

**CITY OF HAILEY, IDAHO**  
**BASIC FINANCIAL STATEMENTS**  
**AND**  
**SELECTED OTHER FINANCIAL INFORMATION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2005**

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### Independent Auditor's Report

Honorable Mayor and City Council  
City of Hailey  
State of Idaho

We have audited the accompanying financial statements of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Hailey, Idaho as of and for the year ending September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Hailey, Idaho as of September 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 30, 2006 on our consideration of City of Hailey's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants 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 the testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Condie, Stoker & Associates, CPA's  
May 30, 2006



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

Honorable Mayor and City Council  
City of Hailey  
State of Idaho

We have audited the accompanying financial statements of governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of City of Hailey, Idaho as of and for the year ending September 30, 2005, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 30, 2006. 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.

**Compliance**

As part of obtaining reasonable assurance about whether the City of Hailey's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of City of Hailey in a separate letter dated May 30, 2006.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Hailey's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control structure that we have reported to management of the City of Hailey in a separate letter dated May 30, 2006.

This report is intended for the information of the audit committee, management and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.

Condie, Stoker & Associates

May 30, 2006

**CITY OF HAILEY**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
**September 30, 2005**

This section of the City of Hailey's annual financial report presents management's discussion and analysis of the City's financial performance during the year ended September 30, 2005. Please use this information in conjunction with the information furnished in the City's financial statements.

### **Financial Highlights**

- The total assets of the City of Hailey exceeded its liabilities at September 30, 2005 by \$18,359,123. Of this amount \$3,899,601 is unrestricted and available to meet the City's on-going obligations to citizens and creditors.
- During fiscal year 2005 the City's total net assets increased \$1,039,790. Net assets of the governmental activities increased \$659,041 and net assets of business type activities increased \$380,749.
- Total fund balance of governmental funds at September 30, 2005 was \$2,024,597 compared to a total governmental fund balance at September 30, 2004 of \$1,612,940.
- The City has \$5,055,422 in long-term debt, including debt still remaining on a sewer revenue bond, the Fox Building acquisition bond, equipment purchases of fire trucks and street grader, and accrued compensated absences.

### **Overview of the Financial Statements**

This annual report consists of five parts – management discussion and analysis, the government-wide financial statements, fund financial statements, notes to the financial statements, and required supplementary information.

#### **Government- Wide Financial Statements**

These statements report information about all of the operations of the City using accounting methods similar to those used by private sector businesses.

The government-wide financial statements are divided into two categories:

The Statement of Net Assets presents all of the City's assets and liabilities with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator or whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how government's assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This accrual basis of accounting requires that revenues are reported when they are earned and expenses are reported as soon as liabilities are incurred. Items such as uncollected taxes, unpaid vendor invoices for items received in the previous year, and earned but unused vacation leave will be included in the statement of activities as revenues and expenses, even though the cash associated with these items will not yet be received or distributed.

Both the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (government activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Examples of the government type activities of the City of Hailey include general government and administration, public safety and emergency services activities, community planning and development, and parks and library operations. The major business-type activities of the City include the water and sewer systems.

#### **Fund Financial Statements**

The Fund financial statements provide information about the City's major *funds*, not the City as a whole. The City uses fund accounting to separate specific sources of funds and corresponding expenditures. Funds may be required by law or may be established by the City Council to segregate funds for specific activities or objectives. The City of Hailey has the following funds:

**Governmental Funds:** These funds encompass the City's basic governmental and administrative services, public safety and emergency services, community planning and development, and parks and library. These are essentially the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on short-term inflows and outflows of spendable resources. Information provided by these statements provides a short-term view of what resources will be available to meet needs.

The City of Hailey has three governmental funds:

**General Fund** – The general fund is the general operating fund of the City. It derives most of its income from property tax and funds the operations of the City.

**Debt Service Fund** – The Debt Service Fund is used to account for financial resources derived from the tax levied to pay off general obligation bond debt.

**Capital Projects Fund** – The Capital Projects Fund is used to account for financial resources to be used for the acquisition of major capital facilities.

**Proprietary Fund:** User fees finance activities in these funds. The City of Hailey only has one type of proprietary fund, the enterprise fund. The water and sewer utilities and all the activities necessary to support their operation are accounted for in this fund. Accounting for this fund is the same as a private business on a full accrual basis.

#### Notes to the Financial Statements

The notes provide additional information that is necessary to fully understand the data presented in the government-wide and fund financial statements.

#### Required Supplementary Information

This section has information that further explains and supports the information in the financial statements by including a comparison of the City's budget data for the year.

### FINANCIAL ANALYSIS OF THE CITY OF HAILEY AS A WHOLE

A comparison of the City of Hailey's Assets, Liabilities and Net Assets

<b>ASSETS</b>	<b>2003-2004</b>	<b>2004-2005</b>
Current and Other Assets	8,147,275	8,349,067
Capital Assets	15,812,192	16,077,068
Total Assets	23,959,467	24,426,135
<b>LIABILITIES</b>		
Long-Term Liabilities	4,967,286	4,605,019
Other Liabilities	1,672,848	1,461,993
Total Liabilities	6,640,134	6,067,012
<b>NET ASSETS</b>		
Invested in Capital Assets, Net of Debt	10,496,441	11,456,791
Restricted	2,982,985	3,002,731
Unrestricted	3,839,907	3,899,601
Total Net Assets	17,319,333	18,359,123

**Statement of Activities**  
**Fiscal Year 2005 as Compared to 2004**

	Governmental Activities		Business-Type Activities		Net Change in
	FY 2004	FY 2005	FY 2004	FY 2005	Primary Government
<b>Program Revenues</b>					
Dedicated Projects	654,620	361,400			(293,220)
Financial and Administrative	72,906	90,386			17,480
Planning and Zoning	87,149	63,033			(24,116)
Law Enforcement	191,780	216,272			24,492
Animal Control	26,063	20,630			(5,433)
Building Inspector	399,590	534,164			134,574
Streets	532,436	311,144			(221,292)
Library	15,479	18,027			2,548
Parks and Recreation	11,669	23,497			11,828
Fire Control	11,316	24,361			13,045
Water Revenue Fund			990,688	813,297	(177,391)
Sewer Revenue Fund			1,044,068	1,119,074	75,006
Water Replacement Fund			398,093	426,242	28,149
Sewer Replacement Fund			281,016	319,420	38,404
<b>General Revenues</b>					
Property Taxes	1,629,411	1,684,861			55,450
Intergovernmental	535,070	629,152			94,082
Miscellaneous	243,174	308,619	76,072	128,614	117,987
Total Revenues	<u>4,410,663</u>	<u>4,285,546</u>	<u>2,789,937</u>	<u>2,806,647</u>	<u>(108,407)</u>
<b>Program Expenses:</b>					
Dedicated Projects	20,139	23,058			2,919
Legislative	17,887	20,561			2,674
Chief Executive	95,328	61,648			(33,680)
Engineering	47,635	54,965			7,330
Financial and Administrative	160,148	165,063			4,915
Planning and Zoning	186,260	194,055			7,795
Law Enforcement	879,691	949,004			69,313
Animal Control	50,736	52,335			1,599
Building Inspector	122,965	135,235			12,270
Streets	916,667	873,022			(43,645)
Public Works	104,998	136,933			31,935
Library	334,547	347,582			13,035
Parks and Recreation	116,158	147,632			31,474
Fire Control	365,744	449,885			84,141
Bond Interest and Fees	71,658	15,527			(56,131)
Water Revenue Fund			807,311	888,661	81,350
Sewer Revenue Fund			1,375,508	1,374,308	(1,200)
Water Replacement Fund			78,854	71,082	(7,772)
Sewer Replacement Fund			144,264	91,847	(52,417)
Total Expenses	<u>3,490,561</u>	<u>3,626,505</u>	<u>2,405,937</u>	<u>2,425,898</u>	<u>155,905</u>
Increase in Net Assets	920,102	659,041	384,000	380,749	47,498
Beginning Net Assets	<u>5,240,631</u>	<u>6,160,733</u>	<u>10,774,600</u>	<u>11,158,600</u>	
Ending Net Assets	<u><u>6,160,733</u></u>	<u><u>6,819,774</u></u>	<u><u>11,158,600</u></u>	<u><u>11,539,349</u></u>	

### Net Assets

Net assets measure the difference between what the City owns (assets) versus what the City owes (liabilities). The total assets of the City of Hailey exceeded its liabilities at September 30, 2005 by \$18,359,123, an increase of \$1,039,790 over the previous year's net asset balance of \$17,319,333. Of this amount \$3,899,601 is unrestricted and available to meet the City's on-going obligations to citizens and creditors, slightly more (\$59,604) than the previous year's unrestricted amount of \$3,839,907.

The largest portion of the City's net assets, 62.4%, is invested in capital assets net of related debt. Capital assets include land, building, equipment and machinery, and infrastructure, and are used to provide services to the citizens and are not available for future spending. Although the investment in capital

assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The city's net fixed assets increased in value by \$960,350, resulting from the annual pay-down of long term debt, and the cash purchase of equipment including 2 backhoes and the second half of the water meters for the Water Meter Project.

