



City of Ketchum

CITY COUNCIL MEETING AGENDA MEMO

Meeting Date: December 15, 2025 Staff Member/Dept: Brent Davis – Director of Finance/Treasurer

Agenda Item: Draft Audit Presentation and Discussion

Recommended Motion:

Motion to approve the FY 2025 Audit as presented.

The approval motion makes the Audit final. The final audit will be posted on the City's website and shared with the appropriate state agencies.

Reasons for Recommendation:

The approval of the Draft audit makes it the Final Audit. If any changes are to occur after the fact, a list of those changes and a new Audit will be shared with City Council.

The final EOY Financial Statement and September 2025 Monthly Financial Report will be presented at a future council meeting in January. Council has received a preliminary FY 2025 End of Year financial statement previously.

Sustainability Impact:

No Sustainability impact

Financial Impact:

No Financial Impact

Attachments:

1. Draft FY 2025 Audit

CITY OF KETCHUM, IDAHO

Financial Statements

Year Ended September 30, 2025

CITY OF KETCHUM, IDAHO
Financial Statements
For the year ended September 30, 2025

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INDEPENDENT AUDITOR'S REPORT

December 8, 2025

To the City Council
City of Ketchum, Idaho
Ketchum, Idaho

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ketchum, Idaho, as of and for the year ended September 30, 2025, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Ketchum, Idaho, as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibility

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

Report Continued—

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and post-employment information on pages 3–11 and 36–39 and 40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ketchum, Idaho's basic financial statements. The combining and individual nonmajor fund financial statements and long-term debt payment schedules on pages 41–46 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and long-term debt payment schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2025, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Workman & Company

Certified Public Accountants
Twin Falls, Idaho



City of Ketchum

Management's Discussion and Analysis

December 8, 2025

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 \$ 68,627,319. Of that amount, \$ 13,938,401 (unrestricted net position) may be used to meet future obligations and programs.
- The Local Option Tax (LOT) receipts increased \$578,592 from the previous year.

These Special Revenue Funds received an amount of, \$7,294,492 in the current year.

- Governmental Fund Revenues were \$27,064,710 and expenditures were \$35,848,388.

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 <u>Financial Statements</u>	Fund Financial Statements	
		<u>Governmental Funds</u>	<u>Proprietary Funds</u>
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 assets * 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 (Total \$68,279,729) of the City's Assets (72.3%) 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

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

not eligible for future spending. Restricted net position totals \$ 8,125,669. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, debt service requirements, or enabling

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, 2025, derived from the government-wide Statement of Net Position.

**Table 2: Condensed Statement of Net Position
As of September 30, 2025**

	Governmental Activities	Business-type Activities	Total Primary Government	Component Unit - Urban Renewal Agency
Current and other assets	\$ 11,014,832	\$ 15,082,312	\$ 26,097,144	\$ 6,111,171
Capital assets	49,225,745	19,053,984	68,279,729	8,297,301
Total Assets	60,240,577	34,136,296	94,376,873	14,408,472
Deferred Outflows	380,106	95,026	475,132	
Current Liabilities	1,189,789	427,606	1,617,395	496,874
Long-term liabilities	14,216,282	9,299,485	23,515,767	2,049,833
Total Liabilities	15,406,071	9,727,091	25,133,162	2,546,707
Deferred Inflows	873,219	218,305	1,091,524	
Net assets:				
Invested in capital assets				
net of related debt	36,596,062	9,967,187	46,563,249	5,750,594
Restricted	1,125,669	7,000,000	8,125,669	195,514
Unrestricted	6,619,662	7,318,739	13,938,401	5,915,657
Total Net Position	\$ 44,341,393	\$ 24,285,926	\$ 68,627,319	\$ 11,861,765

Condensed Statement of Activities

Table 3 below presents the City's condensed statement of activities for the fiscal year ended September 30, 2025, 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 increased by \$319,543 or 19.9% percent, the net position of the business-type activities increased by \$3,258,444 or 0.5%, and the net position of the City's Component Unit (Urban Renewal Agency) increased \$2,638,962 or 28.6%.

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

Table 3: Condensed Statement of Activities
As of September 30, 2025

	Governmental Activities	Business- type Activities	Total Primary Government	Component Unit Urban Renewal Agency
Revenue:				
Program revenues				
Charges for services	\$ 7,274,707	\$ 8,854,571	\$ 16,129,278	\$ 3,000
Capital grants /contributions	1,890,207	0	1,890,207	
Total program revenues	<u>9,164,914</u>	<u>8,854,571</u>	<u>18,019,485</u>	<u>3,000</u>
General revenues				
Taxes	13,238,331		13,238,331	2,730,724
Franchise, licenses, permits	1,873,935		1,873,935	
State shared revenues	1,751,218		1,751,218	
Interest	746,345	642,099	1,388,444	251,519
Gain (Loss) on sale of assets	2,550		2,550	
Other revenues (Losses)	<u>(304,103)</u>	<u>(101,603)</u>	<u>(405,706)</u>	<u>2,325</u>
Total general revenues	<u>17,308,276</u>	<u>540,496</u>	<u>17,848,772</u>	<u>2,984,568</u>
Total revenues	<u>26,473,190</u>	<u>9,395,067</u>	<u>35,868,257</u>	<u>2,987,568</u>
Program expenses:				
General government	14,912,153		14,912,153	348,606
Public safety	6,200,680		6,200,680	
Streets	2,197,038		2,197,038	
Parks and recreation	609,504		609,504	
Transportation	2,603,031		2,603,031	
Affordable Housing	2,742,038		2,742,038	
Wastewater		3,230,827	3,230,827	
Water		2,342,839	2,342,839	
Interest, long-term debt	<u>298,793</u>	<u>411,811</u>	<u>710,604</u>	
Total program expenses	<u>29,563,237</u>	<u>5,985,477</u>	<u>35,548,714</u>	<u>348,606</u>
Change in net position				
Beginning net position	<u>(3,090,047)</u>	<u>3,409,590</u>	<u>319,543</u>	<u>2,638,962</u>
Ending net position	<u>46,431,440</u>	<u>20,876,336</u>	<u>67,307,776</u>	<u>9,222,803</u>
	<u>\$ 43,341,393</u>	<u>\$ 24,285,926</u>	<u>\$ 67,627,319</u>	<u>\$ 11,861,765</u>

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.

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

**Table 4: Program Expenses and Revenues
 for Government Activities
 For the Fiscal Year Ended September 30, 2025**

	Program Expenses	Program Revenues	Net Expense (Revenues) (a)
General government	\$ 14,912,153	\$ 5,881,427	\$ (9,030,726)
Public safety	6,200,680	170,861	(6,029,819)
Streets	2,197,038		(2,197,038)
Parks and Recreation	609,504	1,597,184	987,680
Transportation	2,603,031		(2,603,031)
Affordable Housing	2,742,038	1,515,442	(1,226,596)
Interest on long-term debt	298,793		(298,793)
Totals	\$ 29,563,237	\$ 9,164,914	\$ (20,398,323)

(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, 2025**

City Programs	Program Expenses	Program Revenues	Net Program Expenses (Revenues)
Wastewater	\$ 3,230,827	\$ 5,212,972	\$ 1,982,145
Water	2,342,839	3,641,599	1,298,760
Interest on long-term debt	411,811		(411,811)
Totals	\$ 5,985,477	\$ 8,854,571	\$ 2,869,094

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.

