

**CITY OF SUN VALLEY  
INCORPORATED 1947  
MUNICIPAL FORM OF GOVERNMENT  
ELECTED OFFICIALS AND APPOINTED STAFF**

**ELECTED OFFICIALS**

Mayor

**Wayne Willich**

Council President

**Dewayne Briscoe**

Council Members

**Nils Ribí**

**Joan Lamb**

**Robert Youngman**

**CITY OF SUN VALLEY STAFF**

City Administrator

**Sharon R. Hammer**

City Clerk

**Kelly Ek**

Building Official

**Eric Adams**

Community Development Director

**Mark Hofman**

Finance Director and City Treasurer

**Michelle Frostenson**

Fire Chief

**Jeff Carnes**

Police Chief

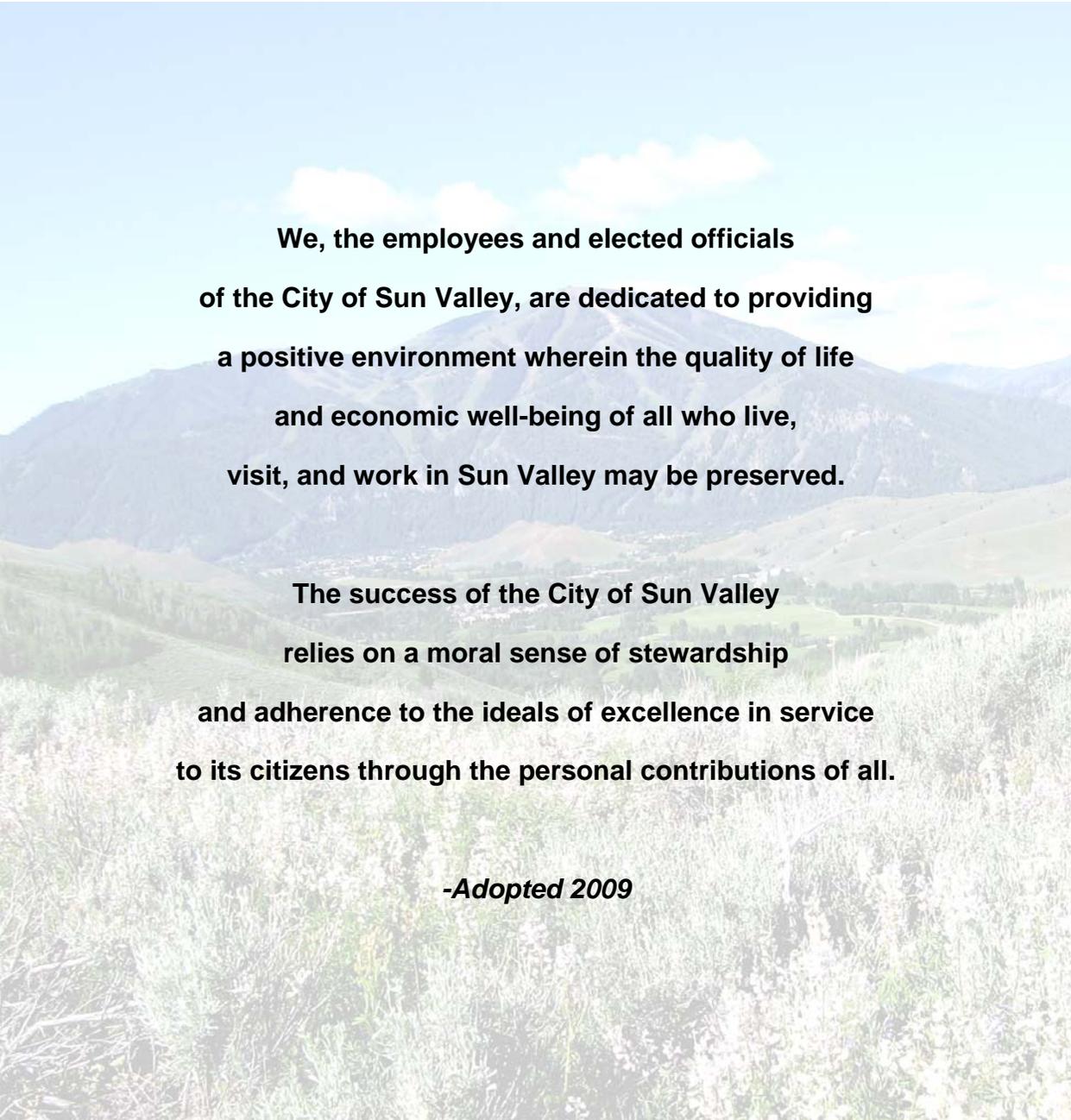
**Cam Daggett**

Street Superintendent

**Bill Whitesell**



## **MISSION STATEMENT**



**We, the employees and elected officials  
of the City of Sun Valley, are dedicated to providing  
a positive environment wherein the quality of life  
and economic well-being of all who live,  
visit, and work in Sun Valley may be preserved.**

**The success of the City of Sun Valley  
relies on a moral sense of stewardship  
and adherence to the ideals of excellence in service  
to its citizens through the personal contributions of all.**

***-Adopted 2009***



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## READER'S GUIDE TO USING THIS BUDGET

This guide has been included to inform the reader of the organization of this document.

### TABLE OF CONTENTS

The Table of Contents is designed to locate specific topics quickly.

### INTRODUCTION

The Introduction includes a section on City Government in Idaho, a short City History, Location Map, Community Information and a City Organizational Chart.

### BUDGET MESSAGE

The Budget Message section contains the FY 11 Budget Highlights, FY 10 Accomplishments, the Mayor's budget message and a FY 11 Budget Summary.

### BUDGET OVERVIEW

This section contains information on the Levy and Budget Process, Planning Processes, and Financial and Accounting Policies which guide the budget preparers during the development of the budget. Also included in this section is information pertaining to the City's fund organization, the 2011 Property Tax Levy, property tax distribution, the Annual Appropriation Ordinance as well as charts and information regarding revenue and expenditures for all funds and the number of full time equivalent (FTE) employees.

### GENERAL FUND

The *General Fund* is usually the largest and most important of the governmental funds. The general fund is the primary operating fund and the most important in terms of the operating budget. It is "general" because any transaction that cannot be accounted for in another fund must be recorded in the general fund.

The City of Sun Valley General Fund consists of eight departments: Legislation, Administration, Community Development, Police, Fire, Building, Street and Other. An explanation of the department titled "Other" is set out in the departmental cover page. Organizational charts, revenues, line item expenditures, and the number of Full Time Equivalent ("FTE") employees are included for each department. A five year history of revenues and expenditures for the general fund is also included in this section.

### FIXED ASSET FUND

The *Fixed Asset Fund* accounts for all revenues and expenditures to finance assets that are tangible, have a useful life exceeding one year and have a significant value. A fixed asset may be categorized as land, building, equipment, improvements other than buildings or an intangible.

