

**CITY OF HAILEY, IDAHO**

**Financial Statements**

**Year Ended September 30, 2014**

**CITY OF HAILEY, IDAHO**  
**Financial Statements**  
**For the year ended September 30, 2014**

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Independent Auditor's Report

November 25, 2014

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

***Report on the Financial Statements***

I have audited the accompanying financial statements of the government activities, the business-type activities, and the discretely presented component unit of the City of Hailey, Idaho (City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component unit of the City of Hailey, Idaho as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-9 and 31-36 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. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hailey, Idaho's basic financial statements. The accompanying other supplementary information on pages 37-39 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Reporting Required by Governmental Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated November 25, 2014, on my consideration of the City's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.



DENNIS R BROWN  
Certified Public Accountant  
Twin Falls, Idaho

# City of Hailey

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2014

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, 2014. 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, 2014 by \$ 28,590,904. Of this amount \$ 6,769,242 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- During fiscal year 2014 the City's total net position increased \$ 1,261,317. Net position of the governmental activities increased \$ 532,629 and net position of business type activities increased \$ 728,688. These increases are due to increased infrastructure assets, decreases in debt, and higher revenues.
- Total fund balance of governmental funds at September 30, 2014 was \$ 2,137,205 compared to a total governmental fund balance at September 30, 2013 of \$ 1,868,072.
- The City has \$ 5,654,096 in permanent debt, including debt still remaining on a water system loan (storage tank), sewer revenue bond (treatment plant), general obligation bond (arena/skate-park), capital leases payable on public safety vehicles, and accrued compensated absences.

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government- Wide Financial Statements

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

The City of Hailey has four governmental funds:

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

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

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

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

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

### **Notes to the Financial Statements**

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

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

### **Required Supplementary Information**

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

### **FINANCIAL ANALYSIS OF THE CITY OF HAILEY AS A WHOLE**

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

	<b>FY 2014</b>			<b>FY 2013</b>
	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total Primary Government</u>	<u>Total Primary Government</u>
Current and other assets	\$ 2,960,270	\$ 5,206,187	\$ 8,166,457	\$ 8,196,567
Capital assets	<u>15,937,511</u>	<u>11,446,419</u>	<u>27,383,930</u>	<u>27,398,700</u>
Total Assets	<u>18,897,781</u>	<u>16,652,606</u>	<u>35,550,387</u>	<u>35,595,267</u>
Current Liabilities	1,185,902	372,099	1,558,001	1,555,356
Long-term liabilities	<u>2,090,724</u>	<u>3,310,758</u>	<u>5,401,482</u>	<u>6,710,324</u>
Total Liabilities	<u>3,276,626</u>	<u>3,682,857</u>	<u>6,959,483</u>	<u>8,265,680</u>
Net assets:				
Invested in capital assets				
net of related debt	13,650,424	7,899,771	21,550,195	20,917,638
Restricted	60,619	210,848	271,467	277,351
Unrestricted	<u>1,910,112</u>	<u>4,859,130</u>	<u>6,769,242</u>	<u>6,134,598</u>
Total Net Position	\$ <u>15,621,155</u>	\$ <u>12,969,749</u>	\$ <u>28,590,904</u>	\$ <u>27,329,587</u>

### **Net Position**

Net position measures the difference between what the City owns (assets) versus what the City owes (liabilities). The total assets of the City of Hailey exceeded its liabilities at September 30, 2014 by \$ 28,590,904, an increase of \$1,261,317 over the previous year's net position balance of \$ 27,329,587. Of this amount \$ 6,769,242 is unrestricted and available to meet the City's on-going obligations to citizens and creditors. The unrestricted net position equal 23.68% of net assets.

The largest portion of the City's net position, 75.37%, 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 decreased in book value by \$14,770, which sum is comprised capitalized asset additions being less than the current depreciation of all capital assets.

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

### **Changes in Net Position**

During the year the City's financial position increased by \$ 1,329,829, compared to the previous year ending September 30, 2013, during which the City's financial position increased by \$ 997,170.

### **Governmental Activities:**

Governmental activities increased the City's net position by \$532,629, compared to the previous year's increase of \$399,503. These increases are due to increased infrastructure assets from the Woodside Boulevard project, decreases in debt, and higher revenues.

**Business-Type Activities:** Business-type activities increased net position by \$728,688, compared to the previous year's increase of \$597,667. These increases are due to increased infrastructure assets from irrigation system projects, decreases in debt, and higher revenues.

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

### **Governmental Funds**

**General Fund** - The general fund balance at September 30, 2014 was \$1,004,162, compared to \$754,313. This amount contains a non-binding endowment for fireworks display of \$60,619, contributed from donations in previous years.

**Capital Improvement Fund** – The capital fund was established in fiscal year 2009 with a transfer of annexation fees which had previously been accounted for in general, water, and wastewater operating funds. Additionally, development impact fees are collected within the capital fund. Several capital projects were implemented since 2009 that decreased the capital fund balance at September 30, 2013 to \$1,111,824. Development impact fees collected in the current year less amounts expended for capital improvements increased the fund balance at September 30, 2014 to \$1,124,991.

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

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

### **General Fund Budgetary Highlights**

The City of Hailey amended its budget during 2014 to appropriate new revenue and expenses from a voter approved local option tax. The budget was also amended to appropriate fund balance unspent on FY 2013 projects, the work for which carried over into the 2014 fiscal year. A newly implemented management structure, with an emphasis on efficiencies, held expenses well below revenues, which were higher this year, and below budget. Increases in operating fund balances was significant: general operating fund balance increased by \$253,701, compared to the previous year's decrease of \$49,128. The water and wastewater operating funds, per bond covenants, are required to be 125% of net revenue. These fund balances increased by \$80,259 in the water operating fund , and \$648,429 in the wastewater operating fund.

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

During FY 2014, the city's leadership focused on resolving disputes, resulting in a solution of some disputes pertaining to the Woodside Boulevard Project. Most of the final expenses associated with that project were paid from the capital fund, and the remaining federal grant funds of \$382,538 were received to offset some of those expenses. The city also resolved a matter pertaining to litigation over annexation fees, and the question of whether the city would, in the future,



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

receive annexation fees or have additional costs was resolved. The city was able to identify the resources remaining in the capital fund, allocate them to specific needs for future budgets, and begin a dialogue with the community about the city's need for tax levies to fund capital needs.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At the end of fiscal year 2014 the City had \$ 27,383,930 invested in capital assets (net of accumulated depreciation) compared to last year's \$27,398,700, a decrease of \$ 14,770 compared to the previous year's increase of \$ 538,368. Net capital assets of governmental activities increased by \$ 40,660 and those of business-type activities increased by \$25,890 in the current period. The City investment in capital assets includes land, facilities, park improvements, automobiles and equipment, street lights, and sidewalks. A significant amount of fully depreciated assets were removed from the financial statements, and the city acquired a piece of land.