Assets restricted to a particular use are 16.4% of net assets, and include water and sewer capital replacement funds.

Unrestricted net assets equal 21.2% of net assets. Some portion of the unrestricted net asset balance has been designated by the City Council for specific purposes, such as a fireworks endowment fund holding \$119,495 of the unrestricted funds, and a capital expansion fund holding unspent annexation fees from Airport West, Blaine County School District, and Little Indo of \$1,587,609.

### **Changes in Net Assets**

During the year the City's financial position increased by \$1,039,790, compared to the previous year's increase of \$1,304,102.

### **Governmental Activities:**

Governmental activities increased the City's net assets by \$659,041, compared to the previous year's \$920,102. Revenue increases were favorably affected by higher fees on development projects. The overall increase was less than the previous year during which the final annexation fees on the Airport West project were received.

### **Business-Type Activities:**

Business-type activities increased net assets by \$380,749, compared to the previous year's increase of \$384,000. Fees charged for new connections to pay for system replacement continue to exceed the replacement expenses. Water and waste water operating expenses exceeded operating revenues by \$279,310.

## **FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

### **Governmental Funds**

General Fund - the general fund is the principal fund used for the City's governmental operations. The fund balance at September 30, 2005 was \$1,905,781, a \$383,432 increase over the prior year's fund balance of \$1,522,349. The major factor increasing fund balance was a decrease in capital outlay expenses, which dropped by \$934,196 following the completion of the Street Shop Project and Fox Acres Road Highway Improvement project the previous year. General departmental operating expenses increased by 6.7%, except administrative expenses, which decreased by 14.3%.

The general fund balance is largely reserved for the Fireworks Endowment Fund and the Capital Expansion Fund.

### **General Fund Budgetary Highlights**

There were no amendments made to the appropriated budget during the fiscal year.

The general fund revenue exceeded its budgeted revenue by \$371,066, of which \$361,400 was revenue from grants, fireworks donations, and park in lieu fees.

General Fund expenses were \$987,962 under budget. This was largely due to a delay in implementing the Woodside Central Park Capital Project to late summer, and no other capital project being undertaken.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At the end of fiscal year 2005 the City had \$16,077,068 invested in capital assets (net of accumulated depreciation) compared to last year's \$15,812,192, an increase of \$264,876 compared to the previous year's increase of \$1,028,690. Net capital assets of governmental activities decreased by \$147,398 and those of business-type activities increased by \$412,274).

The City investment in capital assets includes land, buildings, sewer and water lines, buildings, automobiles and equipment and street lights, sidewalks, and roads.

The City booked \$244,899 in depreciation expense for governmental City functions (compared to the previous year's \$229,173) and \$582,334 for business-type activities (compared to the previous year's \$558,886).

### **Long-Term Debt**

The City has a 20-year sewer revenue bond of \$4.5 million, a long-term debt obligation through 2021. The current amount on the debt is \$4,065,000. A general obligation bond was recently refunded and the remaining \$725,000 is a debt obligation through 2008. The City has agreements with Wells Fargo Equipment Financing for purchase of 2 fire trucks and a street grader.

### **FY06 Budgetary Considerations**

The City of Hailey bases the budget on a revenue analysis and projection. Underlying all revenue projections for all funds was the assumption of continued growth in community development. Near the end of FY04 the City enacted new development fees which resulted in significantly defraying the rising cost of issuing development permits and conducting inspections. The increased revenue flow from development permits will help the city move away from its former practice of budgeting fund balance to cover operating expenses. The passage of a Local Option Tax measure would solidify Hailey being able to have sufficient operating revenue to cover operating expenses without any fund balance being appropriated for operations.

Statutory limitations on property tax collections mean that in periods of rapid growth and inflation revenue does not keep up with the demand for services. The City has seen a decline in its ability to fund equipment replacement and capital infrastructure repair and replacement within its boundaries, and has therefore set goals to put in place development impact fees. Hailey hopes to have development impact fee decisions in place prior to making budget allocations for FY 07.

### **Requests for Information**

This report is designed to provide a general overview of the City of Hailey's finances for our citizens and customers. If you have questions about this report or need additional financial information contact the Finance Office: 115 Main Street S., Hailey, Idaho 83333, 788-4221.

# CITY OF HAILEY, IDAHO

## STATEMENT OF NET ASSETS AS OF SEPTEMBER 30, 2005

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total Primary Government</u>
Assets			
Current Assets:			
Cash and Investments (Note B)	2,493,998	1,569,090	4,063,088
Accounts Receivable (Note D)	390,707	185,556	576,263
Delinquent Taxes Receivable (Note C)	35,369	-	35,369
Inventory	-	395,637	395,637
Non Current Assets:			
Restricted Cash and Investments	-	2,787,966	2,787,966
Construction in Progress	203,100	287,644	490,744
Capital Assets, net of depreciation (Note F)	5,512,959	10,564,109	16,077,068
Total Assets	<u>8,636,133</u>	<u>15,790,002</u>	<u>24,426,135</u>
Liabilities			
Current Liabilities:			
Vouchers Payable (Note G)	351,985	68,859	420,844
Accrued Payroll and Benefits	80,719	33,780	114,499
Accrued Interest Payable	3,865	16,604	20,469
Surety and Security Bonds Payable	430,064	25,714	455,778
Note Payments Due Within One Year (Note J)	275,403	175,000	450,403
Non Current Liabilities:			
Note Payments Due Beyond One Year (Note J)	471,776	3,901,198	4,372,974
Accrued Compensated Absences (Note I)	202,547	29,498	232,045
Total Liabilities	<u>1,816,359</u>	<u>4,250,653</u>	<u>6,067,012</u>
<b><u>Net Assets</u></b>			
Invested in Capital Assets, net of related debt	4,968,880	6,487,911	11,456,791
Restricted	-	3,002,731	3,002,731
Unrestricted	1,850,894	2,048,707	3,899,601
Total Net Assets	<u><u>6,819,774</u></u>	<u><u>11,539,349</u></u>	<u><u>18,359,123</u></u>

The accompanying notes are an integral part of the financial statements.

# CITY OF HAILEY, IDAHO

## STATEMENT OF ACTIVITIES FOR THE PERIOD ENDING SEPTEMBER 30, 2005

	Direct Expenses		Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
			Charges for Services and Sales	Operating Grants and Contributions	Primary Government	
					Governmental Activities	Business-type Activities
<b>Governmental Activities</b>						
<b>General Government:</b>						
Dedicated Projects	23,058	-	295,623	65,777	338,342	
Legislative	20,561	(20,561)	-	-	-	
Chief Executive	61,648	(61,648)	-	-	-	
Engineering	54,965	(54,965)	-	-	-	
Financial and Administrative	165,063	(62,247)	90,386	-	(12,430)	
Planning and Zoning	194,055	20,685	63,033	-	(151,707)	
Law Enforcement	949,004	28,538	216,272	-	(761,270)	
Animal Control	52,335	20,285	20,630	-	(51,990)	
Building Inspector	135,235	49,896	534,164	-	349,033	
Streets	873,022	79,575	27,623	283,521	(641,453)	
Public Works	136,933	(136,933)	-	-	-	
Library	347,582	24,412	18,027	-	(353,967)	
Parks and Recreation	147,632	79,574	23,497	-	(203,709)	
Fire Control	449,885	33,389	24,361	-	(458,913)	
Bond Interest and Fees	15,527	-	-	-	(15,527)	
Total Governmental Activities	3,626,505	0	1,313,616	349,298	(1,963,591)	
<b>Business-type Activities:</b>						
Water Revenue Fund	888,661		813,297	-		(75,364)
Sewer Revenue Fund	1,374,308		1,119,074	-		(255,234)
Water Replacement Fund	71,082		426,242	-		355,160
Sewer Replacement Fund	91,847		319,420	-		227,573
Total Business-type activities	2,425,898		2,678,033	-		252,135
Total Primary Government	6,052,403		3,991,649	349,298		
<b>General Revenues:</b>						
					1,684,861	-
					629,152	-
					75,796	125,257
					232,823	3,357
					2,622,632	128,614
					659,041	380,749
					6,160,733	11,158,600
					6,819,774	11,539,349

The accompanying notes are an integral part of the financial statements.

