



P.O. Box 2315 | 480 East Ave. N. | Ketchum, ID 83340

December 21, 2020

Chairman Johnson and Board of Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

Chairman Johnson and Board of Commissioners:

**Recommendation to Accept the Audited
FY 20 Financial Statements**

Introduction/History

The Ketchum URA is required under section 50-2006 of the Idaho Statutes to conduct a full and complete audit of the financial statements each fiscal year. The Ketchum Urban Renewal Agency has previously contracted with Workman & Company for auditing services for the Fiscal Year ending September 30, 2020, by action at its September 21, 2020, meeting.

Current Report

Workman & Company has completed the audit for FY 20 and will be presenting it to the Board of Commissioners for adoption. The Ending Fund Balance for FY 20 is \$2,413,990, including the debt service reserve fund (*See Page 6 of Financial Statements*).

Financial Requirement/Impact

The funding for the FY 20 audit is included in the current budget.

Recommendation

I respectfully recommend the Board of Commissioners accept the Audited FY 20 Financial Statements.

Recommended Motion

"I move to accept the Audited FY 20 Financial Statements."

Sincerely,

Grant Gager
Treasurer

WORKMAN & COMPANY

Office of
Accounting

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

November 4, 2020

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

We have audited the financial statements of the governmental activities of the Ketchum Urban Renewal Agency, for the year ended September 30, 2020. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 10, 2020. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Ketchum Urban Renewal Agency, are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2020. We noted no transactions entered into by the Ketchum Urban Renewal Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Ketchum Urban Renewal Agency's financial statements was:

Management's estimate of the useful lives of fixed assets is based on historical data. We evaluated the key factors and assumptions used to develop the useful lives of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 4, 2020.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Ketchum Urban Renewal Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to Budgetary Information, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the information and use of the Board of Commissioners and management of the Ketchum Urban Renewal Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Workman & Company

WORKMAN AND COMPANY
Certified Public Accountants
Twin Falls, Idaho

KETCHUM URBAN RENEWAL AGENCY

KETCHUM, IDAHO

**Financial Statements
at September 30, 2020**

**KETCHUM URBAN RENEWAL AGENCY
KETCHUM, IDAHO**

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WORKMAN & COMPANY

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INDEPENDENT AUDITOR'S REPORT

November 4, 2020

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of the Ketchum Urban Renewal Agency, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Ketchum Urban Renewal Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Ketchum Urban Renewal Agency, as of September 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 14-15 be presented to supplement the basic financial statements. Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The supplementary information on page 16 is presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020, on our consideration of the Ketchum Urban Renewal Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Ketchum Urban Renewal Agency's internal control over financial reporting and compliance.

Workman & Company

WORKMAND AND COMPANY
Certified Public Accountants
Twin Falls, Idaho

KETCHUM URBAN RENEWAL AGENCY
Statement of Net Position
at September 30, 2020

	<u>Total Primary Government</u>	<u>Total Reporting Entity</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 1,853,195	\$ 1,853,195
Restricted Cash and Deposits	549,717	549,717
Accounts and Property Tax Receivable	11,079	11,079
Total	<u>2,413,991</u>	<u>2,413,991</u>
Capital Assets:		
Land, Buildings and Improvements	4,165,882	4,165,882
Fourth Street Corridor Improvements	1,000,000	1,000,000
Total	<u>5,165,882</u>	<u>5,165,882</u>
Less Accumulated Depreciation	(27,595)	(27,595)
Total Capital Assets	<u>5,138,287</u>	<u>5,138,287</u>
Total Assets	<u>7,552,278</u>	<u>7,552,278</u>
<u>LIABILITIES</u>		
Accrued Interest Payable	131,522	131,522
Long-term Liabilities:		
Portion due or payable within one year:		
Bonds Payable	200,000	200,000
Portion due or payable after one year:		
Bonds Payable	5,240,000	5,240,000
Unamortized Bond Discounts	(104,153)	(104,153)
Unamortized Pre-Issuance Bond Costs	<u>(48,666)</u>	<u>(48,666)</u>
Total Liabilities	<u>5,418,703</u>	<u>5,418,703</u>
<u>NET POSITION</u>		
Invested in Capital Assets - net of related debt	0	0
Restricted For:		
Capital Projects	0	0
Debt Service	549,717	549,717
Affordable Housing	1,261,687	1,261,687
Unrestricted	<u>322,171</u>	<u>322,171</u>
Total Net Position	<u>\$ 2,133,575</u>	<u>\$ 2,133,575</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Statement of Activities
For the Year Ended September 30, 2020