#### **Long-Term Debt**

In 2013 the City refinanced a 20-year sewer revenue bond, which remains a long-term debt obligation through 2021. The current amount owed on the debt is \$1,645,000, after the city paid down a portion of the principal during the refinance. The City also, during 2013 refinanced its debt on the Quigley canyon water storage facility, with a term through 2028, paying off a DEQ State Revolving Fund Loan. The current amount owed on this debt is \$1,545,000. In 2010 the City sold general obligation bonds of \$3,425,000 at a premium of \$136,648 to finance the Werthheimer Park project over a 10-year term. The current amount owed on this debt is \$2,165,000. The City's maximum general obligation debt capacity is 2% of the taxable assessed value of properties within the city limits. At the end of September, 2014, the city's taxable assessed value was \$766,766,366. The 2% general obligation bond debt capacity of \$15,335,327 is now reduced by the outstanding general bond obligation of \$2,165,000, leaving the City with a general obligation bond debt capacity remaining of \$13,170,327. Hailey has met the principal and interest payments on outstanding bonds and other indebtedness in the past 10 years when due. Additionally, no refunding bonds have been issued for the purpose of preventing an impending default. Hailey's ability to pay its general obligation long-term debt is reliant on property tax payments. The top ten taxpayers within the City of Hailey comprise 6.26% of the total district taxpayers. They are:

**City of Hailey Idaho, Top Ten Taxpayer Accounts**

<b>Taxpayer</b>	<b>Type of Business</b>	<b>Taxable Assessed Value</b>	<b>% of Districts Taxable Assessed Value</b>
Power Engineers, Inc.	Engineering Firm	\$9,234,052	1.20%
Old Cutters	Real Estate	7,040,463	0.92%
Spring Meadow, LLC	Property Development	6,579,894	0.86%
Sun Valley Aviation	Airport Hangers	4,192,432	0.55%
ABS ID-O, LLC	Grocery Store	4,153,659	0.54%
Balmoral Limited	Property Development	3,649,858	0.48%
Wilderness, LLC	Condominium Development	3,553,803	0.46%
Alturas Partners	Property Development	3,484,926	0.45%
Flowing Wells, LLC	Property Development	3,209,950	0.42%
Marketrone, Inc	Media Software	2,929,779	0.38%
Top Ten Taxpayers		48,028,816	6.26%
All Other District Taxpayers		718,737,550	93.74%
Total District Taxpayers (Tax Year 2014)		766,766,366	100.00%

*Management's Discussion and Analysis, Continued*

**Assessed Market Values of Taxable Property and Tax Collection Record**

<b>Tax Year</b>	<b>Full Market Value</b>	<b>Homeowner's Exemption</b>	<b>Net Taxable Value</b>	<b>General Tax Levied</b>	<b>Bond Tax Levied</b>	<b>General Tax Collected for previous year</b>	<b>Bond Tax Collected for previous year</b>
2014	899,452,674	132,686,308	766,766,366	2,179,638	395,992	36,648	6,646
2013	838,969,921	121,942,031	717,027,890	2,113,978	395,829	2,085,753	390,055
2012	836,968,625	126,881,067	710,087,558	2,065,121	400,828	2,064,883	400,783
2011	1,010,681,642	149,911,921	860,769,721	1,989,837	398,989	1,995,930	398,989
2010	1,233,552,955	170,457,415	1,063,095,540	1,928,539	399,703	1,887,491	381,688
2009	1,460,667,411	181,921,576	1,278,745,835	1,925,951	—	1,789,714	—
2008	1,580,943,641	176,823,018	1,404,120,623	1,870,361	—	1,803,834	—
2007	1,590,462,395	155,321,416	1,435,140,979	1,812,638	—	1,721,818	—

*Source: Blaine County Treasurer; Collection data as of November 30, 2014.*

There are overlapping taxing districts within the City which have statutory power to levy regular property taxes. Representative 2014 levy rates for each overlapping district from the County are listed below.

**City of Hailey  
Representative Levy Rates per \$1000 Taxable market Value  
Tax Year 2014**

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

*Source: State of Idaho, Associated Taxpayers of Idaho 2013.*

**FY 2014 BUDGETARY CONSIDERATIONS**

The City of Hailey estimates revenue to establish the budgets in each of its funds. A minimum fund balance of 10% of budget is needed in the General Fund to meet obligations throughout the year, particularly in the first quarter of each year. The general fund balance target is 20% of budget, which the Hailey City Council considers prudent for emergencies and first-quarter carryover. With the FY 2015 general fund adopted and already amended budget at \$4,912,869, and the general fund balance at fiscal year-end at \$1,004,165 less the amount of \$181,385 appropriated in the November 2014 budget amendment, the resulting fund balance of \$822,783 is 17% of the FY 2015 budget, up 1% from the previous year.

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

The City of Hailey has begun a conversation with the community about the need for a tax levy to consistently fund the capital fund. An alternative and/or addition to a capital levy is being explored with Blaine County, wherein consideration of instituting a road levy that would benefit cities is underway.

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

Rate structures within the enterprise funds have incrementally been amended over several years to encourage water conservation and to afford users better personal management of their impact upon the City's water and wastewater system and its budget. Consumption of water has decreased, and expenses have been adjusted to the City's rate-based income. Hailey voters approved a revenue bond to fund a wastewater bio-solids treatment handling project. The FY 2015 budget contains that entire \$6,545,000 project budget. Wastewater rates were increased due to the bond, and a new rate structure was implemented that allocates bond costs by the amount of usage rather than the amount of meters.

City voters approved a local option tax measure which increase Hailey's local option tax collected on short-term lodging and car rentals by 1%. Nine months of revenue were collected and budgeted in FY 2014, and the FY2015 is set to appropriate twelve months of revenue. This tax is used by Hailey to cover the cost of collecting the tax, with the remainder spent for funding increased air service to Hailey, and marketing of the area. The funds are spent under the authority of an Air Service Board formed through an intergovernmental agreement, on which board is represented the City of Hailey, City of Ketchum, City of Sun Valley, and Blaine County.