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

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, 2025**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variances</u>
Revenues:			
Taxes (including penalties/interest)	\$ 11,863,802	\$ 12,593,584	\$ 729,782
Franchises, licenses, permits	1,501,662	1,873,935	372,273
State of Idaho	1,741,436	1,824,895	83,459
Fees, Charges for Services	4,413,584	5,528,000	1,114,416
Other	<u>3,166,587</u>	<u>2,739,902</u>	<u>(426,685)</u>
Totals	<u>22,687,071</u>	<u>24,560,316</u>	<u>1,873,245</u>
Expenditures:			
General Government	9,956,761	9,878,940	77,821
Public Safety	5,984,355	6,019,391	(35,036)
Streets	2,129,694	1,982,534	147,160
Capital Outlay	8,854,001	8,850,588	3,413
Parks and Recreation	594,926	567,154	27,772
Transportation	2,599,090	2,603,031	(3,941)
Affordable Housing	1,857,893	1,904,463	(46,570)
Debt Service	0	0	0
Totals	<u>31,976,720</u>	<u>31,806,101</u>	<u>170,619</u>
Excess (Deficiency)	<u>\$ (9,289,649)</u>	<u>\$ (7,245,785)</u>	<u>\$ 2,043,864</u>

City of Ketchum, Idaho
MANAGEMENT DISCUSSION AND ANALYSIS

Continued...

**Table 7: Comparison of Statement of Net Position
As of September 30, 2025 and 2024**

	2025	2024	Percentage Change
Current Assets	\$ 26,097,144	\$ 33,567,301	-22.2543%
Capital Assets	<u>68,279,729</u>	<u>57,768,853</u>	18.1947%
Total Assets	<u>94,376,873</u>	<u>91,336,154</u>	3.3292%
Deferred Outflow of Resources	<u>475,132</u>	<u>596,254</u>	-20.3138%
Current Liabilities	1,617,395	1,255,364	28.8387%
Long Term Liabilities	<u>23,515,767</u>	<u>23,369,268</u>	0.6269%
Total Liabilities	<u>25,133,162</u>	<u>24,624,632</u>	2.0651%
Deferred Inflow of Resources	<u>1,091,524</u>	0	0.0000%
Net Position:			
Invested in Capital Assets			
net of related debt	46,563,249	36,927,799	26.0927%
Restricted	8,125,669	8,405,852	-3.3332%
Unrestricted	<u>13,938,401</u>	<u>21,974,125</u>	-36.5690%
Total Net Position	\$ <u>68,627,319</u>	\$ <u>67,307,776</u>	1.9605%

OVERALL ANALYSIS

Financial highlights for the City as a whole during the fiscal year ended September 30, 2025, show the assets of the City exceeded its liabilities (net position) at the close to the fiscal year by \$68,627,319 (for governmental activities \$44,341,363, for the business-type activities \$24,285,926). Additionally, the City's total net position increased during the year by \$319,543. The net position of the governmental activities decreased by \$3,090,047, while the net position of the business-type activities increased by \$3,409,926.

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, 2025**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Land and Infrastructure	\$ 15,854,571	593,899		\$ 16,448,470
Buildings and Improvements	52,321,556	8,607,845		60,929,401
Vehicles and Equipment	13,219,532	1,033,732		14,253,264
Construction in Progress	<u>6,818,378</u>	<u>2,152,590</u>		<u>8,970,968</u>
Totals	<u>88,214,037</u>	<u>12,388,066</u>	<u>0</u>	<u>100,602,103</u>
Accumulated Depreciation	<u>(30,445,184)</u>	<u>(1,877,190)</u>	<u>0</u>	<u>(32,322,374)</u>
Net Book Value	<u>\$ 57,768,853</u>			<u>\$ 68,279,729</u>

CAPITAL ASSET AND LONG-TERM, ACTIVITY

Capital Asset Activity

At September 30, 2025, the City reported \$49,225,745 in capital assets for governmental activities and \$19,053,984 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 \$ 9,439,604. The fund balance decreased \$ 8,783,678 during the fiscal year. The decrease is the result of \$27,064,710 of revenues reduced by \$35,848,388 of expenditures. The decrease in fund balance follows a fund balance increase of \$2,517,171 in FY2024. 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, 2025**

	Investment in Capital Assets	Restricted or		Total Balance
		Assigned	Unassigned	
General Fund	\$	\$ 0	\$ 5,224,816	\$ 5,224,816
City Sales Tax Fund		988,618		988,618
In-Lieu Housing Fund		485,869		485,869
Capital Improvement Funds		941,431		941,431
GO Bond Debt Fund		4,703		4,703
Wagon Days Fund		(45,671)		(45,671)
City/County Housing Fund		1,046,174		1,046,174
Police Trust Fund		8,959		8,959
Community Development Trust Fund		0		0
Park Trust Fund		784,705		784,705
Water	3,740,039	0	5,287,747	9,027,786
Wastewater	6,227,148	7,000,000	2,030,992	15,258,140

REQUESTS FOR INFORMATION

Requests for information regarding City finances should be directed to:

Brent Davis, Director of Finance & City Treasurer
 City of Ketchum, Idaho
 P.O. Box 2315
 Ketchum, Idaho, 83340
 Telephone: (208) 726-3841

ACKNOWLEDGMENTS

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

Respectfully submitted,
 Jade Riley
 CITY ADMINISTRATOR

CITY OF KETCHUM, IDAHO
Statement of Net Position
at September 30, 2025

	<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	\$ 8,917,510	\$ 8,016,253	\$ 16,933,763	\$ 6,080,523
Accounts Receivable & Prepaid Expenses		66,059	66,059	1,050
Taxes Receivable	556,227		556,227	29,598
Due From Other Governments	415,426	0	415,426	
Restricted Cash	1,125,669	7,000,000	8,125,669	
Other Assets			0	
Totals	11,014,832	15,082,312	26,097,144	6,111,171
Capital Assets:				
Land	8,809,038	15,380	8,824,418	6,575,117
Construction in Progress	8,435,883	535,085	8,970,968	
Infrastructure	7,624,052		7,624,052	2,088,018
Buildings and Improvements	27,457,139	33,472,262	60,929,401	
Equipment and Vehicles	11,607,864	2,645,400	14,253,264	
Accumulated Depreciation	(14,708,231)	(17,614,143)	(32,322,374)	(365,834)
Total Capital Assets	49,225,745	19,053,984	68,279,729	8,297,301
Total Assets	60,240,577	34,136,296	94,376,873	14,408,472
Net Pension Asset & Deferred Outflows of Resources:				
Deferred Outflows from Pension Activity	<u>380,106</u>	<u>95,026</u>	<u>475,132</u>	<u>0</u>
<u>LIABILITIES</u>				
Accounts and Interest Payable	585,281	16,606	601,887	1,807
Due To Other Funds				
Long-term Liabilities:				
Portion due or payable within one year:				
Lease and Bonds Payable	604,508	411,000	1,015,508	495,067
Portion due or payable after one year:				
Lease and Bonds Payable	11,479,793	7,873,000	19,352,793	2,072,222
Unamortized Bond Discount		(7,659)	(7,659)	(22,389)
Unamortized Bond Premium	545,382	810,456	1,355,838	
Net Pension Liability	2,017,077	504,268	2,521,345	
Compensated Absences	174,030	119,420	293,450	
Total Liabilities	15,406,071	9,727,091	25,133,162	2,546,707
Deferred Inflows of Resources:				
Deferred Inflows from Pension Activities	<u>873,219</u>	<u>218,305</u>	<u>1,091,524</u>	<u>0</u>
<u>NET POSITION</u>				
Invested in Capital Assets - net of related debt	36,596,062	9,967,187	46,563,249	5,750,594
Restricted For:				
Debt Service		7,000,000	7,000,000	0
Other Purposes	1,125,669		1,125,669	195,514
Unrestricted	6,619,662	7,318,739	13,938,401	5,915,657
Total Net Position	\$ 44,341,393	\$ 24,285,926	\$ 68,627,319	\$ 11,861,765

