



Ketchum Urban Renewal Agency

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

December 20, 2021

Chair and Commissioners
Ketchum Urban Renewal Agency
Ketchum, Idaho

RECOMMENDATION TO APPROVE FY21 FINANCIAL STATEMENT

Introduction/History

Each year the KURA contracts with Workman and Company to prepare the fiscal year financial statement and audit. Attached is the material prepared for FY21. Dennis Brown will present the material to the Board for approval.

Recommendation and Motion

Staff recommends the Board approve the following motion:

I move to approve the FY21 Financial Statement and authorize the Chair to sign the Representation Letter.

WORKMAN & COMPANY

Office of
Accounting

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

November 4, 2021

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, 2021. 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 July 20, 2021. 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 2021. 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, 2021.

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, 2021**

**KETCHUM URBAN RENEWAL AGENCY
KETCHUM, IDAHO**

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INDEPENDENT AUDITOR'S REPORT

November 4, 2021

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, 2021, 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, 2021, 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 page 14 be presented to supplement the basic financial statements. Management has omitted a management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basis 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 15 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, 2021, 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, 2021

	<u>Total Primary Government</u>	<u>Total Reporting Entity</u>
<u>ASSETS</u>		
Cash and Deposits	\$ 2,586,738	\$ 2,586,738
Accounts and Property Tax Receivable	16,015	16,015
Total	<u>2,602,753</u>	<u>2,602,753</u>
Capital Assets:		
Land, Buildings and Improvements	4,165,882	4,165,882
Fourth Street Corridor Improvements	1,000,000	1,000,000
Total	5,165,882	5,165,882
Less Accumulated Depreciation	(43,480)	(43,480)
Total Capital Assets	<u>5,122,402</u>	<u>5,122,402</u>
Total Assets	<u>7,725,155</u>	<u>7,725,155</u>
<u>LIABILITIES</u>		
Accrued Interest Payable	3,209	3,209
Long-term Liabilities:		
Portion due or payable within one year:		
Bonds Payable	442,414	442,414
Portion due or payable after one year:		
Bonds Payable	4,009,726	4,009,726
Unamortized Pre-Issuance Bond Costs	<u>(38,827)</u>	<u>(38,827)</u>
Total Liabilities	<u>4,416,522</u>	<u>4,416,522</u>
<u>NET POSITION</u>		
Invested in Capital Assets - net of related debt	0	0
Restricted For:		
Capital Projects	0	0
Debt Service	0	0
Affordable Housing	1,261,687	1,261,687
Unrestricted	<u>2,046,946</u>	<u>2,046,946</u>
Total Net Position	<u>\$ 3,308,633</u>	<u>\$ 3,308,633</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Statement of Activities
For the Year Ended September 30, 2021

Activities:	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position	
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Total
Governmental:					
General Government	\$ 812,020	\$ 49,005	\$ 0	\$ (763,015)	\$ (763,015)
Contributions to City of Ketchum	0			0	0
Total Governmental Activities	<u>812,020</u>	<u>49,005</u>	<u>0</u>	<u>(763,015)</u>	<u>(763,015)</u>
General Revenues:					
Property Taxes				1,867,347	1,867,347
Penalty and Interest on Taxes				3,341	3,341
Refunds and Reimbursements				62,016	62,016
Interest				<u>5,369</u>	<u>5,369</u>
Total general revenues and transfers				<u>1,938,073</u>	<u>1,938,073</u>
Changes in net position				1,175,058	1,175,058
Net Position - Beginning				<u>2,133,575</u>	<u>2,133,575</u>
Net Position - Ending				<u>\$ 3,308,633</u>	<u>\$ 3,308,633</u>

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Balance Sheet
Governmental Funds
at September 30, 2021

	Total Governmental Funds
ASSETS:	
Cash and Cash Equivalents	\$ 2,586,738
Taxes Receivable	14,965
Due From Other Sources	<u>1,050</u>
Total Assets	\$ <u>2,602,753</u>
LIABILITIES:	
Accounts and Accrued Payables	\$ <u>0</u>
Total Liabilities	<u>0</u>
FUND BALANCE:	
Non-spendable	0
Restricted	0
Committed	0
Assigned	2,602,753
Unassigned	<u>0</u>
Total Fund Balance	<u>2,602,753</u>
Total Liabilities and Fund Balance	2,602,753