### **Requests for Information**

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

**CITY OF HAILEY, IDAHO**  
**Statement of Net Position**  
**at September 30, 2014**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit Urban Renewal Agency</u>
<b><u>ASSETS</u></b>				
Cash and Deposits	\$ 2,369,285	\$ 3,535,443	\$ 5,904,728	\$
Investments		999,073	999,073	
Accounts Receivable	182,255	361,201	543,456	
Taxes Receivable	92,539		92,539	
Due From Other Governments	255,572		255,572	
Due From Other Funds			0	
Inventory		99,622	99,622	
Restricted Cash, Deposits and Investments	60,619	210,848	271,467	
Totals	<u>2,960,270</u>	<u>5,206,187</u>	<u>8,166,457</u>	<u>0</u>
Capital Assets:				
Land, Easements and Water Rights	2,451,021	235,391	2,686,412	
Construction in Progress	426,235	407,729	833,964	
Infrastructure	10,018,558	15,436,776	25,455,334	
Buildings and Improvements	3,643,019	683,247	4,326,266	
Equipment and Vehicles	4,813,007	4,466,827	9,279,834	
Accumulated Deprecation	<u>(5,414,329)</u>	<u>(9,783,551)</u>	<u>(15,197,880)</u>	
Total Capital Assets	<u>15,937,511</u>	<u>11,446,419</u>	<u>27,383,930</u>	<u>0</u>
<b>Total Assets</b>	<u>18,897,781</u>	<u>16,652,606</u>	<u>35,550,387</u>	<u>0</u>
<b><u>LIABILITIES</u></b>				
Accounts Payable	545,074		545,074	50,740
Accrued Payroll and Benefits Payable	108,359	28,710	137,069	
Accrued Interest Payable		5,067	5,067	
Due To Other Funds			0	
Surety and Security Bonds Payable	169,632	38,322	207,954	
Long-term Liabilities:				
Portion due or payable within one year:				
Capital Leases Payable	22,837		22,837	
Bonds Payable	340,000	300,000	640,000	
Portion due or payable after one year:				
Capital Leases Payable	45,675		45,675	
Bonds Payable	1,825,000	2,890,000	4,715,000	
Unamortized Bond Premium	53,575	356,648	410,223	
Compensated Absences	<u>166,474</u>	<u>64,110</u>	<u>230,584</u>	
<b>Total Liabilities</b>	<u>3,276,626</u>	<u>3,682,857</u>	<u>6,959,483</u>	<u>50,740</u>
<b><u>NET POSITION</u></b>				
Invested in Capital Assets - net of related debt	13,650,424	7,899,771	21,550,195	0
Restricted For:				
Debt Service				
Other Purposes	60,619	210,848	271,467	0
Unrestricted	<u>1,910,112</u>	<u>4,859,130</u>	<u>6,769,242</u>	<u>(50,740)</u>
<b>Total Net Position</b>	<u>\$ 15,621,155</u>	<u>\$ 12,969,749</u>	<u>\$ 28,590,904</u>	<u>\$ (50,740)</u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO**  
**Statement of Activities**  
**For the Year Ended September 30, 2014**

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	\$ 794,296	\$ 155,583	\$	\$ (638,713)		\$ (638,713)	
Public Protection:							
Public Safety	2,037,604	399,075	5,000	(1,633,529)		(1,633,529)	
Streets	776,891		427,168	(349,723)		(349,723)	
Parks and Recreation	347,688	34,837	23,720	(289,131)		(289,131)	
Library	488,941	18,237		(470,704)		(470,704)	
Interest - on long-term debt	68,125			(68,125)		(68,125)	
Unallocated Depreciation	534,582			(534,582)		(534,582)	
Total Governmental Activities	<u>5,048,127</u>	<u>607,732</u>	<u>455,888</u>	<u>(3,984,507)</u>		<u>(3,984,507)</u>	
<b>Business Type:</b>							
Water	1,400,954	1,499,242	13,342		\$ 111,630	111,630	
Wastewater	1,220,941	1,875,983	13,342		668,384	668,384	
Interest - on long-term debt	128,228				(128,228)	(128,228)	
Total Business-type Activities	<u>2,750,123</u>	<u>3,375,225</u>	<u>26,684</u>		<u>651,786</u>	<u>651,786</u>	
Total City of Hailey, Idaho	<u>\$ 7,798,250</u>	<u>\$ 3,982,957</u>	<u>\$ 482,572</u>	<u>(3,984,507)</u>	<u>651,786</u>	<u>(3,332,721)</u>	
Component Units:							
Urban Renewal Agency	\$ <u>3,385</u>						\$ <u>(3,385)</u>
Total							<u>(3,385)</u>
General Revenues:							
Property taxes				2,547,081		2,547,081	
Local Option sales taxes				423,970		423,970	
Franchises, licenses, permits				470,419		470,419	
State of Idaho revenue sharing				400,463		400,463	
State of Idaho sales tax				106,309		106,309	
State of Idaho liquor receipts				148,937		148,937	
State highway user collections				262,232		262,232	
Penalty and interest on property taxes				37,271		37,271	
County court fines				44,752		44,752	
Earnings on investments				7,825	7,053	14,878	
Miscellaneous				67,877	69,849	137,726	
Gain on Sale of Assets						0	
Total general revenues and transfers				<u>4,517,136</u>	<u>76,902</u>	<u>4,594,038</u>	<u>0</u>
Changes in net position				532,629	728,688	1,261,317	(3,385)
Net Position - Beginning				<u>15,088,526</u>	<u>12,241,061</u>	<u>27,329,587</u>	<u>(47,355)</u>
Net Position - Ending				<u>\$ 15,621,155</u>	<u>\$ 12,969,749</u>	<u>\$ 28,590,904</u>	<u>\$ (50,740)</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, 2014**

