

CONJUNCTIVE MANAGEMENT-

WATER CONSERVATION SEMINAR

March 7, 2014
8:30am – 4 pm

COMMUNITY CAMPUS
1050 FOX ACRE RD. HAILEY

LUNCH INCLUDED

REGISTER at 788-5585

\$15 EARLY REGISTRATION
\$20 AT THE DOOR
SCHOLARSHIPS AVAILABLE

**1 PESTICIDE CREDIT
AVAILABLE!**

Wood River Valley Aquifer & Hydrology

Dr. Jim Bartolino, USGS Hydrologist; What it is, how it works, trends, and the USGS-IDWR groundwater flow model.

Idaho Conjunctive Management Rules & Ground Water Districts

Tim Luke IDWR Compliance Bureau Chief; What is conjunctive management, the water call process and potential implications?

Panel & Questions

What conservation, mitigation or other strategies can we implement to meet limited water resources and why?

LUNCH Included in Registration

Drought Tolerant Lawns & Gardens

Ideas and "how to" of lawn conversions, pathways, and pollinator gardens.

Residential Irrigation Audit Programs

Irrigation design, retrofits & strategies to save 30-70% on your landscaping water use.

Residential/Agricultural Pesticide Use

*Minimum to Max Pesticide Strategies
1 credit available*

Precision Circle Agriculture

The future of precision irrigation systems for pivots.

Idaho Power Efficiency

New agricultural programs and data for water and energy savings.

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University of Idaho
Extension

The Nature
Conservancy 

Protecting nature. Preserving life.™

To enrich education through diversity the University of Idaho is an equal opportunity/affirmative action employer and educational institution. In compliance with the Americans with Disabilities Act of 1990, those requesting reasonable accommodations need to contact Sarah Busdon at (208) 788-5585, 302 First Avenue South, Hailey, ID 83333 by February 20, 2013.

Seminar Topics

Wood River Valley Aquifer & Hydrology

What it is, how it works, trends, and the USGS-IDWR groundwater flow model.

Idaho Conjunctive Management Rules Ground Water District Formation

What is conjunctive management, the water call process and potential implications?

Panel of Experts & Questions

What conversations, mitigation or other strategies can we implement, and why?

Conservation Practices

Information tables on irrigation equipment and rebate, City of Hailey, Rain Barrel harvesting, Idaho Power, and the Trout Friendly Program.

Drought Tolerant Lawns & Gardens

Trout friendly ideas and "how to" of lawn conversions, pathways, and pollinator gardens.

Commercial, Agricultural & Residential

Water Conservation

Irrigation design, retrofits & strategies to save 30-70% on your landscaping water use.

Precision Circle Agriculture

The future of precision irrigation systems for pivots.

Idaho Power Efficiency Programs

New programs and data regarding water and energy savings.

Residential/Agricultural Pesticide Use

Minimum to Max Pesticide Strategies

1 credit available

Date: Friday, March 7, 2014

Time: 8:30-4:00pm

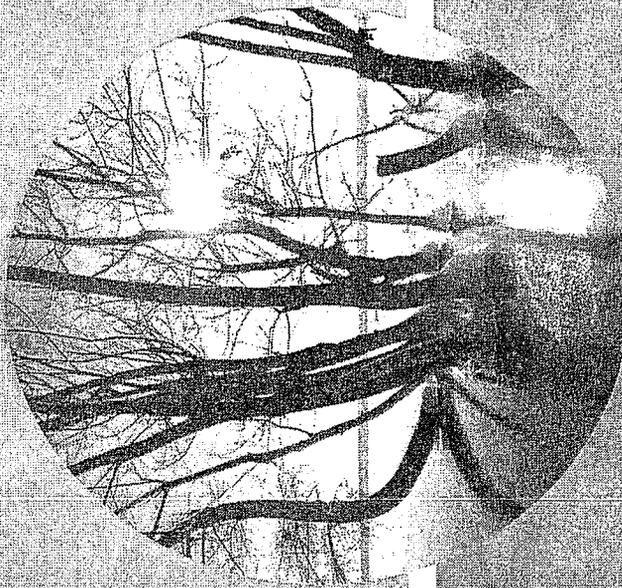
Location: Community Campus

1050 Fox Acre Road, Hailey

Cost: Early Registration \$15.00 includes lunch

At the door \$20.00 includes lunch

Scholarships Available



1 Pesticide Credit available between 3:00-4:00pm

Lunch is co-sponsored by Idaho Power. Thank you!



Registration Form

Register by Friday, Feb. 28 (includes lunch) \$15

At the door (includes lunch) \$20

Registration Information (Please Print)

Name _____

*Email Address— registration confirmation and agenda will be emailed 1 week prior to the seminar. _____

Mailing Address _____

City, State, Zip code _____

Phone _____

Please send this form with your check payable to:

Blaine County Extension Office
302 Elst Avenue South

Hailey, ID 83333

Phone: 208.788.5585

Email: sarahb@uidaho.edu

Guest Speakers

- Dr. Jim Bartolino: Hydrologist, USGS
 - Tim Luke: Compliance Bureau Chief, IDWR
 - Trish Klahr: Water resources scientist
 - Dr. Wendy Pabich: President, Water Futures
 - Mark Davidson: Proj. Director, Trout Unlimited
 - Gary Beck: Large Agriculture Manager
 - Kevih Lakey: Watermaster, District 37
 - Patti Lousen: Trout Friendly Co., WRLT
 - Kodi Farnsworth: Certified Irrigation Auditor
 - Dr. Don Morishita: UI Extension Specialist
 - Steve Paulsen: CEO, CSR Inc.
- Idaho Power

University of Idaho
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Blaine County Extension
302 First Avenue South
Hailey, ID 83333

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Protecting nature. Preserving life.

Conjunctive Management & Water Conservation Seminar

Strategies for sustainable and collaborative
water use.

Friday March 7, 2014
Community Campus, Hailey

University of Idaho
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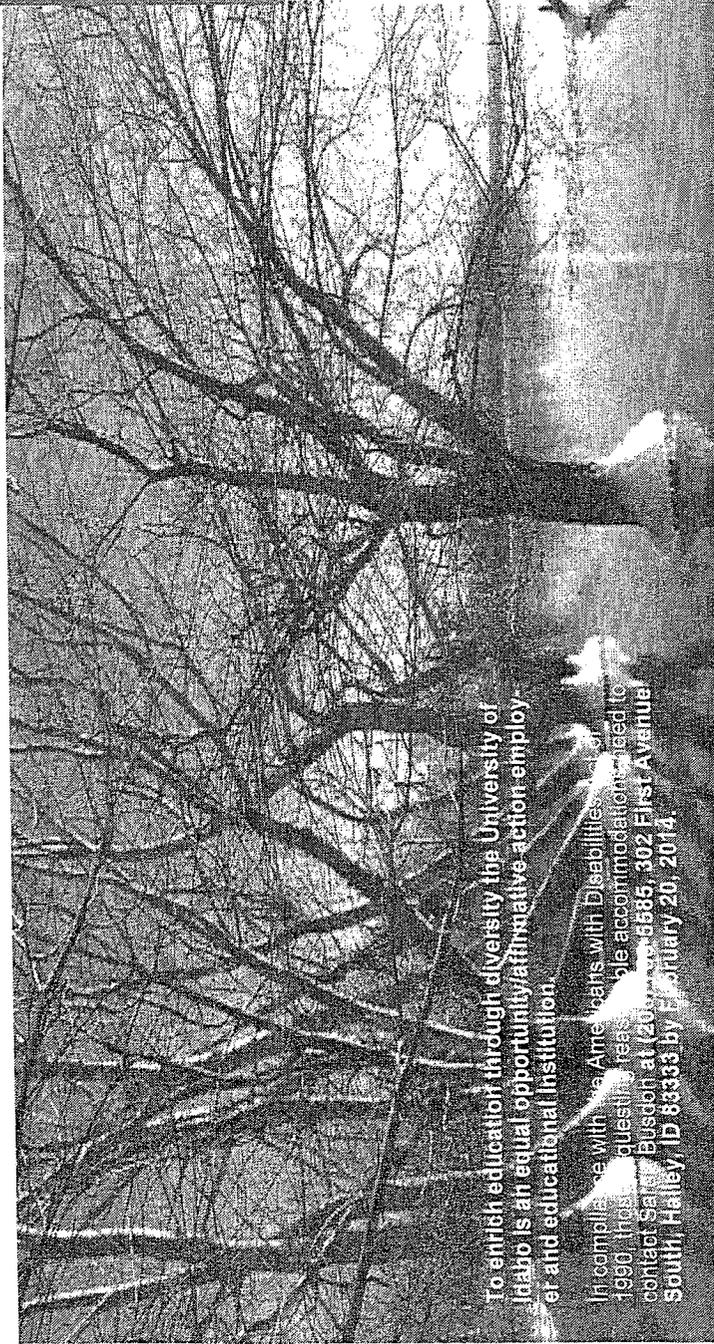
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AGENDA ITEM SUMMARY

DATE: 1/28/2014 DEPARTMENT: Admin

DEPT. HEAD SIGNATURE: HD and BS 

SUBJECT: Motion to accept financial statements for fiscal year ending September 30, 2013, as presented by independent auditor Dennis R. Brown. This year's is another Single Audit as federal expenditures were in excess of the threshold of \$500,000. This is due to the Federal Highway and EPA grants.

AUTHORITY: ID Code 50-1017 IAR _____ City Ordinance/Code _____
(IF APPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

The annual Year End Financial Statements for FY ended September 30, 2013, will be presented under New Business by our independent auditor Dennis Brown. The written document is attached.

Please pay particular attention the Management Discussion and Analyses, on pages 2 through 8, which is written by Hailey's City Administrator. The MD&A does three important things:

1. It compares this year's financial statements to the previous years, and explains significant changes from year to year;
2. It acts as a policy statement and gives specifically required information regarding the City's financial activity in general. This policy statement is relied on by our bond holders, the federal government as it administers our grants, and lenders.
3. It describes budget activity and challenges anticipated by the city.

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS:

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

___ City Attorney	___ Clerk / Finance Director	___ Engineer	___ Building
___ Library	___ Planning	___ Fire Dept.	_____
___ Safety Committee	___ P & Z Commission	___ Police	_____
___ Streets	___ Public Works, Parks	___ Mayor	_____

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

This item is presented as New Business. If there are policy elements of the MD&A which the council disagrees with, those should be discussed.

The council may then move to: 1) approve the report as presented; 2) accept the report with specific revisions; 3) send the report back to the drafters for revisions.

FOLLOW-UP/COMMENTS:



828 Blue Lakes Boulevard North • P.O. Box 2367 • Twin Falls, Idaho 83303 • (208) 733-1161 • Fax: (208) 733-6100

November 28, 2013

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

I have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hailey, Idaho for the year ended September 30, 2013. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards and *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated June 14, 2013. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City of Hailey, Idaho are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during FY 2013. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. I noted no sensitive estimates that would materially affect the City's financial statements.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. I noted no sensitive disclosures affecting the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated November 28, 2013.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

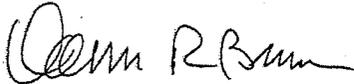
I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Mayor and City Council and management of the City of Hailey, Idaho and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,



DENNIS R. BROWN
Certified Public Accountant

CITY OF HAILEY, IDAHO

Financial Statements

Year Ended September 30, 2013

CITY OF HAILEY, IDAHO
Financial Statements
For the year ended September 30, 2013

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828 Blue Lakes Boulevard North • P.O. Box 2367 • Twin Falls, Idaho 83303 • (208) 733-1161 • Fax: (208) 733-6100

Independent Auditor's Report

November 28, 2013

Honorable City Council
City of Hailey, Idaho

Report on the Financial Statements

I have audited the accompanying financial statements of the governmental activities and the business-type activities, and discretely presented component unit of the City of Hailey, Idaho (City), as of and for the year ended, September 30, 2013, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business-type activities, and the discretely presented component unit of the City of Hailey, Idaho, as of September 30, 2013, and the respective changes in financial position and cash flows, where applicable, 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 a management's discussion and analysis and budgetary comparison information (pages 23 -31 and xxx-xxx respectively) be included in the financial statements. I have applied certain limited procedures to the required supplementary information (management's discussion and analysis and budgetary comparison information) in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

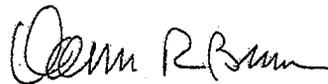
Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hailey Idaho's basic financial statements. The supplementary information on pages 32 - 36 and the accompanying schedule of expenditures of federal awards on page 37, as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information as well as the schedule of expenditures of federal awards 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 Governmental Auditing Standards

In Accordance with *Government Auditing Standards*, I have also issued my report dated November 28, 2013, on my consideration of the City of Hailey, Idaho's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hailey, Idaho's internal control over financial reporting and compliance.



