

CITY OF HAILEY, IDAHO

Financial Statements

Year Ended September 30, 2024

CITY OF HAILEY, IDAHO
Financial Statements
For the year ended September 30, 2024

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INDEPENDENT AUDITOR'S REPORT

January 21, 2025

To the City Council
City of Hailey, Idaho
Hailey, Idaho

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hailey, Idaho, as of and for the year ended September 30, 2024, 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.

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 unit, each major fund, and the aggregate remaining fund information of the City of Hailey, Idaho, as of September 30, 2024, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hailey, Idaho, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hailey, Idaho's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

Report Continued—

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 of Hailey, Idaho's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hailey, Idaho's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planning scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and post-employment information on pages 3–9 and 35–38 and 39 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.

Supplementary Information

Our 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 long-term debt payment schedules on pages 40-42 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The long-term debt payment schedules are the responsibility of management and were derived from and relate 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 our opinion, the combining and individual nonmajor fund financial statements are 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 January 21, 2025, 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 solely 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 the effectiveness of the City's 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's internal control over financial reporting and compliance.

Workman & Company

Certified Public Accountants
Twin Falls, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2024

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, 2024. Please use this information in conjunction with the information furnished in the City's financial statements.

This management report highlights the general fiscal health of the City and outlines key financial decisions initiated by City leadership.

FINANCIAL HIGHLIGHTS

The total assets of the City of Hailey exceeded its liabilities on September 30, 2024, by \$52,399,156. This is a 8.23% increase in assets over the fiscal year ending September 30, 2023. Of this amount, \$23,837,047 is unrestricted and available to meet the City's on-going obligations and programs.

During fiscal year 2024 the City's total net position increased \$ 4,312,420, which is an increase of 8.7% over the prior year. Net position of the governmental activities increased \$ 2,007,232 and net position of business type activities increased \$2,305,188. Over the last five (5) years, the City's net position has remained healthy, representing a growth of 72% over the last five (5) years.

The total fund balance of governmental funds on September 30, 2024, was \$8,902,110 compared to a total governmental fund balance on September 30, 2023, of \$8,743,272. This increase was a result of successful completion of a variety of capital projects.

Based on healthy fund balances, the City has invested \$5,000,000 into US Government Bonds at a higher rate of return than the LGIP as per the City's adopted investment policy.

The City experienced robust interest earnings during fiscal year 2024, taking advantage of nationally high interest rates. Interest earnings for the year equaled \$1,438,621 across all funds.

The City has \$ 15,049,054 in debt, including remaining debt on the water storage facility and sewer revenue bond (bio-solids facility upgrade). Increases in liabilities over fiscal year 2023 are primarily from a new Wastewater Bond passed by the Hailey voters in May 2023, which was funded in November 2023. Engineering costs have been expended as of the end of fiscal year 24.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of five (5) 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. These reports help inform city leaders and citizenry as to whether the City is "better or worse off" as a result of the previous year's activities. The information in the government-wide financial statements helps to answer that question, as it captures all of the City's assets and liabilities using accepted accounting methods. The table on page 5 in particular captures these assets and liabilities as compared to last fiscal year.

The government-wide financial statements are divided into two (2) categories:

The Statement of Net Position presents all of the City's assets and liabilities with the difference between the two (2) 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. In other words, it will help show the solvency of the City.

Management's Discussion and Analysis, Continued

The Statement of Activities presents information showing how the 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 (2) 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 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 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 (4) 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. Residual funds from the GO Bond (Hailey Rodeo Park) and the Temporary Levy Override (Pathways for People) continue to earn interest. The tax receipts are almost fully collected, except for some late balances.

Capital Improvement Fund – The Capital Improvement Fund is used to account for financial resources to be used for the planning, 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 which may span multiple fiscal years. This fund is combined in the General Fund.

Proprietary Fund: User fees finance activities in the proprietary fund. 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.

A comparison of the City of Hailey Idaho's Assets, Liabilities and Net Position				
	FY 2024			FY 2023
	Governmental Activities	Business- type Activities	Total Primary Government	Total Primary Government
ASSETS				
Current and Other Assets	\$ 11,497,579	\$ 21,587,815	\$ 33,085,394	\$ 25,025,750
Capital Assets - Net	22,066,347	14,744,367	36,810,714	34,159,046
Total Assets	33,563,926	36,332,182	69,896,108	59,184,796
Deferred Outflows of Resources	506,603	204,764	711,367	1,411,129
LIABILITIES				
Current Liabilities	2,595,469	622,190	3,217,659	2,763,082
Long Term Liabilities	2,795,859	12,129,857	14,925,716	9,746,107
Total Liabilities	5,391,328	12,752,047	18,143,375	12,509,189
Deferred Inflows of Resources	46,250	18,694	64,944	0
NET POSITION				
Invested in Capital Assets, Net of Debt	22,066,347	3,253,083	25,319,430	28,162,101
Restricted	2,110,802	1,131,877	3,242,679	4,765,338
Unrestricted	4,455,802	19,381,245	23,837,047	15,159,297
Total Net Position	\$ 28,632,951	\$ 23,766,205	\$ 52,399,156	\$ 48,086,736

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 on September 30, 2024, by \$53,399,156, an increase of \$4,312,420 over the previous year's net position balance of \$48,086,736. This means that the City was able to capably cover its year's overall costs. Of this amount \$23,837,047 is unrestricted and available to meet the City's on-going obligations to citizens and creditors. The unrestricted net position equals 44.89% of total net position. The unrestricted net position is slightly higher than FY23 because of ongoing projects in the business activities of the City.

The largest portion of the City's net position, \$25,319,430 or 48.32%, 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.