<u>Activities:</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenues and</u>	
		<u>Fees, Fines, and Charges for Services</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Changes in Net Position</u>
Governmental:					<u>Total</u>
General Government	\$ 401,147	\$ 37,000	\$ 0	(364,147)	\$ (364,147)
Contributions to City of Ketchum	87,048			(87,048)	(87,048)
Total Governmental Activities	<u>488,195</u>	<u>37,000</u>	<u>0</u>	<u>(451,195)</u>	<u>(451,195)</u>
General Revenues:					
Property Taxes				1,759,804	1,759,804
Penalty and Interest on Taxes				2,693	2,693
Refunds and Reimbursements					0
Interest				17,022	17,022
Total general revenues and transfers				<u>1,779,519</u>	<u>1,779,519</u>
Changes in net position				1,328,324	1,328,324
Net Position - Beginning				<u>805,251</u>	<u>805,251</u>
Net Position - Ending				<u>\$ 2,133,575</u>	<u>\$ 2,133,575</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY

Balance Sheet Governmental Funds at September 30, 2020

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS:			
Cash and Cash Equivalents	\$ 1,499,355	\$ 353,840	\$ 1,853,195
Reserved Cash		549,717	549,717
Taxes Receivable	10,028	0	10,028
Due From Other Sources	1,050	0	1,050
Total Assets	\$ <u>1,510,433</u>	\$ <u>903,557</u>	\$ <u>2,413,990</u>
LIABILITIES:			
Accounts and Accrued Payables	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
FUND BALANCE:			
Non-spendable	0	0	0
Restricted	0	549,717	549,717
Committed	0	0	0
Assigned	0	0	0
Unassigned	<u>1,510,433</u>	<u>353,840</u>	1,864,273
Total Fund Balance	<u>1,510,433</u>	<u>903,557</u>	
Total Liabilities and Fund Balance	\$ <u>1,510,433</u>	\$ <u>903,557</u>	

Amounts reported for governmental activities in the Statement of Net Position (page 3) are different because:

Government fund capital assets are not financial resources and therefore are not reported in the funds. The costs of assets is \$ 5,165,882 and the accumulated depreciation is \$ 27,595	5,138,287
Bond discounts and pre-issuance costs are not financial resources and therefore are not reported in the funds.	152,820
Long-term liabilities, including bonds, compensated absences and loans are not payable in the current period and therefore are not reported in the governmental funds	(5,571,522)
Net Position of Governmental Funds	\$ <u>2,133,575</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the year ended September 30, 2020