DENNIS R BROWN
Certified Public Accountant

City of Hailey

115 MAIN STREET SOUTH, SUITE H
HAILEY, IDAHO 83333

(208) 788-4221
Fax: (208) 788-2924

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2013

This section of the City of Hailey's annual financial report presents management's discussion and analysis of the City's financial performance during the year ended September 30, 2013. Please use this information in conjunction with the information furnished in the City's financial statements.

FINANCIAL HIGHLIGHTS

- The total assets of the City of Hailey exceeded its liabilities at September 30, 2013 by \$27,219,970. Of this amount \$6,134,598 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- During fiscal year 2013 the City's total net position increased \$ 887,553. Net position of the governmental activities increased \$ 399,503 and net position of business type activities increased \$ 488,050. This increase in the governmental activities is due in large measure to federal grants received to improve property within the City limits.
- Total fund balance of governmental funds at September 30, 2013 was \$1,868,072 compared to a total governmental fund balance at September 30, 2012 of \$2,280,668.
- The City has \$6,214,262 in permanent debt, including debt still remaining on a water system loan (storage tank), sewer revenue bond (treatment plant), general obligation bond (arena/skatepark), and accrued compensated absences.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five parts – management discussion and analysis, the government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.

Government- Wide Financial Statements

These statements report information about all of the operations of the City using accounting methods similar to those used by private sector businesses.

The government-wide financial statements are divided into two categories:

The Statement of Net Position presents all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how government's assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This accrual basis of accounting requires that revenues are reported when they are earned and expenses are reported as soon as liabilities are incurred. Items such as uncollected taxes, unpaid vendor invoices for items received in the previous year, and earned but unused paid time off will be included in the statement of activities as revenues and expenses, even though the cash associated with these items will not yet be received or distributed.

Management's Discussion and Analysis, Continued

These two government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Examples of the government type activities of the City of Hailey include general governmental, administrative and community development services, public safety and emergency services, and street maintenance, parks and library operations. The major business-type activities of the City include the water and wastewater systems.

Fund Financial Statements

The Fund financial statements provide information about the City's major *funds*, not the City as a whole. The City uses fund accounting to separate specific sources of funds and corresponding expenditures. Funds may be required by law or may be established by the City Council to segregate funds for specific activities or objectives. The City of Hailey has the following funds:

Governmental Funds: These funds encompass the City's basic governmental, administrative and community development services, public safety and emergency services, and street maintenance, parks and library operations. These are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on short-term inflows and outflows of resources. Information provided by these statements provides a short-term view of what resources will be available to meet needs.

The City of Hailey has four governmental funds:

General Fund – The General Operating Fund of the City derives most of its income from property tax, state taxes, franchises and fees for services. Its function is operations and maintenance.

Debt Service Fund – The Debt Service Fund is used to account for financial resources derived from the tax levied to pay off general obligation bond debt.

Capital Improvement Fund – The Capital Improvement Fund is used to account for financial resources to be used for the acquisition of major capital facilities, equipment, and assets. It is shown in the financial statements as assigned resources, created in 2009 by the Hailey City Council, with the intent that it not be used for operation and maintenance. After property and facilities are acquired or constructed using resources from the Capital Fund, the new capital assets then become depreciable assets in their respective General or Proprietary Funds, where operation and maintenance of these assets occur.

Grant Fund – In 2010, the Hailey City Council established a Grant Fund, developed for the purpose of transparency and accountability in tracking city-wide grant programs, including grant revenues, in-kind and cash matches from appropriate city funds, and total grant expenditures. Each grant project is tracked separately within the fund, and the fund captures the city's entire grant program. At the end of each fiscal year the total revenues and expenses of each grant project are allocated to the respective General or Proprietary fund in one of two ways: 1) capital facilities developed by the grants become depreciable assets in the proper operating fund; or 2) operating programs developed through grants are either discontinued or assumed by the city under the proper department budget.

Proprietary Fund: User fees finance activities in the proprietary funds. The City of Hailey only has one type of propriety fund, the enterprise fund. The water and wastewater utilities and all the activities necessary to support their operation, including system component development, improvement, or replacement, are accounted for in this fund. Accounting for this fund is the same as a private business on a full accrual basis.

Notes to the Financial Statements

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

Management's Discussion and Analysis, Continued

Required Supplementary Information

This section has information that further explains and supports the information in the financial statements by including a comparison of the City's financial data from the current and prior years.

FINANCIAL ANALYSIS OF THE CITY OF HAILEY AS A WHOLE

A comparison of the City of Hailey's Assets, Liabilities and Net Position

ASSETS	<u>FY 2013</u>	<u>FY 2012</u>
Current and Other Assets	\$ 8,196,567	\$ 8,502,126
Capital Assets - Net	<u>27,289,083</u>	<u>26,860,332</u>
Total Assets	35,485,650	35,362,458
LIABILITIES		
Current Liabilities	1,555,356	1,976,381
Long Term Liabilities	<u>6,710,324</u>	<u>7,053,660</u>
Total Liabilities	8,265,680	9,030,041
NET POSITION		
Invested in Capital Assets, Net of Debt	20,808,021	19,406,598
Restricted	277,351	4,174,128
Unrestricted	<u>6,134,598</u>	<u>2,751,691</u>
Total Net Position	\$ <u>27,219,970</u>	\$ <u>26,332,417</u>

Net Position

Net position measures the difference between what the City owns (assets) versus what the City owes (liabilities). The total assets of the City of Hailey exceeded its liabilities at September 30, 2013 by \$27,219,970, an increase of \$887,553 over the previous year's net position balance of \$26,332,417. Of this amount \$6,134,598 is unrestricted and available to meet the City's on-going obligations to citizens and creditors. The unrestricted net position equal 22.54% of net assets. This increase is due to: 1) the city having completed projects using restricted funds; specifically bond and/or development impact fees for the Welcome Center and Woodside Boulevard improvements; and 2) the city having freed up restricted wastewater replacement funds that were pledged toward long term debt, by paying down principal on the debt and refinancing the remainder such that user rates will cover future debt service payments. Additionally, the city does not restrict excess revenue over expense in its operating funds.

The largest portion of the City's net position, 76.5%, is invested in capital assets net of related debt. Capital assets include land, building, equipment and machinery, and infrastructure, and are used to provide services to the citizens and are not available for future spending. Although the investment in capital assets is reported net of related debt, it

Management's Discussion and Analysis, Continued

should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's net fixed assets increased in book value by \$1,401,423, which sum is comprised largely of the monies expended on the Woodside Blvd project, completion of the Welcome Center, and other smaller capital projects.

Changes in Net Position

During the year the City's financial position increased by \$887,553, compared to the previous year ending September 30, 2012, during which the City's financial position increased by \$3,272,518.

Governmental Activities:

Governmental activities increased the City's net position by \$399,503, compared to the previous year's increase of \$3,324,415. Grant revenues in 2013 were decreased over the previous year, which funded an increase in fixed assets.

Business-Type Activities: Business-type activities increased net position by \$488,050, compared to the previous year's decrease of \$51,897. Rates were increased to fund design and engineering for future capital projects, and fixed assets were increased in conjunction with the Woodside Boulevard irrigation system improvements.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

General Fund - The general fund balance at September 30, 2013 was \$754,313 compared to an \$803,441 operations component the previous year. This amount contains a non-binding endowment for fireworks display of \$66,397, contributed from donations in previous years.

Capital Improvement Fund - The capital fund was established in fiscal year 2009 with a transfer of annexation fees which had previously been accounted for in general, water, and wastewater operating funds. Additionally, development impact fees are collected within the capital fund. Several capital projects were implemented since 2009 that decreased the capital fund balance at September 30, 2012 to \$1,081,285. Development impact fees collected in 2013 increased the fund balance at September 30, 2013 to \$1,111,824.

Debt Service Fund -- The debt service fund was established in 2010 to account for the bond proceeds of the arena, skatepark, and Welcome Center, collectively known as Wertheimer Park. These bonds are general obligation and will be paid from the general funds of the City over a ten-year period.

Grant Fund -The grant fund has been created to track city-wide grant programs, including grant revenues, in-kind and cash matches from appropriate city funds, and total grant expenditures. Within the fund, each grant project is tracked separately. At fiscal year end these captured project amounts are transferred out to the government fund or enterprise fund in which the grant activity or depreciable asset should reside.

General Fund Budgetary Highlights

The City of Hailey amended its budget during 2013 to appropriate fund balance to pay for, among other things, a special assessment levied by the city's health insurance provider. The general fund revenues were \$103,053 more than budgeted. The amended budget increased appropriated expenses by \$170,000. General fund expenses were held at \$17,819 less than budgeted, but decreased fund balance by \$49,128, compared to the previous year's surplus of \$31,327.

Capital Improvement Fund Budgetary Highlights

Expenses within the Capital Fund were made largely in the first quarter of the fiscal year, as the Woodside Boulevard Complete Streets Initiative Project met substantial completion in mid-October, and many of the items required by the city for final completion were accomplished in November. The project to date has consisted of design and

Management's Discussion and Analysis, Continued

engineering expenses in 2011 of \$828,152, with 2012 expenses entailing the remaining engineering expenses and the bulk of the construction amounting to \$3,096,171. In 2013 the project expenses entailed installation of an irrigation system from the Water Fund and General Capital Expenses for road construction items amounting to \$1,356,477.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2013 the City had \$27,289,083 invested in capital assets (net of accumulated depreciation) compared to last year's \$26,860,332, an increase of \$428,751 compared to the previous year's increase of \$3,780,279. Net capital assets of governmental activities increased by \$626,544 and those of business-type activities decreased by \$197,793 in the current period. The City investment in capital assets includes land, facilities, park improvements, automobiles and equipment, street lights, and sidewalks.

Long-Term Debt

The City refinanced a 20-year sewer revenue bond, which remains a long-term debt obligation through 2021. The current amount owed on the debt is \$1,860,000, after the city paid down a portion of the principal during the refinance. The City also refinanced its debt on the Quigley canyon water storage facility, with a term through 2028, paying off a DEQ State Revolving Fund Loan. The current amount owed on this debt is \$1,630,000. The City sold general obligation bonds of \$3,425,000 at a premium of \$136,648 in 2010 to finance the Werthheimer Park project over a 10-year term. The current amount owed on this debt is \$2,495,000.

The City's maximum general obligation debt capacity is 2% of the taxable assessed value of properties within the city limits. At the end of September, 2013, the city's taxable assessed value was \$717,027,890. The 2% general obligation bond debt capacity of \$14,340,558 is now reduced by the outstanding general bond obligation of \$2,495,000, leaving the City with a general obligation bond debt capacity remaining of \$11,845,558.

Hailey has met the principal and interest payments on outstanding bonds and other indebtedness in the past 10 years when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default. Hailey's ability to pay its general obligation long-term debt is reliant on property tax payments. The top ten taxpayers within the City of Hailey comprise 7.4% of the total district taxpayers. They are:

City of Hailey
Top Ten Taxpayer Accounts

Taxpayer	Type of Business	Taxable Assessed Value
Power Engineers, Inc.	Engineering firm	10,122,689
Spring Meadow LLC	Planned Unit Development	6,579,894
Old Cutters, Inc.	Mixed residential subdivision	6,490,863
New Albertsons' Inc.	Grocery Store	5,668,951
Sweetwater Company LLC	Multi-family residential project	5,020,845
Alturas Partners	Property Development	4,817,896
Sun Valley Aviation	Airport Hangers	4,290,104
Wilderness LLC	Condominium development	3,553,803
Balmoral LP	Apartment Rentals	3,484,866
Marketron	Engineering firm	3,362,003
Top 10 Taxpayers	7.4%	53,391,914
All Other District Taxpayers	92.6%	663,635,976
Total District Taxpayers 2013	100.0%	717,027,890

The assessed net taxable value of properties within the city has been in decline since a peak in values in 2008.