	<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	\$ 1,308,387	\$ 1,124,991	\$	\$ 2,433,378
Accounts Receivable	182,255			182,255
Due From Other Governments	255,572			255,572
Property Taxes Receivable	<u>81,013</u>		<u>11,526</u>	<u>92,539</u>
Total Assets	<u><u>1,827,227</u></u>	<u><u>1,124,991</u></u>	<u><u>11,526</u></u>	<u><u>2,963,744</u></u>
<b>LIABILITIES:</b>				
Cash Deficit			3,474	3,474
Accounts Payable	545,074			545,074
Accrued Payroll Expenses	108,359			108,359
Due To Other Funds				0
Surety and Security Bonds Payable	<u>169,632</u>			<u>169,632</u>
Total Liabilities	<u><u>823,065</u></u>	<u><u>0</u></u>	<u><u>3,474</u></u>	<u><u>826,539</u></u>
<b>FUND BALANCE:</b>				
Non-spendable				0
Restricted	60,619			60,619
Committed	14,546		8,052	22,598
Assigned		1,124,991		1,124,991
Unassigned	<u>928,997</u>			<u>928,997</u>
Total Fund Balance	<u><u>1,004,162</u></u>	<u><u>1,124,991</u></u>	<u><u>8,052</u></u>	<u><u>2,137,205</u></u>
Total Liabilities and Fund Balance	<u><u>\$ 1,827,227</u></u>	<u><u>\$ 1,124,991</u></u>	<u><u>\$ 11,526</u></u>	<u><u>\$ 2,963,744</u></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, 2014**

Total Governmental Fund Balances (Page 12)	\$ 2,137,205
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Amounts reported for governmental activities in the statement of net position  
are different because:

Capital assets used in governmental activities are not financial  
resources and, therefore, are not reported in the governmental funds.

The cost of assets is \$ 21,351,840 less accumulated depreciation \$ 5,414,329	15,937,511
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Long-term liabilities, including bonds, capital leases payable and  
compensated absences are not payable in the current period and  
therefore are not reported in the governmental funds

	(2,453,561)
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Net Position of Governmental Activities (Page 10)	<u>\$ 15,621,155</u>
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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, 2014**

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUE:</b>				
Property taxes	\$ 2,148,710	\$	\$ 398,371	\$ 2,547,081
Local Option sales taxes	423,970			423,970
Franchises, licenses, permits	470,419			470,419
State of Idaho shared revenue	400,463			400,463
State of Idaho sales tax	106,309			106,309
State of Idaho liquor receipts	148,937			148,937
State highway user collections	262,232			262,232
Penalty and interest on property taxes	31,523		5,748	37,271
County court fines	44,752			44,752
Fees, fines and charges for services	521,026	86,706		607,732
Grants	420,966			420,966
Contributions	34,472	450		34,922
Earnings on investments	1,257	6,445	123	7,825
Miscellaneous	67,877			67,877
	<u>5,082,913</u>	<u>93,601</u>	<u>404,242</u>	<u>5,580,756</u>
Total Revenue				
<b>EXPENDITURES:</b>				
General Government	845,957			845,957
Public Safety	2,060,841			2,060,841
Streets	1,085,785			1,085,785
Parks and Recreation	347,688			347,688
Library	488,941			488,941
Capital outlay		80,434		80,434
Debt Service			398,125	398,125
	<u>4,829,212</u>	<u>80,434</u>	<u>398,125</u>	<u>5,307,771</u>
Total Expenditures				
<b>EXCESS REVENUE (EXPENDITURES)</b>	253,701	13,167	6,117	272,985
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers from other funds				0
Operating transfers (to) other funds				0
	<u>253,701</u>	<u>13,167</u>	<u>6,117</u>	<u>272,985</u>
NET CHANGE IN FUND BALANCES				
FUND BALANCE - BEGINNING	754,313	1,111,824	1,935	1,868,072
FUND BALANCE - ENDING	\$ <u>1,008,014</u>	\$ <u>1,124,991</u>	\$ <u>8,052</u>	\$ <u>2,141,057</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, 2014**

Net Change in Fund Balance - Total Governmental Funds (Page 14)	\$ 272,985
<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.	(534,582)
This is the amount of new Governmental Fund assets.	493,922
This is the amount of disposed of Governmental Fund assets.	0
<p>Long term liabilities are not recorded in the Governmental funds. Principle and interest paid on capital debt are recorded as expenditures in the Governmental Funds. Principle amounts paid are not recorded as expenditures in the Statement of Net Assets.</p>	
This is the amount of current year principle payments on capital debt.	273,627
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the decrease in compensated leave during the year.	<u>26,677</u>
Change in Net Position of Governmental Activities (Page 11)	\$ <u><u>532,629</u></u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO**  
**Statement of Net Position**  
**Proprietary Funds**  
**at September 30, 2014**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Assets:</b>			
Current Assets:			
Cash and Deposits	\$ 1,824,794	\$ 1,710,649	\$ 3,535,443
Investments	999,073		999,073
Accts receivable - customers	178,940	182,261	361,201
Inventory	<u>99,622</u>		<u>99,622</u>
	3,102,429	1,892,910	4,995,339
<b>Restricted Current Assets:</b>			
Cash, Deposits, and Investments	<u>0</u>	<u>210,848</u>	<u>210,848</u>
Total Current Assets	<u>3,102,429</u>	<u>2,103,758</u>	<u>5,206,187</u>
<b>Capital Assets:</b>			
Plant and equipment	11,087,432	10,142,538	21,229,970
Accumulated depreciation	<u>(4,697,051)</u>	<u>(5,086,500)</u>	<u>(9,783,551)</u>
Net Plant and equipment	<u>6,390,381</u>	<u>5,056,038</u>	<u>11,446,419</u>
<b>Total Assets</b>	<u>9,492,810</u>	<u>7,159,796</u>	<u>16,652,606</u>
<b>Liabilities:</b>			
Current Liabilities:			
Accounts and Interest Payable	2,700	2,367	5,067
Wages Payable	13,059	15,651	28,710
Refundable Deposits	38,322		38,322
Current portion long-term debt	<u>85,000</u>	<u>215,000</u>	<u>300,000</u>
Total current liabilities	<u>139,081</u>	<u>233,018</u>	<u>372,099</u>
<b>Noncurrent Liabilities:</b>			
Bonds Payable	1,460,000	1,430,000	2,890,000
Unamortized Bond Premium	224,338	132,310	356,648
Compensated Absences Payable	<u>23,506</u>	<u>40,604</u>	<u>64,110</u>
Total noncurrent liabilities	<u>1,707,844</u>	<u>1,602,914</u>	<u>3,310,758</u>
<b>Total Liabilities</b>	<u>1,846,925</u>	<u>1,835,932</u>	<u>3,682,857</u>
<b>Net Position:</b>			
Investment in capital assets			
net of related debt	4,621,043	3,278,728	7,899,771
Restricted	0	210,848	210,848
Unrestricted	<u>3,024,842</u>	<u>1,834,288</u>	<u>4,859,130</u>
<b>Total Net Position</b>	<u>\$ 7,645,885</u>	<u>\$ 5,323,864</u>	<u>\$ 12,969,749</u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO**  
**Statement of Revenues, Expenditures, and Changes in Net Position**  
**Proprietary Funds**  
**for the year ended September 30, 2014**

