



Ketchum Urban Renewal Agency

P.O. Box 2315 | 191 5th Street | Ketchum, ID 83340

January 16, 2024

Chair and Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

RECOMMENDATION TO APPROVE FY23 FINANCIAL STATEMENT

Introduction/History

Each year the KURA contracts with Workman and Company to prepare the fiscal year financial statement and audit. Attached is the material prepared for FY23. A representative from Workman Company will present the material to the Board for approval.

Recommendation and Motion

Staff recommends the Board approve the following motion:

“I move to approve the FY23 Financial Statement and direct the Executive Director to file the FY23 Financial Statement with the appropriate entities including the State Controller and the trustees for the Agency Bonds.”

Attachment: FY23 Financial Statement

KETCHUM URBAN RENEWAL AGENCY

KETCHUM, IDAHO

**Financial Statements
at September 30, 2023**

**KETCHUM URBAN RENEWAL AGENCY
KETCHUM, IDAHO**

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WORKMAN & COMPANY

Office of
Accounting

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INDEPENDENT AUDITOR'S REPORT

November 14, 2023

To the Board of Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

Opinions

We have audited the accompanying financial statements of the governmental activities of the Ketchum Urban Renewal Agency, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Ketchum Urban Renewal Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Ketchum Urban Renewal Agency, as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility

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

Report Continued—

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ketchum Urban Renewal Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Ketchum Urban Renewal Agency's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on page 14 be presented to supplement the basic financial statements. Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Ketchum Urban Renewal Agency's basic financial statements. The schedule of long-term debt payments on page 15 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of long-term debt payments is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of long-term debt 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 14, 2023, on our consideration of the Ketchum Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control over financial reporting and compliance.

Workman & Company

Certified Public Accountants
Twin Falls, Idaho

KETCHUM URBAN RENEWAL AGENCY
Statement of Net Position
at September 30, 2023

| | <u>Total Primary Government</u> | <u>Total Reporting Entity</u> |
|--------------------------------------------------|-----------------------------------------|---------------------------------------|
| <u>ASSETS</u> | | |
| Cash and Deposits | \$ 4,795,297 | \$ 4,795,297 |
| Accounts and Property Tax Receivable | 23,706 | 23,706 |
| Total | 4,819,003 | 4,819,003 |
| Capital Assets: | | |
| Land, Buildings and Improvements | 4,729,682 | 4,729,682 |
| Fourth Street Corridor Improvements | 1,000,000 | 1,000,000 |
| Total | 5,729,682 | 5,729,682 |
| Less Accumulated Depreciation | (97,803) | (97,803) |
| Total Capital Assets | 5,631,879 | 5,631,879 |
| Total Assets | 10,450,882 | 10,450,882 |
| <u>LIABILITIES</u> | | |
| Accrued Interest Payable | 2,507 | 2,507 |
| Long-term Liabilities: | | |
| Portion due or payable within one year: | | |
| Bonds Payable | 481,014 | 481,014 |
| Portion due or payable after one year: | | |
| Bonds Payable | 3,056,124 | 3,056,124 |
| Unamortized Pre-Issuance Bond Costs | (30,847) | (30,847) |
| Total Liabilities | 3,508,798 | 3,508,798 |
| <u>NET POSITION</u> | | |
| Invested in Capital Assets - net of related debt | 0 | 0 |
| Restricted For: | | |
| Capital Projects | 0 | 0 |
| Debt Service | 0 | 0 |
| Affordable Housing | 195,514 | 195,514 |
| Unrestricted | 6,746,570 | 6,746,570 |
| Total Net Position | \$ 6,942,084 | \$ 6,942,084 |

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Statement of Activities
For the Year Ended September 30, 2023

| <u>Activities:</u> | <u>Program Revenues</u> | | | <u>Net (Expense) Revenues and Changes in Net Position</u> | |
|--------------------------------------|-------------------------|----------------------------------------------|-----------------------------------------|-----------------------------------------------------------|------------------|
| | <u>Expenses</u> | <u>Fees, Fines, and Charges for Services</u> | <u>Capital Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Total</u> |
| Governmental: | | | | | |
| General Government | \$ 351,603 | \$ 36,000 | \$ 0 | \$ (315,603) | \$ (315,603) |
| Contributions to City of Ketchum | 53,175 | | | (53,175) | (53,175) |
| Total Governmental Activities | 404,778 | 36,000 | 0 | (368,778) | (368,778) |