# CITY OF HAILEY, IDAHO

## BALANCE SHEET - GOVERNMENTAL FUNDS AS OF SEPTEMBER 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b><u>Assets</u></b>				
Cash and Investments	2,154,788	336,325	2,885	2,493,998
Accounts Receivable	390,707	-	-	390,707
Delinquent Taxes Receivable	30,756	4,613	-	35,369
Interfund Receivables	219,318	-	-	219,318
	<u>2,795,569</u>	<u>340,938</u>	<u>2,885</u>	<u>3,139,392</u>
<b><u>Liabilities</u></b>				
Vouchers Payable	351,985	-	-	351,985
Accrued Payroll Expense	80,719	-	-	80,719
Accrued Interest Payable	1,846	2,019	-	3,865
Interfund Payables	-	219,318	-	219,318
Surety and Security Bonds Payable	430,064	-	-	430,064
Deferred Revenue (Note H)	25,174	3,670	-	28,844
	<u>889,788</u>	<u>225,007</u>	<u>0</u>	<u>1,114,795</u>
<b><u>Fund Equity</u></b>				
Fund Balances:				
Unreserved reported in:				
General Fund	1,905,781	-	-	1,905,781
Debt Service Fund	-	115,931	-	115,931
Capital Project Funds	-	-	2,885	2,885
	<u>1,905,781</u>	<u>115,931</u>	<u>2,885</u>	<u>2,024,597</u>
Total Fund Balance	<u>1,905,781</u>	<u>115,931</u>	<u>2,885</u>	<u>2,024,597</u>
Total Liabilities and Fund Equity	<u>2,795,569</u>	<u>340,938</u>	<u>2,885</u>	<u>3,139,392</u>

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Property taxes collected beyond 60 days after year end are not recorded as assets in the Governmental Funds balance sheet.	28,844
Governmental fund capital assets are not financial resources and therefore are not reported in the funds.	5,716,059
Capital leases are not payable in the current period and thus not reported in the funds.	(747,179)
Accrued payroll, sick and personal leave liabilities are not reported in Governmental Funds.	(202,547)
Net assets of Governmental Activities	<u>6,819,774</u>

The accompanying notes are an integral part of the financial statements.

# CITY OF HAILEY, IDAHO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND TYPES FOR THE PERIOD ENDING SEPTEMBER 30, 2005

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	1,478,063	211,917	-	1,689,980
Fees & Fines	535,682	-	-	535,682
Licenses and Permits	618,262	-	-	618,262
Intergovernmental	1,165,367	-	-	1,165,367
Miscellaneous	274,539	6,835	-	281,374
<b>Total Revenues</b>	<b>4,071,913</b>	<b>218,752</b>	<b>0</b>	<b>4,290,665</b>
<b>Expenditures</b>				
Dedicated Projects	23,058	-	-	23,058
Legislative	20,561	-	-	20,561
Chief Executive	70,412	-	-	70,412
Engineering	37,681	-	-	37,681
Financial and Administrative	110,896	-	-	110,896
Planning and Zoning	190,921	-	-	190,921
Law Enforcement	901,475	-	-	901,475
Animal Control	48,477	-	-	48,477
Building Inspector	125,948	-	-	125,948
Streets	765,233	-	-	765,233
Public Works	128,368	-	-	128,368
Library	298,562	-	-	298,562
Parks and Recreation	114,183	-	-	114,183
Fire Control	383,908	-	-	383,908
Capital Outlay	367,488	-	-	367,488
Debt Service:				
Bond Interest	-	15,027	-	15,027
Bond Principal	-	175,000	-	175,000
Fees	-	500	-	500
Capital Leases:				
Principal	93,973	-	-	93,973
Interest	7,337	-	-	7,337
<b>Total Expenditures</b>	<b>3,688,481</b>	<b>190,527</b>	<b>0</b>	<b>3,879,008</b>
Excess (Deficit) Revenues Over Expenditures	383,432	28,225	0	411,657
Fund Balance at Beginning of Year	1,522,349	87,706	2,885	1,612,940
Fund Balance at End of Year	1,905,781	115,931	2,885	2,024,597

The accompanying notes are an integral part of the financial statements.

**CITY OF HAILEY, IDAHO**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE PERIOD ENDING SEPTEMBER 30, 2005**

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Excess Revenue over Expenditures - Total Governmental Funds	411,657
Refunding Bond Premium (presented part of bond proceeds)	-
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>	
<p>Property tax revenues that are not received within sixty days after year end do not provide current financial resources and thus are not recorded as revenue in the Governmental Funds.</p>	(5,119)
<p>Governmental funds report capital outlays as current 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.</p>	300,600
<p>This is the amount of current year depreciation.</p>	(244,898)
<p>Repayment of long-term debt is reported as an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net assets. This amount is the principal paid during the current year.</p>	268,973
<p>Liability for accrued compensated absences are not recorded in the Governmental Funds. This is the increase in leave during the year.</p>	(72,172)
<p>Losses on the disposal of capital assets are not recorded in the governmental funds.</p>	-
	659,041
Change in Net Assets of Governmental Activities	659,041

The accompanying notes are an integral part of the financial statements.

## CITY OF HAILEY, IDAHO

### STATEMENT OF NET ASSETS - PROPRIETARY FUNDS AS OF SEPTEMBER 30, 2005

	<u>Water Revenue Fund</u>	<u>Sewer Revenue Fund</u>
<b><u>Assets</u></b>		
Cash and Investments	1,120,614	448,476
Accounts Receivable		
Net of Allowance for Bad Debt	141,490	44,066
Inventory	395,637	-
Restricted Cash and Investments	-	-
Interfund Receivable (Note E)	-	-
Construction in Progress	287,644	-
Property, Plant and Equipment		
Net of Accumulated Depreciation	<u>3,721,060</u>	<u>6,843,049</u>
 Total Assets	 <u><u>5,666,445</u></u>	 <u><u>7,335,591</u></u>
<b><u>Liabilities</u></b>		
Current Liabilities:		
Vouchers Payable	19,990	14,983
Accrued Payroll Expense	16,269	17,511
Interest Payable	-	16,604
Security Deposits	25,714	-
Current Portion of Interfund Payable	-	50,000
Current Portion of Long-Term Debt	-	175,000
Non-Current Liabilities		
Interfund Payable	-	198,651
Sewer Revenue Bonds	-	3,901,198
Accrued Compensated Absences	<u>14,705</u>	<u>14,793</u>
 Total Liabilities	 76,678	 4,388,740
<b><u>Net Assets</u></b>		
Invested in Capital Assets, net of related debt	3,721,060	2,766,851
Restricted for System Replacement	-	-
Unrestricted	<u>1,868,707</u>	<u>180,000</u>
 Total Net Assets	 <u><u>5,589,767</u></u>	 <u><u>2,946,851</u></u>

The accompanying notes are an integral part of the financial statements.

<u>Water Replacement Fund</u>	<u>Sewer Replacement Fund (Non Major)</u>	<u>Totals (Memorandum Only)</u>
-	-	1,569,090
-	-	185,556
-	-	395,637
1,538,105	1,249,861	2,787,966
248,651	-	248,651
-	-	287,644
-	-	10,564,109
<u>1,786,756</u>	<u>1,249,861</u>	<u>16,038,653</u>
5,956	27,930	68,859
-	-	33,780
-	-	16,604
-	-	25,714
-	-	50,000
-	-	175,000
-	-	198,651
-	-	3,901,198
-	-	29,498
5,956	27,930	4,499,304
-	-	6,487,911
1,780,800	1,221,931	3,002,731
-	-	2,048,707
<u>1,780,800</u>	<u>1,221,931</u>	<u>11,539,349</u>

## CITY OF HAILEY, IDAHO

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS FOR THE PERIOD ENDING SEPTEMBER 30, 2005

	<b>Water Revenue Fund</b>	<b>Sewer Revenue Fund</b>
<b><u>Operating Revenues</u></b>		
User Charges	801,581	1,114,374
Hook-Up and Inspection Fees	1,178	4,700
Co-Generation	3,357	-
Miscellaneous	10,538	-
	<hr/>	<hr/>
Total Operating Revenues	816,654	1,119,074
<b><u>Operating Expenses</u></b>		
Salaries and Benefits	468,583	515,814
Office Supplies and Postage	9,895	11,287
Chemicals and Lab Testing	4,522	16,878
Advertising and Publishing	7,378	7,448
Legal and Audit	37,042	41,511
Insurance	29,555	27,523
Travel and Meetings	1,681	4,747
Dues and Subscriptions	1,559	2,121
Telephone	8,534	8,706
Utilities and Rent	58,954	80,836
Gas and Oil	11,160	13,157
Repairs and Maintenance	22,294	53,316
Depreciation	206,458	375,877
Services	17,009	13,505
Prevention Program	295	2,158
Reimbursements and Clothing	423	6,389
Education and Miscellaneous	3,319	4,145
	<hr/>	<hr/>
Total Operating Expenses	888,661	1,185,418
Operating Income (Loss)	(72,007)	(66,344)
<b><u>Non-Operating Revenues (Expenses)</u></b>		
Grant Revenue	-	-
Interest Earned	3,917	44,014
Interest Expense	-	(3,643)
Bond Interest and Fees Paid	-	(185,247)
Loss on Sale and Disposal of Assets	-	-
	<hr/>	<hr/>
Income (Loss) Before Other Adjustments	(68,090)	(211,220)
<b><u>Other Adjustments to net Assets</u></b>		
Transfer of Depreciable Property and Inventory	357,684	93,451
Transfer of Cash	-	118,178
	<hr/>	<hr/>
Change in Net Assets	289,594	409
Net Assets Beginning of Period, as restated (Note R)	5,300,173	2,946,442
Net Assets End of Period	<u>5,589,767</u>	<u>2,946,851</u>

The accompanying notes are an integral part of the financial statements.