Management's Discussion and Analysis, Continued

A comparison of the City of Hailey Idaho's Statement of Activities				
	FY 2024			FY 2023
	Governmental Activities	Business- type Activities	Total Primary Government	Total Primary Government
Revenue:				
Program revenues				
Charges for services	\$ 972,244	\$ 6,698,123	\$ 7,670,367	\$ 6,505,444
Capital grants /contributions	155,088		155,088	335,216
Total program revenues	1,127,332	6,698,123	7,825,455	6,840,660
General revenues				
Taxes	4,207,736		4,207,736	4,053,142
Franchise, licenses, permits	1,567,200		1,567,200	1,290,570
State shared revenues	2,261,214		2,261,214	1,997,712
Interest	538,902	899,719	1,438,621	903,468
Gain (Loss) on sale of assets		10,831	10,831	0
Other revenues (Losses)	1,230,623	(25,086)	1,205,537	(249,113)
Total general revenues	9,805,675	885,464	10,691,139	7,995,779
Total revenues	10,933,007	7,583,587	18,516,594	14,834,741
Program expenses:				
General government	1,375,945		1,375,945	1,504,696
Public safety	3,002,997		3,002,997	2,696,293
Streets	2,194,580		2,194,580	2,193,550
Parks and recreation	853,236		853,236	647,202
Library	878,704		878,704	834,973
Unallocated Depreciation	620,313		620,313	699,931
Wastewater		2,525,462	2,525,462	2,131,179
Water		2,299,981	2,299,981	2,274,414
Interest, long-term debt		452,956	452,956	242,286
Total program expenses	8,925,775	5,278,399	14,204,174	13,224,524
Change in net position	2,007,232	2,305,188	4,312,420	1,610,217
Beginning net position	26,625,719	21,461,017	48,086,736	46,476,519
Ending net position	\$ 28,632,951	\$ 23,766,205	\$ 52,399,156	\$ 48,086,736

Changes in Net Position

During the year, the City's financial position increased by \$ 4,312,420, compared to the previous year ending September 30, 2023, during which the City's financial position increased by \$ 1,610,217.

Governmental Activities:

Governmental activities increased the City's net position by \$ 2,007,232, compared to the previous year's increase of \$ 894,606. This increase is primarily due to the cost of program revenues decreasing while general revenues increased, particularly state-shared revenues. Post-COVID costs and inflation have increased throughout all aspects of business-type activities as well as governmental activities.

Business-Type Activities:

Business-type activities increased net position by \$ 2,305,188, compared to the previous year's increase of \$ 715,611. This increase is due largely to increased operational revenue and interest income.

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

General Fund - The general fund balance on September 30, 2024, was \$8,216,222, compared to \$8,567,684 the previous year. Costs have increased across the board as post-Covid inflation and rising fuel costs. In addition, payroll increases have resulted in this slight decrease in the general fund balance.

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 total fund balance, which includes In-lieu, residual Pathways for People, Public Arts and 0.5% for Housing on September 30, 2024, increased by \$503,877 to \$ 589,752.

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 a general obligation to be paid from the general funds of the City over a ten-year period. These bonds were paid in full in previous fiscal years. The fund continues to receive delinquent property taxes that will be used for maintaining or improving the park facilities.

Grant Fund - The grant fund was 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. FY24 hosted no large, multi-year reimbursement grants. Small single-year grants, such as those earned by the Library, are handled completely within the General Fund, not the Grant Fund.

General Fund Budgetary Highlights

The City's General operating fund balance decrease of \$351,462 resulted from expenditures being less than budget within most of the general fund departments, but \$1,000,000 was transferred to the Capital Improvement Fund for City developments.

In fiscal year 2023, the City implemented a citywide fee schedule, with modest fee increases across most fees, tracking with inflation. This fee schedule will be re-evaluated annually as part of the municipal budget process.

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 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. In 2022, the City returned to a pre-recession budgeting practice of identifying a dedicated Rolling Stock Replacement and System Maintenance Plan, with these expenditures earmarked in City department operations budgets instead of within the City capital budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2024 the City had \$36,810,714 invested in capital assets (net of accumulated depreciation) compared to last year's \$34,159,046, an increase of \$2,651,668 compared to the previous year's increase of \$2,047,581. Net capital assets of governmental activities increased by \$2,895,289 as compared to \$1,444,629 in fiscal year 2024. This can be attributed to the completion of works-in-progress, and the ability to take advantage of local contractors for smaller-scale projects. Business-type activities increased by \$369,752 in the current period. The City investment in capital assets includes land, facilities, park improvements, automobiles and equipment, street improvements, and sidewalks.

Long-Term Debt

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 \$5,130,000. This sewer revenue bond is combined under one (1) 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, which was used to pay off a DEQ State Revolving Fund Loan. The current amount owed on this debt is \$655,000. 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.

Management's Discussion and Analysis, Continued

Additional long-term debt related to May 2023 voter approval of a \$6 million wastewater aging headworks bond is reflected in this fiscal year 2024 audit.

The following items are reporting tasks that are disclosure requirements of the fiscal year 2024 Wastewater Aging Headworks General Obligation Bond. These tables have been incorporated into the Annual Report outlining financial, statistical and operating data.

City of Hailey Wastewater System Historic Net Revenues and Debt Service Coverage					
	Actual 2020	Actual 2021	Actual 2022	Actual 2023	Actual 2024
Rate Adjustment	10%	0%	9.96%	14.07%	9.58%
OPERATING REVENUES					
Charges for Services	2,179,656	2,192,452	2,439,202	2,805,066	3,077,618
Total Operating Revenues	2,179,656	2,192,452	2,439,202	2,805,066	3,077,618
OPERATING EXPENSES					
Salaries and Benefits	652,429	666,398	869,782	1,040,981	1,028,335
Administrative and supplies	601,780	626,527	608,178	777,515	1,103,081
Depreciation	493,443	494,327	518,258	312,683	333,076
Total Operating Expenses	1,747,652	1,787,352	1,996,188	2,131,179	2,464,492
NET OPERATING INCOME	432,004	405,200	443,014	673,887	613,127
Add: Investment/Interest income	79,383	16,117	28,503	202,389	210,125
Add: Depreciation expense	493,443	49,327	518,258	312,683	333,076
AVAILABLE FOR DEBT SERVICE	1,004,830	915,644	989,775	1,188,959	1,156,327
DEBT SERVICE					
Series 2014C Wastewater Revenue Bonds	298,925	298,425	566,925	569,675	566,925
Series 2012D Wastewater Revenue Bonds	270,400	270,400	0	0	0
Total Debt Service	569,325	565,825	566,925	569,675	566,925
DEBT SERVICE COVERAGE (Recurring Revenues)	1.76	1.62	1.72	2.09	2.04
Hookups, connections, and fees	179,168	352,935	483,066	214,326	283,066
Grant Revenue	0	0	0	0	0
DEBT SERVICE COVERAGE					
(Including Non-recurring Revenues)	2.08	2.24	2.60	2.46	2.89