Management's Discussion and Analysis, Continued

Assessed Market Values of Taxable Property and Tax Collection Record

Year	Full Market Value	Homeowner's Exemption	Net Taxable Value	General Tax Levied	Bond Tax Levied	General Tax Collected for previous year	Bond Tax Collected for previous year
Sep 13	838,969,921	121,942,031	717,027,890				
Jan 13	834,558,811	121,942,031	712,616,780	2,055,736	398,425	2,065,476	400,628
Jan 12	1,004,408,428	149,911,921	854,496,507	1,989,837	398,989	1,995,930	398,989
Jan 11	1,236,317,415	170,874,128	1,065,443,287	1,928,539	399,703	1,887,491	381,688
Jan 10	1,460,667,411	181,921,576	1,278,745,835	1,925,951		1,789,714	
Jan 09	1,580,943,641	176,823,018	1,404,120,623	1,870,361		1,803,834	
Jan 08	1,590,462,395	155,321,416	1,435,140,979	1,812,638		1,721,818	

There are overlapping taxing districts within the City which have statutory power to levy regular property taxes. Representative 2013 levy rates for each overlapping district from the County are listed below:

**City of Hailey
Representative Levy Rates per \$1000 Taxable market Value
Tax Year 2013**

Taxing District	Levy per \$1,000 Taxable Assessed Value
City of Hailey Total	3.523140
Hailey City	2.967495
Hailey Levy	.555645
Blaine County	1.190928
Blaine County School District No. 61	4.656267
Ambulance	.221276
Hailey Cemetery	.143503
Blaine County Recreation District & Override	.354558

FY13 BUDGETARY CONSIDERATIONS

The City of Hailey estimates revenue to establish the budgets in each of its funds. A minimum fund balance of 10% of budget is needed in the General Fund to meet obligations throughout the year, particularly in the first quarter of each year. The fund balance target is 20% of budget, which the Hailey City Council considers prudent for emergency contingencies within the general fund. With the FY 2014 general fund adopted budget at \$4,584,383, and the general fund balance now at \$754,313, the current fund balance is 16% of the FY 2014 budget, down 1% (\$49,128) from the previous year following the city council's budgeting of fund balance to partially cover a special assessment required by the city's health insurance provider.

The City of Hailey has identified that a tax levy to consistently fund the capital fund is a goal, but not its first priority. An alternative to a capital levy is being explored with Blaine County, wherein consideration of instituting a road levy that would benefit cities is underway.

The City of Hailey developed expense policies for its capital and grant projects as follows: All salary and fringe costs, as well as contractual and volunteer labor, materials, and equipment costs are captured through a project code as project expenses, from the project's inception to its completion. The project budget is developed, and identified by its predominant funding source as either a Capital Fund project or a Grant Fund project. Until a project is actually funded by the city governing body through an agreement, ordinance, resolution, or acceptance of a specific written approval by a grantor, all expenses are spent from operating funds, except that expenses for licensed contractual design and engineering costs procured solely for the project may be spent from the capital fund. Following the city governing body's approval of a funding agreement, ordinance, or resolution, or specific written approval by the grantor, project

Management's Discussion and Analysis, Continued

costs, including city salary and fringe costs for applied project time, may be spent from the capital or grant fund.

Rate structures within the enterprise funds have incrementally been amended over several years to encourage water conservation and to afford users better personal management of their impact upon the City's water and wastewater system and its budget. Consumption of water has decreased, and expenses have been adjusted to the City's rate-based income. Hailey has retained a wastewater engineer to design a more efficient bio-solids management system within the wastewater treatment process. Hailey plans to take the bio-solids project to voters for approval of a \$4 to \$5 million dollar bond measure. Water engineers have been retained for the purpose of launching a new water master plan.

The City applied to the Idaho Bond Bank in August 2012 for refunding bonds on its water and wastewater debt, and successfully completed its refinancing in December 2012. Significant cash savings were obtained through lowered interest rates within the same term, and premiums earned on the bond refinancing. Principal was paid down so that the rates will support the wastewater system's Net Revenue to Bond Payment of 125%, and to insure that the water fund Net Revenue remain above 150% of Bond Payment. A significant amount of restricted assets which had been held to pay future debt service became unrestricted through this refinance.

Net Position	FY 2013	FY 2012
Invested in Capital Assets, Net of Debt	20,808,021	19,406,598
Restricted	291,102	4,174,128
Unrestricted	<u>6,120,847</u>	<u>2,751,691</u>
Total Net Position	\$ <u>27,219,970</u>	\$ <u>26,332,417</u>

City voters approved a local option tax measure which will increase Hailey's local option tax collected on short-term lodging and car rentals by 1%. That revenue will begin to be collected on January 1, 2014, and will be used to cover the cost of collecting the tax, with the remainder to be spent for funding increased air service to Hailey, and marketing of the area. This money will be spend under the authority of an Air Service Board formed through an intergovernmental agreement, on which board is represented the City of Hailey, City of Ketchum, City of Sun Valley, and Blaine County.

Requests for Information

This report is designed to provide a general overview of the City of Hailey's finances for our citizens and customers. If you have questions about this report or need additional financial information contact the Finance Office: 115 Main Street S., Hailey, Idaho 83333, 788-4221.

CITY OF HAILEY, IDAHO
Statement of Net Position
at September 30, 2013

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit Urban Renewal Agency</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 360,333	\$ 102,990	\$ 463,323	\$
Investments - Unrestricted	2,349,423	3,115,939	5,465,362	
Accounts Receivable	222,758	366,529	589,287	
Taxes Receivable	103,155		103,155	
Due From Other Governments	245,574		245,574	
Due From Other Funds		925,000	925,000	
Inventory		127,515	127,515	
Restricted Cash, Deposits and Investments	68,851	208,500	277,351	
Totals	<u>3,350,094</u>	<u>4,846,473</u>	<u>8,196,567</u>	<u>0</u>
Capital Assets:				
Land, Easements and Water Rights	2,431,674	235,391	2,667,065	
Construction in Progress	6,364		6,364	
Infrastructure	9,993,497	15,059,370	25,052,867	
Buildings and Improvements	3,628,598	683,247	4,311,845	
Equipment and Vehicles	5,566,063	4,535,635	10,101,698	
Accumulated Deprecation	(5,648,025)	(9,202,731)	(14,850,756)	
Total Capital Assets	<u>15,978,171</u>	<u>11,310,912</u>	<u>27,289,083</u>	<u>0</u>
Total Assets	<u>19,328,265</u>	<u>16,157,385</u>	<u>35,485,650</u>	<u>0</u>
<u>LIABILITIES</u>				
Accounts Payable	311,732		311,732	47,355
Accrued Payroll and Benefits Payable	74,941	28,956	103,897	
Accrued Interest Payable		5,288	5,288	
Due To Other Funds	925,000		925,000	
Surety and Security Bonds Payable	170,349	39,090	209,439	
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	330,000	300,000	630,000	
Portion due or payable after one year:				
Bonds Payable	2,165,000	3,190,000	5,355,000	
Unamortized Bond Premium	69,566	426,496	496,062	
Compensated Absences	193,151	36,111	229,262	
Total Liabilities	<u>4,239,739</u>	<u>4,025,941</u>	<u>8,265,680</u>	<u>47,355</u>
<u>NET POSITION</u>				
Invested in Capital Assets - net of related debt	13,413,605	7,394,416	20,808,021	0
Restricted For:				
Debt Service		208,500	208,500	
Other Purposes	68,851		68,851	
Unrestricted	<u>1,606,070</u>	<u>4,528,528</u>	<u>6,134,598</u>	<u>(47,355)</u>
Total Net Position	<u>\$ 15,088,526</u>	<u>\$ 12,131,444</u>	<u>\$ 27,219,970</u>	<u>\$ (47,355)</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Activities
For the Year Ended September 30, 2013

Activities:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets			Component Unit - Urban Renewal Agency
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
Governmental:							
General Government	\$ 1,244,920	\$ 136,539	\$ 831,119	\$ (277,262)		\$ (277,262)	
Public Protection:							
Public Safety	1,997,903	415,831	7,754	(1,574,318)		(1,574,318)	
Streets	778,013		30,340	(747,673)		(747,673)	
Parks and Recreation	328,481	23,495		(304,986)		(304,986)	
Library	457,983	17,606	9,584	(430,793)		(430,793)	
Interest - on long-term debt	52,101			(52,101)		(52,101)	
Unallocated Depreciation	553,780			(553,780)		(553,780)	
Total Governmental Activities	<u>5,413,181</u>	<u>593,471</u>	<u>878,797</u>	<u>(3,940,913)</u>		<u>(3,940,913)</u>	
Business Type:							
Water	1,191,240	1,283,923			\$ 92,683	92,683	
Wastewater	1,394,619	1,818,667			424,048	424,048	
Interest - on long-term debt	172,641				(172,641)	(172,641)	
Total Business-type Activities	<u>2,758,500</u>	<u>3,102,590</u>	<u>0</u>		<u>344,090</u>	<u>344,090</u>	
Total City of Halley, Idaho	<u>\$ 8,171,681</u>	<u>\$ 3,896,061</u>	<u>\$ 878,797</u>	<u>(3,940,913)</u>	<u>344,090</u>	<u>(3,596,823)</u>	
Component Units:							
Urban Renewal Agency	\$ 47,355						\$ (47,355)
Total							(47,355)
General Revenues:							
Property taxes				2,466,103		2,466,103	
Local Option sales taxes				349,585		349,585	
Franchises, licenses, permits				465,146		465,146	
State of Idaho revenue sharing				411,101		411,101	
State of Idaho sales tax				97,519		97,519	
State of Idaho liquor receipts				151,329		151,329	
State highway user collections				257,595		257,595	
Penalty and interest on property taxes				26,054		26,054	
County court fines				53,125		53,125	
Earnings on investments				14,536	10,368	24,904	
Miscellaneous				48,323	133,592	181,915	
Gain on Sale of Assets						0	
Total general revenues and transfers				<u>4,340,416</u>	<u>143,960</u>	<u>4,484,376</u>	<u>0</u>
Changes in net position				399,503	488,050	887,553	(47,355)
Net Position - Beginning				<u>14,689,023</u>	<u>11,643,394</u>	<u>26,332,417</u>	<u>0</u>
Net Position - Ending				<u>\$ 15,088,526</u>	<u>\$ 12,131,444</u>	<u>\$ 27,219,970</u>	<u>\$ (47,355)</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Balance Sheet
Governmental Funds
for the year ended September 30, 2013

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Deposits	\$ 91,791	\$ 251,942	\$ 16,600	\$ 360,333
Investments	1,249,760	1,149,882	18,632	2,418,274
Accounts Receivable	222,758			222,758
Due From Other Governments	245,574			245,574
Property Taxes Receivable	86,452		16,703	103,155
Total Assets	<u>1,896,335</u>	<u>1,401,824</u>	<u>51,935</u>	<u>3,350,094</u>
LIABILITIES:				
Accounts Payable	311,732			311,732
Accrued Payroll Expenses	74,941			74,941
Due To Other Funds	585,000	290,000	50,000	925,000
Surety and Security Bonds Payable	170,349			170,349
Total Liabilities	<u>1,142,022</u>	<u>290,000</u>	<u>50,000</u>	<u>1,482,022</u>
FUND BALANCE:				
Non-spendable				0
Restricted				0
Committed	66,916		1,935	68,851
Assigned		1,111,824		1,111,824
Unassigned	687,397			687,397
Total Fund Balance	<u>754,313</u>	<u>1,111,824</u>	<u>1,935</u>	<u>1,868,072</u>
Total Liabilities and Fund Balance	<u>\$ 1,896,335</u>	<u>\$ 1,401,824</u>	<u>\$ 51,935</u>	<u>\$ 3,350,094</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Reconciliation of the Balance Sheet of Governmental Funds
To the Statement of Net Assets
for the year ended September 30, 2013

Total Governmental Fund Balances (Page 12)	\$ 1,868,072
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$ 21,626,196 less accumulated depreciation \$ 5,648,025	
	15,978,171
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	
	(2,757,717)
Net Position of Governmental Activities (Page 10)	\$ 15,088,526

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the year ended September 30, 2013