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Activities
For the Year Ended September 30, 2025

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	
Governmental:						
General Government	\$ 14,912,153	\$ 5,391,232	\$ 490,195	\$ (9,030,726)	\$ (9,030,726)	\$ 3,000
Public Protection:						
Public Safety	6,200,680	170,861		(6,029,819)	(6,029,819)	
Streets	2,197,038			(2,197,038)	(2,197,038)	
Parks and Recreation	609,504	1,575,846	21,338	987,680	987,680	
Transportation	2,603,031			(2,603,031)	(2,603,031)	
Affordable Housing	2,742,038	136,768	1,378,674	(1,226,596)	(1,226,596)	
Interest - on long-term debt	298,793			(298,793)	(298,793)	
Total Governmental Activities	<u>29,563,237</u>	<u>7,274,707</u>	<u>1,890,207</u>	<u>(20,398,323)</u>	<u>(20,398,323)</u>	
Business Type:						
Water	2,342,839	3,641,599		\$ 1,298,760	1,298,760	
Wastewater	3,230,827	5,212,972		1,982,145	1,982,145	
Interest - on long-term debt	411,811			(411,811)	(411,811)	
Total Business-type Activities	<u>5,985,477</u>	<u>8,854,571</u>	<u>0</u>	<u>2,869,094</u>	<u>2,869,094</u>	
Total City of Ketchum, Idaho	<u>\$ 35,548,714</u>	<u>\$ 16,129,278</u>	<u>\$ 1,890,207</u>	<u>(20,398,323)</u>	<u>2,869,094</u>	<u>(17,529,229)</u>
Component Units:						
Urban Renewal Agency	\$ 348,606					<u>(348,606)</u>
Total						<u>(345,606)</u>
General Revenues:						
Property taxes		5,919,226		5,919,226		2,700,848
Local Option sales taxes		7,294,492		7,294,492		
Franchises, licenses, permits		1,873,935		1,873,935		
State of Idaho revenue sharing		1,125,591		1,125,591		
State of Idaho liquor receipts		333,703		333,703		
State highway user collections		291,924		291,924		
Penalty and interest on property taxes		24,613		24,613		29,876
County court and parking fines		51,785		51,785		
Gain (Loss) from Sale of Assets		2,550		2,550		
Earnings on investments		746,345	642,099	1,388,444		251,519
Miscellaneous		235,632		235,632		2,325
Amortization of Bond Premium		20,575	25,048	45,623		
Amortization of Bond Discount				(3,660)	(3,660)	
Gain (Loss) from Pension Activity		(612,095)	(122,991)	(735,086)		
Total general revenues and transfers	<u>17,308,276</u>	<u>540,496</u>	<u>17,848,772</u>	<u>2,984,568</u>		
Changes in net position		(3,090,047)	3,409,590	319,543	2,638,962	
Net Position - Beginning		<u>46,431,440</u>	<u>20,876,336</u>	<u>67,307,776</u>	<u>9,222,803</u>	
Net Position - Ending		<u>\$ 43,341,393</u>	<u>\$ 24,285,926</u>	<u>\$ 67,627,319</u>	<u>\$ 11,861,765</u>	

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO

Balance Sheet

Governmental Funds

at September 30, 2025

	General Fund	City Sales Tax Fund	City/County Housing Fund	General Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:						
Cash and Cash Deposits	\$ 4,832,725	\$ 499,621	\$ 1,046,174	\$ 1,101,381	\$ 1,563,278	\$ 9,043,179
Taxes Receivable	59,938	488,997			7,292	556,227
Due From Other Governments	415,426					415,426
Total Assets	\$ 5,308,089	\$ 988,618	\$ 1,046,174	\$ 1,101,381	\$ 1,570,570	\$ 10,014,832
LIABILITIES:						
Accounts Payable	\$ 63,223	\$	\$	\$ 159,950	\$	\$ 223,173
Funds Held in Trust	20,050				332,005	352,055
Due To Other Funds						0
Total Liabilities	83,273	0	0	159,950	332,005	575,228
FUND BALANCE:						
Non-spendable						0
Restricted					793,664	793,664
Committed						0
Assigned		988,618	1,046,174	941,431	444,901	3,421,124
Unassigned	5,224,816					5,224,816
Total Fund Balance	5,224,816	988,618	1,046,174	941,431	1,238,565	\$ 9,439,604
Total Liabilities and Fund Balance	\$ 5,308,089	\$ 988,618	\$ 1,046,174	\$ 1,101,381	\$ 1,570,570	

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 \$ 63,933,976 and the accumulated depreciation is \$ 14,708,231	49,225,745
Long-term liabilities, including bonds/leases payable, net pension liability, and compensated absences are not payable in the current period and therefore are not reported in the governmental funds	(14,323,956)
Net Position of Governmental Activities		\$ 44,341,393

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, 2025

	General Fund	City Sales Tax Fund	City/County Housing Fund	General Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
REVENUE:						
Property taxes	\$ 5,299,092	\$ 7,294,492			\$ 620,134	\$ 5,919,226
Local Option sales taxes						7,294,492
Franchises, licenses, permits	1,524,937			348,998		1,873,935
State of Idaho shared revenue	1,125,591					1,125,591
State of Idaho liquor receipts	333,703					333,703
State highway user collections	291,924					291,924
Penalty/Interest on property taxes	21,892				2,721	24,613
County court and parking fines	51,785					51,785
Proceeds from sale of assets	2,550					2,550
Fees and charges for services	5,391,232		136,768		1,746,707	7,274,707
Grants, contributions, bond proceeds	39,163		1,378,674	437,906	34,464	1,890,207
Earnings on investments	429,588	16,349		200,690	99,718	746,345
Miscellaneous and Reimbursements	108,053	1,400		125,529	650	235,632
Total Revenue	14,619,510	7,312,241	1,515,442	1,113,123	2,504,394	27,064,710
EXPENDITURES:						
General Government	9,678,857	200,083			402,073	10,281,013
Public Safety	5,841,264	178,127				6,019,391
Streets	1,982,534					1,982,534
Capital outlay	0		1,318,400	7,532,188	2,159,976	11,010,564
Parks and Recreation	567,154				26,395	593,549
Transportation		2,603,031				2,603,031
Affordable Housing			1,904,463		837,575	2,742,038
Debt Service					616,268	616,268
Total Expenditures	18,069,809	2,981,241	3,222,863	7,532,188	4,042,287	35,848,388
EXCESS REVENUE (EXPENDITURES)	(3,450,299)	4,331,000	(1,707,421)	(6,419,065)	(1,537,893)	(8,783,678)
OTHER FINANCING SOURCES (USES):						
Operating transfers from other funds	2,000,000		2,624,851	2,110,177	176,850	6,911,878
Operating transfers (to) other funds	(1,357,677)	(5,054,201)			(500,000)	(6,911,878)
NET CHANGE IN FUND BALANCES	(2,807,976)	(723,201)	917,430	(4,308,888)	(1,861,043)	(8,783,678)
FUND BALANCE - BEGINNING	8,032,792	1,711,819	128,744	5,250,319	3,099,608	18,223,282
FUND BALANCE - ENDING	\$ 5,224,816	\$ 988,618	\$ 1,046,174	\$ 941,431	\$ 1,238,565	\$ 9,439,604

