

CITY OF HAILEY, IDAHO

Financial Statements

Year Ended September 30, 2022

CITY OF HAILEY, IDAHO
Financial Statements
For the year ended September 30, 2022

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WORKMAN & COMPANY

Office of
Accounting

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INDEPENDENT AUDITOR'S REPORT

December 23, 2022

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, 2022, 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, 2022, 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 3–8 and 34–37 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 39-40 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.

Workman & Company

Certified Public Accountants
Twin Falls, Idaho

MANAGEMENT'S DISCUSSION AND ANALYSIS September 30, 2022

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, 2022. 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 at September 30, 2022, by \$ 46,476,519. This is a 10.07% increase in assets over the fiscal year ending September 30, 2021. Of this amount \$ 16,061,439 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- During fiscal year 2022 the City's total net position increased \$ 4,252,872. Net position of the governmental activities increased \$ 2,774,775 and net position of business type activities increased \$ 1,478,097. Over the last five years, the City's net position has remained healthy, representing a growth of 83% over the last five (5) years.
- Total fund balance of governmental funds at September 30, 2022, was \$ 8,858,687 compared to a total governmental fund balance at September 30, 2021, of \$ 5,738,582.
- Based on healthy fund balances, the city invested \$5,000,800 into US Government Bonds at a higher rate of return than the LGIP as per the City's adopted investment policy.
- The City has \$ 10,386,092 in debt, including debt still remaining on the water storage facility and sewer revenue bond (bio-solids facility upgrade). Increases in liabilities over FY2021 are primarily from the increases in net pension liabilities and accrued compensated absences.
- 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. Revenue sources for the Rolling Stock and System Maintenance Plan include Development Impact Fees, Local Option Tax, ARPA and other one-time grant funds and capital funds.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government- Wide Financial Statements

These statements report information about all of the operations of the City using accounting methods similar to those used by private sector businesses. 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 4 in particular captures these assets and liabilities as compared to last fiscal year.

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

The Statement of Net Position presents all of the City's assets and liabilities with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. 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 government's assets changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This accrual basis of accounting requires that revenues be reported when they are earned, and expenses are reported as soon as liabilities are incurred. Items such as uncollected taxes, unpaid vendor invoices for items received in the previous year and earned but unused paid time off will be included in the statement of activities as revenues and expenses, even though the cash associated with these items will not yet be received or distributed.

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

Fund Financial Statements

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

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

The City of Hailey has four governmental funds:

General Fund – The General Operating Fund of the City derives most of its income from property tax, state taxes, local option taxes, franchises, and fees for services. Its function is operations and maintenance. Most of the fund balance from the General Fund is shown in the financial statements as unassigned resources.

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

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

Grant Fund – In 2010, the Hailey City Council established a Grant Fund, developed for the purpose of transparency and accountability in tracking City-wide grant programs, including grant revenues, in-kind and cash matches from appropriate City funds, and total grant expenditures. The Grant Fund is used specifically for large, complex grants 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 proprietary 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 2022			FY 2021
	Governmental Activities	Business- type Activities	Total Primary Government	Total Primary Government
ASSETS				
Current and Other Assets	\$ 10,540,185	\$ 14,151,486	\$ 24,691,671	\$ 20,649,219
Capital Assets - Net	18,339,802	13,771,663	32,111,465	31,846,800
Total Assets	28,879,987	27,923,149	56,803,136	52,496,019
Net Pension Asset	0	0	0	67,446
Deferred Outflows of Resources	1,261,588	522,381	1,783,969	873,575
LIABILITIES				
Current Liabilities	1,681,498	507,169	2,188,667	2,227,199
Long Term Liabilities	2,717,771	7,188,321	9,906,092	6,828,539
Total Liabilities	4,399,269	7,695,490	12,094,759	9,055,738
Deferred Inflows of Resources	11,193	4,634	15,827	2,157,655
NET POSITION				
Invested in Capital Assets, Net of Debt	18,339,802	7,268,751	25,608,553	24,861,594
Restricted	3,147,616	1,658,911	4,806,527	3,124,027
Unrestricted	4,243,695	11,817,744	16,061,439	14,238,026
Total Net Position	\$ 25,731,113	\$ 20,745,406	\$ 46,476,519	\$ 42,223,647

Net Position

Net position measures the difference between what the City owns (assets) versus what the City owes (liabilities). The total assets of the City of Hailey exceeded its liabilities at September 30, 2022, by \$46,476,519, an increase of \$4,252,872 over the previous year's net position balance of \$ 42,223,647. This means that the City was able to capably cover its year's overall costs. Of this amount \$ 16,061,439 is unrestricted and available to meet the City's on-going obligations to citizens and creditors. The unrestricted net position equals 34.56% of total net position.

The largest portion of the City's net position, \$25,608,553 or 55.10%, is invested in capital assets net of related debt. Capital assets include land, building, equipment and machinery, and infrastructure, and are used to provide services to the citizens and are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's net fixed assets increased in book value modestly during 2022.