**Top Ten
Wastewater Customers (2023)**

Customer Name	Total Revenue	Percent of System Total
Broyles Sun Valley Car Wash	\$ 59,292	0.835%
Summit View Land Co.: Valley View Apts	39,332	0.554
Boise Housing Corporation Apartments	36,843	0.519
Atkinsons Market	36,506	0.514
Blaine County Schools: Wood River High	33,702	0.475
Oceanic Hailey ID LP Hotel	29,409	0.414
South Hailey Townhouses	24,300	0.342
Hailey FF: Hotel	21,938	0.309
Palouse: Apartments	21,501	0.303
Blaine County Public Safety Facility	20,742	0.292

Fiscal Year 2024 BUDGETARY CONSIDERATIONS

The City of Hailey establishes the budgets in each of its funds from estimated revenue. In 2023, the Hailey City Council modified their policy requiring that the City maintain a fund balance that is at least 35% of budget to meet first-quarter expenses and for emergencies by increasing the fund balance amount to 35%. The FY 2024 general fund budget is \$13,800,121, with 35% of that equaling \$4,830,042, the amount now designated as general operating reserve. Based on healthy fund balances, the city invested \$2,500,000 into an investment fund at a higher rate of return than the LGIP fund as per the City's adopted investment policy. A third policy of the City Council is to transfer the 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 \$5,089,201, which exceeds the 35% reserve target of \$4,830,042, by \$259,159. Sufficient fund balance exists to transfer the \$648,538 general operating fund revenue over expenses to the capital fund for capital project spending, per that 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 ensure 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.

The City of Hailey developed expense policies for its capital and grant projects as explained more fully in prior year audits.

Rate structures within the enterprise funds have incrementally been amended over several years, creating a curve which aggressively encourages water conservation and afford users better personal management of their impact upon the City's water and wastewater system and its budget. In many cases, per capita consumption of water has decreased, and expenses have been adjusted to the City's rate-based income. A wastewater rate structure was implemented in 2015 that allocates bond costs by the amount of usage rather than the number of meters. An amended water rate structure was implemented in FY 23/24 as part of the annual budget.

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, 2024

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit Urban Renewal Agency
<u>ASSETS</u>				
Cash and Deposits	\$ 5,167,047	\$ 17,245,727	\$ 22,412,774	\$ 1,272,518
Investments	2,500,000	2,500,000	5,000,000	
Accounts Receivable	1,160,681	594,445	1,755,126	
Taxes Receivable	36,634		36,634	7,779
Due From Other Governments	522,415		522,415	
Inventory		115,766	115,766	
Restricted Cash, Deposits and Investments	2,110,802	1,131,877	3,242,679	
Totals	<u>11,497,579</u>	<u>21,587,815</u>	<u>33,085,394</u>	<u>1,280,297</u>
Capital Assets:				
Land, Easements and Water Rights	3,117,021	235,391	3,352,412	
Construction in Progress	1,577,592	158,746	1,736,338	
Infrastructure	15,698,547	23,946,968	39,645,515	
Buildings and Improvements	5,380,479	1,033,573	6,414,052	
Equipment and Vehicles	6,754,824	6,143,834	12,898,658	
	<u>32,528,463</u>	<u>31,518,512</u>	<u>64,046,975</u>	<u>0</u>
Accumulated Deprecation	(10,462,116)	(16,774,145)	(27,236,261)	
Total Capital Assets	<u>22,066,347</u>	<u>14,744,367</u>	<u>36,810,714</u>	<u>0</u>
Total Assets	<u>33,563,926</u>	<u>36,332,182</u>	<u>69,896,108</u>	<u>1,280,297</u>
Deferred Outflows of Resources:				
Deferred Outflows from Pension Activity	<u>506,603</u>	<u>204,764</u>	<u>711,367</u>	
<u>LIABILITIES</u>				
Accounts Payable	2,080,432		2,080,432	595,019
Accrued Payroll and Benefits Payable	84,511	62,577	147,088	
Accrued Interest Payable		20,101	20,101	
Surety and Security Bonds Payable	430,526	14,512	445,038	
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	0	525,000	525,000	
Portion due or payable after one year:				
Bonds Payable	0	10,525,000	10,525,000	
Unamortized Bond Premium	0	421,183	421,183	
Compensated Absences	247,864	153,798	401,662	
Net Pension Liability	<u>2,547,995</u>	<u>1,029,876</u>	<u>3,577,871</u>	
Total Liabilities	<u>5,391,328</u>	<u>12,752,047</u>	<u>18,143,375</u>	<u>595,019</u>
Deferred Inflows of Resources				
Deferred Inflows from Pension Activity	<u>46,250</u>	<u>18,694</u>	<u>64,944</u>	
<u>NET POSITION</u>				
Invested in Capital Assets - net of related debt	22,066,347	3,253,083	25,319,430	0
Restricted For:				
Debt Service		1,131,877	1,131,877	
Other Purposes	2,110,802		2,110,802	
Unrestricted	<u>4,455,802</u>	<u>19,381,245</u>	<u>23,837,047</u>	<u>685,278</u>
Total Net Position	<u>\$ 28,632,951</u>	<u>\$ 23,766,205</u>	<u>\$ 52,399,156</u>	<u>\$ 685,278</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Activities
For the Year Ended September 30, 2024

