

**CITY OF HAILEY, IDAHO**

**Financial Statements**

**Year Ended September 30, 2021**

**CITY OF HAILEY, IDAHO**  
**Financial Statements**  
**For the year ended September 30, 2021**

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# WORKMAN & COMPANY

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## INDEPENDENT AUDITOR'S REPORT

December 17, 2021

To the City Council  
City of Hailey, Idaho

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hailey, Idaho, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Hailey, Idaho's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hailey, Idaho, as of September 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and public employee pension information on pages 3–8 and 34–38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on pages 39-40 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the supplementary information along with the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2021, on our consideration of the City of Hailey, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hailey, Idaho's internal control over financial reporting and compliance.

*Workman & Company*

WORKMAN AND COMPANY  
Certified Public Accountants  
Twin Falls, Idaho

## MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2021

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, 2021. 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, 2021, by \$ 42,223,647. Of this amount \$ 14,238,026 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- During fiscal year 2021 the City's total net position increased \$ 5,115,392. Net position of the governmental activities increased \$ 3,694,947 and net position of business type activities increased \$ 1,420,445.
- Total fund balance of governmental funds at September 30, 2021, was \$ 5,738,582 compared to a total governmental fund balance at September 30, 2020, of \$ 3,959,593.
- The City has \$ 7,283,539 in permanent debt, including debt still remaining on, water storage facility, sewer revenue bond (bio-solids facility upgrade), net pension liabilities, 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 be 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.

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

## ***Management's Discussion and Analysis, Continued***

### **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, local option taxes, franchises, and fees for services. Its function is operations and maintenance. Most of the fund balance from the General Fund is shown in the financial statements as unassigned resources.

**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. Fund balance from the Debt Service Fund is shown in the financial statements as committed resources.

**Capital Improvement Fund** – The Capital Improvement Fund is used to account for financial resources to be used for the acquisition and development 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 is not 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. The Grant Fund is used specifically for large, complex grants or grants which span multiple fiscal years.

**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.

### **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.

**Management's Discussion and Analysis, Continued**

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

	FY 2021			FY 2020
	Governmental Activities	Business- type Activities	Total Primary Government	Total Primary Government
<b>ASSETS</b>				
Current and Other Assets	\$ 7,477,815	\$ 13,171,404	\$ 20,649,219	\$ 17,374,622
Capital Assets - Net	18,281,959	13,564,841	31,846,800	30,444,715
<b>Total Assets</b>	<b>25,759,774</b>	<b>26,736,245</b>	<b>52,496,019</b>	<b>47,819,337</b>
Net Pension Asset	48,407	19,039	67,446	
Deferred Outflows of Resources	626,975	246,600	873,575	420,825
<b>LIABILITIES</b>				
Current Liabilities	1,739,233	487,966	2,227,199	1,764,018
Long Term Liabilities	191,010	6,637,529	6,828,539	9,302,352
<b>Total Liabilities</b>	<b>1,930,243</b>	<b>7,125,495</b>	<b>9,055,738</b>	<b>11,066,370</b>
Deferred Inflows of Resources	1,548,575	609,080	2,157,655	65,537
<b>NET POSITION</b>				
Invested in Capital Assets, Net of Debt	18,281,959	6,579,635	24,861,594	22,999,175
Restricted	1,473,676	1,650,351	3,124,027	2,166,399
Unrestricted	3,200,703	11,037,323	14,238,026	11,942,681
<b>Total Net Position</b>	<b>\$ 22,956,338</b>	<b>\$ 19,267,309</b>	<b>\$ 42,223,647</b>	<b>\$ 37,108,255</b>

## **Management's Discussion and Analysis, Continued**

### **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, 2021, by \$42,223,647, an increase of \$5,115,392 over the previous year's net position balance of \$ 37,108,255. Of this amount \$ 14,238,026 is unrestricted and available to meet the City's on-going obligations to citizens and creditors. The unrestricted net position equal 33.72% of total net position.

The largest portion of the City's net position, \$24,861,594 or 58.88%, 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 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 modestly during 2021.

### **Changes in Net Position**

During the year, the City's financial position increased by \$ 5,115,392, compared to the previous year ending September 30, 2020, during which the City's financial position increased by \$ 2,080,865.

### **Governmental Activities:**

Governmental activities increased the City's net position by \$ 3,694,947, compared to the previous year's increase of \$956,556. This increase is due largely to revenue which exceeded budgeted expenses and an increase in new assets.

**Business-Type Activities:** Business-type activities increased net position by \$ 1,420,445, compared to the previous year's increase of \$ 1,124,309. This increase is due largely to revenue which exceeded budgeted expenses.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental Funds**

**General Fund** - The general fund balance at September 30, 2021, was \$5,183,005, compared to \$2,657,838 the previous year. This amount contains a non-binding endowment for fireworks display of \$32,089, contributed from donations in current and previous years, plus a dedicated fund of \$ 15,652 for maintenance of park play equipment. A new dedicated fund within the general fund was established in 2021 from rubbish charges received in excess of the maximum \$140,000 per month our franchise agreement requires us to submit to Clear Creek Disposal. At fiscal year end, the amount in the Clear Creek Disposal (CCD) dedicated fund is \$16,006, which is intended to defray future rubbish rate increases which may be calculated when additional services are made available. The fund also holds the unbudgeted first half of American Rescue Plan Act (ARPA) funds received in 2021 of \$934,485, with the second half to come in 2022. A strategic planning process is underway to identify appropriate, lawful and impactful uses of these funds in a 4-year spending period described under the Act.

**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. Development impact fees are collected within the capital fund. The capital fund balance at September 30, 2021, decreased by \$751,410 to \$478,275, as project expenditures were in excess of revenues.

**Debt Service Fund** -- The debt service fund was established in 2010 to account for the bond proceeds of the Wertheimer Park facilities. These bonds are general obligation to be paid from the general funds of the City over a ten-year period. During the current year, these bonds were paid in full. The fund continues to receive delinquent property taxes that will be used for maintaining or improving the park facilities.