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, 2025

Net Change in Fund Balance - Total Governmental Funds (Page 15)	\$ (8,783,678)
<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.	(1,096,886)
This is the amount of new Governmental Fund assets.	8,528,567
This is the amount of disposed of Governmental Fund assets.	0
<p>Long term liabilities are not recorded in the Governmental funds.</p>	
This is the amount of new debt	(1,795,330)
This is the amount of payments on General Obligation Bonds Payable	502,256
This is the amount of changes in net pension activities	(612,095)
<p>Liability for personal leave days are not recorded in Governmental funds.</p>	
This is the decrease in compensated leave during the year.	<u>167,119</u>
Change in Net Assets of Governmental Activities (Page 13)	<u>\$ (3,090,047)</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Statement of Net Position
Proprietary Funds
at September 30, 2025

	Water	Wastewater	Totals
Assets:			
Current Assets:			
Cash and Deposits	\$ 5,605,907	\$ 2,410,346	\$ 8,016,253
Accts receivable - customers	45,549	20,510	66,059
Accts receivable - other govts.		0	0
	<u>5,651,456</u>	<u>2,430,856</u>	<u>8,082,312</u>
Restricted Current Assets:			
Cash and Deposits		7,000,000	7,000,000
Total Current Assets	<u>5,651,456</u>	<u>9,430,856</u>	<u>15,082,312</u>
Capital Assets:			
Plant and equipment	15,279,793	21,388,334	36,668,127
Accumulated depreciation	(9,018,935)	(8,595,208)	(17,614,143)
Net Plant and equipment	<u>6,260,858</u>	<u>12,793,126</u>	<u>19,053,984</u>
Total Assets	<u>11,912,314</u>	<u>22,223,982</u>	<u>34,136,296</u>
Net Pension Asset & Deferred Outflow of Resources:			
Deferred Outflows from Pension Activity	<u>42,762</u>	<u>52,264</u>	<u>95,026</u>
Liabilities:			
Current Liabilities:			
Accounts and Interest Payable	4,506	12,100	16,606
Current portion long-term debt	201,000	210,000	411,000
Total current liabilities	<u>205,506</u>	<u>222,100</u>	<u>427,606</u>
Noncurrent Liabilities:			
Bonds Payable	2,183,000	5,690,000	7,873,000
Unamortized Bond Discount	(7,659)		(7,659)
Unamortized Bond Premium	144,478	665,978	810,456
Net Pension Liability	226,921	277,347	504,268
Compensated Absences Payable	76,807	42,613	119,420
Total noncurrent liabilities	<u>2,623,547</u>	<u>6,675,938</u>	<u>9,299,485</u>
Total Liabilities	<u>2,829,053</u>	<u>6,898,038</u>	<u>9,727,091</u>
Deferred Inflow of Resources:			
Deferred Inflows from Pension Activity	<u>98,237</u>	<u>120,068</u>	<u>218,305</u>
Net Position:			
Investment in capital assets			
net of related debt	3,740,039	6,227,148	9,967,187
Restricted	0	7,000,000	7,000,000
Unrestricted	<u>5,287,747</u>	<u>2,030,992</u>	<u>7,318,739</u>
Total Net Position	<u>\$ 9,027,786</u>	<u>\$ 15,258,140</u>	<u>\$ 24,285,926</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, 2025

	<u>Water</u>	<u>Wastewater</u>	<u>Totals</u>
Operating Revenues:			
Charges for services	\$ 3,498,758	\$ 5,170,418	\$ 8,669,176
Hookups, connections, impact fees	142,841	42,554	185,395
Reimbursements and Misc.	0	0	0
 Total Operating Revenue	<u>3,641,599</u>	<u>5,212,972</u>	<u>8,854,571</u>
 Operating Expenses:			
Salaries and benefits	1,040,106	1,713,850	2,753,956
Administrative and supplies	1,001,353	1,038,053	2,039,406
Depreciation	301,380	478,924	780,304
 Total Operating Expenses	<u>2,342,839</u>	<u>3,230,827</u>	<u>5,573,666</u>
 Operating Income	<u>1,298,760</u>	<u>1,982,145</u>	<u>3,280,905</u>
 Nonoperating Revenues (Expenses):			
Interest Income	193,588	448,511	642,099
Interest Expense	(112,230)	(299,581)	(411,811)
Gain (Loss) on pension activity	(66,158)	(56,833)	(122,991)
Amortization of bond discount	(3,660)		(3,660)
Amortization of bond premium	2,473	22,575	25,048
 Total Nonoperating	<u>14,013</u>	<u>114,672</u>	<u>128,685</u>
 Income before transfers	<u>1,312,773</u>	<u>2,096,817</u>	<u>3,409,590</u>
Transfers in			
Transfers out			
 Net Income	<u>1,312,773</u>	<u>2,096,817</u>	<u>3,409,590</u>
 Total Net Position - Beginning	<u>7,715,013</u>	<u>13,161,323</u>	<u>20,876,336</u>
 Total Net Position - Ending	<u>\$ 9,027,786</u>	<u>\$ 15,258,140</u>	<u>\$ 24,285,926</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, 2025