Activities:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets			Component Unit - Urban Renewal Agency
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Total	
Governmental:							
General Government	\$ 1,375,945	\$ 376,037	\$ 62,341	\$ (937,567)		\$ (937,567)	
Public Protection:							
Public Safety	3,002,997	423,075	4,496	(2,575,426)		(2,575,426)	
Streets	2,194,580			(2,194,580)		(2,194,580)	
Parks and Recreation	853,236	168,026		(685,210)		(685,210)	
Library	878,704	5,106	88,251	(785,347)		(785,347)	
Interest - on long-term debt				0		0	
Unallocated Depreciation	620,313			(620,313)		(620,313)	
Total Governmental Activities	<u>8,925,775</u>	<u>972,244</u>	<u>155,088</u>	<u>(7,798,443)</u>		<u>(7,798,443)</u>	
Business Type:							
Water	2,299,981	2,804,184			\$ 504,203	504,203	
Wastewater	2,525,462	3,893,939			1,368,477	1,368,477	
Interest - on long-term debt	452,956				(452,956)	(452,956)	
Total Business-type Activities	<u>5,278,399</u>	<u>6,698,123</u>	<u>0</u>		<u>1,419,724</u>	<u>1,419,724</u>	
Total City of Hailey, Idaho	<u>\$ 14,204,174</u>	<u>\$ 7,670,367</u>	<u>\$ 155,088</u>	<u>(7,798,443)</u>	<u>1,419,724</u>	<u>(6,378,719)</u>	
Component Units:							
Urban Renewal Agency	\$ 722,455						\$ (722,455)
Total							<u>(722,455)</u>
General Revenues:							
Property taxes				3,206,708		3,206,708	639,545
Local Option sales taxes				986,741		986,741	
Franchises, licenses, permits				1,567,200		1,567,200	
State of Idaho revenue sharing				1,025,770		1,025,770	
State of Idaho liquor receipts				315,005		315,005	
State highway user collections				920,439		920,439	
Penalty and interest on property taxes				14,287		14,287	
County court fines				88,529		88,529	
Earnings on investments				538,902	899,719	1,438,621	52,532
Refunds and Reimbursements				1,562,648		1,562,648	
Premium Earned on Bond Refinancing					23,330	23,330	
Gain (Loss) on Pension Activities				(420,554)	(48,416)	(468,970)	
Gain (Loss) on Sale of Assets					10,831	10,831	
Total general revenues and transfers				<u>9,805,675</u>	<u>885,464</u>	<u>10,691,139</u>	<u>692,077</u>
Changes in net position				2,007,232	2,305,188	4,312,420	(30,378)
Net Position - Beginning				<u>26,625,719</u>	<u>21,461,017</u>	<u>48,086,736</u>	<u>715,656</u>
Net Position - Ending				<u>\$ 28,632,951</u>	<u>\$ 23,766,205</u>	<u>\$ 52,399,156</u>	<u>\$ 685,278</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, 2024

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Deposits	\$ 6,591,962	\$ 589,752	\$ 96,136	\$ 7,277,850
Investments	2,500,000			2,500,000
Accounts Receivable	1,143,670	17,011		1,160,681
Due From Other Governments	522,415			522,415
Property Taxes Receivable	<u>36,633</u>	<u>0</u>		<u>36,633</u>
Total Assets	<u>10,794,680</u>	<u>606,763</u>	<u>96,136</u>	<u>11,497,579</u>
LIABILITIES:				
Accounts Payable	2,063,421	17,011		2,080,432
Accrued Payroll Expenses	84,511			84,511
Surety and Security Bonds Payable	<u>430,526</u>			<u>430,526</u>
Total Liabilities	<u>2,578,458</u>	<u>17,011</u>	<u>0</u>	<u>2,595,469</u>
FUND BALANCE:				
Non-spendable				0
Restricted				0
Committed	35,370	17,011	96,136	148,517
Assigned	3,088,803	572,741		3,661,544
Unassigned	<u>5,092,049</u>			<u>5,092,049</u>
Total Fund Balance	<u>8,216,222</u>	<u>589,752</u>	<u>96,136</u>	<u>8,902,110</u>
Total Liabilities and Fund Balance	<u>\$ 10,794,680</u>	<u>\$ 606,763</u>	<u>\$ 96,136</u>	<u>\$ 11,497,579</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, 2024

Total Governmental Fund Balances (Page 12)	\$ 8,902,110
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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 \$ 32,528,463 less accumulated depreciation \$ 10,462,116	22,066,347
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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	(2,335,506)
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Net Position of Governmental Activities (Page 10)	<hr style="border: none; border-top: 1px solid black; margin-bottom: 5px;"/> <u><u>\$ 28,632,951</u></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, 2024

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:				
Property taxes	\$ 3,204,693	\$	\$ 2,015	\$ 3,206,708
Local Option sales taxes	986,741			986,741
Franchises, licenses, permits	1,567,200			1,567,200
State of Idaho shared revenue	1,025,770			1,025,770
State of Idaho liquor receipts	315,005			315,005
State highway user collections	920,439			920,439
Penalty and interest on property taxes	14,287			14,287
County court fines	88,529			88,529
Fees, fines and charges for services	376,037	596,207		972,244
Grants	0			0
Contributions	155,088			155,088
Property Sales				0
Earnings on investments	461,742	72,751	4,409	538,902
Refunds and Reimbursements	210,398	1,412,505		1,622,903
Miscellaneous				0
Total Revenue	<u>9,325,929</u>	<u>2,081,463</u>	<u>6,424</u>	<u>11,413,816</u>
EXPENDITURES:				
General Government	1,769,944	518,383		2,288,327
Public Safety	3,002,997	180,679		3,183,676
Streets	2,171,515	1,578,468		3,749,983
Parks and Recreation	853,236	272,170		1,125,406
Library	879,699	2,358		882,057
Capital outlay		25,528		25,528
Debt Service				0
Total Expenditures	<u>8,677,391</u>	<u>2,577,586</u>	<u>0</u>	<u>11,254,977</u>
EXCESS REVENUE (EXPENDITURES)	648,538	(496,123)	6,424	158,839
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds		1,000,000		1,000,000
Operating transfers (to) other funds	<u>(1,000,000)</u>			<u>(1,000,000)</u>
NET CHANGE IN FUND BALANCES	(351,462)	503,877	6,424	158,839
FUND BALANCE - BEGINNING	<u>8,567,684</u>	<u>85,875</u>	<u>89,712</u>	<u>8,743,271</u>
FUND BALANCE - ENDING	<u>\$ 8,216,222</u>	<u>\$ 589,752</u>	<u>\$ 96,136</u>	<u>\$ 8,902,110</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, 2024

Net Change in Fund Balance - Total Governmental Funds (Page 14)	\$ 158,839
<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.	(620,313)
This is the amount of new Governmental Fund assets.	2,902,229
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	(420,554)
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the increase in compensated leave during the year.	<u>(12,969)</u>
Change in Net Position of Governmental Activities (Page 11)	<u>\$ 2,007,232</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Net Position
Proprietary Funds
at September 30, 2024

