



City of Ketchum

February 18, 2020

Mayor Bradshaw and City Councilors
City of Ketchum
Ketchum, Idaho

Mayor Bradshaw and City Councilors:

Recommendation to Conduct A Public Hearing to Adopt Ordinance 1206 Authorizing the Issuance and Sale of Bonds To Support the Voter-approved Fire Station Project

Recommendation and Summary

Staff is recommending the council conduct a public hearing and subsequently adopt Ordinance 1206 authorizing the issuance and sale of bonds for the fire station project by adopting the following two motions:

"I move to waive the second and third readings of Ordinance 1206."

"I move to approve Ordinance 1206 authorizing the issuance and sale of bonds."

The reasons for the recommendation are as follows:

- On November 5, 2019, voters in the City of Ketchum approved a ballot question concerning the construction of a fire station.
- The City requires the proceeds of the bond sale in order to fund the full design and construction of the fire station.

Introduction and History

On November 5, 2019, voters in the City of Ketchum approved a ballot question concerning the construction of a fire station using the proceeds from a \$11.5 million bond sale. The City Council has previously entered into various contracts for the design and management of the project and is incurring expense related to the project. Construction is anticipated to begin in the summer of 2020 and funds are required to enable that work.

Analysis

Pursuant to Chapter 2 of Title 57 of the Idaho Code, the issuance and sale of bonds requires approval of the City Council. The City intends to hold a competitive sale of the bonds on March 4, 2020, in cooperation with the City's municipal advisor, Zions Bank. As detailed in Section 9 of the attached, to the extent that the City receives bids within certain parameters, the Mayor and Director of Finance will execute the sale.

Financial Impact

The bond sale will provide funds for the fire station construction project. To the extent that the bonds are sold, the City will incur annual interest not to exceed 4% for a period not to exceed 25 years. Payment of principal and interest will occur semi-annually utilizing levy funds collected by the County Treasurer.

Attachments

- Attachment A: Ordinance 1206 and attachments
- Attachment B: Preliminary Official Statement

ORDINANCE NO. 1206

AN ORDINANCE OF THE CITY OF KETCHUM, BLAINE COUNTY, STATE OF IDAHO, AUTHORIZING THE ISSUANCE AND SALE OF UP TO \$11,500,000 PRINCIPAL AMOUNT OF GENERAL OBLIGATION BONDS, SERIES 2020; PROVIDING FOR THE DATE, FORM, MATURITY, AND DESIGNATION OF SAID BONDS; AUTHORIZING A REQUEST FOR PURCHASE PROPOSALS FOR SAID BONDS BY A NOTICE OF SALE AND OFFICIAL STATEMENT FOR THE BONDS; PROVIDING FOR LIMITATION FOR THE RATE OF INTEREST ON, PRINCIPAL AMOUNT OF AND MATURITIES OF SAID BONDS; PROVIDING FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON SAID BONDS; PROVIDING FOR THE REGISTRATION AND AUTHENTICATION OF SAID BONDS; SETTING THE TIME, DATE, AND PLACE OF SALE OF SAID BONDS; PROVIDING FOR THE PURCHASE OF THE BONDS AND PROVIDING FOR CONDITIONS OF ACCEPTANCE OF A PURCHASE PROPOSAL FOR THE BONDS; PROVIDING FOR THE PAYMENT OF PRINCIPAL OF AND INTEREST ON SAID BONDS BY ANNUAL LEVIES OF TAXES; CREATING CERTAIN FUNDS AND ACCOUNTS; PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO; PROVIDING FOR A SEVERANCE CLAUSE; AND PROVIDING AN EFFECTIVE DATE AND WAIVING ANY REQUIREMENT FOR THREE SEPARATE READINGS OF THE ORDINANCE.

CITY OF KETCHUM, BLAINE COUNTY, STATE OF IDAHO
GENERAL OBLIGATION BONDS, SERIES 2020

BE IT ORDAINED by the Mayor and Council of the City of Ketchum, Blaine County, State of Idaho, as follows:

WHEREAS, the City of Ketchum, Blaine County, State of Idaho (the "City"), is a municipal corporation duly organized and operating under Chapters 1 and 2, Title 50, Idaho Code, as amended; and

WHEREAS, the City Council of the City (the "Council"), by its Ordinance No. 1201, adopted on September 3, 2019, ordered a special election to be held within said City on November 5, 2019, for the submission to the voters of the City the question of whether or not the City should issue up to \$11,500,000 in general obligation bonds to provide funds for the construction and equipping of a new fire station, the acquisition of certain firefighting equipment and apparatus, and all other related costs, items and appurtenances necessary, useful and convenient for the betterment of the City's fire safety facilities, as set forth in said Ordinance No. 1201; and,

WHEREAS, on November 7, 2019, the Blaine County Commissioners canvassed the returns of said special bond election and determined that the requisite two-thirds (2/3) majority

of the qualified electors of said City had cast votes in the affirmative and that said proposition for the issuance of general obligation bonds in the amount of up to \$11,500,000 had passed; and

WHEREAS, after the County Clerk had certified the above special bond election results to the City Clerk, on November 18, 2019, the City took action to have the results of said special bond election entered in the minutes of the Council and proclaimed as final; and

WHEREAS, the City now desires to further authorize the issuance and sale of its General Obligation Bonds, Series 2020 (the "Bonds").

NOW, THEREFORE, be it further ordained by the Council, as follows:

Section 1. Bonds Authorized; Purpose. General obligation bonds of the City, in fully registered form, designated "City of Ketchum, Blaine County, State of Idaho, General Obligation Bonds, Series 2020" (the "Bonds"), in the aggregate principal amount of up to \$11,500,000 are hereby authorized to be issued, sold, and delivered pursuant to the laws of the State of Idaho, particularly Title 50, Chapter 10, Idaho Code, as amended, and the Municipal Bond Law, Title 57, Chapter 2, Idaho Code, as amended.

The Bonds shall be and shall have all the qualities and incidents of negotiable instruments under the laws of the State of Idaho, and each such successive holder, in accepting any of the Bonds or registered coupons, shall be conclusively deemed to have agreed that the Bonds shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Idaho.

The Bonds are being issued for the purpose of providing funds to pay the cost of the construction and equipping of a new fire station, the acquisition of certain firefighting equipment and apparatus, and all other related costs, items and appurtenances necessary, useful and convenient for the betterment of the City's fire safety facilities, as otherwise determined by the City.

Section 2. Definitions.

As used in this Ordinance, the following words shall have the following meanings:

Bonds means the "City of Ketchum, Blaine County, State of Idaho, General Obligation Bonds, Series 2020," herein authorized to be issued, sold, and delivered in the form of fully registered, general obligation bonds in the aggregate principal amount not to exceed \$11,500,000.

Bond Fund means the "City of Ketchum, Blaine County, State of Idaho, General Obligation Bonds, Series 2020, Bond Fund" referred to in Section 15 of this Ordinance.

Bond Purchase Proposal means the proposal for the purchase of the Bonds from the City by the winning bidder for the Bonds.

Bond Register means the registration books on which are maintained the names and addresses of the owners or nominees of the owners of the Bonds.

Bond Registrar means the bond registrar, transfer agent, and authenticating and paying agent appointed and designated in Section 7 of this Ordinance.

Book Entry-Only System means the system of recordation of ownership of the Bonds on the books of the Depository pursuant to Section 3 of this Ordinance.

Business Day means a day, other than a Saturday or Sunday, on which banks located in the State of Idaho are open for the purpose of conducting commercial banking business.

City means the City of Ketchum, Blaine County, State of Idaho.

City Clerk means the Clerk of the City, or other officer of the City who is the custodian of the seal of the City and of the records of the proceedings of the City, or his/her successor in functions, if any.

Continuing Disclosure Agreement means the Continuing Disclosure Agreement between the City and the Bond Registrar, Zions Bancorporation, National Association, as dissemination agent, dated the date of delivery of the Bonds, as originally executed and as may be amended from time to time in accordance with the terms thereof.

Council means the City Council of the City.

Mayor means the Mayor of the City, or his/her successor in functions, if any.

Ordinance or Bond Ordinance means this Ordinance No. 1206, adopted on February 18, 2020.

Outstanding, when used with reference to the Bonds, as of any particular date, means Bonds, the principal of and interest on which have not been paid pursuant to this Ordinance or which have not been replaced pursuant to Section 7 of this Ordinance.

Project Construction Fund means the “City of Ketchum, Blaine County, State of Idaho, General Obligation Bonds, Series 2020, Project Construction Fund” referred to in Section 13 of this Ordinance.

Registered Owner means the purchaser of the Bonds and any subsequent transferee or purchaser of the Bonds.

Treasurer means the Treasurer of the City, or his/her successor in functions, if any.

Section 3. Description of Bonds; Book Entry.

A. The Bonds shall be issued and sold in accordance with this Ordinance and a Notice of Sale and Official Statement hereinafter described and certain parameters and limitations as to principal amount, rate of interest, and maturity as set forth in Sections 9 and 10 below. Bonds shall be issued in an aggregate principal amount of up to \$11,500,000 as serial bonds and, if the final successful Bond Purchase Proposal for the Bonds so indicates, as one or more maturities of term bonds. The Bonds shall be in denominations of \$5,000 each, or integral multiples thereof, shall be dated the date of delivery of the Bonds, shall be issued only in fully registered form, and shall be substantially in the form set forth in Exhibit “A” attached hereto and by this reference incorporated herein. The Bonds shall also include any such additional statements,

provisions, or requirements as may be necessary or appropriate as a consequence of obtaining bond insurance coverage, if any, for the Bonds. The Bonds shall be numbered separately in a consecutive series, in the manner and with any additional designation as the Bond Registrar (hereinafter defined) deems necessary for the purposes of identification. The Bonds shall mature or be subject to mandatory sinking fund redemption installments in the total amounts per year, on September 15, of each year with an initial maturity of September 15, 2021, and a final maturity not later than September 15, 2044, as to be set forth in the Terms Certificate described in Section 9 hereof, and to conform with the final successful Bond Purchase Proposal for the Bonds with respect to any maturity of potential term bonds.

B. The Bonds shall be issued in Book-Entry-Only form in accordance with the Book-Entry-Only System and practices of the Depository Trust Company, New York, New York (the "Depository"), in the form of a single Bond for each maturity of the Bonds aggregating the entire proposed amount of the Bonds, substantially in the form of Exhibit "A" which is annexed hereto and by reference made a part hereof. A single Bond for each maturity of Bonds shall be executed by the manual or facsimile signature of the Mayor, countersigned by the manual or facsimile signature of the City Treasurer, and attested by the manual or facsimile signature of the City Clerk, and authenticated by the Bond Registrar appointed in Section 7 hereof, and the Official Seal of the City or a facsimile thereof shall be impressed or reproduced thereon. The Bonds shall be registered in the name of Cede & Co., as nominee of the Depository, and shall be lodged with the Depository until maturity of the Bonds. The City shall recognize the Depository, or its nominee, as the owner of the Bonds for all purposes. Beneficial ownership interests in the principal amount of \$5,000 or integral multiples thereof will be available through entries on the books of banks and broker-dealer participants (the "Participants") which are related to the Book-Entry-Only System.

C. The City shall have no responsibility or obligation to any Participant or beneficial owner of any interest in the Bonds with respect to (i) the accuracy of the records of the Depository or its nominee with respect to any ownership interest in the Bonds, (ii) the delivery to any Participant or other person, other than the Depository or its nominee, of any notice with respect to the Bonds, or (iii) the payment to any Participant or other person, other than the Depository or its nominee, of any amount with respect to principal of or interest on the Bonds. Payments by the City to the Depository or its nominee of the principal of and interest on the Bonds when due shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of the principal of and interest on the Bonds to the extent of the sums so paid. No person other than the Depository or its nominee shall receive a Bond certificate evidencing the obligation of the City to make payments of principal and interest pursuant to this Ordinance.

D. To the extent an initial or any further Representation Letter may be necessary or appropriate, the standard Representation Letter of the Depository is hereby authorized, and the Mayor, City Treasurer, Director of Finance or other officer of the City shall execute and deliver such Representation Letter on behalf of the City as necessary. The City's execution and delivery of such Representation Letter shall not in any way limit the

provisions of Paragraph B of this Section 3 or in any other way impose upon the City any obligation whatsoever with respect to persons having interests in the Bonds other than the Depository or its nominee.

E. (i) The Depository may determine to discontinue providing its services with respect to the Bonds at any time by giving notice to the City and discharging its responsibilities with respect thereto under applicable law.

(ii) Zions Bancorporation, National Association, acting as the Bond Registrar (the “Bond Registrar”) in its sole discretion and without the consent of any other person, may terminate the services of the Depository with respect to the Bonds if it determines that:

(a) The Depository is unable to discharge its responsibilities with respect to the Bonds, or

(b) A continuation of the requirement that all of the outstanding Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., or any other nominee of the Depository, is not in the best interest of the beneficial owners of the Bonds.

(iii) Upon the termination of the services of the Depository with respect to the Bonds pursuant to subsection E.(ii)(b) hereof, or upon the discontinuance or termination of the services of the Depository with respect to the Bonds pursuant to subsection E.(i) or subsection E.(ii)(a) hereof after which no substitute securities depository willing to undertake the functions of the Depository hereunder can be found which, in the opinion of the Bond Registrar, is willing and able to undertake such functions upon reasonable and customary terms, the Bond Registrar is obligated to deliver Bonds at the expense of the beneficial owners of the Bonds, as described in this Ordinance and the Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede & Co. as nominee of the Depository, but may be required in whatever name or names the owner transferring or exchanging Bonds shall designate, in accordance with the provisions of this Ordinance.

F. Notwithstanding any other provision of this Ordinance to the contrary, so long as any Bond is registered in the name of Cede & Co., as nominee of the Depository, all payments with respect to principal or, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representations Letter.

Section 4. Interest on Bonds. The Bonds shall bear interest at a rate or rates as set forth in the bond purchase contract, or final acceptable bid form or purchase proposal, for the Bonds, which interest shall be payable commencing March 15, 2021, and semiannually thereafter on each March 15 and September 15 of each year after the first interest payment date, until the respective

maturity dates thereof. Interest on the Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

Section 5. Payment of Bonds; Pledge of Full Faith and Credit. The principal of the Bonds is payable in lawful money of the United States of America to the Registered Owners thereof, whose names and addresses shall appear on the registration records of the City (the “Bond Register”) maintained by the Bond Registrar designated in Section 7 hereof, upon presentation and surrender of the Bonds at the principal office of the Bond Registrar.

Payment of each installment of interest shall be made on the due date to the Registered Owner of each Bond, at his or her address appearing on the Bond Register on the first day of the calendar month of the interest payment date, or at such other address as may be furnished in writing by such Registered Owner to the Bond Registrar, and shall be paid by check or draft of the Bond Registrar mailed to such Registered Owner.

At least three (3) days prior to each interest or principal payment date for the Bonds, the City shall transfer to the Bond Registrar as Paying Agent an amount sufficient to pay the principal of and interest on the Bonds then due and payable, and the Paying Agent is hereby authorized and directed to apply such funds to said payment.

The full faith, credit and taxing power of the City are hereby irrevocably pledged to the payment of the principal of, redemption premium, if any, and interest on the Bonds when and as the same become due. A default on the Bonds shall not constitute a general obligation of Blaine County or the State of Idaho or any subdivision thereof other than the City.

Section 6. Execution of Bonds. Without unreasonable delay following acceptance of the Bond Purchase Proposal, the City shall cause definitive bonds to be prepared, executed, and delivered, which Bonds shall be typewritten or printed without engraved or lithographed borders. The Bonds shall be signed by the Mayor of the City, countersigned by the City Treasurer, and attested by the City Clerk (all of which signatures may be by facsimile), and the facsimile seal of the City may be imprinted or reproduced thereon. The Bonds shall then be delivered to the Bond Registrar for authentication by the manual signature of an authorized officer thereof.

Until the definitive bonds are prepared, the City may, if deemed necessary by the Mayor, utilize a temporary Bond which shall be typewritten, and which shall be delivered to the purchaser of the Bonds in lieu of definitive bonds, subject to the same provisions, limitations, and conditions as the definitive bonds. The temporary Bond shall be dated as of the date of the Bonds, shall be in the denomination of the aggregate amount of the Bonds, shall be numbered T-1, shall be substantially of the tenor of such definitive bonds, but with such omissions, insertions, and variations as may be appropriate to temporary Bonds, and shall be manually signed by the Mayor of the City, the City Treasurer and the City Clerk, and authenticated by the Bond Registrar, and shall have the seal of the City impressed thereon.

In case any of the officers who shall have signed, or countersigned, any of the Bonds shall cease to be such officer or officers of the City before the Bonds so signed or countersigned shall have been authenticated or delivered by the Bond Registrar, or issued by the City, such

Bonds may nevertheless be authenticated, delivered, and issued and, upon such authentication, delivery, and issue, shall be as binding upon the City as though those who signed and countersigned the same had continued to be such officers of the City. Any Bond may also be signed and countersigned on behalf of the City by such persons as at the actual date of execution of such Bonds shall be the proper officers of the City although at the original date of such Bond any such person shall not have been such officer of the City.

Only such of the Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit "A," manually executed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Ordinance, and such certificate of authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated, and delivered hereunder and are entitled to the benefits of this Ordinance.

Section 7. Bond Registrar and Paying Agent. Zions Bancorporation, National Association, Boise, Idaho, is hereby appointed as bond registrar, transfer agent, and authenticating and paying agent, and is herein referred to as the "Bond Registrar." The Bond Registrar shall keep, or cause to be kept, at its corporate trust office sufficient books for the registration and transfer of the Bonds which shall, at all times, be open to inspection by the City. The Bond Registrar shall do all things authorized by the Idaho Registered Public Obligations Act, Chapter 9, Title 57, Idaho Code, as amended. The Bond Registrar is authorized, on behalf of the City, to authenticate and deliver the Bonds transferred or exchanged in accordance with the provisions of such Bonds and this Ordinance and to carry out all of the Bond Registrar's powers and duties under this Ordinance. For purposes of said Registered Public Obligations Act, this Ordinance shall constitute a "system of registration" within the meaning, and for all purposes, of said Act.

The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of the Bonds with the same rights as it would have if it were not the Bond Registrar.

The Bonds may be transferred only upon the books for the registration and transfer of Bonds, upon the surrender thereof at the principal office of the Bond Registrar, together with a form of transfer duly executed by the Registered Owner or his attorney duly authorized in writing, substantially in the form set forth in the form of Bond referred to in Section 6 hereof. Upon the transfer of any Bond, there shall be issued in the name of the transferee or transferees a new fully registered Bond or Bonds of the same aggregate principal amount as the surrendered Bond. The new Bond or Bonds shall bear the same date as the date of the surrendered Bond, but shall bear interest from the immediately preceding interest payment date to which interest has been paid or duly provided for. The Bond Registrar shall require the payment by the Registered Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

The Bond Registrar shall not be required to exchange or transfer any Bond within fifteen (15) days of an interest payment date or, in the case of any redemption of Bonds, during the period from the record date specified by the Bond Registrar in the notice of redemption to the date of redemption.

Section 8. Redemption; Notice of Redemption. Bonds maturing by their terms on or before September 15, 2029, shall not be subject to call and redemption prior to their fixed maturity date.

The City reserves the right to redeem any or all of the Bonds maturing by their terms on or after September 15, 2030, in advance of maturity on March 15, 2030, or on any date thereafter, in whole or in part, at the redemption price of par plus accrued interest to the date of redemption, from such maturities or parts thereof as shall be directed by the City and by lot within each maturity.

To the extent that and if any of the Bonds are issued as one or more maturities of term Bonds, said term Bonds will mature and be subject to mandatory sinking fund redemption in such installment amounts and on such dates as described on the final principal payment schedule for the Bonds and as will conform and correspond with the final successful Bond Purchase Proposal for the Bonds, and as or will be set forth in any further resolution or ordinance of the City awarding and accepting the final successful Bond Purchase Proposal.

For so long as the Bonds are in book-entry only form, if fewer than all of the Bonds of a maturity are called for redemption, the selection of Bonds within a maturity to be redeemed shall be made by the Depository in accordance with its operational procedures then in effect. If the Bonds are no longer held in book-entry only form, then the City shall select Bonds for redemption by lot in multiples of \$5,000 within each maturity.

Notice of redemption shall be given by the Bond Registrar by first class mail, postage prepaid, not less than (30) nor more than sixty (60) days prior to the redemption date, to the Depository, and to the owner, as of the 15th day prior to mailing the notice of redemption (the "Record Date"), of each Bond which is subject to redemption, at the address of such Registered Owner as it appears in the registration books of the City kept by the Bond Registrar, or at such other address as is furnished the Bond Registrar, in writing by such registered owner on or prior to the Record Date. Notice shall also be given by first-class mail to the fiscal agent of the City, if any, and to the Paying Agent, if other than the Bond Registrar, and to each nationally recognized municipal securities information repository (NRMSIR), in accordance with the Continuing Disclosure Agreement referenced in Section 19 hereof. Each notice of redemption shall state the name of the Bonds, the Record Date, the redemption date, the place of the redemption, the principal amount and, if less than all, the distinctive numbers of the Bonds or portions of the Bonds to be redeemed, and shall also state that the interest on the Bonds designated for redemption in such notice shall cease to accrue from and after such redemption date and that on said date there will become due and payable on each of said Bonds the principal thereof, interest accrued thereon to the redemption date, and premium, if any.

Each notice of redemption may further state that such redemption shall be conditional upon the Bond Registrar receiving for deposit into the Bond Fund created below, on or prior to the date fixed for redemption, moneys authorized by the City to be deposited in the Bond Fund that are sufficient to pay the principal of and interest and redemption premium, if any, on the Bonds to be redeemed and that if such moneys shall not have been so received the notice shall be of no force or effect and the City shall not be required to redeem such Bonds. If such a condition is included in the notice of redemption, then a notice stating sufficient moneys were not deposited and that no redemption occurred on that date shall be sent within a reasonable time

thereafter, in like manner, to the registered owner of each Bond which was sent the notice of redemption.

If notice of redemption shall have been given as described above and the foregoing conditions, if any, shall have been met, the Bonds or portions thereof specified in said notice shall become due and payable at the applicable redemption price on the redemption date therein designated, and if, on the redemption date, moneys for the payment of the redemption price of all the Bonds to be redeemed, together with interest to the redemption date, shall be available for such payment on said date, then from and after the redemption date interest on such Bonds shall cease to accrue and become payable.

Any notice mailed as described above shall be conclusively presumed to have been duly given, whether or not the Registered Owner received such notice. Failure to give such notice or any defect therein with respect to any Bonds shall not affect the validity of proceedings for redemption with respect to any other Bonds for which notice has been properly given.

If less than all of the Bonds of any maturity are to be so redeemed, and if under the provisions of this Ordinance the City is to select and determine the Bonds for redemption by lot, then the City hereby authorizes and directs that the particular Bonds or portion of Bonds to be redeemed shall be selected at random by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem fair and appropriate. The portion of any registered Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a natural multiple thereof, and in selecting portions of such Bonds for redemption the Bond Registrar will treat each such Bond as representing that number of Bonds of \$5,000 denomination which is obtained by dividing the principal amount of such Bond by \$5,000.

No defect in such further notice nor any failure to give all or any portion of such notice shall in any manner affect the validity of a call for redemption if the notice referenced in the preceding paragraphs is given as described above.

Section 9. Sale of Bonds. The Bonds shall be sold at public sale on March 4, 2020. Competitive purchase proposals may be submitted not later than 9:30 a.m. Mountain Standard Time (M.S.T.) on date of sale, to the City through the City's Municipal Advisor, Zions Public Finance, Inc. (the "Municipal Advisor"), in accordance with and all as more fully set forth in the Notice of Sale described below in Section 10. All proposals will then be acted upon by the City through its Mayor and/or Director of Finance as soon as possible on such date, and by no later than 9:30 a.m. M.S.T. on the next date, March 5, 2020, as provided in the Notice of Sale.

Pursuant to Section 57-235, Idaho Code, as amended, the Council hereby delegates to the Mayor and the Director of Finance, each with the authority to act alone (hereinafter each referred to as the "Delegated Officer"), the power to make the following determinations on the date of sale of the Bonds, without any requirement that the Council meet to approve such determinations, but subject to the limitations provided:

- i. The price at which the Bonds will be sold, which shall not be less than par.
- ii. The true interest cost for the Bonds, which shall not exceed 4.00% per annum.

- iii. The par amount of the Bonds, which shall not exceed \$11,500,000.
- iv. The final maturity date of the Bond, which shall not exceed twenty-five (25) years from the date of its issuance.
- v. The amount of principal of the Bonds maturing in any particular year, and the rate of interest accruing thereon.
- vi. The amount of proceeds of the Bonds to be deposited into the Costs of Issuance Fund.
- vii. The amount of proceeds of the Bonds to be deposited into the Project Construction Fund.

Upon acceptance of the winning bond purchase proposal (the “Bond Purchase Proposal”), on or before the issuance of the Bonds the Delegated Officer shall execute a Terms Certificate substantially in the form attached hereto as Exhibit “D” reflecting the final terms and provisions of the Bonds and certifying that the final terms and provisions of the Bonds are consistent with, not in excess of and no less favorable than the terms set forth above, and the Mayor and the Director of Finance and other officers at the City may execute and deliver any and all documents needed to carry out the accepted Bond Purchase Proposal.

Section 10. Notice of Sale and Official Statement. The Notice of Sale, in substantially the form as set forth in the preliminary form of the Official Statement (“Preliminary Official Statement”) submitted to the City and substantially as attached hereto as Exhibit “B” and by this reference incorporated herein, is hereby approved. The Director of Finance or any other officer of the City is hereby directed to execute the Notice of Sale on behalf of the City, and to call for proposals or bids for the sale and purchase of the Bonds, all in the manner more particularly set forth in the Notice of Sale. The Council, in the exercise of its sound discretion, hereby determines that the system of electronic bidding set forth in the Notice of Sale and the good faith deposit requirements therein, if any, are fair to all potential bidders and may produce the lowest effective interest rate for the sale and purchase of the Bonds. The abbreviated summary version of the complete Notice of Sale published in the Idaho Mountain Express, the official newspaper of the City, on February 12, 2020, is hereby ratified and approved and such summarized Notice of Sale shall be published at least once each week for three (3) consecutive weeks, with the first such publication being at least twenty-one (21) full days prior to the date of sale. In addition, the Notice of Sale shall be posted electronically through i-Deal LLC and shall be distributed to potential bidders by the Municipal Advisor as further described below.

The Preliminary Official Statement has been prepared by the City’s Municipal Advisor and submitted to the City. The Municipal Advisor is authorized and directed to cause the Notice of Sale and the Preliminary Official Statement pertaining to the sale of the Bonds, to be distributed to such municipal bond broker-dealers, such banking institutions, and to such other persons, as may be interested in purchasing the Bonds herein offered for sale. The Director of Finance is authorized to certify on behalf of the City that the Preliminary Official Statement is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities

Exchange Act of 1934 (except for the omission of certain pricing, rating and related information as permitted by the Rule).

Section 11. Delivery of Bonds; Application of Proceeds. The Director of Finance, Mayor, and the Clerk of the City are hereby instructed to make delivery of the Bonds to the purchaser of the Bonds under the DTC Fast Automated Securities Transfer System and to receive payment therefor in accordance with the terms of the Bond Purchase Proposal and to deposit the proceeds of sale as follows:

A. A portion of the proceeds of sale of the Bonds described in the Tax Certificate (hereinafter defined) shall be deposited in the Cost of Issuance Fund and utilized as provided in Section 12 hereof; and

B. Proceeds of sale of the Bonds in the amount described in the Tax Certificate (hereinafter defined) shall be deposited into the Project Construction Fund and utilized as provided in Section 13 hereof.

Section 12. Cost of Issuance Fund. There is hereby created a cost of issuance fund (the “Cost of Issuance Fund”) which is to be held by the Bond Registrar. Pursuant to Section 11, a portion of the proceeds of the Bonds shall be deposited to the Cost of Issuance Fund with the Bond Registrar, and used to pay costs of issuance of the Bonds as directed upon a written certificate of the City. Not later than August 1, 2020, any balance in the Cost of Issuance Fund shall be transferred to the Bond Fund held by the City, and the Cost of Issuance Fund shall thereafter be closed and terminated.

Section 13. Project Construction Fund. There is hereby created and shall be maintained in the office of the Treasurer of the City, a fund and account separate and distinct from all other funds of the City, to be known as the “City of Ketchum, Blaine County, State of Idaho, General Obligation Bonds, Series 2020, Project Construction Fund” (the “Project Construction Fund”), or such other designation conforming to banking requirements and good accounting practices, into which shall be deposited all of the proceeds of the sale of the Bonds, except for any costs of issuing the Bonds deposited into the Cost of Issuance Fund or otherwise paid on the date of closing and except for accrued interest on the Bonds, if any, which accrued interest on the Bonds shall be deposited into the Bond Fund, hereinafter created. Investment earnings on moneys deposited and held in the Project Construction Fund and Bond Fund will remain in each such respective fund and be used as set forth in this Ordinance. The Bond proceeds in the Project Construction Fund may be used to pay for costs of issuing the Bonds and the costs of the capital improvements heretofore authorized. In the event there are funds remaining in said Project Construction Fund after all expenditures for improvements as set forth hereinabove, any surplus funds shall then be deposited into the Bond Fund and used for the payment of principal of and interest on the outstanding Bonds as the same shall accrue.

Section 14. Tax Levy. The Bonds are general obligation bonds of the City, and as such the full faith and credit of the City are hereby pledged for their payment. The officers now or hereafter charged by law with the duty of levying taxes for the payment of said Bonds and interest thereon shall, in the manner provided by law, make annual levies unlimited as to rate or amount upon all of the taxable property within said City sufficient in amount to meet the annual payments of

Bond principal and the semi-annual payments of interest maturing and accruing as set forth in Sections 3 and 4 hereinabove. Such taxes when collected shall be placed in the Bond Fund (hereinafter defined) and shall be used for no other purpose than for the payment of the principal and interest on the Bonds, so long as any of the Bonds remain outstanding and unpaid, but nothing herein shall be construed to prevent the City from paying the interest on or principal of the Bonds from any other funds available for that purpose, or to prevent the City from levying any further or additional taxes which may be necessary fully to pay the interest on or principal of the Bonds. Principal or interest falling due at any time when the proceeds of ad valorem tax levies may not be available shall be paid from other funds of the City and may be reimbursed from the proceeds of such taxes when collected.

Section 15. General Obligation Bonds Bond Fund. The proceeds of taxes levied without limitation as to rate or amount to pay the principal of and interest on the Bonds, as set forth above, shall be kept by the Treasurer of the City in a special fund, which is hereby created, separate and apart from all other funds, and which is hereby designated “City of Ketchum, Blaine County, State of Idaho, General Obligation Bonds, Series 2020, Bond Fund” (the “Bond Fund”), or such other designation conforming to banking requirements and good accounting practices, which Bond Fund shall be used for no other purpose than the payment of the principal of and interest on the Bonds as the same fall due. Said Bond Fund shall be maintained by said Treasurer until the principal of and interest on said Bonds have been paid in full. Monies held in the Bond Fund and any other fund for the Bonds shall be invested only in securities permitted under Idaho Code Section 50-1013, as amended. Any monies remaining in any fund for the Bonds after discharge or defeasance of the Bonds shall be applied as directed by the City.