	Water Fund	Wastewater Fund	Total
Cash Flows From Operating Activities:			
Receipts from customers	\$ 3,631,722	\$ 5,236,777	\$ 8,868,499
Payments to suppliers	(1,001,353)	(1,038,053)	(2,039,406)
Payments to employees	(1,012,774)	(1,722,889)	(2,735,663)
Other receipts	0	0	0
Net cash provided (used) by operations	<u>1,617,595</u>	<u>2,475,835</u>	<u>4,093,430</u>
Cash Flows From Capital and Related Financing Activities:			
Purchase and construction of capital assets	(712,029)	(3,147,469)	(3,859,498)
Proceeds from Bonds	0	0	0
Principal paid on capital debt	(197,000)	(200,000)	(397,000)
Interest paid on capital debt	<u>(112,421)</u>	<u>(299,998)</u>	<u>(412,419)</u>
Net cash provided (used) by capital and related financing activities	<u>(1,021,450)</u>	<u>(3,647,467)</u>	<u>(4,668,917)</u>
Cash Flows From Investing Activities:			
Interest Income	<u>193,588</u>	<u>448,511</u>	<u>642,099</u>
Net Increase (Decrease) in Cash and Deposits	789,733	(723,121)	66,612
Balances - Beginning of the year	<u>4,816,174</u>	<u>10,133,467</u>	<u>14,949,641</u>
Balances - Ending of the year	<u>\$ 5,605,907</u>	<u>\$ 9,410,346</u>	<u>\$ 15,016,253</u>
Displayed as:			
Pooled Cash and Investments	5,605,907	2,410,346	8,016,253
Restricted Assets	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
Balances - Ending of the year	<u>\$ 5,605,907</u>	<u>\$ 9,410,346</u>	<u>\$ 15,016,253</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Operating Income (Loss)	1,298,760	1,982,145	3,280,905
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation expense	301,380	478,924	780,304
Changes in assets and liabilities:			
Receivables, net	(9,877)	23,805	13,928
Accounts and other payables	<u>27,332</u>	<u>(9,039)</u>	<u>18,293</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,617,595</u>	<u>\$ 2,475,835</u>	<u>\$ 4,093,430</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

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, 2025

-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, 2025

-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, 2025

-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, 2025

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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, \$ 1,772,631 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, 2025

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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 \$ 23,771,829.

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	\$ 324
 Deposits with financial institutions:	
Demand deposits	287, 633
State of Idaho Investment Pool	<u>23,771,829</u>
Total	<u>\$ 24,059,786</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

– Continued

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the current year ended was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 8,809,038	\$	\$	\$ 8,809,038
Construction in Progress	<u>6,283,293</u>	<u>2,152,590</u>	<u>0</u>	<u>8,435,883</u>
Total	<u>15,092,331</u>	<u>2,152,590</u>	<u>0</u>	<u>17,244,921</u>
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	22,708,793	4,748,346	0	27,457,139
Infrastructure	<u>7,030,153</u>	<u>593,899</u>	<u>0</u>	<u>7,624,052</u>
Vehicles and Equipment	<u>10,574,132</u>	<u>1,033,732</u>	<u>0</u>	<u>11,607,864</u>
Total	<u>40,313,078</u>	<u>6,375,977</u>	<u>0</u>	<u>46,689,055</u>
Less: Accumulated Depreciation:	<u>13,611,345</u>	<u>1,096,886</u>	<u>0</u>	<u>14,708,231</u>
Total Net Depreciated Assets	<u>26,701,733</u>	<u>5,279,091</u>	<u>0</u>	<u>31,980,824</u>
Governmental capital assets, net	<u>\$ 41,794,064</u>	<u>\$ 7,431,681</u>	<u>\$ 0</u>	<u>\$ 49,225,745</u>
Business-type activities:				
<i>Capital Assets not being depreciated:</i>				
Land	\$ 15,380	\$	\$	\$ 15,380
Construction in Progress	<u>535,085</u>	<u>0</u>	<u>0</u>	<u>535,085</u>
Total	<u>550,465</u>	<u>0</u>	<u>0</u>	<u>550,465</u>
<i>Capital Assets being depreciated:</i>				
Buildings & Improvements	29,612,763	3,859,499	0	33,472,262
Vehicles and Equipment	<u>2,645,400</u>	<u>0</u>	<u>0</u>	<u>2,645,400</u>
Total	<u>32,258,163</u>	<u>3,859,499</u>	<u>0</u>	<u>36,117,662</u>
Less: Accumulated Depreciation	<u>16,833,839</u>	<u>780,304</u>	<u>0</u>	<u>17,614,143</u>
Total Net Depreciated Assets	<u>15,424,324</u>	<u>3,079,195</u>	<u>0</u>	<u>18,503,519</u>
Business-type capital assets, net	<u>\$ 15,974,789</u>	<u>\$ 3,079,195</u>	<u>\$ 0</u>	<u>\$ 19,053,984</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

– Continued

NOTE 4 - BONDS PAYABLE

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. As of the balance sheet date, this bond has been paid in full.

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 March of 2020, the City sold \$10,870,000 of General Obligation Bonds, Series 2020. These bonds were sold at a premium of \$630,000, providing the City with \$11,500,000 in cash to construct a new fire facility. Construction began in the FY 2020 period and was completed in FY 2021.

In April of 2023 the City sold \$ 6,290,000 of Wastewater Revenue Bonds, Series 2023. The proceeds of this issue were used to make improvements to the City's wastewater system. This bond issue is to be retired by user fees generated by the City's enterprise fund.

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

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

Bonds Payable – Continued

Wastewater Revenue Bond Series 2023

<u>FY</u>	<u>Interest</u>	<u>Principal</u>
2026	\$ 290,400	\$ 210,000
2027	279,900	220,000
2028	268,900	230,000
2029	257,400	245,000
2030	245,150	255,000
2031-2035	1,021,000	1,480,000
2036-2040	612,250	1,890,000
2041-2043	129,800	1,370,000
Totals	<u>\$ 3,104,800</u>	<u>\$ 5,900,000</u>

Water Refunding Bonds 2015

<u>FY</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>
2026	\$ 102,250	\$ 35,000	\$ 5,899	\$ 166,000
2027	100,500	30,000	3,010	173,000
2028	99,000	255,000		
2029	86,250	270,000		
2030	72,750	285,000		
2031-2034	142,250	1,170,000		
Totals	<u>\$ 603,000</u>	<u>\$ 2,045,000</u>	<u>\$ 8,909</u>	<u>\$ 339,000</u>

General Obligation Bonds Series 2020

<u>FY</u>	<u>Interest</u>	<u>Principal</u>
2026	\$ 241,269	\$ 370,000
2027	222,769	390,000
2028	203,269	410,000
2029	182,769	430,000
2030	161,269	450,000
2031-2035	667,345	2,395,000
2036-2040	418,244	2,645,000
2041-2044	129,822	2,320,000
Totals	<u>\$ 2,226,756</u>	<u>\$ 9,410,000</u>

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

– Continued

NOTE 5 – CAPITAL LEASES

The City has entered into a municipal lease agreement for the purchase of a 2020 Hughes Aerial Fire Ladder Truck, 2023 Enforcer Fire Truck, a 2024 Elgin Street Sweeper, and a 2024 Grader 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:

	Balance		2026	2027	2028	2029-34	Total
	Financed						
Governmental Activities							
2019 Hughes Aerial Fire Ladder Truck							
Zions Bancorporation	\$ 459,212	\$ 45,572	\$ 46,848	\$ 48,159	\$ 318,633	\$ 459,212	
Computed Interest 2.8%		12,858	11,582	10,270	31,945		66,655
	459,212	58,430	58,430	58,429	350,578		525,867
2023 Enforcer Pumper Fire Truck							
PNC Equipment Finance	384,735	122,258	128,150	134,327			384,735
Computed Interest 4.82%		18,544	12,651	6,475			37,670
	384,735	140,802	140,801	140,802	0		422,405
2024 Elgin Street Sweeper	226,690	40,878	42,995	45,223	97,594		226,690
Metroquip Finance		11,745	9,628	7,400	7,652		36,425
	226,690	52,623	52,623	52,623	105,246		263,115
2024 150 Grader	53,664	25,800	27,864				53,664
CAT Equipment Finance		30,821	28,757				59,578
	53,664	56,621	56,621	0	0		113,242
Total Capital Leases	\$ 1,124,301	\$ 308,476	\$ 308,475	\$ 251,854	\$ 455,824		\$ 1,324,629