Assets:	Water	Wastewater	Totals
Current Assets:			
Cash and deposits	\$ 5,869,179	\$ 11,376,548	\$ 17,245,727
Investments	2,500,000	0	2,500,000
Accounts receivable	261,072	333,373	594,445
Inventory	115,766		115,766
	<u>8,746,017</u>	<u>11,709,921</u>	<u>20,455,938</u>
Restricted Current Assets:			
Cash and deposits	216,554	915,323	1,131,877
	<u>216,554</u>	<u>915,323</u>	<u>1,131,877</u>
Total Current Assets	<u>8,962,571</u>	<u>12,625,244</u>	<u>21,587,815</u>
Non Current Assets:			
Plant and equipment	12,693,505	18,825,007	31,518,512
Accumulated depreciation	(7,843,103)	(8,931,042)	(16,774,145)
	<u>4,850,402</u>	<u>9,893,965</u>	<u>14,744,367</u>
Net Non Current Assets	<u>4,850,402</u>	<u>9,893,965</u>	<u>14,744,367</u>
Total Assets	<u>13,812,973</u>	<u>22,519,209</u>	<u>36,332,182</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pensions	98,378	106,386	204,764
	<u>98,378</u>	<u>106,386</u>	<u>204,764</u>
Liabilities:			
Current Liabilities:			
Accrued Payroll and Benefits Payable	28,556	34,021	62,577
Accrued Interest Payable	1,114	18,987	20,101
Customer Deposits	14,512		14,512
Current portion long-term debt	125,000	400,000	525,000
	<u>169,182</u>	<u>453,008</u>	<u>622,190</u>
Total current liabilities	<u>169,182</u>	<u>453,008</u>	<u>622,190</u>
Noncurrent Liabilities:			
Bonds Payable, Less Current	410,000	10,115,000	10,525,000
Premium on Bonds Payable	21,382	399,801	421,183
Compensated Absences Payable	67,110	86,688	153,798
Net Pension Liability	494,799	535,077	1,029,876
	<u>993,291</u>	<u>11,136,566</u>	<u>12,129,857</u>
Total noncurrent liabilities	<u>993,291</u>	<u>11,136,566</u>	<u>12,129,857</u>
Total Liabilities	<u>1,162,473</u>	<u>11,589,574</u>	<u>12,752,047</u>
Deferred Inflows of Resources:			
Deferred Inflows from Pensions	8,981	9,713	18,694
	<u>8,981</u>	<u>9,713</u>	<u>18,694</u>
Net Position:			
Investment in capital assets			
net of related debt	4,292,906	(1,039,823)	3,253,083
Restricted	216,554	915,323	1,131,877
Unrestricted	8,230,437	11,150,808	19,381,245
	<u>12,739,897</u>	<u>11,026,308</u>	<u>23,766,205</u>
Total Net Position	<u>\$ 12,739,897</u>	<u>\$ 11,026,308</u>	<u>\$ 23,766,205</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, 2024

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 2,174,723	\$ 3,543,113	\$ 5,717,836
Hookups, connections and fees	<u>629,461</u>	<u>350,826</u>	<u>980,287</u>
Total Operating Revenue	<u>2,804,184</u>	<u>3,893,939</u>	<u>6,698,123</u>
Operating Expenses:			
Salaries and benefits	948,127	1,016,389	1,964,516
Administrative and supplies	1,031,840	1,175,997	2,207,837
Depreciation	<u>320,014</u>	<u>333,076</u>	<u>653,090</u>
Total Operating Expenses	<u>2,299,981</u>	<u>2,525,462</u>	<u>4,825,443</u>
Operating Income	<u>504,203</u>	<u>1,368,477</u>	<u>1,872,680</u>
Nonoperating Revenues (Expenses):			
Interest Income	394,359	505,360	899,719
Interest Expense	(32,244)	(420,712)	(452,956)
Grants	0	0	0
Premium Earned on Bond Refinancing	10,682	12,648	23,330
Gain (Loss) on Pension Activity	(36,748)	(11,668)	(48,416)
Gain (Loss) on Sale of Assets	<u>10,831</u>	<u>0</u>	<u>10,831</u>
Total Nonoperating	<u>346,880</u>	<u>85,628</u>	<u>432,508</u>
Income before transfers	851,083	1,454,105	2,305,188
Transfers in			0
Transfers out			<u>0</u>
Net Income	851,083	1,454,105	2,305,188
Total Net Position - Beginning	<u>11,888,814</u>	<u>9,572,203</u>	<u>21,461,017</u>
Total Net Position - Ending	<u>\$ 12,739,897</u>	<u>\$ 11,026,308</u>	<u>\$ 23,766,205</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, 2024

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts from customers	\$ 2,696,607	\$ 3,863,026	\$ 6,559,633
Payments to suppliers	(1,027,437)	(1,175,997)	(2,203,434)
Payments to employees	(920,935)	(1,045,386)	(1,966,321)
Other receipts			0
Net cash provided (used) by operations	<u>748,235</u>	<u>1,641,643</u>	<u>2,389,878</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase and construction of capital assets	(243,265)	(483,777)	(727,042)
Disposition of Assets	10,831	0	10,831
Principal paid on capital debt	(120,000)	(400,000)	(520,000)
Interest paid on capital debt	<u>(32,474)</u>	<u>(409,494)</u>	<u>(441,968)</u>
Net cash provided (used) by capital and related financing activities	<u>(384,908)</u>	<u>(1,293,271)</u>	<u>(1,678,179)</u>
Cash Flows From Investing Activities:			
Bond Proceeds	0	5,765,000	5,765,000
Interest Income	<u>394,359</u>	<u>505,360</u>	<u>899,719</u>
Net cash provided (used) by investing	<u>394,359</u>	<u>6,270,360</u>	<u>6,664,719</u>
Net Increase (Decrease) in Cash and Deposits	757,686	6,618,732	7,376,418
Balances - Beginning of the year	<u>7,828,047</u>	<u>5,673,139</u>	<u>13,501,186</u>
Balances - Ending of the year	<u>\$ 8,585,733</u>	<u>\$ 12,291,871</u>	<u>\$ 20,877,604</u>
Displayed as:			
Pooled Cash and Investments	8,369,179	11,376,548	19,745,727
Restricted Assets	<u>216,554</u>	<u>915,323</u>	<u>1,131,877</u>
Balances - Ending of the year	<u>\$ 8,585,733</u>	<u>\$ 12,291,871</u>	<u>\$ 20,877,604</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income	504,203	1,368,477	1,872,680
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	320,014	333,076	653,090
Changes in assets and liabilities:			
Receivables, net	(79,369)	(64,933)	(144,302)
Inventory	5,472		5,472
Accrued Payables			0
Compensated absences	(1,016)	5,023	4,007
Customer deposits	<u>(1,069)</u>		<u>(1,069)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 748,235</u>	<u>\$ 1,641,643</u>	<u>\$ 2,389,878</u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2024**

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, 2024

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, 2024**

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, 2024**

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, Wastewater, 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, 2024**

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 costs 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, 2024**

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, 2024

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:

	<u>Bank Balance Categories</u>		
	<u>1</u>	<u>2</u>	<u>3</u>
Deposits	\$ 509,134	\$ 300	\$ 0
State of Idaho LGIP		25,092,046	
Investments		<u>5,000,000</u>	
Total Cash and Investments	\$ <u>197,696</u>	\$ <u>30,092,346</u>	\$ <u>0</u>

Funds held in the Water and Wastewater Funds (Enterprise funds) in the amount of \$ 34,635 are reserved for repayment of existing debt, \$ 880,688 of reserved funds from the BioSolids project (Wastewater rate stabilization), and \$216,554 in Water Fund rate stabilization. Funds held in the General Fund of \$ 3,507,648 are reserved for specific requirements from donations, employee flexible spending accounts, and capital project related reserved accounts.