Management's Discussion and Analysis, Continued

A comparison of the City of Hailey Idaho's Statement of Activities

	FY 2022			FY 2021
	Governmental Activities	Business- type Activities	Total Primary Government	Total Primary Government
Revenue:				
Program revenues				
Charges for services	\$ 1,425,399	\$ 5,481,685	\$ 6,907,084	\$ 5,817,870
Capital grants /contributions	1,130,426		1,130,426	1,654,882
Total program revenues	2,555,825	5,481,685	8,037,510	7,472,752
General revenues				
Taxes	3,896,652		3,896,652	3,651,442
Franchise, licenses, permits	1,549,443		1,549,443	1,319,061
State shared revenues	1,937,509		1,937,509	1,680,553
Interest	42,869	64,706	107,575	51,241
Gain (Loss) on sale of assets			0	593,000
Other revenues (Losses)	(305,553)	(150,736)	(456,289)	533,713
Total general revenues	7,120,920	(86,030)	7,034,890	7,829,010
Total revenues	9,676,745	5,395,655	15,072,400	15,301,762
Program expenses:				
General government	1,348,875		1,348,875	1,406,823
Public safety	2,225,104		2,225,104	1,940,969
Streets	1,473,477		1,473,477	1,588,829
Parks and recreation	449,159		449,159	317,736
Library	711,255		711,255	589,565
Unallocated Depreciation	694,095		694,095	648,289
Wastewater		1,996,188	1,996,188	1,787,252
Water		1,657,606	1,657,606	1,625,374
Interest, long-term debt	5	263,764	263,769	281,533
Total program expenses	6,901,970	3,917,558	10,819,528	10,186,370
Change in net position	2,774,775	1,478,097	4,252,872	5,115,392
Beginning net position	22,956,338	19,267,309	42,223,647	37,108,255
Ending net position	\$ 25,731,113	\$ 20,745,406	\$ 46,476,519	\$ 42,223,647

Changes in Net Position

During the year, the City's financial position increased by \$ 4,252,872, compared to the previous year ending September 30, 2021, during which the City's financial position increased by \$ 5,115,392.

Governmental Activities:

Governmental activities increased the City's net position by \$ 2,774,775, compared to the previous year's increase of \$3,694,947. This increase is due largely to revenue which exceeded budgeted expenses (primarily collection of Local Option Tax and development revenues) and an increase in new assets such as River Street construction.

Business-Type Activities: Business-type activities increased net position by \$ 1,478,097, compared to the previous year's increase of \$ 1,420,445. This increase is due largely to user-fee revenue which exceeded budgeted expenses.

Management's Discussion and Analysis, Continued

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

General Fund - The general fund balance at September 30, 2022, was \$7,786,506, compared to \$5,183,005 the previous year. This amount contains a non-binding endowment for fireworks display of \$32,089, contributed from donations in current and previous years, plus a dedicated fund of \$ 15,652 for maintenance of park play equipment. A new dedicated fund within the general fund was established in 2021 from rubbish charges received in excess of the maximum \$140,000 per month our franchise agreement requires us to submit to Clear Creek Disposal. This maximum was increased in November, 2022 to \$158,000 to reflect various inflationary factors. At fiscal year end, the amount in the Clear Creek Disposal (CCD) dedicated fund is \$199,076, which is intended to defray future rubbish rate increases which may be calculated when additional services are made available, such as expanded recycling services or other waste-reduction measures. The fund also holds the American Rescue Plan Act (ARPA) funds received in 2022 of \$934,485, which have been lawfully allocated in the adopted FY22/23 budget.

Capital Improvement Fund – The capital fund was established in fiscal year 2009 with a transfer of annexation fees which had previously been accounted for in general, water, and wastewater operating funds. Development impact fees are collected within the capital fund. The capital fund balance at September 30, 2022, increased by \$511,383 to \$989,658, as project revenues were in excess of expenditures.

Debt Service Fund -- The debt service fund was established in 2010 to account for the bond proceeds of the Wertheimer Park facilities. These bonds are general obligation to be paid from the general funds of the City over a ten-year period. 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 has been created to track large or multi-year grants, including revenues, in-kind and cash matches from appropriate City funds, and total grant expenditures. Within the fund, each grant project is tracked separately. At fiscal year end these captured project amounts are transferred out to the government fund or enterprise fund in which the grant activity or depreciable asset should reside. Other grant programs to be billed back to the General Fund are the 4-year FEMA SAFER Grant which was completed in FY22 and the American Rescue Plan Act (ARPA) funds which have been allocated by the Council in the FY 22/23 Budget. 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 increase of \$2,603,501¹ resulted from expenditures being less than budget within most of the general fund departments. Development revenues in particular were significantly higher than budgeted, even after a budget amendment was made prior to the fiscal year-end to try to account for this spike. Local option tax revenue too was significantly higher and was captured fully within the aforementioned budget amendment.

Capital Improvement Fund Budgetary Highlights

The City of Hailey capital improvement plan focuses on one-, five- and ten-year planning horizons. The capital budget is planned to be spent over multiple years. Revenues come largely from grants, including one-time grant sources such as ARPA and development fees. When revenue received in the year is planned for a future year expense, the Capital Fund Balance may increase, as most of the capital fund projects are paid from fund balance. 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.

¹ This includes significant one-time revenues such as ARPA.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2022 the City had \$ 32,111,465 invested in capital assets (net of accumulated depreciation) compared to last year's \$31,846,800, an increase of \$ 264,665 compared to the previous year's increase of \$1,402,085. Net capital assets of governmental activities increased by \$ 57,843 and those of business-type activities increased by \$206,822 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 \$5,495,000. This sewer revenue bond is combined under one bond agreement with the Idaho Bond Bank Authority. The City also refinanced its debt on the Quigley canyon water storage facility in 2012, with a term through 2028, paying off a DEQ State Revolving Fund Loan. The current amount owed on this debt is \$770,000. 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.

FY 2022 BUDGETARY CONSIDERATIONS

The City of Hailey establishes the budgets in each of its funds from estimated revenue. The Hailey City Council has had a policy requiring that the City maintain a fund balance that is at least 25% of budget to meet first-quarter expenses and for emergencies. The FY 2023 general fund budget is \$11,700,274, with 25% of that being \$2,925,068, the amount now designated as general operating reserve. Based on healthy fund balances, the city invested \$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 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 \$5,369,163, which exceeds the 25% reserve target of \$2,925,068, by \$ 2,444,095. Sufficient fund balance exists to transfer the \$ 1,672,994 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 assure that this important bond covenant be met throughout the life of the bonds. Another rate stabilization fund was created in the general operating fund for rubbish franchise revenue to be used to stabilize garbage rates when new services are made available.