**Grant Fund** –The grant fund has been created to track large or multi-year grants, including 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. The Grant Fund was used during FY 2021 to track the FEMA IOEM Hazards Mitigation Program Grant, a multi-year project which remains in-progress at fiscal year end and is billed back to the Capital Fund. Three other grant programs to be billed back to the General Fund include the 4-year FEMA SAFER Grant, the \$200,000 Cares Act Municipal Small Business Grant, and the American Rescue Plan Act (ARPA) through which the City received a still unbudgeted amount of \$934,485. Small single-year grants, such as those earned by the Library, are handled completely within the General Fund, not the Grant Fund.



## **Management's Discussion and Analysis, Continued**

### **General Fund Budgetary Highlights**

The City's General operating fund balance increase of \$2,525,167 resulted from expenditures being less than budget within most of the general fund departments. Development revenues in particular were significantly higher than budgeted, even after a budget amendment was done prior to fiscal year-end to try to account for this spike. Local option tax revenue too was significantly higher and was captured fully within the aforementioned budget amendment.

### **Capital Improvement Fund Budgetary Highlights**

The City of Hailey capital improvement plan focuses on one-, five- and ten-year planning horizons. The capital budget is planned to be spent over multiple years. Revenues come largely from grants and development fees. When revenue received in the year is planned for a future year expense, the Capital Fund Balance may increase, as most of the capital fund projects are paid from fund balance. FY2021 resulted in a decrease in fund balance, as projects were actively under construction. Additionally, the City spent \$950,000 on real property acquisition, which, after the fiscal year ended, was the subject of a reimbursement general obligation bond measure which failed at the November polls.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of fiscal year 2021 the City had \$ 31,846,800 invested in capital assets (net of accumulated depreciation) compared to last year's \$30,444,715, an increase of \$ 1,402,085 compared to the previous year's decrease of \$249,818. Net capital assets of governmental activities increased by \$ 1,608,993 and those of business-type activities decreased by \$206,908 in the current period. The City investment in capital assets includes land, facilities, park improvements, automobiles and equipment, streetlights, and sidewalks.

### **Long-Term Debt**

In 2012 the City refinanced a 20-year sewer revenue bond which increased the wastewater treatment capacity of the Woodside Wastewater Treatment Plant. During the current year this bond was paid in full. In 2014, the City adopted a new sewer revenue bond ordinance authorizing up to \$6,545,000 additional bonded indebtedness for a wastewater biosolids treatment facility. The current amount owed on this debt is \$5,840,000. This sewer revenue bond is combined under one bond agreement with the Idaho Bond Bank Authority. The City also refinanced its debt on the Quigley canyon water storage facility in 2012, with a term through 2028, paying off a DEQ State Revolving Fund Loan. The current amount owed on this debt is \$880,000. In 2010 the City sold general obligation bonds of \$3,425,000 to finance the Wertheimer Park project over a 10-year term. That debt was fully paid in 2020. The City currently has no general bond debt. The City's maximum general obligation debt capacity is 2% of the taxable assessed value of properties within the City limits. 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.

## **FY 2022 BUDGETARY CONSIDERATIONS**

The City of Hailey establishes the budgets in each of its funds from estimated revenue. The Hailey City Council has had a policy requiring that the City maintain a fund balance that is at least 25% of budget to meet first-quarter expenses and for emergencies. The FY 2022 general fund budget is \$9,188,598, with 25% of that being \$2,297,150, the amount now designated as general operating reserve. A secondary policy of the city council is to transfer general operating fund balance to the capital fund if the goal of the primary policy has been achieved. The unassigned general fund balance at fiscal year-end is \$4,184,773, which exceeds the 25% reserve target of \$2,297,150, by \$1,887,623. Sufficient fund balance exists to transfer the \$1,887,623 general operating fund balance to the capital fund for capital project spending, per that secondary policy.

The water and wastewater operating funds, per bond covenants, are required to be 125% of net revenue, which creates surplus fund balance which can be used, in later years, on capital projects. During 2020, Rate Stabilization accounts were established under the provisions of Hailey's bond ordinance to help assure that this important bond covenant be met throughout the life of the bonds. Another rate stabilization fund was created in the general operating fund for rubbish franchise revenue to be used to stabilize garbage rates when new services are made available.

## ***Management's Discussion and Analysis, Continued***

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 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. A new wastewater rate structure was implemented in 2015 that allocates bond costs by the amount of usage rather than the number of meters. A new water rate structure was implemented at the beginning of FY 2016.

### **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, 2021**

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit Urban Renewal Agency</u>
Cash and Deposits	\$ 5,025,492	\$ 10,783,057	\$ 15,808,549	\$ 836,614
Accounts Receivable	331,837	657,966	989,803	
Taxes Receivable	42,087		42,087	
Due From Other Governments	604,723		604,723	
Inventory		80,030	80,030	
Restricted Cash, Deposits and Investments	1,473,676	1,650,351	3,124,027	
Totals	<u>7,477,815</u>	<u>13,171,404</u>	<u>20,649,219</u>	<u>836,614</u>
Capital Assets:				
Land, Easements and Water Rights	3,117,021	235,391	3,352,412	
Construction in Progress			0	
Infrastructure	13,919,556	22,526,923	36,446,479	
Buildings and Improvements	4,711,970	1,033,573	5,745,543	
Equipment and Vehicles	5,245,428	4,916,085	10,161,513	
	<u>26,993,975</u>	<u>28,711,972</u>	<u>55,705,947</u>	<u>0</u>
Accumulated Depreciation	<u>(8,712,016)</u>	<u>(15,147,131)</u>	<u>(23,859,147)</u>	
Total Capital Assets	<u>18,281,959</u>	<u>13,564,841</u>	<u>31,846,800</u>	<u>0</u>
<b>Total Assets</b>	<b><u>25,759,774</u></b>	<b><u>26,736,245</u></b>	<b><u>52,496,019</u></b>	<b><u>836,614</u></b>
Deferred Outflows of Resources and Pension Asset:				
Net Pension Asset	48,407	19,039	67,446	
Deferred Outflows from Pension Activity	<u>626,975</u>	<u>246,600</u>	<u>873,575</u>	
<b><u>LIABILITIES</u></b>				
Accounts Payable	1,018,473		1,018,473	28,875
Accrued Payroll and Benefits Payable	74,221		74,221	
Accrued Interest Payable		10,989	10,989	
Surety and Security Bonds Payable	646,539	21,977	668,516	
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	0	455,000	455,000	
Portion due or payable after one year:				
Bonds Payable	0	6,265,000	6,265,000	
Unamortized Bond Premium	0	254,217	254,217	
Compensated Absences	191,010	118,312	309,322	
	<u>1,930,243</u>	<u>7,125,495</u>	<u>9,055,738</u>	<u>28,875</u>
<b>Total Liabilities</b>	<b><u>1,930,243</u></b>	<b><u>7,125,495</u></b>	<b><u>9,055,738</u></b>	<b><u>28,875</u></b>
Deferred Inflows of Resources				
Deferred Inflows from Pension Activity	<u>1,548,575</u>	<u>609,080</u>	<u>2,157,655</u>	
<b><u>NET POSITION</u></b>				
Invested in Capital Assets - net of related debt	18,281,959	6,579,635	24,861,594	0
Restricted For:				
Debt Service		612,743	612,743	0
Other Purposes	1,473,676	1,037,608	2,511,284	0
Unrestricted	<u>3,200,703</u>	<u>11,037,323</u>	<u>14,238,026</u>	<u>807,739</u>
<b>Total Net Position</b>	<b><u>\$ 22,956,338</u></b>	<b><u>\$ 19,267,309</u></b>	<b><u>\$ 42,223,647</u></b>	<b><u>\$ 807,739</u></b>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO**  
**Statement of Activities**  
**For the Year Ended September 30, 2021**