The City held the following investments as of September 30, 2024:

<u>Measurement/Investment</u>	<u>Measurement Amount</u>	<u>Maturity</u>	<u>Moody's Rating</u>	<u>Percent of Total Investments</u>
Fair Value - Level One Inputs				
None	0	N/A	N/A	0.00%
Fair Value - Level Two Inputs				
Federal Home LN Mtg Corp 5.20 %	1,000,000	2/24/2026	AA+	20.00%
Federal Home LN Mtg Corp 5.60 %	1,000,000	8/14/2026	AA+	20.00%
Federal Home LN Mtg Corp 5.35%	1,000,000	11/3/2024	AA+	20.00%
Federal Farm Credit Bnks 3.625%	<u>2,000,000</u>	4/17/2029	Aaa	40.00%
Total Fair Value Level Two	<u>5,000,000</u>			

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2024**

Continued...

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.

NOTE 5 - 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 6 - 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.

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2024

Continued...

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024, is as follows:

	Beginning		Decrease	Ending
	Balances	Increases	s	Balances
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 3,117,021	\$	\$	\$ 3,117,021
Construction in Progress	1,422,301	155,291		1,577,592
Total	<u>4,539,322</u>	<u>155,291</u>	<u>0</u>	<u>4,694,613</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	5,103,723	276,756		5,380,479
Infrastructure	14,558,630	1,139,917		15,698,547
Vehicles and Equipment	5,431,499	1,390,520	67,195	6,754,824
Total	<u>25,093,852</u>	<u>2,807,193</u>	<u>67,195</u>	<u>27,833,850</u>
Less: Accumulated Depreciation:	<u>(9,848,743)</u>	<u>(620,313)</u>	<u>6,940</u>	<u>(10,462,116)</u>
Total Net Depreciated Assets	<u>15,245,109</u>	<u>3,427,506</u>	<u>60,255</u>	<u>17,371,734</u>
 Governmental capital assets, net	 <u>\$ 19,784,431</u>	 <u>\$ 3,582,797</u>	 <u>\$ 60,255</u>	 <u>\$ 22,066,347</u>
 Business-type activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 235,391	\$	\$	\$ 235,391
Construction in Progress	75,510	83,236		158,746
Total	<u>310,901</u>	<u>83,236</u>	<u>0</u>	<u>394,137</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	1,033,573			1,033,573
Infrastructure	23,944,682	440,145	437,859	23,946,968
Vehicles and Equipment	5,668,358	521,908	46,432	6,143,834
Total	<u>30,646,613</u>	<u>962,053</u>	<u>484,291</u>	<u>31,124,375</u>
Less: Accumulated Depreciation	<u>(16,582,959)</u>	<u>(653,090)</u>	<u>461,904</u>	<u>(16,774,145)</u>
Total Net Depreciated Assets	<u>14,063,654</u>	<u>308,963</u>	<u>22,387</u>	<u>14,350,230</u>
 Business-type capital assets, net	 <u>\$ 14,374,555</u>	 <u>\$ 392,199</u>	 <u>\$ 22,387</u>	 <u>\$ 14,744,367</u>

NOTE 8 - LONG-TERM OBLIGATIONS

The City has entered into the following agreements:

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2024

Continued...

			Amount			Amount	Amount
	Maturity	Interest	Outstanding			Outstanding	Due
<u>Description</u>	<u>Date</u>	<u>Rate</u>	<u>9/30/2023</u>	<u>Additions</u>	<u>Reductions</u>	<u>9/30/2024</u>	<u>1 Year</u>
GENERAL FUND							
Other:							
Accrued Compensated							
Absences	N/A		234,896	12,965		247,861	
Total General Fund			\$ 234,896	\$ 12,965	\$ 0	\$ 247,861	\$ 0
PROPRIETARY FUND							
Bonds and Loans							
Payable:							
2014 Sewer Bio-Solids							
Bonds	9/15/2034	Var.	5,130,000	0	(380,000)	4,750,000	400,000
2012 Water Refunding	9/28/2028	Var.	655,000	0	(120,000)	535,000	125,000
2023 Sewer Headworks							
Bonds	9/15/2043	5.00%	0	5,765,000		5,765,000	0
Other:							
Accrued Compensated							
Absences	N/A		149,791	4,206		153,997	
Total Proprietary Fund			\$ 5,934,791	\$ 5,769,206	\$ (500,000)	\$ 11,203,997	\$ 525,000

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.

In 2023, the City of Hailey sold \$5,765,000 of Sewer Revenue Bonds to finance a new Headworks project. The bond was sold at a premium resulting in \$241,701 more received than compared to the principal balance 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 beginning in 2035. The bond has an interest rate of 5% and will mature in September of 2043.

Bond maturity and interest schedules of the issued bonds is contained in the schedule on pages 40-42 of these financial statements.

CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2024

Continued...

Fiscal Year	Water Revenue		Wastewater Revenue		Wastewater Revenue	
	Refunding Bonds 2012		Refunding Bonds 2014		Refunding Bonds 2023	
	Interest	Principal	Interest	Principal	Interest	Principal
2025	\$ 26,750	\$ 125,000	\$ 167,425	\$ 400,000	\$ 288,250	\$ 0
2026	20,500	130,000	147,425	420,000	288,250	0
2027	14,000	135,000	126,425	440,000	288,250	0
2028	7,250	145,000	113,225	455,000	288,250	0
2029			99,575	465,000	288,250	0
2030-34			267,537	2,570,000	1,441,250	0
2035-39					1,166,000	2,890,000
2040-43					368,500	2,875,000
Totals	\$ 68,500	\$ 535,000	\$ 921,612	\$ 4,750,000	\$ 4,417,000	\$ 5,765,000

NOTE 9 – LEASES

The City of Hailey has entered into various operating leases for police vehicles and public works equipment that require the City to make lease payments through FY2026. Future annual operating lease payments are as follows:

Description	2025	2026	2027	2028
John Deere Excavator	\$23,400	\$23,400		
2022 Ford Explorer Police Cars (2)	19,909	19,909		
2021 Cat Tractor, Small Wheel Loader (2)	32,524	32,524		
305 Mini Excavator	3,049	3,049	3,049	3,049
906 Mini Loader	18,990	18,990	18,990	18,990
938 Wing Loader	20,567	20,567	20,567	
938 Loader	33,000			
160 Grader	34,400	34,400	34,400	34,400
A7 Sweeper	55,094	55,094	55,094	55,094
Totals	<u>\$240,933</u>	<u>\$207,933</u>	<u>\$132,100</u>	<u>\$111,533</u>

NOTE 10 – 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.