<b>Water Replacement Fund</b>	<b>Sewer Replacement Fund (Non Major)</b>	<b>Totals</b>
34,396	38,351	1,988,702
391,846	281,069	678,793
-	-	3,357
-	-	10,538
426,242	319,420	2,681,390
-	-	984,397
-	-	21,182
-	-	21,400
-	-	14,826
-	-	78,553
-	-	57,078
-	-	6,428
-	-	3,680
-	-	17,240
-	-	139,790
-	-	24,317
71,082	91,358	238,050
-	-	582,335
-	489	31,003
-	-	2,453
-	-	6,812
-	-	7,464
71,082	91,847	2,237,008
355,160	227,573	444,382
-	-	0
42,037	35,289	125,257
-	-	(3,643)
-	-	(185,247)
-	-	0
397,197	262,862	380,749
(357,684)	(93,451)	0
-	(118,178)	0
39,513	51,233	380,749
1,741,287	1,170,698	11,158,600
1,780,800	1,221,931	11,539,349

## CITY OF HAILEY, IDAHO

### COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY FUND FOR THE PERIOD ENDING SEPTEMBER 30, 2005

	Water Revenue Fund	Sewer Revenue Fund	Water Replacement Fund
<b><u>Cash Flows From Operating Activities</u></b>			
Cash Received from Customers	801,467	1,096,278	426,242
Cash Paid to Employees	(459,357)	(506,066)	-
Cash Paid to Suppliers	(243,403)	(296,763)	(192,080)
Net Cash Provided by Operating Activities	98,707	293,449	234,162
<b><u>Cash Flows From Non-Capital Financing Activities</u></b>			
Interest Paid	-	(196,768)	-
Principal (Paid) Received on Long-Term Debt	20,833	(203,917)	58,661
Cash Received from Grants	-	-	-
Operating Transfers	-	118,178	-
Net Cash Provided (Used) by Financing Activities	20,833	(282,507)	58,661
<b><u>Cash Flows From Investing Activities</u></b>			
Interest Received	3,917	44,014	42,037
Capital Expenditures	(662,762)	(33,710)	(357,684)
Net Cash Provided (Used) by Investing Activities	(658,845)	10,304	(315,647)
Net Increase (Decrease) in Cash and Equivalents	(539,305)	21,246	(22,824)
Cash and Equivalents at Beginning of Year	1,659,919	427,230	1,560,929
Cash and Equivalents at End of Year	<u>1,120,614</u>	<u>448,476</u>	<u>1,538,105</u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b>			
Operating Income (Loss)	(72,007)	(66,344)	355,160
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:			
Depreciation	206,458	375,877	-
Changes in Assets and Liabilities:			
Decrease (Increase) in Inventory	382,605	-	-
Decrease (Increase) in Accounts Receivable	(20,898)	(22,796)	-
Increase (Decrease) in Vouchers Payable	(412,388)	(3,036)	(120,998)
Increase (Decrease) in Payroll Accrual	1,262	1,748	-
Increase (Decrease) in Security Deposits	5,711	-	-
Increase (Decrease) in Compensated Absences	7,964	8,000	-
Total Adjustments	170,714	359,793	(120,998)
Net Cash Provided by Operating Activities	<u>98,707</u>	<u>293,449</u>	<u>234,162</u>

The accompanying notes are an integral part of the financial statements.

<b>Sewer Replacement Fund (Non Major)</b>	<b>Totals</b>
319,420	2,643,407
-	(965,423)
<u>(102,854)</u>	<u>(835,100)</u>
216,566	842,884
-	(196,768)
-	(124,423)
-	0
<u>(118,178)</u>	<u>0</u>
(118,178)	(321,191)
35,289	125,257
<u>(93,451)</u>	<u>(1,147,607)</u>
(58,162)	(1,022,350)
40,226	(500,657)
<u>1,209,635</u>	<u>4,857,713</u>
<u><u>1,249,861</u></u>	<u><u>4,357,056</u></u>
227,573	444,382
-	582,335
-	382,605
-	(43,694)
(11,007)	(547,429)
-	3,010
-	5,711
<u>-</u>	<u>15,964</u>
(11,007)	398,502
<u><u>216,566</u></u>	<u><u>842,884</u></u>

# CITY OF HAILEY, IDAHO

## STATEMENT OF NET ASSETS - FIDUCIARY FUNDS AS OF SEPTEMBER 30, 2005

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	<u>Agency</u>
<b><u>Assets</u></b>	
Equity in Pooled Cash and Cash Equivalents	<u>23,811</u>
Total Assets	<u><u>23,811</u></u>
<b><u>Liabilities</u></b>	
Total Liabilities	<u>0</u>
<b><u>Net Assets</u></b>	
Reserved for Bond Payment	<u><u>23,811</u></u>

The accompanying notes are an integral part of the financial statements.

# CITY OF HAILEY, IDAHO

## STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS FOR THE PERIOD ENDING SEPTEMBER 30, 2005

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	<u>Private Purpose Trust</u>
<b><u>Additions</u></b>	
Trust Amounts Received	7,857
Interest Income	<u>3,311</u>
Total Additions	11,168
<b><u>Deductions</u></b>	
Bond Principal and Interest Payments	<u>45,590</u>
Change in Net Assets	(34,422)
Net Assets Beginning of Year	<u>58,233</u>
Net Assets End of Year	<u><u>23,811</u></u>

The accompanying notes are an integral part of the financial statements.

# CITY OF HAILEY, IDAHO

## NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2005

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### **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hailey was incorporated in 1909. The City operates under a Mayor-Council form of government and provides the following services: public safety, public works, recreation, social services, and community development. The City also provides water and waste water services which are financed by user charges. The significant revenues and receivables are generated by the residents of the City of Hailey through property tax and water and waste water charges.

The financial statements of the City of Hailey have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for established governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

#### **1. Financial Reporting Entity**

The City's financial statements include the accounts of all operations under the oversight authority of the City Council and those of separately administered organizations over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

#### **2. Government-Wide and Fund Financial Statements**

The government-wide financial statements include the Statement of Net Assets and the Statement of Activities. These statements report financial information for the City as a whole excluding fiduciary activities such as employee pension plans. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

#### **3. Measurement Focus and Basis of Accounting**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### **3. Measurement Focus and Basis of Accounting (cont.)**

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City of Hailey uses an availability period of sixty days. Expenditures are recorded when the related liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, and intergovernmental revenues. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales of services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

### **4. Fund Accounting**

The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

#### **GOVERNMENTAL FUNDS**

The City reports the following major governmental funds:

**General Fund** - The General Fund is the general operating fund of the City. It is used to account for all financial resources not reported in another fund.

**Debt Service Funds** – The debt service fund is used to account for the accumulation of financial resources for the payment of principal and interest on the City’s governmental debt.

#### **PROPRIETARY FUNDS**

**Enterprise Funds** - Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Enterprise funds include Water, Waste Water, Water Replacement and Waste Water Replacement. All but Waste Water Replacement are reported as major enterprise funds.

## **NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)**

### **OTHER FUND TYPES**

The City also reports the following fund types:

**Capital Projects Funds** - These funds account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. The fund is currently inactive with an amount of cash remaining in the fund.

**Fiduciary Funds** - Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds, non-expendable trust funds, and agency funds. The agency fund in use by the City of Hailey is L.I.D 92-1.

### **5. Budgetary Data**

The City of Hailey follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to September 1, the City Clerk submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
- b. After reviewing the preliminary budget, the Council sets a public budget hearing to obtain taxpayer comments.
- c. Prior to October 1, the budget is legally enacted through passage of an ordinance.

The budget is prepared on the modified accrual basis of accounting, as described above.

The City does not use the encumbrance method of accounting.

### **6. Cash and Cash Equivalents**

The City maintains and controls cash and investment pools in which the primary government funds share. Each fund's portion of a pool is displayed on its respective balance sheet.

For purposes of the Statement of Cash Flows, the enterprise funds consider cash and cash equivalents to include cash on hand and all amounts on deposit with financial institutions.

### **7. Inventory**

Inventories in governmental funds are considered to be immaterial and are not reported. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis.

### **8. Capital Assets, Depreciation, and Amortization**

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary capital assets are also reported in their respective fund financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. The City has not, nor is required to retroactively report infrastructure assets. The City will capitalize all acquired infrastructure after October 1, 2003.

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(cont.)**

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20-50
Equipment	5-15
Infrastructure	15-20
Books	5-10
Trucks and Vehicles	3-10

Interest costs are capitalized when incurred by proprietary funds on debt where proceeds were used to finance the construction of assets.

**9. Long-Term Debt**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financing sources of the current period.

**NOTE B - CASH AND INVESTMENTS**

Interest Rate Risk – The City does not have a formal investment policy that limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The City has no investment policy which would further limit its investment choices beyond those stated in Idaho Code. The City's investment in the State Treasurer's Investment Pool is not currently rated. All deposits in the State Investment Pool are either FDIC insured or fully collateralized, with securities held in trust by the State Treasurer but not in the name of the City of Hailey

Concentration of Credit Risk – The City places no limit on the amount the City may invest in any one issuer.

