

CITY OF SUN VALLEY, IDAHO

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

Year Ended September 30, 2013

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Sun Valley, Idaho
Sun Valley, Idaho

Report on the Financial Statements

We have audited the accompanying statements of the governmental activities and each major fund of the City of Sun Valley, Idaho as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City'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 misstatements 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 financial position of the governmental activities and each major fund of the City of Sun Valley, Idaho as of September 30, 2013 and the respective changes in financial position thereof and the respective budgetary comparisons for the major funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 33 through 39 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

The management's discussion and analysis and budgetary comparison information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2014, on our consideration of City of Sun Valley, Idaho's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 City's internal control over financial reporting and compliance.

Harris & Co. PLLC

Meridian, Idaho
March 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF SUN VALLEY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2013

The City of Sun Valley's (the City) discussion and analysis is designed to (1) assist the reader in focusing on significant financial issues, (2) provide an overview of the City's financial activity, (3) identify changes in the City's financial position (its ability to address subsequent year challenges), (4) identify any material deviations from the financial plan (the approved budget), and (5) identify individual fund issues or concerns.

Since Management's Discussion and Analysis (MD &A) is designed to focus on the current year's activities, resulting changes and currently known facts, please read it in conjunction with the Transmittal Letter and the City's financial statements.

Using the Financial Section of This Report

The City's financial statements present two kinds of statements, each with a different snapshot of the City's finances. The focus of the financial statement is on both the City as a whole (government-wide) and on the major individual funds. Both perspectives (government-wide and major fund) allow the user to address relevant questions, broaden a basis for comparison (year-to-year or government-to-government) and enhance the City's accountability.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to be corporate-like in that governmental activities are consolidated into columns that add to a total for the Primary Government. The focus of the Statement of Net Position (the "Unrestricted Net Assets") is designed to be similar to bottom line results for the City. This statement combines and consolidates governmental funds' current financial resources (short-term spendable resources) with capital assets and long term obligations using the accrual basis of accounting and economic resources measurement focus.

The Statement of Activities is focused on both the gross and net cost of various activities that are supported by the City's general taxes and other resources. This is intended to summarize and simplify the user's analysis of the cost of various government services.

The Governmental Activities reflect the City's basic services; the general government. Property and Local Option Taxes finance the majority of these activities. The City does not operate any business-type operations.

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City of Sun Valley are Governmental funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental

CITY OF SUN VALLEY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all funds. The governmental funds include the General Fund, Debt Service Fund, Fixed Asset Fund, Land Acquisition Fund, Capital Improvement Fund, Workforce Housing Fund and Street Improvement Fund.

The City of Sun Valley approves a one-year budget for all funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with the FY 13 budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information including the major governmental fund budgetary schedules.

GOVERNMENT-WIDE STATEMENTS

Statement of Net Position

The City's total net position were \$10,060,264 on September 30, 2013. This amount represents a decrease of \$224,554 which factors in capital assets and long-term liabilities.

The City's unrestricted net assets for governmental activities, the part of the net position that can be used to finance day-to-day operations, were \$3,071,251.

Table 1 reflects the Statement of Net Position.

Table 1
Statement of Net Position
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Current assets	\$ 3,536,324	\$ 5,895,867
Capital assets	<u>6,989,013</u>	<u>7,440,877</u>
Total assets	<u>\$ 10,525,337</u>	<u>\$ 13,336,774</u>
Other Liabilities	<u>\$ 465,073</u>	<u>\$ 3,017,569</u>
Total liabilities	<u>\$ 465,073</u>	<u>\$ 3,017,569</u>
Net Assets		
Invested in capital assets, net of related debt	\$ 6,989,013	\$ 7,440,877
Unrestricted	<u>3,071,251</u>	<u>2,878,298</u>
Total net assets	<u>\$ 10,060,264</u>	<u>\$ 10,319,175</u>

CITY OF SUN VALLEY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

Normal Impacts

There are three basic (normal) transactions that will affect the comparability of the City's Statement of Net Position summary presentation.

Net Results of Activities - which will impact (increase/decrease) current assets and unrestricted net assets.

Spending of Non-borrowed Current Assets on New Capital - which will (a) reduce current assets and increase capital assets and (b) will reduce unrestricted net assets and increase invested in capital assets, net of debt.

Reduction of Capital Assets through Depreciation - which will reduce capital assets and investments in capital assets, net of debt.

Table 2 focuses on the changes in net position of the governmental activities.

Table 2
Changes in Net Position
For the Fiscal Year Ended September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Revenues		
Program Revenues		
Charges for services	\$ 379,866	\$ 238,306
Capital grants and contributions	50,000	
Grant Revenue		
Property taxes levied for general purposes	2,739,450	2,655,475
Property taxes levied for debt service	2,285	592
Franchise fees	97,857	134,263
Local option tax	1,248,536	1,222,867
State shared revenue	689,555	742,528
Investment earnings	4,725	7,090
Change in unrealized gain/loss	0	(4,099)
Miscellaneous	42,542	53,762
Total Revenues	5,254,816	5,050,784
Expenses		
General government	1,128,639	1,407,389
Community development	393,628	338,032
Police	1,244,954	1,283,558
Fire	658,404	753,135
Culture and recreation	323,004	410,965
Transportation	250,000	275,000
Building safety		143,277
Streets	902,284	668,032
Contingency	44,672	
Interest and fees on long-term debt		29,995
Unallocated depreciation expense	568,142	566,998
Total Expenses	5,513,727	5,876,381
Change in Net Assets	\$ (258,911)	\$ (825,597)

CITY OF SUN VALLEY, IDAHO

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2013

Governmental Activities in FY 13

Governmental activities in FY 13 decreased the City's net position by \$258,911. Key elements of this change in net position are as follows:

Revenues

FY13 revenues were \$204,032 more than FY12 revenues. The difference is primarily due to an increase in charges for services and property taxes levied for general purposes by \$225,535. Also contributing to the difference is a decrease in state revenue sharing and franchise fees by \$87,379.