## DEBT SERVICE FUND

The *Debt Service Fund* accounts for financial resources to be used for the redemption of principal, interest and paying fees for General Obligation Bonds issued on behalf of the City. The purpose of establishing a separate fund for bond repayment is to demonstrate that money to pay back the debt has been properly set aside.

## LAND ACQUISITION FUND

The *Land Acquisition Fund* accounts for financial resources for the acquisition of land by the City. Land may be acquired for public facilities, including but not limited to buildings, parks, open space, and work force housing.

## CAPITAL IMPROVEMENT FUND

The *Capital Improvement Fund* accounts for financial resources used to construct or acquire capital facilities. Revenues flowing into the fund may include general obligation bond proceeds that were authorized for the project, state and federal grants and current taxes. Expenditures flowing out of the fund are usually payments to contractors for project design and construction.

## WORK FORCE HOUSING FUND

The *Work Force Housing Fund* accounts for financial resources to support housing for City employees.

## SUPPLEMENTAL DATA

This section provides information on FY 11 Council Priorities, Fund Analysis, governing Idaho Statutes, Blaine County tax and levy information, City of Sun Valley Tax Assessment and Levy Rate History.

## GLOSSARY OF TERMS

The Glossary of Terms is included to help the reader with financial terms that may not be familiar.





# CITY GOVERNMENT IN IDAHO

## THE NATURE AND POWERS OF CITY GOVERNMENT

The Idaho Constitution and state laws govern the creation, form, powers and limitations of city governments. Similarly, all municipal corporations, regardless of population size, operate under the same laws and are referred to as “cities.”

An early decision by the Idaho Supreme Court held that the purpose of municipal government is for “the protection of the lives and property of people in densely populated districts.”<sup>1</sup> In fulfilling this purpose, cities exercise two distinctly different types of powers: “governmental” powers and “proprietary” powers.

**Governmental Powers:** These are the governmental powers exercised by cities. The most prominent is the “police power” which vests cities with regulatory authority derived from Article XII, Section 2 of the Idaho Constitution. Other governmental powers include the powers of taxation, eminent domain and annexation and are derived from state laws enacted by the Idaho Legislature.

**Proprietary Powers:** Cities are empowered to provide certain business-type services that are “granted for the specific benefit and advantage of the urban community embraced within the corporate boundaries,”<sup>2</sup> such as water and sewer service, solid waste collection, street maintenance, parks, airports, etc. Cities derive these proprietary powers from state laws enacted by the Idaho Legislature.

The possession of governmental and proprietary powers and the fact that municipal corporations are formed upon the consent of their inhabitants are two key elements in distinguishing cities from other types of local governments, namely counties and special purpose districts. Counties are created by the state and primarily exercise governmental powers in administering state mandated functions (such as law enforcement, the court system, property tax system, etc.) at the local level.<sup>3</sup> Special purpose districts (such as highway districts, water/sewer districts, drainage districts, etc.) are formed pursuant to state enabling legislation with the consent of residents within the proposed district. These jurisdictions typically provide only a single service and exercise only proprietary powers<sup>4</sup> (with the exception of highway districts, which have limited ordinance authority<sup>5</sup>).

Idaho cities derive their regulatory powers from Art. XII, Sec. 2 of the Idaho Constitution, which provides: Any county or incorporated city or town may make and enforce, within its

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1 *State Ex Rel. J. T. Holcomb v. Inhabitants of Town of Pocatello*. 3 Idaho 174, 28 P. 411 (1891).

2 McQuillen, Eugene. *The Law of Municipal Corporations*. Vol. 2A. 3<sup>rd</sup> Ed. New York: Clark, Boardman Callaghan, 1996, p. 305.

3 McQuillen, Vol. 1, p. 219.

4 The Idaho Supreme Court’s decision in *Strickfaden v. Greencreek Highway District* (42 Idaho 738, 248 P. 456 (1926)) contains a similar discussion of the differences between counties, cities and highway districts.

5 Idaho Code 40-1406.

limits, all such local police, sanitary and other regulations that are not in conflict with its charter or with the general laws.<sup>6</sup> For those unfamiliar with the term “police power” it is important to note that the term does not refer to police officers, per se, but rather the inherent power of state governments (often delegated in part to local governments) to impose upon private rights those restrictions that are reasonably related to promotion and maintenance of the public health, safety, morals and welfare.

Article XII, Sec. 2 of the Idaho Constitution provides that cities and counties may make and enforce police regulations within their respective limits. Since cities are located within counties, it is appropriate to ask what, if any, police power do counties enjoy within the limits of incorporated municipalities. The Idaho Supreme Court answered with a doctrine (sometimes referred to as the “doctrine of separate sovereignty”), which provides that county ordinances apply only to the unincorporated territory within the county, and that cities have sole power to enact police power ordinances within their corporate limits.

Another qualification of the police power conferred upon cities by Art. XII, Sec. 2 is that city ordinances must not be in conflict with the general laws. Municipal ordinances are determined to be in conflict with the general laws when state or federal law expressly prohibits municipal regulation in a given area. Preemption of local authority typically occurs because of the desire for certain activities to be regulated at the state or federal level, often due to the need for consistency in regulation or because the state or federal government is better equipped to implement and enforce regulations.

## **ROLES AND RESPONSIBILITIES SEPRARATION OF POWERS DOCTRINE**

Under our political system at the federal, state and local levels, governmental powers are distributed among three branches: legislative, executive and judicial. The city council’s role is analogous to that of the Legislature in establishing local public policy; whereas, the mayor heads the executive branch. Idaho city government structure reflects that philosophy, now firmly embedded in our society, known as the “separation of powers doctrine.” Under the doctrine, each of the branches exercise certain defined powers, free from unreasonable interference by the others branches; yet all branches interact with each other as a part of a check and balance system. While not a definitive guide to intergovernmental relations, it is a dominant principle in the political system.

Idaho statutes provide for two forms of municipal government: mayor-council and council-manager. All cities have mayor-council forms unless they have taken steps to implement the council-manager plan. The City of Sun Valley operates under the mayor-council form of government.

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<sup>6</sup> Art. XII, Sec. 2 of the Idaho Constitution mirrors similar provisions in the California and Washington Constitutions. Art. XI, Sec. 7 of the California Constitution provides, “A county or city may make and enforce within its limits all local, police, sanitary, and other ordinances and regulations not in conflict with general laws.”

Art. XI, Sec. 11 of the Washington Constitution reads, “Any county, city, town or township may make and enforce within its limits all such local police, sanitary and other regulations as are not in conflict with general laws.”

## **The Mayor-Council Form of Government**

The mayor-council form of government is the most common form of government in Idaho. The executive branch of the city, headed by the mayor, is responsible for the day-to-day administration of city affairs. The council is comparable to the state Legislature in that the council has the legislative or policymaking powers in the city.