Custodial Credit Risk, Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end. The cash is recorded in terms of United States currency and consists of the following:

	<b><u>Carrying Amount</u></b>	<b><u>Bank Balance</u></b>
Mountain West Bank - Checking	-	25,340
Mountain West Bank - Cash Management	(126,947)	113,054
Bank of America - Interest Bearing Checking	5,885	5,885
Cash on Hand	200	200
State of Idaho Investment Pool	<u>6,995,726</u>	<u>6,891,189</u>
Total Cash and Investments	<u><u>6,874,864</u></u>	<u><u>7,035,668</u></u>

There are three categories of credit risk that apply to the City's cash and investments:

- 1) Insured or collateralized or for which the securities are held by the City or the City's agent in the City's name;
- 2) Uninsured and uncollateralized; or
- 3) Uninsured and unregistered for which the securities are held by the counter party or by its trust department or agent but not in the City's name. This category also includes repurchase agreements with no underlying securities.

**NOTE B - CASH AND INVESTMENTS (cont.)**

Balances are held in each category are as follows:

	<u>Categories</u>			<u>Carrying Amount</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
Deposits	6,085	(126,947)	-	(120,862)
Investments in State of Idaho's Investment Pool				<u>6,995,726</u>
Total Cash and Investments				<u><u>6,874,864</u></u>

The current balances in the State Investment Pool reflect an investment market loss of \$28,041.

Funds held in the Water and Waste Water Replacement Fund (Enterprise Fund) in the amount of \$2,787,966 is restricted and can only be used to repair and replace existing systems and equipment.

**NOTE C - DELINQUENT TAXES RECEIVABLE**

Property taxes are levied in November of each year and recognized as revenue when the tax notices are printed. Taxes are due in two equal installments at December and June following the levy date.

If payment is not received upon the due dates, a 2% penalty is charged and taxes are classified as past due subject to 12% interest.

Taxes receivable are stated at taxes levied less amounts collected and canceled. Individual taxpayer records are maintained by City of Hailey and amounts due to the City for taxes have been reconciled to County records.

The City has not experienced any significant loss of delinquent taxes receivable in past years, and, therefore, does not consider it necessary to establish any allowance for uncollectible taxes receivable. The City feels secure in the right of the County to take tax deeds on property for the collection of real property taxes and the City's ability to take tax anticipation notes if needed to finance liabilities of the current period. Deferred revenue has been recorded as recommended by NCGA Interpretation #3 - "Revenue Recognition".

**NOTE D - ACCOUNTS RECEIVABLE**

The City charges for water and waste water services and garbage collection on the first of the month for usage during that month. Therefore, the user normally prepays utilities provided by the City and these are recognized in a separate ledger account as deferred revenue. At the end of each month the payment is applied to charges for services based on a predetermined occupancy rate. The balance of accounts receivable is for billings occurring September 1, 2005 and prior. Due to water and waste water services that would be terminated if an account goes 90 days overdue, very few accounts become uncollectible. If an account goes over 120 days then the City will make an allowance for the bad debt.

The following funds have uncollected receivables at September 30, 2005:

	<u>General Fund</u>	<u>Water Fund</u>	<u>Waste Water Fund</u>	<u>Total</u>
Utility Receivables	156,094	36,336	44,066	236,496
State Highway Users Tax	68,932	-	-	68,932
State Sales Tax	136,928	-	-	136,928
State Liquor Distribution	27,929	-	-	27,929
Misc and Misc Grants	<u>824</u>	<u>105,154</u>		<u>105,978</u>
Total Receivables	<u><u>390,707</u></u>	<u><u>141,490</u></u>	<u><u>44,066</u></u>	<u><u>576,263</u></u>

**NOTE E - INTERFUND RECEIVABLES / PAYABLES**

This account represents amounts due between funds for the following purposes:

	<u>General</u>	<u>Debt Service</u>	<u>Enterprise</u>	
			<u>Waste Water</u>	<u>Water Replacement</u>
Prior Bond Requirement	219,318	(219,318)		
Sewer System Loan			(248,651)	248,651
	<u>219,318</u>	<u>(219,318)</u>	<u>(248,651)</u>	<u>248,651</u>

**NOTE F – CAPITAL ASSETS**

	<u>Balance 9/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 9/30/2005</u>
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated:				
Land, Easements and Collections	1,601,674	-	-	1,601,674
Capital Assets, Being Depreciated				
Buildings and Improvements	3,134,185	-	-	3,134,185
Equipment	2,316,798	5,915	-	2,322,713
Infrastructure	36,428	30,774	-	67,202
Books	219,024	32,277	-	251,301
Trucks & Vehicles	715,590	28,535	-	744,125
Total Capital Assets, Being Depreciated	6,422,025	97,501	-	6,519,526
Less Accumulated Depreciation:				
Buildings and Improvements	(729,744)	(63,777)	-	(793,521)
Equipment	(1,135,691)	(112,834)	-	(1,248,525)
Infrastructure	(563)	(3,426)	-	(3,989)
Books	(110,309)	(20,721)	-	(131,030)
Trucks & Vehicles	(387,035)	(44,141)	-	(431,176)
Total Accumulated Depreciation	(2,363,342)	(244,899)	-	(2,608,241)
Capital Assets, Net	<u>5,660,357</u>	<u>(147,398)</u>	<u>-</u>	<u>5,512,959</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated:				
Land and Easements	235,391	-	-	235,391
Capital Assets, Being Depreciated				
Buildings and Improvements	460,929	13,100	-	474,029
Equipment	1,823,025	929,990	-	2,753,015
Infrastructure	10,725,697	-	-	10,725,697
Trucks & Vehicles	413,718	51,518	-	465,236
Total Capital Assets, Being Depreciated	13,423,369	994,608	-	14,417,977
Less Accumulated Depreciation:				
Buildings and Improvements	(65,611)	(17,262)	-	(82,873)
Equipment	(504,201)	(128,983)	-	(633,184)
Infrastructure	(2,801,218)	(398,887)	-	(3,200,105)
Trucks & Vehicles	(135,895)	(37,202)	-	(173,097)
Total Accumulated Depreciation	(3,506,925)	(582,334)	-	(4,089,259)
Capital Assets, Net	<u>10,151,835</u>	<u>412,274</u>	<u>-</u>	<u>10,564,109</u>

The following deprectaion has been charged to the respective programsin the government wide statements:

Finance	35,582	Streets	88,659
Law Enforcement	18,056	Library	32,561
Animal Control	3,506	Parks	24,331
Building Inspector	6,652	Fire	35,550
			<u>244,897</u>

**NOTE G - VOUCHERS PAYABLE AND ACCRUED LIABILITIES**

Vouchers payable and accrued expenses are stated at cost and are recognized liabilities for goods and services rendered to the City as of September 30.

**NOTE H - DEFERRED REVENUE, GENERAL FUND**

Deferred revenue of the Governmental Funds consists of delinquent taxes receivable not collected within 60 days of the fiscal year end.

**NOTE I - ACCRUED COMPENSATED ABSENCES**

Compensated absences for vacation pay, sick pay and "comp" time have been accrued. "Comp" time is computed at the rate of 1-hour overtime equals 1½ hours off. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Such compensation in the governmental fund financial statements will be paid from future resources of the City and is, therefore, reported only if matured compensated absences are payable to currently terminating employees, when it is included in accrued payroll and benefits.

**NOTE J - LONG-TERM OBLIGATIONS**

The City has entered into the following agreements. Although the lease agreements provide cancellation clauses for termination of the lease due to non-appropriation of funds by the City (lessee) for any fiscal period during the term of the lease, the likelihood of the lease being canceled is considered remote. Therefore, the leases are presented for financial purposes as capital leases. The capital leases are secured by said equipment.

<u>Description</u>	<u>Maturity Date</u>	<u>Rate</u>	<u>Amount Outstanding 9/30/2004</u>	<u>Additions</u>	<u>Deductions</u>	<u>Amount Outstanding 9/30/2005</u>	<u>Amount Due in One Year</u>
<b>GENERAL FUND</b>							
<b>Capital Leases:</b>							
Fire Truck	01/16/06	0.00%	45,721	-	23,279	22,442	22,442
Volvo 746B Grader & Mack	11/12/07	2.90%	145,223	-	47,030	98,193	48,394
2004 Fire Truck	02/11/08	3.81%	100,209	-	23,665	76,544	24,567
<b>Bonds:</b>							
2003 GO Refunding Bonds	N/A	N/A	725,000	-	175,000	550,000	180,000
<b>Other:</b>							
Equipment Loan	Due	0.00%	41,667	-	41,667	-	-
Acc. Comp. Absences	N/A		130,374	72,173	-	202,547	-
Total General Fund			1,188,194	72,173	310,641	949,726	275,403
<b>PROPRIETARY FUNDS</b>							
<b>Bonds:</b>							
Sewer Bond	03/01/21	Various	4,249,598	-	173,400	4,076,198	175,000
<b>Other:</b>							
Waste Water to Water	11/01/09	2.78%	300,000	-	51,349	248,651	50,000
Acc. Comp. Absences	N/A		13,534	15,964	-	29,498	-
Total Proprietary Fund			4,563,132	15,964	224,749	4,354,347	225,000

**NOTE J - LONG-TERM OBLIGATIONS (cont.)**

The purchase price of equipment reported as capital leases with remaining capital lease requirements is \$600,779.