General Revenues:

| | | |
|---------------------------------------------|------------------|------------------|
| Property Taxes | 2,190,299 | 2,190,299 |
| Penalty and Interest on Taxes | 6,908 | 6,908 |
| Refunds and Reimbursements | 18,579 | 18,579 |
| Interest | 180,567 | 180,567 |
| Total general revenues and transfers | 2,396,353 | 2,396,353 |
| Changes in net position | 2,027,575 | 2,027,575 |
| Net Position - Beginning | 4,914,509 | 4,914,509 |
| Net Position - Ending | \$ 6,942,084 | \$ 6,942,084 |

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Balance Sheet
Governmental Funds
at September 30, 2023

| | | Total Governmental Funds |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------|-----------------------------------------|
| ASSETS: | | |
| Cash and Cash Equivalents | \$ | 4,795,297 |
| Taxes Receivable | | 22,656 |
| Due From Other Sources | | <u>1,094</u> |
| Total Assets | \$ | <u><u>4,819,047</u></u> |
| LIABILITIES: | | |
| Accounts and Accrued Payables | \$ | <u>0</u> |
| Total Liabilities | | <u>0</u> |
| FUND BALANCE: | | |
| Non-spendable | | 0 |
| Restricted | | 0 |
| Committed | | 0 |
| Assigned | | 4,819,047 |
| Unassigned | | <u>0</u> |
| Total Fund Balance | | <u><u>4,819,047</u></u> |
| Total Liabilities and Fund Balance | | <u>4,819,047</u> |
| Amounts reported for governmental activities in the Statement of Net Position (page 3) are different because: | | |
| Government fund capital assets are not financial resources and therefore are not reported in the funds. The costs of assets is \$ 5,729,412 and the accumulated depreciation is \$ 97,803 | | 5,631,879 |
| Bond discounts and pre-issuance costs are not financial resources and therefore are not reported in the funds. | | 30,847 |
| Long-term liabilities, including bonds, compensated absences and loans are not payable in the current period and therefore are not reported in the governmental funds | | <u>(3,539,689)</u> |
| Net Position of Governmental Funds | \$ | <u><u>6,942,084</u></u> |

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the year ended September 30, 2023

| | <u>Total Governmental Funds</u> |
|------------------------------------------|-----------------------------------------|
| REVENUE: | |
| Tax Levy Revenue | \$ 2,197,207 |
| Rent Revenue | 36,000 |
| Refunds and Reimbursements | 18,579 |
| Interest Income | <u>180,567</u> |
| Total Revenue | <u>2,432,353</u> |
| EXPENDITURES: | |
| Office Expense | 24 |
| Professional Fees | 118,300 |
| Advertising and Publications | 0 |
| Insurance | 2,969 |
| Administration | 40,995 |
| Repairs | 0 |
| Reimburse Ketchum City - General | 53,175 |
| Reimburse Ketchum City - In Lieu Housing | 0 |
| Capital Projects | 641,527 |
| Debt service | <u>541,956</u> |
| Total Expenditures | <u>1,398,946</u> |
| EXCESS REVENUE (EXPENDITURES) | 1,033,407 |
| FUND BALANCE - BEGINNING | <u>3,785,640</u> |
| FUND BALANCE - ENDING | \$ <u><u>4,819,047</u></u> |

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
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, 2023

| | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|
| Net Change in Fund Balance - Total Governmental Funds (Page 6) | \$ 1,033,407 |
| <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 depreciaton. | (38,437) |
| This is the amount of current year amortization. | (4,121) |
| This is the amount of new Governmental Fund assets. | 563,800 |
| <p>Long term liabilities are not recorded in the Governmental funds.</p> | |
| This is the change in accrued interest on the outstanding debt. | 341 |
| This is the amount of current year payments of long term debt | <u>472,585</u> |
| Change in Net Position of Governmental Activities (Page 4) | \$ <u><u>2,027,575</u></u> |