## **The Office of Mayor**

The Mayor is elected at-large on a non-partisan basis for a term of four years. The Mayor is the chief administrative officer of the city and is granted power pursuant to Idaho Code Title 50 Chapter 6. If, during the mayor's term, there is a temporary vacancy in the office due to absence or disability, then the president of the council temporarily fills the position and assumes the responsibilities of the office. However, if the absence of the mayor becomes permanent (death, resignation, disability), the city council must appoint a new mayor from within or without the council who serves until the next general election.

The mayor is the chief administrative officer of the city, and as such, powers include:

- Presiding over and determining the order of business for all city council meetings.
- Administering oaths and signing contracts on behalf of the city.
- Calling a special meeting of the council, with or without council consent.
- Appointing and removing members of committees, boards, and commissions, with council consent.
- Filling vacancies on the council, with council consent
- Appointing the necessary city officers, the city clerk, treasurer, and attorney with council consent.
- Requiring accounts and reports pertaining to a city official's office to be submitted to the council.
- Casting a tie-breaking vote when the council is equally divided. However, ordinances or actions that require an affirmative vote of a majority (one-half plus one) of the full council limit the tie-breaking authority of the mayor. Examples of ordinances that require such majorities are: franchise ordinances, council confirmation of mayor's appointment, removal of an appointed officer, and suspension of rules on reading ordinances.
- Vetoing city ordinances approved by City Council. The mayor must submit his "veto message" at the next regular meeting of the council. If such written objections are not delivered, the ordinance becomes law without the mayor's signature. A veto can be overridden by a majority of the full council.
- Providing police powers to preserve the peace, protect public health and safety, and regulate various types of functions (public places, zoning, businesses, etc.)
- Performing marriage ceremonies.

## **The City Council**

In a mayor-council form of government, the council is composed of either four or six members. In Sun Valley the Council is composed of four members. In order to provide for continuity in Council membership, Council terms are staggered so that only half of the members' term expires in any given general election.

A vacancy on the council is be filled by appointment made by the mayor with the consent of council. The appointee serves only until the next general city election. At the election, the vacancy is filled through the election process for the balance of the original term.

The Council's duties are primarily legislative in nature. The Council may adopt, revise, codify, or compile all ordinances, rules and regulations necessary to implement the powers and duties conferred by state law and to maintain the welfare of the city. The Council may enforce these ordinances by fine, including an infraction penalty or incarceration.

Regular meetings of the city council must be established by ordinance. A majority of the full council shall constitute a quorum of the council for the transaction of business. A question before the council, unless otherwise provided by law, shall be decided by a majority of the members present.

The Council confirms all appointments made by the Mayor, defines the duties and authority of the appointed officers by ordinance and approves or disapproves, by a majority of the full council, any appointed officer the Mayor desires to remove. In addition, an appointed officer can be removed by unanimous vote by the Council itself.

Council duties include but are not limited to:

- Examines the accounts of officers who are responsible for managing the monies, property or business of the city on a quarterly basis.
- Prepares the budget and passes the annual appropriation ordinance.
- Sets compensation for the Mayor and Council no less than sixty (60) days before a general city election.
- Approves all claims against the city prior to payment.
- Determines all contributions for city fringe benefits.
- Orders payments of final judgments against the city.
- Establishes a single purchasing agent for all city departments.
- Certifies property taxes within the city for general revenue or special purposes.
- Transfers the surplus in one fund to the credit of another fund.
- Utilizes short-term borrowing in anticipation of receiving federal or state grants.
- Promotes the general welfare of the community by enacting ordinances and regulations and prescribing penalties.
- Designates, by ordinance, an official newspaper for the city.
- Passes any ordinance and regulation necessary to preserve and maintain the public health, safety and welfare.

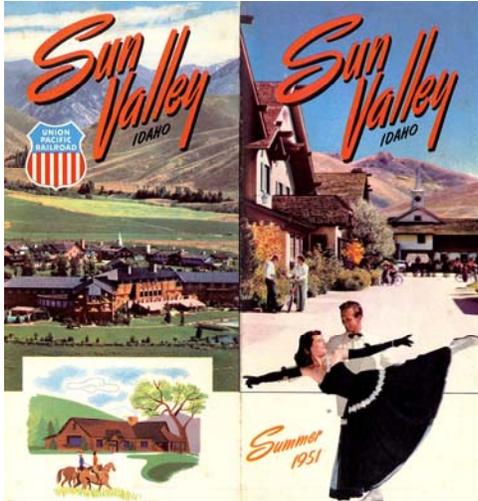
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Adapted from:

Association of Idaho Cities, Idaho Municipal Guidebook, *The Nature and Powers of City Government* 2002.

## HISTORY OF THE CITY OF SUN VALLEY

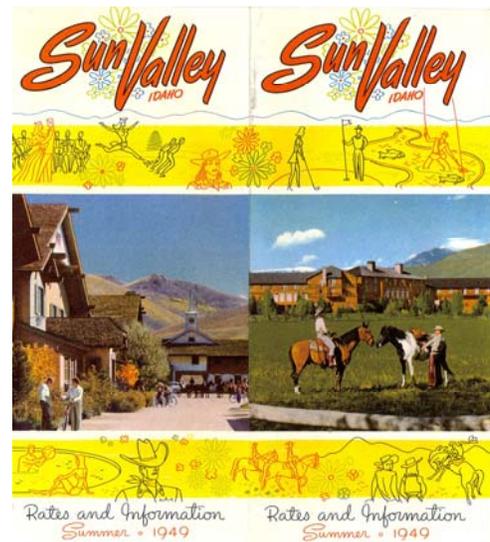
The history of the City of Sun Valley is intertwined with the history of Sun Valley as a ski resort destination. Sun Valley started to develop as a ski resort in the early 1930s. W. Averell Harriman who was a successful industrialist, skier and chairman of the Union Pacific Railroad asked Austrian Count Felix Schaffgotch to find the perfect place and conditions for an American ski resort. A condition that Harriman placed on the location was that it had to be served by the Union Pacific Railroad.



Following months of exploration, Schaffgotch found an ideal environment with the right combination of elevation, slopes, sunshine and snow. Under Harriman's guidance, Union Pacific bought a 4000 acre ranch and completed construction of a 220-room concrete hotel designed to look like a wooden lodge. The hotel opened for guests in December 1936. Union Pacific hired Steve Hannigan who was an advertisement specialist. Hannigan had made a reputation for himself promoting Miami, Florida as a destination. He gave Sun Valley its name and began creating an impression of a luxury resort destination.

Union Pacific brought innovation to the sport of skiing by designing the world's first chairlift. The system was adapted from equipment used to load bananas onto ships in the tropics. The single-seat chairs replaced rope tows and first carried skiers up Proctor Mountain in 1936. Bald Mountain opened shortly thereafter with a series of three chairlifts. The chairlifts took skiers from 5,700 feet at the base of the mountain to 9,000 feet at the summit. Going to the top of the mountain was a first in skiing history. As a result of the innovations and the unique environment, Sun Valley quickly became the icon of winter resort destinations.