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,329,694	\$ 1,773,671	\$ 3,103,365
Hookups and connections	119,085	101,112	220,197
Reimbursements and Misc.	<u>50,463</u>	<u>1,200</u>	<u>51,663</u>
Total Operating Revenue	<u>1,499,242</u>	<u>1,875,983</u>	<u>3,375,225</u>
<b>Operating Expenses:</b>			
Salaries and benefits	429,698	524,718	954,416
Administrative and supplies	623,667	386,829	1,010,496
Depreciation	<u>347,589</u>	<u>309,394</u>	<u>656,983</u>
Total Operating Expenses	<u>1,400,954</u>	<u>1,220,941</u>	<u>2,621,895</u>
<b>Operating Income</b>	<u>98,288</u>	<u>655,042</u>	<u>753,330</u>
<b>Nonoperating Revenues (Expenses):</b>			
Interest Income	3,202	3,851	7,053
Interest Expense	(66,619)	(61,609)	(128,228)
Premium Earned on Bond Refinancing	32,046	37,803	69,849
Other Grants and Miscellaneous	<u>13,342</u>	<u>13,342</u>	<u>26,684</u>
Total Nonoperating	<u>(18,029)</u>	<u>(6,613)</u>	<u>(24,642)</u>
<b>Income before transfers</b>	<u>80,259</u>	<u>648,429</u>	<u>728,688</u>
Transfers in			
Transfers out	<u></u>	<u></u>	<u>0</u>
<b>Net Income</b>	80,259	648,429	728,688
<b>Total Net Position - Beginning</b>	<u>7,565,626</u>	<u>4,675,435</u>	<u>12,241,061</u>
<b>Total Net Position - Ending</b>	<u>\$ 7,645,885</u>	<u>\$ 5,323,864</u>	<u>\$ 12,969,749</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, 2014**

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
<b>Cash Flows From Operating Activities:</b>			
Receipts from customers and others	\$ 1,540,770	\$ 1,936,316	\$ 3,477,086
Payments to suppliers	(623,667)	(385,149)	(1,008,816)
Payments to employees	(419,553)	(551,734)	(971,287)
Other receipts			0
Net cash provided (used) by operations	<u>497,550</u>	<u>999,433</u>	<u>1,496,983</u>
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Purchase and construction of capital assets	(377,406)	(305,467)	(682,873)
Due From Other Funds	320,000	605,000	925,000
Principal paid on capital debt	(85,000)	(215,000)	(300,000)
Interest paid on capital debt	<u>(66,619)</u>	<u>(61,609)</u>	<u>(128,228)</u>
Net cash provided (used) by capital and related financing activities	<u>(209,025)</u>	<u>22,924</u>	<u>(186,101)</u>
<b>Cash Flows From Investing Activities:</b>			
Interest Income	<u>3,202</u>	<u>3,851</u>	<u>7,053</u>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	291,727	1,026,208	1,317,935
<b>Balances - Beginning of the year</b>	<u>2,532,140</u>	<u>895,289</u>	<u>3,427,429</u>
<b>Balances - Ending of the year</b>	<u>\$ 2,823,867</u>	<u>\$ 1,921,497</u>	<u>\$ 4,745,364</u>
Displayed as:			
Pooled Cash and Investments	2,823,867	1,710,649	4,534,516
Restricted Assets	<u>210,848</u>	<u>210,848</u>	<u>210,848</u>
<b>Balances - Ending of the year</b>	<u>\$ 2,823,867</u>	<u>\$ 1,921,497</u>	<u>\$ 4,745,364</u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>			
Operating Income	98,288	655,042	753,330
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	347,589	309,394	656,983
Changes in assets and liabilities:			
Receivables, net	(3,860)	9,188	5,328
Inventory	27,893		27,893
Compensated Absences	14,889	13,110	27,999
Accounts and other payables	<u>12,751</u>	<u>12,699</u>	<u>25,450</u>
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 497,550</u>	<u>\$ 999,433</u>	<u>\$ 1,496,983</u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

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

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

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

**1. Financial Reporting Entity**

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

**2. Government-Wide and Fund Financial Statements**

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

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

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

**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

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, 2014**

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, 2014**

Continued...

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

**PROPRIETARY FUNDS**

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

**OTHER FUND TYPES**

The City also reports the following fund types:

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

**6. Budgetary Data**

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

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

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

**7. Cash and Cash Equivalents**

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



**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

Continued...

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

**8. Inventory**

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

**9. Capital Assets, Depreciation, and Amortization**

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

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

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

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

**10. Long-Term Debt**

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

**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

Continued...

**NOTE 2 - CASH AND CASH EQUIVALENTS**

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

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

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

Custodial Credit Risk, Deposits — Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The cash is recorded in terms of US currency and consists of:

	<u>Carrying</u> <u>Amount</u>	<u>Bank</u> <u>Balance</u>
Cash on Hand	\$ 300	\$
Mountain West - Cash Management Checking	51,680	142,732
Washington Federal - Checking	7,811	7,811
Bank of the West - Checking	54,365	53,851
Certificates of Deposit:		
Bank of the West	173,060	173,060
State of Idaho Investment Pool	5,888,241	5,888,241
Piper Jaffray Investments	<u>999,073</u>	<u>999,073</u>
Total Cash and Investments	\$ <u>7,174,530</u>	\$ <u>7,264,768</u>

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

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

**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

Continued...

Balances are held in each category as follows:

		Bank Balance Categories	
	1	2	3
Deposits	\$ 241,684	\$ 135,770	
State of Idaho LGIP			\$ 5,888,241
Investments	<u>                    </u>	<u>999,073</u>	<u>                    </u>
Total Cash and Investments	\$ <u>241,684</u>	\$ <u>1,134,843</u>	\$ <u>5,888,241</u>

Funds held in the Water and Wastewater Funds (Enterprise funds) in the amount of \$ 210,848 are reserved for repairs and replacement of the existing systems and equipment as well as repayment of existing debt. Funds held in the General Fund of \$ 60,619 are reserved for specific requirements from donations and an employee flex spending account.

**NOTE 3 - TAXES RECEIVABLE**

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

**NOTE 4 - ACCOUNTS RECEIVABLE**

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

**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

Continued...