The accompanying notes are a part of these financial statements.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

The Ketchum Urban Renewal Agency (the Agency) was created for the purpose of redeveloping and rehabilitating certain deteriorating areas in the City of Ketchum, Idaho, and was established by a resolution from the Ketchum City Council dated April 3, 2006. The Agency is authorized under provisions of the Idaho Urban Renewal Law of 1965 (Chapter 20, Title 50, Idaho Code).

The Agency is a component unit, as defined by generally accepted accounting principles, of the City of Ketchum, Idaho, because of its operational and financial responsibility with the City. The City of Ketchum appoints the governing body of the Agency.

The financial statements of the Ketchum Urban Renewal Agency have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local government units. The Governmental Accounting Standards Boards (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net position) report information on all of the non-fiduciary activities of the Agency.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The Agency's activities and general administrative services are classified as governmental activities. The Agency has no business-type activities.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. 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.

Property taxes 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. All other revenue items are considered to be measurable and available only when the Agency receives cash.

The Agency reports the following major governmental funds:

- The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the Agency.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Continued—

Budgetary Policy

The Agency prepares a budget for its general fund operations. The statement of revenues and expenditures and changes in fund balances and actual-general fund presents comparison of the legally adopted budget with the actual data on a budgetary basis.

Under Idaho Code, the Agency's budget establishes maximum legal authorization for expenditures during the fiscal year. Expenditures are not to exceed the budgeted amounts, except as allowed by the Code for certain events.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Agency because it is not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

Capital Assets

Capital Assets, which include land, building and improvements, and furniture and equipment, are reported in the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extended assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized.

The Agency's capital assets are being depreciated using the straight-line method over their useful lives.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Entity Classifications

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

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Continued—

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 Agency'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.

2. PROPERTY TAXES

Property taxes are billed and collected within the same period in which the taxes are levied. The Agency does not levy property taxes; however, it is entitled to the taxes levied on the increase in assessed valuation of real and personal property within its jurisdiction that occur after January 1, 2006.

In accordance with Idaho law, property taxes are levied in September for each calendar year. All personal taxes and one-half of real property taxes are due by December 20. The second half of the real property taxes is due by June 20. Tax levies on such assessed values are certified to the County prior to the commencement of the fiscal year.

Taxes are collected by Blaine County and remitted to the Agency primarily in January and July of the fiscal year. The Agency defers recognition of property taxes assessed but not collected within 60 days of the fiscal year-end. Such amounts have been recognized as revenues as they are deemed immaterial to the financial statements taken as a whole.

3. 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 Agency has no deposit policy for custodial credit risk. At year end, \$ 250,000 of the Agency's bank balance was not exposed to custodial credit risk because it was insured by the FDIC and \$ 0 of deposits were exposed to custodial credit risk.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

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 Agency held the following investments:

Investment Type

Idaho State Local Government Investment Pool \$ 4,723,489.

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 Agency 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 Agency's position in the external investment pool is the same as the value of the pool shares.

Credit Risk: The Agency's policy is to comply with Idaho State statutes which authorize the Agency 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 Agency has no policy regarding these two investment risk categories.

The Agency 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 | \$ | 0 |
| Deposits with financial institutions: | | |
| Demand deposits | | 71,808 |
| State of Idaho Investment Pool | | <u>4,723,489</u> |
| Total | | <u>\$4,795,297</u> |

4. RESTRICTED ASSETS

In fiscal year ended September 30, 2006, the URA purchased real property formerly known as the Dollhouse located at 211 First Street in Ketchum for the sum of \$2.25 million. The down payment for the purchase of this property of \$707,914 was obtained by the URA as a transfer from the City of Ketchum's restricted In Lieu Affordable Housing Fund. Since that time, the City of Ketchum's restricted In Lieu Affordable Housing Fund has transferred to the URA an additional \$147,916 to pay interest on the debt associated with this property as well as to make necessary property repairs.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Continued -

In fiscal year ended September 30, 2008, the URA purchased real property formerly known as the Mountain West Bank building located at Sun Valley Rd. and East Ave. in Ketchum for the sum of \$3.2 million. The down payment for the purchase of the Mountain West Bank building property of \$640,000 was obtained by the URA as a transfer from the City of Ketchum's restricted In Lieu Affordable Housing Fund.