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:				
Property taxes	\$ 2,065,476	\$	\$ 400,627	\$ 2,466,103
Local Option sales taxes	349,585			349,585
Franchises, licenses, permits	465,146			465,146
State of Idaho shared revenue	411,101			411,101
State of Idaho sales tax	97,519			97,519
State of Idaho liquor receipts	151,329			151,329
State highway user collections	257,595			257,595
Penalty and interest on property taxes	22,315		3,739	26,054
County court fines	53,125			53,125
Fees, fines and charges for services	523,895	69,576		593,471
Grants	65,335	791,521		856,856
Contributions	20,832	1,109		21,941
Earnings on investments	1,690	12,442	404	14,536
Miscellaneous	48,323			48,323
Total Revenue	<u>4,533,266</u>	<u>874,648</u>	<u>404,770</u>	<u>5,812,684</u>
EXPENDITURES:				
General Government	970,483			970,483
Public Safety	1,997,903			1,997,903
Streets	827,544			827,544
Parks and Recreation	328,481			328,481
Library	457,983			457,983
Capital outlay		1,241,561		1,241,561
Debt Service			401,325	401,325
Total Expenditures	<u>4,582,394</u>	<u>1,241,561</u>	<u>401,325</u>	<u>6,225,280</u>
EXCESS REVENUE (EXPENDITURES)	(49,128)	(366,913)	3,445	(412,596)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds		397,452		397,452
Operating transfers (to) other funds			(397,452)	(397,452)
NET CHANGE IN FUND BALANCES	(49,128)	30,539	(394,007)	(412,596)
FUND BALANCE - BEGINNING	<u>803,441</u>	<u>1,081,285</u>	<u>395,942</u>	<u>2,280,668</u>
FUND BALANCE - ENDING	<u>\$ 754,313</u>	<u>\$ 1,111,824</u>	<u>\$ 1,935</u>	<u>\$ 1,868,072</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, 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, 2013

Net Change in Fund Balance - Total Governmental Funds (Page 14) \$ (412,596)

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. (553,780)

This is the amount of new Governmental Fund assets. 1,180,324

This is the amount of disposed of Governmental Fund assets. 0

Long term liabilities are not recorded in the Governmental funds. Principle and interest paid on capital debt are recorded as expenditures in the Governmental Funds. Principle amounts paid are not recorded as expenditures in the Statement of Net Assets.

This is the amount of current year principle payments on capital debt. 161,644

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

This is the decrease in compensated leave during the year. 23,911

Change in Net Position of Governmental Activities (Page 11) \$ 399,503

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Net Position
Proprietary Funds
at September 30, 2013

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Assets:			
Current Assets:			
Cash and Deposits	\$ 105,546	\$ (2,556)	\$ 102,990
Investments - Unrestricted	2,426,594	689,345	3,115,939
Accts receivable - customers	175,080	191,449	366,529
Due From Other Funds	320,000	605,000	925,000
Inventory	127,515		127,515
	<u>3,154,735</u>	<u>1,483,238</u>	<u>4,637,973</u>
Restricted Current Assets:			
Cash, Deposits, and Investments		<u>208,500</u>	<u>208,500</u>
Total Current Assets	<u>3,154,735</u>	<u>1,691,738</u>	<u>4,846,473</u>
Capital Assets:			
Plant and equipment	10,710,026	9,803,617	20,513,643
Accumulated depreciation	<u>(4,349,462)</u>	<u>(4,853,269)</u>	<u>(9,202,731)</u>
Net Plant and equipment	<u>6,360,564</u>	<u>4,950,348</u>	<u>11,310,912</u>
Total Assets	<u>9,515,299</u>	<u>6,642,086</u>	<u>16,157,385</u>
Liabilities:			
Current Liabilities:			
Accounts and Interest Payable	2,756	2,532	5,288
Wages Payable	12,827	16,129	28,956
Refundable Deposits	39,090		39,090
Current portion long-term debt	<u>85,000</u>	<u>215,000</u>	<u>300,000</u>
Total current liabilities	<u>139,673</u>	<u>233,661</u>	<u>373,334</u>
Noncurrent Liabilities:			
Bonds Payable	1,545,000	1,645,000	3,190,000
Unamortized Bond Premium	256,383	170,113	426,496
Compensated Absences Payable	<u>8,617</u>	<u>27,494</u>	<u>36,111</u>
Total noncurrent liabilities	<u>1,810,000</u>	<u>1,842,607</u>	<u>3,652,607</u>
Total Liabilities	<u>1,949,673</u>	<u>2,076,268</u>	<u>4,025,941</u>
Net Position:			
Investment in capital assets net of related debt	4,474,181	2,920,235	7,394,416
Restricted	0	208,500	208,500
Unrestricted	<u>3,091,445</u>	<u>1,437,083</u>	<u>4,528,528</u>
Total Net Position	<u>\$ 7,565,626</u>	<u>\$ 4,565,818</u>	<u>\$ 12,131,444</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
for the year ended September 30, 2013

	Water	Wastewater	Totals
Operating Revenues:			
Charges for services	\$ 1,163,285	\$ 1,725,173	\$ 2,888,458
Hookups and connections	97,787	91,829	189,616
Reimbursements and Misc.	22,851	1,665	24,516
Total Operating Revenue	1,283,923	1,818,667	3,102,590
Operating Expenses:			
Salaries and benefits	472,646	527,974	1,000,620
Administrative and supplies	396,599	545,189	941,788
Depreciation	321,995	321,456	643,451
Total Operating Expenses	1,191,240	1,394,619	2,585,859
Operating Income	92,683	424,048	516,731
Nonoperating Revenues (Expenses):			
Interest Income	5,245	5,123	10,368
Interest Expense	(65,242)	(107,399)	(172,641)
Premium Earned on Bond Refinancing	34,182	99,410	133,592
Other Grants and Miscellaneous			0
Total Nonoperating	(25,815)	(2,866)	(28,681)
Income before transfers	66,868	421,182	488,050
Transfers in			
Transfers out			0
Net Income (Loss)	66,868	421,182	488,050
Total Net Position - Beginning	7,498,758	4,144,636	11,643,394
Total Net Position - Ending	\$ 7,565,626	\$ 4,565,818	\$ 12,131,444

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Cash Flows
Proprietary Funds
for the year ended September 30, 2013

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts from customers	\$ 1,291,837	\$ 1,749,562	\$ 3,041,399
Payments to suppliers	(428,006)	(544,923)	(972,929)
Payments to employees	(472,646)	(527,974)	(1,000,620)
Other receipts			0
Net cash provided (used) by operations	<u>391,185</u>	<u>676,665</u>	<u>1,067,850</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase and construction of capital assets	(445,658)		(445,658)
Due From Other Funds	(320,000)	(605,000)	(925,000)
Principal paid on capital debt	(170,077)	(507,359)	(677,436)
Interest paid on capital debt	<u>(65,242)</u>	<u>(107,399)</u>	<u>(172,641)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,000,977)</u>	<u>(1,219,758)</u>	<u>(2,220,735)</u>
Cash Flows From Investing Activities:			
Interest Income	<u>5,245</u>	<u>5,123</u>	<u>10,368</u>
Net Increase (Decrease) in Cash and Equivalents	(604,547)	(537,970)	(1,142,517)
Balances - Beginning of the year	<u>3,136,687</u>	<u>1,433,259</u>	<u>4,569,946</u>
Balances - Ending of the year	<u>\$ 2,532,140</u>	<u>\$ 895,289</u>	<u>\$ 3,427,429</u>
Displayed as:			
Pooled Cash and Investments	<u>2,532,140</u>	<u>686,789</u>	<u>3,218,929</u>
Restricted Assets		<u>208,500</u>	<u>208,500</u>
Balances - Ending of the year	<u>\$ 2,532,140</u>	<u>\$ 895,289</u>	<u>\$ 3,427,429</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income	92,683	424,048	516,731
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	321,995	321,456	643,451
Changes in assets and liabilities:			
Receivables, net	7,914	(69,105)	(61,191)
Inventory	(8,422)		(8,422)
Compensated Absences	2,088	620	2,708
Accounts and other payables	<u>(25,073)</u>	<u>(354)</u>	<u>(25,427)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 391,185</u>	<u>\$ 676,665</u>	<u>\$ 1,067,850</u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hailey, Idaho was incorporated in 1909. The City operates under a Mayor-Council form of government and provides the following services: public safety, public works, recreation, social services, and community development. The City also provides water and waste water services which are financed by user charges. The significant revenues and receivables are generated by the residents of the City of Hailey through property tax and water and waste water charges.

The financial statements of the City of Hailey have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

1. Financial Reporting Entity

The City's financial statements include the accounts of all operations under the oversight authority of the City Council and those of separately administered organizations over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

2. Government-Wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The Statement of Activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013

Continued...

3. 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 Hailey Urban Renewal Agency. It is reported in a separate column to emphasize that it is separate from the City's operations.

4. Measurement Focus and Basis of Accounting

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report, using the economic resources measurement focus and the accrual basis of accounting, generally includes the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report, using the current financial resources measurement focus and the modified accrual basis of accounting, recognizes revenues when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City of Hailey uses an availability period of sixty days. Expenditures are recorded when the related liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales of services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013

Continued...

5. Fund Accounting

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The City has adopted GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" (GASB 54) which defines how fund balances of the governmental funds are presented in the financial statements. There are five classifications of fund balances as presented below:

Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. In this category, one would see inventory, long-term receivables, unless proceeds are restricted, committed, or assigned and legally or contractually required to be maintained intact (corpus or a permanent fund).

Restricted – These funds are governed by externally enforceable restrictions. In this category, one would see restricted purpose grant funds, debt service or capital projects.

Committed – Fund balances in this category are limited by the governments' highest level of decision making. Any changes of designation must be done in the same manner that it was implemented and should occur prior to end of the fiscal year, though the exact amount may be determined subsequently.

Assigned – These funds are intended to be used for specific purposes, intent is expressed by governing body or an official delegated by the governing body.

Unassigned – This classification is the default for all funds that do not fit into the other categories. This, however, should not be a negative number for the general fund. If it is, the assigned fund balance must be adjusted.

Order of Use of Fund Balance – The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance and unassigned fund balance at the end of the fiscal year. For all funds, non-spendable fund balances are determined first and then restricted fund balances for specific purposes are determined.

GOVERNMENTAL FUNDS

The City reports the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources not reported in another fund.

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013**

Continued...

Debt Service Funds — The debt service fund is used to account for the accumulation of financial resources for the payment of principal and interest on the City's governmental debt.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) Where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise funds include the Water and Waste Water funds.

OTHER FUND TYPES

The City also reports the following fund types:

Capital Projects Funds - These funds account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

6. Budgetary Data

The City of Hailey follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the city clerk submits to the City Council a proposed operating budget for the fiscal year commencing on October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. After reviewing the preliminary budget, the City Council sets a public budget hearing to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.

The budget is prepared on the modified accrual basis of accounting, as described above. The City does not use the encumbrance method of accounting.

7. Cash and Cash Equivalents

The City maintains and controls cash and investment pools in which the primary government funds share. Each fund's portion of a pool is displayed on its respective balance sheet.

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013

Continued...

For purposes of the Statement of Cash Flows, the enterprise funds consider cash and cash equivalents to include cash on hand and all amounts on deposit with financial institutions.

8. Inventory

Inventories in governmental funds are considered to be immaterial and are not reported. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

9. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The City has not, nor is required to retroactively report infrastructure assets. The City has capitalized all acquired infrastructure after October 1, 2003.

Estimated useful lives, in years, for depreciable assets are as follows:

Building and Improvements	20-50
Equipment	5-15
Infrastructure	15-20
Books	5-10
Trucks and Vehicles	3-10

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets.

10. Long-Term Debt

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013**

Continued...

NOTE 2 - CASH AND CASH EQUIVALENTS

Interest Rate Risk — The City does not have a formal investment policy that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk — The City has no investment policy which would further limit its investment choices beyond those stated in Idaho Code. The City's investment in the State Treasurer's Investment Pool is not currently rated. All deposits in the State Investment Pool are either FDIC insured or fully collateralized, with securities held in trust by the State Treasurer but not in the name of the City of Hailey

Concentration of Credit Risk — The City places no limit on the amount to invest in any one issuer.