Expenditures

FY13 expenditures were \$362,654 less than FY12 expenditures. The majority of the decrease is attributed to general government and building safety. General government decreased by \$278,750 primarily due to concluding the majority of the forensic audit. There was a \$143,277 decrease in expenditures in building safety due to the merging of building safety and community development departments.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City of Sun Valley uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds in FY 13

The purpose of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unrestricted fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balance is currently reported in two basic categories— restricted and unrestricted. Restricted fund balance represents resources that are not in a spendable form (such as prepaid expenses or long-term loans receivable) or that are legally segregated for a purpose more specific than the overall purpose of the fund (such as resources legally set aside for highway project in a broad capital projects fund). Unrestricted fund balance includes committed, assigned and unassigned funds. It is the remainder and can be used for any purpose of the fund. Designated Funds represent some or all of the unrestricted fund balance to communicate the purposes for which it is intended to be used.

At September 30, 2013, the City's governmental funds reported combined ending fund balances of \$3,113,217 an increase of \$204,403 in comparison to the prior year. Of this amount, \$3,073,217 (99%) is unrestricted fund balance. Unrestricted fund balance is available for spending at the government's discretion. Of the unrestricted fund balance, \$1,382,006 is available for subsequent year's expenditures. The remaining unrestricted fund balance of \$1,691,211 has been designated by the City Council in compliance with the City's "Fiscal Policy Reserve". The policy states that no less than the equivalent of 16 weeks (\$1,691,211) and no more than the equivalent of 32 (\$3,382,422) weeks of regular General Fund operating expenditures, based on its annual General Fund budget are set aside to mitigate current and future risks and to ensure stable tax rates. The remainder of the fund balance is committed. Committed fund balance is not available for spending because it is committed for workforce housing in the amount of \$40,000.

The General Fund is the City's chief operating fund. At the end of the current fiscal year, the fund balance of the General Fund was \$2,333,315 which is all unrestricted fund balance. As a measure of the general fund's

CITY OF SUN VALLEY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2013

liquidity, it may be useful to compare the fund balance to total fund expenditures. The fund balance represents 51% of the total General Fund expenditures.

The fund balance of the City's General Fund increased by \$46,744 during FY13. The revenues increased by 4% primarily due to an increase in property taxes collected and charges for services. In previous years, property tax receipts were directly recognized in each separate fund as revenue. In FY 13, all property tax receipts were recognized in the general fund only and then moved as a transfer out to support other fund expenditures. Expenditures decreased by 7% primarily due to merging two departments, a decrease in funding for external contracts, and concluding the majority of the forensic audit costs.

The Debt Service Fund is used for the purpose of the payment of long-term debt and interest. The fund balance in the debt service fund increased by \$2,285 to a total fund balance of \$12,938, in the current fiscal year. The entire fund balance is restricted for debt service because certain minimum amounts must be accumulated and may be used only for the payment of principal, interest and debt service fees.

The Fixed Asset Fund accounts for all revenues and expenditures to finance assets that are tangible, have a useful life exceeding two years and significant value. The fund balance decreased by \$701, leaving the fund balance at \$0. The decrease is primarily due to the purchase and/or repair of three Wildland Fire Engines.

The Land Acquisition Fund accounts for all revenues and expenditures to finance the acquisition of land by the City. The Land Acquisition Fund balance did not change during FY 2013 because there was not any land acquisition activity. The ending fund balance of \$371,763 is assigned for future land acquisitions.

The Capital Improvement Fund accounts for all revenues and expenditures to improve capital assets. The Capital Improvement Fund balance increased by \$27,717. The ending fund balance of \$50,562 is assigned for future capital improvement projects. The increase in fund balance is primarily due to not installing the street department ventilation system and not repairing and painting the street department facility.

The Workforce Housing Fund accounts for the affordable housing units. The Workforce Housing fund balance increased by \$17,659. The ending fund balance of \$233,940 is committed for future needs of the housing units.

The Street and Path Fund accounts for major improvements and repairs to the City's streets. The Street and Path fund balance increased by \$110,669. The ending fund balance of \$110,669 is committed for future improvements to the streets and paths.

General Fund Budgetary Highlights in FY 12

Actual to budget comparisons are found following the Notes to the Financial Statements. Below is contributing information regarding the general fund budget ending budget when compared to actual expenditures.

The City Council approved revisions to the FY 13 General Fund budget. The difference between the original budget and the final amended budget was relatively minor (\$125,860 increase in overall revenue appropriations). The primary increases were for attorney fees in the legislative department and an increase in salaries and wages for the administration and police department.