Section 16. Non-Arbitrage. The proceeds of the sale of Bonds shall not be used directly or indirectly to acquire any securities or obligations, the acquisition of which would cause any of the Bonds to be arbitrage bonds, within the meaning of Sections 103 or 148 of the Internal Revenue Code of 1986, as amended (the “Code”), and a certificate stating that the Bonds are not arbitrage bonds within the meaning of said Sections 103 or 148 shall be provided to the purchaser at the time of delivery of the Bonds. The City covenants to and for the benefit of the holders of the Bonds from time to time that no use will be made of the proceeds of the issue and sale of the Bonds or any other funds or accounts of the City which might be deemed to be available proceeds of the Bonds pursuant to the provisions of Section 148 of the Code, and the applicable regulations, which, if such use had been reasonably expected on the date of delivery of and payment for the Bonds, would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code. Pursuant to such covenant, the City obligates itself to comply throughout the term of the issue of the Bonds with the requirements of Section 148 of the Code, and any regulations promulgated thereunder. In addition, at closing and delivery of the Bonds the City shall execute a Tax Certificate stating that it will expend the proceeds of the Bonds in a manner that will comply with applicable Sections of the Code and that the Bonds will otherwise comply with the Code. The City shall comply with all provisions of said Tax Certificate.

Section 17. Defeasance. In the event that money and/or government obligations, maturing or having guaranteed redemption prices at the option of the owner at such time or times and bearing interest to be earned thereon in such amounts as are sufficient (together with any resulting cash

balances) to redeem and retire part or all of the Bonds in accordance with their terms, are hereafter irrevocably set aside in a special account in accordance with Section 57-504, Idaho Code, as amended and pledged to effect such redemption and retirement, then no further payments need be made into the Bond Fund for the payment of the principal of and interest on such Bonds so provided for, and such Bonds and interest accrued thereon shall then cease to be entitled to any lien, benefit, or security of this Ordinance, except the right to receive the funds so set aside and pledged, and such Bonds and interest accrued thereon shall no longer be deemed to be outstanding hereunder.

Section 18. Post Issuance Tax Compliance Procedures. The City hereby adopts and agrees to follow the Post Issuance Tax Compliance Procedures set forth in Exhibit “C” attached hereto.

Section 19. Rule 15c2-12 and Continuing Disclosure Covenants. The City hereby covenants to comply with any applicable requirements of Securities and Exchange Commission Rule 15c2-12 (the “Rule”) with respect to any official statement and/or continuing financial disclosure with respect to the Bonds including without limitation the execution of a Continuing Disclosure Agreement for the Bonds. The City further approves the form of Continuing Disclosure Agreement between the City and the Bond Registrar (the “Continuing Disclosure Agreement”) in substantially the form presented to the Council at this meeting, and further authorizes the Mayor, City Clerk, City Treasurer, Director of Finance or other officer of the City to execute the Continuing Disclosure Agreement. The City hereby authorizes the Director of Finance to “deem final” the Preliminary Official Statement, as presented to the Council, for purposes of Rule 15c2-12(b)(1) and agrees that a final Official Statement will be furnished to the Purchaser of the Bonds within seven (7) business days after the sale of the Bonds referenced in Section 9 above.

Section 20. Severability. If any sentence, phrase, paragraph, section, or subsection of this Ordinance shall be declared by any court of competent jurisdiction to be contrary to law, then the same shall be deemed separable from the remainder of this Ordinance and shall in no way affect the validity of the other provisions of, or of any bonds issued pursuant to, this Ordinance.

Section 21. Effective Date. This Ordinance shall be in full force and effect from and after its passage, approval and the publication thereof in full or by summary, as provided by law, and the second and third readings hereof have been duly and properly waived by the City Council.

Section 22. Ordinance A Contract. The provisions of this Ordinance shall constitute a contract between the City and the Registered Owner so long as the Bonds hereby authorized remains unpaid.

Section 23. Repealer. All prior ordinances or parts thereof, to the extent inconsistent herewith, are hereby repealed and shall, to the extent of such inconsistency, have no further force or effect.

Section 24. Authorization. The Mayor, Director of Finance, City Clerk, and City Treasurer, or any one of such officers, as may be appropriate to the circumstances, are hereby authorized to execute, on behalf of the City, the Bonds and all such additional documents as may be necessary to effect the sale and delivery of the Bonds.

Section 25. Publication. This Ordinance, or a summary thereof in compliance with Section 50-

901A, Idaho Code, shall be published once in the official newspaper of the City, and shall take effect immediately upon passage, approval, and publication.

[Remainder of Page Intentionally Left Blank]

PASSED by the City Council of the City of Ketchum, Blaine County, Idaho, this 18th day of February, 2020.

APPROVED by the Mayor of the City of Ketchum, Blaine County, Idaho, this 18th day of February, 2020.

CITY OF KETCHUM, IDAHO

(SEAL)

By: _____
Mayor

Attest:

City Clerk

I, the undersigned, the Clerk of the City of Ketchum, Blaine County, Idaho, hereby certify that the foregoing Ordinance is a full, true, and correct copy of an Ordinance duly passed and adopted at a meeting of the Council of the City, duly held at the meeting place thereof on February 18, 2020, of which meeting all members of said Council had due notice, and at which a majority thereof were present; and that at said meeting said Ordinance was adopted by the following vote:

_____	AYES
_____	NOES
_____	ABSENT
_____	ABSTAIN

I further certify that I have carefully compared the same with the original Ordinance on file, and of record in my office; that said Ordinance is a full, true, and correct copy of the original Ordinance adopted at said meeting, and that said Ordinance has not been amended, modified, or rescinded since the date of its adoption, and is now in full force and effect.

IN WITNESS WHEREOF, I have set my hand and affixed the official seal of said City on February 18, 2020.

(S E A L)

Clerk

EXHIBIT "A"

UNITED STATES OF AMERICA
STATE OF IDAHO

Registered No. R-___

\$_____

Unless this certificate is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the City (defined below) or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

CITY OF KETCHUM
BLAINE COUNTY, STATE OF IDAHO
GENERAL OBLIGATION BONDS, SERIES 2020

<u>DATED DATE</u>	<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>CUSIP</u>
March __, 2020	_____%	September 15, 20____	_____

REGISTERED OWNER:

*** CEDE & CO.***

PRINCIPAL AMOUNT:

*** _____ ***

KNOW ALL MEN BY THESE PRESENTS: That the City of Ketchum, Blaine County, Idaho (the "City"), for value received, hereby acknowledges itself indebted and promises to pay pursuant to the provisions of Ordinance No. 1206 of the City adopted on February 18, 2020 (the "Bond Ordinance") providing for the sale and issuance of the City's General Obligation Bonds, Series 2020 (the "Bonds"), to the above specified Registered Owner or registered assigns, on the maturity date specified above (the "Maturity Date"), the principal amount set forth above and to pay interest thereon from the above Dated Date, or the most recent date to which interest has been paid or duly provided for, at the rate specified above, payable on March 15, 2021, and semi-annually thereafter on each March 15 and September 15 of each year until the Maturity Date or prior redemption of this Bond.

Both principal of and interest on this Bond are payable in lawful money of the United States of America to the Registered Owner hereof whose name and address appear on the registration books of the City (the "Bond Register") maintained by the Bond Registrar, which shall be Zions Bancorporation, National Association, Boise, Idaho. Interest shall be paid by mailing a check or draft of the Bond Registrar on the due date to the Registered Owner at the address shown on the Bond Register on the first day of the calendar month of the interest payment date, or at such other address as may be furnished in writing by such registered owner to the Bond Registrar. Principal shall be paid to the Registered Owner upon presentation and surrender of this Bond on or after the Maturity Date or prior redemption at the principal office of the Bond Registrar.

The full faith and credit of the City are hereby pledged for the due and punctual payment of the principal hereof and interest hereon, and provision has been made in the statutory manner under the Bond Ordinance for the levy and collection of taxes sufficient to pay the interest on this Bond as the same becomes due and for the payment of the principal hereof at the Maturity Date of this Bond.

This Bond is one of a duly authorized issue of Bonds of like date, tenor, and effect, except for variations required to state numbers, denomination, rates of interest, and dates of maturity, aggregating \$_____ in principal amount, and is issued pursuant to and in full compliance with the Constitution and statutes of the State of Idaho, particularly Title 50, Chapter 10, and Title 57, Chapter 2, Idaho Code, as amended, and proceedings duly adopted and authorized by the City Council, more particularly the Bond Ordinance, and also pursuant to the legal authorization of a special bond election conducted within said City on November 5, 2019.

Bonds maturing by their terms on or before September 15, 2029, shall not be subject to call or redemption prior to their fixed maturity date. The City hereby reserves the right to redeem any or all of the Bonds maturing by their terms on or after September 15, 2030, in advance of maturity, on March 15, 2030, or on any date thereafter, in whole or in part, in the order of maturity selected as provided in the Bond Ordinance, either by DTC, or by the City and by lot in multiples of \$5,000 within any maturity, at the redemption price of par, plus accrued interest to the date of redemption; provided, however, that notice of any intended redemption shall be given not less than thirty (30) nor more than sixty (60) days prior to the redemption date by first class mail, postage prepaid, to DTC and to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register, and by mailing a copy of the redemption notice to registered securities depositories and others as provided in the Bond Ordinance. The requirements of the Bond Ordinance shall be deemed to be complied with when notice is mailed as therein provided, regardless of whether or not it is actually received by the owner of such Bond. Interest on all of such Bonds so called for redemption shall cease to accrue on the date fixed for redemption unless such Bond or Bonds so called for redemption are not redeemed upon presentation made pursuant to such call.

This Bond and the Bonds of this issue are issued for the purpose of providing funds to pay the cost of the acquisition, construction, improvement and equipment of new animal shelter and related facilities for the City, together with other capital items and related improvements and costs, as more fully described in the Bond Ordinance.

This Bond and the Bonds of this issue are general obligations of the City and the full faith and credit of the City have been pledged for the prompt payment of the principal of and interest on this Bond. The City has covenanted in the Bond Ordinance to make annual levies of taxes on all taxable property in the City without limitation as to rate or amount to pay the principal of and interest on this Bond. The proceeds of said taxes shall be kept by the Treasurer of the City in the City of Ketchum, Blaine County, State of Idaho, General Obligation Bonds, Series 2020, Bond Fund (the "Bond Fund") separate and apart from all other funds of the City. For a more particular description of said Bond Fund, the revenues to be deposited therein, and the nature and extent of the security afforded thereby, reference is made to the provisions of the Bond Ordinance pursuant to which this Bond is issued and such Bond Fund will be maintained.

Bonds are interchangeable for Bonds of any authorized denomination of equal aggregate principal amount and of the same interest rate and maturity, upon presentation and surrender to the Bond Registrar.

Reference is hereby made to the Bond Ordinance for the covenants and declarations of the City and other terms and conditions under which this and the Bonds of this issue have been issued.

THIS BOND SHALL NOT BE VALID OR BECOME OBLIGATORY FOR ANY PURPOSE OR BE ENTITLED TO ANY SECURITY OR BENEFIT UNDER THE BOND ORDINANCE UNTIL THE CERTIFICATE OF AUTHENTICATION HEREON SHALL HAVE BEEN MANUALLY SIGNED BY THE BOND REGISTRAR.

IT IS HEREBY CERTIFIED AND DECLARED that all acts, conditions, and things required by the Constitution and statutes of the State of Idaho to exist, to have happened, been done, and performed precedent to and in the issuance of this Bond have happened, been done, and performed, and that the issuance of this Bond and the Bonds of this issue does not violate any Constitutional, statutory, or other limitation upon the amount of bonded indebtedness that the City may incur.

IN WITNESS WHEREOF, the City by its duly constituted City Council has caused this Bond to be executed by the facsimile or manual signature of the Mayor, countersigned by the facsimile or manual signature of the City Treasurer and attested by the facsimile or manual signature of the City Clerk, and a facsimile of the seal of the City to be reproduced hereon, as of this ____ day of March, 2020.

CITY OF KETCHUM, IDAHO

By: (Facsimile or Manual Signature)
Mayor

By: (Facsimile or Manual Signature)
City Treasurer

Attest:

By: (Facsimile or Manual Signature)
City Clerk

(FACSIMILE SEAL)

CERTIFICATE OF AUTHENTICATION

This Bond is one of the City of Ketchum, Blaine County, State of Idaho, General Obligation Bonds, Series 2020, dated as of March __, 2020, described in the within-mentioned Bond Ordinance.

Date of Authentication: March __, 2020.

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Bond Registrar

By: (Manual Signature)
Authorized Officer, Zions Bank Division

LEGAL OPINION

IT IS HEREBY CERTIFIED that a true and complete copy of the legal opinion of Skinner Fawcett LLP, of Boise, Idaho, which opinion was dated the date of delivery of and payment for the Bonds described therein, was delivered to me on said date, and is a part of the permanent records of the City.

CITY OF KETCHUM, IDAHO

By: (Facsimile or Manual Signature)
City Clerk

* * * * *

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM - - as tenants in common

TEN ENT - - as tenants by the entireties

JT TEN - - as joint tenants with right of survivorship and not as tenants in common

UNIF TRFS MIN ACT Custodian
(Cust) (Minor)

under Uniform Transfer to Minors Act
(State)

Additional abbreviations may also be used although not in the above list.

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Name of Transferee: _____

Address: _____

Tax Identification No. _____

the within Bond and hereby irrevocably constitutes and appoints

to transfer said Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____.

Registered Owner

NOTE: The signature on this Assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatever.

SIGNATURE GUARANTEED:

NOTICE: The signature(s) should be guaranteed by an eligible guarantor institution, (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature medallion program), pursuant to S.E.C. Rule 17Ad-15.

EXHIBIT “B”

FORM OF NOTICE OF SALE

(attached)

EXHIBIT “C”

FORM OF POST ISSUANCE TAX COMPLIANCE PROCEDURES

City of Ketchum Post-Issuance Tax Compliance Procedures For Tax-Exempt Bonds

February 18, 2020

The purpose of these Post-Issuance Tax Compliance Procedures is to establish policies and procedures in connection with tax-exempt bonds (“Bonds”) issued by the City of Ketchum (the “City”) so as to ensure that the City complies with all applicable post-issuance requirements of federal income tax law needed to preserve the tax-exempt status of the Bonds.

General

Ultimate responsibility for all matters relating to City financings and refinancings rests with the Director of Finance (the “Director of Finance”).

Post-Issuance Compliance Requirements

External Advisors / Documentation

The Director of Finance and other appropriate City personnel shall consult with bond counsel and other legal counsel and advisors, as needed, throughout the Bond issuance process to identify requirements and to establish procedures necessary or appropriate so that the Bonds will continue to qualify for the appropriate tax status. Those requirements and procedures shall be documented in a City ordinance(s), resolution(s), Tax Certificate(s) and / or other documents finalized at or before issuance of the Bonds. Those requirements and procedures shall include future compliance with applicable arbitrage rebate requirements and all other applicable post-issuance requirements of federal tax law throughout (and in some cases beyond) the term of the Bonds.

The Director of Finance and other appropriate City personnel also shall consult with bond counsel and other legal counsel and advisors, as needed, following issuance of the Bonds to ensure that all applicable post-issuance requirements in fact are met. This shall include, without limitation, consultation in connection with future contracts with respect to the use of Bond-financed assets and future contracts with respect to the use of output or throughput of Bond-financed assets.

Whenever necessary or appropriate, the City shall engage expert advisors (each a “Rebate Service Provider”) to assist in the calculation of arbitrage rebate payable in respect of the investment of Bond proceeds.

Role of the City as Bond Issuer

Unless otherwise provided by City ordinances or resolutions, unexpended Bond proceeds shall be held by the City, and the investment of Bond proceeds shall be managed by the Director of Finance. The Director of Finance shall maintain records and shall prepare regular, periodic statements to the City regarding the investments and transactions involving Bond proceeds.

If a City ordinance or resolution provides for Bond proceeds to be administered by a trustee, the trustee shall provide regular, periodic (monthly) statements regarding the investments and transactions involving Bond proceeds.

Arbitrage Rebate and Yield

Unless a Tax Certificate documents that bond counsel has advised that arbitrage rebate will not be applicable to an issue of Bonds:

- the City shall engage the services of a Rebate Service Provider, and the City or the Bond trustee shall deliver periodic statements concerning the investment of Bond proceeds to the Rebate Service Provider on a prompt basis;
- upon request, the Director of Finance and other appropriate City personnel shall provide to the Rebate Service Provider additional documents and information reasonably requested by the Rebate Service Provider;
- the Director of Finance and other appropriate City personnel shall monitor efforts of the Rebate Service Provider and assure payment of required rebate amounts, if any, no later than 60 days after each 5-year anniversary of the issue date of the Bonds, and no later than 60 days after the last Bond of each issue is redeemed; and
- during the construction period of each capital project financed in whole or in part by Bonds, the Director of Finance and other appropriate City personnel shall monitor the investment and expenditure of Bond proceeds and shall consult with the Rebate Service Provider to determine compliance with any applicable exceptions from the arbitrage rebate requirements during each 6-month spending period up to 6 months, 18 months or 24 months, as applicable, following the issue date of the Bonds.

For working capital financings, the City shall follow procedures set forth in the applicable Tax Certificate and/or instructions delivered at bond or note closing.

The City shall retain copies of all arbitrage reports and trustee statements as described below under “Record Keeping Requirements”.

Use of Bond Proceeds

The Director of Finance and other appropriate City personnel shall:

- monitor the use of Bond proceeds, the use of Bond-financed assets (e.g., facilities,

furnishings or equipment) and the use of output or throughput of Bond-financed assets throughout the term of the Bonds (and in some cases beyond the term of the Bonds) to ensure compliance with covenants and restrictions set forth in applicable City ordinances or resolutions and Tax Certificates;

- maintain records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of Bonds;
- consult with Bond Counsel and other professional expert advisers in the review of any contracts or arrangements involving use of Bond-financed facilities to ensure compliance with all covenants and restrictions set forth in applicable City ordinances or resolutions and Tax Certificates;
- maintain records for any contracts or arrangements involving the use of Bond-financed facilities as might be necessary or appropriate to document compliance with all covenants and restrictions set forth in applicable City ordinances or resolutions and Tax Certificates;
- meet at least annually with personnel responsible for Bond-financed assets to identify and discuss any existing or planned use of Bond-financed, assets or output or throughput of Bond-financed assets, to ensure that those uses are consistent with all covenants and restrictions set forth in applicable City ordinances or resolutions and Tax Certificates.
- take timely remedial actions under section 1.141-12 of the Treasury Regulations (or other remedial actions authorized by the Commissioner of the IRS under Section 1.141-12(h) of the Regulations) to prevent from being considered “deliberate actions” any actions of the City which cause the conditions of the private business tests or the private loan financing test to be met resulting in private activity bonds.

All relevant records and contracts shall be maintained as described below and in the applicable Tax Certificate.

Investment of Bond proceeds in compliance with the arbitrage bond rules and rebate of arbitrage will be supervised by the Director of Finance.

- Guaranteed investment contracts (“GIC”) will be purchased only using the three-bid “safe harbor” of applicable Treasury regulations, in compliance with fee limitations on GIC brokers in the regulations.
- Other investments will be purchased only in market transactions.
- Calculations of rebate liability will be performed annually by outside consultants.
- Rebate payments will be made with Form 8038-T no later than 60 days after (a) each fifth anniversary of the date of issuance and (b) the final retirement of the issue. Compliance with rebate requirements will be reported to the bond trustee and the issuer.

- Identification of the date for first rebate payment will be determined at time of issuance and entered in records for the issue.

Record Keeping Requirements

Unless otherwise specified in applicable City ordinances or resolutions or Tax Certificates, the City shall maintain the following documents for the term of each issue of Bonds (including refunding Bonds, if any) plus at least three years:

- a copy of the Bond closing transcript(s) and other relevant documentation delivered to the City at or in connection with closing of the issue of Bonds;
- a copy of all material documents relating to capital expenditures financed or refinanced by Bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, as well as documents relating to costs reimbursed with Bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with Bond proceeds;
- a copy of all contracts and arrangements involving private use of Bond-financed assets or for the private use of output or throughput of Bond-financed assets; and
- copies of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee statements.

EXHIBIT “D”

FORM TERMS CERTIFICATE

**CITY OF KETCHUM, BLAINE COUNTY, STATE OF IDAHO
GENERAL OBLIGATION BONDS, SERIES 2020**

The undersigned official of the City of Ketchum, Blaine County, Idaho (the “City”), as a Delegated Officer, does hereby certify as follows (capitalized terms used herein and not defined have the meanings assigned to such terms in the Ordinance, hereinafter defined):

1. The undersigned is familiar with Ordinance No. 1206 of the City adopted on February 18, 2020 (the “Ordinance”), authorizing the issuance of the City’s General Obligation Bonds, Series 2020 (the “Bonds”) and related documents, which Bonds are sold this date to [UNDERWRITER], as purchaser of the Bonds (the “Underwriter”).

2. Section 9 of the Ordinance delegated to the undersigned, as a Delegated Officer, the power to make certain determinations on the date of sale of the Bonds.

3. Pursuant to such delegation, the undersigned Delegated Officer hereby determines as follows:

- a. Details of the terms of the Bonds including payment schedules are reflected in the final bond sale number schedules provided by the Underwriter this date, which schedules are attached as Exhibit A hereto.
- b. The rate of interest to be borne by the Bonds is ____% per annum and the true interest cost on the Bonds does not exceed ____%
- c. The par amount of the Bonds is \$_____.
- d. The principal payment dates and the amount of principal of the Bonds maturing in any particular year, and the rates of interest accruing thereon are reflected on the attached Exhibit A.
- e. The final maturity of the Bonds is _____, 20__ and does not exceed a final maturity of twenty-five years from the date of the issuance of the Bond.
- f. The Bonds are sold at the purchase price of \$_____, representing the principal amount thereof.
- g. The amount of proceeds of the Bonds to be deposited to the Cost of Issuance Fund is \$_____.
- h. The amount of proceeds of the Bonds to be deposited to the Project Construction Fund is \$_____.

4. The undersigned Delegated Officer hereby certifies that the final terms and provisions of the Bonds, as described above and in the attached Exhibit A, are consistent with, not in excess of, and no less favorable than, the terms set forth in Section 9 of the Ordinance.

5. The undersigned Delegated Officer has therefore caused to be executed and delivered the Bond Purchase Agreement and the Bonds this date.

DATED: March__, 2020.

CITY OF KETCHUM, BLAINE COUNTY,
IDAHO

By: _____

Title: _____

Official Notice of Bond Sale
(Bond Sale to be Conducted Electronically)

City of Ketchum, Blaine County, State of Idaho

\$11,500,000* General Obligation Bonds, Series 2020

Bids will be received electronically (as described under “Procedures Regarding Electronic Bidding” below) by the City of Ketchum, Blaine County, State of Idaho (the “City”) via the PARITY® electronic bid submission system (“PARITY®”) until up to 9:30 a.m., Mountain Time (“MT”), for the purchase, all or none (“AON”), of the City’s \$11,500,000* General Obligation Bonds, Series 2020 (the “2020 Bonds”) on Wednesday, March 4, 2020. The bids will be reviewed and considered by authorized officers of the City and representatives from Zions Public Finance, Inc., acting as municipal advisor to the City (the “Municipal Advisor”), in accordance with certain parameters established by the City Council of the City (the “Council”) pursuant to Ordinance No. 1206 adopted by the Council on February 18, 2020 (the “Ordinance”).

Description of the 2020 Bonds

The 2020 Bonds will be dated as of the date of issuance and delivery¹, will be issuable only as fully-registered bonds in book-entry form, will be issued in denominations of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity, and will mature on September 15 of each of the years and in the principal amounts as follows:

Maturity (September 15)	Principal Amount ²	Maturity (September 15)	Principal Amount ²
2021	\$	2033	\$
2022		2034	
2023		2035	
2024		2036	
2025		2037	
2026		2038	
2027		2039	
2028		2040	
2029		2041	
2030		2042	
2031		2043	
2032		2044	
		Total	\$11,500,000*

¹ The anticipated date of delivery of the 2020 Bonds is Wednesday, March 18, 2020.

² Preliminary; subject to change. See “Adjustment Of Principal Amount Of The 2020 Bonds” herein.

* Preliminary; subject to change.

The 2020 Bonds will be issued in registered form and, when issued, will be registered in the name of The Depository Trust Company, New York, New York, or its nominee (“DTC”). DTC will act as securities depository for the 2020 Bonds. The 2020 Bonds are more fully described in the City’s Preliminary Official Statement with respect to the 2020 Bonds dated Friday, February 21, 2020 (the “Preliminary Official Statement”).

Term Bonds and Mandatory Sinking Fund Redemption at Bidder’s Option

The 2020 Bonds scheduled to mature on two or more of the above–designated maturity dates may be rescheduled, at bidder’s option, to mature as term bonds on one or more dates within that period, in which event the 2020 Bonds will mature and be subject to mandatory sinking fund redemption in such amounts and on such dates as will correspond to the above–designated maturity dates and principal amounts maturing on those dates, as adjusted.

Adjustment of Principal Amount of the 2020 Bonds

The City reserves the right, following determination of the best bid(s), to reduce or increase the principal amount of each maturity of the 2020 Bonds and to increase or reduce the overall principal amount of the 2020 Bonds to be issued, as described in this section. The City may adjust the aggregate principal amount of the 2020 Bonds maturing in any year as described in this paragraph, provided the aggregate principal amount of the 2020 Bonds shall not exceed \$11,500,000. The adjustment of maturities may be made in such amounts as are necessary to provide the City with desired debt service payments during the life of the 2020 Bonds. Any such adjustment will be in an amount of \$5,000 or a whole multiple thereof. The dollar amount of the price bid by the successful bidder may be changed as described below, but the interest rates specified by the successful bidder for all maturities will not change. A successful bidder may not withdraw its bid as a result of any changes made within these limits, and the City will consider the bid as having been made for the adjusted amount of the 2020 Bonds. The dollar amount of the price bid will be changed so that the percentage net compensation to the successful bidder (i.e., the percentage resulting from dividing (a) the aggregate difference between the offering price of the 2020 Bonds to the public and the price to be paid to the City, by (b) the principal amount of the 2020 Bonds) does not increase or decrease from what it would have been if no adjustment was made to the principal amounts shown above. The City expects to advise the successful bidder as soon as possible, but expects no later than 2:00 p.m., MT, on the date of sale, of the amount, if any, by which the aggregate principal amount of the 2020 Bonds will be adjusted and the corresponding changes to the principal amount of 2020 Bonds maturing on one or more of the above–designated maturity dates for the 2020 Bonds.

To facilitate any adjustment in the principal amounts, the successful bidder is required to indicate by electronic means or to the Municipal Advisor at christian.anderson@zionsbancorp.com within one–half hour of the time of bid opening, the amount of any original issue discount or premium on each maturity of the 2020 Bonds and the amount received from the sale of the 2020 Bonds to the public that will be retained by the successful bidder as its compensation.

Ratings

The City will, at its own expense, pay fees of Moody’s Investors Service (“Moody’s”) for rating the 2020 Bonds. *Any additional ratings shall be at the option and expense of the bidder.*

Purchase Price

The purchase price bid for the 2020 Bonds shall not be less than _____% of the principal amount of the 2020 Bonds (\$_____).

Interest Rates

The 2020 Bonds will bear interest at any number of different rates, any of which may be repeated, which rates shall be expressed in multiples of one-eighth or one-twentieth of one percent (1/8 or 1/20 of 1%) per annum. In addition:

1. the highest interest rate bid for any of the 2020 Bonds shall not exceed _____ percent (____%) per annum;
2. no Bond shall have more than one rate of interest;
3. interest shall be computed from the dated date of a 2020 Bond to its stated maturity date at the single interest rate specified in the bid for the 2020 Bonds of such maturity;
4. the purchase price must be paid in immediately available funds and no bid will be accepted that contemplates the cancellation of any interest or the waiver of interest or other concession by the bidder as a substitute for immediately available federal funds;
5. any premium must be paid in the funds specified for the payment of the 2020 Bonds as part of the purchase price;
6. there shall be no supplemental interest coupons;
7. a zero percent (0%) interest rate may not be used; and
8. interest shall be computed on the basis of a 360-day year of Twelve, 30-day months.

Interest for the 2020 Bonds will be payable semiannually on March 15 and September 15 beginning March 15, 2021, at the rate or rates to be fixed at the time the 2020 Bonds are sold.

Payment of Principal and Interest

Zions Bancorporation, National Association, Boise, Idaho, will be the paying agent and bond registrar for the 2020 Bonds. The City may remove any paying agent and any bond registrar, and any successor thereto, and appoint a successor or successors thereto. So long as the 2020 Bonds are outstanding in book-entry form, the principal of and interest on the 2020 Bonds will be paid under the standard procedures of DTC.

Redemption Provisions

2020 Bonds maturing by their terms on or before September 15, 2029, shall not be subject to call and redemption prior to their fixed maturity date. The City reserves the right to redeem any or all of the Bonds maturing by their terms on or after September 15, 2030, in advance of maturity on March 15, 2030, or on any date thereafter, in whole or in part, at the redemption price of par plus accrued interest to the date of redemption, from such maturities or parts thereof as shall be directed by the City and by lot within each maturity.

Security and Sources of Payment

The 2020 Bonds will be full general obligations of the City, payable from the proceeds of ad valorem taxes to be levied without limitation as to rate or amount on all of the taxable property in the City, fully sufficient to pay the same as to both principal and interest.

Award

Award or rejection of bids will be made on Wednesday, March 4, 2020, by certain delegated officers of the City, and in no event later than 24 hours after the expiration of the time herein pre-scribed for the receipt of bids, unless such time of award is waived by the successful bidder. The 2020 Bonds will be awarded to the responsible bidder offering to pay the lowest effective interest rate to the City computed from the date of the 2020 Bonds to maturity and taking into consideration the premium, if any, in the purchase price of the 2020 Bonds. The effective interest rate to the City shall be the interest rate per annum determined on a per annum true interest cost (“TIC”) basis by discounting the scheduled semiannual debt service payments of the City on the 2020 Bonds (based on such rate or rates of interest so bid) to the dated date of the 2020 Bonds (based on a 360-day year consisting of Twelve, 30-day months), compounded semiannually and to the bid price.

Notification

The Municipal Advisor, on behalf of the City, will notify the apparent successful bidder (electronically via *PARITY*®) as soon as possible after the City’s receipt of bids, that such bidder’s bid appears to be the lowest and best bid received which conforms to the requirements of this Official Notice of Bond Sale, subject to verification and to official action to be taken by the City as described in the next succeeding paragraph.

Procedures Regarding Electronic Bidding

The bidding will be made and awarded for the 2020 Bonds on an AON basis.

No bid will be accepted unless the City has determined that such bidder has provided the requested Deposit described under “Good Faith Deposit” below.

Bids will be received by means of the *PARITY*® electronic bid submission system. A prospective bidder must communicate its bid electronically through *PARITY*® on or before 9:30 MT on Wednesday, March 4, 2020. No bid will be received after the time for receiving bids specified above. To the extent any instructions or directions set forth in *PARITY*® conflict with this Official Notice of Bond Sale, the terms of this Official Notice of Bond Sale shall control. For further information about *PARITY*®, potential bidders may contact the Municipal Advisor or i-Deal LLC at 1359 Broadway, New York, New York 10018; 212.849.5021. The time as maintained by *PARITY*® shall constitute the official time.