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 to it. The City does not have a deposit policy for custodial credit risk. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The cash is recorded in terms of US currency and consists of:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash on Hand	\$ 300	\$ 0
Mountain West – Checking	10,057	238,475
Bank of America - Checking	7,632	7,632
Bank of the West- Checking	50,150	49,794
Certificates of Deposit:		
Bank of the West	451,986	451,986
State of Idaho LGIP	<u>5,667,168</u>	<u>5,667,168</u>
Totals	<u>\$ 6,187,293</u>	<u>\$ 6,415,055</u>

There are three categories of credit risk that apply to the City's cash and investments:

- 1) Insured or collateralized or for which the securities are held by the City or the City's agent in the City's name;
- 2) Uninsured and uncollateralized; or
- 3) Uninsured and unregistered for which the securities are held by the counter party or by its trust department or agent but not in the City's name. This category also includes repurchase agreements with no underlying securities.

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013

Continued...

Balances are held in each category as follows:

	Carrying Amount Categories		
	1	2	3
Deposits	\$ 326,615	\$ 421,272	
Investment State of Idaho LGIP			\$ 5,667,168
Total Cash and Investments	\$ 326,615	\$ 421,272	\$ 5,667,168

Funds held in the Water and Wastewater Funds (Enterprise funds) in the amount of \$208,500 are reserved for repairs and replacement of the existing systems and equipment as well as repayment of existing debt. Funds held in the General Fund of \$81,547 are reserved for specific requirements from donations and an employee flex spending account. The General Obligation Bond Fund reserve in the amount of \$35,232 is reserved for the construction of the Rodeo Park Project. A separate Debt Service Fund of the same amount has been established for collecting the levies to repay the bond interest and principal payments for 10 years.

NOTE 3 - TAXES RECEIVABLE

Property taxes are levied in November of each year and recognized as revenue when the tax notices are printed. Taxes are due in two equal installments at December and June following the levy date. If payment is not received upon the due dates, a 2% penalty is charged and taxes are classified as past due subject to 12% interest. Taxes receivable are stated at taxes levied less amounts collected and canceled. The City has not experienced any significant loss of delinquent taxes receivable in past years, and, therefore, does not consider it necessary to establish any allowance for uncollectible taxes receivable.

NOTE 4 - ACCOUNTS RECEIVABLE

The City charges for water and wastewater services and garbage collection on the first of the month. The water is metered and charged according to actual usage. The wastewater rate is based upon actual winter (non-irrigation) water usage. Water and wastewater are billed in arrears; garbage collection is prepaid. The balance of accounts receivable is for billings occurring Sept 30 and prior. Due to water and wastewater services that would be terminated if an account goes 90 days overdue, very few accounts become uncollectible.

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013

Continued...

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 2,431,674	\$	\$	\$ 2,431,674
Construction in Progress		6,364		6,364
Total	<u>2,431,674</u>	<u>6,364</u>	<u>0</u>	<u>2,438,038</u>
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	3,588,234	40,364		3,628,598
Infrastructure	8,909,432	1,084,065		9,993,497
Vehicles and Equipment	5,516,532	49,531		5,566,063
Total	<u>18,014,198</u>	<u>1,173,960</u>	<u>0</u>	<u>19,188,158</u>
Less: Accumulated Depreciation:	<u>(5,094,245)</u>	<u>(553,780)</u>		<u>(5,648,025)</u>
Total Net Depreciated Assets	<u>12,919,953</u>	<u>620,180</u>	<u>0</u>	<u>13,540,133</u>
 Governmental capital assets, net	 <u>\$ 15,351,627</u>	 <u>\$ 626,544</u>	 <u>\$ 0</u>	 <u>\$ 15,978,171</u>
Business-type activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 235,391	\$	\$	\$ 235,391
Construction in Progress	88,742		(88,742)	0
Total	<u>324,133</u>	<u>0</u>	<u>(88,742)</u>	<u>235,391</u>
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	683,247			683,247
Infrastructure	14,524,970	534,400		15,059,370
Vehicles and Equipment	4,535,635			4,535,635
Total	<u>19,743,852</u>	<u>534,400</u>	<u>0</u>	<u>20,278,252</u>
Less: Accumulated Depreciation	<u>(8,559,280)</u>	<u>(643,451)</u>		<u>(9,202,731)</u>
Total Net Depreciated Assets	<u>11,184,572</u>	<u>(109,051)</u>	<u>0</u>	<u>11,075,521</u>
 Business-type capital assets, net	 <u>\$ 11,508,705</u>	 <u>\$ (109,051)</u>	 <u>\$ (88,742)</u>	 <u>\$ 11,310,912</u>

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013

Continued...

NOTE 6 - VOUCHERS PAYABLE AND ACCRUED LIABILITIES

Vouchers payable and accrued expenses are stated at cost and are recognized liabilities for goods and services rendered to the City as of September 30.

NOTE 7 - ACCRUED COMPENSATED ABSENCES

Compensated absences for vacation pay, sick pay and "comp" time have been accrued. "Comp" time is computed at the rate of 1-hour overtime equals 1.5 hours off. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Such compensation in the governmental fund financial statements will be paid from future resources of the City and is, therefore, reported only if matured compensated absences are payable to currently terminating employees, when it is included in accrued payroll and benefits.

NOTE 8 - LONG-TERM OBLIGATIONS

The City has entered into the following agreements.

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>			<u>Amount</u>		
			<u>Outstanding 9/30/2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Outstanding 9/30/2013</u>	<u>Amount Due 1 Year</u>	
GENERAL FUND								
Bonds Payable:								
General Obligation								
Bonds 2010	8/1/2020	Variable	\$ 2,820,000	\$ 0	\$ (325,000)	\$ 2,495,000	\$ 330,000	
Other:								
Accrued Compensated								
Absences	N/A		217,062	0	(23,911)	193,151		
Total General Fund			\$ 3,037,062	\$ 0	\$ (348,911)	\$ 2,688,151	\$ 330,000	
PROPRIETARY FUND								
Bonds and Loans Payable:								
Sewer Revenue Bond	3/1/2021	Variable	\$ 2,580,000	\$ 0	\$ (2,580,000)	\$ 0	\$ 0	
Water DEQ Loan	11/12/2028	3.50%	2,090,642		(2,090,642)	0	0	
2012 Sewer Refunding	9/15/2021	Variable	0	2,085,000	(225,000)	1,860,000	215,000	
2012 Water Refunding	9/28/2028	Variable	0	1,660,000	(30,000)	1,630,000	85,000	
Other:								
Accrued Compensated								
Absences	N/A		33,403	2,708		36,111		
Total Proprietary Fund			\$ 4,704,045	\$ 3,747,708	\$ (4,925,642)	\$ 3,526,111	\$ 300,000	

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013**

Continued...

NOTE 9 - SEWER REVENUE BONDS

On December 20, 2012, the City of Hailey refinanced revenue bonds to satisfying the original bond with a new bond in the amount of \$2,085,000. The bond was sold at a premium resulting in a decrease of the principal balance by \$212,641 compared to the principal balance of the satisfied bond. The premium amount will be amortized over the life of the bond.

Revenues of the Waste Water Fund serve as collateral for bond payments. A bond maturity and interest schedule of the issued bonds is contained in the schedule on page 34 of these financial statements.

The Sewer Revenue Bond requires semi-annual interest payments in March and September with an annual principal payment in September. The bond has a variable interest rate and will mature in September of 2021.

NOTE 10 - WATER LOAN PAYABLE

In 2007 the City of Hailey constructed a two million gallon drinking water storage facility in Quigley Canyon. The City obtained permanent financing through an Idaho Department of Environmental Quality Drinking Water Revolving Loan Program promissory note. The loan was refinanced in December of 2012 with a Water Revenue Bond. The bond requires semi-annual interest payments in March and September with an annual principal payment in September. The bond has a variable interest rate and will mature in September of 2028.

Revenues of the Water Fund serve as collateral for bond payments. A loan maturity and interest schedule of the issued loan is contained in the schedule on page 35 of these financial statements.

NOTE 11 - GENERAL OBLIGATION BONDS PAYABLE

In 2010 the City of Hailey sold \$ 3,425,000 of General Obligation Bonds to construct the project entitled Rodeo Park. This project will reconstruct the rodeo grounds, improve the skate park and construct an ice skating facility. These bonds will be repaid from the general revenues of the City under the schedule of payments on page 36 of these financial statements. The bonds were sold at a premium that will be amortized over the life of the bonds.

NOTE 12 - EMPLOYEE RETIREMENT 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. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

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CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013

Continued...

After five 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 forty-two months.

The contribution requirements of the City of Hailey and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2013, the required contribution rate as a percentage of covered payrolls for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighters. The City of Hailey contributions required and paid were \$295,063, \$305,899 and \$281,111 for the three years ended September 30, 2013, 2012, and 2011 respectively.

NOTE 13 - INVESTMENT IN JOINT VENTURE - FRIEDMAN MEMORIAL AIRPORT

Effective October 1, 1994, Blaine County, Idaho and the City of Hailey, Idaho entered into a Joint Powers Agreement creating the Friedman Memorial Airport Authority for the purpose of operating and managing airport activities in the City of Hailey, Idaho. The Authority is a public entity of the State of Idaho and therefore the Authority's income is exempt from Federal and Idaho income taxes. A five-member board governs the Airport Authority with two members representing Blaine County, two members representing the City of Hailey and one member who is unanimously selected by the other four members. The Authority has hired employees to provide for the day-to-day operations and management.

Pursuant to the Joint Powers Agreement, all buildings, improvements, facilities, equipment, and personal property used by the Authority were conveyed by Blaine County and the City of Hailey to the Authority for use and benefit of the Authority and title thereof shall be held by the Authority. Upon termination of this Agreement, title to all buildings, improvements, facilities, equipment and personal property held by the Authority shall vest jointly in Blaine County and the City of Hailey.

Audited financial statements of the Friedman Memorial Airport Authority for the year ended September 30, 2013 can be obtained at the Airport, Blaine County, or the City of Hailey offices.

NOTE 14 - RISK MANAGEMENT

A City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the City contracted with Idaho County Risk Management Program (ICRMP) for property, crime and fleet insurance and the State Insurance Fund for workman's compensation. Under the terms of the ICRMP policy, The City of Hailey's liability is limited to the amount of annual financial membership contributions including \$1,000 per occurrence deductible with a \$10,000 annual aggregate stop-loss. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2013**

Continued...

NOTE 15 – LITIGATION

The City, at the financial statement date, is involved in two pending actions from disputes over City annexation fees and a construction project. The City's legal council has determined that it is not possible to determine the outcome of either of these matters. Additionally, it is not possible to determine any material effect of these matters on the financial position of the City.

CITY OF HAILEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- General Fund
for the year ended September 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$ 2,055,736	\$ 2,065,476	\$ 9,740
Local Option sales taxes	325,000	349,585	24,585
Franchises, licenses, permits:			
Alcohol Catering Licenses	1,500	1,020	(480)
Police Security	10,000	7,556	(2,444)
Building Permits	40,000	127,625	87,625
Business Licenses	40,000	41,455	1,455
Encroachment Permits	4,000	2,950	(1,050)
Franchises - Cable TV	70,000	73,064	3,064
Banner Fees	7,000	5,800	(1,200)
Franchises - Idaho Power	48,000	51,654	3,654
Franchises - Intermountain Gas	80,000	62,112	(17,888)
Franchises - Rubbish Company	62,000	66,136	4,136
Sign Permits	2,000	200	(1,800)
Fire Dept Permits	7,000	9,821	2,821
Subdivision Inspection Permits	500	0	(500)
Zoning Applications	7,500	12,989	5,489
Maps, Copies, and Postage	2,000	2,089	89
State of Idaho shared revenue	435,000	411,101	(23,899)
State of Idaho sales tax	75,000	97,519	22,519
State of Idaho liquor receipts	132,000	151,329	19,329
State highway user collections	266,256	257,595	(8,661)
Penalty and interest on property taxes	12,000	22,315	10,315
County court fines	58,000	53,125	(4,875)
Fees, fines and charges for services:			
HPD Traffic School	55,000	25,497	(29,503)
Library Fines and Memberships	20,000	17,606	(2,394)
Park Rental Fees	10,000	11,260	1,260
Rodeo Park Fees	20,000	12,234	(7,766)
RV Dump Fees	500	794	294
Rubbish Bookkeeping Contract	62,000	66,169	4,169
Recycling Outreach Contract	10,600	11,023	423
Police Security Contracts	0	3,444	3,444
Police Security Contr-School	69,600	70,270	670
Police Security Contr-BMO	316,620	316,620	0
Grants	60,552	65,335	4,783
Donations and contributions	25,000	19,833	(5,167)
Earnings on investments	8,000	1,689	(6,311)
Miscellaneous:			
Property Sales		3	3
Refunds and Reimbursements	10,000	19,647	9,647
Mutual Aid Reimbursements	21,849	18,651	(3,198)
Other		675	675
Total Revenue	<u>4,430,213</u>	<u>4,533,266</u>	<u>103,053</u>

CITY OF HAILEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- General Fund
for the year ended September 30, 2013

Continued.....