**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2014 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	\$ 2,431,674	\$	19,347	\$		\$	2,451,021
Construction in Progress	6,364		419,871				426,235
Total	<u>2,438,038</u>		<u>439,218</u>		<u>0</u>		<u>2,877,256</u>
<i>Capital Assets being depreciated:</i>							
Buildings & Improvements	3,628,598		14,421				3,643,019
Infrastructure	9,993,497		25,061				10,018,558
Vehicles and Equipment	5,566,063		15,222		768,278		4,813,007
Total	19,188,158		54,704		768,278		18,474,584
Less: Accumulated Depreciation:	<u>(5,648,025)</u>		<u>(534,582)</u>		<u>768,278</u>		<u>(5,414,329)</u>
Total Net Depreciated Assets	<u>13,540,133</u>		<u>(479,878)</u>		<u>0</u>		<u>13,060,255</u>
Governmental capital assets, net	\$ <u>15,978,171</u>	\$	<u>(40,660)</u>	\$	<u>0</u>	\$	<u>15,937,511</u>
<b>Business-type activities:</b>							
<i>Capital Assets not being depreciated:</i>							
Land	\$ 235,391	\$		\$		\$	235,391
Construction in Progress	109,617		298,112				407,729
Total	<u>345,008</u>		<u>298,112</u>		<u>0</u>		<u>643,120</u>
<i>Capital Assets being depreciated:</i>							
Buildings & Improvements	683,247						683,247
Infrastructure	15,059,370		377,406				15,436,776
Vehicles and Equipment	4,535,635		7,355		76,162		4,466,828
Total	20,278,252		384,761		76,162		20,586,851
Less: Accumulated Depreciation	<u>(9,202,731)</u>		<u>(656,983)</u>		<u>76,162</u>		<u>(9,783,552)</u>
Total Net Depreciated Assets	<u>11,075,521</u>		<u>(272,222)</u>		<u>0</u>		<u>10,803,299</u>
Business-type capital assets, net	\$ <u>11,420,529</u>	\$	<u>25,890</u>	\$	<u>0</u>	\$	<u>11,446,419</u>

**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

Continued...

**NOTE 6 - VOUCHERS PAYABLE AND ACCRUED LIABILITIES**

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

**NOTE 7 - ACCRUED COMPENSATED ABSENCES**

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

**NOTE 8 - LONG-TERM OBLIGATIONS**

The City has entered into the following agreements.

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9/30/2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount Outstanding 9/30/2014</u>	<u>Amount Due 1 Year</u>
<b>GENERAL FUND</b>							
<b>Capital Leases Payable</b>							
Police Vehicles	11/7/2017	Variable	\$ 0	\$ 91,749	\$ (23,237)	\$ 68,512	\$ 22,837
<b>Bonds Payable:</b>							
General Obligation							
Bonds 2010	8/1/2020	Variable	2,495,000	0	(330,000)	2,165,000	340,000
<b>Other:</b>							
Accrued Compensated							
Absences	N/A		193,151	0	(26,677)	166,474	
<b>Total General Fund</b>			<b>\$ 2,688,151</b>	<b>\$ 91,749</b>	<b>\$ (379,914)</b>	<b>\$ 2,399,986</b>	<b>\$ 362,837</b>
<b>PROPRIETARY FUND</b>							
<b>Bonds and Loans Payable:</b>							
2012 Sewer Refunding	9/15/2021	Variable	\$ 1,860,000	0	\$ (215,000)	\$ 1,645,000	\$ 215,000
2012 Water Refunding	9/28/2028	Variable	1,630,000	0	(85,000)	1,545,000	85,000
<b>Other:</b>							
Accrued Compensated							
Absences	N/A		36,111	27,999		64,110	
<b>Total Proprietary Fund</b>			<b>\$ 3,526,111</b>	<b>\$ 27,999</b>	<b>\$ (300,000)</b>	<b>\$ 3,254,110</b>	<b>\$ 300,000</b>

**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

Continued...

**NOTE 9 -SEWER REVENUE BONDS**

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

Revenues of the Waste Water Fund serve as collateral for bond payments. A bond maturity and interest schedule of the issued bonds is contained in the schedule on page 37 of these financial statements.

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

**NOTE 10 – WATER LOAN PAYABLE**

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

Revenues of the Water Fund serve as collateral for bond payments. A loan maturity and interest schedule of the issued loan is contained in the schedule on page 38 of these financial statements.

**NOTE 11 – GENERAL OBLIGATION BONDS PAYABLE**

In 2010 the City of Hailey sold \$ 3,425,000 of General Obligation Bonds to construct the project entitled Rodeo Park. This project will reconstruct the rodeo grounds, improve the skate park and construct an ice skating facility. These bonds will be repaid from the general revenues of the City under the schedule of payments on page 39 of these financial statements. The bonds were sold at a premium that will be amortized over the life of the bonds.

**NOTE 12 - EMPLOYEE RETIREMENT PLAN**

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

**CITY OF HAILEY, IDAHO  
NOTES TO THE FINANCIAL STATEMENTS  
AT SEPTEMBER 30, 2014**

Continued...

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

PERSI issues publicly available stand-alone financial reports that include audited financial statements and required supplementary information. These reports may be obtained from PERSI's website [www.persi.idaho.gov](http://www.persi.idaho.gov).

The actuarially determined contribution requirements of the City of Hailey and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2014, the required contribution rate as a percentage of covered payrolls for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighters. The City of Hailey contributions required and paid were \$314,158, \$295,063 and \$305,899 for the three years ended September 30, 2014, 2013, and 2012 respectively.

**NOTE 13 - INVESTMENT IN JOINT VENTURE - FRIEDMAN MEMORIAL AIRPORT**

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

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

Audited financial statements of the Friedman Memorial Airport Authority for the year ended September 30, 2014 can be obtained at the Airport, Blaine County, or the City of Hailey offices.

**CITY OF HAILEY, IDAHO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AT SEPTEMBER 30, 2014**

Continued...

**NOTE 14 -RISK MANAGEMENT**

A City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the City contracted with Idaho County Risk Management Program (ICRMP) for property, crime and fleet insurance and the State Insurance Fund for workman's compensation. Under the terms of the ICRMP policy, the City of Hailey's liability is limited to the amount of annual financial membership contributions, including 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 15 – LITIGATION**

The City, at the financial statement date, is involved in two pending actions from disputes over City annexation fees and a construction project. The City has determined that approximately \$225,000 in additionally costs in future periods will be expended to resolve these two pending actions.