Activities:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets			Component Unit - Urban Renewal Agency
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
<b>Governmental:</b>							
General Government	\$ 1,406,823	\$ 576,555	\$ 1,182,485	\$ 352,217		\$ 352,217	
Public Protection:							
Public Safety	1,940,969	265,651	306,023	(1,369,295)		(1,369,295)	
Streets	1,588,829		114,340	(1,474,489)		(1,474,489)	
Parks and Recreation	317,736	45,072		(272,664)		(272,664)	
Library	589,565	6,615	41,534	(541,416)		(541,416)	
Interest - on long-term debt				0		0	
Unallocated Depreciation	648,289			(648,289)		(648,289)	
Total Governmental Activities	<u>6,492,211</u>	<u>893,893</u>	<u>1,644,382</u>	<u>(3,953,936)</u>		<u>(3,953,936)</u>	
<b>Business Type:</b>							
Water	1,625,374	2,378,590	10,500		\$ 763,716	763,716	
Wastewater	1,787,252	2,545,387			758,135	758,135	
Interest - on long-term debt	281,533				(281,533)	(281,533)	
Total Business-type Activities	<u>3,694,159</u>	<u>4,923,977</u>	<u>10,500</u>		<u>1,240,318</u>	<u>1,240,318</u>	
Total City of Hailey, Idaho	<u>\$ 10,186,370</u>	<u>\$ 5,817,870</u>	<u>\$ 1,654,882</u>	<u>(3,953,936)</u>	<u>1,240,318</u>	<u>(2,713,618)</u>	
Component Units:							
Urban Renewal Agency	\$ 56,880						\$ (56,880)
Total							<u>(56,880)</u>
		General Revenues:					
				2,810,902		2,810,902	281,821
				829,172		829,172	
				1,319,061		1,319,061	
				832,845		832,845	
				10,763		10,763	
				312,068		312,068	
				524,877		524,877	
				11,368		11,368	
				66,202		66,202	
				15,812	35,429	51,241	1,902
				8,122		8,122	
					24,146	24,146	
				314,691	120,552	435,243	
				593,000	0	593,000	
			Total general revenues and transfers	<u>7,648,883</u>	<u>180,127</u>	<u>7,829,010</u>	<u>283,723</u>
			Changes in net position	3,694,947	1,420,445	5,115,392	226,843
			Net Position - Beginning	<u>19,261,391</u>	<u>17,846,864</u>	<u>37,108,255</u>	<u>580,896</u>
			Net Position - Ending	<u>\$ 22,956,338</u>	<u>\$ 19,267,309</u>	<u>\$ 42,223,647</u>	<u>\$ 807,739</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, 2021**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS:</b>				
Cash and Deposits	\$ 6,092,465	\$ 331,423	\$ 75,280	\$ 6,499,168
Accounts Receivable	291,373	40,464		331,837
Due From Other Governments	457,873	146,850		604,723
Property Taxes Receivable	<u>40,063</u>	<u>2</u>	<u>2,022</u>	<u>42,087</u>
Total Assets	<u>6,881,774</u>	<u>518,739</u>	<u>77,302</u>	<u>7,477,815</u>
<b>LIABILITIES:</b>				
Accounts Payable	978,009	40,464		1,018,473
Accrued Payroll Expenses	74,221			74,221
Due To Other Funds				0
Surety and Security Bonds Payable	<u>646,539</u>			<u>646,539</u>
Total Liabilities	<u>1,698,769</u>	<u>40,464</u>	<u>0</u>	<u>1,739,233</u>
<b>FUND BALANCE:</b>				
Non-spendable				0
Restricted				0
Committed	31,658	238,673	77,302	347,633
Assigned	966,574	239,602		1,206,176
Unassigned	<u>4,184,773</u>			<u>4,184,773</u>
Total Fund Balance	<u>5,183,005</u>	<u>478,275</u>	<u>77,302</u>	<u>5,738,582</u>
Total Liabilities and Fund Balance	<u>\$ 6,881,774</u>	<u>\$ 518,739</u>	<u>\$ 77,302</u>	<u>\$ 7,477,815</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 Position**  
**for the year ended September 30, 2021**

Total Governmental Fund Balances (Page 12)	\$ 5,738,582
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 \$ 26,993,975 less accumulated depreciation \$ 8,712,016	18,281,959
Long-term liabilities, including net pension liability, bonds payable and compensated absences are not payable in the current period and therefore are not reported in the governmental funds	(1,064,203)
Net Position of Governmental Activities (Page 10)	<hr/> <u>\$ 22,956,338</u>