Sun Valley is located in the Wood River Valley in Idaho and similar to other locations throughout the nation, Sun Valley experienced a housing boom after World War II. In the years immediately following the war, the first permanent homes were built around the resort. The addition of seasonal and full-time residents increased the Valley's population and resulted in the growth of communities in the Valley. The municipalities of Ketchum and Sun Valley incorporated on April 14, 1947. The first Sun Valley City Council was comprised of local residents Ed Seagle, Lodge manager Win McCrea, attorney Phez Taylor and Win Gray.



Prior to the City's incorporation, the Resort operated under liquor laws that prohibited the sale of liquor but allowed retailers to charge a thirty-five cent per drink "set-up" fee. Resort guests brought their own liquor which was kept behind the bar. During the first few weeks of the 1947 ski season, the Duchin Room Lounge at the Sun

Valley Lodge stored more than twenty-five private cases of bourbon and scotch behind the bar. The only revenue received by the Resort was the thirty-five cents per drink set up fee. In 1947 the Idaho Legislature rewrote the Idaho liquor licensing law, empowering cities to license bars to sell liquor by the drink. Sun Valley was one of numerous cities that were incorporated immediately following the new law for the purpose of liquor licensing. Averell Harriman took the initiative to incorporate the City. The new legislation had an emergency clause and took effect on March 19, 1947. Sun Valley was subsequently incorporated on April 14, 1947. Once the City was incorporated and the Resort had procured a liquor license from the City, the Resort stopped storing privately owned liquor, sold liquor by the drink and captured the additional revenue generated by sale of the liquor.

Union Pacific ceased rail service and sold the Sun Valley Resort to Bill Janss and the Janss Corporation in 1964. The Janss Corporation sold the resort to R. Earl Holding in 1977. Since Holding purchased the resort in 1977, a number of the resort facilities have been refurbished including the Lodge, the Inn and the Roundhouse Restaurant. Additional features that have been added include snow-making and grooming equipment and high-capacity lifts. New lodging facilities at Warm Springs, Seattle Ridge and River Run all located on Bald Mountain and Carol's Dollar Mountain Lodge on Dollar Mountain have been added in recent years. During the 2008 construction season a new Golf and Nordic lodge and a Summer Symphony Pavilion were built on Resort property. The Sun Valley Resort remains privately owned by Mr. Holding.

Development of the Resort's facilities has enhanced the attractiveness of the Sun Valley area for tourist, part-time and full-time residents. Sun Valley is not only a winter ski destination but is a summer destination as well. The increase in visitors and residents translated to an increase in demand for City services. Since its incorporation, the City of Sun Valley has grown and developed into a full service municipal operation. The City has approximately thirty full time equivalent employees and provides municipal services; which include administration and finance, community development, police, fire, building inspection and street maintenance.<sup>i</sup>

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Adapted from:

Zimmerman, Ann, *It's Still Happening in Sun Valley*, Sun Valley The Luxury Home Design & Décor Resources Summer/Fall '08.

Holland, Wendolyn Spence, *Sun Valley An Extraordinary History*, The Idaho Press 1998.

Association of Idaho Cities, Idaho Municipal Guidebook, *The Nature and Powers of City Government 2002*.



City of Sun Valley GIS

### Legend

-  Airports
-  Sun Valley
-  Major Cities



WASHINGTON

OREGON

IDAHO

WYOMING

NEVADA

UTAH

U:\gis\projects\ldahoSVReference.mxd



Sun Valley

Ketchum

Hailey

Bellevue

Blaine County

Sun Valley

Boise

Twin Falls

21

20

75

84

## COMMUNITY INFORMATION

<u>U.S. Census Data:</u>	<u>2000</u>	<u>2010*</u>
<b>Population</b>	1,427	1,483
Male	729	
Female	698	
<b>Median Age*</b> (years)	47.5	
<b>Median Family Income*</b>	\$ 85,000	
<b>Median Household Income*</b>	\$ 71,000	
<b>Housing</b>		
Construction Improvement/Valuation		
Permits	184	
Valuation of Improvements	\$47,905,437	
Housing Units		
Occupied	2,339	
Owner	594	
Renter	463	
Vacant (seasonal)	131	
	1,745	

**Police** Department located in City Hall at 81 Elkhorn Road

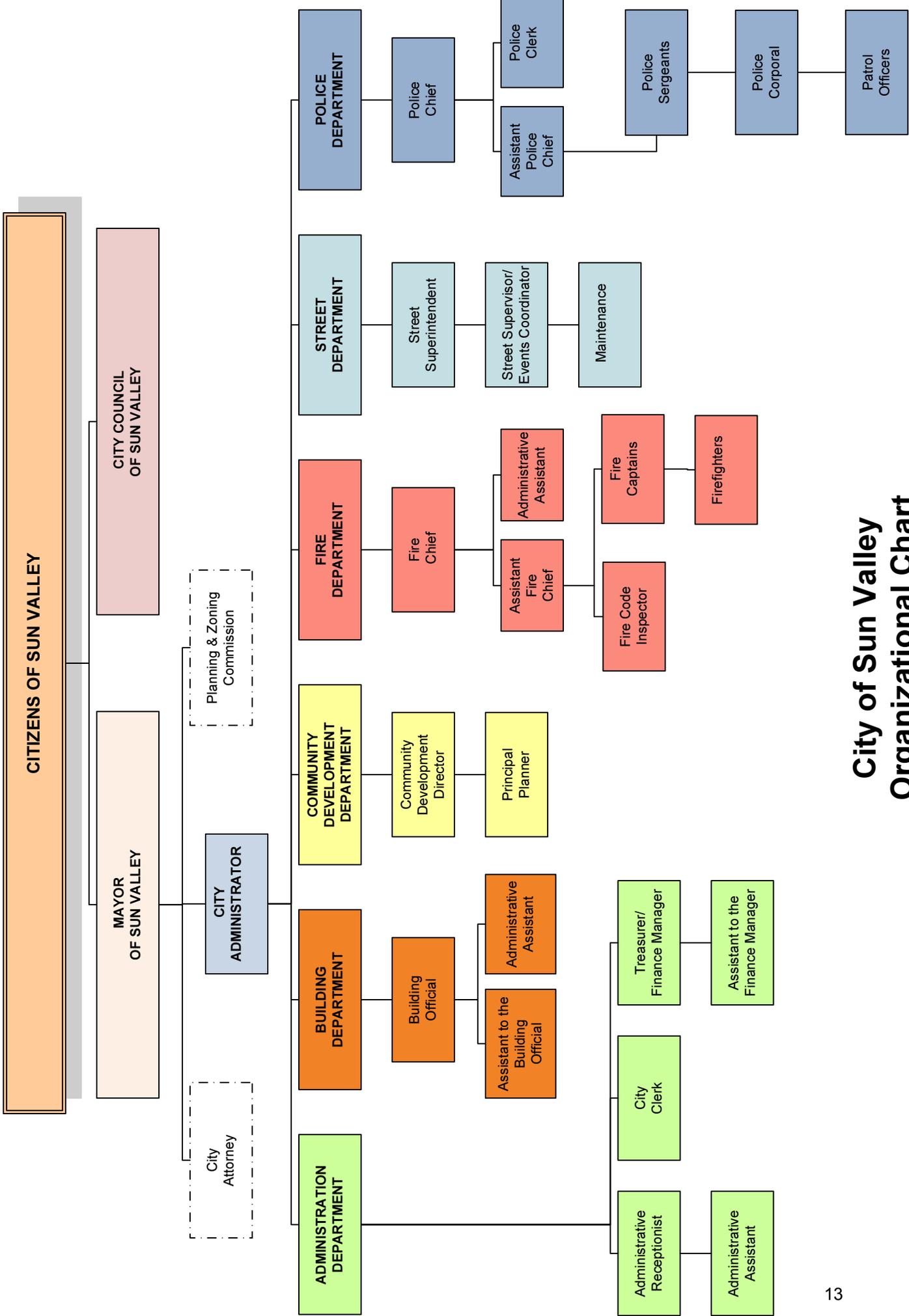
**Fire** Two Stations, one located in City Hall at 81 Elkhorn Road and one located at the corner of Morning Star and Arrowleaf Roads in the Elkhorn community of Sun Valley.