NOTE 6 – 141 BIRD DRIVE LOAN

During the 2025 fiscal year the City purchased real property located at 141 Bird Drive in Ketchum. The total purchase price was \$ 2,500,000 with a seller financed loan of \$ 1,550,000. The loan requires interest only payments of \$9,042 per month until August 31, 2028, when the full amount of the loan is due.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

NOTE 7 – LITIGATION

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

NOTE 8 – 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 Fund</u>
Various Trust Cash and Fire GO Bond	\$ 1,839,838	
Wastewater Bonds Debt Reserve Cash	<hr/>	\$ 7,000,000
Totals	\$ 1,839,838	\$ 7,000,000

NOTE 9 – 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 10 – 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 discreetly 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 \$ 195,514.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

-Continued

NOTE 11 – 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 public safety. As of June 30, 2025, it was 7.18% for general employees and 10.36% for public safety. The employer contribution rate, as a percent of covered payroll, is set by the Retirement Board and was 11.96% for general employees and 13.48% for police and firefighters. The City's contributions were \$589,452 for the year ended September 30, 2025.

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

-Continued

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

At September 30, 2025, the City reported a liability for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2025, 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, 2025, the City's proportion was 0.10426699 percent.

For the year ended September 30, 2025, the City recognized pension expense (revenue) of \$735,086. At September 30, 2025, 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	\$ 475,132	\$ 0
Changes in assumptions or other inputs	\$ 0	\$ 443,132
Net difference between projected and actual earnings on pension plan investments	\$ 0	\$ 648,152
Changes in the employer's proportion and differences between the employer's contributions and the employer's proportionate contributions	\$ (147,363)	
City's contributions subsequent to the measurement date	\$ 147,363	
Total	\$ 475,132	\$ 1,091,524

\$ 147,363 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, 2026.

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, 2025, the beginning of the measurement period ended June 30, 2024, is 4.6 and 4.6 for the measurement period June 30, 2025.

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, 2025

-Continued

Year ended September 30, 2025:

2026	\$ 431,227
2027	\$(421,392)
2028	\$(385,624)
2029	\$(240,604)

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, 2025, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.15%
Salary inflation	3.15%
Investment rate of return	6.55%, net of investment expenses
Cost-of-living adjustments	1%

Contributing Members, Service Retirement Members, and Beneficiaries

General Employees and All Beneficiaries - Males Pub-2010 General Tables, increased 11%

General Employees and All Beneficiaries - Females Pub-2010 General Tables, increased 21%

Fire & Police - Males Pub-2010 Safety Tables, increased 21%

Fire & Police - Females Pub-2010 Safety Tables, increased 26%

5% of Fire and Police active member deaths are assumed to be duty related.

This assumption was adopted July 1, 2021.

Disabled Members - Males Pub-2010 Disabled Tables, increased 38%

Disabled Members - Females Pub-2010 Disabled Tables, increased 36%

An experience study was performed for the period July 1, 2015, through June 30, 2020, which reviewed all economic and demographic assumptions including mortality. The Total Pension Liability as of June 30, 2024, is based on the results of an actuarial valuation date of July 1, 2024.

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

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

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These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Even though history provides a valuable perspective for setting the investment return assumption, the System relies primarily on an approach which builds upon the latest capital market assumptions. Specifically, the System uses consultants, investment managers and trustees to develop capital market assumptions in analyzing the System's asset allocation. The assumptions and the System's formal policy for asset allocation are shown below. The formal asset allocation policy is somewhat more conservative than the current allocation of System's assets. The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are as of 2025.

2025		
Asset Class	DB Plans	Sick Leave
Fixed Income	30.00%	50.00%
US/Global Equity	55.00%	39.30%
International Equity	15.00%	10.70%
Cash	0.00%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 6.55%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate. Based on these assumptions, the pension plans' net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term expected rate of return was determined net of pension plan investment expense but without reduction for pension plan administrative expense.

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

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.55%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.55%) or 1-percentage-point higher (7.55%) than the current rate:

	1% Decrease (5.55%)	Current Discount Rate (6.55%)	1% Increase (7.55%)
Employer's proportionate share of the net pension liability (asset)	\$ 2,496,132	\$ 2,521,345	\$2,546,558

CITY OF KETCHUM, IDAHO
Notes to the Financial Statements
September 30, 2025

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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, 2025, 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 12 – 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, 2025

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$ 5,270,263	\$ 5,270,263	\$ 5,299,092	\$ 28,829
Local Option sales taxes	1,166,662	1,201,662	1,524,937	323,275
Franchises, licenses, permits	1,086,365	1,086,365	1,125,591	39,226
State of Idaho shared revenue	395,000	395,000	333,703	(61,297)
State of Idaho liquor receipts	195,071	195,071	291,924	96,853
State highway user collections	15,000	15,000	21,892	6,892
Penalty and interest on property taxes	50,000	50,000	51,785	1,785
County court and parking fines	3,832,660	4,318,748	5,391,232	1,072,484
Fees, fines and charges for services	150,000	150,000	429,588	279,588
Grants and contributions	280,000	719,031	110,603	(608,428)
Total Revenue	<u>12,441,021</u>	<u>13,401,140</u>	<u>14,619,510</u>	<u>1,218,370</u>
EXPENDITURES:				
General Government	5,947,984	9,590,623	9,678,857	(88,234)
Public Safety	5,550,534	5,803,843	5,841,264	(37,421)
Streets	2,118,691	2,129,694	1,982,534	147,160
Capital outlay	8,000	8,000	567,154	27,772
Parks and Recreation	605,812	594,926	567,154	27,772
Transportation	_____	_____	_____	_____
Affordable Housing	_____	_____	_____	_____
Debt Service	_____	_____	_____	_____
Total Expenditures	<u>14,231,021</u>	<u>18,127,086</u>	<u>18,069,809</u>	<u>49,277</u>
EXCESS REVENUE (EXPENDITURES)	<u>(1,790,000)</u>	<u>(4,725,946)</u>	<u>(3,450,299)</u>	<u>1,267,647</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	2,005,000	2,005,000	2,000,000	5,000
Operating transfers (to) other funds	<u>(215,000)</u>	<u>(1,357,677)</u>	<u>(1,357,677)</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	<u>0</u>	<u>(4,078,623)</u>	<u>(2,807,976)</u>	<u>1,270,647</u>
FUND BALANCE - BEGINNING	<u>8,032,792</u>	<u>8,032,792</u>	<u>8,032,792</u>	
FUND BALANCE - ENDING	<u>8,032,792</u>	<u>\$ 3,954,169</u>	<u>\$ 5,224,816</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, 2025

