ended September 30, 2007, the URA purchased real property formerly known as the Dollhouse located at 1<sup>st</sup> & Washington in Ketchum for the sum of \$2.25 million. The down payment for the purchase of this property of \$707,914 was obtained by the URA as a transfer from the City of Ketchum's restricted In Lieu Affordable Housing Fund. Since that time, the City of Ketchum's restricted In Lieu Affordable Housing Fund has transferred to the URA an additional \$147,916 to pay interest on the debt associated with this property as well as to make necessary property repairs.

In fiscal year ended September 30, 2008, the URA purchased real property formerly known as the Mountain West Bank building located at Sun Valley Rd. and East Ave. in Ketchum for the sum of \$3.2 million. The down payment for the purchase of the Mountain West Bank building property of \$640,000 was obtained by the URA as a transfer from the City of Ketchum's restricted In Lieu Affordable Housing Fund.

On April 12, 2011, \$640,000 of restricted fund value was transferred to the 1<sup>st</sup> & Washington property from the Mountain West Bank Building, leaving no further restriction on the value of the Mountain West Bank Building.

Accordingly, \$1,495,830 of the value of the 1<sup>st</sup> & Washington property continues to be restricted to future affordable housing purposes. In 2016 the Agency has determined to pay this amount back to the City of Ketchum over the next several years as funds are available. This amount is not accrued in the Agency's records, but will be expensed when paid. During the current period the Agency paid the City of Ketchum a sum of \$74,200, leaving the restricted amount of \$1,421,630.

**5. GENERAL FIXED ASSETS**

Capital asset activity for the year ended September 30, 2016 is 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 - Sun Valley Road	\$ 1,200,000	\$	\$	\$ 1,200,000
Land - First & Washington	2,294,746			2,294,746
Fourth Street Corridor Improvements	1,000,000			1,000,000
Total	<u>4,494,746</u>	<u>0</u>	<u>0</u>	<u>4,494,746</u>
<i>Capital Assets being depreciated:</i>				
Building - Sun Valley Road	2,000,000			2,000,000
Improvements - Sun Valley Road	141,099			141,099
Digital Signage and Improvements	36,860			36,860
Total	<u>2,177,959</u>	<u>0</u>	<u>0</u>	<u>2,177,959</u>
Less: Accumulated Depreciation:	<u>226,262</u>	<u>49,330</u>		<u>275,592</u>
Total Net Depreciated Assets	<u>1,951,697</u>	<u>-49,330</u>	<u>0</u>	<u>1,902,367</u>
 Governmental capital assets, net	 <u>\$ 6,446,443</u>	 <u>\$ -49,330</u>	 <u>\$ 0</u>	 <u>\$ 6,397,113</u>

**KETCHUM URBAN RENEWAL AGENCY  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2016**

Continued—

**6. LONG-TERM DEBT**

On August 19, 2010 the Agency sold \$ 6,440,000 of Revenue Allocation (Tax Increment) Refinancing Bonds, Series 2010. The proceeds from this bond issuance paid three notes held previously in the Agency. The bond servicing agent is U.S. Bank N.A. A summary of future payments of principle and interest follows the notes to these financial statements. The bond ordinance created restricted cash for a reserve in the amount of \$ 549,625 for payments of principle and interest in the event of default by the agency.

Long-term debt at September 30, 2016 is as follows:

	<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Balance</u>
Bonds payable	Var. 2 – 5.5%	2017-2035	\$ 6,040,000

The following is a summary of the principal due over the next four and subsequent five year increments:

2017	\$	120,000
2018		140,000
2019		160,000
2020		180,000
2021		200,000
2022-2026		1,430,000
2027-2031		1,895,000
2032-2035		<u>1,915,000</u>
Total	\$	<u>6,040,000</u>

**7. LABOR AND ASSOCIATED COSTS**

The Agency does not currently employ any staff and contracts with the City of Ketchum for administrative duties. Labor and associated costs are allocated to the Agency for reimbursement purposes. Because of the nature of the reimbursement, the Agency does not report any payroll or retirement liabilities.

**8. LITIGATION**

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

**9. RISK MANAGEMENT**

The Agency 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 Agency carries commercial insurance coverage for these risks to the extent deemed prudent by the board of commissioners.