**Schools** The Community School a private education institution with grades Kindergarten through 12<sup>th</sup> grade.

**Financial Institutions** 1 Bank

**Places of Worship** 1 Roman Catholic and 1 Episcopal

\*U.S. Census estimate. Complete 2010 Census data not available at the time of printing.



**City of Sun Valley  
Organizational Chart**







## FY 11 BUDGET HIGHLIGHTS



- The Mayor and City Council will complete work on a Capital Improvement Program (“CIP”). The objective of the CIP is to provide a strategic and integrated approach to planning and funding capital projects and assets. It is used to identify infrastructure maintenance, development, improvements, facility deficiencies and plan for vehicle and equipment to meet the current needs and future growth of the City of Sun Valley. By identifying needs, the City can anticipate, plan and manage staff and funding.
- The Mayor and City Council will work with Sun Valley Resort Marketing Alliance, Inc. to promote the economic growth and development of the Sun Valley resort area and surrounding areas with the specific goal of increasing visitors.
- The Mayor and City Council will work with Blaine County to secure representation of Sun Valley’s interest and coordination of the Freidman Memorial replacement airport.
- Measures will be taken to ensure that expenditures are kept in line with revenues while maintaining adequate reserves and quality of services.



## FY 10 ACCOMPLISHMENTS



During FY 10 the Sun Valley Mayor and City Council took action to address the policy priorities identified in their FY 10 Council Priorities. The narrative below is organized by priority areas that the Mayor and Council identified in their FY 10 Council Priorities. Some of the accomplishments of the Mayor and Council address more than one policy area, while some are specific to one of the Council's priorities. Together these accomplishments further the Mayor and Council's mission of providing a positive environment where the quality of life and economic well-being of all who live, visit and work in Sun Valley is preserved.

### **Financial Planning**

During FY 10 the Mayor and City Council maintained a balanced budget helping to ensure long term financial stability. A balanced budget requires that anticipated revenues equal the sum of budgeted expenditures for each fund. Revenues are derived from three sources: current revenue sources, new revenue sources and undesignated revenue carried forward from prior years (undesignated fund balances). Budgeted expenditures may exceed budgeted revenues if other revenue sources are available to meet expenditures. The Mayor and City Council administered the budget based on the highest standards of local governmental budgeting consistent with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standard Board (GASB) pronouncements, and recommended practices of the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB).

The FY 10 adopted budget required a transfer from the General Fund fund balance in order to show revenues and expenditures in balance. However, because of the careful management of expenditures and revenues, the transfer was not necessary. Although the final audit has not been completed, staff estimates that actual revenues are more than actual expenditures. Revenues over expenditures lapse into the General Fund. Therefore, an increase, rather than the anticipated decrease, in the General Fund fund balance is expected.

The FY 10 year-end financial statements will be audited by a new independent auditing firm. The Mayor and City Council requested proposals from a number of auditing firms to conduct the City's FY 10 year-end financial audit. Firms responded from Utah, Oregon and Idaho. A firm was selected based on their knowledge of local governmental auditing in Idaho and familiarity with preparing a Comprehensive Annual Financial Report ("CAFR"). A CAFR differs from year-end financial statement in that a CAFR includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material and a detailed statistical section. The Government Finance Officers' Association ("GFOA"), the professional association of government finance officers, recommends preparation of a CAFR to demonstrate a City's commitment to the highest level of governmental financial reporting. The Mayor and City Council have identified preparation of a CAFR as a priority. City staff will work with the selected auditing firm to prepare a CAFR for submission to the GFOA's Certificate of Excellence in Financial Reporting Program.

During FY 10 the Mayor and City Council made significant progress in developing a Capital Improvement Program ("CIP"). The objective of the CIP is to provide a strategic and integrated approach to planning and funding capital projects and assets. Council adopted evaluative criteria to guide the Council in determining the relative importance of projects and assets. A major component of the CIP is the need and potential locations for a new maintenance facility and fire station. The Mayor and Council identified potential sites for each of the facilities and weighed the pros and cons of each site through site visits and conceptual schematic representations. Mayor and Council will work on completion of the CIP in FY 11 and begin discussion of funding options for program components.

### **Community Development**

A number of development projects and Development Code text amendments were addressed by the Mayor and City Council during FY 10. A project presented by a developer to extend the City limits into a high noncontiguous isolated canyon area above the City consumed considerable staff time and generated a significant amount of discussion among the Mayor, Council and the public. Concerns expressed by the Mayor, City Council and staff included the City's ability to provide adequate police and fire protection to residents and service providers without endangering responders. The application was initiated through a request to amend the City's Comprehensive Plan. The application was ultimately denied by Council.

A development project that received favorable consideration by the Mayor and Council is associated with the Sun Valley Resort. The project known as White Clouds is a single and

multi-family residential development on property owned by the Resort located within the City limits. The property and housing units will become privately owned as the project develops which will add significant value to the City's property tax base.

Development Code text amendments addressed during FY 10 included enactment of water conservation measures in partnership with the Sun Valley Water and Sewer District to limit the total area of a residential site allowed to be irrigated with domestic water supply. The Code provisions requiring minimum densities for development on residential zoned properties were also repealed. Additionally, the existing hillside development regulations were amended to reflect treatment for non-visual downhill sloping lots and the planned unit development regulations were clarified and better defined. These Code Amendments played an immediate role in several current development projects and will provide guidance and positive impact in the future.