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 \$ 43,480	5,122,402
Bond discounts and pre-issuance costs are not financial resources and therefore are not reported in the funds.	38,827
Long-term liabilities, including bonds, compensated absences and loans are not payable in the current period and therefore are not reported in the governmental funds	<u>(4,455,349)</u>
Net Position of Governmental Funds	\$ <u>3,308,633</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, 2021

	Total Governmental Funds
REVENUE:	
Tax Levy Revenue	\$ 1,870,688
Rent Revenue	49,005
Refunds and Reimbursements	62,016
Interest Income	5,369
	<hr/>
Total Revenue	1,987,078
	<hr/>
EXPENDITURES:	
Office Expense	88
Professional Fees	94,589
Advertising and Publications	339
Insurance	5,756
Administration	35,978
Repairs	0
Reimburse Ketchum City - General	0
Reimburse Ketchum City - In Lieu Housing	0
Capital Projects	253,583
Debt service	1,407,982
	<hr/>
Total Expenditures	1,798,315
	<hr/>
EXCESS REVENUE (EXPENDITURES)	188,763
FUND BALANCE - BEGINNING	2,413,990
	<hr/>
FUND BALANCE - ENDING	\$ 2,602,753
	<hr/>

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, 2021

Net Change in Fund Balance - Total Governmental Funds (Page 6)	\$ 188,763
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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.	(108,146)
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This is the amount of new Governmental Fund assets.	0
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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.	128,313
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This is the amount of current year payments of long term debt	<u>982,013</u>
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Change in Net Position of Governmental Activities (Page 4)	\$ <u>1,175,058</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, 2021**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

The Agency reports the following major governmental funds:

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

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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, 2021**

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 \$27,253 of deposits were exposed to custodial credit risk.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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 \$ 2,309,485.

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	277,253
State of Idaho Investment Pool	<u>2,309,485</u>
Total	<u>\$2,586,738</u>

4. RESTRICTED ASSETS

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.

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

Continued -

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

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

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, 2021, is as follows:

	<u>Beginning Balances</u>		<u>Increases</u>		<u>Decreases</u>		<u>Ending Balances</u>
Governmental Activities:							
<i>Capital Assets not being depreciated:</i>							
Land - First & Washington	\$ 2,294,746	\$		\$		\$	2,294,746
1st & Washington	1,474,000						1,474,000
Fourth Street Corridor Improvements	1,000,000						1,000,000
Total	<u>4,768,746</u>		<u>0</u>		<u>0</u>		<u>4,768,746</u>
<i>Capital Assets being depreciated:</i>							
Infrastructure	397,136						397,136
Total	<u>397,136</u>		<u>0</u>		<u>0</u>		<u>397,136</u>
Less: Accumulated Depreciation:	27,595		15,885				43,480
Total Net Depreciated Assets	<u>369,541</u>		<u>(15,885)</u>		<u>0</u>		<u>353,656</u>
Governmental capital assets, net	<u>\$ 5,138,287</u>	\$	<u>(15,885)</u>	\$	<u>0</u>	\$	<u>5,122,402</u>

**KETCHUM URBAN RENEWAL AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021**

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. During the current year, the Agency refunded these bonds with new Tax Increment Refunding Bonds, Series 2021. The restricted cash was used to pay down the original bond series 2010.

Long-term debt on September 30, 2021, is as follows:

<u>Interest Rate</u>	<u>Fiscal Year</u>	<u>Balance</u>
Tax Increment Refunding Bonds, Series 2021: 1.73%	2021-2030	\$ 4,452,140

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

2022	\$ 442,414
2023	472,588
2024	481,014
2025	488,835
2026	495,067
2027-2030	<u>2,072,222</u>
	<u>\$ 4,452,140</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.