Each qualified prospective bidder shall be solely responsible to make necessary arrangements to access *PARITY*® for purposes of submitting its bid in a timely manner and in compliance with the requirements of this Official Notice of Bond Sale. Neither the Municipal Advisor, the City nor i-Deal LLC shall have any duty or obligation to provide or assure such access to any qualified prospective bidder, and neither the Municipal Advisor, the City nor i-Deal LLC shall be responsible for proper operation of, or have any liability for any delays or interruptions of, or any damages caused by, *PARITY*®. The City is using *PARITY*® as a communication mechanism, and not as the City’s agent, to conduct the electronic bidding for the 2020 Bonds.

Form of Bid

Each bidder for the 2020 Bonds is required to transmit electronically via *PARITY*® an unconditional bid specifying the lowest rate or rates of interest and confirm the purchase price (as described under “Purchase Price” above) at which the bidder will purchase the 2020 Bonds. Each bid must be for all the 2020 Bonds herein offered for sale.

For information purposes only, bidders are requested to state in their bids the effective interest rate for the 2020 Bonds represented on a “true interest cost” (“TIC”) basis, as described under “Award” herein, represented by the rate or rates of interest and the bid price specified in their respective bids.

No bids will be accepted in written form, by electronic mail or in any other medium or on any system other than by means of *PARITY*®; *provided however*, that in the event a prospective bidder cannot access *PARITY*®, through no fault of its own, it may so notify the office of the Municipal Advisor by telephone at 208.501.7533. Thereafter, it may submit its bid by telephone to the Municipal Advisor at 208.501.7533, who shall transcribe such bid into written form, or by electronic mail to the Municipal Advisor at christian.anderson@zionsbancorp.com, in either case before the time bids are due as stated above, on Tuesday, November 5, 2019. For purposes of bids submitted telephonically to the Municipal Advisor (as described above) or by electronic mail, the time as maintained by *PARITY*®, shall constitute the official time. Each bid submitted as provided in the preceding sentence must specify the interest rate or rates for the 2020 Bonds and the total purchase price of all of the 2020 Bonds. The Municipal Advisor will seal transcribed telephonic bids and electronic mail bids for submission. Neither the City nor the Municipal Advisor assumes any responsibility or liability from the failure of any such transcribed telephonic bid or electronic mail (whether such failure arises from equipment failure, unavailability of phone lines or otherwise). No bid will be received after the time for receiving such bids specified above.

If requested by the Municipal Advisor, the apparent successful bidder will provide written confirmation of its bid (by electronic mail) to the Municipal Advisor prior to 2:00 p.m., MT, on Wednesday, March 4, 2020.

Right of Cancellation

The successful bidder shall have the right, at its option, to cancel its obligation to purchase the 2020 Bonds if the City shall fail to execute the 2020 Bonds and tender the same for delivery within 60 days from the date of sale thereof, and in such event the successful bidder shall be entitled to the return of the deposit accompanying its bid.

Good Faith Deposit

A good faith deposit (the “Deposit”) in the amount of \$_____ is required only from the successful bidder. The Deposit shall be payable to the order of the City in the form of a wire transfer in federal funds as instructed by the Municipal Advisor no later than 12:00 noon, MT, on Wednesday, March 4, 2020. As an alternative to wiring funds, a bidder may deliver a cashier’s or certified check, payable to the order of the City. If a check is used, it must precede each bid. Such check shall be promptly returned to its respective bidder whose bid is not accepted.

The City shall, as security for the faithful performance by the successful bidder of its obligation to take up and pay for the Bonds when tendered, cash the Deposit check, if applicable, of the successful bidder and hold the proceeds of the Deposit of the successful bidder, or invest the same (at the City’s risk) in obligations which mature at or before the delivery of the 2020 Bonds as described under the caption “Manner and Time of Delivery” below, until disposed of as follows: (a) at such delivery of the 2020 Bonds and upon compliance with the successful bidder’s obligation to take up and pay for the 2020 Bonds, the full amount of the Deposit held by the City, without adjustment for interest, shall be applied toward the purchase price of the Bonds at that time and the full amount of any interest earnings thereon shall be retained by the City; and (b) if the successful bidder fails to take up and pay for the Bonds when tendered, the full amount of the Deposit plus any interest earnings thereon will be forfeited to the City as liquidated damages.

Sale Reservations

The City reserves the right: (i) to waive any irregularity or informality in any bid or in the bidding process; (ii) to reject any and all bids for the 2020 Bonds; and (iii) to resell the 2020 Bonds as provided by law.

Prompt Award

The City will take action awarding the 2020 Bonds or rejecting all bids not later than twenty-four (24) hours after the expiration of the time herein prescribed for the receipt of bids, unless such time of award is waived by the successful bidder

Reoffering Prices; Purchaser's Certificate Relating to Issue Price

The successful bidder or bidders (or manager of the purchasing account or accounts) shall notify the chief financial officer of the City and the City's Municipal Advisor by electronic mail to Christian Anderson (christian.anderson@zionsbancorp.com) within 24 hours of the bid opening, of the initial offering prices of such Bonds to the public. The notification must be confirmed in writing in form and substance satisfactory to Bond Counsel (defined hereunder) prior to the delivery of the 2020 Bonds. The confirmation will be part of the "Purchaser's Certificate" which will be in substantially the same form as Exhibit A in the event the City receives three (3) or more bids that fit the requirements of the Official Notice of Bond Sale for the Bonds; and in substantially the same form as Exhibit B in the event the City does not receive three (3) or more such bids for the Bonds.

Each bidder, by submitting its bid, agrees to complete, execute and deliver the applicable certificate, in form and substance satisfactory to Bond Counsel, by the date of delivery of the 2020 Bonds, if its bid is accepted by the City. It will be the responsibility of the successful bidder to institute such syndicate reporting requirements, to make such investigation or otherwise to ascertain the facts necessary to make such certification. Any questions regarding the certificate should be directed to John R. McDevitt of Skinner Fawcett LLP, Bond Counsel, 250 W. Bobwhite Court, Suite 240, Boise, Idaho 83712; 208.345.2663; jmcdevitt@skinnerfawcett.com.

Manner and Time of Delivery

The successful bidder will be given at least seven (7) business days' advance notice of the proposed date of the delivery of the 2020 Bonds when that date has been tentatively determined. It is now estimated that the 2020 Bonds will be delivered in book-entry form on or about March 18, 2020. The 2020 Bonds will be delivered as a single bond certificate for each maturity of the 2020 Bonds, registered in the name of DTC or its nominee. Delivery of the 2020 Bonds will be made in Boise, Idaho, pursuant to DTC's FAST system. The successful bidder must also agree to pay for the Bonds in federal funds which will be immediately available to the City on the day of delivery.

CUSIP Numbers

It is anticipated that CUSIP numbers will be printed on the 2020 Bonds, at the expense of the City, but neither the failure to print such numbers on any Bond nor any error with respect thereof shall constitute cause for a failure or refusal by the successful bidder thereof to accept delivery of and pay for the 2020 Bonds in accordance with terms of this Official Notice of Bond Sale.

Tax-Exempt Status

In the opinion of Skinner Fawcett LLP, Boise, Idaho (“Bond Counsel”), subject to the condition that the City comply with certain covenants made to satisfy pertinent requirements of the Internal Revenue Code of 1986, as amended (the “Code”), under present law, interest on the 2020 Bonds is not included in gross income under the present federal income tax laws pursuant to Section 103 of the Code. The 2020 Bonds are not private activity bonds. Interest on the 2020 Bonds will not be treated as an item of tax preference for purposes of determining the alternative minimum taxable income for individuals or corporations under Section 55 of the Code. Failure to comply with certain of such City covenants could cause interest on the 2020 Bonds to be included in gross income retroactive to the date of issuance of the 2020 Bonds. Ownership of the 2020 Bonds may result in other federal tax consequences to certain taxpayers, and Bond Counsel expresses no opinion regarding any such collateral consequences with respect to the 2020 Bonds. Reference is hereby made to the discussion of the Code set forth in the Preliminary Official Statement under the caption “TAX MATTERS.”

Legal Opinion and Closing Documents

The unqualified approving opinion of Skinner Fawcett LLP covering the legality of the 2020 Bonds will be furnished to the successful bidder. A supplemental opinion shall be furnished to the successful bidder by Skinner Fawcett LLP with respect to the disclosure of certain information in the final Official Statement. Closing certificates will also be furnished, dated as of the date of delivery of and payment for the 2020 Bonds, including a statement that there is no litigation pending or, to the knowledge of the signer thereof, threatened affecting the validity of the 2020 Bonds.

Disclosure Certificate

The City will deliver to the successful bidder a certificate of an authorized officer(s) of the City, dated the date of the delivery of the 2020 Bonds, stating that as of the date thereof, to the best of the knowledge and belief of said authorized officer(s), and after reasonable investigation: (a) the descriptions and statements contained in the Preliminary Official Statement circulated with respect to the 2020 Bonds were at the time of the acceptance of the bid true and correct in all material respects and did not at the time of the acceptance of the bid contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (b) the descriptions and statements contained in the final Official Statement are at the time of the delivery of the 2020 Bonds true and correct in all material respects and do not at the time of the delivery of the 2020 Bonds contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; *provided*, should the final Official Statement be supplemented or amended subsequent to the date thereof, the foregoing confirmation as to the final Official Statement shall relate to the final Official Statement as so supplemented or amended.

Continuing Disclosure Agreement (Disclosure Undertaking)

The City covenants and agrees to enter into a written agreement or contract, constituting an undertaking (the “Undertaking”) to provide ongoing disclosure about the City for the benefit of the beneficial owners of the 2020 Bonds on or before the date of delivery of the 2020 Bonds as required under paragraph (b)(5) of Rule 15c2-12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934. The Undertaking shall be as described in the Preliminary Official Statement, with such changes as may be agreed upon in writing by the successful bidder.

For a detailed discussion of the Continuing Disclosure Agreement, previous disclosure agreements and timing of submissions see the section titled “CONTINUING DISCLOSURE AGREEMENT” in the Preliminary Official Statement.

The successful bidder’s obligation to purchase the 2020 Bonds shall be conditioned upon the City delivering the Undertaking on or before the date of delivery of the 2020 Bonds.

Delivery of Copies of Final Official Statement

The City shall deliver to the successful bidder on such business day as directed in writing by the successful bidder, which is not earlier than the second business day or later than the seventh business day after the award of the 2020 Bonds as described under the caption “Award” above, copies of the final Official Statement in sufficient quantity, as directed in writing by the successful bidder, to comply with paragraph (b)(4) of the Rule and the Rules of the Municipal Securities Rulemaking Council.

Additional Information

For copies of this OFFICIAL NOTICE OF BOND SALE and the Preliminary Official Statement and information regarding the electronic bidding procedures and other related information with respect to the 2020 Bonds, contact the Municipal Advisor to the City, Zions Public Finance, Inc. at 800 W. Main Street, Suite 700, Boise, Idaho 83702; 208.501.7533; Christian Anderson (christian.anderson@zionsbancorp.com) or Cara Bertot (cara.bertot@zionsbancorp.com). The Preliminary Official Statement is available at www.fmmunihub.com, www.i-dealprospectus.com, and www.munios.com.

DATED this 21st day of February, 2020.

CITY OF KETCHUM, BLAINE COUNTY,
IDAHO

By: /s/Grant Gager
Director of Finance

EXHIBIT A

Competitive Sale – Three Bids Received

Purchaser’s Certificate:

IT IS HEREBY CERTIFIED by the undersigned on behalf of _____
(the “Purchaser”), as representative of the underwriters for the “ _____ ” (the
“Bonds”):

1. We acknowledge receipt of the Bonds in the aggregate principal amount of
\$ _____, bearing interest and maturing as provided in [Instrument providing principal amount and inter-
est rate] _____ of the _____ (the “Issuer”) on _____, and the instruments
described therein, and such Bonds being in the denominations and registered in the name of Cede & Co., as
nominee of The Depository Trust Company, as requested by us.

2. A bona fide public offering was made for all of the Bonds on the sale date at the
prices shown on the inside cover page of the Official Statement for the Bonds. Those prices are the reasonably
expected initial offering prices of each maturity of the Bonds to the public which were used by the Purchaser
in formulating its bid to purchase the Bonds. For this purpose:

“Public” means any person (including an individual, trust, estate, partnership, association, company, or
corporation) other than an underwriter or a related party.

“Sale date” means the date the Purchaser’s bid for the Bonds was accepted on behalf of the Issuer.

“Underwriter” means (i) any person that agrees pursuant to a written contract with the Issuer (or with
the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the
public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person de-
scribed in clause (i) of this paragraph to participate in the initial sale of the Bonds to the public (including a
member of a selling group or a party to a retail distribution agreement participating in the initial sale of the
Bonds to the public).

If a yield is shown on the [inside] cover page for any maturity, “price” herein means the dollar price
that produces that yield.

3. The underwriter was not given the opportunity to review other bids prior to submit-
ting its bid.

4. The bid submitted by the underwriter constituted a firm bid to purchase the Bonds.

5. The Issuer and its counsel may rely on these certifications in concluding that the
Bonds meet certain requirements of the Internal Revenue Code of 1986 as amended (the “Code”), relating to
tax-exempt bonds; however, nothing herein represents our interpretation of any law and we are not providing
any interpretations of law or regulations in executing and delivering this certificate.

DATED as of _____, 2020.

_____, as Representative of the Underwriters

By: _____

Title: _____

Exhibit 1
(Offering Prices of Bonds)

EXHIBIT B

10% each maturity sold

Purchaser's Certificate:

IT IS HEREBY CERTIFIED by the undersigned on behalf of _____
(the "Purchaser"), as representative of the underwriters for the " _____ " (the
"Bonds"):

1. We acknowledge receipt of the Bonds in the aggregate principal amount of
\$ _____, bearing interest and maturing as provided in the _____ [Instrument providing principal
amount and interest rate] of the _____ (the "Issuer") on _____, and the instruments
described therein, and such Bonds being in the denominations and registered in the name of Cede & Co., as
nominee of The Depository Trust Company, as requested by us.

2. A bona fide public offering was made for all of the Bonds on the sale date at the
prices shown on the inside cover page of the Official Statement for the Bonds. The first price at which a sub-
stantial amount of each maturity of the Bonds was sold to the public is the price shown on the inside cover
page of the Official Statement for that maturity of the Bonds. For this purpose:

"Public" means any person (including an individual, trust, estate, partnership, association,
company, or corporation) other than an underwriter or a related party.

"Underwriter" means (i) any person that agrees pursuant to a written contract with the Issuer
(or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to
the public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person
described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the public (including a
member of a selling group or a party to a retail distribution agreement participating in the initial sale of the
Bonds to the public).

"Substantial amount" is 10% or more of each maturity.

If a yield is shown on the inside cover page for any maturity, "price" herein means the dollar
price that produces that yield.

3. The Issuer and its counsel may rely on these certifications in concluding that the
Bonds meet certain requirements of the Internal Revenue Code of 1986 as amended (the "Code"), relating to
tax-exempt bonds; however, nothing herein represents our interpretation of any law and we are not providing
any interpretations of law or regulations in executing and delivering this certificate.

DATED as of _____, 2020.

_____, as Representative of the Underwriters

By: _____

Title: _____

Exhibit 1
(Offering Prices of Bonds)

PRELIMINARY OFFICIAL STATEMENT

\$9,405,000*

City of Ketchum, Idaho

General Obligation Bonds, Series 2020

On Wednesday, March 4, 2020 up to 9:30:00 A.M., Mountain Standard Time (“M.S.T.”), electronic bids will be received by means of the **PARITY**[®] electronic bid submission system. See the “OFFICIAL NOTICE OF BOND SALE—Procedures Regarding Electronic Bidding.”

The 2020 Bonds (as defined herein) will be awarded to the successful bidder(s) and issued pursuant to an ordinance of the City of Ketchum, Idaho adopted on [February 18, 2020].

The City has deemed this PRELIMINARY OFFICIAL STATEMENT final as of the date hereof, for purposes of paragraph (b)(1) of Rule 15c2–12 of the Securities and Exchange Commission, subject to completion with certain information to be established at the time of sale of the 2020 Bonds as permitted by the Rule.

For additional information with respect to the 2020 Bonds contact the Municipal Advisor:



800 W Main St, Ste 700

Boise ID 83702

208.501.7533 | f 855.855.9702

christian.anderson@zionsbancorp.com

This PRELIMINARY OFFICIAL STATEMENT is dated [February 20, 2020], and the information contained herein speaks only as of that date.

* Preliminary; subject to change.

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This PRELIMINARY OFFICIAL STATEMENT and the information contained herein are subject to completion, amendment or other change without any notice. Under no circumstances shall this PRELIMINARY OFFICIAL STATEMENT constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY 20, 2020 [February 12, 2020]

NEW ISSUE—BOOK—ENTRY ONLY

Rating: Moody's "___"
See "MISCELLANEOUS—Bond Rating" herein.

In the opinion of Skinner Fawcett LLP, Bond Counsel, assuming continuous compliance with certain covenants described below: (i) interest on the 2020 Bonds is excluded from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) interest on the 2020 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Code; and (iii) interest on the 2020 Bonds is excluded from gross income for purposes of income taxation by the State of Idaho. See "TAX MATTERS" herein.

The 2020 Bonds are not "qualified tax-exempt obligations."

\$9,405,000*

City of Ketchum, Idaho

General Obligation Bonds, Series 2020

The \$9,405,000* General Obligation Bonds, Series 2020 (the "2020 Bonds") are issued by the City of Ketchum, Idaho (the "City"), as fully-registered bonds and, when initially issued, will be in book-entry form, registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York. DTC will act as securities depository for the 2020 Bonds.

Principal of and interest on the 2020 Bonds (interest payable March 15 and September 15 of each year, commencing March 15, 2021) are payable Zions Bancorporation, National Association, Boise, Idaho, as Paying Agent (the "Paying Agent"), to the registered owners thereof, initially DTC. See "THE 2020 BONDS—Book-Entry System" herein.

The 2020 Bonds are subject to optional redemption prior to maturity and may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See "THE 2020 BONDS—Redemption Provisions" and "—Mandatory Sinking Fund Redemption at Bidder's Option" herein.

The 2020 Bonds will be general obligations of the City payable from the proceeds of ad valorem taxes to be levied without limitation as to rate or amount on all of the taxable property in the City, fully sufficient to pay the 2020 Bonds as to both principal and interest.

Dated: Date of Delivery¹

Due: September 15, as shown on inside cover

See the inside front cover for the maturity schedule of the 2020 Bonds.

The 2020 Bonds will be awarded pursuant to competitive bidding received by means of the *PARITY*[®] electronic bid submission system on Wednesday, March 4, 2020 as set forth in the OFFICIAL NOTICE OF BOND SALE dated as of the date of this PRELIMINARY OFFICIAL STATEMENT.

Zions Public Finance, Inc., Boise, Idaho, is acting as Municipal Advisor.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire OFFICIAL STATEMENT to obtain information essential to the making of an informed investment decision.

This OFFICIAL STATEMENT is dated March __, 2020, and the information contained herein speaks only as of that date.

* Preliminary; subject to change.

¹ The anticipated date of delivery is Wednesday, March 18, 2020.

City of Ketchum, Idaho

\$9,405,000*

General Obligation Bonds, Series 2020

Dated: Date of Delivery¹

Due: September 15, as shown below

<u>Due September 15</u>	<u>CUSIP® [_____]</u>	<u>Principal Amount*</u>	<u>Interest Rate</u>	<u>Yield/ Price</u>
2021.....		\$ 20,000	%	%
2022.....		240,000		
2023.....		250,000		
2024.....		260,000		
2025.....		275,000		
2026.....		285,000		
2027.....		295,000		
2028.....		305,000		
2029.....		320,000		
2030.....		330,000		
2031.....		350,000		
2032.....		365,000		
2033.....		385,000		
2034.....		405,000		
2035.....		425,000		
2036.....		445,000		
2037.....		465,000		
2038.....		490,000		
2039.....		515,000		
2040.....		540,000		
2041.....		565,000		
2042.....		595,000		
2043.....		625,000		
2044.....		655,000		

\$_____ Term Bond due September 15, 20__—Yield of _____% (CUSIP [_____] __)

¹ The anticipated date of delivery is Wednesday, March 18, 2020.

® CUSIP is a registered trademark of the American Bankers Association. CUSIP Global Services is managed on behalf of the American Bankers Association by S&P Capital IQ.

* Preliminary; subject to change.

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City of Ketchum, Idaho

This OFFICIAL STATEMENT does not constitute an offer to sell, or the solicitation of an offer to buy, nor shall there be any sale of, the 2020 Bonds (as defined herein), by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained herein, and if given or made, such other informational representations must not be relied upon as having been authorized by either the City of Ketchum, Idaho (the “City”); Zions Public Finance, Inc., Boise, Idaho, as Municipal Advisor; Zions Bancorporation, National Association, Boise, Idaho, as Paying Agent; the successful bidder; or any other entity. All other information contained herein has been obtained from the City, The Depository Trust Company, New York, New York and from other sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this OFFICIAL STATEMENT nor the issuance, sale, delivery or exchange of the 2020 Bonds, shall under any circumstance create any implication that there has been no change in the affairs of the City since the date hereof.

The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, or any state securities laws in reliance upon exemptions contained in such act and laws. Neither the Securities and Exchange Commission nor any state securities commission has passed upon the accuracy or adequacy of this OFFICIAL STATEMENT. Any representation to the contrary is unlawful.

The yields/prices at which the 2020 Bonds are offered to the public may vary from the initial reoffering yields on the inside front cover page of this OFFICIAL STATEMENT. In addition, the successful bidder may allow concessions or discounts from the initial offering prices of the 2020 Bonds to dealers and others. In connection with the offering of the 2020 Bonds, the successful bidder may engage in transactions that stabilize, maintain, or otherwise affect the price of the 2020 Bonds. Such transactions may include overallocments in connection with the purchase of 2020 Bonds, the purchase of 2020 Bonds to stabilize their market price and the purchase of 2020 Bonds to cover the successful bidder’s short positions. Such transactions, if commenced, may be discontinued at any time.

Forward-Looking Statements. Certain statements included or incorporated by reference in this OFFICIAL STATEMENT constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “project,” “forecast,” “expect,” “estimate,” “budget” or other similar words. ***The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.***

The CUSIP (the Committee on Uniform Securities Identification Procedures) identification numbers are provided on the inside cover page of this OFFICIAL STATEMENT and are being provided solely for the convenience of bondholders only, and the City makes no representation with respect to such numbers or undertakes any responsibility for their accuracy. The CUSIP numbers are subject to being changed after the issuance of the 2020 Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of the 2020 Bonds.

The content from websites referenced in this OFFICIAL STATEMENT has not been reviewed for accuracy and completeness. Such information has not been provided in connection with the offering of the 2020 Bonds and is not a part of this OFFICIAL STATEMENT.

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OFFICIAL STATEMENT RELATED TO

\$9,405,000*

City of Ketchum, Idaho

General Obligation Bonds, Series 2020

INTRODUCTION

This introduction is only a brief description of the 2020 Bonds, as hereinafter defined, the security and source of payment for the 2020 Bonds and certain information regarding City of Ketchum, Blaine County, Idaho (the “City”). The information contained herein is expressly qualified by reference to the entire OFFICIAL STATEMENT. Investors are urged to make a full review of the entire OFFICIAL STATEMENT, as well as of the documents summarized or described herein.

See the following appendices that are attached hereto and incorporated herein by reference: “APPENDIX A—FINANCIAL STATEMENTS OF CITY OF KETCHUM, IDAHO FOR FISCAL YEAR 2019”; “APPENDIX B—PROPOSED FORM OF OPINION OF BOND COUNSEL”; “APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT”; and “APPENDIX D—BOOK-ENTRY SYSTEM.”

When used herein the terms “Fiscal Year[s] 20YY” or “Fiscal Year[s] End[ed][ing] September 30, 20YY” shall refer to the year ended or ending on September 30 of the year indicated and beginning on October 1 of the preceding calendar year. Capitalized terms used but not otherwise defined herein have the same meaning as given to them in the Bond Ordinance (as defined herein).

Public Sale/Electronic Bid

The 2020 Bonds will be awarded pursuant to competitive bidding received by means of the *PARITY*[®] electronic bid submission system on Wednesday, March 4, 2020, pursuant to the OFFICIAL NOTICE OF BOND SALE (dated as of the date of this PRELIMINARY OFFICIAL STATEMENT).

The 2020 Bonds may be offered and sold to certain dealers (including dealers depositing the 2020 Bonds into investment trusts) at prices lower than the initial public offering prices set forth on the inside cover page of the OFFICIAL STATEMENT and that such public offering prices may be changed from time to time.

City of Ketchum, Idaho

The City, incorporated in 1961, covers an area of approximately 3.1 square miles. Located in Blaine County, Idaho (the “County”), the City is situated in central Idaho at the northern end of the Wood River Valley. The City lies adjacent to the City of Sun Valley, known for its world-class mountain resort. The City had approximately 2,827 residents according to the 2018 Census estimate. See “CITY OF KETCHUM, IDAHO” below.

* Preliminary; subject to change.

The 2020 Bonds

This OFFICIAL STATEMENT, including the cover page, introduction and Appendices (the “OFFICIAL STATEMENT”), provides information in connection with the issuance and sale of \$9,405,000* aggregate principal amount of General Obligation Bonds, Series 2020 (the “2020 Bonds” or “2020 Bond”), initially issued in book–entry form only.

Authorization for and Purpose of the 2020 Bonds

Authority. The 2020 Bonds are being issued pursuant to the applicable provisions of (i) Title 50, Chapter 10, Idaho Code, as amended (the “Idaho Code”) and the Public Obligations Registration Act, Title 57, Chapter 9, Idaho Code, as amended, and the Municipal Bond Law, Title 57, Chapter 2, Idaho Code (collectively, the “Act”), (ii) Ordinance No. 1206 adopted by the City Council of the City (the “City Council”) and approved by the Mayor on [February 18, 2020] (the “Bond Ordinance”), which provides for the sale and issuance of the 2020 Bonds, and (iii) other applicable provisions of law.

The 2020 Bonds were authorized at a bond election held for that purpose on November 5, 2019 (the “2019 Bond Election”). The proposition submitted to the voters of the City was as follows:

Shall the City of Ketchum, Blaine County, Idaho, be authorized to incur an indebtedness and issue and sell its general obligation bonds, in one or more series of bonds, in an aggregate principal amount for all such bonds of not more than \$11,500,000, or so much thereof as may be necessary, for the purpose of providing funds with which to construct and equip a new fire station and acquire certain firefighting equipment, with each of said series of bonds to be payable annually or at such lessor intervals as determined by future resolutions or ordinances of the City, and to mature serially with the final installment to fall due within twenty–five (25) years from the date of each of said series of bonds, and to bear interest at a rate or rates to be determined by future resolutions or ordinances of the City, all as provided in the ordinance of the City adopted on September 3, 2019?

At the 2019 Bond Election there were 697 votes cast in favor of the issuance of bonds and 338 votes cast against the issuance of bonds, for a total vote count of 1,035, with approximately 67.3% in favor of the issuance of bonds, exceeding the required two–thirds majority approval for election passage.

The 2020 Bonds are the first and only block of bonds to be issued from the 2019 Bond Election. After the sale and delivery of the 2020 Bonds, the City will have exhausted its 2019 Bond Election authorization.

Security

The 2020 Bonds will be general obligations of the City, payable from the proceeds of ad valorem taxes to be levied, without limitation as to rate or amount, on all of the taxable property in the City, fully sufficient to pay the 2020 Bonds as to both principal and interest. See “SECURITY AND SOURCES OF PAYMENT” and “FINANCIAL INFORMATION REGARDING THE CITY OF KETCHUM, IDAHO—Property Tax Matters” below.

Redemption Provisions

The 2020 Bonds are subject to optional redemption prior to maturity and may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See “THE 2020 BONDS—Redemption Provisions” and “—Mandatory Sinking Fund Redemption at Bidder’s Option” below.

* Preliminary; subject to change.

Registration, Denominations, Manner of Payment

The 2020 Bonds are issuable only as fully registered bonds and, when initially issued, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York, (“DTC”). DTC will act as securities depository of the 2020 Bonds. Purchases of 2020 Bonds will be made in book–entry form only, in the principal amount of \$5,000 or any whole multiple thereof, through brokers and dealers who are, or who act through, DTC’s Participants (as defined herein). Beneficial Owners (as defined herein) of the 2020 Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the 2020 Bonds. “Direct Participants,” “Indirect Participants” and “Beneficial Owners” are defined under “APPENDIX D—BOOK–ENTRY SYSTEM.”

Principal of and interest on the 2020 Bonds (interest payable March 15 and September 15 of each year, commencing March 15, 2021) are payable by Zions Bancorporation, National Association, Boise, Idaho (“Zions Bancorporation”), as paying agent (the “Paying Agent”) for the 2020 Bonds, to the registered owners of the 2020 Bonds. So long as Cede & Co. is the registered owner of the 2020 Bonds, DTC will, in turn, remit such principal and interest to its Direct Participants, for subsequent disbursements to the Beneficial Owners of the 2020 Bonds, as described under “APPENDIX D—BOOK–ENTRY SYSTEM” below.

So long as DTC or its nominee is the sole registered owner of the 2020 Bonds, neither the City, the successful bidder(s), nor the Paying Agent will have any responsibility or obligation to any Direct or Indirect Participants of DTC, or the persons for whom they act as nominees, with respect to the payments to or the providing of notice for the Direct Participants, Indirect Participants or the Beneficial Owners of the 2020 Bonds. Under these same circumstances, references herein and in the Bond Ordinance to the “Bondowners” or “Registered Owners” of the 2020 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2020 Bonds.

Tax–Exempt Status of the 2020 Bonds

In the opinion of Skinner Fawcett LLP, Bond Counsel, assuming continuous compliance with certain covenants described below: (i) interest on the 2020 Bonds is excluded from gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), (ii) interest on the 2020 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Code; and (iii) interest on the 2020 Bonds is excluded from gross income for purposes of income taxation by the State of Idaho. See “TAX MATTERS” herein for a description of this designation.

The 2020 Bonds are not “qualified tax–exempt obligations.”

Professional Services

In connection with the issuance of the 2020 Bonds, the following have served the City in the capacity indicated.

Bond Counsel
Skinner Fawcett LLP
250 Bobwhite Court, Ste 240
Boise ID 83706
208.345.2663 | f 208.345.2668
rskinner@skinnerfawcett.com
jmcdevitt@skinnerfawcett.com

Attorney for the City
White Peterson
5700 E Franklin Rd, Ste 200
Nampa ID 83687–7901
208.466.9272 | f 208.466.4405
mjohnson@whitepeterson.com

Paying Agent and Bond Registrar
Zions Bancorporation, National Association
800 W Main St Ste 700
Boise ID 83702
208.501.7493
mark.henson@zionsbancorp.com

Municipal Advisor
Zions Public Finance, Inc.
800 W Main St, Ste 700
Boise ID 83702
208.501.7533
christian.anderson@zionsbancorp.com

Conditions of Delivery, Anticipated Date, Manner and Place of Delivery

The 2020 Bonds are offered, subject to prior sale, when, as and if issued and received by the successful bidder(s) subject to the approval of legality by Skinner Fawcett LLP, Boise, Idaho, Bond Counsel to the City, and certain other conditions. Certain legal matters will be passed upon for the City by White Peterson, Nampa, Idaho. It is expected that the 2020 Bonds, in book–entry form, will be available for delivery to DTC or its agent on or about Wednesday, March 18, 2020.