On April 12, 2011, \$640,000 of restricted fund value was transferred to the 1st & Washington property from the Mountain West Bank Building, leaving no further restriction on the value of the Mountain West Bank Building. In 2018 the Agency donated the Mountain West property to the City of Ketchum.

The Agency and the City entered into a memorandum of understanding (MOU) to pay back the City of Ketchum \$1,460,000 over the next several years as funds are available. This amount is not accrued in the Agency's records but will be expensed when paid. Prior to this year the Agency has paid the City of Ketchum \$1,264,486 in cash and investments in affordable housing, leaving the restricted amount at \$ 195,514.

5. GENERAL FIXED ASSETS

Capital asset activity for the year ended September 30, 2023, is as follows:

| | <u>Beginning Balances</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balances</u> |
|----------------------------------------------|-------------------------------|-----------------------|------------------|----------------------------|
| Governmental Activities: | | | | |
| <i>Capital Assets not being depreciated:</i> | | | | |
| Land - First & Washington | \$ 2,294,746 | \$ | \$ | \$ 2,294,746 |
| 1st & Washington | 1,474,000 | | | 1,474,000 |
| Fourth Street Corridor Improvements | 1,000,000 | | | 1,000,000 |
| Total | <u>4,768,746</u> | <u>0</u> | <u>0</u> | <u>4,768,746</u> |
| <i>Capital Assets being depreciated:</i> | | | | |
| Infrastructure | 397,136 | 563,800 | | 960,936 |
| Total | <u>397,136</u> | <u>563,800</u> | <u>0</u> | <u>960,936</u> |
| Less: Accumulated Depreciation: | 59,366 | 38,437 | | 97,803 |
| Total Net Depreciated Assets | <u>337,770</u> | <u>525,363</u> | <u>0</u> | <u>863,133</u> |
| Governmental capital assets, net | <u>\$ 5,106,516</u> | <u>\$ 525,363</u> | <u>\$ 0</u> | <u>\$ 5,631,879</u> |

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

Continued—

6. LONG-TERM DEBT

On August 19, 2010, the Agency sold \$ 6,440,000 of Revenue Allocation (Tax Increment) Refinancing Bonds, Series 2010. The proceeds from this bond issuance paid three notes held previously in the Agency. The bond servicing agent is U.S. Bank N.A. A summary of future payments of principal and interest follows the notes to these financial statements. The bond ordinance created restricted cash for a reserve in the amount of \$ 549,717 for payments of principal and interest in the event of default by the agency. During the year ended September 30, 2021, the Agency refunded these bonds with new Tax Increment Refunding Bonds, Series 2021. The restricted cash was used to pay down the original bond series 2010.

Long-term debt on September 30, 2023, is as follows:

| | <u>Interest Rate</u> | <u>Fiscal Year</u> | <u>Balance</u> |
|---------------------------------------------------|----------------------|--------------------|----------------|
| Tax Increment Refunding Bonds, Series 2021: 1.73% | | 2024-2030 | \$ 3,537,138 |

The following is a summary of the principal due over the next five and subsequent five-year increments:

| | | |
|-----------|----|------------------|
| 2024 | \$ | 481,014 |
| 2025 | | 488,835 |
| 2026 | | 495,067 |
| 2027 | | 505,612 |
| 2028 | | 510,279 |
| 2029-2030 | | <u>1,056,331</u> |
| | \$ | <u>3,537,138</u> |

7. LABOR AND ASSOCIATED COSTS

The Agency does not currently employ any staff and contracts with the City of Ketchum for administrative duties. Labor and associated costs are allocated to the Agency for reimbursement purposes. Because of the nature of the reimbursement, the Agency does not report any payroll or retirement liabilities.