CITY OF HAILEY, IDAHO
Notes to the Financial Statements
September 30, 2024

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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 the employer rate for general employees and 74% for police and firefighters. As of June 30, 2024, 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 \$497,734 for the year ended September 30, 2024.

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

At September 30, 2024, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the City's proportion was 0.09706656 percent.

For the year ended September 30, 2024, the City recognized pension expense (revenue) of \$684,537. At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

CITY OF HAILEY, IDAHO
Notes to the Financial Statements
September 30, 2024

-Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 0	\$ 64,994
Changes in assumptions or other inputs	\$ 141,737	
Net difference between projected and actual earnings on pension plan investments	\$ 569,630	
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$ (134,930)	
City's contributions subsequent to the measurement date	\$ 134,930	
Total	\$ 411,367	\$ 64,994

\$ 134,930 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, 2024.

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, 2024, the beginning of the measurement period ended June 30, 2023, is 4.6 and 4.6 for the measurement period June 30, 2024.

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:

Year ended September 30, 2024:

2025	\$ 215,961
2026	\$ (82,229)
2027	\$ (115,041)
2028	\$ (82,229)

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.

CITY OF HAILEY, IDAHO
Notes to the Financial Statements
September 30, 2024

-Continued

The total pension liability in the June 30, 2024, 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, 2024, is based on the results of an actuarial valuation date of July 1, 2024.

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.

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 2022.

2024

	DB Plans	Sick Leave
Asset Class		
Fixed Income	30.00%	50.00%
US/Global Equity	55.00%	39.30%
International Equity	15.00%	10.70%
Cash	0.00%	0.00%

CITY OF HAILEY, IDAHO
Notes to the Financial Statements
September 30, 2024

-Continued
Discount Rate

The discount rate used to measure the total pension liability was 6.35%. 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:

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$3,542,092	\$3,577,871	\$3,613,650

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

Payables to the pension plan

At September 30, 2024, the City reported payables to the defined benefit pension plan of \$ 90 for legally required employer contributions and \$ 53 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 11 - 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, 2024**

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, 2024, can be obtained at the Airport, Blaine County, or the City of Hailey offices.

NOTE 12 -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 13 – LITIGATION

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

NOTE 14 – 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, 2024

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$ 3,163,526	\$ 3,163,526	\$ 3,204,693	\$ 41,167
Local Option sales taxes	1,403,715	1,403,715	986,741	(416,974)
Franchises, licenses, permits:				
Alcohol Catering Licenses	500	500	1,080	580
Police Security	500	500	11,128	10,628
Building Permits	718,563	718,563	812,862	94,299
Business Licenses	46,350	46,350	60,923	14,573
Encroachment Permits	21,115	21,115	14,237	(6,878)
Franchises - Cable TV	90,000	90,000	84,144	(5,856)
Banner Fees	3,000	3,000	5,620	2,620
Franchises - Idaho Power	225,000	225,000	233,859	8,859
Franchises - Intermountain Gas	90,000	90,000	82,818	(7,182)
Franchises - Rubbish Company	124,124	124,124	131,404	7,280
Sign Permits	515	515	650	135
Fire Dept Permits	50,000	50,000	58,923	8,923
Subdivision Inspection Permits	20,600	20,600	15,349	(5,251)
Zoning Applications	45,392	45,392	50,331	4,939
Maps, Copies, and Postage	5,000	5,000	3,872	(1,128)
State of Idaho shared revenue	1,162,461	1,162,461	1,025,770	(136,691)
State of Idaho liquor receipts	333,695	333,695	315,005	(18,690)
State highway user collections	732,461	732,461	920,439	187,978
Penalty and interest on property taxes	14,500	14,500	14,287	(213)
County court fines	65,000	65,000	88,529	23,529
Fees, fines and charges for services:				
Library Fines and Memberships	6,180	6,180	5,106	(1,074)
Park Rental Fees	25,000	25,000	28,781	3,781
Rodeo Park Fees	4,000	4,000	8,510	4,510
RV Dump Fees	1,500	1,500	1,032	(468)
Rubbish Bookkeeping Contract	124,124	124,124	131,404	7,280
Recycling Outreach Contract	25,201	25,201	21,901	(3,300)
Police Security Contracts	10,000	10,000	2,205	(7,795)
Police Security Contr-School	164,800	164,800	164,800	0
Room Lease/Rentals			12,298	12,298
Grants	0	0	0	0
Donations and contributions	18,000	18,000	155,088	137,088
Earnings on investments	175,000	175,000	461,742	286,742
Miscellaneous:				
Property Sales	5,000	5,000	1,200	(3,800)
Refunds and Reimbursements	15,000	15,000	48,907	33,907
Mutual Aid Reimbursements		0	160,291	160,291
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total Revenue	 <u>8,889,822</u>	 <u>8,889,822</u>	 <u>9,325,929</u>	 <u>436,107</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, 2024

Continued.....