KETCHUM URBAN RENEWAL AGENCY
Budgetary Comparison Schedule
General Fund
for the year ended September 30, 2021

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Budget Positive (Negative)</u>
REVENUES:			
Property taxes - Tax Increment Revenues	\$ 1,652,500	\$ 1,870,688	\$ 218,188
Rent Revenue	36,000	49,005	13,005
Refunds and Reimbursements	0	62,016	62,016
Earnings on investments	<u>2,500</u>	<u>5,369</u>	<u>2,869</u>
Total revenues	<u>1,691,000</u>	<u>1,987,078</u>	<u>296,078</u>
EXPENDITURES:			
Office Expense	500	88	412
Professional Fees	56,000	94,589	(38,589)
Advertising/Publications	1,000	339	661
Insurance	2,928	5,756	(2,828)
Administrative Expenses	36,369	35,978	391
Debt Service	484,055	1,407,982	(923,927)
Reimburse Ketchum City - General Expense	84,001	0	84,001
Reimburse Ketchum City - In Lieu Housing	90,000	0	90,000
Capital Outlay	<u>1,431,147</u>	<u>253,583</u>	<u>1,177,564</u>
Total expenditures	<u>2,186,000</u>	<u>1,798,315</u>	<u>387,685</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(495,000)</u>	<u>188,763</u>	<u>683,763</u>
NET CHANGE IN FUND BALANCE	(495,000)	188,763	\$ <u><u>683,763</u></u>
FUND BALANCE - BEGINNING	<u>2,413,990</u>	<u>2,413,990</u>	
FUND BALANCE - ENDING	<u><u>\$ 1,918,990</u></u>	<u><u>\$ 2,602,753</u></u>	

The accompanying notes are a part of these financial statements.

KETCHUM URBAN RENEWAL AGENCY
Bond-Future Principal and Interest Requirements
at September 30, 2021

Annual Payment			
Interest Rate	Fiscal Year	Principal Payment	Interest Payment
\$4,815,959 Tax Increment Refunding Bonds, Series 2021 1.73%			
1.73%	2022	\$ 442,414	\$ 77,022
1.73%	2023	472,588	69,368
1.73%	2024	481,014	61,192
1.73%	2025	488,835	52,871
1.73%	2026	495,067	44,414
1.73%	2027	505,612	35,849
1.73%	2028	510,279	27,102
1.73%	2029	524,231	18,275
1.73%	2030	532,100	9,205
		<u>\$ 4,452,140</u>	<u>\$ 395,299</u>

The accompanying notes are a part of these financial statements.

WORKMAN & COMPANY

Office of
Accounting

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

INDEPENDENT AUDITOR'S REPORT 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, 2021

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, 2021, 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, 2021.

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

KETCHUM URBAN RENEWAL AGENCY
PO Box 2315
KETCHUM, IDAHO

November 4, 2021

Workman and Company
Certified Public Accountants
2190 Village Park Ave., Suite 300
Twin Falls, Idaho 83301

This representation letter is provided in connection with your audit of the financial statements of the Ketchum Urban Renewal Agency, which comprise the respective financial position of the governmental activities, the business-type activities and each major fund as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the related notes to the financial statements, for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of November 4, 2021, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 20, 2021, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures, if any, have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list, if any, of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the Agency is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters [and all audit or relevant monitoring reports, if any, received from funding sources].
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
 - Minutes of the meetings of Agency Board of Commissioners or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the Agency and involves—
- Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
- 17) We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- 18) We have disclosed to you the identity of the Agency's related parties and all the related party relationships and transactions of which we are aware.

Government-specific

- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- 21) The Agency has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
- 24) We have identified and disclosed to you all instances, which have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
- 25) We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives.
- 26) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements,

tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.

- 27) As part of your audit, you assisted with preparation of the financial statements and related notes. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and related notes. We have reviewed, approved and accepted responsibility for your proposed adjustments to our general ledger account balances.
- 28) The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 29) The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 30) The financial statements include all component units as well as joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations if any.
- 31) The financial statements properly classify all funds and activities in accordance with GASB Statement No.34.
- 32) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 33) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
- 34) Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
- 35) Provisions for uncollectible receivables have been properly identified and recorded.
- 36) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
- 37) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- 38) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
- 39) Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.
- 40) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated.
- 41) The government meets the GASB-established requirements for accounting for eligible infrastructure assets using the modified approach.
- 42) We have appropriately disclosed the Agency's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 43) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
- 44) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.

Signature: _____

Title: _____