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, 2021**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>				
Property taxes	\$ 2,806,614	\$ 209	\$ 4,079	\$ 2,810,902
Local Option sales taxes	829,172			829,172
Franchises, licenses, permits	1,319,061			1,319,061
State of Idaho shared revenue	832,845			832,845
State of Idaho sales tax	10,763			10,763
State of Idaho liquor receipts	312,068			312,068
State highway user collections	524,877			524,877
Penalty and interest on property taxes	10,402		966	11,368
County court fines	66,202			66,202
Fees, fines and charges for services	441,919	451,974		893,893
Grants	342,995	305,065		648,060
ARPA Grant	934,485			
Contributions	61,837			61,837
Property Sales		593,000		593,000
Earnings on investments	10,453	5,172	187	15,812
Miscellaneous	8,122			8,122
<b>Total Revenue</b>	<u>8,511,815</u>	<u>1,355,420</u>	<u>5,232</u>	<u>8,937,982</u>
<b>EXPENDITURES:</b>				
General Government	1,399,097			1,399,097
Public Safety	2,214,202			2,214,202
Streets	1,352,109			1,352,109
Parks and Recreation	431,675			431,675
Library	589,565			589,565
Capital outlay		2,106,830		2,106,830
Debt Service				0
<b>Total Expenditures</b>	<u>5,986,648</u>	<u>2,106,830</u>	<u>0</u>	<u>8,093,478</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	2,525,167	(751,410)	5,232	844,504
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds				0
Operating transfers (to) other funds				0
<b>NET CHANGE IN FUND BALANCES</b>	2,525,167	(751,410)	5,232	1,778,989
<b>FUND BALANCE - BEGINNING</b>	<u>2,657,838</u>	<u>1,229,685</u>	<u>72,070</u>	<u>3,959,593</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 5,183,005</u>	<u>\$ 478,275</u>	<u>\$ 77,302</u>	<u>\$ 5,738,582</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, 2021**

Net Change in Fund Balance - Total Governmental Funds (Page 14)	\$ 1,778,989
<p>Governmental funds report capital outlays as current year expenditures. In the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of current capital outlay for new fixed assets.</p>	
This is the amount of current year depreciation.	(648,289)
This is the amount of new Governmental Fund assets.	2,257,282
This is the amount of disposed Governmental Fund assets.	0
<p>Long term liabilities are not recorded in the Governmental funds. Principal and interest paid on capital debt are recorded as expenditures in the Governmental Funds. Principal amounts paid are not recorded as expenditures in the Statement of Net Assets.</p>	
This is the amount of current year principal payments on capital debt.	0
This is the amount of changes in net pension liabilities	314,691
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the increase in compensated leave during the year.	<u>(7,726)</u>
Change in Net Position of Governmental Activities (Page 11)	<u>\$ 3,694,947</u>

The accompanying notes are a part of these financial statements.



**CITY OF HAILEY, IDAHO**  
**Statement of Net Position**  
**Proprietary Funds**  
**at September 30, 2021**

<b>Assets:</b>	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Current Assets:</b>			
Cash and deposits	\$ 6,521,678	\$ 4,261,379	\$ 10,783,057
Accounts receivable	420,245	237,721	657,966
Inventory	80,030		80,030
	<u>7,021,953</u>	<u>4,499,100</u>	<u>11,521,053</u>
<b>Restricted Current Assets:</b>			
Cash and deposits	<u>196,444</u>	<u>1,453,907</u>	<u>1,650,351</u>
Total Current Assets	<u>7,218,397</u>	<u>5,953,007</u>	<u>13,171,404</u>
<b>Non Current Assets:</b>			
Plant and equipment	12,159,061	16,552,911	28,711,972
Accumulated depreciation	<u>(7,116,000)</u>	<u>(8,031,131)</u>	<u>(15,147,131)</u>
Net Non Current Assets	<u>5,043,061</u>	<u>8,521,780</u>	<u>13,564,841</u>
<b>Total Assets</b>	<u>12,261,458</u>	<u>14,474,787</u>	<u>26,736,245</u>
<b>Deferred Outflows of Resources and Pension Assets:</b>			
Net Pension Asset	9,518	9,521	19,039
Deferred Outflows from Pensions	<u>123,288</u>	<u>123,312</u>	<u>246,600</u>
<b>Liabilities:</b>			
<b>Current Liabilities:</b>			
Accrued Payroll and Benefits Payable			0
Accrued Interest Payable	1,742	9,247	10,989
Customer Deposits	21,977		21,977
Current portion long-term debt	<u>110,000</u>	<u>345,000</u>	<u>455,000</u>
Total current liabilities	<u>133,719</u>	<u>354,247</u>	<u>487,966</u>
<b>Noncurrent Liabilities:</b>			
Bonds Payable, Less Current	770,000	5,495,000	6,265,000
Premium on Bonds Payable	59,837	194,380	254,217
Compensated Absences Payable	<u>42,832</u>	<u>75,480</u>	<u>118,312</u>
Total noncurrent liabilities	<u>872,669</u>	<u>5,764,860</u>	<u>6,637,529</u>
<b>Total Liabilities</b>	<u>1,006,388</u>	<u>6,119,107</u>	<u>7,125,495</u>
<b>Deferred Inflows of Resources:</b>			
Deferred Inflows from Pensions	<u>304,511</u>	<u>304,569</u>	<u>609,080</u>
<b>Net Position:</b>			
Investment in capital assets net of related debt	4,101,482	2,478,153	6,579,635
Restricted	196,444	1,453,907	1,650,351
Unrestricted	<u>6,785,439</u>	<u>4,251,884</u>	<u>11,037,323</u>
<b>Total Net Position</b>	<u>\$ 11,083,365</u>	<u>\$ 8,183,944</u>	<u>\$ 19,267,309</u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**for the year ended September 30, 2021**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,840,533	\$ 2,192,452	\$ 4,032,985
Hookups, connections and fees	<u>538,057</u>	<u>352,935</u>	<u>890,992</u>
Total Operating Revenue	<u>2,378,590</u>	<u>2,545,387</u>	<u>4,923,977</u>
<b>Operating Expenses:</b>			
Salaries and benefits	620,539	666,398	1,286,937
Administrative and supplies	703,393	626,527	1,329,920
Depreciation	<u>301,442</u>	<u>494,327</u>	<u>795,769</u>
Total Operating Expenses	<u>1,625,374</u>	<u>1,787,252</u>	<u>3,412,626</u>
Operating Income	<u>753,216</u>	<u>758,135</u>	<u>1,511,351</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	19,312	16,117	35,429
Interest Expense	(46,048)	(235,485)	(281,533)
Grants	10,500	0	10,500
Premium Earned on Bond Refinancing	17,091	7,055	24,146
Gain (Loss) on Pension Activity	62,422	58,130	120,552
Gain (Loss) on Sale of Assets	<u>0</u>	<u>0</u>	<u>0</u>
Total Nonoperating	<u>63,277</u>	<u>(154,183)</u>	<u>(90,906)</u>
Income before transfers	816,493	603,952	1,420,445
Transfers in			0
Transfers out			<u>0</u>
Net Income	816,493	603,952	1,420,445
Total Net Position - Beginning	<u>10,266,872</u>	<u>7,579,992</u>	<u>17,846,864</u>
Total Net Position - Ending	<u>\$ 11,083,365</u>	<u>\$ 8,183,944</u>	<u>\$ 19,267,309</u>