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

Rate structures within the enterprise funds have incrementally been amended over several years to encourage water conservation and to afford users better personal management of their impact upon the City's water and wastewater system and its budget. In many cases, per capita consumption of water has decreased, and expenses have been adjusted to the City's rate-based income. A new wastewater rate structure was implemented in 2015 that allocates bond costs by the amount of usage rather than the number of meters. A new water rate structure was implemented in FY 22/23.

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, 2022

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>	<u>Component Unit Urban Renewal Agency</u>
<u>ASSETS</u>				
Cash and Deposits	\$ 3,126,909	\$ 9,935,677	\$ 13,062,586	\$ 1,028,830
Investments	3,000,400	2,000,400	5,000,800	
Accounts Receivable	627,385	409,457	1,036,842	
Taxes Receivable	30,084		30,084	21,070
Due From Other Governments	607,791		607,791	
Inventory		147,041	147,041	
Restricted Cash, Deposits and Investments	3,147,616	1,658,911	4,806,527	
Totals	<u>10,540,185</u>	<u>14,151,486</u>	<u>24,691,671</u>	<u>1,049,900</u>
Capital Assets:				
Land, Easements and Water Rights	3,117,021	235,391	3,352,412	
Construction in Progress	352,097	75,510	427,607	
Infrastructure	13,971,917	22,903,446	36,875,363	
Buildings and Improvements	4,726,267	1,033,573	5,759,840	
Equipment and Vehicles	5,578,611	5,490,690	11,069,301	
	<u>27,745,913</u>	<u>29,738,610</u>	<u>57,484,523</u>	<u>0</u>
Accumulated Deprecation	(9,406,111)	(15,966,947)	(25,373,058)	
Total Capital Assets	<u>18,339,802</u>	<u>13,771,663</u>	<u>32,111,465</u>	<u>0</u>
Total Assets	<u>28,879,987</u>	<u>27,923,149</u>	<u>56,803,136</u>	<u>1,049,900</u>
Deferred Outflows of Resources:				
Deferred Outflows from Pension Activity	<u>1,261,588</u>	<u>522,381</u>	<u>1,783,969</u>	
<u>LIABILITIES</u>				
Accounts Payable	1,074,374		1,074,374	185,099
Accrued Payroll and Benefits Payable	78,031		78,031	
Accrued Interest Payable		10,132	10,132	
Surety and Security Bonds Payable	529,093	17,037	546,130	
Long-term Liabilities:				
Portion due or payable within one year:				
Bonds Payable	0	480,000	480,000	
Portion due or payable after one year:				
Bonds Payable	0	5,785,000	5,785,000	
Unamortized Bond Premium	0	227,780	227,780	
Compensated Absences	210,049	137,179	347,228	
Net Pension Liability	<u>2,507,722</u>	<u>1,038,362</u>	<u>3,546,084</u>	
Total Liabilities	<u>4,399,269</u>	<u>7,695,490</u>	<u>12,094,759</u>	<u>185,099</u>
Deferred Inflows of Resources				
Deferred Inflows from Pension Activity	<u>11,193</u>	<u>4,634</u>	<u>15,827</u>	
<u>NET POSITION</u>				
Invested in Capital Assets - net of related debt	18,339,802	7,268,751	25,608,553	0
Restricted For:				
Debt Service		1,658,911	1,658,911	0
Other Purposes	3,147,616		3,147,616	0
Unrestricted	<u>4,243,695</u>	<u>11,817,744</u>	<u>16,061,439</u>	<u>864,801</u>
Total Net Position	<u>\$ 25,731,113</u>	<u>\$ 20,745,406</u>	<u>\$ 46,476,519</u>	<u>\$ 864,801</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Activities
For the Year Ended September 30, 2022

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	\$ 1,348,875	\$ 736,948	\$ 14,010	\$ (597,917)		\$ (597,917)	
Public Protection:							
Public Safety	2,225,104	505,789	8,560	(1,710,755)		(1,710,755)	
Streets	1,473,477		1,072,123	(401,354)		(401,354)	
Parks and Recreation	449,159	152,132		(297,027)		(297,027)	
Library	711,255	30,530	35,733	(644,992)		(644,992)	
Interest - on long-term debt	5			(5)		(5)	
Unallocated Depreciation	694,095			(694,095)		(694,095)	
Total Governmental Activities	<u>6,901,970</u>	<u>1,425,399</u>	<u>1,130,426</u>	<u>(4,346,145)</u>		<u>(4,346,145)</u>	
Business Type:							
Water	1,657,606	2,559,417			\$ 901,811	901,811	
Wastewater	1,996,188	2,922,268			926,080	926,080	
Interest - on long-term debt	263,764				(263,764)	(263,764)	
Total Business-type Activities	<u>3,917,558</u>	<u>5,481,685</u>	<u>0</u>		<u>1,564,127</u>	<u>1,564,127</u>	
Total City of Hailey, Idaho	<u>\$ 10,819,528</u>	<u>\$ 6,907,084</u>	<u>\$ 1,130,426</u>	<u>(4,346,145)</u>	<u>1,564,127</u>	<u>(2,782,018)</u>	
Component Units:							
Urban Renewal Agency	\$ 318,718						\$ (318,718)
Total							<u>(318,718)</u>
General Revenues:							
Property taxes				2,941,440		2,941,440	371,010
Local Option sales taxes				941,877		941,877	
Franchises, licenses, permits				1,549,443		1,549,443	
State of Idaho revenue sharing				970,215		970,215	
State of Idaho liquor receipts				322,858		322,858	
State highway user collections				644,436		644,436	
Penalty and interest on property taxes				13,335		13,335	
County court fines				74,083		74,083	
Earnings on investments				42,869	64,706	107,575	4,770
Miscellaneous				4,497		4,497	
Premium Earned on Bond Refinancing					26,438	26,438	
Gain (Loss) on Pension Activities				(384,133)	(177,174)	(561,307)	
Gain (Loss) on Sale of Assets					0	0	
Total general revenues and transfers				<u>7,120,920</u>	<u>(86,030)</u>	<u>7,034,890</u>	<u>375,780</u>
Changes in net position				2,774,775	1,478,097	4,252,872	57,062
Net Position - Beginning				<u>22,956,338</u>	<u>19,267,309</u>	<u>42,223,647</u>	<u>807,739</u>
Net Position - Ending				<u>\$ 25,731,113</u>	<u>\$ 20,745,406</u>	<u>\$ 46,476,519</u>	<u>\$ 864,801</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, 2022