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:			
General Government:			
Legislative Department	282,553	291,702	(9,149)
Finance and Records	291,386	323,498	(32,112)
Community Development	235,529	276,358	(40,829)
Public Works	65,546	78,925	(13,379)
Public Safety:			
Police	1,626,082	1,582,417	43,665
Fire Protection	427,948	415,486	12,462
Streets	991,325	827,544	163,781
Library	458,273	457,983	290
Parks and Recreation	221,571	328,481	(106,910)
Total Expenditures	<u>4,600,213</u>	<u>4,582,394</u>	<u>17,819</u>
EXCESS REVENUE (EXPENDITURES)	(170,000)	(49,128)	120,872
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
NET CHANGE IN FUND BALANCES	(170,000)	(49,128)	<u>120,872</u>
FUND BALANCE - BEGINNING	<u>803,441</u>	<u>803,441</u>	
FUND BALANCE - ENDING	<u>\$ 633,441</u>	<u>\$ 754,313</u>	

CITY OF HAILEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Capital Improvement Fund
for the year ended September 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Capital Projects Grant Revenue	\$ 1,316,193	\$ 791,521	\$ (524,672)
Penalties and interest on Bond			0
Annexation Fees			0
In-Lieu Fees for Capital Projects			0
DIF Parks and Rodeo Park	13,500	4,286	(9,214)
DIF Transportation	18,500	30,802	12,302
DIF Police	5,500	2,707	(2,793)
DIF Fire and EMS	11,000	11,178	178
DIF CIP Cost	1,500	2,710	1,210
Property Sales			
Contributions	0	1,109	1,109
Earnings on investments	5,000	12,442	7,442
Reimbursements and Other	0	17,893	17,893
	<u>1,371,193</u>	<u>874,648</u>	<u>(496,545)</u>
Total Revenue			
EXPENDITURES:			
General Government			
Public Safety			
Streets			
Capital outlay	2,035,742	1,241,561	794,181
Parks and Recreation			
Transportation			
Rodeo Park			
Debt Service			
	<u>2,035,742</u>	<u>1,241,561</u>	<u>794,181</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	(664,549)	(366,913)	297,636
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds	0	397,452	(397,452)
Operating transfers (to) other funds			
NET CHANGE IN FUND BALANCES	(664,549)	30,539	<u>\$ (99,816)</u>
FUND BALANCE - BEGINNING	<u>1,081,285</u>	<u>1,081,285</u>	
FUND BALANCE - ENDING	<u>\$ 416,736</u>	<u>\$ 1,111,824</u>	

CITY OF HAILEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Debt Service Fund
for the year ended September 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
Property taxes	\$ 398,980	\$ 400,627	\$ 1,647
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	0	3,739	3,739
County court fines			
Fees, fines and charges for services			
Grants and contributions			
Earnings on investments	0	404	404
Miscellaneous - Sale of G.O. Bonds			
	<u>398,980</u>	<u>404,770</u>	<u>5,790</u>
Total Revenue			
EXPENDITURES:			
General Government			
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service	<u>398,980</u>	<u>401,325</u>	<u>(2,345)</u>
	<u>398,980</u>	<u>401,325</u>	<u>(2,345)</u>
Total Expenditures			
EXCESS REVENUE (EXPENDITURES)	0	3,445	3,445
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds	<u>0</u>	<u>(397,452)</u>	<u>(397,452)</u>
NET CHANGE IN FUND BALANCES	0	(394,007)	<u>\$ (394,007)</u>
FUND BALANCE - BEGINNING	<u>395,942</u>	<u>395,942</u>	
FUND BALANCE - ENDING	<u>\$ 395,942</u>	<u>\$ 1,935</u>	

CITY OF HAILEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual -- Water Fund
for the year ended September 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
User Fees	\$ 895,000	\$ 980,625	\$ 85,625
Capital Projects Bond Fees	169,031	167,296	(1,735)
Hook-up Fees	20,000	97,787	77,787
Service Charges	10,000	15,364	5,364
Meter Reimbursements	2,000	8,400	6,400
Idaho Power Hydroplant Revenues	3,000	4,713	1,713
Inspection/Live Tap Fees	500	2,300	1,800
Water Fill Tower Permits	2,500	3,775	1,275
Earnings on investments	30,000	5,245	(24,755)
Grants and Contributions	30,276		(30,276)
Miscellaneous		3,663	3,663
	<u>1,162,307</u>	<u>1,289,168</u>	<u>126,861</u>
EXPENDITURES:			
Labor and Benefits	576,791	472,646	104,145
Administrative and supplies	388,953	396,599	(7,646)
Debt Service	169,031	65,242	103,789
Capital Outlay	544,581	0	544,581
	<u>1,679,356</u>	<u>934,487</u>	<u>744,869</u>
EXCESS REVENUE (EXPENDITURES)	(517,049)	354,681	871,730
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
Premium earned on bond refinance	0	34,182	34,182
Depreciation and Debt Reduction Amounts	0	(321,995)	(321,995)
	<u>0</u>	<u>(287,813)</u>	<u>(287,813)</u>
NET CHANGE IN NET POSITION	(517,049)	66,868	\$ 583,917
NET POSITION - BEGINNING	<u>7,498,758</u>	<u>7,498,758</u>	
NET POSITION - ENDING	<u>\$ 6,981,709</u>	<u>\$ 7,565,626</u>	

CITY OF HAILEY, IDAHO
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual -- Wastewater Fund
for the year ended September 30, 2013

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
User Fees	\$ 1,370,000	\$ 1,458,393	\$ 88,393
Capital Projects Bond Fees	241,517	251,416	9,899
Hook-up Fees	20,000	91,829	71,829
Service Charges	18,000	15,364	(2,636)
Inspection/Live Tap Fees	500	1,250	750
Earnings on investments	15,000	5,123	(9,877)
Grants and Contributions	30,276	0	(30,276)
Miscellaneous		415	415
Total Revenue	<u>1,695,293</u>	<u>1,823,790</u>	<u>128,497</u>
EXPENDITURES:			
Labor and Benefits	682,606	527,974	154,632
Administrative and supplies	706,262	545,189	161,073
Debt Service	359,695	107,399	252,296
Capital Outlay	99,054	0	99,054
Total Expenditures	<u>1,847,617</u>	<u>1,180,562</u>	<u>667,055</u>
EXCESS REVENUE (EXPENDITURES)	(152,324)	643,228	795,552
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
Premium earned on bond refinance	0	99,410	99,410
Depreciation and Debt Reduction Amounts	0	(321,456)	(321,456)
NET CHANGE IN NET POSITION	(152,324)	421,182	<u>\$ 573,506</u>
NET POSITION - BEGINNING	<u>4,144,636</u>	<u>4,144,636</u>	
NET POSITION - ENDING	<u>\$ 3,992,312</u>	<u>\$ 4,565,818</u>	

CITY OF HAILEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2013

<u>Annual Payment</u>			
<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
Wastewater Revenue Refunding 2012			
\$2,085,000, December 20, 2012			
2.00% - 4.00%			
2.000%	2014	\$ 215,000	\$ 61,100
2.000%	2015	215,000	56,800
4.000%	2016	220,000	52,500
4.000%	2017	225,000	43,700
2.000%	2018	235,000	34,700
4.000%	2019	240,000	30,000
4.000%	2020	250,000	20,400
4.000%	2021	<u>260,000</u>	<u>10,400</u>
		<u>\$ 1,860,000</u>	<u>\$ 309,600</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2013

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Water Revenue Refunding 2012			
\$1,660,000, December 20, 2012			
2.00% - 5.00%			
2.00%	2014	\$ 85,000	\$ 66,500
2.00%	2015	85,000	64,800
4.00%	2016	90,000	63,100
4.00%	2017	90,000	59,500
2.00%	2018	95,000	55,900
4.00%	2019	100,000	54,000
4.00%	2020	100,000	50,000
4.00%	2021	105,000	46,000
3.00%	2022	110,000	41,800
5.00%	2023	115,000	38,500
5.00%	2024	120,000	32,750
5.00%	2025	125,000	26,750
5.00%	2026	130,000	20,500
5.00%	2027	135,000	14,000
5.00%	2028	145,000	7,250
		\$ 1,630,000	\$ 641,350

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2013

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
General Obligation Bonds, Series 2010			
\$3,425,000, August 1, 2010			
2.00% - 3.00%			
2.00%	2014	\$ 330,000	\$ 68,125
2.50%	2015	340,000	61,525
2.50%	2016	345,000	53,025
3.00%	2017	355,000	44,400
3.00%	2018	365,000	33,750
3.00%	2019	375,000	22,800
3.00%	2020	385,000	11,550
		\$ 2,495,000	\$ 295,175

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Blaine County, Idaho
Schedule of Expenditures of Federal Awards
for the year ended September 30, 2013

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice - AARA Community Oriented Policing Services (COPS)	16.710	\$ 2,754
U.S. Department of Transportation (FHWA) Safe Routes To School	20.205	67,428
U.S. Environmental Protection Agency Climate Showcase Communities Grant Program	66.041	121,362
U.S. Department of Transportation Surface Transportation Infrastructure	20.933	711,369
Total		<u>\$ 902,913</u>

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hailey, Idaho and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some of the amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

The examination of the records of the City of Hailey, Idaho for the year ended September 30, 2012, revealed no areas of comments.

SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS

The examination of the records of the City of Hailey, Idaho for the year ended September 30, 2013, revealed no areas of comments, findings or questioned costs



828 Blue Lakes Boulevard North • P.O. Box 2367 • Twin Falls, Idaho 83303 • (208) 733-1161 • Fax: (208) 733-6100

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 28, 2013

To the Honorable City Council
City of Hailey, Idaho

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of City of Hailey, Idaho (City), as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise City of Hailey, Idaho's basic financial statements, and have issued our report thereon dated November 28, 2013.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of 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



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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

November 28, 2013

To the Honorable City Council
City of Hailey, Idaho

Report on Compliance for Each Major Federal Program

I have audited the City of Hailey, Idaho's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Hailey, Idaho's major federal programs for the year ended September 30, 2013. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

My responsibility is to express an opinion on compliance for each of the City's major federal programs based on my audit of the types of compliance requirements referred to above. I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances.

I believe that my audit provides a reasonable basis for my opinion on compliance for each major federal program. However, my audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In my opinion, the City of Hailey, Idaho complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013.

Other Matters

The results of my auditing procedures disclosed no instances of noncompliance.

Report Continued--

Report on Internal Control Over Compliance

Management of the City of Hailey, Idaho is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing my audit of compliance, I considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control overall compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of my testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



DENNIS R BROWN
Certified Public Accountant

Hailey Fire Dept.
617 S. Third Street
P.O. Box 1192
Hailey, Idaho 83333



Fire Chief Craig Aberbach
Office: 208-788-3147
Fax: 208-788-0279
craig.aberbach@haileycityhall.org

It is my honor to represent the men and women of the City of Hailey Fire Department. This year the fire department endured many challenges from significant wildfires to being one of the busiest and most active years for all types of calls for service.

The department lost a long standing leader with the retirement of Fire Chief Mike Chapman who served proudly for **22** years. Chief Chapman served both the community and the department with an unselfish commitment to preserving the safety and welfare of his fellow man.

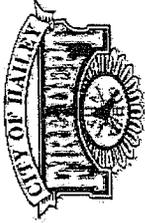
I would like to thank not only the Fire Department Staff and Firefighters but the entire community in welcoming my wife and me to our new home in Hailey. I am honored to have been chosen to represent and to work hand in hand with a truly dedicated group of firefighters. The City of Hailey Firefighters do more than just respond to emergencies. Your firefighters attend weekly training, participate in drills with other local fire departments and are involved supporting the community.