### **Economic Development**

During FY 10 the Mayor and City Council devoted a significant amount of time to analysis and discussion of the reduction in revenue received through the City's Local Option Tax ("LOT"). Idaho Code §50-1044 allows resort city residents to approve and resort city governments to adopt, implement and collect certain non-property taxes. Sun Valley collects LOT on retail sales, ski lift tickets, lodging and liquor by the drink. LOT has historically represented approximately 30% of the City's annual revenue. During FY 10 the Council's focus shifted from implementing the economic strategies of Sustain Blaine and working with the Sun Valley/Ketchum Chamber of Commerce and Visitor's Bureau to focusing on increasing visitors in order to increase LOT collections.

The Mayor and Council analyzed data on decreasing LOT collections. The analysis revealed that sales tax revenue in the Sun Valley/Ketchum resort economies is in a significant long-term decline. When adjusted for inflation, the data was clear that the City experienced declines in LOT revenue in each of the past eight years. Among a selected group of competing Winter/Summer resort economies, the Sun Valley/Ketchum economies demonstrated the poorest performance. The data indicated that the performance of the Sun Valley/Ketchum economies is on par with one of the worst regional economic performers in the nation: the Cleveland, Ohio metro-area. Included in the analysis were comparisons of successful resort economies. The Mayor and Council concluded that the loss is substantial and has led to a very negative economic impact on the City of Sun Valley. As a result of the research and analysis, the Mayor and Council together with the neighboring City Officials of Ketchum and the management of the Sun Valley Resort will be working on developing a new set of strategies with the goal of increased visitors in order to increase LOT collections.

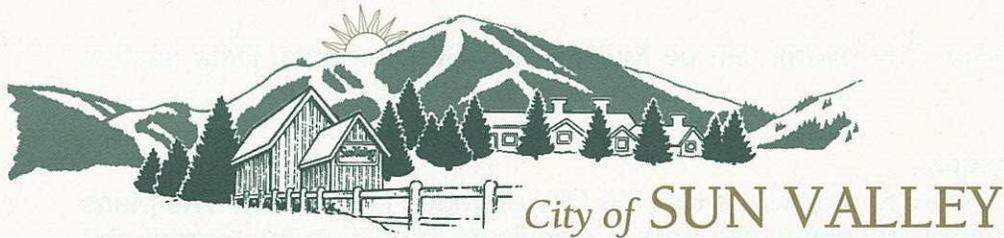
### **Communication and Collaboration**

A priority of the Mayor and Council is the expanded use of public communications, website and electronic media. The City of Sun Valley utilizes a web-based system to simultaneously broadcast public meetings held in Council chambers. All Planning and Zoning meetings as well as regular and special Council meetings are broadcast. An additional advantage of the system is access to recordings of the meeting through the City's website. An archive of all recorded meetings is available on the City's website. The system was in place prior to FY 10. During FY 10 the system was used to broadcast meetings on discussions of marketing and the Capital Improvement Program. Availability of meetings through the internet makes

access to information on the City more readily available to Sun Valley's residents.

### **Organization Leadership**

During FY 10 the Mayor and City Council reviewed and revised policies previously adopted on City Council Powers and Authorities and the Council Code of Ethics. The policies outline the roles, responsibilities and ethics of council members individually as well as the Council as a working public body. Issues addressed in the policies included voting, abstention from voting and the consequences of abstaining from voting. Discussions resulted in amendments to the policies so that they are suited for the current composition of the Council. One of the amendments clarified that the Mayor is covered by the policies.



**Mayor**  
Wayne Willich

**Council**  
Dewayne Briscoe, *President*  
Joan Lamb  
Nils Ribi  
Robert A. Youngman

**City Administrator**  
Sharon R. Hammer

**Treasurer**  
Michelle Frostenson

**City Clerk**  
Kelly Ek

October 1, 2010

City of Sun Valley Residents:

The City Council and I are pleased to present the City of Sun Valley Fiscal Year 2011 Budget for October 1, 2010 through September 30, 2011. City Officials and staff continue to work diligently to maintain the City's sound financial condition and the high quality of public services.

The Government Finance Officers Association (GFOA) is the professional association of state, provincial and local finance officers in the United States and Canada. The GFOA Budget Awards Program is a program designed to encourage governments to prepare budget documents of the highest quality to meet the needs of decision-makers and citizens. Experts in government finance review budgets submitted for consideration of the budget awards program. Budgets meeting the awards criteria established by GFOA are issued the Distinguished Budget Presentation Award.

City officials and staff have worked diligently on the FY 11 budget to submit it to GFOA for consideration of the award. Presentation of the award represents to residents, investors, creditors and other governmental units that the City Council, staff and I take the work of considering and preparing the annual budget seriously and that the budget has been prepared according to the highest standards of contemporary governmental budgeting practices.

The City of Sun Valley complies with Generally Accepted Accounting Principles (GAAP) and the budget meets all legal requirements. The budget provides a complete financial picture of City of Sun Valley programs, fiscal operations, revenues and expenditures. Included in the budget are detailed budgets for each of the City funds: General Fund, Fixed Asset Fund, Debt Service Fund, Land Acquisition Fund, Capital Improvement Fund and Work Force Housing Fund for the current fiscal year and the past two fiscal years. The FY 11 budget includes budgeted expenditures for the General Fund, Debt Services Fund and the Work Force Housing Fund only.

### **Budget Planning Process**

The budget planning process begins in early spring each year. Over a period of several meetings Mayor and City Council discuss priorities and challenges for the coming year. In the FY 11 planning process the Mayor and City Council worked to prioritize goals and direct resources to priorities. The City Council adopted FY 11 Council Priorities. The matrix of priorities establishes five primary goal areas: Financial Planning, Community Development, Economic Development, Communication and Collaboration, and

Organizational Leadership. The matrix can be found in the Supplemental Data section of the budget.

### **Other Planning Processes**

There are a number of planning processes that the City engages in annually. The plans that result from the planning processes can have a significant impact on the current and future budgets. By engaging in the various planning processes, Mayor and City Council have the information they need to manage resources efficiently and minimize debt service.

A complete list of the planning processes is found in the Budget Overview section of this budget document and a matrix of the planning processes is shown. The matrix includes the plan, the type of planning process, a description of the process and a brief statement on the impact on the budget. Plans are either annual, short range (1-3 years), mid range (3-5 years) or long range (5-10 years and beyond). Each plan is developed and reviewed annually. The plans include:

- Strategic Plan
- Operating Budget Plan
- Capital Projects Plan
- Building Maintenance Plan
- Fixed Assets Plan
- Technology Plan
- Grounds Maintenance Plan

### **FY 11 Budget Highlights**

- The Mayor and City Council will complete work on a Capital Improvement Program ("CIP"). The objective of the CIP is to provide a strategic and integrated approach to planning and funding capital projects and assets.
- The Mayor and City Council will work with Sun Valley Resort Marketing Alliance, Inc. to promote the economic growth and development of the resort community of Sun Valley and surrounding areas with the specific goal of increasing visitors in order to increase Local Option Tax ("LOT") collections.
- The Mayor and City Council will work with Blaine County to secure representation of Sun Valley's interest and coordination of the Freidman Memorial replacement airport.
- Measures will be taken to ensure that expenditures are kept in line with revenues while maintaining adequate reserves and quality of services.