8. LITIGATION

The Agency, at the financial statement date, is not involved in any material disputes as either plaintiff or defendant.

9. RISK MANAGEMENT

The Agency is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; injuries to the general public; and natural disasters. The Agency carries commercial insurance coverage for these risks to the extent deemed prudent by the board of commissioners.

10. 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**

KETCHUM URBAN RENEWAL AGENCY
Budgetary Comparison Schedule
General Fund
for the year ended September 30, 2023

| | <u>Original and Final Budget</u> | <u>Actual</u> | <u>Variance with Budget Positive (Negative)</u> |
|--------------------------------------------------------------|------------------------------------------|----------------------------|-------------------------------------------------------------|
| REVENUES: | | | |
| Property taxes - Tax Increment Revenues | \$ 2,112,518 | \$ 2,197,207 | \$ 84,689 |
| Rent Revenue | 36,000 | 36,000 | 0 |
| Refunds and Reimbursements | 0 | 18,579 | 18,579 |
| Earnings on investments | 0 | 180,567 | 180,567 |
| | <u>2,148,518</u> | <u>2,432,353</u> | <u>283,835</u> |
| EXPENDITURES: | | | |
| Office Expense | 500 | 24 | 476 |
| Professional Fees | 70,000 | 118,300 | (48,300) |
| Advertising/Publications | 1,000 | 0 | 1,000 |
| Insurance | 3,074 | 2,969 | 105 |
| Administrative Expenses | 48,890 | 40,995 | 7,895 |
| Debt Service | 526,555 | 541,956 | (15,401) |
| Reimburse Ketchum City - General Expense | 155,000 | 53,175 | 101,825 |
| Reimburse Ketchum City - In Lieu Housing | 0 | 0 | 0 |
| Capital Outlay | 2,240,000 | 641,527 | 1,598,473 |
| | <u>3,045,019</u> | <u>1,398,946</u> | <u>1,646,073</u> |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | <u>(896,501)</u> | <u>1,033,407</u> | <u>1,929,908</u> |
| NET CHANGE IN FUND BALANCE | (896,501) | 1,033,407 | \$ <u><u>1,929,908</u></u> |
| FUND BALANCE - BEGINNING | <u>1,523,870</u> | <u>3,785,640</u> | |
| FUND BALANCE - ENDING | \$ <u><u>627,369</u></u> | \$ <u><u>4,819,047</u></u> | |

The accompanying notes are a part of these financial statements.

**OTHER
SUPPLEMENTARY INFORMATION**

KETCHUM URBAN RENEWAL AGENCY
Bond-Future Principal and Interest Requirements
at September 30, 2023

| | Annual Payment | | | |
|--------------------------------------------------------------------|------------------|----------------|----------------------|---------------------|
| | Interest Rate | Fiscal Year | Principal Payment | Interest Payment |
| \$4,815,959 Tax Increment Refunding Bonds, Series 2021 1.73% | | | | |
| | 1.73% | 2024 | 481,014 | 61,192 |
| | 1.73% | 2025 | 488,835 | 52,871 |
| | 1.73% | 2026 | 495,067 | 44,414 |
| | 1.73% | 2027 | 505,612 | 35,849 |
| | 1.73% | 2028 | 510,279 | 27,102 |
| | 1.73% | 2029 | 524,231 | 18,275 |
| | 1.73% | 2030 | 532,100 | 9,205 |
| | | | \$ 3,537,138 | \$ 248,908 |

The accompanying notes are a part of these financial statements.

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

November 14, 2023

To the Board of Commissioners
Ketchum Urban Renewal Agency
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 of the Ketchum Urban Renewal Agency, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Ketchum Urban Renewal Agency's basic financial statements, and have issued our report thereon dated November 14, 2023.

Internal Control over Financial Reporting

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

WORKMAND AND COMPANY
Certified Public Accountants
Twin Falls, Idaho