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
EXPENDITURES:				
General Government:				
Legislative Department	681,045	681,045	540,792	140,253
Finance and Records	502,938	502,938	425,534	77,404
Community Development	760,702	760,702	640,750	119,952
Public Works	188,448	188,448	162,867	25,581
Public Safety:				
Police	2,071,822	2,071,822	2,107,238	(35,416)
Fire Protection	785,114	785,114	895,760	(110,646)
Streets	2,297,022	2,297,022	2,171,515	125,507
Library	826,402	826,402	879,699	(53,297)
Parks and Recreation	776,329	776,329	853,236	(76,907)
	<u>8,889,822</u>	<u>8,889,822</u>	<u>8,677,391</u>	<u>212,431</u>
Total Expenditures				
	<u>8,889,822</u>	<u>8,889,822</u>	<u>8,677,391</u>	<u>212,431</u>
EXCESS REVENUE (EXPENDITURES)	0	0	648,538	648,538
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				
Operating transfers (to) other funds			(1,000,000)	(1,000,000)
	<u> </u>	<u> </u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>
NET CHANGE IN FUND BALANCES	0	0	(351,462)	<u>(351,462)</u>
FUND BALANCE - BEGINNING	<u>8,567,684</u>	<u>8,567,684</u>	<u>8,567,684</u>	
FUND BALANCE - ENDING	<u>\$ 8,567,684</u>	<u>\$ 8,567,684</u>	<u>\$ 8,216,222</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, 2024

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Annexation Fees	\$ 0	\$ 0	\$ 0	\$ 0
In-Lieu Fees for Capital Projects	0	0	184,073	184,073
DIF Parks	0	0	129,704	129,704
DIF Transportation	0	0	239,129	239,129
DIF Fire and EMS	0	0	36,305	36,305
DIF CIP Cost	0	0	6,183	6,183
Property Sales	1,074,777	1,074,777	0	(1,074,777)
Earnings on investments	60,000	60,000	72,751	12,751
Grants and Contributions	0	0	813	813
Reimbursements and Other	0	0	1,412,505	1,412,505
Total Revenue	<u>1,134,777</u>	<u>1,134,777</u>	<u>2,081,463</u>	<u>946,686</u>
EXPENDITURES:				
General Government	795,718	795,718	518,383	277,335
Public Works				
Streets	3,098,902	3,098,902	1,578,468	1,520,434
Capital outlay	455,000	455,000	25,528	429,472
Parks and Recreation	380,000	380,000	272,170	107,830
Library	0	0	2,358	(2,358)
Fire Department	112,479	112,479	112,479	0
Police	68,200	68,200	68,200	0
Total Expenditures	<u>4,910,299</u>	<u>4,910,299</u>	<u>2,577,586</u>	<u>2,332,713</u>
EXCESS REVENUE (EXPENDITURES)	(3,775,522)	(3,775,522)	(496,123)	(1,386,027)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	0	0	1,000,000	1,000,000
Operating transfers (to) other funds				
NET CHANGE IN FUND BALANCES	(3,775,522)	(3,775,522)	503,877	\$ <u>(386,027)</u>
FUND BALANCE - BEGINNING	<u>85,875</u>	<u>85,875</u>	<u>85,875</u>	
FUND BALANCE - ENDING	<u>\$ (3,689,647)</u>	<u>\$ (3,689,647)</u>	<u>\$ 589,752</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, 2024

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$ 0	\$ 0	\$ 2,015	\$ 2,015
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	0	0
County court fines				
Fees, fines and charges for services				
Grants and contributions				
Earnings on investments	0	0	4,409	4,409
Miscellaneous - Sale of G.O. Bonds				
	<u>0</u>	<u>0</u>	<u>6,424</u>	<u>6,424</u>
Total Revenue	<u>0</u>	<u>0</u>	<u>6,424</u>	<u>6,424</u>
EXPENDITURES:				
General Government				0
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>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS REVENUE (EXPENDITURES)	0	0	6,424	6,424
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				
Operating transfers (to) other funds	0	0	0	0
NET CHANGE IN FUND BALANCES	0	0	6,424	<u>\$ 6,424</u>
FUND BALANCE - BEGINNING	<u>89,712</u>	<u>89,712</u>	<u>89,712</u>	
FUND BALANCE - ENDING	<u>\$ 89,712</u>	<u>\$ 89,712</u>	<u>\$ 96,136</u>	

CITY OF HAILEY, IDAHO
PUBLIC EMPLOYEE PENSION INFORMATION
For the year ended September 30, 2024

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Employer's portion of the net pension liability	0.0956485%	0.0970666%	0.0900305%	0.0853995%	0.0864362%
Employer's proportionate share of the net pension liability (asset)	3,577,871	\$ 3,873,607	\$ 3,546,083	(67,447)	\$ 2,007,163
Employer's covered-employee payroll	4,472,426	\$ 4,128,931	\$ 3,592,957	\$ 3,128,381	\$ 3,283,689
Employer's proportional share of the net pension liability (asset) as a percentage of its covered-employee payroll	80.00%	93.82%	98.70%	-2.16%	61.13%
Plan fiduciary net position as a percentage of the total pension liability	85.54%	83.83%	83.09%	100.36%	88.22%

Data reported is measured as of June 30, 2024

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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Statutorily required contributions	539,720	\$ 497,734	\$ 441,362	\$ 382,559	\$ 375,475
Contributions in relation to the statutorily required contribution	(539,720)	\$ (497,734)	\$ (441,362)	\$ (382,559)	\$ (375,475)
Contribution (deficiency) excess	0	\$ 0	\$ 0	\$ 0	\$ 0
Employer's covered-employee payroll	4,472,426	\$ 4,128,931	\$ 3,592,957	\$ 3,128,381	\$ 3,283,689
Contributions as a percentage of covered-employee payroll	12.07%	12.05%	12.28%	12.23%	11.43%

**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF HAILEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2024

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%	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	<u>550,000</u>	<u>19,250</u>
		\$ <u>4,750,000</u>	\$ <u>921,912</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2024

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Water Revenue Refunding 2012 \$1,660,000, December 20, 2012 2.00% - 5.00%			
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
		\$ 535,000	\$ 68,500

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2024

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Wastewater Revenue Bonds 2023			
\$5,765,000, November 28, 2023			
5.00%			
5.000%	2025	\$ 0	\$ 288,250
5.000%	2026	0	288,250
5.000%	2027	0	288,250
5.000%	2028	0	288,250
5.000%	2029	0	288,250
5.000%	2030	0	288,250
5.000%	2031	0	288,250
5.000%	2032	0	288,250
5.000%	2033	0	288,250
5.000%	2034	0	288,250
5.000%	2035	525,000	288,250
5.000%	2036	550,000	262,000
5.000%	2037	575,000	234,500
5.000%	2038	605,000	205,750
5.000%	2039	635,000	175,500
5.000%	2040	665,000	143,750
5.000%	2041	700,000	110,500
5.000%	2042	735,000	75,500
5.000%	2043	775,000	38,750
		<u>\$ 5,765,000</u>	<u>\$ 4,417,000</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**

January 21, 2025

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, 2024, 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 January 21, 2025.

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