### **Performance Measurements/Demand Indicators**

Performance measures are used in budgets to show, for example; the amount of work accomplished, the efficiency with which task were completed and the effectiveness of a program, which is often expressed as the extent to which objectives were accomplished. Developing qualitative measures typically takes two years of intense effort. Because measures of quantity such as demand and workload can be devised more quickly and easily than measure of quality, many local governments in the early

phases of performance measurement programs tend to develop and implement quantity measures.<sup>1</sup>

The City of Sun Valley has not previously developed or used performance measures. The FY 11 budget document contains performance measures and demand indicators for the departments within the General Fund. While performance measurements tend to be qualitative in nature, demand indicators show workload. Demand indicators might include, for example, the number of activities, reports or projects undertaken. Both measures are used to illustrate the relationship between the use of public funds and the services and results received. The information provides additional transparency and accountability. As the measures are refined they will be used in the budget decision-making and adoption process.

### **Budget Overview**

The condition in the economy affects revenues and, therefore expenditures at the City. Although some revenue sources have remained steady, the City has experienced a decrease in revenue from the Local Option Tax ("LOT") in recent years. The City adopted a LOT in 1990, which allows the City to collect tax on retail items, liquor by the glass, and lodging. Historically, LOT has represented approximately 30% of City revenue. State revenues, which the City receives from the State of Idaho, are also a sales tax-based revenue, and have decreased as a result of the downturn in the economy. A full description and analysis of the City's revenue sources is provided in the Budget Overview section under Revenue Descriptions, Projections and Assumptions.

In preparation of the FY 11 budget the City Council worked diligently to identify challenges and establish a framework for meeting those challenges. Given the uncertainty of the economic environment, the FY 11 budget is more conservative than the budgets for the last two fiscal years. Expenditures in the General Fund have decreased. A decrease in Personnel Services includes elimination of a vacant full-time position in the fire department and reducing a vacant full-time position in administration to half-time. Additional decreases in Operating Expenditures, External Contracts and Capital Outlay resulted in an overall decrease in the General Fund of 3.5%. There are no FY 11 budgeted expenditures in the Fixed Asset, Capital Improvement or Land Acquisition Funds reducing the overall FY 11 budgeted expenditures from FY 10 budgeted expenditures by 9.1%.

In FY 10 the Street Fund was included in the General Fund. The Street Department had previously been a discrete fund, separate from the General Fund. This change was approved by the City Council in order to allow for more efficient historical analysis and future projections of the department's expenditures that are consistent with expenditures in the General Fund such as salaries, fringe benefits and operating costs. Street Department expenditures will continue to be presented in the General Fund.

It is worth noting that the fund balance for the General Fund was adjusted to account for the additional expenditures of the street department. The City Council policy is to ". . . maintain at all times in its General Fund, an unreserved, designated fund balance

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<sup>1</sup> Bland, Robert L and Irene S. Rubin, *Budgeting A Guide for Local Governments*, International City/County Management Association 1997.

entitled "Fiscal Policy Reserve" of no less than the equivalent of 16 weeks and no more than the equivalent of 32 weeks of regular General Fund operating expenditures, based on its annual General Fund Budget."

During FY 10 the City continued a comprehensive analysis of its Capital Improvement Program ("CIP"). The CIP includes a Capital Improvement Plan and a Fixed Asset Plan. The objective of the CIP is to provide a strategic and integrated approach to planning and funding capital projects and fixed assets. It is used to identify infrastructure maintenance, development, improvements, facility deficiencies and plan for vehicle and equipment to meet the current needs and future growth of the City of Sun Valley. By identifying needs, the City can anticipate, plan and manage staff and funding.

During FY 11 the Mayor and City Council will discuss funding options for the CIP. Current annual revenues cover current annual operating expenditures. The current annual operating budget does not include expenditures for capital projects or fixed assets. A challenge that the Mayor and City Council must address is how to fund projects and assets identified in the CIP.

### **Debt Management**

The City currently has \$590,000 General Obligation Bonds (the "2003 Bonds") outstanding. The 2003 Bonds refinanced the City's 1995 and 1996 series of bonds. These bonds are repaid with a special property tax (the "Bond Levy") authorized by a bond election held in February 1995. The original bonds (1995 and 1996) were sold to fund street improvements. The City is currently paying (levying) approximately \$620,000 in annual bond payments on the 2003 Bonds. The 2003 bonds will be fully repaid on August 1, 2011. The 2003 Bonds are the only long term debt currently owed by the City. In conjunction with development of the CIP, the City will conduct a debt capacity analysis to determine options for financing the CIP.

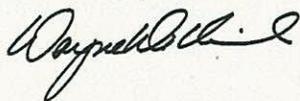
### **Future**

In general, the Mayor and City Council will work to keep the growth in expenditures in line with the growth in revenue. Efficiencies along with carefully monitoring revenues and managing expenditures will be explored to ensure the future stability of the City.

### **Conclusion**

The FY 11 budget prepares the City for the coming year and beyond. It is through the dedication and hard work of City employees that the Mayor and City Council are able to prepare and present this budget document. The Mayor and Council are grateful for everyone's diligent work.

Sincerely yours,



Wayne Willich  
Mayor Sun Valley

**CITY OF SUN VALLEY**

**MISSION**

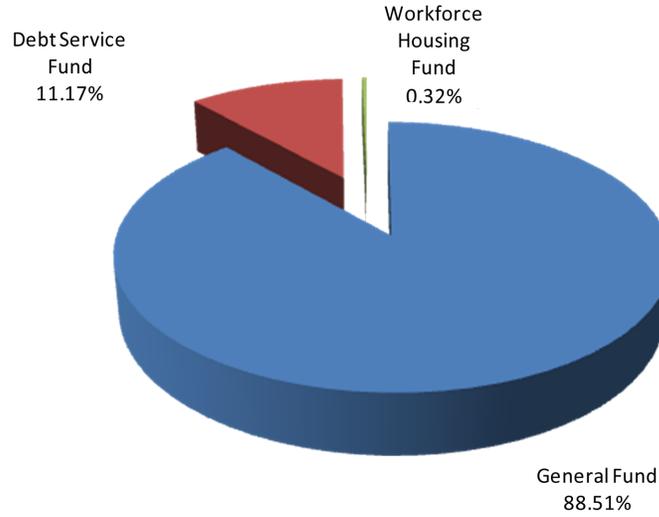
We, the employees and elected officials of the City of Sun Valley, are dedicated to providing a positive environment wherein the quality of life and economic well-being of all who live, visit and work in Sun Valley may be preserved. The success of the City of Sun Valley relies on a moral sense of stewardship and adherence to the ideals of excellence in service to its citizens through the personal contributions of all.