Note and bond sinking fund requirements at the balance sheet date are as follows:

<u>Year Ended</u>	<u>Governmental</u>		<u>Proprietary</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	275,402	19,597	225,000	202,378
2007	260,302	12,780	220,000	193,441
2008	211,474	5,634	230,000	184,395
2009	-	-	235,000	174,905
Thereafter	-	-	3,248,651	1,096,091
Total	<u>747,178</u>	<u>38,011</u>	<u>4,158,651</u>	<u>1,851,210</u>

**NOTE K - GENERAL OBLIGATION REFUNDING BONDS, SERIES 2003**

On December 15, 2003 the City of Hailey issued general obligation bonds of \$885,000 (par value) with an effective interest rate of 2.202% to advance refund 1993 General Obligation Refunding Series Bonds and 1993 General Obligation Bonds with a combined effective interest rate of 5.157% and a combined par value of \$920,000. The general obligation bonds were issued at a premium of \$3,063, and after paying issuance costs of \$20,914, the net proceeds were \$867,149. The bonds are not subject to call or redemption prior to their stated dates of maturity. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the prior bonds were called on August 1, 2005. The advance refunding met the requirements of an in-substance debt defeasance.

As a result of the advance refunding, the City reduced its total debt service requirements by \$36,045, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$30,939. A bond maturity and interest schedule of the newly issued bonds follows:

<b><u>Bond Amortization Schedule</u></b>						
<b><u>City of Hailey</u></b>						
<b><u>General Obligation Refunding Bonds, Series 2003</u></b>						
<b><u>\$885,000 - Dated December 15, 2003</u></b>						
<b><u>Payment</u></b>						<b><u>Total by</u></b>
<b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Coupon</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>		<b><u>Calendar Year</u></b>
2/1/2006	-		6,055	6,055		
8/1/2006	180,000	2.000%	6,055	186,055		192,110
2/1/2007	-		4,255	4,255		
8/1/2007	185,000	2.100%	4,255	189,255		193,510
2/1/2008	-		2,312	2,312		
8/1/2008	185,000	2.500%	2,313	187,313		189,625
	<u>550,000</u>		<u>25,245</u>	<u>575,245</u>		<u>575,245</u>

**NOTE L - SEWER REVENUE BONDS**

On April 17, 2001, the City of Hailey issued revenue bonds to advance refund a Department of Environmental Quality (DEQ) loan of \$4,500,000. The DEQ loan had accrued interest of \$209,319 and carried an interest rate of 4.5%. Due to DEQ requesting the city to pay off the loan by using public funds at a higher interest rate, they were willing to forgive all but \$1,271 of the accrued interest on the loan. This transaction resulted in no economic gain or loss to the City by refunding the DEQ loan. There will be an additional cash flow requirement over the life of the new loan in the amount of \$161,280.

Revenues of the Waste Water Fund serve as collateral for bond payments. A bond maturity and interest schedule of the newly issued bonds follows:

**Sewer Revenue Bond 2001 Amortization Schedule****City of Hailey****\$4,500,000 dated April 17, 2001**

<u>Payment Date</u>	<u>Principal</u>	<u>Interest Rate</u>	<u>Interest</u>	<u>Total</u>	<u>Total by Fiscal Year</u>
3/1/2006	175,000	4.375%	99,628	274,628	
9/1/2006			95,800	95,800	370,428
3/1/2007	170,000	4.375%	95,800	265,800	
9/1/2007			92,081	92,081	357,881
3/1/2008	180,000	4.375%	92,081	272,081	
9/1/2008			88,144	88,144	360,225
3/1/2009	185,000	4.500%	88,144	273,144	
9/1/2009			83,981	83,981	357,125
3/1/2010	195,000	4.500%	83,981	278,981	
9/1/2010			79,594	79,594	358,575
3/1/2011	205,000	5.625%	79,594	284,594	
9/1/2011			73,828	73,828	358,422
3/1/2012	220,000	5.625%	73,828	293,828	
9/1/2012			67,641	67,641	361,469
3/1/2013	230,000	5.625%	67,641	297,641	
9/1/2013			61,172	61,172	358,813
3/1/2014	245,000	5.625%	61,172	306,172	
9/1/2014			54,281	54,281	360,453
3/1/2015	260,000	5.625%	54,281	314,281	
9/1/2015			46,969	46,969	361,250
3/1/2016	270,000	5.625%	46,969	316,969	
9/1/2016			39,375	39,375	356,344
3/1/2017	285,000	5.000%	39,375	324,375	
9/1/2017			32,250	32,250	356,625
3/1/2018	300,000	5.000%	32,250	332,250	
9/1/2018			24,750	24,750	357,000
3/1/2019	315,000	5.000%	24,750	339,750	
9/1/2019			16,875	16,875	356,625
3/1/2020	330,000	5.000%	16,875	346,875	
9/1/2020			8,625	8,625	355,500
3/1/2021	345,000	5.000%	8,625	353,625	
	<u>3,910,000</u>		<u>1,830,360</u>	<u>5,740,360</u>	<u>5,740,360</u>

**NOTE L - SEWER REVENUE BONDS (cont.)**

Because the interest rate is higher on the bonds than would have been paid to DEQ, the interest accrued at the time of the bonding plus cash accrued at the time of bonding will be amortized (reduce interest expense) over the life of the bonds. The Sewer Revenue Bond payable is comprised of the following:

Sewer Revenue Bonds Outstanding	3,910,000
Unamortized Interest Expense	<u>166,198</u>
	<u><u>4,076,198</u></u>

**NOTE M - LOCAL IMPROVEMENT DISTRICT NO. 92-1**

On June 19, 1992, the City Council created Local Improvement District No. 92-1 for the purpose of providing funds through the issuance of local improvement district bonds for the construction of street improvements. The cash held in this LID Fund, together with payments to be made on assessments and interest earned on these amounts, will be used to pay the bond principal and interest payments when due. The bonds are payable solely from the payment of assessments for the Local Improvement District No. 92-1. The owners of the bonds have no claim against the City, its funds, or property. The City is only acting as the agent for the property owners by paying the costs and collecting the assessments associated with the improvement district.

The bond maturity schedule follows:

<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
12/1/2005	<u>45,000</u>	6.00%
	<u><u>45,000</u></u>	

**NOTE N - EMPLOYEE RETIREMENT PLAN**

Public Employee Retirement System of Idaho - The Public Employee Retirement System of Idaho (PERSI), a cost sharing multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. The plan provides benefits based on members' years of service, age and compensation. In addition, benefits are provided for disability, death, and survivors of eligible members or beneficiaries. The authority to establish and amend benefit provisions is established in Idaho Code. Designed as a mandatory system for eligible state and school district employees, the legislation provided for other political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI upon request.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits upon attainment of the ages specified for their employment classification. For each month of credited service, the annual service retirement allowance is 2.0% (2.3% police/firefighter) of the average monthly salary for the highest consecutive forty-two months.

The contribution requirements of the City of Hailey and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2005, the required contribution rate as a percentage of covered payroll for members was 6.23% for general members and 7.65% for police/firefighters. The employer rate as a percentage of covered payroll was 10.39% for general members and 10.73% for police/firefighters. The City of Hailey contributions required and paid were \$252,287, \$228,711, and \$202,705 for the three years ended September 30, 2005, 2004, and 2003 respectively.

**NOTE O- SEGMENTS OF ENTERPRISE ACTIVITIES**

The various funds of the Water and Waste Water operations are maintained principally to facilitate analysis of assets and activity and to reserve funds which are restricted as to use. Key data of these funds follows:

	<b>Water Revenue Fund</b>	<b>Sewer Revenue Fund</b>	<b>Water Replacement Fund</b>	<b>Sewer Replacement Fund</b>	<b>Total</b>
<b>Condensed statement of net assets</b>					
Total assets	5,666,445	7,335,591	1,786,756	1,249,861	16,038,653
Total liabilities	76,678	4,388,740	5,956	27,930	4,499,304
Total net assets	<u>5,589,767</u>	<u>2,946,851</u>	<u>1,780,800</u>	<u>1,221,931</u>	<u>11,539,349</u>
<b>Condensed statement of revenues, expenses and changes in net assets</b>					
Operating Revenues	816,654	1,119,074	426,242	319,420	2,681,390
Operating Expenses:					
Depreciation	206,458	375,877			582,335
Other	682,203	809,541	71,082	91,847	1,654,673
Operating Income (Loss)	(72,007)	(66,344)	355,160	227,573	444,382
Net Non-Operating Revenue (Expenses)	3,917	(144,876)	42,037	35,289	(63,633)
Transfers (Cash and Non-Cash)	357,684	211,629	(357,684)	(211,629)	0
Change in net assets	289,594	409	39,513	51,233	380,749
Beginning net assets	5,300,173	2,946,442	1,741,287	1,170,698	11,158,600
Ending net assets	<u>5,589,767</u>	<u>2,946,851</u>	<u>1,780,800</u>	<u>1,221,931</u>	<u>11,539,349</u>
Net Working Capital	<u>1,613,768</u>	<u>218,444</u>	<u>1,582,149</u>	<u>1,221,931</u>	<u>4,636,292</u>
Bond and Long-term Debt Outstanding	<u>14,705</u>	<u>4,114,642</u>	<u>-</u>	<u>-</u>	<u>4,129,347</u>
<b>Condensed statement of cash flows</b>					
Net cash provided by operating activities	98,707	293,449	234,162	216,566	842,884
Net cash provided (used) by non-capital financing activities	20,833	(282,507)	58,661	(118,178)	(321,191)
Net cash provided (used) by investing activities	(658,845)	10,304	(315,647)	(58,162)	(1,022,350)
Cash and equivalents at beginning of year	1,659,919	427,230	1,560,929	1,209,635	4,857,713
Cash and equivalents at end of year	<u>1,120,614</u>	<u>448,476</u>	<u>1,538,105</u>	<u>1,249,861</u>	<u>4,357,056</u>

**NOTE P - CONTINGENCIES**

Legal council for the City reports that they are unaware of any unasserted possible claims or assessments, which must be disclosed in accordance with Statement of Financial Accounting Standards No. 5.