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, 2021**

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers	\$ 2,272,288	\$ 2,526,820	\$ 4,799,108
Payments to suppliers	(698,321)	(626,527)	(1,324,848)
Payments to employees	(621,652)	(660,513)	(1,282,165)
Other receipts			0
Net cash provided (used) by operations	<u>952,315</u>	<u>1,239,780</u>	<u>2,192,095</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase and construction of capital assets	(254,461)	(334,400)	(588,861)
Disposition of Assets	0	0	0
Principal paid on capital debt	(105,000)	(330,000)	(435,000)
Interest paid on capital debt	(46,223)	(236,497)	(282,720)
Net cash provided (used) by capital and related financing activities	<u>(405,684)</u>	<u>(900,897)</u>	<u>(1,306,581)</u>
<b>Cash Flows From Investing Activities:</b>			
Grant Income	10,500	0	10,500
Interest Income	19,312	16,117	35,429
Net cash provided (used) by investing	<u>29,812</u>	<u>16,117</u>	<u>45,929</u>
<b>Net Increase (Decrease) in Cash and Deposits</b>	576,443	355,000	931,443
<b>Balances - Beginning of the year</b>	<u>6,141,679</u>	<u>5,360,286</u>	<u>11,501,965</u>
<b>Balances - Ending of the year</b>	<u>\$ 6,718,122</u>	<u>\$ 5,715,286</u>	<u>\$ 12,433,408</u>
Displayed as:			
Pooled Cash and Investments	6,521,678	4,261,379	10,783,057
Restricted Assets	196,444	1,453,907	1,650,351
<b>Balances - Ending of the year</b>	<u>\$ 6,718,122</u>	<u>\$ 5,715,286</u>	<u>\$ 12,433,408</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income	753,216	758,135	1,511,351
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	301,442	494,327	795,769
Changes in assets and liabilities:			
Receivables, net	(83,868)	(18,567)	(102,435)
Inventory	5,072		5,072
Accrued Payables			0
Compensated absences	(1,113)	5,885	4,772
Customer deposits	(22,434)		(22,434)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 952,315</u>	<u>\$ 1,239,780</u>	<u>\$ 2,192,095</u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

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

The City of Hailey, Idaho (City) was incorporated in 1903. 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 wastewater 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 wastewater 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, 2021**

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, 2021**

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, 2021**

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.

**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.

**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, Waste Water, and Bio-Solids funds.

**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 Treasurer 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.

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.

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Continued...

**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.

**11. Deferred Outflows/Inflows of Resources**

In 2007, the Governmental Accounting Standards Board (GASB) released Concepts Statement No. 4 *Elements of Financial Statements* which provides a framework for determining the nature of financial accounting or reporting issues. Since the release of the framework, GASB has been looking at the assets and liabilities on the balance sheet to determine if they should continue to be reflected as



**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Continued...

such. GASB has concluded that, in order to improve financial reporting, there are assets and liabilities that no longer should be reflected as assets and liabilities. These changes are included in the recently-issued GASB Statement No. 65, *Items Previously Reported as Asset and Liabilities*.

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

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

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

**12. Compensated Absences**

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

**13. Pensions**

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

**NOTE 2 - CASH AND CASH EQUIVALENTS**

**Interest Rate Risk** — The City does 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.

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Continued...

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: 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.

Balances are held in each category as follows:

	Bank Balance Categories		
	1	2	3
Deposits	\$ 547,409	\$ 300	
State of Idaho LGIP			\$ 18,704,375
Investments			
Total Cash and Investments	\$ 547,409	\$ 300	\$ 18,704,375

Funds held in the Water and Wastewater Funds (Enterprise funds) in the amount of \$ 612,743 are reserved for repayment of existing debt, \$ 841,164 of reserved funds from the BioSolids project (Wastewater rate stabilization), and \$196,444 in Water Fund rate stabilization. Funds held in the General Fund of \$ 1,473,676 are reserved for specific requirements from donations, employee flexible spending accounts, and capital project related reserved accounts.

**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 60 days overdue, very few accounts become uncollectible.

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Continued...

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2021 is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<b>Governmental Activities:</b>				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 2,651,021	\$ 466,000	\$	\$ 3,117,021
Construction in Progress	33,860		33,860	0
Total	<u>2,684,881</u>	<u>466,000</u>	<u>33,860</u>	<u>3,117,021</u>
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	3,490,436	1,221,534		4,711,970
Infrastructure	13,331,738	587,818		13,919,556
Vehicles and Equipment	5,229,638	15,790		5,245,428
Total	<u>22,051,812</u>	<u>1,825,142</u>	<u>0</u>	<u>23,876,954</u>
Less: Accumulated Depreciation:	<u>(8,063,727)</u>	<u>648,289</u>		<u>(8,712,016)</u>
Total Net Depreciated Assets	<u>13,988,085</u>	<u>1,176,853</u>	<u>0</u>	<u>15,164,938</u>
 Governmental capital assets, net	 <u>\$ 16,672,966</u>	 <u>\$ 1,642,853</u>	 <u>\$ 33,860</u>	 <u>\$ 18,281,959</u>
<b>Business-type activities:</b>				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 235,391	\$	\$	\$ 235,391
Construction in Progress	165,893		165,893	0
Total	<u>401,284</u>	<u>0</u>	<u>165,893</u>	<u>235,391</u>
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	1,033,573			1,033,573
Infrastructure	21,772,169	754,754		22,526,923
Vehicles and Equipment	4,916,085			4,916,085
Total	<u>27,721,827</u>	<u>754,754</u>	<u>0</u>	<u>28,476,581</u>
Less: Accumulated Depreciation	<u>(14,351,362)</u>	<u>795,769</u>		<u>(15,147,131)</u>
Total Net Depreciated Assets	<u>13,370,465</u>	<u>1,550,523</u>	<u>0</u>	<u>13,329,450</u>
 Business-type capital assets, net	 <u>\$ 13,771,749</u>	 <u>\$ 1,550,523</u>	 <u>\$ 165,893</u>	 <u>\$ 13,564,841</u>

**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 31.

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Continued...