**10. 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.

**OTHER  
SUPPLEMENTARY INFORMATION**



**KETCHUM URBAN RENEWAL AGENCY**  
**Budgetary Comparison Schedule**  
**General Fund**  
**for the year ended September 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes - Tax Increment Revenues	\$ 879,000	\$ 1,031,616	\$ 152,616
Rent Revenue	66,000	72,160	6,160
Miscellaneous Revenue	30,000	25,343	(4,657)
Earnings on investments	1,000	3,029	2,029
	<u>976,000</u>	<u>1,132,148</u>	<u>156,148</u>
<b>EXPENDITURES:</b>			
Office Expense	3,550	1,309	2,241
Professional Fees	50,000	33,240	16,760
Advertising/Publications	4,000	410	3,590
Insurance	2,476	2,476	0
Utilities	16,900	17,721	(821)
Administrative Expenses	33,000	31,000	2,000
Miscellaneous/Contingency			0
Repairs	28,000	40,029	(12,029)
Reimburse Ketchum City - General Expense	92,912	92,912	0
Reimburse Ketchum City - In Lieu Housing	74,200	74,200	0
Interest Expense			0
Payment on Principle Debt/Depreciation			0
Capital Outlay	667,800	512,319	155,481
	<u>972,838</u>	<u>805,616</u>	<u>167,222</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>3,162</u>	<u>326,532</u>	<u>323,370</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer to URA Debt Service Fund	(424,919)	(424,919)	0
<b>NET CHANGE IN FUND BALANCE</b>	(421,757)	(98,387)	\$ <u><u>323,370</u></u>
<b>FUND BALANCE - BEGINNING</b>	<u>755,043</u>	<u>755,043</u>	
<b>FUND BALANCE - ENDING</b>	\$ <u><u>333,286</u></u>	\$ <u><u>656,656</u></u>	

The accompanying notes are a part of these financial statements.

**KETCHUM URBAN RENEWAL AGENCY**  
**Budgetary Comparison Schedule**  
**Debt Service Fund**  
**for the year ended September 30, 2016**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes - Tax Increment Revenues	\$	\$	\$ 0
Penalty and Interest on Taxes			0
Rent Revenue			0
Miscellaneous Revenue			0
Earnings on investments	<u>0</u>	<u>1,956</u>	<u>1,956</u>
Total revenues	<u>0</u>	<u>1,956</u>	<u>1,956</u>
<b>EXPENDITURES:</b>			
Labor and Taxes			0
Labor Benefits			0
Professional Fees	1,600	1,600	0
Advertising/Publications			0
Insurance			0
Utilities			0
Administrative Expenses			0
Miscellaneous			0
Repairs			0
Office Expense			0
Interest Expense	313,443	313,319	124
Payment on Principle Debt	110,000	110,000	0
Capital Outlay			0
Total expenditures	<u>425,043</u>	<u>424,919</u>	<u>124</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(425,043)</u>	<u>(422,963)</u>	<u>2,080</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from URA General Fund	<u>424,919</u>	<u>424,919</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCE</b>	(124)	1,956	\$ <u><u>2,080</u></u>
<b>FUND BALANCE - BEGINNING</b>	<u>1,030,445</u>	<u>1,030,445</u>	
<b>FUND BALANCE - ENDING</b>	\$ <u><u>1,030,321</u></u>	\$ <u><u>1,032,401</u></u>	

The accompanying notes are a part of these financial statements.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**KETCHUM URBAN RENEWAL AGENCY**  
**Bond-Future Principal and Interest Requirements**  
**at September 30, 2016**

				Annual Payment	
		Interest Rate	Fiscal Year	Principal Payment	Interest Payment
\$6,440,000 Revenue Allocation Refinancing					
Bonds, Series 2010					
2.0% - 5.5%					
		3.50%	2017	\$ 120,000	\$ 309,555
		4.00%	2018	140,000	304,655
		4.25%	2019	160,000	298,455
		4.50%	2020	180,000	291,005
		4.50%	2021	200,000	282,455
		4.75%	2022	240,000	272,255
		4.80%	2023	260,000	260,315
		5.00%	2024	295,000	246,700
		5.00%	2025	310,000	231,575
		5.30%	2026	325,000	215,212
		5.30%	2027	340,000	197,590
		5.30%	2028	360,000	179,040
		5.30%	2029	375,000	159,562
		5.30%	2030	400,000	139,025
		5.50%	2031	420,000	116,875
		5.50%	2032	440,000	93,225
		5.50%	2033	465,000	68,338
		5.50%	2034	490,000	42,075
		5.50%	2035	520,000	14,300
				\$ 6,040,000	\$ 3,722,212

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 17, 2016

To the Board of Commissioners  
Ketchum Urban Renewal Agency  
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 of the Ketchum Urban Renewal Agency, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Ketchum Urban Renewal Agency's basic financial statements, and have issued our report thereon dated November 17, 2016.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Ketchum Urban Renewal Agency'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 Ketchum Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ketchum Urban Renewal Agency'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.

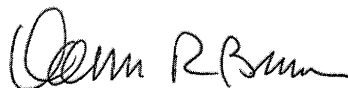
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Ketchum Urban Renewal Agency'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.



DENNIS R. BROWN  
Certified Public Accountant  
Twin Falls, Idaho