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
ASSETS:				
Cash and Deposits	\$ 5,702,784	\$ 489,655	\$ 82,086	\$ 6,274,525
Investments	2,500,400	500,000		3,000,400
Accounts Receivable	594,955	32,430		627,385
Due From Other Governments	607,791			607,791
Property Taxes Receivable	<u>29,645</u>	<u>2</u>	<u>437</u>	<u>30,084</u>
Total Assets	<u>9,435,575</u>	<u>1,022,087</u>	<u>82,523</u>	<u>10,540,185</u>
LIABILITIES:				
Accounts Payable	1,041,945	32,429		1,074,374
Accrued Payroll Expenses	78,031			78,031
Surety and Security Bonds Payable	<u>529,093</u>			<u>529,093</u>
Total Liabilities	<u>1,649,069</u>	<u>32,429</u>	<u>0</u>	<u>1,681,498</u>
FUND BALANCE:				
Non-spendable				0
Restricted				0
Committed	32,255	267,173	82,523	381,951
Assigned	2,385,088	722,485		3,107,573
Unassigned	<u>5,369,163</u>			<u>5,369,163</u>
Total Fund Balance	<u>7,786,506</u>	<u>989,658</u>	<u>82,523</u>	<u>8,858,687</u>
Total Liabilities and Fund Balance	<u>\$ 9,435,575</u>	<u>\$ 1,022,087</u>	<u>\$ 82,523</u>	<u>\$ 10,540,185</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, 2022

Total Governmental Fund Balances (Page 11)	\$ 7,786,506
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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 \$ 27,745,913 less accumulated depreciation \$ 9,406,111	18,339,802
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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	(395,195)
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Net Position of Governmental Activities (Page 9)	<u>\$ 25,731,113</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, 2022

	<u>General Fund</u>	<u>Capital Improvement Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:				
Property taxes	\$ 2,937,177	\$	\$ 4,263	\$ 2,941,440
Local Option sales taxes	941,877			941,877
Franchises, licenses, permits	1,549,443			1,549,443
State of Idaho shared revenue	970,215			970,215
State of Idaho liquor receipts	322,858			322,858
State highway user collections	644,436			644,436
Penalty and interest on property taxes	12,739		596	13,335
County court fines	74,083			74,083
Fees, fines and charges for services	509,324	916,075		1,425,399
Grants	146,198			146,198
ARPA Grant	934,485			934,485
Contributions	49,743			49,743
Property Sales				0
Earnings on investments	30,797	11,705	367	42,869
Miscellaneous	4,498			4,498
	<u>9,127,873</u>	<u>927,780</u>	<u>5,226</u>	<u>10,060,879</u>
Total Revenue				
EXPENDITURES:				
General Government	1,462,971			1,462,971
Public Safety	2,303,144			2,303,144
Streets	1,547,767			1,547,767
Parks and Recreation	478,764			478,764
Library	711,255			711,255
Capital outlay		436,868		436,868
Debt Service			5	5
	<u>6,503,901</u>	<u>436,868</u>	<u>5</u>	<u>6,940,774</u>
Total Expenditures				
EXCESS REVENUE (EXPENDITURES)	2,623,972	490,912	5,221	3,120,105
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds		20,471		20,471
Operating transfers (to) other funds	(20,471)			(20,471)
	<u>2,603,501</u>	<u>511,383</u>	<u>5,221</u>	<u>3,120,105</u>
NET CHANGE IN FUND BALANCES				
FUND BALANCE - BEGINNING	5,183,005	478,275	77,302	5,738,582
	<u>5,183,005</u>	<u>478,275</u>	<u>77,302</u>	<u>5,738,582</u>
FUND BALANCE - ENDING	\$ 7,786,506	\$ 989,658	\$ 82,523	\$ 8,858,687
	<u>\$ 7,786,506</u>	<u>\$ 989,658</u>	<u>\$ 82,523</u>	<u>\$ 8,858,687</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, 2022

Net Change in Fund Balance - Total Governmental Funds (Page 13)	\$ 3,120,105
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Governmental funds report capital outlays as current year expenditures. In the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of current capital outlay for new fixed assets.

This is the amount of current year depreciation.	(648,289)
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This is the amount of new Governmental Fund assets.	1,778,576
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This is the amount of disposed Governmental Fund assets.	0
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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.

This is the amount of current year principal payments on capital debt.	(455,000)
--	-----------

This is the amount of changes in net pension liabilities	495,386
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Liability for personal leave days are not recorded in Governmental funds.