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
REVENUE:			
Tax Levy Revenue	\$ 1,762,498	\$	\$ 1,762,498
Rent Revenue	37,000		37,000
Refunds and Reimbursements			0
Interest Income	<u>12,003</u>	<u>5,019</u>	<u>17,022</u>
Total Revenue	<u>1,811,501</u>	<u>5,019</u>	<u>1,816,520</u>
EXPENDITURES:			
Office Expense	53		53
Professional Fees	58,241	1,750	59,991
Advertising and Publications	456		456
Insurance	2,789		2,789
Administration	34,418		34,418
Repairs			0
Reimburse Ketchum City - General	87,048		87,048
Reimburse Ketchum City - In Lieu Housing			0
Capital Projects	250,767		250,767
Debt service		<u>461,081</u>	<u>461,081</u>
Total Expenditures	<u>433,772</u>	<u>462,831</u>	<u>896,603</u>
EXCESS REVENUE (EXPENDITURES)	1,377,729	(457,812)	919,917
OTHER FINANCING SOURCES (USES):			
Transfers In (Out)	<u>(463,477)</u>	<u>463,477</u>	<u>0</u>
NET CHANGE IN FUND BALANCES	914,252	5,665	919,917
FUND BALANCE - BEGINNING	<u>596,181</u>	<u>897,892</u>	<u>1,494,073</u>
FUND BALANCE - ENDING	<u>\$ 1,510,433</u>	<u>\$ 903,557</u>	<u>\$ 2,413,990</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
for the year ended September 30, 2020

Net Change in Fund Balance - Total Governmental Funds (Page 6)	\$ 919,917
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Governmental funds report capital outlays as current year expenditures.

In the Statement of Activities the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount of current capital outlay for new fixed assets.

This is the amount of current year depreciaton.	(15,885)
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This is the amount of current year amortization.	(10,188)
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This is the amount of new Governmental Fund assets.	250,767
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Long term liabilities are not recorded in the Governmental funds.

This is the change in accrued interest on the outstanding debt.	3,713
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This is the amount of current year payments of long term debt	<u>180,000</u>
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Change in Net Position of Governmental Activities (Page 4)	\$ <u><u>1,328,324</u></u>
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The accompanying notes are a part of these financial statements.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when the Agency receives cash.

The Agency reports the following major governmental funds:

- The *General Fund* is the Agency's primary operating fund. It accounts for all financial resources of the Agency.
- The *Debt Service Fund* is the Agency's fund used to account for the payments of long term debt.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

Continued—

Budgetary Policy

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

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

Encumbrances

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

Capital Assets

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

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

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

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

Use of Estimates

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

Entity Classifications

- A. City-Wide Financial Statements – The City reports net assets 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:

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

Continued—

Non-spendable – These funds are not available for expenditures based on legal or contractual requirements. In this category, one would see inventory, long-term receivables, unless proceeds are restricted, committed, or assigned and legally or contractually required to be maintained intact (corpus or a permanent fund).

Restricted – These funds are governed by externally enforceable restrictions. In this category, one would see restricted purpose grant funds, debt service or capital projects.

Committed – Fund balances in this category are limited by the governments' highest level of decision making. Any changes of designation must be done in the same manner that it was implemented and should occur prior to end of the fiscal year, though the exact amount may be determined subsequently.

Assigned – These funds are intended to be used for specific purposes, intent is expressed by; governing body or an official delegated by the governing body.

Unassigned – This classification is the default for all funds that do not fit into the other categories. This, however, should not be a negative number for the general fund. If it is, the assigned fund balance must be adjusted.

Order of Use of Fund Balance – The 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.

2. PROPERTY TAXES

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

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

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

3. CASH AND DEPOSITS

Deposits: Custodial credit risk, in the case of deposits, is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Agency has no deposit policy for custodial credit risk. At year end, \$ 250,000 of the Agency's bank balance was not exposed to custodial credit risk because it was insured by the FDIC and \$299,717 of deposits were exposed to custodial credit risk.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

Continued—

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

Investment Type

Idaho State Local Government Investment Pool \$ 1,679,134.

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

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

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

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

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

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

Cash on Hand	\$ 0
Deposits with financial institutions:	
Demand deposits	723,778
State of Idaho Investment Pool	<u>1,679,134</u>
Total	<u>\$2,402,912</u>

4. RESTRICTED ASSETS AND BOND DISCOUNTS

On August 19, 2010 the Agency created restricted cash deposits for bond contingencies (See Note 6). Additionally, the bonds were sold at a discount that will be amortized with bond originating costs over the life of the bonds.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

Continued -

In fiscal year ended September 30, 2007, the URA purchased real property formerly known as the Dollhouse located at 1st & Washington in Ketchum for the sum of \$2.25 million. The down payment for the purchase of this property of \$707,914 was obtained by the URA as a transfer from the City of Ketchum's restricted In Lieu Affordable Housing Fund. Since that time, the City of Ketchum's restricted In Lieu Affordable Housing Fund has transferred to the URA an additional \$147,916 to pay interest on the debt associated with this property as well as to make necessary property repairs.