CITY OF SUN VALLEY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

Table 3
Budget to Actual Comparison – General Fund
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Original Budget	\$ 4,585,540	\$ 4,836,638
Final Budget	4,711,400	5,331,381
Actual Expenditures	<u>4,534,620</u>	<u>5,175,819</u>
Variance	<u>\$ 176,780</u>	<u>\$ 155,562</u>

Capital Assets

At fiscal year end, the City's investment in capital assets, net of accumulated depreciation, totals \$16,339,375. Capital asset investments include land, building and improvements, equipment, and infrastructure. The net decrease in the City's capital asset investment for the current fiscal year is \$451,864 and is shown in greater detail in the financial statements.

Table 4
Capital Assets for the year ended
September 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Land	\$ 191,149	\$ 191,149
Building and improvements	3,030,084	3,030,084
Infrastructure	16,454,746	16,454,746
Equipment and vehicles	3,652,409	3,360,836
Accumulated depreciation	<u>(16,339,375)</u>	<u>(15,595,938)</u>
Variance	<u>\$ 6,989,013</u>	<u>\$ 7,440,877</u>

Fire department equipment in the amount of \$249,005, street department equipment in the amount of \$27,386, and administration equipment in the amount of \$15,182 was purchased. There were no other significant additions to capital assets. The decrease in capital assets is due to current year depreciation of \$743,437.

Long-term debt

According to state statutes, all cities have a legal limitation on their general obligation debt equal to two percent of their market valuation. Using this formula, the City of Sun Valley has a legal debt margin of \$40,984,783 (2% times \$2,049,239,174).

At the end of the current fiscal year, the City had \$0 in outstanding long term debt.

CITY OF SUN VALLEY, IDAHO
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2013

Economic Factors

The City's composition is primarily residential with a major destination resort. The property tax revenue derived from the current housing stock is stable. The commercial component includes lodging, retail and restaurant sales. Because the majority of revenue collected by the City is based on property taxes, short-term fluctuations in the economy do not severely impact the City's revenue flow.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, customers and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. Questions concerning this report or requests for additional financial information should be directed to Angela Walls, Treasurer/Finance Manager, City of Sun Valley, P.O. Box 416, Sun Valley, Idaho 83353.

BASIC FINANCIAL STATEMENTS

CITY OF SUN VALLEY, IDAHO
STATEMENT OF NET POSITION

September 30, 2013

	<u>Governmental Activities</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 3,202,681
Receivables	
Property tax	31,468
Local option taxes	122,331
Intergovernmental	174,571
Other receivables	<u>5,273</u>
Total Current Assets	3,536,324
NONCURRENT ASSETS	
Capital Assets	
Land and other assets not depreciated	191,149
Buildings, property and equipment, infrastructure, net of depreciation	<u>6,797,864</u>
Total Noncurrent Assets	<u>6,989,013</u>
Total Assets	<u><u>\$ 10,525,337</u></u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 313,512
Accrued liabilities	90,351
Compensated absences	<u>61,210</u>
Total Current Liabilities	465,073
NET POSITION	
Net Investment in Capital Assets	6,989,013
Unrestricted	<u>3,071,251</u>
Total Net Position	<u><u>\$ 10,060,264</u></u>

See accompanying notes to basic financial statements.

**CITY OF SUN VALLEY, IDAHO
STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2013

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants</u>	<u>Capital Grants</u>	
Primary Government					
Governmental Activities					
General government	\$ 1,128,639	\$ 60,632	\$ 0	\$ 0	\$ (1,068,007)
Community development	393,628	24,192			(369,436)
Police	1,244,954				(1,244,954)
Fire	658,404				(658,404)
Culture and recreation	323,004	2,995			(320,009)
Transportation	250,000	14,139			(235,861)
Streets	902,284				(902,284)
Building safety		277,908			277,908
Contingency	44,672				(44,672)
Capital outlay			50,000		50,000
*Unallocated depreciation expense	568,142				(568,142)
Total Governmental Activities	\$ 5,513,727	\$ 379,866	\$ 50,000	\$ -	(5,083,861)
General Revenues					
Taxes					
Property taxes, levied for general purposes					2,739,450
Property taxes, levied for debt service					2,285
Franchise fees					97,857
Local option tax					1,248,536
State shared revenue					689,555
Interest earnings					4,725
Miscellaneous					42,542
Total General Revenues					4,824,950
Change in Net Position					(258,911)
NET POSITION, Beginning of Year					10,319,175
NET POSITION, End of Year					\$ 10,060,264

*Unallocated depreciation that excludes depreciation which is included in the direct expenses of various programs.

See accompanying notes to basic financial statements.

CITY OF SUN VALLEY, IDAHO

BALANCE SHEET - GOVERNMENTAL FUNDS

September 30, 2013

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Fixed Asset Fund</u>	<u>Land Acquisitoin Fund</u>
ASSETS				
Cash and Investments	\$ 2,422,858	\$ 12,859	\$ 0	\$ 371,763
Restricted cash				
Certificate of deposit				
Receivables				
Property taxes	31,073	395		
Local option taxes receivable	122,331			
Intergovernmental	174,571			
Other governments				
Other receivables	5,273			
	<u>5,273</u>			
Total Assets	<u>\$ 2,756,106</u>	<u>\$ 13,254</u>	<u>\$ 0</u>	<u>\$ 371,763</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 313,512	\$ 0	\$ 0	\$ 0
Accrued expense	90,351			
Deferred tax revenue	18,928	316		
	<u>422,791</u>	<u>316</u>	<u>0</u>	<u>0</u>
Total Liabilities	422,791	316	0	0
FUND BALANCES				
Nonspendable				
Restricted				
Committed				
Assigned		12,938		371,763
Unassigned	2,333,315			
	<u>2,333,315</u>	<u>12,938</u>	<u>0</u>	<u>371,763</u>
Total Fund Balances	2,333,315	12,938	0	371,763
Total Liabilities and Fund Balances	<u>\$ 2,756,106</u>	<u>\$ 13,254</u>	<u>\$ 0</u>	<u>\$ 371,763</u>

See accompanying notes to basic financial statements.