**NOTE Q - INVESTMENT IN JOINT VENTURE - FRIEDMAN MEMORIAL AIRPORT**

Effective October 1, 1994, Blaine County, Idaho and the City of Hailey, Idaho entered into a Joint Powers Agreement creating the Friedman Memorial Airport Authority for the purpose of operating and managing airport activities in City of Hailey, Idaho. The Authority is a public entity of the State of Idaho and therefore the Authority's income is exempt from Federal and Idaho income taxes. A five-member board governs the Airport Authority with two members representing Blaine County, two members representing the City of Hailey and one member who is unanimously selected by the other four members. The Authority has hired employees to provide for the day-to-day operations and management.

Pursuant to the Joint Powers Agreement, all buildings, improvements, facilities, equipment, and personal property used by the Authority were conveyed by Blaine County and the City of Hailey to the Authority for use and benefit of the Authority and title thereof shall be held by the Authority. Upon termination of this Agreement, title to all buildings, improvements, facilities, equipment and personal property held by the Authority shall vest jointly in Blaine County and the City of Hailey.

Audited financial statements of the Friedman Memorial Airport Authority for the year ended September 30, 2005 can be obtained at the Airport, Blaine County, or the City of Hailey offices.

During the Airport Authority's fiscal year ending September 30, 2005, the City of Hailey's share of the Retained Earnings/Equity increased \$840,314.

**NOTE R - RISK MANAGEMENT**

A City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the fiscal year, the City contracted with Idaho County Risk Management Program (ICRMP) for property, crime and fleet insurance and the State Insurance Fund for workman's compensation. Under the terms of the ICRMP policy, The City of Hailey's liability is limited to the amount of annual financial membership contributions including \$1,000 per occurrence deductible with a \$10,000 annual aggregate stop-loss. There has been no significant reduction in insurance coverage in the current year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**REQUIRED SUPPLEMENTARY INFORMATION**

# CITY OF HAILEY, IDAHO

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND FOR THE PERIOD ENDING SEPTEMBER 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>Revenues</u></b>				
Property Taxes, Penalty and Interest	1,461,097	1,461,097	1,478,063	16,966
Fees and Fines	622,000	622,000	535,682	(86,318)
Licenses and Permits	401,300	401,300	618,262	216,962
Intergovernmental	984,000	984,000	1,165,367	181,367
Miscellaneous	232,450	232,450	274,539	42,089
<b>Total Revenues</b>	<b>3,700,847</b>	<b>3,700,847</b>	<b>4,071,913</b>	<b>371,066</b>
<b><u>Expenditures</u></b>				
Legislative	20,655	20,655	20,561	94
Chief Executive	100,379	100,379	70,412	29,967
Financial and Administrative	125,644	125,644	110,896	14,748
Planning and Zoning	211,295	211,295	190,921	20,374
Law Enforcement	970,768	970,768	935,925	34,843
Engineering	38,609	38,609	68,454	(29,845)
Animal Control	55,950	55,950	48,477	7,473
Building Inspector	134,992	134,992	125,948	9,044
Streets	840,621	840,621	765,233	75,388
Public Works	95,497	95,497	128,368	(32,871)
Library	310,654	310,654	330,839	(20,185)
Parks and Recreation	144,604	144,604	317,283	(172,679)
Fire Control	325,529	325,529	383,908	(58,379)
Capital Outlay	1,301,244	1,301,244	168,198	1,133,046
<b>Total Expenditures</b>	<b>4,676,443</b>	<b>4,676,443</b>	<b>3,688,481</b>	<b>987,962</b>
Excess (Deficit) Revenues Over Expenditures	(975,596)	(975,596)	383,432	1,359,028
Fund Balance at Beginning of Year	975,596	975,596	1,522,349	546,753
Fund Balance at End of Year	<u>0</u>	<u>0</u>	<u>1,905,781</u>	<u>1,905,781</u>

The accompanying notes are an integral part of the financial statements.

## CITY OF HAILEY, IDAHO

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - DEBT SERVICE FUND FOR THE PERIOD ENDING SEPTEMBER 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
<b><u>Revenues</u></b>				
Property Taxes, Penalty and Interest	208,004	208,004	211,917	3,913
Miscellaneous	-	-	6,835	6,835
	<u>208,004</u>	<u>208,004</u>	<u>218,752</u>	<u>10,748</u>
Total Revenues	208,004	208,004	218,752	10,748
<b><u>Expenditures</u></b>				
Bond Interest	-	-	15,027	(15,027)
Bond Principal	208,004	208,004	175,000	33,004
Fees	-	-	500	(500)
	<u>208,004</u>	<u>208,004</u>	<u>190,527</u>	<u>17,477</u>
Total Expenditures	208,004	208,004	190,527	17,477
Excess (Deficit) Revenues Over Expenditures	0	0	28,225	28,225
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>87,706</u>	<u>87,706</u>
Fund Balance at End of Year	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>115,931</u></u>	<u><u>115,931</u></u>

The accompanying notes are an integral part of the financial statements.

## SUPPLEMENTARY INFORMATION

## CITY OF HAILEY, IDAHO

### STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS BUDGET AND ACTUAL-WATER & SEWER REVENUE FUND FOR THE PERIOD ENDING SEPTEMBER 30, 2005

	Water Revenue Fund		
	Final Budget	Actual	Variance with Final Budget
<b><u>Operating Revenues</u></b>			
User Charges	689,650	801,581	111,931
Impact Fees	-	-	-
Hook-Up and Inspection Fees	5,000	1,178	(3,822)
Co-Generation	2,000	3,357	1,357
Miscellaneous	9,000	10,538	1,538
Total Operating Revenues	705,650	816,654	111,004
<b><u>Operating Expenses</u></b>			
Salaries and Benefits	639,481	468,583	170,898
Office Supplies and Postage	10,133	9,895	238
Chemicals and Lab Testing	9,000	4,522	4,478
Advertising and Publishing	6,580	7,378	(798)
Legal and Audit	48,400	37,042	11,358
Insurance	28,646	29,555	(909)
Travel and Meetings	6,705	1,681	5,024
Dues and Subscriptions	3,430	1,559	1,871
Telephone	12,083	8,534	3,549
Utilities and Rent	55,458	58,954	(3,496)
Gas and Oil	10,430	11,160	(730)
Repairs and Maintenance	24,671	17,204	7,467
Capital Outlay	2,613,090	285,247	2,327,843
Services	28,740	17,009	11,731
Prevention Program	1,337	295	1,042
Reimbursements and Clothing	5,985	423	5,562
Education and Miscellaneous	10,057	3,319	6,738
Total Operating Expenses	3,514,225	962,360	2,551,865
Operating Income (Loss)	(2,808,576)	(145,706)	2,662,870
<b><u>Non-Operating Revenues (Expenses)</u></b>			
Grant Revenue	2,450,000	-	(2,450,000)
Interest Earned	2,000	3,917	1,917
Loan and Bond Payments	-	-	-
Net Income (Loss)	(356,576)	(141,789)	214,787
<b><u>Other Adjustments to Retained Earnings</u></b>			
Transfer of Depreciable Property	-	357,684	357,684
Accrual Adjustments	-	73,699	73,699
Net Income, after Adjustments	(356,576)	289,594	646,170
Retained Earnings at Beginning of Year	356,576	5,300,173	4,943,597
Retained Earnings at End of Year	0	5,589,767	5,589,767

See independent auditor's report.