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

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

Accordingly, \$1,261,687 of the value of the 1st & Washington property continues to be restricted to future affordable housing purposes. In 2016 the Agency has determined to pay this amount back to the City of Ketchum over the next several years as funds are available. This amount is not accrued in the Agency's records, but will be expensed when paid. Prior to this year the Agency has paid the City of Ketchum \$234,143. In the current year the Agency paid nothing leaving the restricted amount at \$1,261,687.

5. GENERAL FIXED ASSETS

Capital asset activity for the year ended September 30, 2020 is as follows:

	<u>Beginning Balances</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balances</u>
Governmental Activities:							
<i>Capital Assets not being depreciated:</i>							
Land - First & Washington	\$ 2,294,746	\$		\$		\$	2,294,746
1st & Washington	1,474,000						1,474,000
Fourth Street Corridor Improvements	1,000,000						1,000,000
Total	<u>4,768,746</u>		<u>0</u>		<u>0</u>		<u>4,768,746</u>
<i>Capital Assets being depreciated:</i>							
Infrastructure	146,369		250,767				397,136
Total	<u>146,369</u>		<u>250,767</u>		<u>0</u>		<u>397,136</u>
Less: Accumulated Depreciation:	11,710		15,885				27,595
Total Net Depreciated Assets	<u>134,659</u>		<u>234,882</u>		<u>0</u>		<u>369,541</u>
Governmental capital assets, net	<u>\$ 4,903,405</u>	\$	<u>234,882</u>	\$	<u>0</u>	\$	<u>5,138,287</u>

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

Continued—

6. LONG-TERM DEBT

On August 19, 2010 the Agency sold \$ 6,440,000 of Revenue Allocation (Tax Increment) Refinancing Bonds, Series 2010. The proceeds from this bond issuance paid three notes held previously in the Agency. The bond servicing agent is U.S. Bank N.A. A summary of future payments of principle and interest follows the notes to these financial statements. The bond ordinance created restricted cash for a reserve in the amount of \$ 549,717 for payments of principle and interest in the event of default by the agency.

Long-term debt at September 30, 2020 is as follows:

	<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Balance</u>
Bonds payable	Var. 2 – 5.5%	2020-2035	\$ 5,620,000

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

2021	\$	200,000
2022		240,000
2023		260,000
2024		295,000
2025		310,000
2026-2030		1,800,000
2031-2035		<u>2,335,000</u>
	\$	<u>5,440,000</u>