<u>Capital Improvement Fund</u>	<u>Workforce Housing Fund</u>	<u>Street Improvement Fund</u>	<u>Total Governmental Funds</u>
\$ 50,562	\$ 233,940	\$ 110,699	\$ 3,202,681
			31,468
			122,331
			174,571
			<u>5,273</u>
<u>\$ 50,562</u>	<u>\$ 233,940</u>	<u>\$ 110,699</u>	<u>\$ 3,536,324</u>
\$ 0	\$ 0	\$ 0	\$ 313,512
			90,351
			19,244
			<u>423,107</u>
			0
			0
	40,000		40,000
50,562	193,940	110,699	739,902
			<u>2,333,315</u>
<u>50,562</u>	<u>233,940</u>	<u>110,699</u>	<u>3,113,217</u>
<u>\$ 50,562</u>	<u>\$ 233,940</u>	<u>\$ 110,699</u>	<u>\$ 3,536,324</u>

CITY OF SUN VALLEY, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

September 30, 2013

Total fund balance - total governmental funds \$ 3,113,217

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets, net of accumulated depreciation, consist of:

Land	\$ 191,149	
Buildings	3,030,084	
Infrastructure	16,454,746	
Equipment	3,652,409	
Accumulated depreciation	<u>(16,339,375)</u>	
Total capital assets, net of accumulated depreciation		6,989,013

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay the current period's expenditures, and therefore are reported as deferred revenue in the funds. 19,244

Long-term liabilities are not due and payable in the current period and therefore are not reported as fund liabilities. These liabilities consist of:

Compensated absences payable		<u>(61,210)</u>
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Total net position of governmental activities \$ 10,060,264

See accompanying notes to basic financial statements.

CITY OF SUN VALLEY, IDAHO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended September 30, 2013

	General Fund	Debt Service Fund	Fixed Asset Fund	Land Acquisitoin Fund
REVENUES				
Property taxes	\$ 2,482,480	\$ 2,285	\$ 0	\$ 0
Local option tax	1,248,536			
Franchise fees	97,857			
Licenses, permits, and fees	289,098			
Intergovernmental	643,580			
Charges for services	5,275			
Fines and forfeitures	669			
Earnings on investments	4,725			
Earnings on leases	25,308			
Refunds and reimbursements	35,324			
State				
Miscellaneous	42,542			
Total Revenue	4,875,394	2,285	0	0
EXPENDITURES				
General government	1,650,220		3,158	
Community development	378,422			
Police	1,208,614			
Fire	582,759			
Streets	669,933			
Contingency	44,672			
Capital outlay			291,573	
Total Expenditures	4,534,620	0	294,731	0
Excess (Deficiency) of Revenues Over Expenditures	340,774	2,285	(294,731)	0
OTHER FINANCING SOURCES (USES)				
Transfers out	(294,030)			
Transfers in			294,030	
Net Other Financing Sources (Uses)	(294,030)	0	294,030	0
Net Change in Fund Balance	46,744	2,285	(701)	0
FUND BALANCE, Beginning of Year	2,286,571	10,653	701	371,763
FUND BALANCE, End of Year	\$ 2,333,315	\$ 12,938	\$ 0	\$ 371,763

See accompanying notes to basic financial statements.

Capital Improvement Fund	Workforce Housing Fund	Street and Path Fund	Total Governmental Funds
\$ 0	\$ 0	\$ 256,970	\$ 2,741,735
			1,248,536
			97,857
			289,098
		45,975	689,555
	24,192		29,467
			669
			4,725
			25,308
50,000			35,324
			50,000
			42,542
<u>50,000</u>	<u>24,192</u>	<u>302,945</u>	<u>5,254,816</u>
22,283	6,533		1,682,194
			378,422
			1,208,614
			582,759
		192,246	862,179
			44,672
			291,573
<u>22,283</u>	<u>6,533</u>	<u>192,246</u>	<u>5,050,413</u>
27,717	17,659	110,699	204,403
			(294,030)
			294,030
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
27,717	17,659	110,699	204,403
<u>22,845</u>	<u>216,281</u>	<u>0</u>	<u>2,908,814</u>
<u>\$ 50,562</u>	<u>\$ 233,940</u>	<u>\$ 110,699</u>	<u>\$ 3,113,217</u>

CITY OF SUN VALLEY, IDAHO
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Net change in fund balances - total governmental funds \$ 204,403

Amounts reported for governmental activities in the statement of activities are different because:

Revenues that will not be collected for several months after the City's fiscal year end are not considered "available" revenues and are deferred in the governmental funds. Deferred revenues decreased by this amount this year. (5,936)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	291,573	
Depreciation expense	<u>(743,437)</u>	
Excess of depreciation expense over capital outlay		(451,864)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, which is presented on the accrual basis, expenses and liabilities are reported regardless of financial resource availability.