<b>Sewer Revenue Fund</b>		
<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>
1,049,576	1,114,374	64,798
-	-	-
5,000	4,700	(300)
-	-	-
-	-	-
<b>1,054,576</b>	<b>1,119,074</b>	<b>64,498</b>
671,204	515,814	155,390
12,163	11,287	876
23,000	16,878	6,122
5,160	7,448	(2,288)
47,400	41,511	5,889
21,146	27,523	(6,377)
7,805	4,747	3,058
2,330	2,121	209
8,063	8,706	(643)
129,598	80,836	48,762
13,290	13,157	133
46,431	48,213	(1,782)
46,120	38,813	7,307
9,940	13,505	(3,565)
3,107	2,158	949
7,485	6,389	1,096
7,907	4,145	3,762
<b>1,062,149</b>	<b>843,251</b>	<b>218,898</b>
(7,573)	275,823	283,396
-	-	-
12,000	44,014	32,014
(313,517)	(277,061)	36,456
(309,090)	42,776	351,866
-	93,451	93,451
-	(135,818)	(135,818)
(309,090)	409	309,499
<b>309,090</b>	<b>2,946,442</b>	<b>2,637,352</b>
<b>0</b>	<b>2,946,851</b>	<b>2,946,851</b>

# CITY OF HAILEY, IDAHO

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE DETAILED BUDGET AND ACTUAL - GENERAL FUND BY DEPARTMENT FOR THE PERIOD ENDING SEPTEMBER 30, 2005

	Final Budget	Actual	Variance with Final Budget
<b><u>Revenues</u></b>			
Property Taxes, Penalty and Interest	1,461,097	1,478,063	16,966
Beverage and Business Licenses	35,000	47,566	12,566
Permits	366,300	570,696	204,396
County Animal Control	27,000	20,630	(6,370)
Franchises	118,000	149,679	31,679
Fines and Forfeitures	62,000	69,887	7,887
Rubbish Bookkeeping	160,000	166,287	6,287
Refunds and Reimbursements	6,200	8,215	2,015
Impact Fees	380,000	264,982	(115,018)
Interest Earned	42,000	68,961	26,961
State Shared Liquor Funds	105,000	128,292	23,292
Highway Users	260,000	283,521	23,521
Fees and Miscellaneous	44,250	52,075	7,825
Federal Grants	50,000	65,777	15,777
Applications	62,000	51,134	(10,866)
Rent and Contracts	140,000	145,288	5,288
State Sales Tax and Shared Revenues	382,000	500,860	118,860
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Total Revenues	3,700,847	4,071,913	371,066
<b><u>Expenditures</u></b>			
Dedicated Projects Salaries & Benefits	-	46	(46)
Dedicated Projects	-	23,012	(23,012)
Dedicated Projects Capital Outlay	452,106	-	452,106
Legislative Salaries and Benefits	19,105	16,686	2,419
Legislative	1,550	3,875	(2,325)
Chief Executive Salaries and Benefits	60,266	31,459	28,807
Chief Executive	40,113	38,953	1,160
Chief Executive Capital Outlay	1,139	154	985
Financial and Administrative Salaries and Benefits	89,002	78,879	10,123
Financial and Administrative	36,642	32,017	4,625
Financial and Administrative Capital Outlay	8,602	4,908	3,694
Planning and Zoning Salaries and Benefits	179,970	173,367	6,603
Planning and Zoning	31,325	17,554	13,771
Planning and Zoning Capital Outlay	175	167	8
Law Enforcement Salaries and Benefits	867,118	815,855	51,263
Law Enforcement	103,650	120,070	(16,420)
Law Enforcement Capital Outlay	29,300	7,286	22,014
Engineering Salaries and Benefits	35,499	33,129	2,370
Engineering	3,110	35,325	(32,215)
Engineering Capital Outlay	97,615	12,997	84,618

continued on next page

## CITY OF HAILEY, IDAHO

### COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE DETAILED BUDGET AND ACTUAL - GENERAL FUND - continued FOR THE PERIOD ENDING SEPTEMBER 30, 2005

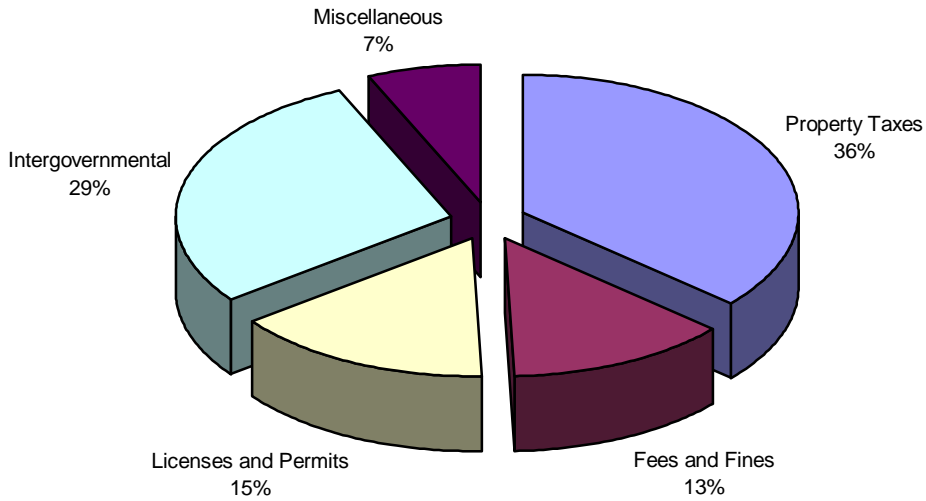
Animal Control Salaries and Benefits	50,835	46,326	4,509
Animal Control	5,115	2,151	2,964
Building Inspector Salaries and Benefits	123,372	119,331	4,041
Building Inspector	11,620	6,617	5,003
Building Inspector Capital Outlay	1,000	1,271	(271)
Streets Salaries and Benefits	541,509	476,153	65,356
Streets	299,112	289,080	10,032
Streets Capital Outlay	76,324	59,944	16,380
Public Works Salaries and Benefits	48,357	83,972	(35,615)
Public Works	47,140	44,396	2,744
Public Works Capital Outlay	280	28	252
Library Salaries and Benefits	274,429	267,578	6,851
Library	36,225	63,261	(27,036)
Library Capital Outlay	38,832	9,093	29,739
Parks and Recreation Salaries and Benefits	61,854	48,049	13,805
Parks and Recreation	82,750	269,234	(186,484)
Parks and Recreation Capital Outlay	456,000	9,118	446,882
Fire Control Salaries and Benefits	266,726	244,719	22,007
Fire Control	58,803	139,189	(80,386)
Fire Control Capital Outlay	139,871	63,232	76,639
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Total Expenditures	4,676,443	3,688,481	988,004
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Excess (Deficit) Revenues Over Expenditures	(975,596)	383,432	1,359,070
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Fund Balance at Beginning of Year	975,596	1,522,349	546,753
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Fund Balance at End of Year	0	1,905,781	1,905,823
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See independent auditor's report.

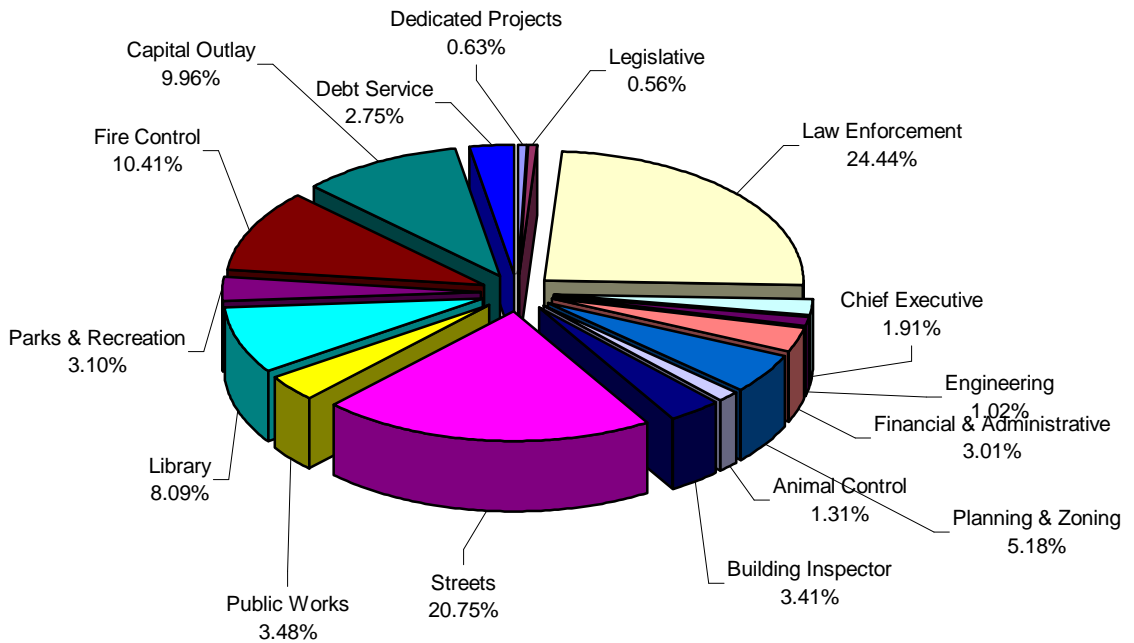
# CITY OF HAILEY, IDAHO

## PIE GRAPH OF REVENUES AND EXPENDITURES FOR THE PERIOD ENDING SEPTEMBER 30, 2005

### Governmental Fund Revenues



### Governmental Fund Expenditures



See independent auditor's report.