**CITY OF HAILEY, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget and Actual -- General Fund**  
**for the year ended September 30, 2014**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$ 2,127,777	\$ 2,148,710	\$ 20,933
Local Option sales taxes	390,000	423,970	33,970
Franchises, licenses, permits:			
Alcohol Catering Licenses	1,500	1,640	140
Police Security	10,000	8,518	(1,482)
Building Permits	100,000	122,287	22,287
Business Licenses	40,000	39,383	(617)
Encroachment Permits	4,000	5,725	1,725
Franchises - Cable TV	74,000	71,837	(2,163)
Banner Fees	6,000	5,000	(1,000)
Franchises - Idaho Power	50,000	58,887	8,887
Franchises - Intermountain Gas	76,000	66,729	(9,271)
Franchises - Rubbish Company	66,000	68,327	2,327
Sign Permits	2,000	1,980	(20)
Fire Dept Permits	7,000	5,469	(1,531)
Subdivision Inspection Permits	500	0	(500)
Zoning Applications	12,000	13,668	1,668
Maps, Copies, and Postage	2,500	684	(1,816)
State of Idaho shared revenue	430,000	400,463	(29,537)
State of Idaho sales tax	85,000	106,309	21,309
State of Idaho liquor receipts	150,000	148,937	(1,063)
State highway user collections	266,256	262,232	(4,024)
Penalty and interest on property taxes	11,284	31,523	20,239
County court fines	58,000	44,752	(13,248)
Fees, fines and charges for services:			
HPD Traffic School	45,000	7,007	(37,993)
Library Fines and Memberships	20,000	18,237	(1,763)
Park Rental Fees	10,000	19,560	9,560
Rodeo Park Fees	20,000	15,276	(4,724)
RV Dump Fees	500	540	40
Rubbish Bookkeeping Contract	66,000	68,336	2,336
Recycling Outreach Contract	10,600	11,388	788
Police Security Contracts	3,135	2,692	(443)
Police Security Contr-School	74,016	72,756	(1,260)
Police Security Contr-BMO	320,466	316,620	(3,846)
Grants	438,255	420,966	(17,289)
Donations and contributions	30,000	34,472	4,472
Earnings on investments	5,000	1,257	(3,743)
Miscellaneous:			
Property Sales	0	2,690	2,690
Refunds and Reimbursements	10,000	17,036	7,036
Mutual Aid Reimbursements	21,848	36,763	14,915
Other	0	287	287
<b>Total Revenue</b>	<u>5,044,637</u>	<u>5,082,913</u>	<u>38,276</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, 2014**

Continued.....

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>EXPENDITURES:</b>			
General Government:			
Legislative Department	258,687	244,122	14,565
Finance and Records	284,796	265,621	19,175
Community Development	269,935	239,854	30,081
Public Works	120,402	96,361	24,041
Public Safety:			
Police	1,651,587	1,608,492	43,095
Fire Protection	440,960	452,348	(11,388)
Streets	1,330,949	1,085,785	245,164
Library	492,591	488,941	3,650
Parks and Recreation	234,730	347,688	(112,958)
	<u>5,084,637</u>	<u>4,829,212</u>	<u>255,425</u>
Total Expenditures			
	5,084,637	4,829,212	255,425
<b>EXCESS REVENUE (EXPENDITURES)</b>	(40,000)	253,701	293,701
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
	<u>                    </u>	<u>                    </u>	<u>                    </u>
<b>NET CHANGE IN FUND BALANCES</b>	(40,000)	253,701	<u>293,701</u>
<b>FUND BALANCE - BEGINNING</b>	<u>754,313</u>	<u>754,313</u>	
<b>FUND BALANCE - ENDING</b>	\$ <u>714,313</u>	\$ <u>1,008,014</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, 2014**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Capital Projects Grant Revenue	\$ 0	\$ 0	\$ 0
Penalties and interest on Bond			
Annexation Fees			0
In-Lieu Fees for Capital Projects		16,286	16,286
DIF Parks and Rodeo Park	13,500	2,640	(10,860)
DIF Transportation	18,500	44,189	25,689
DIF Police	5,500	6,478	978
DIF Fire and EMS	11,000	14,148	3,148
DIF CIP Cost	1,500	2,965	1,465
Property Sales			
Contributions	4,552	450	(4,102)
Earnings on investments	10,000	6,445	(3,555)
Reimbursements and Other	0		0
	<u>64,552</u>	<u>93,601</u>	<u>29,049</u>
Total Revenue			
<b>EXPENDITURES:</b>			
General Government			
Public Safety			
Streets			
Capital outlay	1,179,395	80,434	1,098,961
Parks and Recreation			
Transportation			
Rodeo Park			
Debt Service			
	<u>1,179,395</u>	<u>80,434</u>	<u>1,098,961</u>
Total Expenditures			
<b>EXCESS REVENUE (EXPENDITURES)</b>	(1,114,843)	13,167	1,128,010
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds	0	0	0
Operating transfers (to) other funds			
	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,114,843)	13,167	\$ <u><u>1,128,010</u></u>
<b>FUND BALANCE - BEGINNING</b>	<u>1,111,824</u>	<u>1,111,824</u>	
<b>FUND BALANCE - ENDING</b>	\$ <u><u>(3,019)</u></u>	\$ <u><u>1,124,991</u></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, 2014**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
Property taxes	\$ 398,425	\$ 398,371	\$ (54)
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	5,748	5,748
County court fines			
Fees, fines and charges for services			
Grants and contributions			
Earnings on investments	0	123	123
Miscellaneous - Sale of G.O. Bonds			
	<u>398,425</u>	<u>404,242</u>	<u>5,817</u>
Total Revenue			
	<u>398,425</u>	<u>404,242</u>	<u>5,817</u>
<b>EXPENDITURES:</b>			
General Government			
Public Safety			
Streets			
Capital outlay			
Parks and Recreation			
Transportation			
Affordable Housing			
Debt Service	<u>398,425</u>	<u>398,125</u>	<u>300</u>
	<u>398,425</u>	<u>398,125</u>	<u>300</u>
Total Expenditures			
	<u>398,425</u>	<u>398,125</u>	<u>300</u>
<b>EXCESS REVENUE (EXPENDITURES)</b>	0	6,117	6,117
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds	<u>0</u>	<u>0</u>	<u>0</u>
<b>NET CHANGE IN FUND BALANCES</b>	0	6,117	<u>\$ 6,117</u>
<b>FUND BALANCE - BEGINNING</b>	<u>1,935</u>	<u>1,935</u>	
<b>FUND BALANCE - ENDING</b>	<u>\$ 1,935</u>	<u>\$ 8,052</u>	