Increase in compensated absences payable (5,514)

Change in Net Position of Governmental Activities \$ (258,911)

See accompanying notes to basic financial statements.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS

September 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

General Statement

City of Sun Valley, Idaho (the City) was chartered in 1947 under the laws of the State of Idaho. The City operates under a mayor and council form of government and provides the following services: public safety (police and fire), community development, building safety, streets, planning and zoning, and general administrative services to its citizens. The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Financial Reporting Entity

The accompanying financial statements present the activities of the City of Sun Valley, Idaho (the City). For financial reporting purposes, in conformity with GASB Statements 14 and 39, the financial statements for the City include all organizations for which the City is financially accountable for.

Basis of Presentation

Government-wide financial statements: The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the governmental entity. For most part, the effect of interfund activity has been removed from these statements. *Governmental activities* (government funds) which normally are supported by taxes and intergovernmental revenues are reported separately from *business-type activities* (proprietary funds) which rely to a significant extent on fees and charges for support. The City has no business-type activities and, therefore, this column has been eliminated.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific program. *Program revenues* include (1) fees, fines, and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements: The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental activities. These statements present each major fund as a separate column on the fund financial statements.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

The *Fixed Asset Fund* accounts for all revenues and expenditures to finance assets that are tangible, have a useful life exceeding two years and have a cost of more than \$5,000.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

The *Land Acquisition Fund* is used to account for financial resources for the acquisition of land by the City.

The *Capital Improvement Fund* accounts for the construction or acquisition of capital improvements or facilities.

The *Debt Service Fund* is used for the accumulation of resources for, and the payment of, general long-term debt principle, interest and related costs.

The *Workforce Housing Fund* is used to provide affordable housing for low to moderate income households whose income is derived from employment within Sun Valley or, when found appropriate by the City, employed within Blaine County in the area commonly known as the North Valley, including the City of Ketchum and the area commonly known as River Run.

The *Street Improvement Fund* is used to account for the repairs, maintenance, and projects related to roads and streets within the City.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual* basis of accounting, as are the proprietary fund and fiduciary fund financial statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized 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.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and are accounted for using the *modified accrual* basis of accounting. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected and held by the state at year end on behalf of the government also are recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Control

Annual budgets are adopted on a basis consistent with state code and generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds. Annual operating budgets are adopted for proprietary funds.

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

1. Prior to August, the Mayor submits to the City Council a proposed operating budget outlined for the fiscal year commencing the following October 1. The tentative budget is balanced and includes expenditures and the means of financing them.
2. Public hearings are conducted at the City Hall, to obtain taxpayer comments.
3. Prior to September 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year.
5. Revisions that alter the total expenditures of any fund must be approved by the City Council. However, state law does allow fund expenditures to exceed fund appropriations.
6. Annual appropriated budgets are adopted for all the funds of the City. The budget is prepared in accordance with the basis of accounting utilized by that fund. Budgeted amounts shown are as originally adopted and as amended by the City Council. Budgeted amendments are passed on an as-needed basis. All annual appropriations lapse at fiscal year-end. A balanced budget is required.

Cash and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

State statute authorizes the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool. Investments for the government are reported at fair value.

Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements. Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of resources are reported as fund balance transfers. All other interfund transfers are reported as operating transfers. These transfers offset each other and are not a part of the government-wide financial statements unless between business-type (enterprise) funds and governmental funds.

Non-tax receivables are recognized as revenues received from the State and Federal governments if designated for the current fiscal period.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets construction.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-25
Building improvements	20-25
Infrastructure	20-50
Equipment and vehicles	7-15

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Compensated Absences

Employees of the City are entitled to paid vacation and paid sick leave depending on job classification, length of service and other factors. All vacation and personal days off are accrued when incurred in the government-wide financial statements. Governmental funds do not report a liability for these amounts unless payment will be made early in the following year.

Interfund Transactions

During the course of normal operations, the City has some transactions between funds, including expenditures and transfers of resources to provide services, construct assets, among other activity. The accompanying financial statements generally reflect such transactions as transfers. Operating subsidies are also recorded as transfers.

Net Position Classifications

Government-Wide Statements: Net assets are displayed in three components as follows:

Net investment in capital assets – Consist of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE A - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position Classifications (Continued)

Restricted net assets – Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Assets – All other net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted”

Fund statements: Governmental fund equity is classified as fund balance. Fund balance is further classified as nonspendable, restricted, committed, assigned or unassigned. Proprietary fund equity is classified the same as in the government-wide statements.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City’s policy is to apply restricted net assets first.

Property Tax Calendar

The City’s property tax is levied each October on the value listed as of the prior January 1 for all real property located in the City. The lien date is effective January 1 of the year the property tax is levied. A revaluation of all property is required to be completed no less than every five years.

Under Idaho Code Section 50-235, the City cannot levy taxes over nine-tenths percent (.9%) of the total City adjusted market value for real property located within the City. Taxes are due in two installments on December 20 and June 20 following the levy date. Property taxes levied for 2012 are recorded as receivables if uncollected and a deferred revenue amount is recorded, in the fund financial statements, to the extent of taxes not estimated to be collected within 60 days of the end of the accounting period.

Adoption of new GASB pronouncements

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on government’s net position. The statement provides reporting guidance for financial statement line items and the actual financial statement presentation and disclosure of these financial statement elements. This statement is effective for the fiscal year ended September 30, 2013.