This is the increase in compensated leave during the year.	<u>(37,906)</u>
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Change in Net Position of Governmental Activities (Page 10)	\$ <u><u>4,252,872</u></u>
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The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Statement of Net Position
Proprietary Funds
at September 30, 2022

Assets:	Water	Wastewater	Totals
Current Assets:			
Cash and deposits	\$ 6,048,577	\$ 3,887,100	\$ 9,935,677
Investments	1,500,400	500,000	2,000,400
Accounts receivable	172,013	237,444	409,457
Inventory	147,041		147,041
	<u>7,868,031</u>	<u>4,624,544</u>	<u>12,492,575</u>
Restricted Current Assets:			
Cash and deposits	<u>197,476</u>	<u>1,461,435</u>	<u>1,658,911</u>
Total Current Assets	<u>8,065,507</u>	<u>6,085,979</u>	<u>14,151,486</u>
Non Current Assets:			
Plant and equipment	12,405,825	17,332,785	29,738,610
Accumulated depreciation	<u>(7,417,558)</u>	<u>(8,549,389)</u>	<u>(15,966,947)</u>
Net Non Current Assets	<u>4,988,267</u>	<u>8,783,396</u>	<u>13,771,663</u>
Total Assets	<u>13,053,774</u>	<u>14,869,375</u>	<u>27,923,149</u>
Deferred Outflows of Resources:			
Deferred Outflows from Pensions	<u>248,521</u>	<u>273,860</u>	<u>522,381</u>
Liabilities:			
Current Liabilities:			
Accrued Payroll and Benefits Payable			0
Accrued Interest Payable	1,604	8,528	10,132
Customer Deposits	17,037		17,037
Current portion long-term debt	<u>115,000</u>	<u>365,000</u>	<u>480,000</u>
Total current liabilities	<u>133,641</u>	<u>373,528</u>	<u>507,169</u>
Noncurrent Liabilities:			
Bonds Payable, Less Current	655,000	5,130,000	5,785,000
Premium on Bonds Payable	44,883	182,897	227,780
Compensated Absences Payable	54,097	83,082	137,179
Net Pension Liability	<u>493,997</u>	<u>544,365</u>	<u>1,038,362</u>
Total noncurrent liabilities	<u>1,247,977</u>	<u>5,940,344</u>	<u>7,188,321</u>
Total Liabilities	<u>1,381,618</u>	<u>6,313,872</u>	<u>7,695,490</u>
Deferred Inflows of Resources:			
Deferred Inflows from Pensions	<u>2,204</u>	<u>2,430</u>	<u>4,634</u>
Net Position:			
Investment in capital assets net of related debt	4,171,780	3,096,971	7,268,751
Restricted	197,476	1,461,435	1,658,911
Unrestricted	<u>7,549,217</u>	<u>4,268,527</u>	<u>11,817,744</u>
Total Net Position	<u>\$ 11,918,473</u>	<u>\$ 8,826,933</u>	<u>\$ 20,745,406</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, 2022

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 1,741,018	\$ 2,439,202	\$ 4,180,220
Hookups, connections and fees	<u>818,399</u>	<u>483,066</u>	<u>1,301,465</u>
Total Operating Revenue	<u>2,559,417</u>	<u>2,922,268</u>	<u>5,481,685</u>
Operating Expenses:			
Salaries and benefits	715,297	869,752	1,585,049
Administrative and supplies	640,751	608,178	1,248,929
Depreciation	<u>301,558</u>	<u>518,258</u>	<u>819,816</u>
Total Operating Expenses	<u>1,657,606</u>	<u>1,996,188</u>	<u>3,653,794</u>
Operating Income	<u>901,811</u>	<u>926,080</u>	<u>1,827,891</u>
Nonoperating Revenues (Expenses):			
Interest Income	36,203	28,503	64,706
Interest Expense	(41,885)	(221,879)	(263,764)
Grants	0	0	0
Premium Earned on Bond Refinancing	14,955	11,483	26,438
Gain (Loss) on Pension Activity	(75,976)	(101,198)	(177,174)
Gain (Loss) on Sale of Assets	<u>0</u>	<u>0</u>	<u>0</u>
Total Nonoperating	<u>(66,703)</u>	<u>(283,091)</u>	<u>(349,794)</u>
Income before transfers	835,108	642,989	1,478,097
Transfers in			0
Transfers out			<u>0</u>
Net Income	835,108	642,989	1,478,097
Total Net Position - Beginning	<u>11,083,365</u>	<u>8,183,944</u>	<u>19,267,309</u>
Total Net Position - Ending	<u>\$ 11,918,473</u>	<u>\$ 8,826,933</u>	<u>\$ 20,745,406</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, 2022

	<u>Water</u>	<u>Wastewater</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts from customers	\$ 2,802,709	\$ 2,922,545	\$ 5,725,254
Payments to suppliers	(707,762)	(608,178)	(1,315,940)
Payments to employees	(704,032)	(862,150)	(1,566,182)
Other receipts			0
Net cash provided (used) by operations	<u>1,390,915</u>	<u>1,452,217</u>	<u>2,843,132</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase and construction of capital assets	(246,764)	(779,874)	(1,026,638)
Disposition of Assets	0	0	0
Principal paid on capital debt	(110,000)	(345,000)	(455,000)
Interest paid on capital debt	<u>(42,023)</u>	<u>(222,598)</u>	<u>(264,621)</u>
Net cash provided (used) by capital and related financing activities	<u>(398,787)</u>	<u>(1,347,472)</u>	<u>(1,746,259)</u>
Cash Flows From Investing Activities:			
Grant Income	0	0	0
Interest Income	<u>36,203</u>	<u>28,503</u>	<u>64,706</u>
Net cash provided (used) by investing	<u>36,203</u>	<u>28,503</u>	<u>64,706</u>
Net Increase (Decrease) in Cash and Deposits	1,028,331	133,248	1,161,579
Balances - Beginning of the year	<u>6,718,122</u>	<u>5,715,286</u>	<u>12,433,408</u>
Balances - Ending of the year	<u>\$ 7,746,453</u>	<u>\$ 5,848,534</u>	<u>\$ 13,594,987</u>
Displayed as:			
Pooled Cash and Investments	7,548,977	5,348,534	12,897,511
Restricted Assets	<u>197,476</u>	<u>500,000</u>	<u>697,476</u>
Balances - Ending of the year	<u>\$ 7,746,453</u>	<u>\$ 5,848,534</u>	<u>\$ 13,594,987</u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:			
Operating Income	901,811	926,080	1,827,891
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	301,558	518,258	819,816
Changes in assets and liabilities:			
Receivables, net	248,232	277	248,509
Inventory	(67,011)		(67,011)
Accrued Payables			0
Compensated absences	11,265	7,602	18,867
Customer deposits	<u>(4,940)</u>		<u>(4,940)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,390,915</u>	<u>\$ 1,452,217</u>	<u>\$ 2,843,132</u>