It is very important that the community has a clear understanding that we are a combination fire department consisting of paid and volunteer firefighters, just like every other fire department in the Valley. Presently, there are three full time positions with the Hailey Fire Department. Those positions are responsible for Fire Department Administration, Fire Prevention and Public Education activities. The majority of the operational issues are handled by Fire Department Volunteers. These individuals have committed themselves to this community, they serve unselfishly anytime of the day or night and make sacrifices leaving their families to help others when the alarm sounds.

The future will continue to bring changes with several new programs and partnerships. First, the one we are most excited about is a program/partnership with Wood River High School through which we will adopt a Fire Explorer Program. The first year we will begin with High School Juniors where they will learn about Fire Department Operations, First Responder skills and Leadership. The second year of the program will be more exciting as the senior Explorers will serve as mentors to the new juniors and so on. A second program we are working on is a partnership with Hailey Police and other groups called "Do the Right Thing" where students get nominated and recognized for making the right decision in a challenging situation.

Finally, I am proud to report that your Fire Department will continue to work and train with our neighboring Fire Departments in ensuring we can continue to provide the highest level of service for the community.

Respectfully Submitted,
Craig Aberbach, Fire Chief



ANNUAL REPORT

Fire Department 2013



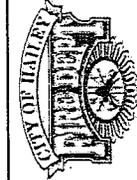
Mission & Vision Statements

- The mission of this Department is to protect lives and property through rescue of trapped or injured persons, effective and efficient firefighting, and hazard mitigation; provide Emergency Medical Services; and to conduct appropriate fire prevention and education programs for its citizens.
- It is the vision of The Hailey Fire Department to provide unflinching service to the citizens of this community. We will rise at any hour to help our neighbor. Let no barrier stop us from answering a cry for help. Let every member find, within themselves, the fortitude to excel at their craft to aid their brothers and sisters. Uncompromised, unwavering service with compassion. This organization shall bond together to reach this common purpose. This is our task.

This is our goal.

Highlights for 2013

- Beaver Creek fire
- Retirement of Chief Chapman (1991 - 2013)
- Hiring of Chief Aberbach
- Partnering with Advocates to help support their Holiday Program
- Partnering with Board of Realtors with food distribution over the Holidays
- Applied for two grants
 - Fire Hose & Nozzles and Adapters
 - SCBA (Ketchikan FD grant - Hailey is listed as additional Department)
- Worked with surrounding Fire Departments in creating a new Auto Aid Agreement
- Addition of three new Volunteer Firefighters
- Department Reorganization



Deputy
Chief/Fire
Marshal

Assistant
Chief

Administrative
Assistant

Captain Squad 1

Captain Squad 2

Captain Squad 3

Engineer

Lieutenant

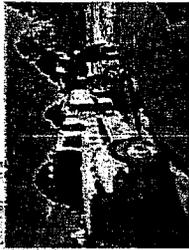
Engineer

Engineer

For a complete list of the names of all firefighters, please contact the City of Hailey at 337-3333.

Projects for 2014

- Partnering with Wood River High School in establishing a Fire Explorer Program
- Partnering with Hailey Police and Blaine County Schools in establishing a Do The Right Thing Program
- Partnering with Eastern Kentucky University with an Intern Program (for credit)
- Preparing for 2015 ISO Evaluation
- Research and Apply for new grant opportunities
- Continue to support community activities

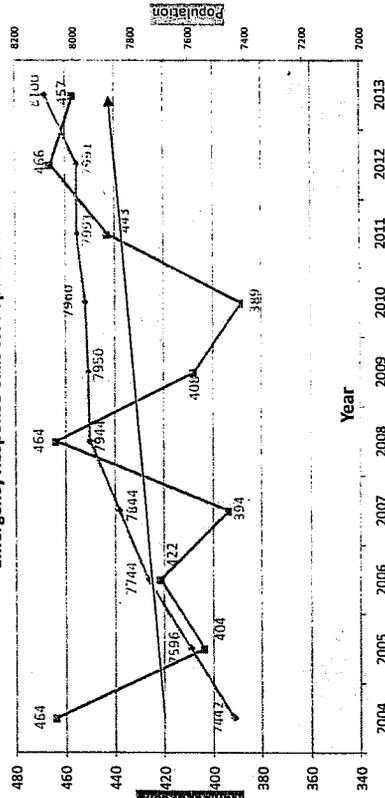


Fire Department Benevolent Activities

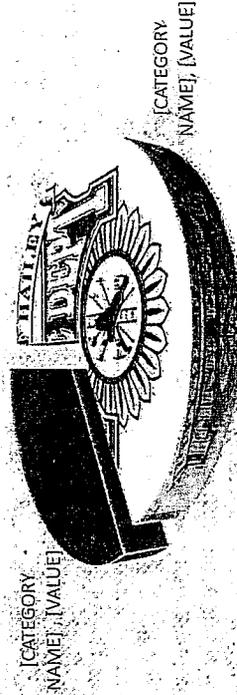
- Spearheaded collection (from community) for a new flag pole to be located at the Fire Station
- Donated table to be placed at the Deerfield Park
- Made financial contributions to needy families
- Hosted Fire Department Annual Banquet
- Hosted Community & Day Care CPR Classes
- Sponsored First Year of Recovers.Org
- Participated in Fallen Firefighter Activities

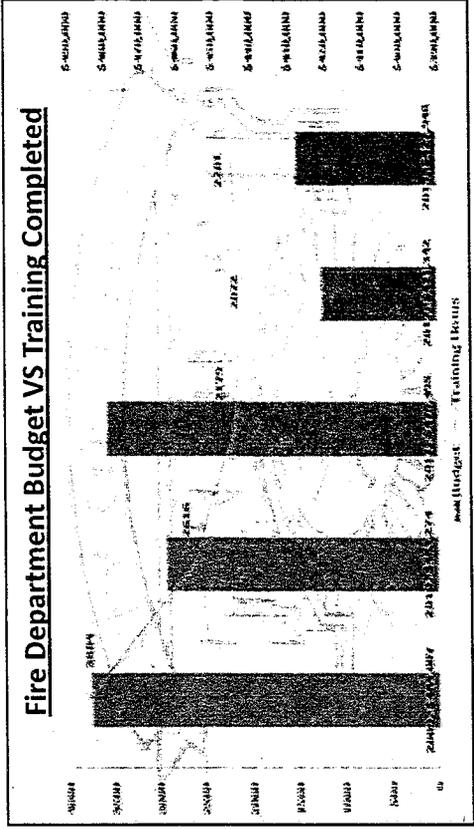
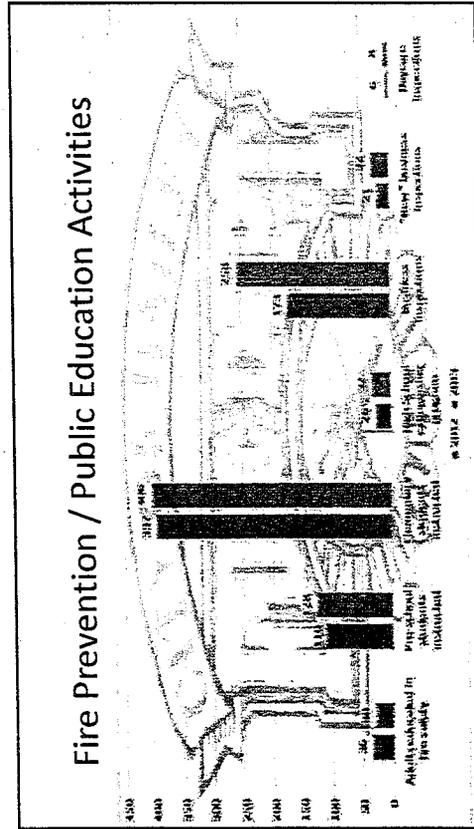
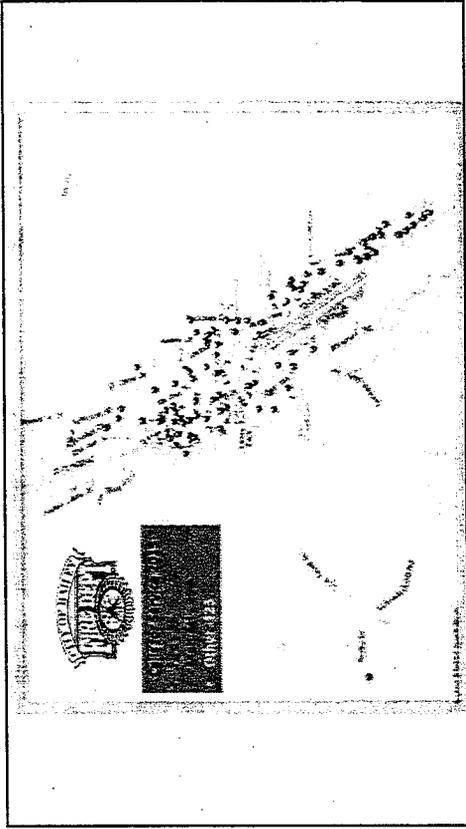
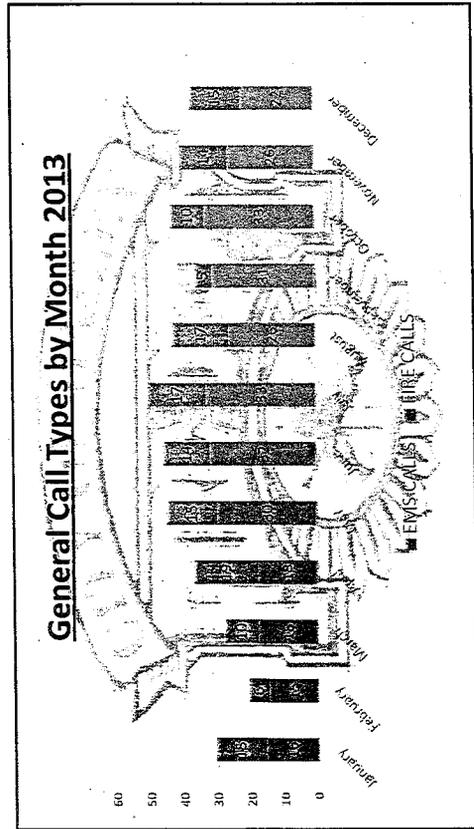


Emergency Response Calls vs. Population



Majority of Responses





AGENDA ITEM SUMMARY

DATE: 2/3/14 DEPARTMENT: PW - WW DEPT. HEAD SIGNATURE: 

SUBJECT: Introduction of Ordinance amending how Wastewater base rates are set for new occupants of Townhomes/Condos where irrigation is on the homeowner's association meter

AUTHORITY: ID Code _____ IAR _____ City Ordinance/Code _____
(IF APPLICABLE)

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

Hailey Municipal Code 13.04.130(B)(3) states:

2. Non-Metered Account Fee. New Wastewater user accounts, where an average winter water use has not been established, shall pay a set monthly charge for water usage of 6000 gallons per month.

This ordinance was passed in October, 2011 to clarify how to set up new accounts for wastewater fees. The 6,000 gallons was based on the average winter water usage for single family homes.

Recently the owner of a Sweetwater townhouse called to question this procedure when the account does not connect to an irrigation system; i.e. the HOA is responsible for the irrigation bill using a separate connection. The owner stated she had moved into her place in June and had been using only 2-3,000 gallons of water per month but was being charged for 6,000 gallons on her wastewater bill. She felt this was unfair to her and others in the same position. I would agree that this is an issue that should be addressed.

City staff recommends that the ordinance be revised as shown on the attachment to allow for adjustment of a property where the irrigation is not a part of the services used. An example of this is Sweetwater where the irrigation is separate from individual units and paid by the HOA. The new account would be initially assessed at the current 6,000 gallons per month rate until there is 2 full months of water use with which to set an average sewer rate. Any excess fees would then be credited to the account or possibly an increased fee set.

It is also recommended that a policy and procedures addressing this ordinance revision be presented to the council.

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS: Caselle # _____

Budget Line Item # _____ YTD Line Item Balance \$ _____

Estimated Hours Spent to Date: _____ Estimated Completion Date: _____

Staff Contact: _____ Phone # _____

Comments:

No negative impact as this is a minimal number of properties and will be calculated in rates.