Management has reviewed the requirements of this standard and has determined the impact to the City’s financial reporting is to rename the Statement of Net Assets to the Statement of Net Position and change related references throughout the financial statements. In addition, the line item for “Investment in capital assets, net of related debt” will change to “Net investment in capital assets” in the statement of net position.

Future adoption of GASB pronouncements

In March 3112, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liability*. The objective of this statement is to evaluate and reclassify various financial statement items that have been previously reported as either assets or liabilities, and evaluates them against the definitions provided for deferred outflows and deferred inflow of resources. This statement will be effective for fiscal year ending September 30, 2014.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE B - CASH AND INVESTMENTS

At September 30, 2013, the City's cash and investments consisted of the following:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Cash		
Bank Deposits	\$ 585,840	\$ 265,397
Cash on Hand		<u>1,083</u>
Total Cash	<u>\$ 585,840</u>	\$ 266,480
Investments, at Fair Value		
State Treasurer's Local Government Pool, no rating		<u>2,936,201</u>
Total Cash and Investments		<u>\$ 3,202,681</u>

Reconciliation of the City's deposit and investment balances as of September 30, 2013:

	<u>City's Deposits and Investments</u>	<u>Average Total Maturities</u>
Cash in bank – Deposits	\$ 74,640	NA
State Treasurer's Local Government Pool	2,936,201	< 12 Mo
Cash on Hand	<u>144</u>	<u>NA</u>
Total	<u>\$ 3,010,985</u>	

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. As of September 30, 2013, \$335,840 of the City's bank balance was uninsured and uncollateralized.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligation. It is commonly expressed in terms of the credit quality rating issued by a nationally recognized statistical rating organization such as Moody's, Standard & Poor's and Fitch's.

All of the City's investments are in the State LGIP. The S1+ volatility rating assigned to the LGIP indicates the Fund possesses extremely low sensitivity to changing market conditions, and a level of risk that is less than or equal to that of a portfolio comprised of the highest-quality fixed income instruments with an average maturity of one year or less.

Interest Rate Risk

Interest rate risk is the risk of loss in fair value should market interest rates change in the future. Investments with long-term, fixed interest rates are the most volatile. The investments within the Idaho State Treasurer's Local Government Investment Pool and the Federal Home Loan Note have an average maturity of one year or less and the government money market fund has an average maturity of less than 30 days, thereby minimizing interest rate risk.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE C - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013 is as follows:

Governmental Activities

	<u>Balance</u> <u>10/01/12</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/13</u>
Capital assets, not being depreciated:				
Land	\$ 191,149	\$ 0	\$ 0	\$ 191,149
Capital assets, being depreciated:				
Buildings and Improvements	3,030,084			3,030,084
Equipment and Vehicles	3,360,836	291,573		3,652,409
Infrastructure	<u>16,454,746</u>			<u>16,454,746</u>
Total capital assets, being depreciated	23,036,815	291,573	0	23,328,388
Less accumulated depreciation for:				
Buildings and Improvements	1,473,906	76,752		1,550,658
Equipment and Vehicles	2,297,545	164,083		2,461,628
Infrastructure	<u>11,824,487</u>	<u>502,602</u>		<u>12,327,089</u>
Total accumulated depreciation	<u>15,595,938</u>	<u>743,437</u>	<u>0</u>	<u>16,339,375</u>
Governmental activities capital assets, net	<u>\$ 7,440,877</u>	<u>\$ (451,864)</u>	<u>\$ 0</u>	<u>\$ 6,989,013</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities

General Government	\$ 7,999
Public Protection	111,983
Workforce Housing	11,353
Community development and building	3,855
Street	40,105
Unallocated	<u>568,142</u>
Total Depreciation Expense	<u>\$ 743,437</u>

NOTE D - INVESTMENT IN MOUNTAIN RIDES TRANSPORTATION AUTHORITY

The Mountain Rides Transportation Authority is an Authority Board authorized pursuant to Idaho Code, Section 76-2328 to procure, establish, operate, maintain and plan for a multimodal public transportation system in and between the corporate limits of Sun Valley, Ketchum, Hailey, Bellevue and Carey and within Blaine County. The Authority receives its funding through federal and state grants, fares, and contributions from the cities in Blaine County as well as from Blaine County. The City's share of operating costs for the year ended September 30, 2013 was \$250,000.00 The Authority is governed by an independent Board comprised of representatives appointed by the Mayors of each city, except for the City of Carey, and the Board of the County Commissioners, and one "Member-At-Large" appointed by the Board of the Authority.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE E - GOVERNMENT FUND BALANCES

As of September 30, 2013, fund balances of the governmental funds are classified as follows:

Nonspendable – Amounts that are not in a spendable form or are required to be maintained intact. Such amounts are inventory, prepaid accounts, and assets held for sale. There were no nonspendable amounts at September 30, 2013.

Restricted – Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. There were no restricted amounts at September 30, 2013.

Committed – amounts that can be used only for specific purposes determined by a formal action of the City Council. The Council is the highest level of decision-making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Council. As of September 30, 2013, there was \$40,000 in committed funds in the workforce development fund.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only City Council, Finance Director or the Council’s finance committee may assign amounts for specific purposes. The City believes all fund balances in the remaining funds outside the general fund are assigned for that particular fund’s purpose. The total amount of \$739,902 has been shown as assigned.

Unassigned – all other spendable amounts. As of September 30, 2013, the fund balance in the general fund is considered unassigned.