**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 Outstanding</u> <u>9/30/2020</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount Outstanding</u> <u>9/30/2021</u>	<u>Amount Due</u> <u>1 Year</u>
<b>GENERAL FUND</b>							
<b>Other:</b>							
Accrued Compensated Absences	N/A		183,284	7,726		191,010	
<b>Total General Fund</b>			<u>\$ 183,284</u>	<u>\$ 7,726</u>	<u>\$ 0</u>	<u>\$ 191,010</u>	<u>\$ 0</u>
<b>PROPRIETARY FUND</b>							
<b>Bonds and Loans Payable:</b>							
2012 Sewer Refunding	9/15/2021	Variable	\$ 260,000	0	\$ (260,000)	0	0
2014 Sewer Bio-Solids Bonds	9/15/2034	Variable	5,910,000	0	(70,000)	5,840,000	345,000
2012 Water Refunding	9/28/2028	Variable	985,000	0	(105,000)	880,000	110,000
<b>Other:</b>							
Accrued Compensated Absences	N/A		113,540	4,772		118,312	
<b>Total Proprietary Fund</b>			<u>\$ 7,268,540</u>	<u>\$ 4,772</u>	<u>\$ (435,000)</u>	<u>\$ 6,838,312</u>	<u>\$ 455,000</u>

On December 20, 2012, the City of Hailey refinanced revenue bonds to satisfy 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. These revenue bonds were paid in full during the current period.

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Continued...

On November 6, 2014, the City of Hailey sold \$6,335,000 of Sewer Revenue Bonds to finance a new Bio-Solids processing facility. The bond was sold at a premium resulting in a decrease of the principal balance by \$210,856 compared to the principal balance of the satisfied bond. The premium will be amortized over the life of the bond. This 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 2034.

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.

Bond maturity and interest schedules of the issued bonds is contained in the schedule on pages 40-41 of these financial statements.

Fiscal Year	Water Revenue Refunding Bonds 2012		Wastewater Revenue Refunding Bonds 2014	
	Interest	Principal	Interest	Principal
2022	\$ 41,800	\$ 110,000	\$ 221,925	\$ 345,000
2023	38,500	115,000	204,675	365,000
2024	32,750	120,000	186,425	380,000
2025	26,750	125,000	167,425	400,000
2026	20,500	130,000	147,425	420,000
2027-2031	21,250	280,000	495,485	2,335,000
2032-2034	0	0	111,587	1,595,000
<b>Totals</b>	<b>\$ 181,550</b>	<b>\$ 880,000</b>	<b>\$ 1,534,947</b>	<b>\$ 5,840,000</b>

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Continued...

**NOTE 9 – EMPLOYEE RETIREMENT PLAN**

*Plan Description*

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

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

*Pension Benefits*

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

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

*Member and Employer Contributions*

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

The contribution rates for employees are set by statute at 60% of employer rate for general employees and 74% for police and firefighters. As of June 30, 2021, it was 7.16% for general employees and 9.13% for police and firefighters. The employer contribution rate, as a percent of covered payroll, is set by the Retirement Board and was 11.94% for general employees and 12.28 for police and firefighters. The City's contributions were \$ 382,559 for the year ended September 30, 2021.

**CITY OF HAILEY, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2021**

-Continued

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

At September 30, 2021, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions in the Base Plan pension plan relative to the total contributions of all participating PERSI Base Plan employers. At June 30, 2021, the City's proportion was 0.08539949 percent.

For the year ended September 30, 2021, the City recognized pension expense (revenue) of \$(435,263). At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 99,373	\$ 39,205
Changes in assumptions or other inputs	\$ 774,202	
Net difference between projected and actual earnings on pension plan investments		\$ 2,118,450
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$( 95,640)	
City's contributions subsequent to the measurement date	\$ 95,640	
<b>Total</b>	<b>\$ 873,575</b>	<b>\$ 2,157,655</b>

\$ 95,640 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending September 30, 2022.

The average of the expected remaining service lives of all employees that are provided with pensions through the System (active and inactive employees) determined at July 1, 2021, the beginning of the measurement period ended June 30, 2020, is 4.7 and 4.6 for the measurement period June 30, 2021.

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

**CITY OF HAILEY, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2021**

-Continued

**Year ended September 30, 2021:**

2022	\$( 302,059)
2023	\$( 272,217)
2024	\$( 237,886)
2025	\$( 471,919)

*Actuarial Assumptions*

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

The total pension liability in the June 30, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.30%
Salary increases	3.05%
Salary inflation	3.05%
Investment rate of return	6.35%, net of investment expenses
Cost-of-living adjustments	1%

**Contributing Members, Service Retirement Members, and Beneficiaries**

- General Employees and All Beneficiaries - Males Pub-2010 General Tables, increased 11%
- General Employees and All Beneficiaries - Females Pub-2010 General Tables, increased 21%
- Fire & Police - Males Pub-2010 Safety Tables, increased 21%
- Fire & Police - Females Pub-2010 Safety Tables, increased 26%
- Disabled Members - Males Pub-2010 Disabled Tables, increased 38%
- Disabled Members - Females Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2015, through June 30, 2020 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2021 is based on the results of an actuarial valuation date of July 1, 2021.

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



**CITY OF HAILEY, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2021**

-Continued

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2021.