7. LABOR AND ASSOCIATED COSTS

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

8. LITIGATION

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

9. RISK MANAGEMENT

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

10. SUBSEQUENT EVENTS

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

**REQUIRED
SUPPLEMENTARY INFORMATION**

KETCHUM URBAN RENEWAL AGENCY
Budgetary Comparison Schedule
General Fund
for the year ended September 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES:			
Property taxes - Tax Increment Revenues	\$ 1,483,527	\$ 1,762,498	\$ 278,971
Rent Revenue	36,000	37,000	1,000
Miscellaneous Revenue			0
Earnings on investments	<u>2,500</u>	<u>12,003</u>	<u>9,503</u>
Total revenues	<u>1,522,027</u>	<u>1,811,501</u>	<u>289,474</u>
EXPENDITURES:			
Office Expense	500	53	447
Professional Fees	56,000	58,241	(2,241)
Advertising/Publications	1,000	456	544
Insurance	2,740	2,789	(49)
Administrative Expenses	34,868	34,418	450
Repairs			0
Reimburse Ketchum City - General Expense	108,556	87,048	21,508
Reimburse Ketchum City - In Lieu Housing	100,000	0	100,000
Capital Outlay	<u>720,758</u>	<u>250,767</u>	<u>469,991</u>
Total expenditures	<u>1,024,422</u>	<u>433,772</u>	<u>590,650</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>497,605</u>	<u>1,377,729</u>	<u>880,124</u>
OTHER FINANCING SOURCES (USES):			
Transfer to URA Debt Service Fund	<u>(463,477)</u>	<u>(463,477)</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	34,128	914,252	\$ <u>880,124</u>
FUND BALANCE - BEGINNING	<u>596,181</u>	<u>596,181</u>	
FUND BALANCE - ENDING	\$ <u>630,309</u>	\$ <u>1,510,433</u>	

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Budgetary Comparison Schedule
Debt Service Fund
for the year ended September 30, 2020

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES:			
Property taxes - Tax Increment Revenues	\$	\$	\$ 0
Penalty and Interest on Taxes			0
Rent Revenue			0
Miscellaneous Revenue			0
Earnings on investments	<u>0</u>	<u>5,019</u>	<u>5,019</u>
Total revenues	<u>0</u>	<u>5,019</u>	<u>5,019</u>
EXPENDITURES:			
Labor and Taxes			0
Labor Benefits			0
Professional Fees	1,600	1,750	(150)
Advertising/Publications			0
Insurance			0
Utilities			0
Administrative Expenses			0
Miscellaneous			0
Repairs			0
Office Expense			0
Interest Expense	291,005	277,369	13,636
Payment on Principle Debt	180,000	180,000	0
Capital Outlay			0
Total expenditures	<u>472,605</u>	<u>459,119</u>	<u>13,486</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(472,605)</u>	<u>(454,100)</u>	<u>18,505</u>
OTHER FINANCING SOURCES (USES):			
Transfer from URA General Fund	<u>463,477</u>	<u>463,477</u>	<u>0</u>
NET CHANGE IN FUND BALANCE	(9,128)	9,377	\$ <u>18,505</u>
FUND BALANCE - BEGINNING	<u>897,892</u>	<u>897,892</u>	
FUND BALANCE - ENDING	\$ <u>888,764</u>	\$ <u>907,269</u>	

The accompanying notes are a part of these financial statements.

**OTHER
SUPPLEMENTARY INFORMATION**

KETCHUM URBAN RENEWAL AGENCY
Bond-Future Principal and Interest Requirements
at September 30, 2020

<u>Annual Payment</u>			
<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Principal Payment</u>	<u>Interest Payment</u>
\$6,440,000 Revenue Allocation Refinancing			
Bonds, Series 2010			
2.0% - 5.5%			
4.50%	2021	\$ 200,000	\$ 282,455
4.75%	2022	240,000	272,255
4.80%	2023	260,000	260,315
5.00%	2024	295,000	246,700
5.00%	2025	310,000	231,575
5.30%	2026	325,000	215,212
5.30%	2027	340,000	197,590
5.30%	2028	360,000	179,040
5.30%	2029	375,000	159,562
5.30%	2030	400,000	139,025
5.50%	2031	420,000	116,875
5.50%	2032	440,000	93,225
5.50%	2033	465,000	68,338
5.50%	2034	490,000	42,075
5.50%	2035	520,000	14,300
		\$ 5,440,000	\$ 2,518,542

The accompanying notes are a part of these financial statements.

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

November 4, 2020

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Ketchum Urban Renewal Agency, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the Ketchum Urban Renewal Agency's basic financial statements, and have issued our report thereon dated November 4, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Ketchum Urban Renewal Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Ketchum Urban Renewal Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Ketchum Urban Renewal Agency's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Ketchum Urban Renewal Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report Continued—

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Workman & Company

WORKMAND AND COMPANY
Certified Public Accountants
Twin Falls, Idaho