NOTE F - INTERFUND TRANSFERS

The composition of interfund balances as of September 30, 2013 is as follows:

From the General Fund to:
 The Fixed Asset Fund to cover costs \$ 294,030

NOTE G - COMPENSATED ABSENCES

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay for it. Compensated absences activity for the year ended September 30, 2013 is as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Compensated absences	\$ 55,696	\$ 141,715	\$ 136,201	\$ 61,210	\$ 61,210

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE H - LEASES

Operating Leases: The City leases office equipment under non-cancelable operating leases. Lease expense for this equipment was \$1,990 for the year ended September 30, 2013. The future minimum lease payments for these leases are as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 2,305
2015	1,608
2016	1,260
2017	1,260
2018	315
	<u>\$ 6,748</u>

City as Lessor: The City leases certain property under a non-cancelable operating lease. Lease income was \$25,308 for the year ended September 30, 2013. Future minimum operating lease revenue is as follows:

<u>Year Ended September 30</u>	<u>Amount</u>
2014	\$ 25,920
2015	25,920
2016	25,920
2017	4,320
	<u>\$ 82,080</u>

NOTE I - PENSION PLAN

Public Employee Retirement System of Idaho – The Public Employee System of Idaho (PERSI), a cost-sharing, multiple-employer public retirement system, was created by the Idaho State Legislature. It is defined benefit plan requiring that both 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 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 of the highest consecutive 42 months. The contribution requirement of the City and its employees are established and may be amended by the PERSI Board of Trustees. For the year ended September 30, 2013, the required contribution rate as a percentage of covered payroll for members was 6.79% for general members and 8.36% for police/firefighters. The employer rate as a percentage of covered payroll was 11.32% for general members and 11.66% for police/firefighter members.

CITY OF SUN VALLEY, IDAHO

NOTES TO FINANCIAL STATEMENTS (Continued)

September 30, 2013

NOTE I - PENSION PLAN (Continued)

The City contributions required and paid were \$187,307, \$184,734 and \$187,307, for the three years ended September 30, 2013, 2012 and 2011, respectively.

NOTE J - RISK MANAGEMENT

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SUN VALLEY, IDAHO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended September 30, 2013

	<u>Budget</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Property taxes	\$ 2,398,683	\$ 2,398,683	\$ 2,482,480	\$ 83,797
Local option tax	1,145,886	1,250,745	1,248,536	(2,209)
Franchise fees	124,380	124,380	97,857	(26,523)
Licenses, permits, and fees	152,000	162,000	289,098	127,098
Intergovernmental	668,492	668,492	643,580	(24,912)
Charges for services	20,000	20,000	5,275	(14,725)
Fines and forfeitures	6,500	6,500	669	(5,831)
Earnings on investments	3,000	3,000	4,725	1,725
Earnings on leases	21,600	21,600	25,308	3,708
Refunds and reimbursements	20,000	20,000	35,324	15,324
Miscellaneous	<u>26,000</u>	<u>36,000</u>	<u>42,542</u>	<u>6,542</u>
Total Revenue	4,586,541	4,711,400	4,875,394	163,994
EXPENDITURES				
General government	1,406,363	1,592,439	1,650,220	(57,781)
Community development	421,203	412,740	378,422	34,318
Police	1,043,079	1,255,202	1,208,614	46,588
Fire	593,805	617,712	582,759	34,953
Streets	602,921	705,698	669,933	35,765
Contingency	<u>522,053</u>	<u>82,909</u>	<u>44,672</u>	<u>38,237</u>
Total Expenditures	4,589,424	4,666,700	4,534,620	132,080
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,883)</u>	<u>44,700</u>	<u>340,774</u>	<u>296,074</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u> </u>	<u> </u>	<u>(294,030)</u>	<u>(294,030)</u>
Net Other Financing Sources (Uses)	<u> </u>	<u> </u>	<u>(294,030)</u>	<u>(294,030)</u>
Net Change in Fund Balance	<u>\$ (2,883)</u>	<u>\$ 44,700</u>	46,744	<u>\$ 2,044</u>
FUND BALANCE, Beginning of Year			<u>2,286,571</u>	
FUND BALANCE, End of Year			<u>\$ 2,333,315</u>	

CITY OF SUN VALLEY, IDAHO
DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended September 30, 2013

	<u>Original</u>	<u>Budget</u> <u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES	\$ 0	\$ 0	\$ 2,285	\$ 2,285
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>2,285</u>	<u>2,285</u>
OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	2,285	<u>\$ 2,285</u>
FUND BALANCE, Beginning of Year			<u>10,653</u>	
FUND BALANCE, End of Year			<u>\$ 12,938</u>	

CITY OF SUN VALLEY, IDAHO
FIXED ASSET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended September 30, 2013

	<u>Budget</u>				
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>	
REVENUES	\$ 0	\$ 0	\$ 0	\$ 0	
EXPENDITURES					
Repairs and maintenance	0	0	3,158	(3,158)	
Capital outlay	<u>353,000</u>	<u>364,436</u>	<u>291,573</u>	<u>72,863</u>	
Total Expenditures	<u>353,000</u>	<u>364,436</u>	<u>294,731</u>	<u>69,705</u>	
Excess (Deficiency) of Revenues Over Expenditures	(353,000)	(364,436)	(294,731)	69,705	
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>353,000</u>	<u>353,000</u>	<u>294,030</u>	<u>(58,970)</u>	
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ (11,436)</u>	(701)	<u>\$ 10,735</u>	
FUND BALANCE, Beginning of Year			<u>701</u>		
FUND BALANCE, End of Year			<u>\$ 0</u>		