**CITY OF HAILEY, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual -- Water Fund**  
**for the year ended September 30, 2014**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUE:</b>			
User Fees	\$ 1,080,000	\$ 1,157,994	\$ 77,994
Capital Projects Bond Fees	151,500	157,429	5,929
Hook-up Fees	85,000	119,085	34,085
Service Charges	10,000	14,272	4,272
Meter Reimbursements	2,000	34,098	32,098
Idaho Power Hydroplant Revenues	5,000	2,483	(2,517)
Inspection/Live Tap Fees	500	1,016	516
Water Fill Tower Permits	2,000	7,052	5,052
Earnings on investments	15,000	3,202	(11,798)
Grants and Contributions	28,000	15,542	(12,458)
Miscellaneous	<u>                    </u>	<u>3,613</u>	<u>3,613</u>
Total Revenue	<u>1,379,000</u>	<u>1,515,786</u>	<u>136,786</u>
<b>EXPENDITURES:</b>			
Labor and Benefits	548,406	429,698	118,708
Administrative and supplies	527,847	623,667	(95,820)
Debt Service	151,500	66,619	84,881
Capital Outlay	<u>826,050</u>	<u>0</u>	<u>826,050</u>
Total Expenditures	<u>2,053,803</u>	<u>1,119,984</u>	<u>933,819</u>
EXCESS REVENUE (EXPENDITURES)	(674,803)	395,802	1,070,605
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers from other funds			
Operating transfers (to) other funds			
Premium earned on bond refinance	0	32,046	32,046
Depreciation and Debt Reduction Amounts	<u>0</u>	<u>(347,589)</u>	<u>(347,589)</u>
<b>NET CHANGE IN NET POSITION</b>	(674,803)	80,259	<u>\$ 755,062</u>
<b>NET POSITION - BEGINNING</b>	<u>7,565,626</u>	<u>7,565,626</u>	
<b>NET POSITION - ENDING</b>	<u>\$ 6,890,823</u>	<u>\$ 7,645,885</u>	

**CITY OF HAILEY, IDAHO**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual -- Wastewater Fund**  
**for the year ended September 30, 2014**

	<u>Original and Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:			
User Fees	\$ 1,500,000	\$ 1,484,818	\$ (15,182)
Capital Projects Bond Fees	276,100	274,581	(1,519)
Hook-up Fees	75,000	99,862	24,862
Service Charges	15,000	14,272	(728)
Inspection/Live Tap Fees	500	1,250	750
Earnings on investments	7,000	3,851	(3,149)
Grants and Contributions	28,000	13,342	(14,658)
Miscellaneous	<u>1,200</u>	<u>1,200</u>	<u>1,200</u>
Total Revenue	<u>1,901,600</u>	<u>1,893,176</u>	<u>(8,424)</u>
EXPENDITURES:			
Labor and Benefits	644,056	524,718	119,338
Administrative and supplies	942,096	386,829	555,267
Debt Service	276,100	61,609	214,491
Capital Outlay	<u>292,550</u>	<u>0</u>	<u>292,550</u>
Total Expenditures	<u>2,154,802</u>	<u>973,156</u>	<u>1,181,646</u>
EXCESS REVENUE (EXPENDITURES)	(253,202)	920,020	1,173,222
OTHER FINANCING SOURCES (USES):			
Operating transfers from other funds			
Operating transfers (to) other funds			
Premium earned on bond refinance	0	37,803	37,803
Depreciation and Debt Reduction Amounts	<u>0</u>	<u>(309,394)</u>	<u>(309,394)</u>
NET CHANGE IN NET POSITION	(253,202)	648,429	<u>\$ 901,631</u>
NET POSITION - BEGINNING	<u>4,675,435</u>	<u>4,675,435</u>	
NET POSITION - ENDING	<u>\$ 4,422,233</u>	<u>\$ 5,323,864</u>	

**CITY OF HAILEY, IDAHO**  
**Loan-Future Principal and Interest Requirements**  
**at September 30, 2014**

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Wastewater Revenue Refunding 2012			
\$2,085,000, December 20, 2012			
2.00% - 4.00%			
2.000%	2015	\$ 215,000	\$ 56,800
4.000%	2016	220,000	52,500
4.000%	2017	225,000	43,700
2.000%	2018	235,000	34,700
4.000%	2019	240,000	30,000
4.000%	2020	250,000	20,400
4.000%	2021	<u>260,000</u>	<u>10,400</u>
		\$ <u><u>1,645,000</u></u>	\$ <u><u>248,500</u></u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO**  
**Loan-Future Principal and Interest Requirements**  
**at September 30, 2014**

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Water Revenue Refunding 2012			
\$1,660,000, December 20, 2012			
2.00% - 5.00%			
2.00%	2015	\$ 85,000	\$ 64,800
4.00%	2016	90,000	63,100
4.00%	2017	90,000	59,500
2.00%	2018	95,000	55,900
4.00%	2019	100,000	54,000
4.00%	2020	100,000	50,000
4.00%	2021	105,000	46,000
3.00%	2022	110,000	41,800
5.00%	2023	115,000	38,500
5.00%	2024	120,000	32,750
5.00%	2025	125,000	26,750
5.00%	2026	130,000	20,500
5.00%	2027	135,000	14,000
5.00%	2028	145,000	7,250
		\$ <u>1,545,000</u>	\$ <u>574,850</u>

The accompanying notes are a part of these financial statements.



**CITY OF HAILEY, IDAHO**  
**Loan-Future Principal and Interest Requirements**  
**at September 30, 2014**

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
General Obligation Bonds, Series 2010			
\$3,425,000, August 1, 2010			
2.00% - 3.00%			
2.50%	2015	\$ 340,000	\$ 61,525
2.50%	2016	345,000	53,025
3.00%	2017	355,000	44,400
3.00%	2018	365,000	33,750
3.00%	2019	375,000	22,800
3.00%	2020	<u>385,000</u>	<u>11,550</u>
		\$ <u>2,165,000</u>	\$ <u>227,050</u>

The accompanying notes are a part of these financial statements.



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

November 25, 2014

To the Honorable City Council  
City of Hailey, Idaho

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the business-type activities of City of Hailey, Idaho (City), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise City of Hailey, Idaho's basic financial statements, and have issued our report thereon dated November 25, 2014.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

DENNIS R. BROWN  
Certified Public Accountant  
Twin Falls, Idaho