**Capital Market Assumptions from Callan 2021**

	Target Allocation	Long-Term Expected Nominal Rate of Return (Arithmetic)	Long-Term Expected Real Rate of Return (Arithmetic)
<b>Asset Class</b>			
Core Fixed Income	30.00%	1.80%	0.20%
Broad US Equities	55.00%	8.00%	6.00%
Developed Foreign Equities	15.00%	8.25%	6.25%
Assumed Inflation - Mean		2.00%	2.00%
Assumed Inflation - Standard Deviation		1.50%	1.50%
Portfolio Arithmetic Mean Return		6.18%	4.18%
Portfolio Standard Deviation		12.29%	12.29%
Portfolio Long-Term (Geometric)			
Expected Rate of Return		5.55%	3.46%
Assumed Investment Expenses		0.40%	0.40%
Portfolio Long-Term (Geometric)			
Expected Rate of Return, Net of Investment Expenses		5.15%	3.06%

**CITY OF HAILEY, IDAHO**  
**Notes to the Financial Statements**  
**September 30, 2021**

-Continued

*Discount Rate*

The discount rate used to measure the total pension liability was 7.05%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.35%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.35%) or 1-percentage-point higher (7.35%) than the current rate:

	<b>1% Decrease (5.35%)</b>	<b>Current Discount Rate (6.35%)</b>	<b>1% Increase (7.35%)</b>
Employer's proportionate share of the net pension liability (asset)	\$(68,121)	\$(67,447)	\$(66,773)

*Pension plan fiduciary net position*

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

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

*Payables to the pension plan*

At September 30, 2021, the City reported payables to the defined benefit pension plan of \$ 0 for legally required employer contributions and \$ 0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

**NOTE 10 - 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.

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2021**

Continued...

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, 2021 can be obtained at the Airport, Blaine County, or the City of Hailey offices.

**NOTE 11 -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 a per occurrence deductible. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**NOTE 12 – LITIGATION**

The City, at the financial statement date, is not involved in any legal actions that would have a material financial consequence.

**NOTE 13 – SUBSEQUENT EVENTS**

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

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF HAILEY, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- General Fund**  
**for the year ended September 30, 2021**

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>				
Property taxes	\$ 2,785,514	\$ 2,785,514	\$ 2,806,614	\$ 21,100
Local Option sales taxes	390,745	935,745	829,172	(106,573)
Franchises, licenses, permits:				
Alcohol Catering Licenses	1,000	1,000	280	(720)
Building Permits	225,000	355,000	662,288	307,288
Business Licenses	30,000	30,000	42,290	12,290
Encroachment Permits	8,000	8,000	14,765	6,765
Franchises - Cable TV	80,000	80,000	89,077	9,077
Banner Fees	4,000	4,000	1,703	(2,297)
Franchises - Idaho Power	188,000	188,000	188,009	9
Franchises - Intermountain Gas	66,700	66,700	64,610	(2,090)
Franchises - Rubbish Company	78,800	78,800	89,471	10,671
Sign Permits	2,000	2,000	1,405	(595)
Fire Dept Permits	19,000	19,000	65,953	46,953
Subdivision Inspection Permits	1,000	1,000	46,610	45,610
Zoning Applications	25,000	25,000	52,600	27,600
Maps, Copies, and Postage	5,000	5,000	8,122	3,122
State of Idaho shared revenue	490,908	490,908	832,845	341,937
State of Idaho sales tax	157,250	157,250	10,763	(146,487)
State of Idaho liquor receipts	223,285	223,285	312,068	88,783
State highway user collections	331,268	331,268	524,877	193,609
Penalty and interest on property taxes	14,500	14,500	10,402	(4,098)
County court fines	85,000	85,000	66,202	(18,798)
Fees, fines and charges for services:	0	0		
WR Fire Asst Chief Contract	20,000	20,000	19,301	(699)
Library Fines and Memberships	10,000	10,000	6,615	(3,385)
Park Rental Fees	10,000	10,000	22,700	12,700
Rodeo Park Fees	4,000	4,000	2,450	(1,550)
RV Dump Fees	1,200	1,200	1,289	89
Rubbish Bookkeeping Contract	78,800	78,800	89,471	10,671
Recycling Outreach Contract	13,330	13,330	14,912	1,582
Police Security Contracts	10,500	10,500	1,644	(8,856)
Police Security Contr-School	185,764	185,764	191,338	5,574
Grants		403,923	342,995	(60,928)
ARPA Grant			934,485	
Donations and contributions	17,500	17,500	61,837	44,337
Earnings on investments	40,000	40,000	10,453	(29,547)
Miscellaneous:	0	0		
Property Sales			0	0
Refunds and Reimbursements	15,000	15,000	66,198	51,198
Mutual Aid Reimbursements	0	143,000	26,001	(116,999)
Other		0	0	0
<b>Total Revenue</b>	<u>5,618,064</u>	<u>6,839,987</u>	<u>8,511,815</u>	<u>737,343</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, 2021**

Continued.....

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>				
General Government:				
Legislative Department	241,625	411,625	328,428	83,197
Finance and Records	336,035	336,035	320,534	15,501
Community Development	393,057	638,057	654,515	(16,458)
Public Works	106,449	118,449	95,620	22,829
Public Safety:				
Police	1,546,782	1,564,782	1,488,290	76,492
Fire Protection	591,298	795,221	725,912	69,309
Streets	1,422,874	1,454,874	1,352,109	102,765
Library	558,007	568,007	589,565	(21,558)
Parks and Recreation	421,937	434,937	431,675	3,262
Total Expenditures	<u>5,618,064</u>	<u>6,321,987</u>	<u>5,986,648</u>	<u>335,339</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	0	518,000	2,525,167	1,072,682
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds				
Operating transfers (to) other funds		(518,000)		(518,000)
<b>NET CHANGE IN FUND BALANCES</b>	0	0	2,525,167	<u>554,682</u>
<b>FUND BALANCE - BEGINNING</b>	<u>2,657,838</u>	<u>2,657,838</u>	<u>2,657,838</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,657,838</u>	<u>\$ 2,657,838</u>	<u>\$ 5,183,005</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, 2021**