Continuing Disclosure Agreement

The City will enter into a Continuing Disclosure Agreement (the “Disclosure Undertaking”) for the benefit of the Owners of the 2020 Bonds. For a detailed discussion of this disclosure undertaking, previous undertakings and timing of submissions see “CONTINUING DISCLOSURE AGREEMENT” below and “APPENDIX C—FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Basic Documentation

This OFFICIAL STATEMENT speaks only as of its date and the information contained herein is subject to change. Brief descriptions of the City, the 2020 Bonds, and the Bond Ordinance are included in this OFFICIAL STATEMENT. Such descriptions do not purport to be comprehensive or definitive. All references herein to the Bond Ordinance are qualified in their entirety by reference to such document and references herein to the 2020 Bonds are qualified in their entirety by reference to the form thereof included in the Bond Ordinance. The “basic documentation” which includes the Bond Ordinance, the closing documents and other documentation, authorizing the issuance of the 2020 Bonds and establishing the rights and responsibilities of the City and other parties to the transaction may be obtained from the “contact persons” as indicated below.

Contact Persons

As of the date of this OFFICIAL STATEMENT, additional requests for information may be directed to Zions Public Finance, Inc., Boise, Idaho, as municipal advisor to the City (the “Municipal Advisor”):

Christian Anderson, Vice President, christian.anderson@zionsbancorp.com
Zions Public Finance, Inc.
800 W Main St Ste 700
Boise ID 83702
208.501.7533

As of the date of this OFFICIAL STATEMENT, the chief contact persons for the City concerning the 2020 Bonds are:

Mayor Neil Bradshaw, nbradshaw@ketchumidaho.org
Grant Gager, Director of Finance & Internal Services, ggager@ketchumcity.org
City of Ketchum
480 East Ave. N. (P.O. Box 2315)
Ketchum ID 83340
208.726.3841 | f 208.726.8234

CONTINUING DISCLOSURE AGREEMENT

Disclosure Undertaking

The City will enter into a Disclosure Undertaking for the benefit of the Owners of the 2020 Bonds to send certain information annually and to provide notice of certain events to the Municipal Securities Rule-making Board (“MSRB”) through its Electronic Municipal Market Access (“EMMA”) pursuant to the requirements of paragraph (b)(5) of Rule 15c2–12 (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. No person, other than the City, has undertaken, or is otherwise expected, to provide continuing disclosure with respect to the 2020 Bonds. The information to be provided on an annual basis, the events which will be noticed on an occurrence basis and other terms of the Disclosure Undertaking, including termination, amendment and remedies, are set forth in the proposed form of Disclosure Undertaking in “APPENDIX C—PROPOSED FORM OF CONTINUING DISCLOSURE AGREEMENT.”

The Disclosure Undertaking requires the City to submit its annual financial report (Fiscal Year Ending September 30) and other operating and financial information on or before March 29 (180 days from the end of the Fiscal Year). The City will submit the Fiscal Year 2020 financial report and other operating and financial information for the 2020 Bonds on or before March 29, 2021, and annually thereafter on or before each March 29.

During the five years prior to the date of this OFFICIAL STATEMENT, the City has not been subject to the Rule’s requirements for undertakings or disclosure thereunder.

A failure by the City to comply with the Disclosure Undertaking will not constitute a default under the Bond Ordinance and the Beneficial Owners of the 2020 Bonds are limited to the remedies described in the Undertaking. A failure by the City to comply with the annual disclosure requirements of the Disclosure Undertaking must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the 2020 Bonds in the secondary market. Consequently, such a failure may adversely affect the marketability and liquidity of the 2020 Bonds and their market price.

Bond Counsel expresses no opinion as to whether the Undertaking complies with the requirements of the Rule.

THE 2020 BONDS

General

The 2020 Bonds will be dated the date of their original issuance and delivery ¹ (the “Dated Date”) and will mature on September 15 of the years and in the amounts and pay interest on the dates and at the rates shown on the inside front cover page.

The 2020 Bonds will bear interest from their Dated Date at the rates set forth on the inside cover page of this OFFICIAL STATEMENT. Interest on the 2020 Bonds is payable semiannually on each March 15 and September 15, commencing March 15, 2021. Interest on the 2020 Bonds will be computed on the basis of a 360–day year comprised of 12, 30–day months. Zions Bancorporation is the initial Registrar (the “Registrar”) and Paying Agent for the 2020 Bonds under the Bond Ordinance. If any date for the payment of principal or interest on the 2020 Bonds is not a business day, then the payment will be due on the first day thereafter that is a business day and no interest will accrue during such period.

¹ The anticipated date of delivery is Wednesday, March 18, 2020.

The 2020 Bonds will be issued as fully-registered bonds, initially in book-entry form, in the denomination of \$5,000 or any whole multiple thereof, not exceeding the amount of each maturity.

The 2020 Bonds are being issued within the constitutional debt limit imposed on cities in the State of Idaho. See “DEBT STRUCTURE OF CITY OF KETCHUM, IDAHO—General Obligation Legal Debt Limit and Additional Debt Incurring Capacity” below.

Sources and Uses of Funds

The proceeds from the sale of the 2020 Bonds are estimated to be applied as set forth below:

Sources:

Par amount of 2020 Bonds.....	\$
Original issue premium.....	_____
Total	\$

Uses:

Deposit to Project Construction Fund.....	\$
Underwriter’s discount.....	
Costs of Issuance (1).....	
Total	\$

(1) Includes legal fees, Municipal Advisor fees, rating agency fees, Bond Registrar and Paying Agent fees, rounding amounts and other miscellaneous costs of issuance.

Redemption Provisions

Optional Redemption for the 2020 Bonds. The 2020 Bonds maturing on and after September 15, 2030 are subject to redemption prior to maturity in whole or in part at the option of the City on March 15, 2030 (the “First Redemption Date”) or on any date thereafter, from such maturities or parts thereof as shall be selected by the City, at the redemption price of 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, upon not less than 30 days’ prior written notice. Any 2020 Bond maturing on or prior to the First Redemption Date are not subject to optional redemption.

Selection for Redemption. If less than all 2020 Bonds of any maturity are to be redeemed, the particular 2020 Bonds or portion of 2020 Bonds of such maturity to be redeemed will be selected at random by the Bond Registrar in such manner as the Bond Registrar in its discretion may deem fair and appropriate. The portion of any registered 2020 Bond of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or a whole multiple thereof, and in selecting portions of such 2020 Bonds for redemption, the Bond Registrar will treat each such 2020 Bond as representing that number of 2020 Bonds of \$5,000 denomination that is obtained by dividing the principal amount of such 2020 Bond by \$5,000.

Notice of Redemption. Notice of redemption will be given by the Bond Registrar by first class mail, postage prepaid, not less than 30 nor more than 60 days prior to the redemption date, to the owner, as of the Record Date, as defined under “THE BONDS—Registration and Transfer” below, of each 2020 Bond that is subject to redemption, at the address of such owner as it appears on the registration books of the City kept by the Bond Registrar, or at such other address as is furnished to the Bond Registrar in writing by such owner on or prior to the Record Date. Each notice of redemption will state the Record Date, the principal amount, the redemption date, the place of redemption, the redemption price and, if less than all of the 2020 Bonds are to be redeemed, the distinctive numbers of the 2020 Bonds or portions of 2020 Bonds to be redeemed, and will also state that the interest on the 2020 Bonds in such notice designated for redemption will cease to accrue from and after such redemption date and that on the redemption date there will become

due and payable on each of the 2020 Bonds to be redeemed the principal thereof and interest accrued thereon to the redemption date.

Each notice of optional redemption may further state that such redemption will be conditioned upon the receipt by the Paying Agent, on or prior to the date fixed for redemption, of moneys sufficient to pay the principal of and premium, if any, and interest on such 2020 Bonds to be redeemed and that if such moneys have not been so received the notice will be of no force or effect and the City will not be required to redeem such 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Bond Registrar will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received. Any such notice mailed will be conclusively presumed to have been duly given, whether or not the Bondowner receives such notice. Failure to give such notice or any defect therein with respect to any 2020 Bond will not affect the validity of the proceedings for redemption with respect to any other 2020 Bond.

In addition to the foregoing notice, further notice of such redemption will be given by the Bond Registrar to DTC and certain registered securities depositories and national information services as provided in the Bond Ordinance, but no defect in such further notice nor any failure to give all or any portion of such notice will in any manner affect the validity of a call for redemption if notice thereof is given as prescribed above and in the Bond Ordinance.

For so long as a book–entry system is in effect with respect to the Bonds, the Bond Registrar will mail notices of redemption to DTC or its successor. Any failure of DTC to convey such notice to any Direct Participants or any failure of the Direct Participants or Indirect Participants to convey such notice to any Beneficial Owner will not affect the sufficiency of the notice or the validity of the redemption of Bonds. See “THE 2020 BONDS—Book–Entry System” below.

Mandatory Sinking Fund Redemption at Bidder’s Option

The 2020 Bonds may be subject to mandatory sinking fund redemption at the option of the successful bidder(s). See “OFFICIAL NOTICE OF BOND SALE—Term Bonds and Mandatory Sinking Fund Redemption at Bidder’s Option.”

Registration and Transfer; Record Date

In the event the book–entry system is discontinued, any 2020 Bond may, in accordance with its terms, be transferred, upon the registration books kept by the Bond Registrar, by the person in whose name it is registered, in person or by such owner’s duly authorized attorney, upon surrender of such 2020 Bond for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Bond Registrar. No transfer will be effective until entered on the registration books kept by the Bond Registrar. Whenever any 2020 Bond is surrendered for transfer, the Bond Registrar will authenticate and deliver a new fully registered 2020 Bond or 2020 Bonds of the same series, designation, maturity and interest rate and of authorized denominations duly executed by the City, for a like aggregate principal amount.

The 2020 Bonds may be exchanged at the principal corporate office of the Bond Registrar for a like aggregate principal amount of fully registered 2020 Bonds of the same series, designation, maturity and interest rate of other authorized denominations.

For every such exchange or transfer of the 2020 Bonds, the Bond Registrar must make a charge sufficient to reimburse it for any tax or other governmental charge required to be paid with respect to such exchange or transfer of the 2020 Bonds.

The Bond Registrar will not be required to transfer or exchange any 2020 Bond (a) after the Record Date with respect to any interest payment date to and including such interest payment date, or (b) after the Record Date with respect to any redemption of such 2020 Bond. The term “Record Date” means (i) with respect to each interest payment date, the day that is 15 days preceding such interest payment date, or if such day is not a business day for the Bond Registrar, the next preceding day that is a business day for the Bond Registrar, and (ii) with respect to any redemption of any 2020 Bond such Record Date as is specified by the Bond Registrar in the notice of redemption, provided that such Record Date will be not less than 15 calendar days before the mailing of such notice of redemption.

The City, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each 2020 Bond is registered in the registration books kept by the Bond Registrar as the holder and absolute owner thereof for the purpose of receiving payment of, or on account of, the principal or redemption price thereof (on the 2020 Bonds) and interest due thereon and for all other purposes whatsoever.

Book–Entry System

DTC will act as securities depository for the 2020 Bonds. The 2020 Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered 2020 Bond certificate will be issued for each maturity of the 2020 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC or a “fast agent” of DTC. See “APPENDIX D—BOOK–ENTRY SYSTEM” for a more detailed discussion of the book–entry system and DTC.

Debt Service on the 2020 Bonds

<u>Payment Date</u>	<u>The 2020 Bonds</u>		<u>Period Total</u>	<u>Fiscal Total</u>
	<u>Principal*</u>	<u>Interest</u>		
March 15, 2021.....	\$ 0.00			
September 15, 2021	20,000.00			
March 15, 2022.....	0.00			
September 15, 2022	240,000.00			
March 15, 2023.....	0.00			
September 15, 2023	250,000.00			
March 15, 2024.....	0.00			
September 15, 2024	260,000.00			
March 15, 2025.....	0.00			
September 15, 2025	275,000.00			
March 15, 2026.....	0.00			
September 15, 2026	285,000.00			
March 15, 2027.....	0.00			
September 15, 2027	295,000.00			
March 15, 2028.....	0.00			
September 15, 2028	305,000.00			
March 15, 2029.....	0.00			
September 15, 2029	320,000.00			
March 15, 2030.....	0.00			
September 15, 2030	330,000.00			
March 15, 2031.....	0.00			
September 15, 2031	350,000.00			
March 15, 2032.....	0.00			
September 15, 2032	365,000.00			
March 15, 2033.....	0.00			

* Preliminary; subject to change.

Debt Service on the 2020 Bonds—continued

<u>Payment Date</u>	<u>The 2020 Bonds</u>		<u>Period Total</u>	<u>Fiscal Total</u>
	<u>Principal*</u>	<u>Interest</u>		
September 15, 2033	\$ 385,000.00			
March 15, 2034.....	0.00			
September 15, 2034.....	405,000.00			
March 15, 2035.....	0.00			
September 15, 2035.....	425,000.00			
March 15, 2036.....	0.00			
September 15, 2036.....	445,000.00			
March 15, 2037.....	0.00			
September 15, 2037.....	465,000.00			
March 15, 2038.....	0.00			
September 15, 2038.....	490,000.00			
March 15, 2039.....	0.00			
September 15, 2039.....	515,000.00			
March 15, 2040.....	0.00			
September 15, 2040.....	540,000.00			
March 15, 2041.....	0.00			
September 15, 2041.....	565,000.00			
March 15, 2042.....	0.00			
September 15, 2042.....	595,000.00			
March 15, 2043.....	0.00			
September 15, 2043.....	625,000.00			
March 15, 2044.....	0.00			
September 15, 2044.....	<u>655,000.00</u>			
Totals.....	<u>\$9,405,000.00</u>	\$	\$	

* Preliminary; subject to change.

SECURITY AND SOURCES OF PAYMENT

The 2020 Bonds are general obligations of the City and the full faith, credit and resources of the City are pledged for the punctual payment of the principal of and interest on the 2020 Bonds. The 2020 Bonds are secured by ad valorem taxes to be levied against all taxable property within the City. More specifically, for the purpose of paying the principal of and interest on the 2020 Bonds as the same will become due, the City will levy on all taxable property located within the City, in addition to all other taxes, direct annual taxes sufficient in amount to provide for the payment of principal of and interest on the 2020 Bonds. The taxes, when collected, are required to be applied solely for the purpose of payment of principal and interest on the 2020 Bonds and for no other purpose.

The City may, subject to applicable laws, apply other funds available to make payments with respect to the 2020 Bonds and thereby reduce the amount of future tax levies for such purpose.

See “FINANCIAL INFORMATION REGARDING THE CITY OF KETCHUM, IDAHO—Property Tax Matters” below

Bond Fund for the 2020 Bonds

The Ordinance creates a bond fund for the deposit of revenues and disbursement of payments of debt service on the 2020 Bonds (the “Bond Fund”). In the Ordinance, the City covenants to levy and collect property taxes sufficient, together with other funds, to pay debt service on the 2020 Bonds, to deposit such

revenues into the Bond Fund and to use the funds on deposit in the Bond Fund for no other purpose than for payment of principal and interest on the 2020 Bonds as they become due.

The Idaho system of ad valorem tax collection and disbursement does not require counties to segregate tax collections dedicated to pay principal and interest on bonded indebtedness of political subdivisions from the other revenues the county collects on behalf of the political subdivision. The City maintains certain policies and internal controls to ensure that monies received from the County are properly allocated to their intended purposes, and that monies received from the bond levy are promptly deposited into the Bond Fund. The City also has policies and internal controls in place to prevent withdrawals from the Bond Fund for any purpose other than payment of principal and interest on the 2020 Bonds.

The Ordinance pledges the revenues from the bond levy and all funds on deposit in the Bond Fund for the payment of principal and interest on the 2020 Bonds.

CITY OF KETCHUM, IDAHO

General

The City, incorporated in 1961, covers an area of approximately 3.1 square miles. Located in Blaine County, Idaho, the City is situated in central Idaho at the northern end of the Wood River Valley and the edge of the Sawtooth National Forest with the Big Wood River running through town. The City lies adjacent to the City of Sun Valley, known for its world-class mountain resort. The City had approximately 2,827 residents according to the 2018 Census estimate.

The primary functions performed by the City include public safety, community development, public improvements, planning and zoning, and general administrative services to its residents.

Form of Government

Financial and administrative responsibility for management of the City is vested in a Council-Mayor form of government. The Mayor is elected to a four-year term. The City Council consists of four members elected by the voters of the City to serve four-year terms. The City Council acts through the passage of ordinances, resolutions, and motions. Specific regulatory and ordinance powers are granted by State statute. Public hearings are held as required for matters such as land use planning and budgets.

Current members of the City Council and other officers of the City and their respective terms in office are as follows:

<u>Office</u>	<u>Person</u>	<u>Years of Service</u>	<u>Expiration of Term</u>
Mayor.....	Neil Bradshaw	2	January 1, 2022
Council President.....	Michael David	8	January 1, 2024
Council Member	Amanda Breen	2	January 1, 2022
Council Member	Courtney Hamilton	2	January 1, 2022
Council Member	Jim Slanetz	8	January 1, 2024
City Administrator	Suzanne Frick	5	Appointed
Director of Finance/Internal Services	Grant Gager	3	Appointed
City Clerk.....	Robin Crotty	4	Appointed

Employee Workforce; No Post–Employment Benefits; Pension System

Employee Workforce. The City employs approximately 61 full–time equivalent employees.

No Post–Employment Benefits. As of the date of this OFFICIAL STATEMENT, the City does not have any other post–employment benefits.

Pension System. The City is a member of the Idaho State Public Employees’ Retirement System (“PERSI”). PERSI is the administrator of a multiple employer cost–sharing defined benefit public employee retirement system. A retirement board (the “PERSI Board”), appointed by the governor and confirmed by the legislature, manages the system which includes selecting investment managers to direct the investment, exchange and liquidation of assets in the managed accounts and to establish policy for asset allocation and other investment guidelines. The PERSI Board is charged with the fiduciary responsibility of administering the plan.

PERSI is the administrator of seven fiduciary funds, including three defined benefit retirement plans, the Public Employee Retirement Fund Base Plan (“PERSI Base Plan”), the Firefighters’ Retirement Fund, and the Judge’s Retirement Fund; two defined contribution plans, the Public Employee Retirement Fund Choice Plans 401(k) and 414(k); and two Sick Leave Insurance Reserve Trust Funds, one for State employees and one for school district employers.

PERSI membership is mandatory for eligible employees of participating employers. Employees must be: (i) working 20 hours per week or more; (ii) teachers working a half–time contract or greater; or (iii) persons who are elected or appointed officials. Membership is mandatory for State agency and local school district employees, and membership by contract is permitted for participating political subdivisions such as cities and counties. On July 1, 2019, PERSI had 72,502 active members, 39,867 inactive members (of whom 13,536 are entitled to vested benefits), and 48,120 annuitants. As of July 1, 2019, there were 808 public employers participating in the PERSI Base Plan. Total membership in PERSI was 160,489.

As of July 1, 2019, PERSI’s actuarial value of assets total \$17,239.5 million and the actuarial liabilities funded by PERSI total \$18,661 million. This means that as of July 1, 2019 PERSI is 92.5% funded. Governmental Accounting Standards Board (“GASB”) Statement 25 (Reporting Standards for defined benefit pension plans) has replaced Projected Benefits Obligations as the measure of pension plan funding status. As required by GASB Statement 25, the PERSI Schedule of Funding Progress shows a Funded Ratio of 92.5% and an amortization period of 10.6 years for the PERSI Base Plan, based on contribution rates and scheduled increases established as of the valuation date. The Schedule of Employer Contributions shows that PERSI employers have contributed at least 100% of the Actuarially Required Contributions.

Annual actuarial valuations for PERSI are provided by the private actuarial firm of Milliman, which has provided the actuarial valuations for PERSI since PERSI’s inception. Because of the statutory requirement that the amortization period for the unfunded actuarial liability be 25 years or less, the PERSI Board, at its October 2017 meeting, approved a total contribution rate increase of 1% scheduled to take effect July 1, 2019. The current contribution rates are shown below:

	Member		Employer	
	General/ Teacher	Fire/ Police	General/ Teacher	Fire/ Police
Contribution Rates (1).....	7.16%	8.81%	11.94%	12.28%

(1) Rate as of June 30, 2019.

(Source: PERSI 2019 CAFR for Fiscal Year 2019.)

The City reported a liability for its proportionate share of the net pension liability. The net pension liability is measured as of July 1 annually, and the total pension liability used to calculate the net pension liability is determined by an actuarial valuation as of that date. The City's proportion of the net pension liability is 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. According to the Public Employees Retirement System of Idaho Base Plan Report, on June 30, 2019, the City's proportion was 0.08652 percent or \$1,126,984.

PERSI issues a publicly available financial report that includes financial statements and required supplementary information and may be found at <http://www.persi.idaho.gov>. For a detailed discussion of PERSI and the City's contributions see "APPENDIX A—FINANCIAL STATEMENTS OF CITY OF KETCHUM, IDAHO FOR FISCAL YEAR 2019—Notes to the Financial Statements—Note 12. EMPLOYEE RETIREMENT PLAN" (page A-31).

Risk Management And Cybersecurity

Risk Management. The City manages its risks through the purchase of a general insurance coverage policy for public entities through the Idaho Counties Risk Management Program (ICRMP), a program that is the primary source of property and casualty loss protection for Idaho local governments including counties, cities, and special purpose districts. As of the date of this OFFICIAL STATEMENT, all policies are current and in force. The City believes its risk management policies and coverages are normal and within acceptable coverage limits for the type of services the City provides. See "APPENDIX A—FINANCIAL STATEMENTS OF CITY OF KETCHUM, IDAHO FOR FISCAL YEAR 2019—Notes to the Financial Statements—Note 10. RISK MANAGEMENT" (page A-30).

Cybersecurity. The City's insurance through ICRMP covers cybersecurity. The City has implemented policy measures to help offset any financial risks that may result from a cybersecurity breach. As with all risks to which the City is exposed, loss or breach can result in legal and/or regulatory claims. The City's comprehensive insurance policies are in place to protect the City in those circumstances.

Investment of Funds

The City has a formal investment policy, approved on January 20, 1998, as Resolution No. 681. Additionally, the City's investment policy is governed by Idaho Code, Chapter 12 of Title 67, which provides authorization for the investment of funds as well as specific direction as to what constitutes an allowable investment. City procedures are consistent with the Idaho Code. The Code limits investments to the following general types: (i) certain revenue bonds, general obligation bonds, local improvement district bonds and registered warrants of State and local governmental entities; (ii) time deposits accounts and tax anticipation and interest-bearing notes; (iii) bonds, treasury bills, debentures or other similar obligations issued or guaranteed by agencies or instrumentalities of the government of the State of Idaho or the United States; and (iv) repurchase agreements.

Local governments, including the City, are also authorized to invest in the Local Government Investment Pool ("LGIP"), which is managed by the Idaho State Treasurer's Office. Information on the LGIP investments is available from the Idaho State Treasurer. The City does invest in the LGIP.

Investments are stated at cost, except for investments in the deferred compensation agency fund, which are reported at market value. Interest income on such investments is recorded as earned in the General Fund of the City unless otherwise specified by law. For additional detail regarding the City's investment policy, see also "APPENDIX A—FINANCIAL STATEMENTS OF CITY OF KETCHUM, IDAHO FOR FISCAL YEAR 2019—Note 2. CASH AND CASH DEPOSITS" (page A-24).

DEMOGRAPHIC INFORMATION

Population

	<u>City</u>	% Change from Prior Period	<u>County</u>	% Change from Prior Period
2018 Estimate.....	2,827	5.1%	22,601	5.7%
2010 Census.....	2,689	(10.5)	21,376	12.6
2000 Census.....	3,003	19.0	18,991	40.1
1990 Census.....	2,523	14.7	13,552	37.7
1980 Census.....	2,200	51.3	9,841	71.2
1970 Census.....	1,454	94.9	5,749	25.0

(Source: U.S. Department of Commerce, Bureau of the Census.)

Economic Indicators of the County

Per Capita, Total Personal Income and Median Income

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Per Capita Income (1)					
Blaine County	\$113,780	\$107,468	\$92,495	\$92,402	\$86,255
% change from prior year	5.9	9.3	2.5	9.5	8.2
State of Idaho	43,901	42,094	39,470	38,848	37,186
% change from prior year	4.3	6.6	1.6	4.5	4.1
Total Personal Income (1)					
Blaine County (\$ in thousands).....	\$2,571,549	\$2,394,060	\$2,161,559	\$2,076,031	\$1,880,615
% change from prior year	7.4	10.8	4.1	10.4	8.9
State of Idaho (\$ in millions)	77,012	72,355	68,445	65,825	61,827
% change from prior year	6.4	5.7	4.0	6.5	5.5
Median Income (2)					
Blaine County	\$76,113	\$68,101	\$66,210	\$65,272	\$63,490
% change from prior year	11.8	2.9	1.4	2.8	(6.5)
State of Idaho	55,524	52,280	51,647	48,311	47,572
% change from prior year	6.2	1.2	6.9	1.6	2.0

(1) Source: Bureau of Economic Analysis, U.S. Department of Commerce.

(2) Source: U.S. Census Bureau.

(The remainder of this page has been intentionally left blank.)

Largest Employers

The following is a list of the largest employers in the County:

<u>Firm/Location</u>	<u>Business</u>	<u>Employees</u>
Sun Valley Resort	Mountain resort facilities	1,000–2,000
Blaine County School District	Education	500–750
Atkinsons Market.....	Supermarkets and other grocery	250–500
Power Engineers	Engineering services	250–500
St. Luke’s Wood River Medical Center.....	General medicinal and surgical hospital	250–500
Albertson’s Grocery.....	Supermarkets and other grocery	100–250
Blaine County	Local government	100–250
Community School	Educational services	100–250
IEG Zenergy LLC	Fitness and recreational sports center	100–250
Ketchum, City of.....	Local Government	100–250
Webb Landscaping.....	Administrative support and waste mgmt.	100–250
Aspen Skiing Company aka Four Mtn. Sports ..	Leisure and hospitality	50–100
Rocky Mountain Hardware.....	Hardware merchant wholesaler	50–100
The Valley Club.....	Leisure and hospitality	50–100
Wood River Community YMCA.....	Leisure and hospitality	50–100

(Source: Q1 2018-Q3 2019 average; Quarterly Census of Employment & Wages, Idaho Department of Labor.)

Labor Market Data of the County and Employment by Industry

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total civilian work force.....	12,323	12,277	11,825	11,816	11,456
Unemployed.....	291	311	317	424	515
Percent of labor force unemployed.....	2.4	2.5	3.1	3.6	4.5
Total employment.....	12,032	11,966	11,454	11,391	10,941
Total covered wages	13,027	12,946	12,449	12,388	11,912
Agriculture	118	127	117	115	127
Mining.....	30	26	–	–	–
Construction.....	1,775	1,685	1,500	1,563	1,293
Manufacturing.....	385	417	417	438	428
Trade, Utilities, and Transportation.....	1,930	1,935	1,923	1,892	1,859
Information	192	158	160	161	146
Financial activities	636	644	574	550	563
Professional and Business Services	1,582	1,615	1,587	1,572	1,481
Educational and Health Services.....	1,190	1,132	1,091	1,042	1,069
Leisure and Hospitality	3,330	3,327	3,211	3,117	3,031
Other Services.....	536	468	440	451	454
Government.....	1,322	1,411	1,420	1,449	1,461

(Source: Idaho Department of Labor.)

Construction Value of the City

Year	Permits Issued	New Residential Value	New Non-Residential Value	Repairs/ Additions/ Remodel	Total Construction Value
2019.....	128	\$34,662,565	\$ 3,800,000	\$18,223,558	\$56,686,123
2018.....	108	9,090,137	20,262,879	17,079,008	46,432,024
2017.....	129	7,563,690	8,386,750	15,188,343	31,138,783
2016.....	107	41,146,296	31,600,000	9,956,867	83,850,719
2015.....	103	12,372,766	31,750,000	7,853,241	51,976,007

(Source: The City of Ketchum Construction Activity Report.)

Rate of Unemployment—Annual Average

Year	The County (1)	State of Idaho (1)	United States
2019 (2).....	2.6%	2.9%	3.5%
2018	2.4	2.8	3.9
2017	2.5	3.2	4.4
2016	3.1	3.8	4.9
2015	3.6	4.2	5.3
2014	4.5	4.9	6.2

(1) Source: State of Idaho Department of Labor.

(2) Preliminary; subject to change. As of November 2019 only; seasonally adjusted.

(Source: U.S Bureau of Labor Statistics.)

DEBT STRUCTURE OF THE CITY OF KETCHUM, IDAHO

Outstanding Municipal Debt

Outstanding General Obligation Bonded Indebtedness

Series	Purpose	Original Principal Amount	Final Maturity Date	Current Principal Outstanding
2020 (a)	Fire station	\$9,405,000*	September 15, 2044	\$9,405,000*
2007 (1).....	Equipment	1,555,000	August 1, 2021	<u>280,000</u>
Total outstanding general obligation debt				<u>\$9,685,000</u>

* Preliminary; subject to change.

(a) For purposes of this OFFICIAL STATEMENT, the 2020 Bonds will be considered issued and outstanding. Rated “___” by Moody’s Investors Service (“Moody’s”) as of the date of this OFFICIAL STATEMENT.

(1) Not rated; no rating applied for. These bonds were privately purchased.

Outstanding Water Revenue Bonded Indebtedness

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2016	Refunding	\$1,697,000	September 15, 2027	\$1,268,000
2015B (2)	Refunding	2,310,000	September 15, 2034	<u>2,230,000</u>
Total outstanding water revenue debt.....				<u>\$3,498,000</u>

- (1) Not rated. No rating applied for. These bonds were privately placed.
- (2) These bonds were issued through Idaho Bond Bank Authority and are payable from the net revenues pledge of the City’s water system and sales tax intercept. The Idaho Bond Bank Authority is rated “Aa1” by Moody’s as of the date of this OFFICIAL STATEMENT.

Outstanding Wastewater Revenue Bonded Indebtedness

<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Final Maturity Date</u>	<u>Current Principal Outstanding</u>
2014 (1).....	Refunding	1,950,000	September 15, 2025	<u>\$1,315,000</u>

- (1) These bonds were issued through Idaho Bond Bank Authority and are payable from the net revenues pledge of the City’s sewer system and sales tax intercept. The Idaho Bond Bank Authority is rated “Aa1” by Moody’s as of the date of this OFFICIAL STATEMENT.

Future Issuance of Debt; Other Financial Considerations

Future issuance of debt. Other than the issuance of the 2020 Bonds (and any refunding opportunities) the City does not anticipate the issuance of any other general obligation debt within the next three years; however, the City reserves the right to issue any bonds or other obligations as its capital needs may require.

Other Financial Considerations. The City has also entered into a capital lease agreement for financing its capital equipment needs. As of Fiscal Year 2019, the present value of the minimum lease payments of the City’s capital leases totals \$709,069, with annual payments, subject to appropriation, scheduled through Fiscal Year 2034. See “APPENDIX A—FINANCIAL STATEMENTS OF CITY OF KETCHUM, IDAHO FOR FISCAL YEAR 2019—Notes to the Financial Statements—Note 5. Capital Leases” (page A–28).