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

- | | | | | |
|---|--------------------------|---------------------|--------------------------|--------------------|
| <input type="checkbox"/> City Administrator | <input type="checkbox"/> | Library | <input type="checkbox"/> | Benefits Committee |
| <input type="checkbox"/> City Attorney | <input type="checkbox"/> | Mayor | <input type="checkbox"/> | Streets |
| <input type="checkbox"/> City Clerk | <input type="checkbox"/> | Planning | <input type="checkbox"/> | Treasurer |
| <input type="checkbox"/> Building | <input type="checkbox"/> | Police | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> Engineer | <input type="checkbox"/> | Public Works, Parks | <input type="checkbox"/> | _____ |
| <input type="checkbox"/> Fire Dept. | <input type="checkbox"/> | P & Z Commission | <input type="checkbox"/> | _____ |



HAILEY ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF HAILEY, IDAHO, AMENDING TITLE 13 OF THE HAILEY MUNICIPAL CODE BY AMENDING SECTION 13.04.130(B)(2) TO CLARIFY THAT NEW WASTEWATER USER ACCOUNTS SHALL BE BASED ON A WATER USE OF 6000 GALLONS PER MONTH WITH A PROVISION FOR ADJUSTING FOR LOWER WATER USAGE; BY PROVIDING FOR A REPEALER CLAUSE; BY PROVIDING FOR A SEVERABILITY CLAUSE; AND BY PROVIDING FOR THE EFFECTIVE DATE OF THIS ORDINANCE UPON PASSAGE, APPROVAL AND PUBLICATION ACCORDING TO LAW.

WHEREAS, the City desires to clarify that new wastewater user accounts shall be initially based on a water use of 6000 gallons per month;

WHEREAS, the City desires to allow for an adjustment to properties served by a separate irrigation account should the water use history show a use lower than 6,000 gallons per month in the first two months; and

WHEREAS, the Mayor and City Council find that the amendments to the Chapter will further the public health, safety and general welfare.

NOW, THEREFORE, BE IT ORDAINED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF HAILEY, IDAHO, AS FOLLOWS:

Section 1. Section 13.04.130(B)(2) of the Hailey Municipal Code is hereby amended by the addition of the following underlined language and the deletion of the following stricken language:

2. Non Metered New Account Fee. New Wastewater user accounts, where an average winter water use has not been established, shall pay a set monthly charge for water usage of 6000 gallons per month. For those properties identified as having a separate irrigation system account the wastewater fee shall be set following two full months of water use to the average water use.

Section 2. Repealer Clause. All Ordinances or Resolutions or parts thereof in conflict herewith are hereby repealed and rescinded.

Section 3. Severability Clause. If any section, paragraph, sentence or provision hereof or the application thereof to any particular circumstances shall ever be held invalid or unenforceable, such holding shall not affect the remainder hereof, which shall continue in full force and effect and applicable to all circumstances to which it may validly apply.

Section 4. Effective Date. This Ordinance shall be in full force and effect after its passage, approval and publication according to law.

PASSED AND ADOPTED BY THE HAILEY CITY COUNCIL and approved by the Mayor this ___ day of March, 2014.

AGENDA ITEM SUMMARY

DATE: February 3, 2014 DEPARTMENT: Community Development DEPT HEAD: MA

SUBJECT: Amend sign fees and Floodplain Development Permit fees to more closely match the amount of staff time necessary to process the request and provide a more equitable fee to the public.

AUTHORITY: IAR _____ City Ordinance: Zoning Ordinance, Section 4.10

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

The last time the Planning and Zoning fees were updated was in September of 2009 by Ordinance 1032, at which time many of the fees were increased to reflect the administrative costs to process the application. In the last six months, we have done another analysis of fees and found the following fees to be disproportionate to the administrative costs required to process the application. In all other cases, the fees were found to be equitable and representative of costs. According to this same fee structure, staff time is valued at \$50.00/hour, which was used to calculate recommended fees based on staff time spent on a project. The following summarizes the recommended fee changes:

Fee	Current Amount	Proposed Amount	Justification
Permanent Sign Application Fee	\$30.00	\$50.00	On average, review of a permanent sign application requires approximately one hour of staff time. Staff time is valued at \$50/hour.
Portable Sign Annual Renewal and Application Fee	\$50.00	\$20.00	Each year, we renew 62 portable sign applications. On average these applications require approximately 20 minutes plus postage. This equates to just under \$20.00 per application.
Floodplain Development Permit- No Substantial Impact (<i>New Fee</i>)	\$400 for Floodplain Development Permit	\$75.00	<p>Currently, our Floodplain Ordinance requires a Floodplain Development Permit for ALL development within the floodplain, regardless of project size. The term "development" applies to any disturbance of the soil within the 100-year Floodplain. This means that every new flower garden and new subdivision development pay the exact same fee. (Yes, the ordinance does require projects as small as a flower garden to get a permit.) This new fee provides a much more reasonable and equitable fee for projects that have No Substantial Impact. These minor projects include everything except:</p> <ol style="list-style-type: none"> 1. Subdivisions 2. New Single-Family Dwelling or New Commercial Construction 3. All Substantial Improvements, as defined in 4.10 4. New Accessory Dwelling Unit 5. Any application deemed to have Substantial Impact by the Floodplain Administrator and/or City engineer <p>This same concept was used for establishing the Design Review Exemption fee, which is \$30, instead of the standard \$450.</p> <p>The recommended \$75 fee covers staff time of approximately 1.5 hours to review the application.</p>

For tonight, please indicate whether the above recommended fee changes are acceptable to the City Council and direct staff to draft the appropriate ordinance to make changes. If the recommendations are not acceptable to the City Council, please advise staff on which changes should be made.

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS: Caselle # _____
 Budget Line Item # _____ YTD Line Item Balance \$ _____
 Estimated Hours Spent to Date: _____ Estimated Completion Date: _____
 Staff Contact: _____ Phone # _____
 Comments: _____

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

- | | | |
|--|--|---|
| <input checked="" type="checkbox"/> City Administrator | <input type="checkbox"/> Library | <input type="checkbox"/> Benefits Committee |
| <input checked="" type="checkbox"/> City Attorney | <input type="checkbox"/> Mayor | <input type="checkbox"/> Streets |
| <input checked="" type="checkbox"/> City Clerk | <input checked="" type="checkbox"/> Planning | <input type="checkbox"/> Treasurer |
| <input type="checkbox"/> Building | <input type="checkbox"/> Police | _____ |
| <input type="checkbox"/> Engineer | <input type="checkbox"/> Public Works, Parks | _____ |
| <input type="checkbox"/> Fire Dept. | <input type="checkbox"/> P & Z Commission | _____ |

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Direct staff to prepare an ordinance to revise the fees as presented or direct staff to come back to the Council with further information.

ADMINISTRATIVE COMMENTS/APPROVAL:

City Administrator _____ Dept. Head Attend Meeting (circle one) Yes No

ACTION OF THE CITY COUNCIL:

Date _____

City Clerk _____

FOLLOW-UP:

*Ord./Res./Agrmt./Order Originals: Record
 Copies (all info.): _____
 Instrument # _____

*Additional/Exceptional Originals to: _____
 Copies (AIS only)

HAILEY ZONING AND SUBDIVISION FEE SCHEDULE

Annexation	\$1250 + \$15/developable acre** + additional fees for services rendered (including but not limited to fees for City Attorney, City Engineer, and Staff) to be negotiated before application is certified as complete
Appeal	\$255
Child Care Conditional Use	\$50
Comprehensive Plan Amendment	\$400
Conditional Use Permit	\$400
Design Review	\$450 + \$25/1000 gross square feet
Design Review – Single Family Dwelling or Accessory Structure or Duplex in Townsite Overlay	\$250
Design Review –Accessory (not associated with a residential Principle Use)	\$250
Design Review - Modifications to Projects that have Received Design Review Approval (determined by the Administrator not to be minor)	\$50
Design Review - No Substantial Impact	\$75
Design Review - Recommendation for Exemption	\$30
Fence Permit	\$30
Floodplain Development Permit	\$400
Floodplain Development Permit- No Substantial Impact	\$75
Lot Line Shift	\$240
Miscellaneous	\$55
Pre-application Meeting	\$50/hour/department head for meetings and/or phone calls exceeding 1 hour
PUD (in addition to other app)	\$500 + additional fees for services rendered by City Attorney (development agreement)
Rezone	\$400 + additional fees for services rendered by City Attorney associated with a development agreement)
Permanent Sign Permit	\$30 \$50
Portable Sign Permit	\$30
Portable Sign: <u>Renewal Fee</u> and inspection fee for portable sign in ROW	\$50 <u>\$20</u>
Sign: Inspection fee for <u>permanent or portable</u> sign. in ROW	\$50

Short Plat Subdivision	\$300/lot, subplot, or unit; not to exceed \$1200
Subdivision	\$1,250 + \$55/lot, subplot, or unit + additional fees for services rendered by City Attorney (development agreement)
Subdivision Ordinance and Zoning Ordinance Text Amendment	\$400
Vacation	\$400
Variance	\$350
Wireless Permit	\$350
Wireless Master Development Plan	\$250
Wireless Conditional Use Permit	\$600
Wireless Annual Renewal	\$60
In Lieu Parking Contribution	\$9,975 / space
*All Fees: Plus actual cost of noticing (newspaper and/or mail), recording fees, and all other direct costs, not including staff time except where otherwise provided.	
** Developable acre: lying below 25% slope line and not within proposed park/green space	

AGENDA ITEM SUMMARY

DATE: 01/22/2014 DEPARTMENT: Library DEPT. HEAD SIGNATURE: _____

SUBJECT:

Motion to authorize the implementation of color copies/printing fee by adopting Resolution 2014-__

AUTHORITY: X ID Code \$63-1311A IAR _____ City Ordinance/Code _____

63-1311A. Advertisement of and hearing on fee increases. No taxing district may make a decision approving a fee increase that is in excess of five percent (5%) of the amount of the fee last collected or a decision imposing a new fee, unless it first holds a hearing upon such proposed fee increase or fee imposition at a regular or special meeting of the district's governing body and after it gives public notice of such hearing in the manner provided in this section.

BACKGROUND/SUMMARY OF ALTERNATIVES CONSIDERED:

The Hailey Public Library received a grant from the Donald W. and Gretchen K. Fraser Fund of the Idaho Community Foundation. The grant was used to purchase an all-in-one color printer with scanning, faxing and Wi-Fi capabilities. To offset the cost of replacement color cartridges, the board considered and adopted a new charge at the regular board meeting on January 15, 2014. The new policy states:

Printing and scanning is available from all computer stations. Black and white printing and copying is available at \$.10 per page and color printing and copying is \$.50 cents per page.

As required by the above state law, this was noticed on January 13, 2014.

FISCAL IMPACT / PROJECT FINANCIAL ANALYSIS: Caselle

Budget Line Item # _____ YTD Line Item Balance \$ _____
Estimated Hours Spent to Date: _____ Estimated Completion Date: _____
Staff Contact: _____ Phone # _____
Comments: _____

ACKNOWLEDGEMENT BY OTHER AFFECTED CITY DEPARTMENTS: (IF APPLICABLE)

- | | | |
|--|--|---|
| <input checked="" type="checkbox"/> City Administrator | <input checked="" type="checkbox"/> Library | <input type="checkbox"/> Benefits Committee |
| <input type="checkbox"/> City Attorney | <input type="checkbox"/> Mayor | <input type="checkbox"/> Streets |
| <input checked="" type="checkbox"/> City Clerk | <input type="checkbox"/> Planning | <input checked="" type="checkbox"/> Treasurer |
| <input type="checkbox"/> Building | <input type="checkbox"/> Police | _____ |
| <input type="checkbox"/> Engineer | <input type="checkbox"/> Public Works, Parks | _____ |
| <input type="checkbox"/> Fire Dept. | <input type="checkbox"/> P & Z Commission | _____ |

RECOMMENDATION FROM APPLICABLE DEPARTMENT HEAD:

Motion to approve as is or with revisions on the Hailey Library Board of Trustees suggestion to assess a \$.50 per page color printing fee to patrons.

ADMINISTRATIVE COMMENTS/APPROVAL:

City Administrator _____ Dept. Head Attend Meeting (circle one) Yes No

ACTION OF THE CITY COUNCIL:

Date _____

City Clerk _____

FOLLOW-UP:

*Ord./Res./Agrmt./Order Originals: Record
Copies (all info.):
Instrument # _____

*Additional/Exceptional Originals to: _____
Copies (AIS only)