The accompanying notes are a part of these financial statements.

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2022**

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, 2022**

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, 2022**

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, 2022**

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, 2022**

Continued...

8. Inventory

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

9. Capital Assets, Depreciation, and Amortization

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

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

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

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

10. Long-Term Debt

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

11. Deferred Outflows/Inflows of Resources

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

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2022**

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, 2022**

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	\$ 177,439	\$ 300	\$ 0
State of Idaho LGIP		17,691,375	
Investments		<u>5,000,800</u>	
Total Cash and Investments	\$ <u>177,439</u>	\$ <u>22,691,675</u>	\$ <u>0</u>

Funds held in the Water and Wastewater Funds (Enterprise funds) in the amount of \$ 615,916 are reserved for repayment of existing debt, \$ 845,519 of reserved funds from the BioSolids project (Wastewater rate stabilization), and \$197,476 in Water Fund rate stabilization. Funds held in the General Fund of \$ 3,147,616 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, 2022:

<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 Loan Bank				
3%	1,000,000	Various	Aaa	20.00%
Federal Home Loan Bank				
4%	2,000,000	Various	Aaa	40.00%
Federal Farm Credit Bank	<u>2,000,765</u>	Various	Aaa	40.00%
Total Fair Value Level				
Two	<u>5,000,765</u>			

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2022**

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 31.

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, 2022

Continued...

NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2022, is as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 3,117,021	\$	\$	\$ 3,117,021
Construction in Progress	0	352,097		352,097
Total	<u>3,117,021</u>	<u>352,097</u>	<u>0</u>	<u>3,469,118</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	4,711,970	14,297		4,726,267
Infrastructure	13,919,556	52,361		13,971,917
Vehicles and Equipment	5,245,428	333,183		5,578,611
Total	23,876,954	399,841	0	24,276,795
Less: Accumulated Depreciation:	(8,712,016)	694,095		(9,406,111)
Total Net Depreciated Assets	<u>15,164,938</u>	<u>(294,254)</u>	<u>0</u>	<u>14,870,684</u>
 Governmental capital assets, net	\$ <u>18,281,959</u>	\$ <u>57,843</u>	\$ <u>0</u>	\$ <u>18,339,802</u>
 Business-type activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 235,391	\$	\$	\$ 235,391
Construction in Progress	0	75,510		75,510
Total	<u>235,391</u>	<u>75,510</u>	<u>0</u>	<u>310,901</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	1,033,573			1,033,573
Infrastructure	22,526,923	376,523		22,903,446
Vehicles and Equipment	4,916,085	574,605		5,490,690
Total	28,476,581	951,128	0	29,427,709
Less: Accumulated Depreciation	(15,147,131)	819,816		(15,966,947)
Total Net Depreciated Assets	<u>13,329,450</u>	<u>1,770,944</u>	<u>0</u>	<u>13,460,762</u>
 Business-type capital assets, net	\$ <u>13,564,841</u>	\$ <u>1,846,454</u>	\$ <u>0</u>	\$ <u>13,771,663</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, 2022**

Continued...

<u>Description</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amount Outstanding 9/30/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Amount Outstanding 9/30/2022</u>	<u>Amount Due 1 Year</u>
GENERAL FUND							
Other:							
Accrued Compensated Absences	N/A		191,010	19,039		210,049	
Total General Fund			\$ 191,010	\$ 19,039	\$ 0	\$ 210,049	\$ 0
PROPRIETARY FUND							
Bonds and Loans Payable:							
2014 Sewer Bio-Solids Bonds	9/15/2034	Var.	5,840,000	0	(345,000)	5,495,000	365,000
2012 Water Refunding	9/28/2028	Var.	880,000	0	(110,000)	770,000	115,000
Other:							
Accrued Compensated Absences	N/A		118,312	18,867		137,179	
Total Proprietary Fund			\$ 6,838,312	\$ 18,867	\$ (455,000)	\$ 6,402,179	\$ 480,000

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.

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

<u>Fiscal Year</u>	<u>Water Revenue Refunding Bonds 2012</u>		<u>Wastewater Revenue Refunding Bonds 2014</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2023	\$ 38,500	\$ 115,000	\$ 204,675	\$ 365,000
2024	32,750	120,000	186,425	380,000
2025	26,750	125,000	167,425	400,000
2026	20,500	130,000	147,425	420,000
2027	14,000	135,000	126,425	440,000
2028-2032	7,250	145,000	423,587	2,410,000
2033-2034	0	0	57,050	1,080,000
Totals	\$ 139,750	\$ 770,000	\$ 1,313,012	\$ 5,495,000

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2022**

Continued...