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Debt Service Schedule of Outstanding General Obligation Bonds By Fiscal Year

Fiscal Year Ending June 30	\$9,405,000*		\$1,550,000		Totals*		
	Series 2020		Series 2007		Total	Total	Total
	Principal*	Interest (a)	Principal	Interest	Principal	Interest	Debt Service
2019.....	\$ 0	\$ 0	\$ 131,000	\$ 18,007	\$ 131,000	\$ 18,007	\$ 149,007
2020.....	0	0	137,000	12,336	137,000	12,336	149,336
2021.....	20,000	667,894	143,000	6,335	163,000	674,229	837,229
2022.....	240,000	446,950	—	—	240,000	446,950	686,950
2023.....	250,000	437,350	—	—	250,000	437,350	687,350
2024.....	260,000	427,350	—	—	260,000	427,350	687,350
2025.....	275,000	416,950	—	—	275,000	416,950	691,950
2026.....	285,000	405,950	—	—	285,000	405,950	690,950
2027.....	295,000	394,550	—	—	295,000	394,550	689,550
2028.....	305,000	382,750	—	—	305,000	382,750	687,750
2029.....	320,000	370,550	—	—	320,000	370,550	690,550
2030.....	330,000	357,750	—	—	330,000	357,750	687,750
2031.....	350,000	341,250	—	—	350,000	341,250	691,250
2032.....	365,000	323,750	—	—	365,000	323,750	688,750
2033.....	385,000	305,500	—	—	385,000	305,500	690,500
2034.....	405,000	286,250	—	—	405,000	286,250	691,250
2035.....	425,000	266,000	—	—	425,000	266,000	691,000
2036.....	445,000	244,750	—	—	445,000	244,750	689,750
2037.....	465,000	222,500	—	—	465,000	222,500	687,500
2038.....	490,000	199,250	—	—	490,000	199,250	689,250
2039.....	515,000	174,750	—	—	515,000	174,750	689,750
2040.....	540,000	149,000	—	—	540,000	149,000	689,000
2041.....	565,000	122,000	—	—	565,000	122,000	687,000
2042.....	595,000	93,750	—	—	595,000	93,750	688,750
2043.....	625,000	64,000	—	—	625,000	64,000	689,000
2044.....	655,000	32,750	—	—	655,000	32,750	687,750
Totals.....	<u>\$ 9,405,000</u>	<u>\$ 7,133,544</u>	<u>\$ 411,000</u>	<u>\$ 36,678</u>	<u>\$ 9,816,000</u>	<u>\$ 7,170,222</u>	<u>\$ 16,986,222</u>

* Preliminary; subject to change.

(a) Preliminary; subject to change. Interest has been estimated at an average interest rate of 4.9% per annum.

(Source: the Municipal Advisor.)

Debt Service Schedule of Outstanding Water Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	\$1,697,000		\$2,310,000		Totals		
	Series 2016		Series 2015B		Total	Total	Total
	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2019.....	\$ 143,000	\$ 24,551	\$ 30,000	\$ 110,075	\$ 173,000	\$ 134,626	\$ 307,626
2020.....	145,000	22,064	30,000	109,475	175,000	131,539	306,539
2021.....	151,000	19,540	30,000	108,575	181,000	128,115	309,115
2022.....	152,000	16,912	30,000	107,675	182,000	124,587	306,587
2023.....	157,000	14,269	30,000	106,475	187,000	120,744	307,744
2024.....	162,000	11,537	30,000	105,500	192,000	117,037	309,037
2025.....	162,000	8,717	35,000	104,000	197,000	112,717	309,717
2026.....	166,000	5,899	35,000	102,250	201,000	108,149	309,149
2027.....	173,000	3,010	30,000	100,500	203,000	103,510	306,510
2028.....	—	—	255,000	99,000	255,000	99,000	354,000
2029.....	—	—	270,000	86,250	270,000	86,250	356,250
2030.....	—	—	285,000	72,750	285,000	72,750	357,750
2031.....	—	—	295,000	58,500	295,000	58,500	353,500
2032.....	—	—	310,000	43,750	310,000	43,750	353,750
2033.....	—	—	330,000	28,250	330,000	28,250	358,250
2034.....	—	—	235,000	11,750	235,000	11,750	246,750
Totals.....	\$ 1,411,000	\$ 126,499	\$ 2,260,000	\$ 1,354,775	\$ 3,671,000	\$ 1,481,274	\$ 5,152,274

Debt Service Schedule of Outstanding Wastewater Revenue Bonds By Fiscal Year

Fiscal Year Ending June 30	\$1,950,000		Total
	Series 2014		Debt
	Principal	Interest	Service
2019.....	\$ 185,000	\$ 71,300	\$ 256,300
2020.....	195,000	65,750	260,750
2021.....	205,000	56,000	261,000
2022.....	215,000	45,750	260,750
2023.....	220,000	35,000	255,000
2024.....	230,000	24,000	254,000
2025.....	250,000	12,500	262,500
Totals.....	\$ 1,500,000	\$ 310,300	\$ 1,810,300

(Source: the Municipal Advisor.)

Overlapping and Underlying General Obligation Debt

Taxing Entity	2019 Taxable Value (1)	City's Portion of Tax- able Value	City's Per- centage	Entity's General Obligation Debt (1)	City's Portion of G.O. Debt
Overlapping:					
Blaine County	\$10,625,527,428	\$3,142,872,142	29.6%	\$5,090,000	<u>\$1,506,640</u>
Underlying:					
Total underlying					<u>0</u>
Total overlapping and underlying general obligation debt					\$ 1,506,640
Total direct general obligation bonded indebtedness*					<u>9,685,000</u>
Total direct and overlapping general obligation debt*					<u>\$11,311,640</u>

This table excludes any additional principal amounts attributable to unamortized original issue bond premium and deferred amount on refunding.

* Preliminary; subject to change.

(1) Taxing entity's general obligation debt includes all bonds backed by a general obligation pledge including self-supporting general obligation bonds and limited tax debt.

Debt Ratios

The following table sets forth the ratios of general obligation debt (excluding any additional principal amounts attributable to unamortized original issue bond premium and deferred amount on refunding) that is expected to be paid from taxes levied specifically for such debt and not from other revenues over the taxable value of property within the City, the estimated market value of such property and the population of the City. *The State's general obligation debt is not included in the debt ratios because the State currently levies no property tax for payment of general obligation debt.*

	To 2019 Taxable Value (1)	To 2019 Market Value (2)	To 2018 Population Estimate Per Capita (3)
Direct General Obligation Debt*	0.31%	0.30%	\$3,426
Direct and Overlapping General Obligation Debt*	0.36	0.35	3,959

* Preliminary; subject to change.

(1) Based on a 2019 Taxable Value of \$3,142,872,142, which excludes Urban Renewal value.

(2) Based on a 2019 Market Value of \$3,229,727,655, which excludes Urban Renewal.

(3) Based on 2018 Census of 2,827 by the U.S. Census Bureau.

See "FINANCIAL INFORMATION REGARDING THE CITY OF KETCHUM, IDAHO—Taxable Value of Property" below.

General Obligation Legal Debt Limit and Additional Debt Incurring Capacity

Section 50–1019, Idaho Code, establishes limits on voter–approved general obligation debt for Idaho cities to an amount not to exceed 2% of the taxable value for assessment purposes, less the aggregate outstanding voter–approved general obligation bond indebtedness. The legal debt limit and additional debt incurring capacity of the City are based on the taxable value for 2019, and are calculated as follows:

2019 Taxable Value (1).....	<u>\$3,437,767,748</u>
“Taxable Value” times 2% equals the “Debt Limit”	\$68,755,355
Less: current outstanding general obligation debt*	<u>(9,685,000)</u>
Estimated additional debt incurring capacity*	<u>\$58,070,355</u>

(1) Includes Urban Renewal value.

* Preliminary; subject to change.

No Defaulted Obligations

The City has never failed to pay principal of and interest on any of its financial obligations when due.

FINANCIAL INFORMATION REGARDING THE CITY OF KETCHUM, IDAHO

Fund Structure; Accounting Basis

The government–wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources management focus and modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes available if they are collected within 30 days after year end. A 90–day availability period is used for revenue recognition for all other governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Budget and Budgetary Process

As required by Idaho Code Section 50–1002, the City Council shall, prior to passing the annual appropriation ordinance, prepare a budget estimating the revenues and expenditures for the ensuing fiscal year. After proper publication, a public hearing is held for any interested person to appear and show cause why such proposed budget should or should not be adopted.

City Council may amend the budget during the fiscal year by following the same procedure as used in adopting the original appropriation ordinance. However, in order to amend the budget to a greater amount than originally adopted, additional revenue must accrue to the City equal to the proposed expenditures.

Sources of General Fund Revenues

Set forth below are brief descriptions of the various sources of revenues available to the City’s general fund. The percentage of total general fund revenues represented by each source is based on the City’s Fiscal Year 2019 period (total general fund revenues were \$10,158,694).

Property Taxes—Approximately 42% (or \$4,292,095) of general fund revenues are from property taxes, including interest on delinquent taxes.

Fees and Charges for Services—Approximately 32% (or \$3,291,704) of general fund revenues are from fees and charges for services.

State of Idaho Shared Revenue—Approximately 16% (or \$1,584,669) of general fund revenues are from State shared revenues, including general revenue, liquor receipts, highway user collections, and State sales tax.

Franchises, Licenses, and Permits—Approximately 7% (or \$702,952) of general fund revenues are from franchises, licenses, and permits.

County Court and Parking Fines—Approximately 1% (or \$99,080) of general fund revenues are collected from county court and parking fines.

Earnings on Investments—Approximately 1% (or \$81,545) of general fund revenues are collected from earnings on investments.

Miscellaneous and Reimbursements—Approximately 1% (or \$81,096) of general fund revenues are miscellaneous and reimbursement revenue.

Penalties/Interest on Property Taxes; Proceeds from Sales of Assets—Less than 1% (or \$25,553) of general fund revenues are collected penalties/interest on property taxes and from proceeds from sales of assets.

Financial Summaries

The summaries contained herein were extracted from the City’s audited financial reports. The summaries themselves have not been unaudited.

The administration of the City prepared a narrative discussion, overview, and analysis of the financial activities of the City for Fiscal Year 2019. See “APPENDIX A—FINANCIAL STATEMENTS OF CITY OF KETCHUM, IDAHO FOR FISCAL YEAR 2019—Management’s Discussion and Analysis” (after the Independent Auditor’s Report).

City of Ketchum, Idaho

Statement of Net Position Primary Government

(This summary has not been audited)

	As of September 30				
	2019	2018	2017	2016	2015
Assets and deferred outflows of resources					
Assets					
Cash and deposits.....	\$ 10,247,322	\$ 9,704,570	\$ 10,211,611	\$ 8,840,199	\$ 4,545,528
Accounts receivables & prepaid expenses.....	51,762	54,498	56,937	13,594	30,180
Taxes receivable.....	270,771	237,022	236,717	220,307	294,987
Due from other governments.....	455,901	430,376	424,162	401,351	427,098
Restricted cash.....	502,506	475,755	362,242	568,564	657,110
Other assets.....	2,026	2,217	–	–	–
Totals.....	<u>11,530,288</u>	<u>10,904,438</u>	<u>11,291,669</u>	<u>10,044,015</u>	<u>5,954,903</u>
Capital assets					
Land	8,824,418	8,824,418	4,363,269	4,363,269	4,363,269
Construction in progress.....	240,196	524,626	122,216	36,043	36,043
Infrastructure.....	2,839,118	2,349,090	1,384,809	1,384,809	1,322,932
Buildings and improvements.....	35,556,115	34,124,116	30,776,517	30,653,702	30,626,306
Vehicles and equipment.....	9,126,786	8,108,298	7,590,383	8,110,116	7,965,924
Accumulated depreciation.....	(23,586,417)	(21,481,828)	(20,535,543)	(20,936,454)	(20,098,221)
Total capital assets.....	<u>33,000,216</u>	<u>32,448,720</u>	<u>23,701,651</u>	<u>23,611,485</u>	<u>24,216,253</u>
Total assets.....	<u>44,530,504</u>	<u>43,353,158</u>	<u>34,993,320</u>	<u>33,655,500</u>	<u>30,171,156</u>
Deferred outflows of resources					
Pension activity.....	146,717	206,161	230,585	885,173	589,232
Total assets and deferred outflows of resources....	<u>\$ 44,677,221</u>	<u>\$ 43,559,319</u>	<u>\$ 35,223,905</u>	<u>\$ 34,540,673</u>	<u>\$ 30,760,388</u>
Liabilities, deferred inflows of resources and net position					
Liabilities					
Accounts and interest payable.....	125,516	129,752	74,576	191,219	140,374
Long-term liabilities					
Portion due or payable within on year	546,955	489,000	473,000	435,000	441,000
Portion due or payable after one year:					
Bonds payable.....	5,255,114	5,093,000	5,587,000	6,085,000	6,688,000
Unamortized bond discount.....	(28,650)	(31,881)	(35,202)	(38,343)	–
Unamortized bond premium.....	281,358	301,978	320,821	339,190	347,729
Net pension liability.....	987,602	1,179,132	1,361,816	1,739,214	1,171,806
Compensated absences.....	379,594	234,495	163,786	176,883	186,805
Total liabilities.....	<u>7,547,489</u>	<u>7,395,476</u>	<u>7,945,797</u>	<u>8,928,163</u>	<u>8,975,714</u>
Deferred inflows of resources					
From pension activities.....	452,841	185,709	204,281	568,830	755,831
Total deferred inflows of resources.....	<u>452,841</u>	<u>185,709</u>	<u>204,281</u>	<u>568,830</u>	<u>755,831</u>
Net position					
Net investment in capital assets.....	26,945,439	26,596,623	17,356,032	16,790,638	16,739,524
Restricted for:					
Debt service.....	212,000	212,000	212,000	388,274	557,948
Other purposes.....	290,506	263,755	150,242	180,290	99,162
Unrestricted.....	<u>9,228,946</u>	<u>8,905,756</u>	<u>9,355,553</u>	<u>7,684,478</u>	<u>3,632,209</u>
Total net position.....	<u>36,676,891</u>	<u>35,978,134</u>	<u>27,073,827</u>	<u>25,043,680</u>	<u>21,028,843</u>
Total liabilities, deferred inflows of resources and net position.....	<u>\$ 44,677,221</u>	<u>\$ 43,559,319</u>	<u>\$ 35,223,905</u>	<u>\$ 34,540,673</u>	<u>\$ 30,760,388</u>

(Source: Information taken from the City's audited financial statements, compiled by the Municipal Advisor.)

City of Ketchum, Idaho

Statement of Activities

Total Primary Government

(This summary has not been audited)

	Net (Expense) Revenue and Changes in Net Assets (1)				
	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
Governmental activities					
General government.....	\$ (1,978,964)	\$ 3,288,709	(1,750,877)	\$ (1,172,819)	\$ (1,107,875)
Public Protection:					
Public safety.....	(4,709,404)	(3,521,555)	(2,410,771)	(2,598,824)	(3,068,823)
Streets.....	(2,123,215)	(1,509,475)	(1,857,211)	(1,315,945)	(1,391,749)
Parks and recreation.....	(473,134)	(330,173)	(474,917)	(382,447)	(852,861)
Transportation.....	(3,172,440)	(3,083,953)	(2,772,833)	(2,823,892)	(2,266,522)
Affordable housing.....	109,760	(70,000)	(70,000)	(70,000)	(12,000)
Interest on long-term debt.....	(18,008)	(23,400)	(28,898)	(33,631)	(37,644)
Unallocated depreciation expense.....	-	-	(390,035)	(317,029)	(324,425)
Total governmental activities.....	<u>(12,365,405)</u>	<u>(5,249,847)</u>	<u>(9,755,542)</u>	<u>(8,714,587)</u>	<u>(9,061,899)</u>
Business type activities					
Water.....	538,229	426,571	667,401	233,375	154,222
Wastewater.....	693,749	437,203	116,093	306,266	445,725
Interest on long-term debt.....	(200,176)	(212,042)	(219,043)	(283,125)	(260,445)
Total business type activities.....	<u>1,031,802</u>	<u>651,732</u>	<u>564,451</u>	<u>256,516</u>	<u>339,502</u>
Total city.....	<u>(11,333,603)</u>	<u>(4,598,115)</u>	<u>(9,191,091)</u>	<u>(8,458,071)</u>	<u>(8,722,397)</u>
Changes in net position					
General revenues					
Property taxes.....	4,292,095	4,135,397	3,961,077	3,839,087	3,700,563
Local option sales tax.....	4,973,422	4,643,332	4,401,347	4,041,716	3,893,798
Franchise, licenses, permits.....	971,701	1,239,003	1,055,252	2,973,012	1,034,170
State of Idaho revenue sharing.....	966,466	954,367	908,254	857,994	830,033
State of Idaho sales tax.....	102,535	96,317	90,168	87,447	83,776
State of Idaho liquor receipts.....	381,349	369,662	343,611	311,194	282,132
State of Idaho highway user collections.....	134,319	128,457	127,271	126,579	94,738
Penalty and interest on property taxes.....	13,801	12,694	10,657	22,976	12,442
County court fines.....	99,080	25,998	26,908	42,248	34,501
Gain (loss) on sale of assets.....	(96,630)	1,352,614	-	-	-
Earnings on investments.....	230,484	177,421	89,056	44,978	20,235
Miscellaneous.....	81,396	174,806	105,048	201,603	19,415
Amortization of bond premium.....	20,619	18,843	18,369	8,539	474
Amortization of bond discount.....	(3,231)	(3,321)	3,140	-	-
Gain (loss) on pension activities.....	(135,046)	176,831	87,360	(84,466)	66,669
Total general revenues and transfers....	<u>12,032,360</u>	<u>13,502,421</u>	<u>11,221,238</u>	<u>12,472,907</u>	<u>10,072,946</u>
Change in net position.....	698,757	8,904,306	2,030,147	4,014,836	1,350,549
Net position—beginning.....	35,978,134	27,073,828	25,043,680	21,028,844	21,254,558
Prior period adjustment.....	-	-	-	-	(1,576,264)
Net position—ending.....	<u>\$ 36,676,891</u>	<u>\$ 35,978,134</u>	<u>\$ 27,073,827</u>	<u>\$ 25,043,680</u>	<u>\$ 21,028,843</u>

(1) This report is presented in summary format concerning the single item of “Net (Expense) Revenue and Changes in Net Assets” and is not intended to be complete.

(Source: Information taken from the City’s audited financial statements, compiled by the Municipal Advisor.)

City of Ketchum, Idaho

Balance Sheet—Governmental Fund Types

General Fund

(This summary has not been audited)

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
Assets					
Cash and deposits.....	\$ 3,041,390	\$ 2,699,843	\$ 2,887,659	\$ 3,093,746	2,635,190
Taxes receivable.....	26,473	28,255	24,384	24,786	60,786
Accounts receivable.....	2,026	2,217			
Due from other governments.....	395,668	391,212	379,727	362,245	328,599
Total assets.....	\$ 3,465,557	\$ 3,121,527	\$ 3,291,770	\$ 3,480,777	\$ 3,024,575
Liabilities					
Accounts payable.....					
Total liabilities.....	60,723	77,883	5,088	-	-
Fund balances					
Unassigned—general fund.....	3,404,834	2,952,292	3,196,751	3,391,582	1,684,302
Assigned.....	-	91,352	89,931	89,195	1,340,273
Total fund balance.....	3,404,834	3,043,644	3,286,682	3,480,777	3,024,575
Total liabilities and fund balance.....	\$ 3,465,557	\$ 3,121,527	\$ 3,291,770	\$ 3,480,777	\$ 3,024,575

(Source: Information taken from the City’s audited financial statements, compiled by the Municipal Advisor.)

City of Ketchum, Idaho

Statement of Revenues, Expenditures, and Changes in Fund Balance

Governmental Fund Types—General Fund

(This summary has not been audited)

	Fiscal Year Ended September 30				
	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues					
Property taxes.....	\$ 4,292,095	\$ 4,135,397	\$ 3,961,077	\$ 3,839,087	\$ 3,700,563
Franchise fees.....	702,952	960,223	989,228	932,492	778,383
State of Idaho revenue sharing.....	966,466	954,367	908,254	857,994	830,033
State of Idaho sales tax.....	102,535	96,317	90,168	87,447	83,776
State of Idaho liquor receipts.....	381,349	369,662	343,611	311,194	282,132
State of Idaho highway user collections.....	134,319	128,457	127,271	126,579	94,738
Penalty and interest on property taxes.....	13,801	12,694	10,657	22,976	12,442
County court fines.....	99,080	25,998	26,908	42,248	34,501
Fees and charges for services.....	3,291,704	3,327,107	3,123,119	2,073,073	2,120,703
Proceeds from the sale of assets.....	11,752	–	–	–	–
Grants and contributions.....	–	6,271	57,500	3,605	3,000
Earnings on investments.....	81,545	56,490	30,780	20,550	9,993
Miscellaneous.....	81,096	72,930	29,348	122,003	19,407
Total revenues.....	<u>10,158,694</u>	<u>10,145,913</u>	<u>9,697,921</u>	<u>8,439,248</u>	<u>7,969,671</u>
Expenditures					
General government.....	4,167,474	3,859,516	3,545,582	2,585,456	1,901,376
Public safety.....	3,925,212	3,727,835	3,355,526	3,322,996	3,424,325
Streets.....	1,987,424	1,470,612	1,792,080	1,413,715	1,402,882
Parks and recreation.....	467,643	485,810	539,788	556,392	1,023,440
Total expenditures.....	<u>10,547,753</u>	<u>9,543,773</u>	<u>9,232,976</u>	<u>7,878,559</u>	<u>7,752,023</u>
Excess of revenues over (under) expenditures....	<u>(389,059)</u>	<u>602,140</u>	<u>464,945</u>	<u>560,689</u>	<u>217,648</u>
Other financing sources (uses)					
Operating transfers from other funds.....	1,164,256	1,341,110	1,141,892	1,061,556	595,359
Operating transfers to other funds.....	(414,007)	(2,186,288)	(1,800,932)	(523,889)	(203,145)
Total other financing sources (uses).....	<u>750,249</u>	<u>(845,178)</u>	<u>(659,040)</u>	<u>537,667</u>	<u>392,214</u>
Net change in fund balance.....	361,190	(243,038)	(194,095)	1,098,356	609,862
Fund balance at beginning of year.....	<u>3,043,644</u>	<u>3,286,682</u>	<u>3,480,777</u>	<u>2,382,421</u>	<u>2,414,713</u>
Fund balance at end of year.....	<u>\$ 3,404,834</u>	<u>\$ 3,043,644</u>	<u>\$ 3,286,682</u>	<u>\$ 3,480,777</u>	<u>\$ 3,024,575</u>

(Source: Information taken from the City's audited financial statements, compiled by the Municipal Advisor.)

Property Tax Matters

Tax Levy Procedure. The City’s tax levy is certified to the board of county commissioners in September and taxes are due and payable one-half on December 20th and one-half on June 20th of the following calendar year. The County Treasurer disburses tax receipts to the City approximately one month after the statutory payable dates.

Ad Valorem Tax Limitation. Idaho Code Section 63–802 provides that no taxing district may certify a budget request for an amount of ad valorem tax revenues (excluding revenue from levies that are voter-approved for bonds, override levies, or supplemental levies) to finance an annual budget that exceeds the greater of (i) the dollar amount of ad valorem taxes certified for its annual budget for any one of the preceding three years, increased by a growth factor of not to exceed three (3) percent plus the amount of revenue that would have been generated by applying the levy of the previous year to any increase in market value subject to taxation resulting from new construction; or (ii) the dollar amount of ad valorem taxes certified for its annual budget during the last year in which a levy was made; or (iii) the dollar amount of the actual budget request, if the taxing district is newly created; or (iv) in the case of school districts, the restriction imposed in Section 33–802, Idaho Code. The statute further provides that a board of county commissioners may set a levy that exceeds the limitation above if it has been approved by a majority of the taxing district’s electors voting on the question at an election called for that purpose. The State Tax Commission must receive the resolution that has been adopted formally by the taxing district requesting the estimated ad valorem tax increase resulting from the budget request as certified in dollars to the board of county commissioners or in the case of county budgets, to the State Tax Commission, in accordance with specific procedures.

The limitation on the amount of property tax revenues to finance an annual budget does not include revenue from levies that are voter approved for bonds, override levies or supplemental levies.

Ad valorem taxes, including delinquent taxes and penalties, are collected by the Treasurer of the County and are remitted to the City during the month following collection.

Direct and Overlapping Tax Rates of the City

	Tax Rate (Fiscal Year) (1)				
	2019	2018	2017	2016	2015
Direct Tax Rates:					
The City	<u>.001409946</u>	<u>.001421020</u>	<u>.001417901</u>	<u>.001408837</u>	<u>.001411947</u>
Overlapping Rates:					
The County .....	.001116632	.001142941	.001160382	.001145283	.001157151
Ambulance.....	.000212437	.000216912	.000219701	.000216114	.000216587
Recreation.....	.000136563	.000139446	.000141238	.000138935	.000139246
School District No. 61 .....	.003562482	.003803070	.004010731	.004090400	.004242661
Ketchum Cemetery District .....	.000011691	.000011854	.000011885	.000011642	.000011644
Big Wood Flood Control #9	<u>.000010832</u>	<u>.000011053</u>	<u>.000011206</u>	<u>.000011446</u>	<u>.000012036</u>
Total Direct and Overlapping Tax Rate (2)	<u>.006460581</u>	<u>.006746296</u>	<u>.006973044</u>	<u>.007022657</u>	<u>.007191272</u>

(1) These tax rates represent a taxing district within the City with the highest combined total tax rates of all overlapping taxing districts.

(2) Includes total City tax rate.

(Source: The Office of the County Treasurer; compiled by the Municipal Advisor.)

Taxable Value of Property

The County Assessor annually assign “valuation of market value for assessment purposes” to all taxable real and personal property within the County. The following table shows the history of the values for the City during the last five years:

Tax Year	Full Market Value (1) (2)	% Change	Homeowner’s Exemption	Taxable Assessed Value (2) (3)	% Change	Urban Renewal Value (4)
2019.....	\$3,524,623,261	5.7	\$86,855,513	\$3,437,767,748	5.8	\$294,895,606
2018.....	3,333,308,298	5.0	83,019,466	3,250,288,832	5.0	260,102,598
2017.....	3,176,049,851	3.7	80,590,886	3,095,458,965	3.6	210,952,668
2016.....	3,061,590,401	4.7	74,839,145	2,986,751,256	4.6	182,889,652
2015.....	2,925,307,060	7.3	69,331,348	2,855,975,712	7.3	153,676,520

- (1) Each year all taxable property must be assessed at 100% of the current market value.
- (2) Includes Urban Renewal value.
- (3) “Taxable Assessed Value” is the full market value less statutory exemptions and incremental changes to the base value in any urban renewal area that overlaps the City pursuant to Title 50 of the Code. Statutory exemptions include a homeowner’s exemption, and property tax reductions. The Taxable Assessed Value is the value against which tax levies are applied.
- (4) Incremental value assessed to that portion of the URA that lie within the City.

(Source: Reports from the Idaho State Tax Commission.)

Property Tax Exemptions

Homeowner’s Property Tax Exemption. The homeowner’s property tax exemption provides a permanent exemption from ad valorem taxation for 50% of the market value for assessment purposes of a homeowner’s primary residence including up to one acre of the land value, up to a maximum of \$100,000 (the “Homeowner’s Exemption”) for Tax Year 2018. In 2016, the State Legislature amended Idaho Code Section 63-602G to fix the maximum amount of the Homeowner’s Exemption at \$100,000.

Business Investment Property Tax Exemption: Under Idaho Code 63-602NN local county commissioners can declare that all or a portion of the market value of the improvements of a defined project with investments that meet certain tax incentive criteria can be exempt from property tax for a specified period. The exemption can be up to 100% per year for up to five years for each project. The investment must be in new manufacturing facilities valued at a minimum of \$3 million (which was lowered to \$500,000 on July 1, 2017) and land is not eligible for the exemption. Any existing buildings are not eligible for the exemption and approval of the exemption is at the discretion of the local county commissioners.

Use of the business investment property tax exemption (“Business Exemption”) only exempts the collection of property taxes on new business investment and does not impact the District’s ability to repay the 2017 Bonds. Following the expiration of the Business Exemption the value of the new investment of property will be included in the District’s Taxable Assessed Value for future tax levy certifications.

Personal Property Tax Exemption: The 2020 Bonds are secured by an unlimited tax on taxable property in the City. Taxable property includes real property and personal property. Idaho currently has a \$3,000 exemption on a de minimus item of taxable property and a \$100,000 exemption on business personal property.

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Tax Collection Record

Year (1)	Tax Levy In Dollars	Amount Collected (2)	% Collected
2018	\$4,273,814	\$4,271,877	100.0%
2017	4,100,115	4,115,481	100.4
2016	3,946,637	3,970,689	100.6
2015	3,815,955	3,838,221	100.6
2014	3,676,087	3,701,495	100.7

(1) The tax year runs from January 1 to December 31. Ad valorem taxes, including delinquent taxes, penalties and amounts canceled, are collected by the Treasurer of Blaine County and are remitted to the City during the month following collection.

(2) Includes property tax collections from Blaine County as of December 2019.

(Source: The Office of the County Treasurer; compiled by the Municipal Advisor.)

The Largest Taxpayers of the City

Taxpayer	Type of Business	2019 Taxable Value	% of the City's 2019 Tax Value
Legacy Residential LLC	Private residence	\$ 15,439,645	0.5%
Individual	Private residence	13,452,077	0.4
Sun Valley Resorts.....	Resort, hotels and motels	13,345,392	0.4
Individual	Private residence	11,520,308	0.4
Helios Development LLC	Resort, hotels and motels	10,346,700	0.3
Hemingway's Condominium Assn. .	Condominium association	9,354,988	0.3
Peed FLP1 LTD LLP	Real estate/developer	8,689,916	0.3
Individual	Private residence	8,185,153	0.3
Individual	Private residence	7,977,143	0.3
Individual	Private residence	<u>7,815,789</u>	0.2
Totals		<u>\$106,127,111</u>	3.4%

(Source: The Office of the County Treasurer; compiled by the Municipal Advisor.)

TAX MATTERS

In the opinion of Skinner Fawcett LLP, Bond Counsel, assuming continuous compliance with certain covenants described below: (i) interest on the 2020 Bonds is excluded from gross income pursuant to the Code, (ii) interest on the 2020 Bonds is excluded from alternative minimum taxable income as defined in Section 55(b)(2) of the Code; and (iii) interest on the 2020 Bonds is excluded from gross income for purposes of income taxation by the State of Idaho.