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$ 3,195,890	\$ 6,593,539	\$ 7,294,492	\$ 700,953
Local Option sales taxes				
Franchises, licenses, permits				
State of Idaho shared revenue				
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	0	0	16,349	16,349
Miscellaneous			1,400	
Total Revenue	<u>3,195,890</u>	<u>6,593,539</u>	<u>7,312,241</u>	<u>717,302</u>
EXPENDITURES:				
General Government	311,214	366,138	200,083	166,055
Public Safety	180,512	180,512	178,127	2,385
Streets				
Capital outlay				
Parks and Recreation				
Transportation	824,000	2,599,090	2,603,031	(3,941)
Affordable Housing				
Debt Service				
Total Expenditures	<u>1,315,726</u>	<u>3,145,740</u>	<u>2,981,241</u>	<u>164,499</u>
EXCESS REVENUE (EXPENDITURES)	<u>1,880,164</u>	<u>3,447,799</u>	<u>4,331,000</u>	<u>881,801</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	48,945	48,945	48,945	
Operating transfers (to) other funds	<u>(2,262,500)</u>	<u>(5,154,260)</u>	<u>(5,054,201)</u>	<u>100,059</u>
NET CHANGE IN FUND BALANCES	<u>(333,391)</u>	<u>(1,657,516)</u>	<u>(723,201)</u>	<u>1,030,805</u>
FUND BALANCE - BEGINNING	<u>1,711,819</u>	<u>1,711,819</u>	<u>1,711,819</u>	
FUND BALANCE - ENDING	<u>\$ 1,378,428</u>	<u>\$ 54,303</u>	<u>\$ 988,618</u>	

CITY OF KETCHUM, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- Community Housing Fund
for the year ended September 30, 2025

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$	\$	\$	\$
Local Option sales taxes				
Franchises, licenses, permits				
State of Idaho shared revenue				
State of Idaho liquor receipts				
State highway user collections				
Penalty and interest on property taxes				
County court fines				
Fees, fines and charges for services	94,836	94,836	136,768	(41,932)
Grants and contributions	402,055	780,055	1,378,674	(598,619)
Earnings on investments				0
Miscellaneous				0
Total Revenue	<u>496,891</u>	<u>874,891</u>	<u>1,515,442</u>	<u>(640,551)</u>
EXPENDITURES:				
General Government				
Public Safety				
Streets				
Capital outlay		1,311,590	1,318,400	(6,810)
Parks and Recreation				
Transportation				
Affordable Housing	1,404,303	1,857,893	1,904,463	(46,570)
Debt Service				
Total Expenditures	<u>1,404,303</u>	<u>3,169,483</u>	<u>3,222,863</u>	<u>(53,380)</u>
EXCESS REVENUE (EXPENDITURES)	<u>(907,412)</u>	<u>(2,294,592)</u>	<u>(1,707,421)</u>	<u>(693,931)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	1,199,154	2,475,965	2,624,851	(148,886)
Operating transfers (to) other funds	<u>(357,495)</u>	<u>(230,517)</u>		<u>(230,517)</u>
NET CHANGE IN FUND BALANCES	<u>431,138</u>	<u>(49,144)</u>	<u>917,430</u>	<u>(1,073,334)</u>
FUND BALANCE - BEGINNING	<u>128,744</u>	<u>128,744</u>	<u>128,744</u>	
FUND BALANCE - ENDING	<u>\$ 559,882</u>	<u>\$ 79,600</u>	<u>\$ 1,046,174</u>	

CITY OF KETCHUM, IDAHO
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual -- General Capital Improvement Fund
for the year ended September 30, 2025

	<u>Original Budget Amounts</u>	<u>Final Budget Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUE:				
Property taxes	\$	\$	\$	\$
Local Option sales taxes				
Franchises, licenses, permits	300,000	300,000	348,998	48,998
State of Idaho shared revenue				
State of Idaho liquor receipts				
State highway user collections				
Penalty and interest on property taxes				
County court fines				
Fees, fines and charges for services				0
Grants, contributions, bond proceeds	1,465,000	1,215,000	437,906	(777,094)
Earnings on investments		200,000	200,690	690
Miscellaneous		102,501	125,529	23,028
Total Revenue	<u>1,765,000</u>	<u>1,817,501</u>	<u>1,113,123</u>	<u>(704,378)</u>
EXPENDITURES:				
General Government				
Public Safety				
Streets				
Capital outlay	3,359,750	7,534,411	7,532,188	2,223
Parks and Recreation				
Transportation				
Affordable Housing				
Debt Service				
Total Expenditures	<u>3,359,750</u>	<u>7,534,411</u>	<u>7,532,188</u>	<u>2,223</u>
EXCESS REVENUE (EXPENDITURES)	<u>(1,594,750)</u>	<u>(5,716,910)</u>	<u>(6,419,065)</u>	<u>(702,155)</u>
OTHER FINANCING SOURCES (USES):				
Operating transfers from other funds	262,500	2,110,177	2,110,177	0
Operating transfers (to) other funds				
NET CHANGE IN FUND BALANCES	<u>(1,332,250)</u>	<u>(3,606,733)</u>	<u>(4,308,888)</u>	<u>(702,155)</u>
FUND BALANCE - BEGINNING	<u>5,250,319</u>	<u>5,250,319</u>	<u>5,250,319</u>	
FUND BALANCE - ENDING	<u>\$ 3,918,069</u>	<u>\$ 1,643,586</u>	<u>\$ 941,431</u>	

CITY OF KETCHUM, IDAHO
PUBLIC EMPLOYEE PENSION INFORMATION
For the year ended September 30, 2025

Required Supplementary Information

Schedule of Employer's Share of Net Pension Liability

PERSI - Base Plan

Last 10 - Fiscal Years

	2020	2019	2018	2017	2016
Employer's portion of the net pension liability	.0833870%	.0865200%	.0799402%	.0866389%	.0857958%
Employer's proportionate share of the net pension liability	\$ 1,936,356	\$ 987,602	\$ 1,179,132	\$ 1,361,816	\$ 1,739,214
Employer's covered-employee payroll	\$ 3,822,116	\$ 3,625,685	\$ 3,742,286	\$ 3,585,052	\$ 3,435,203
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	50.66%	27.24%	31.51%	37.99%	50.63%
Plan fiduciary net position as a percentage of the total pension liability	88.22%	93.79%	91.69%	90.68%	87.26%
	2025	2024	2023	2022	2021
Employer's portion of the net pension liability	.10426699%	.08017079%	.08714808%	.0790322%	.0809575%
Employer's proportionate share of the net pension liability (Net Asset)	\$ 2,521,345	\$ 2,998,905	\$ 3,477,793	\$ 3,112,888	\$ (63,939)
Employer's covered-employee payroll	\$ 5,093,658	\$ 4,191,400	\$ 3,845,561	\$ 3,462,905	\$ 4,052,180
Employer's proportional share of the net pension liability as a percentage of its covered-employee payroll	49.50%	71.55%	90.44%	89.89%	-1.58%
Plan fiduciary net position as a percentage of the total pension liability	90.89%	85.54%	83.83%	83.09%	100.36%