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:

<u>Description</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
John Deere Excavator	\$10,015	\$10,015	\$10,015	\$10,015
2022 Ford Explorer Police Cars (2)	19,909	19,909	19,909	19,909
2019 Cat Grader	24,304	24,304		
2021 Cat 938M Wheel Loader	20,167	20,167	20,166	20,166
2021 Cat Tractor, Small Wheel Loader (2)	55,925	55,925	55,925	
2018 Cat Wheel Loader	21,132			
Totals	<u>\$151,452</u>	<u>\$130,320</u>	<u>\$106,015</u>	<u>\$50,090</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.

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.

CITY OF HAILEY, IDAHO
Notes to the Financial Statements
September 30, 2022

-Continued

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

Member and Employer Contributions

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

The contribution rates for employees are set by statute at 60% of employer rate for general employees and 74% for police and firefighters. As of June 30, 2022, 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 \$ 441,362 for the year ended September 30, 2022.

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

At September 30, 2022, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, 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, 2022, the City's proportion was 0.09003048 percent.

For the year ended September 30, 2022, the City recognized pension expense (revenue) of \$561,208. At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 389,940	\$ 15,827
Changes in assumptions or other inputs	\$ 578,118	
Net difference between projected and actual earnings on pension plan investments	\$ 815,911	
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$(110,340)	
City's contributions subsequent to the measurement date	\$ 110,340	
Total	\$1,783,969	\$ 15,827

CITY OF HAILEY, IDAHO
Notes to the Financial Statements
September 30, 2022

-Continued

\$ 110,340 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, 2023.

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, 2022, the beginning of the measurement period ended June 30, 2021, is 4.6 and 4.6 for the measurement period June 30, 2022.

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, 2022:

2023	\$ 422,827
2024	\$ 459,019
2025	\$ 212,296
2026	\$ 673,999

Actuarial Assumptions

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

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

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

Contributing Members, Service Retirement Members, and Beneficiaries

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

CITY OF HAILEY, IDAHO
Notes to the Financial Statements
September 30, 2022

-Continued

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, 2022, is based on the results of an actuarial valuation date of July 1, 2022.

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.

2021

	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%

Discount Rate

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

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

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

CITY OF HAILEY, IDAHO
Notes to the Financial Statements
September 30, 2022

-Continued

	1% Decrease (5.35%)	Current Discount Rate (6.35%)	1% Increase (7.35%)
Employer's proportionate share of the net pension liability (asset)	\$3,510,622	\$3,546,083	\$3,581,544

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, 2022, the City reported payables to the defined benefit pension plan of \$ 0 for legally required employer contributions and \$ 0 for legally required employee contributions which had been withheld from employee wages but not yet remitted to PERSI.

NOTE 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.

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, 2022, can be obtained at the Airport, Blaine County, or the City of Hailey offices.

**CITY OF HAILEY, IDAHO
NOTES TO THE FINANCIAL STATEMENTS
AT SEPTEMBER 30, 2022**

Continued...

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, 2022

	<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	\$ 2,896,936	\$ 2,896,936	\$ 2,937,177	\$ 40,241
Local Option sales taxes	696,300	1,196,430	941,877	(254,553)
Franchises, licenses, permits:				
Alcohol Catering Licenses	1,000	1,000	400	(600)
Building Permits	384,000	588,386	865,528	277,142
Business Licenses	30,000	30,000	41,974	11,974
Encroachment Permits	15,000	15,000	14,727	(273)
Franchises - Cable TV	80,000	80,000	83,335	3,335
Banner Fees	4,000	4,000	2,500	(1,500)
Franchises - Idaho Power	188,000	188,000	201,619	13,619
Franchises - Intermountain Gas	66,700	66,700	74,879	8,179
Franchises - Rubbish Company	86,800	86,800	112,496	25,696
Sign Permits	1,000	1,000	471	(529)
Fire Dept Permits	23,000	23,000		(23,000)
Subdivision Inspection Permits	5,000	5,000	63,256	58,256
Zoning Applications	33,990	33,990	78,381	44,391
Maps, Copies, and Postage	5,000	5,000	9,877	4,877
State of Idaho shared revenue	871,554	871,554	970,215	98,661
State of Idaho liquor receipts	279,496	279,496	322,858	43,362
State highway user collections	420,652	420,652	644,436	223,784
Penalty and interest on property taxes	14,500	14,500	12,739	(1,761)
County court fines	65,000	65,000	74,083	9,083
Fees, fines and charges for services:				
Library Fines and Memberships	4,000	4,000	10,029	6,029
Park Rental Fees	10,000	10,000	20,501	10,501
Rodeo Park Fees	4,000	4,000		(4,000)
RV Dump Fees	1,500	1,500	1,141	(359)
Rubbish Bookkeeping Contract	86,800	86,800	112,496	25,696
Recycling Outreach Contract	14,800	14,800	18,749	3,949
Police Security Contracts	10,000	10,000	6,475	(3,525)
Police Security Contr-School	196,910	196,910	196,910	0
Grants	203,923	203,923	146,198	(57,725)
ARPA Grant		311,290	934,485	623,195
Donations and contributions	23,000	23,000	49,743	26,743
Earnings on investments	15,000	15,000	30,797	15,797
Miscellaneous:			4,498	
Property Sales	2,000	2,000	0	(2,000)
Refunds and Reimbursements	15,000	15,000	25,423	10,423
Mutual Aid Reimbursements		113,250	117,600	4,350
Other	31,500	31,500		(31,500)
Total Revenue	<u>6,786,361</u>	<u>7,915,417</u>	<u>9,127,873</u>	<u>1,207,958</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, 2022