The Code imposes several requirements which must be met with respect to the 2020 Bonds in order for the interest thereon to be excluded from gross income and alternative minimum taxable income. Certain of these requirements must be met on a continuous basis throughout the term of the 2020 Bonds. These requirements include: (a) limitations as to the use of proceeds of the 2020 Bonds; (b) limitations on the extent to which proceeds of the 2020 Bonds may be invested in higher yielding investments; and (c) a provision, subject to certain limited exceptions, that requires all investment earnings on the proceeds of the 2020 Bonds above the yield on the 2020 Bonds to be paid to the United States Treasury. The exclusion of interest on the 2020 Bonds from gross income for Idaho income tax purposes is dependent on the interest

on the 2020 Bonds being excluded from gross income for federal income tax purposes. The City will covenant and represent in the 2020 Bond Ordinance that it will take all steps to comply with the requirements of the Code to the extent necessary to maintain the exclusion of interest on the 2020 Bonds from gross income and alternative minimum taxable income under federal income tax laws in effect when the 2020 Bonds are delivered. Bond Counsel's opinion as to the exclusion of interest on the 2020 Bonds from gross income and alternative minimum taxable income is rendered in reliance on these covenants and assumes continuous compliance therewith. The failure or inability of the City to comply with these requirements could cause the interest on the 2020 Bonds to be included in gross income, alternative minimum taxable income or both from the date of issuance. Bond Counsel's opinion also is rendered in reliance upon certifications of the City and other certifications furnished to Bond Counsel. Bond Counsel has not undertaken to verify such certifications by independent investigation.

Bond Premium

Beneficial Owners who purchase the 2020 Bonds in the initial offering at a price in excess of the par amount of such Bonds or at a price other than the original offering price shown on the inside cover page of this Official Statement and owners who purchase the 2020 Bonds after the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the 2020 Bonds. Owners of the 2020 Bonds also should consult their own tax advisors with respect to the state and local tax consequences of owning the 2020 Bonds. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue premium on the 2020 Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.]

Original Issue Discount

Beneficial Owners who purchase Bonds in the initial offering at a price less than the original offering price shown on the inside cover page hereof ("Discount Bonds") and owners who purchase Discount Bonds after the initial offering should consult their own tax advisors with respect to the tax consequences of the ownership of the Discount Bonds. Beneficial Owners who are subject to state or local income taxation (other than Idaho state income taxation) should consult their tax advisor with respect to the state and local income tax consequences of ownership of the Discount Bonds. It is possible that, under the applicable provisions governing determination of state and local taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.]

The Code contains numerous provisions which may affect an investor's decision to purchase the 2020 Bonds. Owners of the 2020 Bonds should be aware that the ownership of tax-exempt obligations by particular persons and entities, including, without limitation, financial institutions, insurance companies, recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, foreign corporations doing business in the United States and certain "subchapter S" corporations may result in adverse federal and state tax consequences. Under Section 3406 of the Code, backup withholding may be imposed on payments on the 2020 Bonds made to any owner who fails to provide certain required information, including an accurate taxpayer identification number, to certain persons required to collect such information pursuant to the Code. Backup withholding may also be applied if the owner underreports "reportable payments" (including interest and dividends) as defined in Section 3406, or fails to provide a certificate that the owner is not subject to backup withholding in circumstances where such a certificate is required by the Code. With respect to any of the 2020 Bonds sold at a premium, representing a difference between the original offering price of those Bonds and the principal amount thereof payable at maturity, under certain circumstances, an initial owner of such bonds (if any) may realize a taxable gain upon their disposition, even though such bonds are sold or redeemed for an amount equal to the owner's acquisition cost. Bond Counsel's opinion relates only to the exclusion of interest on the 2020 Bonds from gross income (for federal and Idaho income tax pur-

poses) and alternative minimum taxable income as described above and will state that no opinion is expressed regarding other federal or state tax consequences arising from the receipt or accrual of interest on or ownership of the 2020 Bonds. Owners of the 2020 Bonds should consult their own tax advisors as to the applicability of these consequences.

The opinions expressed by Bond Counsel are based on existing law as of the delivery date of the 2020 Bonds. No opinion is expressed as of any subsequent date nor is any opinion expressed with respect to pending or proposed legislation. Amendments to the federal or state tax laws may be pending now or could be proposed in the future that, if enacted into law, could adversely affect the value of the 2020 Bonds, the exclusion of interest on the 2020 Bonds from gross income (for federal and Idaho income tax purposes) or alternative minimum taxable income or both from the date of issuance of the 2020 Bonds or any other date, the tax value of that exclusion for different classes of taxpayers from time to time, or that could result in other adverse tax consequences. In addition, future court actions or regulatory decisions could affect the tax treatment or market value of the 2020 Bonds. Owners of the 2020 Bonds are advised to consult with their own tax advisors with respect to such matters.

The Internal Revenue Service (the “Service”) has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether or not the Service will commence an audit of the 2020 Bonds. If an audit is commenced, the market value of the 2020 Bonds may be adversely affected. Under current audit procedures the Service will treat the City as the taxpayer and the 2020 Bond owners may have no right to participate in such procedures. The City has covenanted not to take any action that would cause the interest on the 2020 Bonds to lose its exclusion from gross income for federal income tax purposes or lose its exclusion from alternative minimum taxable income except to the extent described above for the owners thereof for federal income tax purposes. None of the City, the Underwriter, or Bond Counsel is responsible for paying or reimbursing any Bond holder with respect to any audit or litigation costs relating to the 2020 Bonds.

Prospective purchasers of the 2020 Bonds should consult their tax advisors as to the federal, state, local, and foreign tax consequences of their acquisition, ownership, and disposition of the 2020 Bonds.

Circular 230. The foregoing discussion of TAX MATTERS regarding the 2020 Bonds was not independent or written by Bond Counsel to be used, and it cannot be used, for the purpose of avoiding penalties that may be imposed on a Beneficial Owner of the 2020 Bonds. The foregoing discussion of TAX MATTERS was written to support the promotion or marketing of the 2020 Bonds. Each prospective purchaser of the 2020 Bonds should seek advice based on the prospective purchaser’s particular circumstances from an independent tax advisor.

LEGAL MATTERS

Absence of Litigation Concerning the 2020 Bonds

The attorney for the City, Matthew Johnson of White Peterson, Nampa, Idaho, has officially advised that, to his knowledge, there is no pending or threatened litigation that would legally stop, enjoin, or prohibit the issuance, sale or delivery of the 2020 Bonds or the levy or collection of taxes for the payment of the 2020 Bonds. See “APPENDIX A—FINANCIAL STATEMENTS OF CITY OF KETCHUM, IDAHO FOR FISCAL YEAR 2019—Notes to the Financial Statements—Note 8. Litigation” (page A-29).

Opinions of Bond Counsel

Legal matters incident to the authorization, issuance and sale of the 2020 Bonds by the City are subject to the approving legal opinion of Bond Counsel, substantially in the form attached hereto as Appendix B. Bond Counsel has reviewed this document only to confirm that the portions of it describing the 2020 Bonds and the authority to issue the 2020 Bonds, the security for the Bonds and tax matters relative to the 2020 Bonds present a fair summary of such matters.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the 2020 Bonds from the gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the 2020 Bonds. Prospective purchasers of the 2020 Bonds should consult with their own tax advisors with respect to the effects of any proposed or future legislation.

Legislative Referrals

Referrals are proposed laws that originate from the State Legislature to be voted on by the people. In Idaho, both houses of the State Legislature must vote and must pass by two-thirds of its members to refer a statute or constitutional amendment for a popular vote. Such referrals cannot be vetoed by the governor. According to the Elections Division of the Idaho Secretary of State, there are no current proposed Legislative referrals.

The Initiative Process

Article I, Section 3 of the Idaho Constitution provides that the people of the State have reserved to themselves the power of initiative and referendum, pursuant to which measures to enact, or repeal laws can be placed on the statewide general election ballot for consideration by the voters. The initiative and referendum powers relate only to laws; the Idaho Supreme Court has ruled that the Idaho Constitution cannot be amended by initiative or referendum.

In 1997, the State Legislature enacted significant procedural prerequisites including signature distribution requirements, to qualify an initiative or referendum measure for submittal to the electors. Any person may file a proposed measure with the signatures of 20 qualified electors of the State with the Idaho Secretary of State's office. The Idaho Attorney General is required by law to review and make recommendations (if any) on the petition to the petitioner before issuing a certificate of review to the Secretary of State. The petitioner then, within 15 working days, files the measure with the Secretary of State for assignment of a ballot title and submittal to the Attorney General. The Attorney General, within 10 working days thereafter, shall provide a ballot title for the measure. Any elector that submitted written comments who is dissatisfied with the ballot title certified by the Attorney General may petition the Idaho Supreme Court seeking a revision of the certified ballot title.

Once the ballot title has been certified and the form of the petition has been approved by the Secretary of State, the proponents of the measure shall print the petition and, during an 18-month circulation period or until April 30 in an election year, whichever occurs first, may start gathering the petition signatures necessary to place the proposed measure on the ballot.

To be placed on a general election ballot, not less than four months prior to the election, the proponents must submit to the Secretary of State petitions signed by a number of qualified voters equal to at least 6% of the qualified electors, i.e., registered voters, at the immediately previous general election. The 2013 State Legislature adopted SB 1108 which increases the number of registered voters needed to place an initiative or referendum on the ballot by requiring signatures of 6% of the registered voters in at least a majority of the State's 35 legislative districts, as well as 6% of the total registered voters of the State.

Proponents of measures are permitted to compensate persons obtaining signatures for the petition, but in such instances the petition must contain a notice of such payment to the elector whose signature is being sought.

Historical Initiative Petitions

According to the Elections Division of the Idaho Secretary of State, there have been four initiative petitions and three referendums that qualified for the ballot between 2006 and 2018. In 2018, an initiative related to Medicaid expansion was approved by the voters. The passing of this initiative has not affected the finances of the City or the ability of the City to levy and collect property taxes for the payment of the 2020 Bonds.

General

Certain legal matters will be passed upon for the City by White Peterson, Nampa, Idaho, City Attorney. The expected form of the opinion of Bond Counsel is attached to this OFFICIAL STATEMENT as “APPENDIX B—PROPOSED FORM OF OPINION OF BOND COUNSEL.”

The various legal opinions to be delivered concurrently with the delivery of the 2020 Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

MISCELLANEOUS

Bond Rating

As of the date of this OFFICIAL STATEMENT, the 2020 Bonds have been rated “___” by Moody’s. An explanation of this rating may be obtained from Moody’s. The City has not applied to S&P Global Ratings or Fitch Ratings for a rating on the 2020 Bonds.

Such rating does not constitute a recommendation by the rating agency to buy, sell or hold the 2020 Bonds. Such rating reflects only the views of such organization and any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that the rating given the 2020 Bonds will continue for any given period of time or that the rating will not be revised downward or withdrawn entirely by the rating agency if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2020 Bonds.

Municipal Advisor

The City has entered into an agreement with the Municipal Advisor whereunder the Municipal Advisor provides financial recommendations and guidance to the City with respect to preparation for sale of the 2020 Bonds, timing of sale, tax-exempt bond market conditions, costs of issuance and other factors related to the sale of the 2020 Bonds. The Municipal Advisor has read and participated in the drafting of certain portions of this OFFICIAL STATEMENT and has supervised the completion and editing thereof. The Municipal Advisor has not audited, authenticated or otherwise verified the information set forth in the OFFICIAL STATEMENT, or any other related information available to the City, with respect to accuracy and

completeness of disclosure of such information, and the Municipal Advisor makes no guaranty or warranty respecting the accuracy and completeness of the OFFICIAL STATEMENT or any other matter related to the OFFICIAL STATEMENT.

Independent Auditors

The basic financial statements of the City as of September 30, 2019 and for the year then ended, included in this OFFICIAL STATEMENT, have been audited by Workman & Company, Office of Accounting, Twin Falls, Idaho (“Workman & Co.”), as stated in their report in “APPENDIX A—FINANCIAL STATEMENTS OF CITY OF KETCHUM, IDAHO FOR FISCAL YEAR 2019.”

Workman & Co. have not participated in the preparation or review of this OFFICIAL STATEMENT. Based upon their non-participation, they have not consented to the use of their name in this OFFICIAL STATEMENT.

From time to time, the City bids out auditor services. The City re-hired and contracted Workman & Co. to prepare its basic financial statements for the next four years.

Additional Information

The information set forth herein has been obtained from the City and other sources that are believed to be reliable, but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, warranty or guarantee by the Underwriters. So far as any statement herein includes matters of opinion, or estimates of future expenses and income, whether or not expressly so stated, they are intended merely as such and not as representations of fact

The information contained herein should not be construed as representing all conditions affecting the City or the 2020 Bonds. Additional information may be obtained from the City. The statements relating to the Bond Ordinance are in summarized form, and in all respects, are subject to and qualified in their entirety by express reference to the provisions of such document in its complete form.

Any statements in this OFFICIAL STATEMENT involving matters of opinion, whether or not expressly so stated, are intended as such and not as a representation of fact.

The appendices attached hereto are an integral part of this OFFICIAL STATEMENT and should be read in conjunction with the foregoing material.

This PRELIMINARY OFFICIAL STATEMENT is in a form deemed final by the City for purposes of paragraph (b)(1) of Rule 15c2-12 of the Securities and Exchange Commission.

This OFFICIAL STATEMENT and its distribution and use have been duly authorized by the City.

City of Ketchum, Idaho

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APPENDIX A

**FINANCIAL STATEMENTS CITY OF KETCHUM, IDAHO
FOR FISCAL YEAR 2019**

The City's Financial Statements and Supplementary Information for Fiscal Year 2019 is contained herein and such page numbers may not be in numerical order. Copies of current and prior financial reports are available upon request from the City's contact person as indicated under "INTRODUCTION—Contact Persons" above.

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CITY OF KETCHUM, IDAHO

Financial Statements

Year Ended September 30, 2019

CITY OF KETCHUM, IDAHO
Financial Statements
For the year ended September 30, 2019

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WORKMAN & COMPANY

Office of
Accounting

2190 Village Park Avenue, Suite 300 • Twin Falls, ID 83301 • 208.733.1161 • Fax: 208.733.6100

INDEPENDENT AUDITOR'S REPORT

November 9, 2019

To the City Council
City of Ketchum, Idaho

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ketchum, Idaho, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Ketchum, Idaho's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Ketchum, Idaho, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3–11 and 35–38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information on pages 39–46 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 9, 2019, on our consideration of the City of Ketchum, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Ketchum, Idaho's internal control over financial reporting and compliance.

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho



CITY OF KETCHUM, IDAHO

Management's Discussion and Analysis

December 16, 2019

The City of Ketchum, Idaho's general purpose external financial statements are presented in this report. The components of the general purpose external financial statements include:

- Management's Discussion and Analysis (MD&A)
- Basic Financial Statements
- Other Required Supplementary Information (RSI).

FINANCIAL HIGHLIGHTS

- The total of all fund assets of the City of Ketchum exceeded liabilities at the close of the most recent fiscal year by \$ 36,676,891. Of that amount, \$ 9,228,946 (unrestricted net position) may be used to meet future obligations and programs.
- The Local Option Tax (LOT) receipts increased \$ 330,090 from the previous year. This increase is due to the slightly increased economy in the Valley over the previous year. This Special Revenue Fund received an amount of, \$4,973,422 in the current year.
- Governmental Fund Revenues were \$ 16,527,422 and expenditures were \$15,856,444.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Ketchum's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

Government-wide financial statements provide both long-term and short-term information about the City's overall financial condition. Changes in the City's financial position may be measured over time by increases and decreases in the Statement of Net Position. Information on how the City's net position changed during the fiscal year is presented in the Statement of Activities.

Fund Financial Statements

Fund financial statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide financial statements. Fund financial statements include the statements for governmental and proprietary funds. Financial statements for the City's component unit are also presented.

**City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

Table 1: Major Features of the Basic Financial Statements

	Government-wide Financial Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government and the City's component unit.	Activities of the City that are not proprietary.	Activities of the City that are operated similar to private businesses
Required financial statements	* Statement of net position * Statement of activities	* Balance sheet * Statement of revenues, expenditures, and changes in fund balances	* Statement of net position * Statement of revenues, expenses, and changes in net position * Statement of cash flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	* Revenues for which cash is received during or soon after the end of the year * Expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Notes to the Financial Statements

Notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements.

Refer to Note 1 of the financial statements for more detailed information on the elements of the financial statements. Table 1 above summarizes the major features of the basic financial statements.

CONDENSED FINANCIAL INFORMATION

Condensed Statement of Net Position

The largest component (\$ 26,945,439) of the City's net position (73.4%) reflects its investment in capital assets (e.g. land, infrastructure, buildings, equipment, and others), less any related debt outstanding that was needed to acquire or construct the assets. The City uses these capital assets to provide services to the citizens and businesses in the City; consequently, this net position amount is not eligible for future spending. Restricted net position totals \$502,506. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, debt service requirements, or enabling

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

legislation on how they can be used. The remaining portion of net position is unrestricted, which can be used to finance government operations.

Table 2 below presents the City's condensed statement of net position as of September 30, 2019, derived from the government-wide Statement of Net Position.

**Table 2: Condensed Statement of Net Position
As of September 30, 2019**

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit - Urban Renewal Agency
Current and other assets	\$ 8,955,736	\$ 2,574,552	\$ 11,530,288	\$ 1,494,073
Capital assets	19,947,048	13,053,168	33,000,216	4,903,405
Total Assets	<u>28,902,784</u>	<u>15,627,720</u>	<u>44,530,504</u>	<u>6,397,478</u>
Deferred Outflows	115,880	30,837	146,717	
Current Liabilities	294,558	377,913	672,471	315,234
Long-term liabilities	1,896,944	4,978,074	6,875,018	5,276,993
Total Liabilities	<u>2,191,502</u>	<u>5,355,987</u>	<u>7,547,489</u>	<u>5,592,227</u>
Deferred Inflows	357,662	95,179	452,841	
Net assets:				
Invested in capital assets net of related debt	18,957,979	7,987,460	26,945,439	0
Restricted	290,506	212,000	502,506	1,811,404
Unrestricted	7,221,015	2,007,931	9,228,946	(1,006,153)
Total Net Position	<u>\$ 26,469,500</u>	<u>\$ 10,207,391</u>	<u>\$ 36,676,891</u>	<u>\$ 805,251</u>

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the fiscal year ended September 30, 2019 as derived from the government-wide Statement of Activities. Over time, increases and decreases in net position measure whether the City's financial position is improving or deteriorating. During the fiscal year, the net position of the governmental activities decreased by \$ 416,382 or -1.5% percent, the net position of the business-type activities increased by \$ 1,115,139 or 12.3%, and the net position of the City's Component Unit (Urban Renewal Agency) increased \$ 698,726 or 161%.

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

Table 3: Condensed Statement of Activities
As of September 30, 2019

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit Urban Renewal Agency
Revenue:				
Program revenues				
Charges for services	\$ 4,026,768	\$ 4,660,376	\$ 8,687,144	\$ 44,000
Capital grants /contributions	288,512		288,512	
Total program revenues	<u>4,315,280</u>	<u>4,660,376</u>	<u>8,975,656</u>	<u>44,000</u>
General revenues				
Taxes	9,265,517		9,265,517	1,653,477
Franchise, licenses, permits	971,701		971,701	
State shared revenues	1,584,669		1,584,669	
Interest	184,227	46,257	230,484	15,864
Gain (Loss) on sale of assets	(96,630)		(96,630)	
Other revenues (Losses)	39,539	37,080	76,619	2,898
Total general revenues	<u>11,949,023</u>	<u>83,337</u>	<u>12,032,360</u>	<u>1,672,239</u>
Total revenues	<u>16,264,303</u>	<u>4,743,713</u>	<u>21,008,016</u>	<u>1,716,239</u>
Program expenses:				
General government	6,016,990		6,016,990	921,774
Public safety	4,731,543		4,731,543	
Streets	2,157,246		2,157,246	
Parks and recreation	509,458		509,458	
Transportation	3,172,440		3,172,440	
Affordable Housing	75,000		75,000	
Wastewater		1,867,171	1,867,171	
Water		1,561,227	1,561,227	
Interest, long-term debt	18,008	200,176	218,184	297,739
Total program expenses	<u>16,680,685</u>	<u>3,628,574</u>	<u>20,309,259</u>	<u>1,219,513</u>
Change in net position	(416,382)	1,115,139	698,757	496,726
Beginning net position	26,885,882	9,092,252	35,978,134	308,525
Ending net position	<u>\$ 26,469,500</u>	<u>\$ 10,207,391</u>	<u>\$ 36,676,891</u>	<u>\$ 805,251</u>

**City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

Program Expenses and Revenues for Governmental Activities

Table 4 below presents program expenses and revenues for governmental activities. Overall, program revenues were not sufficient to cover program expenses for governmental activities. The net program expenses of these governmental activities were therefore supported by general revenues, mainly taxes.

**Table 4: Program Expenses and Revenues
for Government Activities
For the Fiscal Year Ended September 30, 2019**

	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Net Expense (Revenues) (a)</u>
General government	\$ 6,016,990	\$ 4,038,026	\$ (1,978,964)
Public safety	4,731,543	22,139	(4,709,404)
Streets	2,157,246	34,031	(2,123,215)
Parks and Recreation	509,458	36,324	(473,134)
Transportation	3,172,440		(3,172,440)
Affordable Housing	75,000	184,760	109,760
Interest on long-term debt	18,008		(18,008)
Totals	\$ 16,680,685	\$ 4,315,280	\$ (12,365,405)

(a) Net Program Expenses are mainly supported by taxes.

Program Expenses and Revenues for Business-type Activities

Table 5 below presents program expenses and revenues for business-type activities. Program revenues generated from business-type activities were sufficient to cover program expenses.

**Table 5: Program Expenses and Revenues
for Business-type Activities
For the Fiscal Year Ended September 30, 2019**

<u>City Programs</u>	<u>Program Expenses</u>	<u>Program Revenues</u>	<u>Net Program Expenses (Revenues)</u>
Wastewater	\$ 1,867,171	\$ 2,560,920	\$ 693,749
Water	1,561,227	2,099,456	538,229
Interest on long-term debt	200,176		(200,176)
Totals	\$ 3,628,574	\$ 4,660,376	\$ 1,031,802

**City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

The City of Ketchum, Idaho adopts an annual budget. A budgetary comparison statement of Governmental Funds is provided below. In total, any negative variances are insignificant.

BUDGET VARIANCES IN THE GENERAL FUND

The changes made to the budget format have moved the City into compliance with the budget standards developed by the Government Finance Officers of America (GFOA). An analysis of budget variances this year shows that more assets were budgeted for expenditure than were expended during the current operating cycle.

**Table 6: Analysis of Significant Budget Variances
for Major Governmental Funds
For the Fiscal Year Ended September 30, 2019**

	Final Budget	Actual	Variances
Revenues:			
Taxes (including penalties/interest)	\$ 8,942,739	\$ 9,265,517	\$ 322,778
Franchises, licenses, permits	832,608	702,952	(129,656)
State of Idaho	1,516,456	1,584,669	68,213
Fees, Charges for Services	3,135,181	3,476,464	341,283
Other	303,386	222,721	(80,665)
Totals	<u>14,730,370</u>	<u>15,252,323</u>	<u>521,953</u>
Expenditures:			
General Government	4,320,813	4,250,561	70,252
Public Safety	4,020,720	4,073,059	(52,339)
Streets	2,133,273	1,987,424	145,849
Capital Outlay			0
Parks and Recreation	520,827	467,643	53,184
Transportation	3,172,440	3,172,440	0
Affordable Housing	75,000	75,000	0
Debt Service			
Totals	<u>14,243,073</u>	<u>14,026,127</u>	<u>216,946</u>
Excess (Deficiency)	<u>\$ 487,297</u>	<u>\$ 1,226,196</u>	<u>\$ 738,899</u>

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

Table 7: Comparison of Statement of Net Position
As of September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Current Assets	\$ 11,530,288	\$ 10,904,438	5.7394%
Capital Assets	33,000,216	32,448,720	1.6996%
Total Assets	<u>44,530,504</u>	<u>43,353,158</u>	<u>2.7157%</u>
Deferred Outflow of Resources	146,717	206,161	-28.8338%
Current Liabilities	672,471	618,752	8.6818%
Long Term Liabilities	6,875,018	6,776,724	1.4505%
Total Liabilities	<u>7,547,489</u>	<u>7,395,476</u>	<u>2.0555%</u>
Deferred Inflow of Resources	452,841	185,709	143.8444%
Net Position:			
Invested in Capital Assets net of related debt	26,945,439	26,596,623	1.3115%
Restricted	502,506	475,755	5.6229%
Unrestricted	9,228,946	8,905,756	3.6290%
Total Net Position	<u>\$ 36,676,891</u>	<u>\$ 35,978,134</u>	<u>1.9422%</u>

OVERALL ANALYSIS

Financial highlights for the City as a whole during the fiscal year ended September 30, 2019 show the assets of the City exceeded its liabilities (net position) at the close to the fiscal year by \$36,676,891 (for governmental activities \$26,469,500, for the business-type activities \$10,207,391). Additionally, the City's total net position increased during the year by \$698,757. The net position of the governmental activities decreased by \$ 416,382, while the net position of the business-type activities increased by \$ 1,115,139.

**City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

**Table 8: Changes in Fixed Assets
for All Funds
For the Fiscal Year Ended September 30, 2019**

	Beginning Balance	Additions	Deletions	Ending Balance
Land and Infrastructure	\$ 11,173,508	490,028		\$ 11,663,536
Buildings and Improvements	34,124,116	1,641,999	(210,000)	35,556,115
Vehicles and Equipment	8,108,298	1,227,731	(209,243)	9,126,786
Construction in Progress	524,626	240,196	(524,626)	240,196
Totals	<u>53,930,548</u>	<u>3,599,954</u>	<u>(943,869)</u>	<u>56,586,633</u>
Accumulated Depreciation	<u>(21,481,828)</u>	<u>(2,415,450)</u>	<u>310,861</u>	<u>(23,586,417)</u>
Net Book Value	<u>\$ 32,448,720</u>			<u>\$ 33,000,216</u>

CAPITAL ASSET AND LONG-TERM, ACTIVITY

Capital Asset Activity

At September 30, 2019, the City reported \$19,947,048 in capital assets for governmental activities and \$13,053,168 in capital assets for business-type activities.

Long-term Debt Activity

See Note 4 of the financial statements for information on the City's long-term debt.

FUNDS ANALYSIS

Funds that experienced significant changes during the year are as follows:

Governmental funds

As of the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$8,838,133. The fund balance increased \$ 670,978 during the fiscal year. The increase is the result of \$16,527,422 of revenues reduced by \$ 15,856,444 of expenditures. The increase in fund balance follows a fund balance decrease of \$541,529 in FY2018, and results in large part from budgeted expenditures for capital improvements in the City's funds. The City's management and Council continue to expend resources under approved budgets and strive to strengthen the City's financial position during uncertain economic times. This ongoing accomplishment is due to the commitment and determination of the City Council and staff to make prudent financial decisions while also seeking to preserve levels of service to the community by continually pursuing and implementing cost savings and efficiencies in operations.

Table 9 below presents an analysis of the fund balances in the Governmental Funds and Enterprise Funds.

**City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS**

Continued...

**Table 9: Analysis of Fund Balances
for All Funds
For the Fiscal Year Ended September 30, 2019**

	<u>Investment in Capital Assets</u>	<u>Restricted or Assigned</u>	<u>Unassigned</u>	<u>Total Balance</u>
General Fund	\$		\$ 3,404,834	\$ 3,404,834
City Sales Tax Fund		653,491		653,491
In-Lieu Housing Fund		2,587,592		2,587,592
Capital Improvement Funds		1,881,336		1,881,336
GO Bond Debt Fund		3,099		3,099
Wagon Days Fund		17,275		17,275
Police Trust Fund		99,851		99,851
Community Development Trust Fund		0		0
Park Trust Fund		190,655		190,655
Water	1,339,697	0	1,427,677	2,767,374
Wastewater	6,647,763	212,000	580,254	7,440,017

REQUESTS FOR INFORMATION

Requests for information regarding City finances should be directed to:

Grant Gager City Finance Director
City of Ketchum, Idaho
P.O. Box 2315
Ketchum, Idaho, 83340
Telephone: (208) 726-3841

ACKNOWLEDGMENTS

A special thanks to the City Finance Director, City Clerk, and staff for working so hard to operate the financial department of the City. Also, appreciation is expressed to the Mayor, City Council and all the Department Directors for their cooperation and assistance throughout the year in matters pertaining to the financial affairs of the City.