CITY OF SUN VALLEY, IDAHO
LAND AQUISITION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended September 30, 2013

	<u>Budget</u>			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES	\$ 0	\$ 0	\$ 0	\$ 0
EXPENDITURES	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>		<u>\$ 0</u>
FUND BALANCE, Beginning of Year			<u>371,763</u>	
FUND BALANCE, End of Year			<u>\$ 371,763</u>	

CITY OF SUN VALLEY, IDAHO
CAPITAL IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended September 30, 2013

	Budget			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Grant revenue	\$ 50,000	\$ 50,000	\$ 50,000	\$ 0
EXPENDITURES				
Repairs and maintenance	<u>84,000</u>	<u>84,000</u>	<u>22,283</u>	<u>61,717</u>
Excess (Deficiency) of Revenues Over Expenditures	(34,000)	(34,000)	27,717	61,717
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>34,000</u>	<u>34,000</u>	<u>0</u>	<u>(34,000)</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	27,717	<u>\$ 27,717</u>
FUND BALANCE, Beginning of Year			<u>22,845</u>	
FUND BALANCE, End of Year			<u>\$ 50,562</u>	

CITY OF SUN VALLEY, IDAHO
WORKFORCE HOUSING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended September 30, 2013

	Budget			
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Variance</u>
REVENUES				
Charges for services	\$ 15,600	\$ 15,600	\$ 24,192	\$ 8,592
EXPENDITURES				
Repairs and maintenance	<u>15,600</u>	<u>15,600</u>	<u>6,533</u>	<u>9,067</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	17,659	17,659
OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	17,659	<u>\$ 17,659</u>
FUND BALANCE, Beginning of Year			<u>216,281</u>	
FUND BALANCE, End of Year			<u>\$ 233,940</u>	

CITY OF SUN VALLEY, IDAHO
STREET AND PATH FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

For the Year Ended September 30, 2013

	Budget		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property tax	\$ 256,969	\$ 256,969	\$ 256,970	\$ 1
Intergovernmental	<u>47,030</u>	<u>47,030</u>	<u>45,975</u>	<u>(1,055)</u>
Total Revenue	<u>303,999</u>	<u>303,999</u>	<u>302,945</u>	<u>(1,054)</u>
EXPENDITURES				
Road and path maintenance program	<u>321,000</u>	<u>321,000</u>	<u>192,246</u>	<u>128,754</u>
Excess (Deficiency) of Revenues Over Expenditures	(17,001)	(17,001)	110,699	127,700
OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	<u>\$ (17,001)</u>	<u>\$ (17,001)</u>	110,699	<u>\$ 127,700</u>
FUND BALANCE, Beginning of Year			<u>0</u>	
FUND BALANCE, End of Year			<u>\$ 110,699</u>	

SUPPLEMENTARY INFORMATION



Harris & Co. PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

To the City Council
City of Sun Valley, Idaho
Sun Valley, Idaho

We have audited the financial statements of the governmental activities and each major fund of the City of Sun Valley, Idaho, as of and for the year ended September 30, 2013 which collectively comprise the City's basic financial statements and have issued our report thereon dated March 31, 2013. 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Sun Valley, Idaho's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Sun Valley, Idaho's internal control. Accordingly, we do not express an opinion on the effectiveness of City'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 over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. 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 City of Sun Valley, Idaho's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Meridian, Idaho
March 31, 2014

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CITY OF SUN VALLEY

SCHEDULE OF PRIOR AUDIT FINDINGS

For the Year Ended September 30, 2013

2012-01

Condition: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited and a documented process for the close of the fiscal year.

Recommendation: Management and those charged with governance should make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Current Status: Finding was resolved during the year. The City has accepted full responsibility and designed a suitable process to address this condition.

2012-02

Condition: Non-standard journal entries and bank reconciliations are not reviewed by the appropriate level of management.

Recommendation: The process of reviewing the non-standard journal entries and bank reconciliations needs to become a top priority as it is an important mitigating control in place to offset the risk posed by a lack of segregation of duties from the small accounting staff. The reconciliation should be reviewed timely to ensure outstanding deposits and checks appear reasonable and clear timely as expected. All non-standard journal entries should be reviewed along with all supporting documentation.

Current Status: Finding was resolved during the year.

2012-03

Condition: City policy lends itself to various departmental approvals prior to making payments for goods and services, including credit card purchases. Also, all expense reimbursements are to be supported by receipts.

Recommendation: The city needs to follow their written policy or update the policy to agree with current and preferred practices.

Current Status: Finding was resolved during the year.

2012-04

Condition: Several adjusting entries were proposed and posted during the audit that should have been recorded as part of the year-end closing process.

Recommendation: Management should review year-end closing process to develop a system to ensure the necessary closing entries are posted correctly and timely.

Current Status: Finding was resolved during the year.

CITY OF SUN VALLEY

SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

For the Year Ended September 30, 2013

2012-05

Condition: Some assets were being over depreciated and had a negative net book value.

Recommendation: The city should set up controls to ensure that assets stop depreciating after they have been in service for the estimated useful life.

Current Status: Finding was resolved during the year.

2012-06

Condition: Management could not located supporting documentation for one expenditure selected for testing.

Recommendation: We recommend that management reevaluate their internal controls regarding record retention.

Current Status: Finding was resolved during the year.