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>				
Capital Projects Grant Revenue	\$ 373,386	\$ 573,386	\$ 305,065	\$ (268,321)
Annexation Fees	30,000	30,000	199,503	169,503
In-Lieu Fees for Capital Projects	25,000	25,000	39,598	14,598
DIF Parks	18,500	18,500	19,922	1,422
DIF Transportation	113,000	113,000	121,410	8,410
DIF Fire and EMS	32,000	32,000	27,367	(4,633)
DIF CIP Cost	5,413	5,413	7,074	1,661
Pathway for People Levy	0	0	209	209
Property Sales	0	0	593,000	593,000
Earnings on investments	25,000	25,000	5,172	(19,828)
Reimbursements and Other	140,000	140,000	37,100	(102,900)
	<u>762,299</u>	<u>962,299</u>	<u>1,355,420</u>	<u>393,121</u>
<b>EXPENDITURES:</b>				
General Government	48,661	998,661	960,024	38,637
Public Works				0
Streets	610,696	910,696	827,035	83,661
Capital outlay				
Parks and Recreation	136,669	136,669	94,730	41,939
Library		75,000		75,000
Fire Department	225,950	368,950	225,041	143,909
Debt Service				
	<u>1,021,976</u>	<u>2,489,976</u>	<u>2,106,830</u>	<u>383,146</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	(259,677)	(1,527,677)	(751,410)	776,267
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds	0	518,000	0	(518,000)
Operating transfers (to) other funds				
<b>NET CHANGE IN FUND BALANCES</b>	(259,677)	(1,009,677)	(751,410)	<u>\$ 258,267</u>
<b>FUND BALANCE - BEGINNING</b>	<u>1,229,685</u>	<u>1,229,685</u>	<u>1,229,685</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 970,008</u>	<u>\$ 220,008</u>	<u>\$ 478,275</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, 2021**

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>				
Property taxes	\$ 0	\$ 0	\$ 4,079	\$ 4,079
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	0	966	966
County court fines				
Fees, fines and charges for services				
Grants and contributions				
Earnings on investments	0	0	187	187
Miscellaneous - Sale of G.O. Bonds				
	<u>0</u>	<u>0</u>	<u>5,232</u>	<u>5,232</u>
<b>Total Revenue</b>	<u>0</u>	<u>0</u>	<u>5,232</u>	<u>5,232</u>
<b>EXPENDITURES:</b>				
General Government				
Public Safety				
Streets				
Capital outlay				
Parks and Recreation				
Transportation				
Affordable Housing				
Debt Service				0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total Expenditures</b>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	0	0	5,232	5,232
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds				
Operating transfers (to) other funds	0	0	0	0
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	0	0	5,232	<u>\$ 5,232</u>
<b>FUND BALANCE - BEGINNING</b>	<u>72,070</u>	<u>72,070</u>	<u>72,070</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 72,070</u>	<u>\$ 72,070</u>	<u>\$ 77,302</u>	



**CITY OF HAILEY, IDAHO**  
**PUBLIC EMPLOYEE PENSION INFORMATION**  
For the year ended September 30, 2021

**Required Supplementary Information**

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's portion of the net pension liability	0.0897437%	0.0902462%	0.0922113%	0.0967492%	0.0963027%
Employer's proportionate share of the net pension liability (asset)	\$ 1,024,399	\$ 1,331,148	\$ 1,449,403	\$ 1,961,255	\$ 1,268,150
Employer's covered-employee payroll	\$ 3,112,591	\$ 2,925,478	\$ 2,880,645	\$ 2,731,511	\$ 2,776,130
Employer's proportional share of the net pension liability (asset) as a percentage of its covered-employee payroll	32.91%	45.50%	50.32%	71.80%	45.68%
Plan fiduciary net position as a percentage of the total pension liability	93.79%	91.69%	90.68%	87.26%	91.38%
				<u>2021</u>	<u>2020</u>
Employer's portion of the net pension liability				0.0853995%	0.0864362%
Employer's proportionate share of the net pension liability (asset)				\$ 67,447	\$ 2,007,163
Employer's covered-employee payroll				\$ 3,128,381	\$ 3,283,689
Employer's proportional share of the net pension liability (asset) as a percentage of its covered-employee payroll				2.16%	61.13%
Plan fiduciary net position as a percentage of the total pension liability				100.36%	88.22%

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

Data reported is measured as of June 30, 2021

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily required contributions	\$ 356,050	\$ 334,781	\$ 329,831	\$ 312,849	\$ 312,981
Contributions in relation to the statutorily required contribution	\$ (356,050)	\$ (334,781)	\$ (329,831)	\$ (312,849)	\$ (312,981)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Employer's covered-employee payroll	\$ 3,112,591	\$ 2,925,478	\$ 2,880,645	\$ 2,731,511	\$ 2,776,130
Contributions as a percentage of covered-employee payroll	11.44%	11.44%	11.45%	11.45%	11.27%
				<u>2021</u>	<u>2020</u>
Statutorily required contributions				\$ 382,559	\$ 375,475
Contributions in relation to the statutorily required contribution				\$ (382,559)	\$ (375,475)
Contribution (deficiency) excess				\$ 0	\$ 0
Employer's covered-employee payroll				\$ 3,128,381	\$ 3,283,689
Contributions as a percentage of covered-employee payroll				12.23%	11.43%

**OTHER  
SUPPLEMENTARY INFORMATION**

**CITY OF HAILEY, IDAHO**  
**Loan-Future Principal and Interest Requirements**  
**at September 30, 2021**

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Wastewater Revenue Bonds 2014			
\$6,335,000, November 6, 2014			
2.00% - 5.00%			
5.000%	2022	\$ 345,000	\$ 221,925
5.000%	2023	365,000	204,675
5.000%	2024	380,000	186,425
5.000%	2025	400,000	167,425
5.000%	2026	420,000	147,425
3.000%	2027	440,000	126,425
3.000%	2028	455,000	113,225
3.000%	2029	465,000	99,575
3.125%	2030	480,000	85,625
3.250%	2031	495,000	70,625
3.250%	2032	515,000	54,537
3.500%	2033	530,000	37,800
3.500%	2034	550,000	19,250
		\$ 5,840,000	\$ 1,534,937

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO**  
**Loan-Future Principal and Interest Requirements**  
**at September 30, 2021**

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Water Revenue Refunding 2012			
\$1,660,000, December 20, 2012			
2.00% - 5.00%			
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
		\$ 880,000	\$ 181,550
		\$ 880,000	\$ 181,550

The accompanying notes are a part of these financial statements.

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

December 17, 2021

To the City Council  
City of Hailey, Idaho

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hailey, Idaho, as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City of Hailey, Idaho's basic financial statements, and have issued our report thereon dated December 17, 2021.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

Report Continued—

**Purpose of this Report**

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

*Workman & Company*

WORKMAN AND COMPANY  
Certified Public Accountants  
Twin Falls, Idaho