Respectfully submitted,

Suzanne Frick
CITY ADMINISTRATOR

CITY OF KETCHUM, IDAHO
Statement of Net Position
at September 30, 2019

	<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	\$ 7,996,765	\$ 2,250,557	\$ 10,247,322	\$ 940,266
Accounts Receivable & Prepaid Expenses		51,762	51,762	
Taxes Receivable	270,771		270,771	4,090
Due From Other Governments	395,668	60,233	455,901	
Restricted Cash	290,506	212,000	502,506	549,717
Other Assets	2,026		2,026	
Totals	<u>8,955,736</u>	<u>2,574,552</u>	<u>11,530,288</u>	<u>1,494,073</u>
Capital Assets:				
Land	8,809,038	15,380	8,824,418	4,768,746
Construction in Progress		240,196	240,196	
Infrastructure	2,839,118		2,839,118	146,369
Buildings and Improvements	9,785,787	25,770,328	35,556,115	
Equipment and Vehicles	8,297,570	829,216	9,126,786	
Accumulated Deprecation	<u>(9,784,465)</u>	<u>(13,801,952)</u>	<u>(23,586,417)</u>	<u>(11,710)</u>
Total Capital Assets	<u>19,947,048</u>	<u>13,053,168</u>	<u>33,000,216</u>	<u>4,903,405</u>
Total Assets	<u>28,902,784</u>	<u>15,627,720</u>	<u>44,530,504</u>	<u>6,397,478</u>
Deferred Outflows of Resources:				
Deferred Outflows from Pension Activity	<u>115,880</u>	<u>30,837</u>	<u>146,717</u>	<u>0</u>
<u>LIABILITIES</u>				
Accounts and Interest Payable	117,603	7,913	125,516	135,234
Due To Other Funds				
Long-term Liabilities:				
Portion due or payable within one year:				
Lease and Bonds Payable	176,955	370,000	546,955	180,000
Portion due or payable after one year:				
Lease and Bonds Payable	812,114	4,443,000	5,255,114	5,440,000
Unamortized Bond Discount		(28,650)	(28,650)	(163,007)
Unamortized Bond Premium		281,358	281,358	
Net Pension Liability	780,027	207,575	987,602	
Compensated Absences	<u>304,803</u>	<u>74,791</u>	<u>379,594</u>	
Total Liabilities	<u>2,191,502</u>	<u>5,355,987</u>	<u>7,547,489</u>	<u>5,592,227</u>
Deferred Inflows of Resources:				
Deferred Inflows from Pension Activities	<u>357,662</u>	<u>95,179</u>	<u>452,841</u>	<u>0</u>
<u>NET POSITION</u>				
Invested in Capital Assets - net of related debt	18,957,979	7,987,460	26,945,439	0
Restricted For:				
Debt Service		212,000	212,000	549,717
Other Purposes	290,506		290,506	1,261,687
Unrestricted	<u>7,221,015</u>	<u>2,007,931</u>	<u>9,228,946</u>	<u>(1,006,153)</u>
Total Net Position	<u>\$ 26,469,500</u>	<u>\$ 10,207,391</u>	<u>\$ 36,676,891</u>	<u>\$ 805,251</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Activities
For the Year Ended September 30, 2019

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	\$ 6,016,990	\$ 3,778,657	\$ 259,368	\$ (1,978,964)		\$ (1,978,964)	44,000
Public Protection:							
Public Safety	4,731,543	22,139		(4,709,404)		(4,709,404)	
Streets	2,157,246	34,026	5	(2,123,215)		(2,123,215)	
Parks and Recreation	509,458	7,186	29,138	(473,134)		(473,134)	
Transportation	3,172,440			(3,172,440)		(3,172,440)	
Affordable Housing	75,000	184,760		109,760		109,760	
Interest - on long-term debt	18,008			(18,008)		(18,008)	
Total Governmental Activities	<u>16,680,685</u>	<u>4,026,768</u>	<u>288,512</u>	<u>(12,365,405)</u>		<u>(12,365,405)</u>	
Business Type:							
Water	1,561,227	2,099,456			\$ 538,229	538,229	
Wastewater	1,887,171	2,560,920			693,749	693,749	
Interest - on long-term debt	200,176				(200,176)	(200,176)	
Total Business-type Activities	<u>3,628,574</u>	<u>4,660,376</u>	<u>0</u>		<u>1,031,802</u>	<u>1,031,802</u>	
Total City of Ketchum, Idaho	<u>\$ 20,309,259</u>	<u>\$ 8,687,144</u>	<u>\$ 288,512</u>	<u>(12,365,405)</u>	<u>1,031,802</u>	<u>(11,333,603)</u>	
Component Units:							
Urban Renewal Agency	\$ 1,219,513						(1,219,513)
Total							<u>(1,175,513)</u>
General Revenues:							
Property taxes				4,292,095		4,292,095	1,653,477
Local Option sales taxes				4,973,422		4,973,422	
Franchises, licenses, permits				971,701		971,701	
State of Idaho revenue sharing				966,466		966,466	
State of Idaho sales tax				102,535		102,535	
State of Idaho liquor receipts				381,349		381,349	
State highway user collections				134,319		134,319	
Penalty and interest on property taxes				13,801		13,801	2,898
County court and parking fines				99,080		99,080	
Gain (Loss) from Sale of Assets				(96,630)		(96,630)	
Earnings on investments				184,227	46,257	230,484	15,864
Miscellaneous				81,396		81,396	
Amortization of Bond Premium					20,619	20,619	
Amortization of Bond Discount					(3,231)	(3,231)	
Gain (Loss) from Pension Activity				(154,738)	19,692	(135,046)	
Total general revenues and transfers				<u>11,948,023</u>	<u>83,337</u>	<u>12,032,360</u>	<u>1,672,239</u>
Changes in net position				(416,382)	1,115,139	698,757	496,726
Net Position - Beginning				<u>26,885,882</u>	<u>9,092,252</u>	<u>35,978,134</u>	<u>308,525</u>
Net Position - Ending				<u>\$ 26,469,500</u>	<u>\$ 10,207,391</u>	<u>\$ 36,676,891</u>	<u>\$ 805,251</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Balance Sheet
Governmental Funds
at September 30, 2019

	General Fund	City Sales Tax Fund	In-Lieu Housing Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:					
Cash and Cash Deposits	\$ 3,041,390	\$ 409,193	\$ 2,587,592	\$ 2,249,096	\$ 8,287,271
Taxes Receivable	26,473	244,298			270,771
Accounts Receivable	2,026				2,026
Due From Other Governments	395,668				395,668
Total Assets	\$ 3,465,557	\$ 653,491	\$ 2,587,592	\$ 2,249,096	\$ 8,955,736
LIABILITIES:					
Accounts Payable	\$ 60,723				\$ 60,723
Funds Held in Trust				56,880	56,880
Due To Other Funds					0
Total Liabilities	60,723	0	0	56,880	117,603
FUND BALANCE:					
Non-spendable					0
Restricted				290,506	290,506
Committed					0
Assigned		653,491	2,587,592	1,901,710	5,142,793
Unassigned	3,404,834				3,404,834
Total Fund Balance	3,404,834	653,491	2,587,592	2,192,216	\$ 8,838,133
Total Liabilities and Fund Balance	\$ 3,465,557	\$ 653,491	\$ 2,587,592	\$ 2,249,096	

Amounts reported for governmental activities in the Statement of Net Position (page 12) are different because:

Governmental fund capital assets are not financial resources and therefore are not reported in the funds. The cost of assets is \$ 29,731,513 and the accumulated depreciation is \$ 9,784,465	19,947,048
Long-term liabilities, including bonds, net pension liability, and compensated absences are not payable in the current period and therefore are not reported in the governmental funds	(2,315,681)
Net Assets of Governmental Activities	\$ 26,469,500

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the year ended September 30, 2019

	<u>General Fund</u>	<u>City Sales Tax Fund</u>	<u>In-Lieu Housing Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE:					
Property taxes	\$ 4,292,095	\$	\$	\$	\$ 4,292,095
Local Option sales taxes		4,973,422			4,973,422
Franchises, licenses, permits	702,952			268,749	971,701
State of Idaho shared revenue	966,466				966,466
State of Idaho sales tax	102,535				102,535
State of Idaho liquor receipts	381,349				381,349
State highway user collections	134,319				134,319
Penalty/Interest on property taxes	13,801				13,801
County court and parking fines	99,080				99,080
Proceeds from sale of assets	11,752			0	11,752
Fees and charges for services	3,291,704		184,760	550,304	4,026,768
Grants and contributions	0			288,512	288,512
Earnings on investments	81,545	767	59,313	42,601	184,226
Miscellaneous and Reimbursements	81,096		0	300	81,396
Total Revenue	<u>10,158,694</u>	<u>4,974,189</u>	<u>244,073</u>	<u>1,150,466</u>	<u>16,527,422</u>
EXPENDITURES:					
General Government	4,167,474	83,087		209,981	4,460,542
Public Safety	3,925,212	147,847			4,073,059
Streets	1,987,424				1,987,424
Capital outlay				1,445,230	1,445,230
Parks and Recreation	467,643			26,098	493,741
Transportation		3,172,440			3,172,440
Affordable Housing			75,000		75,000
Debt Service				149,008	149,008
Total Expenditures	<u>10,547,753</u>	<u>3,403,374</u>	<u>75,000</u>	<u>1,830,317</u>	<u>15,856,444</u>
EXCESS REVENUE (EXPENDITURES)	(389,059)	1,570,815	169,073	(679,851)	670,978
OTHER FINANCING SOURCES (USES):					
Operating transfers from other funds	1,164,256			606,917	1,771,173
Operating transfers (to) other funds	(414,007)	(1,296,506)		(60,660)	(1,771,173)
NET CHANGE IN FUND BALANCES	361,190	274,309	169,073	(133,594)	670,978
FUND BALANCE - BEGINNING	<u>3,043,644</u>	<u>379,182</u>	<u>2,418,519</u>	<u>2,325,810</u>	<u>8,167,155</u>
FUND BALANCE - ENDING	<u>\$ 3,404,834</u>	<u>\$ 653,491</u>	<u>\$ 2,587,592</u>	<u>\$ 2,192,216</u>	<u>\$ 8,838,133</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, 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, 2019

Net Change in Fund Balance - Total Governmental Funds (Page 15)	\$ 670,978
<p>Governmental funds report capital outlays as current year expenditures. In the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of current capital outlay for new fixed assets.</p>	
This is the amount of current year depreciation.	(1,835,635)
This is the amount of new Governmental Fund assets.	1,704,009
This is the amount of disposed of Governmental Fund assets.	(108,382)
<p>Long term liabilities are not recorded in the Governmental funds.</p>	
This is the amount of payments on General Obligation Bonds Payable	131,000
This is the amount of changes in net pension liabilities	(445,321)
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the increase in compensated leave during the year.	<u>(114,545)</u>
Change in Net Assets of Governmental Activities (Page 13)	<u>\$ 2,104</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Net Position
Proprietary Funds
at September 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Assets:			
Current Assets:			
Cash and Deposits	\$ 1,560,426	\$ 690,131	\$ 2,250,557
Accts receivable - customers	30,789	20,973	51,762
Accts receivable - other govts.		60,233	60,233
	<u>1,591,215</u>	<u>771,337</u>	<u>2,362,552</u>
Restricted Current Assets:			
Cash and Deposits		212,000	212,000
Total Current Assets	<u>1,591,215</u>	<u>983,337</u>	<u>2,574,552</u>
Capital Assets:			
Plant and equipment	12,389,242	14,465,878	26,855,120
Accumulated depreciation	(7,422,647)	(6,379,305)	(13,801,952)
Net Plant and equipment	<u>4,966,595</u>	<u>8,086,573</u>	<u>13,053,168</u>
Total Assets	<u>6,557,810</u>	<u>9,069,910</u>	<u>15,627,720</u>
Deferred Outflow of Resources:			
Deferred Outflows from Pension Activity	<u>13,436</u>	<u>17,401</u>	<u>30,837</u>
Liabilities:			
Current Liabilities:			
Accounts and Interest Payable	5,173	2,740	7,913
Current portion long-term debt	175,000	195,000	370,000
Total current liabilities	<u>180,173</u>	<u>197,740</u>	<u>377,913</u>
Noncurrent Liabilities:			
Bonds Payable	3,323,000	1,120,000	4,443,000
Unamortized Bond Discount	(28,650)		(28,650)
Unamortized Bond Premium	157,548	123,810	281,358
Net Pension Liability	90,444	117,131	207,575
Compensated Absences Payable	39,886	34,905	74,791
Total noncurrent liabilities	<u>3,582,228</u>	<u>1,395,846</u>	<u>4,978,074</u>
Total Liabilities	<u>3,762,401</u>	<u>1,593,586</u>	<u>5,355,987</u>
Deferred Inflow of Resources:			
Deferred Inflows from Pension Activity	<u>41,471</u>	<u>53,708</u>	<u>95,179</u>
Net Position:			
Investment in capital assets net of related debt	1,339,697	6,647,763	7,987,460
Restricted	0	212,000	212,000
Unrestricted	<u>1,427,677</u>	<u>580,254</u>	<u>2,007,931</u>
Total Net Position	<u>\$ 2,767,374</u>	<u>\$ 7,440,017</u>	<u>\$ 10,207,391</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Revenues, Expenditures, and Changes in Net Position
Proprietary Funds
for the year ended September 30, 2019

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 2,015,415	\$ 2,531,014	\$ 4,546,429
Hookups, connections, impact fees	65,987	24,485	90,472
Reimbursements and Misc.	18,054	5,421	23,475
	<u>2,099,456</u>	<u>2,560,920</u>	<u>4,660,376</u>
Operating Expenses:			
Salaries and benefits	418,626	637,325	1,055,951
Administrative and supplies	887,084	905,548	1,792,632
Depreciation	255,517	324,298	579,815
	<u>1,561,227</u>	<u>1,867,171</u>	<u>3,428,398</u>
Operating Income	<u>538,229</u>	<u>693,749</u>	<u>1,231,978</u>
Nonoperating Revenues (Expenses):			
Interest Income	22,606	23,651	46,257
Interest Expense	(129,146)	(71,030)	(200,176)
Gain (Loss) on pension activity	(22,502)	42,194	19,692
Amortization of bond discount	(3,231)		(3,231)
Amortization of bond premium	2,119	18,500	20,619
	<u>(130,154)</u>	<u>13,315</u>	<u>(116,839)</u>
Income before transfers	<u>408,075</u>	<u>707,064</u>	<u>1,115,139</u>
Transfers in	400,000		
Transfers out		(400,000)	
Net Income	808,075	307,064	1,115,139
Total Net Position - Beginning	<u>1,959,299</u>	<u>7,132,953</u>	<u>9,092,252</u>
Total Net Position - Ending	<u>\$ 2,767,374</u>	<u>\$ 7,440,017</u>	<u>\$ 10,207,391</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Cash Flows
Proprietary Funds
for the year ended September 30, 2019

	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Total</u>
Cash Flows From Operating Activities:			
Receipts from customers	\$ 2,091,743	\$ 2,551,912	\$ 4,643,655
Payments to suppliers	(887,084)	(905,548)	(1,792,632)
Payments to employees	(418,626)	(637,325)	(1,055,951)
Other receipts	18,054	5,421	23,475
Net cash provided (used) by operations	<u>804,087</u>	<u>1,014,460</u>	<u>1,818,547</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase and construction of capital assets	(270,728)	(1,100,593)	(1,371,321)
Payments from (to) other funds	400,000	(400,000)	0
Principal paid on capital debt	(173,000)	(185,000)	(358,000)
Interest paid on capital debt	(129,146)	(71,299)	(200,445)
Net cash provided (used) by capital and related financing activities	<u>(172,874)</u>	<u>(1,756,892)</u>	<u>(1,929,766)</u>
Cash Flows From Investing Activities:			
Interest Income	<u>22,606</u>	<u>23,651</u>	<u>46,257</u>
Net Increase (Decrease) in Cash and Deposits	<u>653,819</u>	<u>(718,781)</u>	<u>(64,962)</u>
Balances - Beginning of the year	<u>906,607</u>	<u>1,620,912</u>	<u>2,527,519</u>
Balances - Ending of the year	<u>\$ 1,560,426</u>	<u>\$ 902,131</u>	<u>\$ 2,462,557</u>
Displayed as:			
Pooled Cash and Investments	1,560,426	690,131	2,250,557
Restricted Assets	<u> </u>	<u>212,000</u>	<u>212,000</u>
Balances - Ending of the year	<u>\$ 1,560,426</u>	<u>\$ 902,131</u>	<u>\$ 2,462,557</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	538,229	693,749	1,231,978
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	255,517	324,298	579,815
Changes in assets and liabilities:			
Receivables, net	2,812	(76)	2,736
Accounts and other payables	<u>7,529</u>	<u>(3,511)</u>	<u>4,018</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 804,087</u>	<u>\$ 1,014,460</u>	<u>\$ 1,818,547</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Ketchum, Idaho became an incorporated city under the laws of the State of Idaho on October 16, 1961. The accounting policies of the City of Ketchum, Idaho conform to generally accepted accounting principles as applicable to governmental units. The financial statements of the City of Ketchum, Idaho have been prepared in conformity with the generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental and business-type activities (enterprise funds) provided they do not conflict with or contradict GASB pronouncements. The following is a summary of the more significant policies:

(A) Basis of Presentation – Basis of Accounting

Basis of Presentation:

For this reporting period, the City has conformed its financial statement model to *Governmental Auditing Standards Board (GASB) Statement No. 34*. This model presents the financial statements as follows:

Government-wide Statements: The statement of net assets and the statement of activities display information about the primary government (the City). These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds. Separate statements for each fund category—*governmental* and *proprietary*—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

The City reports the following governmental funds:

General Fund. This is the City's operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following enterprise funds:

Water and Wastewater Fund. This fund accounts for the operation, maintenance, and development of the City's water and waste-water facilities.

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 Ketchum Urban Renewal Agency. It is reported in a separate column to emphasize that it is separate from the City's operations. Complete financial statements of the Ketchum Urban Renewal Agency can be requested.

Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets and Budgetary Accounting. The City adheres to City budget requirements in Title 50, Chapter 10 of the Idaho Code. The provisions of this chapter include the following procedures to establish budgetary data which is reflected in these financial statements:

- A. Prior to certifying the tax levy to the County Commissioners, and prior to passing the annual appropriation ordinance, a public meeting shall be held to adopt a budget by a favorable vote of a majority of the members of the council.
- B. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. Uncommitted appropriations lapse at year end.
- C. There are no provisions in Title 50, Chapter 10 for budget augmentations.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-continued

Entity Classifications.

- A. City-Wide Financial Statements – The City reports net position in three categories – invested in capital assets, restricted and unrestricted.
- B. Fund Financial Statements – 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.

Allocation of Indirect Expenses. The City allocates indirect expense, primarily comprised of central governmental services, to operating functions and programs benefiting from those services. Central services include overall City management, centralized budgetary formulation and oversight, accounting, financial reporting, payroll, procurement contracting and oversight, investing and cash management, personnel services, and other central administrative services. Allocations are charged to programs based on use of central services determined by various allocation methodologies. As a matter of policy, certain functions that use significant central services are not charged for the use of these services. These functions or programs include police, fire, and certain divisions with public services and parks.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

(B) Assets, Liabilities, and Equity

Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the State of Idaho Treasurer's Office for the purpose of increasing earnings through investment activities. The pool's investments are reported at fair value at September 30 of each year based on market prices. The individual funds' portions of the pool's fair value are presented as "Cash and Deposits". Earnings on the pooled funds are apportioned and paid or credited to the funds monthly based on the average daily balance of each participating fund.

Cash and Deposits

The City considers cash and deposits in proprietary funds to be cash on hand. In addition, because the State Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a deposit.

Receivables and Payable

All trade and property tax receivables are shown net of an allowance for uncollectibles.

Property Tax Calendar

Property taxes are levied each November based on the assessed value of property as listed on the previous September tax rolls. Assessed values are an approximation of market value. The Blaine County Assessor establishes assessed values. Property tax payments are due in one-half installments in December and June. Property taxes become a lien on the property when it is levied.

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 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.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

Capital Assets

Purchased or constructed capital assets used in operations with an initial useful life that extends beyond one year are capitalized. Infrastructure assets such as roads and bridges are also capitalized. They are reported net of accumulated depreciation on the Statement of Net Assets. The City capitalizes assets in excess of \$5,000.

Under the requirements of *GASB Statement No. 34*, the City is considered a Phase 3 government, as its total annual revenues are less than \$10 million. Such governments are not required to report major general infrastructure assets retroactively. Accordingly, the City has determined not to retroactively report this type of capital asset.

Capital assets are recorded at their historical cost and are depreciated using the straight-line method of depreciation over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	5-15
Office and Other Equipment	3-15
Computer Equipment	3-15

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.

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 DEPOSITS

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial credit risk. At year end, \$ 339,035 of the City's bank balances were exposed to custodial credit risk because of the \$ 250,000 limit insured by the FDIC.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

Investments: Custodial credit risk, in the case of investments, is the risk that in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the City held the following investments:

Investment Type

Idaho State Local Government Investment Pool \$ 9,970,079. (Combined with cash deposits)

These investments are unrated external investment pools sponsored by the Idaho State Treasurer's Office. They are classified as "Investments in an External Investment Pool" and are exempt from custodial credit risk and concentration of credit risk reporting. Interest rate risk is summarized as follows: Asset-backed securities are reported using weighted average life to more accurately reflect the projected term of the security, considering interest rates and repayment factors.

The elected Idaho State Treasurer, following Idaho Code, Section 67-2328, is authorized to sponsor an investment pool in which the City voluntarily participates. The Pool is not registered with the Securities and Exchange Commission or any other regulatory body - oversight is with the State Treasurer, and Idaho Code defines allowable investments. All investments are entirely insured or collateralized with securities held by the Pool or by its agent in the Pool's name. And the fair value of the City's position in the external investment pool is the same as the value of the pool shares.

Credit Risk: The City's policy is to comply with Idaho State statutes which authorize the City to invest in obligations of the United States, obligations of the State or any taxing district in the State, obligations issued by the Farm Credit System, obligations of public corporations of the State of Idaho, repurchase agreements, tax anticipation notes of the State or taxing district in the State, time deposits, savings deposits, revenue bonds of institutions of higher education, and the State Treasurer's Pool.

Interest rate risk and concentration of credit risk: The City has no policy regarding these two investment risk categories.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is presented on the combined balance sheet as "Cash and Deposits"

Cash and Deposits are comprised of the following at the financial statement date:

Cash on Hand	\$	320
Deposits with financial institutions:		
Demand deposits		779,429
State of Idaho Investment Pool		<u>9,970,079</u>
Total		<u>\$ 10,749,828</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

– Continued

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the current year ended was 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	\$ 8,809,038	\$	\$	\$ 8,809,038
Construction in Progress	0			0
Total	<u>8,809,038</u>	<u>0</u>	<u>0</u>	<u>8,809,038</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	9,995,787		210,000	9,785,787
Infrastructure	2,349,090	490,028		2,839,118
Vehicles and Equipment	7,292,832	1,213,981	209,243	8,297,570
Total	<u>19,637,709</u>	<u>1,704,009</u>	<u>419,243</u>	<u>20,922,475</u>
Less: Accumulated Depreciation:	<u>8,259,691</u>	<u>1,835,635</u>	<u>310,861</u>	<u>9,784,465</u>
Total Net Depreciated Assets	<u>11,378,018</u>	<u>(131,626)</u>	<u>108,382</u>	<u>11,138,010</u>
 Governmental capital assets, net	 <u>\$ 20,187,056</u>	 <u>\$ (131,626)</u>	 <u>\$ 108,382</u>	 <u>\$ 19,947,048</u>
 Business-type activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 15,380	\$	\$	\$ 15,380
Construction in Progress	524,626	240,196	524,626	240,196
Total	<u>540,006</u>	<u>240,196</u>	<u>524,626</u>	<u>255,576</u>
 <i>Capital Assets being depreciated:</i>				
Buildings & Improvements	24,128,329	1,641,999		25,770,328
Vehicles and Equipment	815,466	13,750		829,216
Total	<u>24,943,795</u>	<u>1,655,749</u>	<u>0</u>	<u>26,599,544</u>
Less: Accumulated Depreciation	<u>13,222,137</u>	<u>579,815</u>		<u>13,801,952</u>
Total Net Depreciated Assets	<u>11,721,658</u>	<u>1,075,934</u>	<u>0</u>	<u>12,797,592</u>
 Business-type capital assets, net	 <u>\$ 12,261,664</u>	 <u>\$ 1,316,130</u>	 <u>\$ 524,626</u>	 <u>\$ 13,053,168</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

– Continued

NOTE 4 - BONDS PAYABLE

In December of 2004, the City sold \$ 1,990,000 of Sewer Revenue Bonds, Series 2004. The proceeds of this issue were used to make improvements to the City's wastewater system. The bonds were retired with funds from the 2014 Wastewater Refunding Bonds 2014.

In May of 2006, the City sold \$ 1,730,000 of Sewer Revenue Bonds, Series 2006A. The proceeds of this issue were used to make improvements to the City's wastewater system. The bonds were retired by the 2014 bond issue.

In November of 2014 the City sold \$ 1,950,000 of Sewer Revenue Refunding Bonds, Series 2014. The proceeds from this bond issue retired the City's 2004 and 2006 bond series. This bond issue is to be retired by user fees generated by the City's enterprise fund.

In 2006 outstanding bonds from the City's series 1998 issue were defeased by placing proceeds of a new bond issue, Water Revenue Refunding Bonds Series 2006B for \$ 3,030,000, in an irrevocable trust to provide for all future debt payments on the old bonds. These bonds were retired by the City's Water Revenue Refunding Bonds Series 2016.

In September of 2016 the City sold \$ 1,697,000 of Water Revenue Refunding Bonds, Series 2016. The proceeds from this bond issue retired the City's 2006B bond series. This bond issue is to be retired by user fees generated by the City's enterprise fund.

In May of 2006, the City sold \$ 2,780,000 of Water Revenue Bonds, Series 2006A. The proceeds of this issue were used to make improvements to the City's water system. These bonds were retired by the City's Water Revenue Refunding Bonds Series 2015.

In September of 2015 the City sold \$ 2,310,000 of Water Revenue Refunding Bonds, Series 2015. The proceeds from this bond issue retired the City's 2006A bond series. This bond issue is to be retired by user fees generated by the City's enterprise fund.

In June of 2007, the City sold \$1,550,000 of General Obligation Bonds, Series June 5, 2007. The proceeds of this issue were used for capital equipment acquisitions.

The following is a list of the interest and principal payments through the end of the bond issues:

<u>Wastewater Refunding Bond Series 2014</u>		
<u>FY</u>	<u>Interest</u>	<u>Principal</u>
2020	\$ 65,750	\$ 195,000
2021	56,000	205,000
2022	45,750	215,000
2023	35,000	220,000
2024	24,000	230,000
2025	12,500	250,000
Totals	\$ <u>239,000</u>	\$ <u>1,315,000</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

Bonds Payable – Continued

FY	<u>Water Refunding Bonds 2015</u>		<u>Water Revenue Bonds 2016</u>	
	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2020	\$ 109,475	30,000	\$ 22,064	\$ 145,000
2022	108,575	30,000	19,540	151,000
2023	107,675	30,000	16,912	152,000
2024	106,475	30,000	14,269	157,000
2025	105,500	30,000	11,537	162,000
2026-2034	707,000	2,080,000	17,626	501,000
Totals	\$ <u>1,244,700</u>	\$ <u>2,230,000</u>	\$ <u>101,948</u>	\$ <u>1,268,000</u>

General Obligation Bonds Series June 5, 2007

FY	<u>Interest</u>	<u>Principal</u>
2020	\$ 12,336	\$ 137,000
2021	6,335	143,000
Totals	\$ <u>18,671</u>	\$ <u>280,000</u>

NOTE 5 – CAPITAL LEASES

The City has entered into a municipal lease agreement for the purchase of a 2019 Hughes Aerial Fire Ladder Truck to be used by the General Fund of the City. The obligation is recorded in the respective fund. Annual lease payments are paid on July 1 of each year. Unless sooner terminated as set forth in the lease, ownership will transfer to the City upon expiration of the lease. Depreciation expense has been computed on assets acquired under municipal lease agreements.

Detail of the Capital Leases follows:

	<u>Financed</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023-34</u>	<u>Total</u>
Governmental Activities						
2019 Hughes Aerial Fire Ladder Truck						
Zions Bancorporaton	\$ 709,069	\$ 39,955	\$ 39,695	\$ 40,806	588,613	\$ 709,069
Computed Interest 2.8%		18,475	18,735	17,624	112,542	167,376
	<u>709,069</u>	<u>58,430</u>	<u>58,430</u>	<u>58,430</u>	<u>701,155</u>	<u>876,445</u>
Total Capital Leases	\$ <u>709,069</u>	\$ <u>58,430</u>	\$ <u>58,430</u>	\$ <u>58,430</u>	<u>701,155</u>	\$ <u>876,445</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

– Continued

NOTE 6 – OPERATING LEASES

The City is obligated under several operating leases for vehicles and equipment. Operating leases do not give rise to property rights or purchase obligations, and therefore the results of the lease agreements are not reflected in the City's capital assets.

NOTE 7 – MISCELLANEOUS REVENUES, GOVERNMENTAL FUND TYPES

The miscellaneous revenues section of the combined statement of revenues and expenditures includes the following amounts:

	<u>Total Governmental</u>
Rents	\$ 80,418
Miscellaneous	<u>978</u>
Total	<u>\$ 81,396</u>

NOTE 8 – LITIGATION

The City, at the financial statement date, is involved in a few matters of litigation. Legal representation has not determined the resolution of these matters. The City contends that any liability in any of these issues would be immaterial to the financial statements.

NOTE 9 – RESTRICTED NET ASSETS

The ordinance authorizing the Enterprise Fund revenue bonds requires that the City establish certain restricted cash accounts to be used in the retirement of the bonds and improvements to the waste-water systems. In addition, certain cash amounts are restricted for use in law enforcement, zoning ordinance enforcement, and for other restrictions imposed by the City Council in the general fund; and for debt retirement in the long-term debt group of accounts. The City's policy is to first apply unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. These restricted amounts are as follows:

	<u>General Fund</u>	<u>Enterprise Funds</u>
Various Trust Cash	\$ 290,506	
Wastewater Bonds Debt Service	<u> </u>	\$ <u>212,000</u>
Totals	<u>\$ 290,506</u>	\$ <u>212,000</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

NOTE 10 – 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 is 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 Ketchum'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 11 – KETCHUM URBAN RENEWAL AGENCY

The component unit column in the combined financial statements includes the financial data of the Ketchum Urban Renewal Agency, the City's only discretely presented component unit. It is reported in a separate column to emphasize that it is legally separate from the City in accordance with State Urban Renewal law. The Agency has authority to construct public improvements including the acquisition of public right-of-way within the blighted area legally designated as the redevelopment district. The City appoints the governing board of the Agency. The Agency derives its funding from tax increment financing. Complete financial statements for the current year are available from the Agency.

The City advanced \$1,495,830 of cash held for affordable housing construction to the Agency to begin their operations. The Agency has determined to pay this amount back to the City over the next several years as funds become available. These amounts are not accrued in the City's records but will be recognized as revenue when received in the "In-Lieu Housing Fund". The balance remaining unpaid at the date of these financial statements is \$ 1,261,687.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

NOTE 12 – EMPLOYEE RETIREMENT PLAN

Plan Description

The City of Ketchum 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. 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 72% for police and firefighters. As of June 30, 2019, it was 6.79% for general employees and 8.36% for police and firefighters. The employer contribution rate, as a percent of covered payroll, is set by the Retirement Board and was 11.32% for general employees and 11.66% for police and firefighters. The City's contributions were \$441,262 for the year ended September 30, 2019.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

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

At September 30, 2019, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was 0.0865200 percent.

For the year ended September 30, 2019, the City recognized pension expense (revenue) of \$135,046. At September 30, 2019, 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	\$ 91,782	\$ 116,394
Changes in assumptions or other inputs	\$ 54,936	
Net difference between projected and actual earnings on pension plan investments	\$ (85,317)	\$ 336,447
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions		
City's contributions subsequent to the measurement date	\$ 85,316	
Total	\$ 146,717	\$ 452,841

\$ 85,316 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, 2020.

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, 2017 the beginning of the measurement period ended June 30, 2018 is 4.8 and 4.8 for the measurement period June 30, 2019.

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

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

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Year ended September 30, 2019:

2020	(\$ 35,562)
2021	(\$ 152,360)
2022	(\$ 74,217)
2023	(\$ 43,983)
Thereafter	(\$ 306,123)

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, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.75 – 10.00%
Salary inflation	3.75%
Investment rate of return	7.05%, net of investment expenses
Cost-of-living adjustments	1%

Mortality rates were based on the RP – 2000 combined table for healthy males or females as appropriate with the following offsets:

- Set back 3 years for teachers
- No offset for male fire and police
- Forward one year for female fire and police
- Set back one year for all general employees and all beneficiaries

An experience study was performed for the period July 1, 2013 through June 30, 2017 which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2019 is based on the results of an actuarial valuation date of July 1, 2019.