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	355,631	451,631	424,026	27,605
Finance and Records	394,089	395,817	352,292	43,525
Community Development	518,306	704,055	559,090	144,965
Public Works	149,832	205,495	127,563	77,932
Public Safety:				
Police	1,671,774	1,738,518	1,518,860	219,658
Fire Protection	915,602	1,037,559	784,284	253,275
Streets	1,618,130	2,373,675	1,547,767	825,908
Library	668,275	695,586	711,255	(15,669)
Parks and Recreation	494,722	518,251	478,764	39,487
Total Expenditures	<u>6,786,361</u>	<u>8,120,587</u>	<u>6,503,901</u>	<u>1,616,686</u>
EXCESS REVENUE (EXPENDITURES)	0	(205,170)	2,623,972	2,824,644
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				
Operating transfers (to) other funds			(20,471)	20,471
NET CHANGE IN FUND BALANCES	0	(205,170)	2,603,501	<u>2,845,115</u>
FUND BALANCE - BEGINNING	<u>5,183,005</u>	<u>5,183,005</u>	<u>5,183,005</u>	
FUND BALANCE - ENDING	<u>\$ 5,183,005</u>	<u>\$ 4,977,835</u>	<u>\$ 7,786,506</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, 2022

	<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	\$ 30,000	\$ 30,000	\$	\$ (30,000)
In-Lieu Fees for Capital Projects	25,000	25,000	95,495	70,495
DIF Parks	15,000	15,000	152,132	137,132
DIF Transportation	110,000	110,000	354,447	244,447
DIF Fire and EMS	25,000	25,000	59,067	34,067
DIF CIP Cost	5,000	5,000	11,597	6,597
Property Sales				0
Earnings on investments	5,000	5,000	11,705	6,705
Reimbursements and Other	140,000	140,000	243,337	103,337
Total Revenue	<u>355,000</u>	<u>355,000</u>	<u>927,780</u>	<u>572,780</u>
EXPENDITURES:				
General Government	12,400	12,400	6,064	6,336
Public Works				0
Streets	1,137,584	1,137,584	410,363	727,221
Capital outlay				
Parks and Recreation	124,066	124,066	20,441	103,625
Library				0
Fire Department	225,950	225,950		225,950
Debt Service				
Total Expenditures	<u>1,500,000</u>	<u>1,500,000</u>	<u>436,868</u>	<u>1,063,132</u>
EXCESS REVENUE (EXPENDITURES)	(1,145,000)	(1,145,000)	490,912	1,635,912
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	0	0	20,471	20,471
Operating transfers (to) other funds				
NET CHANGE IN FUND BALANCES	(1,145,000)	(1,145,000)	511,383	\$ <u>1,656,383</u>
FUND BALANCE - BEGINNING	<u>478,275</u>	<u>478,275</u>	<u>478,275</u>	
FUND BALANCE - ENDING	\$ <u>(666,725)</u>	\$ <u>(666,725)</u>	\$ <u>989,658</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, 2022

	<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	\$ 4,263	\$ 4,263
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	596	596
County court fines				
Fees, fines and charges for services				
Grants and contributions				
Earnings on investments	0	0	367	367
Miscellaneous - Sale of G.O. Bonds				
Total Revenue	<u>0</u>	<u>0</u>	<u>5,226</u>	<u>5,226</u>
EXPENDITURES:				
General Government				0
Public Safety				
Streets				
Capital outlay				
Parks and Recreation				
Transportation				
Affordable Housing				
Debt Service			5	(5)
Total Expenditures	<u>0</u>	<u>0</u>	<u>5</u>	<u>(5)</u>
EXCESS REVENUE (EXPENDITURES)	0	0	5,221	5,221
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	5,221	<u>\$ 5,221</u>
FUND BALANCE - BEGINNING	<u>77,302</u>	<u>77,302</u>	<u>77,302</u>	
FUND BALANCE - ENDING	<u>\$ 77,302</u>	<u>\$ 77,302</u>	<u>\$ 82,523</u>	

CITY OF HAILEY, IDAHO
PUBLIC EMPLOYEE PENSION INFORMATION
For the year ended September 30, 2022

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>2022</u>	<u>2021</u>	<u>2020</u>
Employer's portion of the net pension liability			9.0030460%	0.0853995%	0.0864362%
Employer's proportionate share of the net pension liability (asset)			\$ 3,546,083	\$ (67,447)	\$ 2,007,163
Employer's covered-employee payroll			\$ 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			98.70%	-2.16%	61.13%
Plan fiduciary net position as a percentage of the total pension liability			83.09%	100.36%	88.22%

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

Data reported is measured as of June 30, 2022

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

**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF HAILEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2022

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%	2023	\$ 365,000	\$ 204,675
5.000%	2024	380,000	186,425
5.000%	2025	400,000	167,425
5.000%	2026	420,000	147,425
3.000%	2027	440,000	126,425
3.000%	2028	455,000	113,225
3.000%	2029	465,000	99,575
3.125%	2030	480,000	85,625
3.250%	2031	495,000	70,625
3.250%	2032	515,000	54,537
3.500%	2033	530,000	37,800
3.500%	2034	550,000	19,250
		<u>\$ 5,495,000</u>	<u>\$ 1,313,012</u>

The accompanying notes are a part of these financial statements.

CITY OF HAILEY, IDAHO
Loan-Future Principal and Interest Requirements
at September 30, 2022

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%	2023	\$ 115,000	\$ 38,500
5.00%	2024	120,000	32,750
5.00%	2025	125,000	26,750
5.00%	2026	130,000	20,500
5.00%	2027	135,000	14,000
5.00%	2028	145,000	7,250
		\$ <u>770,000</u>	\$ <u>139,750</u>

The accompanying notes are a part of these financial statements.

WORKMAN & COMPANY

Office of
Accounting

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

December 23, 2022

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, 2022, and the related notes to the financial statements, which collectively comprise the City of Hailey, Idaho's basic financial statements, and have issued our report thereon dated December 23, 2022.

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