Data reported is measured as of June 30, 2025

Schedule of Employer's Contributions

PERSI - Base Plan

Last 10 - Fiscal Years

	2020	2019	2018	2017	2016
Statutorily required contributions	\$ 465,534	\$ 441,262	\$ 455,247	\$ 445,468	\$ 425,702
Contributions in relation to the statutorily required contribution	\$ (465,534)	\$ (441,262)	\$ (455,247)	\$ (445,468)	\$ (425,702)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Employer's covered-employee payroll	\$ 3,822,116	\$ 3,625,685	\$ 3,742,286	\$ 3,585,052	\$ 3,435,203
Contributions as a percentage of covered-employee payroll	12.18%	12.17%	12.16%	12.43%	12.39%
	2025	2024	2023	2022	2021
Statutorily required contributions	\$ 589,452	\$ 473,386	\$ 459,020	\$ 420,730	\$ 484,563
Contributions in relation to the statutorily required contribution	\$ (589,452)	\$ (473,386)	\$ (459,020)	\$ (420,730)	\$ (484,563)
Contribution (deficiency) excess	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Employer's covered-employee payroll	\$ 5,093,658	\$ 4,191,400	\$ 3,845,561	\$ 3,462,905	\$ 4,052,180
Contributions as a percentage of covered-employee payroll	11.57%	11.29%	11.94%	12.15%	11.96%

**OTHER
SUPPLEMENTARY INFORMATION**

CITY OF KETCHUM, IDAHO
Combining Balance Sheets
Combining Other Governmental Funds
at September 30, 2025

	Wagon Days Fund	General Obligation Bond Debt Fund	In-Lieu Housing Fund	Police/Fire Trust Fund	Community Development Trust Fund	Park Trust Fund	Total Combined Other Governmental Funds
ASSETS:							
Cash and Cash Deposits	\$ (45,671)	\$ (2,589)	\$ 485,869	\$ 8,959	\$ 332,005	\$ 784,705	\$ 1,563,278
Taxes Receivable			7,292				7,292
Due From Other Governments							0
Total Assets	\$ (45,671)	\$ 4,703	\$ 485,869	\$ 8,959	\$ 332,005	\$ 784,705	\$ 1,570,570
LIABILITIES:							
Accounts Payable	\$	\$	\$	\$	\$	\$	0
Funds Held in Trust					332,005		332,005
Due To Other Funds							0
Total Liabilities	0	0	0	0	332,005	0	332,005
FUND BALANCE:							
Non-spendable							0
Restricted						784,705	793,664
Committed							0
Assigned	(45,671)	4,703	485,869				444,901
Unassigned							0
Total Fund Balance	(45,671)	4,703	485,869	8,959	0	784,705	1,238,565
Total Liabilities and Fund Balance	\$ (45,671)	\$ 4,703	\$ 485,869	\$ 8,959	\$ 332,005	\$ 784,705	\$ 1,570,570

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, 2025

	Wagon Days Fund	General Obligation Bond Debt Fund	In-Lieu Housing Fund	Police/Fire Trust Fund	Community Development Trust Fund	Park Trust Fund	Total Combined Other Governmental Funds
REVENUE:							
Property taxes	\$	\$ 620,134	\$	\$	\$	\$	\$ 620,134
Local Option sales taxes							0
Franchises, licenses, permits							0
State of Idaho shared revenue							0
State of Idaho sales tax							0
State of Idaho liquor receipts							0
State highway user collections							0
Penalty and interest on property taxes		2,721					2,721
Proceeds from sale of assets							0
Fees and charges for services	12,171				158,690	1,575,846	1,746,707
Grants and contributions	13,126					21,338	34,464
Earnings on investments	210		43,781	339	91	55,297	99,718
Miscellaneous				650			650
Total Revenue	25,507	622,855	43,781	989	158,781	1,652,481	2,504,394
EXPENDITURES:							
General Government	243,292				158,781		402,073
Public Safety							0
Streets							0
Capital outlay						2,159,976	2,159,976
Parks and Recreation						26,395	26,395
Transportation							0
Affordable Housing		837,575					837,575
Debt Service		616,268					616,268
Total Expenditures	243,292	616,268	837,575	0	158,781	2,186,371	4,042,287
EXCESS REVENUE (EXPENDITURES)	(217,785)	6,587	(793,794)	989	0	(533,890)	(1,537,893)
OTHER FINANCING SOURCES (USES):							
Operating transfers from other funds	166,850					10,000	176,850
Operating transfers (to) other funds			(500,000)				(500,000)
NET CHANGE IN FUND BALANCES	(50,935)	6,587	(1,293,794)	989	0	(523,890)	(1,861,043)
FUND BALANCE - BEGINNING	5,264	(1,884)	1,779,663	7,970	0	1,308,595	3,099,608
FUND BALANCE - ENDING	\$ (45,671)	\$ 4,703	\$ 485,869	\$ 8,959	\$ 0	\$ 784,705	\$ 1,238,565

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2025

<u>Annual Payment</u>				
	<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
General Obligation Bond:				
\$11,500,000 General Obligation Bonds				
Series 2020				
	5.00%	2026	\$ 370,000	\$ 241,269
	5.00%	2027	390,000	222,769
	5.00%	2028	410,000	203,269
	5.00%	2029	430,000	182,769
	2.00%	2030	450,000	161,269
	2.00%	2031	460,000	152,269
	2.00%	2032	470,000	143,069
	2.00%	2033	480,000	133,669
	2.00%	2034	490,000	124,069
	2.00%	2035	495,000	114,269
	2.00%	2036	505,000	104,369
	2.00%	2037	520,000	94,269
	2.00%	2038	530,000	83,869
	2.00%	2039	540,000	73,269
	2.125%	2040	550,000	62,468
	2.150%	2041	560,000	50,780
	2.125%	2042	575,000	38,881
	2.250%	2043	585,000	26,661
	2.250%	2044	600,000	13,500
			<u>\$ 9,410,000</u>	<u>\$ 2,226,756</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2025

	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%	2026	\$ 166,000	\$ 5,899
	1.74%	2027	\$ 173,000	\$ 3,010
			\$ 339,000	\$ 8,909

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2025

	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%				
	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	235,000	11,750
			<u>\$ 2,045,000</u>	<u>\$ 603,000</u>

The accompanying notes are a part of these financial statements.

CITY OF KETCHUM, IDAHO
Bond-Future Principal and Interest Requirements
at September 30, 2025

	Annual Payment			
	Interest Rate	Fiscal Year	Principal Payment	Interest Payment
Wastewater Revenue Bond:				
Wastewater Revenue Bonds 2023				
\$6,290,000, April 18, 2023				
4.00% - 5.00%				
	5.00%	2026	\$ 210,000	\$ 290,400
	5.00%	2027	220,000	279,900
	5.00%	2028	230,000	268,900
	5.00%	2029	245,000	257,400
	5.00%	2030	255,000	245,150
	5.00%	2031	270,000	232,400
	5.00%	2032	280,000	218,900
	5.00%	2033	295,000	204,900
	5.00%	2034	310,000	190,150
	5.00%	2035	325,000	174,650
	5.00%	2036	340,000	158,400
	5.00%	2037	360,000	141,400
	5.00%	2038	380,000	123,400
	5.00%	2039	395,000	104,400
	5.00%	2040	415,000	84,650
	5.00%	2041	435,000	63,900
	4.00%	2042	460,000	42,150
	5.00%	2043	475,000	23,750
			\$ 5,900,000	\$ 3,104,800

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**

December 8, 2025

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, 2025, 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 December 8, 2025.

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