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

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of January 1, 2017

Capital Market Assumptions

	<u>Expected Return</u>	<u>Expected Risk</u>	<u>Strategic Normal</u>	<u>Strategic Ranges</u>
Equities:			70%	66%-77%
Broad Domestic Equity	9.15%	19.00%	55%	50%-65%
International	9.25%	20.20%	15%	10%-20%
Fixed Income:	3.05%	3.75%	30%	23%-33%
Cash	2.25%	0.90%	0%	0%-5%
	<u>Expected Return</u>	<u>Expected Inflation</u>	<u>Expected Real Return</u>	<u>Expected Risk</u>
Total Fund				
Actuary	7.00%	3.25%	3.75%	N/A
Portfolio	6.58%	2.25%	4.33%	12.67%

* Expected arithmetic return net of fees and expenses

Actuarial Assumptions:

Assumed Inflation - Standard Deviation	3.25%
Portfolio Arithmetic Mean Return	2.00% 8.42%
Portfolio Long-Term Expected Geometric Rate of Return	
Assumed Investment Expenses	7.50%
Long-Term Expected Geometric Rate of Return Net of Investment Expenses	<u>0.45%</u> 7.05%

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2019

-Continued

Discount Rate

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

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.05%, 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 (6.05%) or 1-percentage-point higher (8.05%) than the current rate:

	1% Decrease (6.05%)	Current Discount Rate (7.05%)	1% Increase (8.05%)
Employer's proportionate share of the net pension liability (asset)	\$ 997,478	\$ 987,602	\$ 977,726

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, 2019, 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 13 – SUBSEQUENT EVENTS

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF KETCHUM, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- General Fund
for the year ended September 30, 2019

	<u>Actual Amounts</u>	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$ 4,292,095	\$ 4,224,752	\$ 4,224,752	\$ 67,343
Franchises, licenses, permits	702,952	772,608	832,608	(129,656)
State of Idaho shared revenue	966,466	911,880	911,880	54,586
State of Idaho sales tax	102,535	96,661	96,661	5,874
State of Idaho liquor receipts	381,349	378,825	378,825	2,524
State highway user collections	134,319	129,090	129,090	5,229
Penalty and interest on property taxes	13,801	10,000	10,000	3,801
County court and parking fines	99,080	60,125	60,125	38,955
Fees, fines and charges for services	3,291,704	2,965,181	3,135,181	156,523
Grants and contributions	0	0	0	0
Earnings on investments	81,545	30,001	30,001	51,544
Miscellaneous	92,848	78,260	78,260	14,588
Total Revenue	<u>10,158,694</u>	<u>9,657,383</u>	<u>9,887,383</u>	<u>271,311</u>
EXPENDITURES:				
General Government	4,167,474	4,142,313	4,223,313	55,839
Public Safety	3,925,213	3,758,179	3,877,179	(48,034)
Streets	1,987,424	1,918,273	2,133,273	145,849
Capital outlay				
Parks and Recreation	467,643	520,827	520,827	53,184
Transportation				
Affordable Housing				
Debt Service				
Total Expenditures	<u>10,547,754</u>	<u>10,339,592</u>	<u>10,754,592</u>	<u>206,838</u>
EXCESS REVENUE (EXPENDITURES)	(389,060)	(682,209)	(867,209)	478,149
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	1,164,256	979,256	1,164,256	0
Operating transfers (to) other funds	(414,007)	(206,007)	(214,007)	200,000
NET CHANGE IN FUND BALANCES	361,189	91,040	83,040	678,149
FUND BALANCE - BEGINNING	<u>3,043,644</u>	<u>3,043,644</u>	<u>3,043,644</u>	
FUND BALANCE - ENDING	<u>\$ 3,404,833</u>	<u>3,134,684</u>	<u>\$ 3,126,684</u>	

CITY OF KETCHUM, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- City Sales Tax Fund
for the year ended September 30, 2019

	<u>Actual Amounts</u>	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$ 4,973,422	\$ 4,532,987	\$ 4,717,987	\$ 255,435
Local Option sales taxes				0
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				
County court fines				
Fees, fines and charges for services				
Grants and contributions				
Earnings on investments	767	1,000	1,000	(233)
Miscellaneous				
	<u>4,974,188</u>	<u>4,533,987</u>	<u>4,718,987</u>	<u>255,201</u>
Total Revenue				
EXPENDITURES:				
General Government	83,087	97,500	97,500	14,413
Public Safety	147,847	143,541	143,541	(4,306)
Streets				
Capital outlay				
Parks and Recreation				
Transportation	3,172,440	3,172,440	3,172,440	0
Affordable Housing				
Debt Service				
	<u>3,403,374</u>	<u>3,413,481</u>	<u>3,413,481</u>	<u>10,107</u>
Total Expenditures				
EXCESS REVENUE (EXPENDITURES)	1,570,815	1,120,506	1,305,506	265,309
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				0
Operating transfers (to) other funds	<u>(1,296,506)</u>	<u>(1,111,506)</u>	<u>(1,296,506)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	274,309	9,000	9,000	265,309
FUND BALANCE - BEGINNING	<u>379,182</u>	<u>379,182</u>	<u>379,182</u>	
FUND BALANCE - ENDING	<u>\$ 653,491</u>	<u>\$ 388,182</u>	<u>\$ 388,182</u>	

CITY OF KETCHUM, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- In-Lieu Housing Fund
for the year ended September 30, 2019

	<u>Actual Amounts</u>	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$	\$	\$	\$
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				
County court fines				
Fees, fines and charges for services	184,760			184,760
Grants and contributions				
Earnings on investments	59,313	34,000	34,000	25,313
Miscellaneous		90,000	90,000	(90,000)
Total Revenue	<u>244,073</u>	<u>124,000</u>	<u>124,000</u>	<u>120,073</u>
EXPENDITURES:				
General Government				0
Public Safety				
Streets				
Capital outlay		1,350,000	2,100,000	(2,100,000)
Parks and Recreation				
Transportation				
Affordable Housing	75,000	75,000	75,000	0
Debt Service				
Total Expenditures	<u>75,000</u>	<u>1,425,000</u>	<u>2,175,000</u>	<u>(2,100,000)</u>
EXCESS REVENUE (EXPENDITURES)	169,073	(1,301,000)	(2,051,000)	(1,979,927)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds				
Operating transfers (to) other funds				
NET CHANGE IN FUND BALANCES	169,073	(1,301,000)	(2,051,000)	(1,979,927)
FUND BALANCE - BEGINNING	<u>2,418,519</u>	<u>2,418,519</u>	<u>2,418,519</u>	
FUND BALANCE - ENDING	<u>\$ 2,587,592</u>	<u>\$ 1,117,519</u>	<u>\$ 367,519</u>	

CITY OF KETCHUM, IDAHO
PUBLIC EMPLOYEE PENSION INFORMATION
For the year ended September 30, 2019

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	.0865200%	.0799402%	.0866389%	.0857958%	.0889864%
Employer's proportionate share of the net pension liability	\$ 987,602	\$ 1,179,132	\$ 1,361,816	\$ 1,739,214	\$ 1,171,806
Employer's covered-employee payroll	\$ 3,625,685	\$ 3,742,286	\$ 3,585,052	\$ 3,435,203	\$ 2,691,486
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	27.24%	31.51%	37.99%	50.63%	43.54%
Plan fiduciary net position as a percentage of the total pension liability	3713.73%	3051.24%	1988.07%	1439.94%	1794.56%

* 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, 2019

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	\$ 441,262	\$ 455,247	\$ 445,468	\$ 425,702	\$ 393,730
Contributions in relation to the statutorily required contribution	\$ (441,262)	\$ (455,247)	\$ 445,468	\$ (425,702)	\$ (393,730)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Employer's covered-employee payroll	\$ 3,625,685	\$ 3,742,286	\$ 3,585,052	\$ 3,435,203	\$ 2,691,486
Contributions as a percentage of covered-employee payroll	12.17%	12.16%	12.43%	12.39%	14.63%

**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF KETCHUM, IDAHO
Combining Balance Sheets
Combining Other Governmental Funds
at September 30, 2019

	<u>General Capital Improvement Fund</u>	<u>Street Capital Improvement Fund</u>	<u>Law Enforce Capital Improvement Fund</u>	<u>Fire/Rescue Capital Improvement Fund</u>
ASSETS:				
Cash and Cash Deposits	\$ 1,234,522	\$ 375,655	\$ 19,181	\$ 244,761
Taxes Receivable				
Due From Other Governments				
Total Assets	<u>\$ 1,234,522</u>	<u>\$ 375,655</u>	<u>\$ 19,181</u>	<u>\$ 244,761</u>
LIABILITIES:				
Accounts Payable	\$	\$	\$	\$
Funds Held in Trust				
Due To Other Funds				
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE:				
Non-spendable				
Restricted				
Committed				
Assigned	1,234,522	375,655	19,181	244,761
Unassigned				
Total Fund Balance	<u>1,234,522</u>	<u>375,655</u>	<u>19,181</u>	<u>244,761</u>
Total Liabilities and Fund Balance	<u>\$ 1,234,522</u>	<u>\$ 375,655</u>	<u>\$ 19,181</u>	<u>\$ 244,761</u>

The accompanying notes are a part of these financial statements.

<u>Parks Capital Improvement Fund</u>	<u>GO Bond Debt Fund</u>	<u>Wagon Days Fund</u>	<u>Police/Fire Trust Fund</u>	<u>Community Development Trust Fund</u>	<u>Park Trust Fund</u>	<u>Total Governmental Funds</u>
\$ 7,217	\$ 3,099	\$ 17,275	\$ 99,851	\$ 56,880	\$ 190,655	\$ 2,249,096
						0
						0
<u>\$ 7,217</u>	<u>\$ 3,099</u>	<u>\$ 17,275</u>	<u>\$ 99,851</u>	<u>\$ 56,880</u>	<u>\$ 190,655</u>	<u>\$ 2,249,096</u>
\$	\$	\$	\$	\$	\$	\$
				56,880		56,880
						0
				56,880		56,880
						0
			99,851		190,655	290,506
						0
7,217	3,099	17,275				1,901,710
						0
<u>7,217</u>	<u>3,099</u>	<u>17,275</u>	<u>99,851</u>	<u>0</u>	<u>190,655</u>	<u>2,192,216</u>
<u>\$ 7,217</u>	<u>\$ 3,099</u>	<u>\$ 17,275</u>	<u>\$ 99,851</u>	<u>\$ 56,880</u>	<u>\$ 190,655</u>	<u>\$ 2,249,096</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Combining Other Governmental Funds
for the year ended September 30, 2019

	<u>General Capital Improvement Fund</u>	<u>Street Capital Improvement Fund</u>	<u>Law Enforce Capital Improvement Fund</u>	<u>Fire/Rescue Capital Improvement Fund</u>
REVENUE:				
Property taxes	\$	\$	\$	\$
Local Option sales taxes				
Franchises, licenses, permits	268,749			
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				
Proceeds from sale of assets				
Fees and charges for services	410,374	34,026	784	21,355
Grants and contributions	251,000	5		
Earnings on investments	17,873	8,257	372	9,359
Miscellaneous				
Total Revenue	<u>947,996</u>	<u>42,288</u>	<u>1,156</u>	<u>30,714</u>
EXPENDITURES:				
General Government				
Public Safety				
Streets				
Capital outlay	1,026,590	113,728		290,512
Parks and Recreation				
Transportation				
Affordable Housing				
Debt Service				
Total Expenditures	<u>1,026,590</u>	<u>113,728</u>	<u>0</u>	<u>290,512</u>
EXCESS REVENUE (EXPENDITURES)	(78,594)	(71,440)	1,156	(259,798)
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	212,500	48,160		32,000
Operating transfers (to) other funds	(48,160)	0		
NET CHANGE IN FUND BALANCES	85,746	(23,280)	1,156	(227,798)
FUND BALANCE - BEGINNING	<u>1,148,776</u>	<u>398,935</u>	<u>18,025</u>	<u>472,559</u>
FUND BALANCE - ENDING	<u>\$ 1,234,522</u>	<u>\$ 375,655</u>	<u>\$ 19,181</u>	<u>\$ 244,761</u>

The accompanying notes are a part of these financial statements.

<u>Parks Capital Improvement Fund</u>	<u>GO Bond Debt Fund</u>	<u>Wagon Days Fund</u>	<u>Police/Fire Trust Fund</u>	<u>Community Development Trust Fund</u>	<u>Park Trust Fund</u>	<u>Total Governmental Funds</u>
\$	\$	\$	\$	\$	\$	\$
						0
						0
						268,749
						0
						0
						0
						0
						0
						0
7,186		8,479		68,100		550,304
		8,369			29,138	288,512
447	655	307	2,397	20	2,914	42,601
			300			300
<u>7,633</u>	<u>655</u>	<u>17,155</u>	<u>2,697</u>	<u>68,120</u>	<u>32,052</u>	<u>1,150,466</u>
		141,861		68,120		209,981
						0
						0
					14,400	1,445,230
					26,098	26,098
						0
						0
	149,008					149,008
<u>0</u>	<u>149,008</u>	<u>141,861</u>	<u>0</u>	<u>68,120</u>	<u>40,498</u>	<u>1,830,317</u>
7,633	(148,353)	(124,706)	2,697	0	(8,446)	(679,851)
	149,507	132,250			32,500	606,917
<u>(12,500)</u>						<u>(60,660)</u>
(4,867)	1,154	7,544	2,697	0	24,054	(133,594)
<u>12,084</u>	<u>1,945</u>	<u>9,731</u>	<u>97,154</u>	<u>0</u>	<u>166,601</u>	<u>2,325,810</u>
<u>\$ 7,217</u>	<u>\$ 3,099</u>	<u>\$ 17,275</u>	<u>\$ 99,851</u>	<u>\$ 0</u>	<u>\$ 190,655</u>	<u>\$ 2,192,216</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2019

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
General Obligation Bond:				
\$1,550,000 General Obligation Bonds				
Series June 5, 2007				
3.72% - 4.43%	4.38%	2020	\$ 137,000	\$ 12,336
	4.43%	2021	<u>143,000</u>	<u>6,335</u>
			<u>\$ 280,000</u>	<u>\$ 18,671</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2019

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Water Revenue Bond:				
Water Refunding Bond 2016				
\$ 1,697,000, September 8, 2016				
1.74%				
	1.74%	2020	\$ 145,000	\$ 22,064
	1.74%	2021	151,000	19,540
	1.74%	2022	152,000	16,912
	1.74%	2023	157,000	14,269
	1.74%	2024	162,000	11,537
	1.74%	2025	162,000	8,717
	1.74%	2026	166,000	5,899
	1.74%	2027	173,000	3,010
			<u>\$ 1,268,000</u>	<u>\$ 101,948</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2019

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Water Revenue Bond:				
Water Revenue Refunding Bonds 2015 \$2,310,000, September 2, 2015 2.00% - 5.00%				
	3.00%	2020	\$ 30,000	\$ 109,475
	3.00%	2021	30,000	108,575
	4.00%	2022	30,000	107,675
	3.25%	2023	30,000	106,475
	5.00%	2024	30,000	105,500
	5.00%	2025	35,000	104,000
	5.00%	2026	35,000	102,250
	5.00%	2027	30,000	100,500
	5.00%	2028	255,000	99,000
	5.00%	2029	270,000	86,250
	5.00%	2030	285,000	72,750
	5.00%	2031	295,000	58,500
	5.00%	2032	310,000	43,750
	5.00%	2033	330,000	28,250
	5.00%	2034	<u>235,000</u>	<u>11,750</u>
			<u>\$ 2,230,000</u>	<u>\$ 1,244,700</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2019

	Annual Payment			
	<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
Wastewater Revenue Bond:				
Wastewater Revenue Refunding Bonds 2014				
\$1,950,000, November 18, 2014				
2.00% - 5.00%	5.00%	2020	\$ 195,000	\$ 65,750
	5.00%	2021	205,000	56,000
	5.00%	2022	215,000	45,750
	5.00%	2023	220,000	35,000
	5.00%	2024	230,000	24,000
	5.00%	2025	250,000	12,500
			<u>\$ 1,315,000</u>	<u>\$ 239,000</u>

The accompanying notes are a part of these financial statements.

2190 Village Park Avenue, Suite 300 • Twin Falls, ID 83301 • 208.733.1161 • Fax: 208.733.6100

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

November 9, 2019

To the City Council
City of Ketchum, 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 Ketchum, Idaho, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Ketchum, Idaho's basic financial statements, and have issued our report thereon dated November 9, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Ketchum, 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 Ketchum, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Ketchum, 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 Ketchum, 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

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APPENDIX B

PROPOSED FORM OF OPINION OF BOND COUNSEL

Upon the delivery of the 2020 Bonds, Skinner Fawcett LLP, Bond Counsel to the City, propose to issue its final approving opinion in substantially the following form:

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APPENDIX C

CONTINUING DISCLOSURE AGREEMENT

CITY OF KETCHUM, BLAINE COUNTY, STATE OF IDAHO
GENERAL OBLIGATION BONDS, SERIES 2020

(CUSIP Base Number _____)

THIS CONTINUING DISCLOSURE AGREEMENT (the “Agreement”) is executed and delivered by the City of Ketchum, Blaine County, Idaho (the “Issuer”) and Zions Bancorporation, National Association (the “Dissemination Agent”), as of the date set forth below in order for the Issuer to authorize and direct the Dissemination Agent, as the agent of the Issuer, to make certain information available to the public in compliance with Section (b)(5)(i) of Rule 15c2-12, as hereinafter defined.

WITNESSETH:

1. **Background.** The Issuer has resolved to issue its General Obligation Bonds, Series 2020 (the “Bonds”). The Bonds are issued pursuant to Ordinance No. 1206, adopted by the City Council of the Issuer on February 18, 2020 (the “Ordinance”), which names Dissemination Agent as the as paying agent and registrar, all as further described in the Official Statement prepared in connection with the issuance of the Bonds. The CUSIP number assigned to the final maturity of the Bonds is _____.
2. **Appointment of Dissemination Agent.** The Issuer hereby appoints the Dissemination Agent and any successor Dissemination Agent acting as such under the Ordinance as its agent under this Agreement to disseminate the financial information and notices furnished by the Issuer hereunder in the manner and at the times as herein provided and to discharge the other duties assigned.
3. **Information to be Furnished by the Issuer.** The Issuer hereby covenants for the benefit of the registered and beneficial owners of the Bonds that, as long as any of the Bonds are outstanding under the Ordinance, the Issuer will deliver the following information to the Dissemination Agent:
 - a. Within 180 days after the end of the Issuer’s fiscal year, beginning with fiscal year ended September 30, 2020, the audited financial statements of the Issuer prepared in accordance with generally-accepted accounting principles, together with the report thereon of the Issuer’s independent auditors. If audited financial statements are not available by the time specified herein, unaudited financial statements will be provided and audited financial statements will be provided when, and if, available. The Issuer shall include with each submission a written representation addressed to the Dissemination Agent to the effect that the financial statements are the financial statements required by this Agreement and that they comply with the applicable requirements of this Agreement. For the purposes of determining whether information received from the Issuer is the required financial statements, the Dissemination Agent shall be entitled conclusively to rely on the Issuer’s written representation made pursuant to this Section.

b. Within 180 days after the end of the Issuer’s fiscal year, beginning with fiscal year ended September 30, 2020, the other financial, statistical and operating data for said fiscal year of the Issuer in the form and scope similar to the financial, statistical and operating data contained in the Issuer’s Official Statement, specifically the tables and/or information contained under the following tables and headings of the Official Statement:

DEBT STRUCTURE OF THE CITY OF KETCHUM, IDAHO

- Outstanding Municipal Debt: “Outstanding General Bonded Indebtedness” (pg. __); “Outstanding Water Revenue Bonded Indebtedness” (pg. __); “Outstanding Wastewater Revenue Bonded Indebtedness” (pg. __)
- Debt Service Schedule of Outstanding General Obligation Bonds By Fiscal Year (pg. __)
- Debt Service Schedule of Outstanding Water Revenue Bonds By Fiscal Year (pg. __)
- Debt Service Schedule of Outstanding Wastewater Revenue Bonds By Fiscal Year (pg. __)
- Overlapping and Underlying General Obligation Debt (pg. __)
- Debt Ratios (pg. __)
- General Obligation Legal Debt Limit and Additional Debt Incurring Capacity (pg. __)

FINANCIAL INFORMATION REGARDING THE CITY OF KETCHUM, IDAHO

- Financial Summaries: “Statement of Net Position - Primary Government” (pg. __); “Statement of Activities – Total Primary Government” (pg. __); “Balance Sheet – Governmental Fund Types” (pg. __); “Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund Types – General Fund” (pg. __)
- Direct and Overlapping Tax Rates of the City (pg. __)
- Taxable Value of Property (pg. __)
- Tax Collection Record (pg. __)
- The Largest Taxpayers of the City (pg. __)

c. The Dissemination Agent shall provide notice to the Issuer of its requirement to provide the information listed in Sections 3.a. and 3.b. at least thirty (30) days prior to the date such information is to be provided to the Dissemination Agent by the Issuer. Any or all of the items listed above in Sections 3.a. or 3.b. may be incorporated by reference from other documents, including official statements of debt issues of the Issuer which have been previously submitted to the Repository or the SEC. If the document incorporated by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such document incorporated by reference. In the event Issuer is unable or fails to provide the required annual financial information specified in Sections 3.a. and 3.b. above on or before the date specified therein, Issuer shall timely submit to the Repository notice of such failure in the form attached hereto as Exhibit A.

d. Within ten (10) business days after the occurrence of the event, written notice of any of the following events with respect to the Bonds:

- (1) Principal and interest payment delinquencies;
- (2) Nonpayment-related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of the obligated person;¹

¹ For the purposes of the event identified in paragraph (12) above, the event is considered to occur when any of the following occur: The appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has

(13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;

(14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material; or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect securities holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

e. The Dissemination Agent shall promptly advise the Issuer whenever, in the course of performing its duties under the Ordinance, the Dissemination Agent identifies an occurrence listed above which may require the Issuer to provide a notice of the occurrence of any of the events listed in Section 3.f. above; provided that the failure of the Dissemination Agent so to advise the Issuer of such occurrence shall not constitute a breach by the Dissemination Agent of any of its duties and responsibilities hereunder or under the Ordinance. The Dissemination Agent shall only send notice of such event listed in Section 3.d. above to the Repository if such written notice is provided to it by the Issuer, and in no event shall the Dissemination Agent be required to determine the materiality of such event.

4. Manner and Time by Which Information is to be Made Public by the Dissemination Agent.

a. The information required to be delivered to the Dissemination Agent pursuant to Sections 3.a. and 3.b. hereof shall be referred to as the Continuous Disclosure Information (the “Continuous Disclosure Information”), and the notices required to be delivered to the Dissemination Agent pursuant to Section 3.d. hereof shall be referred to as the Event Information (the “Event Information”).

b. After the receipt of any Continuous Disclosure Information or any Event Information, the Dissemination Agent will deliver the information as provided in the following Section 4.c.

c. It shall be the Dissemination Agent's duty:

assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (1) to deliver the Continuous Disclosure Information to the Repository once it is received from the Issuer not later than five (5) days after receipt thereof;
- (2) to deliver the Event Information to the Repository immediately upon receipt from the Issuer, and in any event not more than two business days following receipt from Issuer;
- (3) to determine the identity and address of the then existing Repository to which Continuous Disclosure Information and Event Information must be sent under rules and regulations promulgated by the MSRB or by the SEC.

d. The Dissemination Agent shall have no duty or obligation to disclose to the Repository any information other than (i) Continuous Disclosure Information that the Dissemination Agent actually has received from the Issuer and (ii) Event Information about which the Dissemination Agent has received written notice from the Issuer. Any such disclosures shall be required to be made only as and when specified in this Agreement. The Dissemination Agent's duties and obligations are only those specifically set forth in this Agreement, and the Dissemination Agent shall have no implied duties or obligations.

e. All Continuous Disclosure Information and Event Information, or other financial information and notices pursuant to this Agreement are to be provided to the Repository in electronic PDF format (word-searchable) as prescribed by the MSRB. All documents provided to the MSRB pursuant to this Agreement must be accompanied by identifying information as prescribed by the MSRB.

5. Indemnification.

a. The Dissemination Agent shall have no obligation to examine or review the Continuous Disclosure Information and shall have no liability or responsibility for the form of, or the accurateness or completeness of, the Continuous Disclosure Information or Event Information disseminated by the Dissemination Agent hereunder. The Dissemination Agent's duties under this Agreement are ministerial in nature. The Continuous Disclosure Information shall contain a legend to such effect. The Dissemination Agent shall have the same rights, protections, and immunities hereunder as provided to it as a trustee under the Ordinance.

b. The Issuer hereby agrees to hold harmless and to indemnify the Dissemination Agent, its employees, officers, directors, agents and attorneys from and against any and all claims, damages, losses, liabilities, reasonable costs and expenses whatsoever (including attorneys' fees and expenses, whether incurred before trial, at trial, or on appeal, or in any bankruptcy or arbitration proceedings), which may be incurred by the Dissemination Agent by reason of or in connection with the disclosure of information in accordance with this Agreement, except to the extent such claims, damages, losses, liabilities, costs or expenses result directly from the willful or negligent conduct of the Dissemination Agent in the performance of its duties under this Agreement. This Section 5.b shall survive the termination of the Agreement, payment of the Bonds, and the removal or resignation of the Dissemination Agent.

c. In no event shall Dissemination Agent be liable for special, indirect, or consequential losses or damages of any kind whatsoever (including but not limited to lost profits) even if Dissemination Agent has previously been advised of such losses and damages.

6. **Compensation.** The Issuer hereby agrees to compensate the Dissemination Agent for the services provided and the expenses (including legal fees and expenses) incurred pursuant to this Agreement in an amount to be agreed upon from time to time hereunder. Such compensation shall be in addition to any fees previously agreed upon with respect to the services of Zions Bancorporation, National Association, in its capacity as Trustee under the Ordinance.

7. **Enforcement.** The obligations of the Issuer under this Agreement shall be for the benefit of the registered and beneficial holders of the Bonds. Any holder of the Bonds then outstanding, including any Beneficial Owner of the Bonds (as defined in the Ordinance), may enforce specific performance of such obligations by any judicial proceeding available. However, any failure by the Issuer to perform in accordance with this Agreement shall not constitute a default under the Ordinance.

This Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent and the holders and beneficial owners from time to time of the Bonds and shall create no rights in any other person or entity.

8. **Definitions.** As used herein, the following terms shall have the following meanings:
“Financial Obligation” means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of (a) or (b); provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in Rule 15c2-12) has been provided to the MSRB consistent with Rule 15c2-12.

“MSRB” shall mean the Municipal Securities Rulemaking Board.

“obligated person” as defined in Rule 15c2-12 shall mean any person, including an issuer of municipal securities, who is either generally or through an enterprise, fund, or account of such person committed by contract or other arrangement to support payment of all, or part of the obligations on the municipal securities to be sold in the offering (other than providers of municipal bond insurance, letters of credit, or other liquidity facilities).

“Official Statement” shall mean the final Official Statement of the Issuer dated March __, 2020.

“Ordinance” means Ordinance No. 1206 of the Issuer pursuant to which the Bonds have been authorized and issued.

“Repository” shall mean MSRB through its Electronic Municipal Market Access system (“EMMA”) at <http://emma.msrb.org>, or such other nationally recognized municipal securities information repository recognized by the SEC from time to time pursuant to Rule 15c2-12.

“Rule 15c2-12” shall mean Rule 15c2-12, as amended, promulgated by the SEC under the Securities Exchange Act of 1934, and as amended from time to time.

“SEC” shall mean the Securities and Exchange Commission.

9. Amendments and Termination; Resignation of Dissemination Agent. This Agreement may be amended with the mutual agreement of the Issuer and the Dissemination Agent and without the consent of any registered or beneficial holders of the Bonds under the following conditions, as evidenced by receipt of an opinion of nationally recognized bond counsel delivered to the Dissemination Agent opining as to the following:

a. the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the obligated person or type of business conducted;

b. this Agreement, as amended, would have complied with the requirements of Rule 15c2-12 at the time of the primary offering, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any change in circumstances; and

c. the amendment does not materially impair the interests of holders of the Bonds, as determined by parties unaffiliated with the Issuer (such as the Dissemination Agent or nationally recognized bond counsel).

Any party to this Agreement may terminate this Agreement by giving written notice of an intent to terminate to the other parties at least thirty (30) days prior to such termination, provided that no such termination shall relieve the obligation of the Issuer to comply with Rule 15c2-12(b)(5) either through a successor agent or otherwise.

The Dissemination Agent may resign as Dissemination Agent by giving written notice of intent to resign to the Issuer at least ninety (90) days prior to resignation.

The undertaking contained in this Agreement shall be in effect from and after the issuance and delivery of the Bonds and shall extend to the earlier of (i) the date all principal and interest on the Bonds shall have been paid in full pursuant to the terms of the Ordinance; (ii) the date that the Issuer shall no longer constitute an "obligated person" within the meaning of Rule 15c2-12; or (iii) the date on which those portions of Rule 15c2-12 that require this written undertaking (a) are held to be invalid by a court of competent jurisdiction in a nonappealable action, (b) have been repealed retroactively, or (c) in the opinion of counsel who is an expert in federal securities laws, acceptable to the Issuer or the Dissemination Agent, otherwise, do not apply to the Bonds. The Issuer shall notify the Repository if this Agreement is terminated pursuant to (iii), above.

10. Successor Dissemination Agent. Upon the transfer of the duties created under the Ordinance from the current Dissemination Agent to a successor Dissemination Agent, such successor Dissemination Agent shall succeed to the duties under this Agreement without any further action on the part of any party, and the then current Dissemination Agent shall have no further duties or obligations upon the transfer to a successor Dissemination Agent. Such Successor Dissemination Agent may terminate this Agreement or cause it to be amended as provided in paragraph 9.

11. Additional Information. Nothing in this Agreement shall be deemed to prevent the Issuer from disseminating (or from causing the Dissemination Agent to disseminate) any other

information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Continuous Disclosure Information or notice of the occurrence of any Event Information, in addition to that which is required by this Agreement. If the Issuer chooses to include any information in any Continuous Disclosure Information or Event Information in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future Continuous Disclosure Information or notice of occurrence of any Event Information.

If the Issuer provides to the Dissemination Agent information relating to the Issuer or the Bonds, which information is not designated as Event Information, and directs the Dissemination Agent to provide such information to the Repository, the Dissemination Agent shall provide such information in a timely manner to the Repository

12. Notices. All notices and communications required hereunder shall be in writing and shall be given to the parties at their addresses set forth below under their signatures or at such places as the parties to this Agreement may designate from time to time. Any notice or communication hereunder shall be deemed duly given if in writing and delivered either in person, by overnight mail, or by first class mail, postage prepaid.

13. Counterparts. This Agreement may be executed in one or more counterparts, and each such instrument shall constitute an original counterpart of this Agreement.

14. Governing Law. This Agreement shall be governed by the laws of the State of Idaho.

[The following page is the signature page.]

IN WITNESS WHEREOF, the Issuer and the Dissemination Agent have caused this Agreement to be executed and delivered by a duly authorized officer of each of them, all as of this March __, 2020.

ISSUER:

**CITY OF KETCHUM,
BLAINE COUNTY, IDAHO**

Grant Gager, Director of Finance

Notice Address:

480 East Ave. N.
Ketchum, Idaho 83350
Attn: Director of Finance

DISSEMINATION AGENT:

**ZIONS BANCORPORATION, NATIONAL
ASSOCIATION**

Twyla D. Lehto, Senior Vice President
Zions Bank Division

Notice Address:

800 W. Main Street, Ste 700
Boise, Idaho 83702
Attn: Corporate Trust

EXHIBIT A
**FORM OF NOTICE OF THE MUNICIPAL SECURITIES RULEMAKING BOARD OF
FAILURE TO FILE ANNUAL REPORT**

Name of Issuer: City of Ketchum, Blaine County, Idaho
Name of Bond Issue: General Obligation Bonds, Series 2020
Date of Issuance: March __, 2020

NOTICE IS HEREBY GIVEN that the above referenced Issuer has not provided an Annual Report with respect to the above captioned Bonds as required by Section 3 of the Continuing Disclosure Agreement, between the Issuer and Zions Bancorporation, National Association, as Dissemination Agent, dated the Date of Issuance. The Issuer has notified the Dissemination Agent that it anticipates the Annual Report will be filed on or about _____.

Dated: _____

ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, as Dissemination Agent, on behalf of the
Issuer

By: _____

Name: _____

Title: _____

APPENDIX D

BOOK-ENTRY SYSTEM

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has an S&P rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at dtcc.com.

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in 2020 Bonds, except in the event that use of the book-entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the bond documents. For example, Beneficial Owners of 2020 Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to

obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2020 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions and dividend payments on the 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detailed information from the City or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its 2020 Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such 2020 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2020 Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of 2020 Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2020 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2020 Bonds to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the City or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, 2020 Bond certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, 2020 Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

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