**COUNCIL PRIORITIES FY 11**

	FINANCIAL PLANNING	COMMUNITY DEVELOPMENT	ECONOMIC DEVELOPMENT	COMMUNICATION AND COLLABORATION	ORGANIZATIONAL LEADERSHIP
Short term within budget year	<p>Finalize investment policy.</p> <p>Implement Capital Improvement Program ("CIP").</p> <p>Evaluate bond referendum after CIP complete.</p> <p>Conduct comprehensive analysis of all City revenue sources, review all fee rates and update as necessary.</p> <p>Conduct comprehensive analysis of expenditures including cost structure and alternatives.</p> <p>Consider impact fee ordinance.</p>	<p>Develop workforce housing plan with emphasis on housing critical emergency personnel.</p> <p>Develop and implement plan for use of the City's 5 acre parcel.</p> <p>Work with the Sun Valley Company to integrate the Company's Vision Plan through rezoning.</p> <p>Initiate 5 year review of Comprehensive Plan. Update the plan as necessary.</p>	<p>Consider Sustain Blaine economic strategies as related to Sun Valley resort area.</p> <p>Request representation on the replacement airport authority.</p> <p>Work with Sun Valley Ketchum Chamber and Visitors Bureau and Sun Valley Company on marketing and promotion.</p> <p>Develop City entry signage plan to welcome visitors and delineate borders.</p> <p>Work with the US Postal Service to improve mail delivery services in the City.</p> <p>Work with Mt. Rides to continue, improve and expand transportation services in and to the City.</p>	<p>Expand use of public communications, website and electronic media.</p> <p>Work for the resolution of long-term funding and governance issues regarding Consolidated Dispatch.</p>	<p>Establishing written policies including guidelines for individual council member ethics and conduct.</p> <p>Clarify the value system of the organization by providing leadership through development of strategic policies.</p> <p>Instill a attitude of "high morale, high performance" throughout the organization.</p>
Mid term within calendar year	<p>Finalize, review and adopt complete system of financial policies.</p> <p>Adopt and administer the budget based on the highest standards of local governmental budgeting consistent with Generally Accepted Accounting Principles (GAAP).</p>	<p>Implement plan to control noxious weeds.</p> <p>Review City's parking ordinance and revise as necessary.</p> <p>Amend Comprehensive Plan for Land Use Planning Area #3 to reflect the community's projected land use for this area.</p> <p>Update design guidelines for all residential zoning districts, eliminate minimum density requirements.</p> <p>Review of City's Area of City Impact ("ACI")</p>	<p>Work with Idaho Power for installation of redundant power line from Hailey to Sun Valley.</p> <p>Participate in the development of the governance process to the replacement airport for Friedman Memorial Airport.</p>	<p>Make available to residents an annual accounting of services provided and resources used.</p> <p>Install and support of video transmission of City Council and Planning and Zoning meetings.</p>	<p>Develop strategic plan that involves input and participation of City Council, City Staff and community stakeholders.</p> <p>Commit to investing in and developing human capital.</p>
Long term within election term	<p>Receive the GFOA Distinguished Budget Award for the annual budget and the Certificate of Achievement for Excellence in Financial Reporting for the Comprehensive Annual Financial Report (CAFR).</p>	<p>Develop an urban wild land interface plan for fire prevention and protection.</p> <p>Develop plan for City parks and open spaces.</p> <p>Consider and evaluate planning issues including PUD, hillside ordinance, rezoning and signage.</p>	<p>Trail development and maintenance with the SVEA, Sun Valley Company, CG Elkhorn, Bureau of Land Management ("BLM"), U.S. Forest Service.</p> <p>Develop the Multiuse path, extend to Boundary Campground</p>	<p>Maintain service quality through input from citizens and stakeholders.</p>	<p>Maintain service quality through input from citizens and stakeholders.</p>
Strategic Foundation	<p>Utilize long-range financial planning and make adjustments to address emerging issues.</p> <p>Work toward diversification of revenue sources.</p> <p>Respond to opportunities for grants and other available revenue sources.</p> <p>Maintain adequate and appropriate fund balances to ensure long-term financial stability.</p>	<p>Identify the essential service personnel who need housing in or near the City to meet the rapid response needs for the health, safety and welfare of the residents and visitors.</p> <p>Ensure that decisions made by the City are consistent with the Comprehensive Plan.</p>	<p>Diversify and strengthen the City's economic base, support transportation development and improvements that will improve access to and from Sun Valley.</p>	<p>Improve communications with the public to ensure the ready availability of information about City programs and services to residents and visitors.</p> <p>Make progress toward fair open and transparent government.</p>	<p>Direct organizational activity by development of City Council policy and policy oriented action.</p> <p>Maintain quality service by engaging in appropriate City Council policy development and implementation and resource allocation.</p> <p>Improve attendance and reporting by Council Members on committee and liaison assignments.</p>



## Budget Summary FY 11 By Fund



### Revenues

General Fund	4,714,708
Debt Service Fund	619,500
Workforce Housing Fund	17,700
Transfer In	<u>201,000</u>
<b>Total</b>	<b>5,552,908</b>

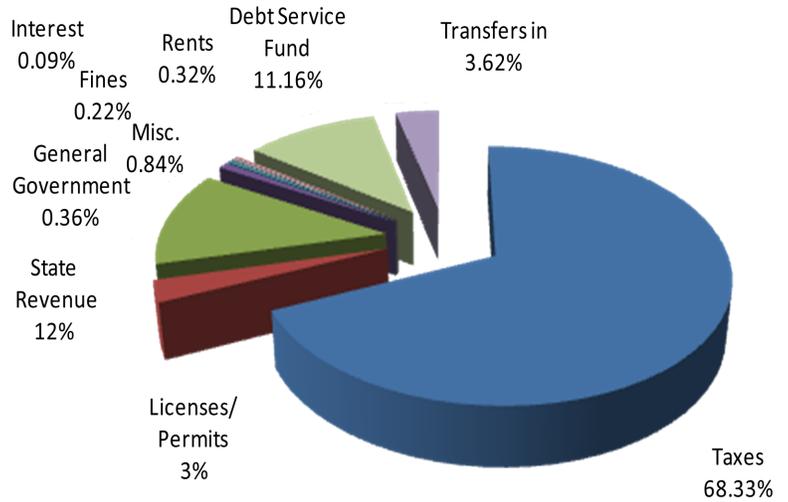
### Expenditures

General Fund	4,914,708
Debt Service Fund	620,500
Work Force Housing Fund	<u>17,700</u>
<b>Total</b>	<b>5,552,908</b>

# BUDGET SUMMARY FY 11

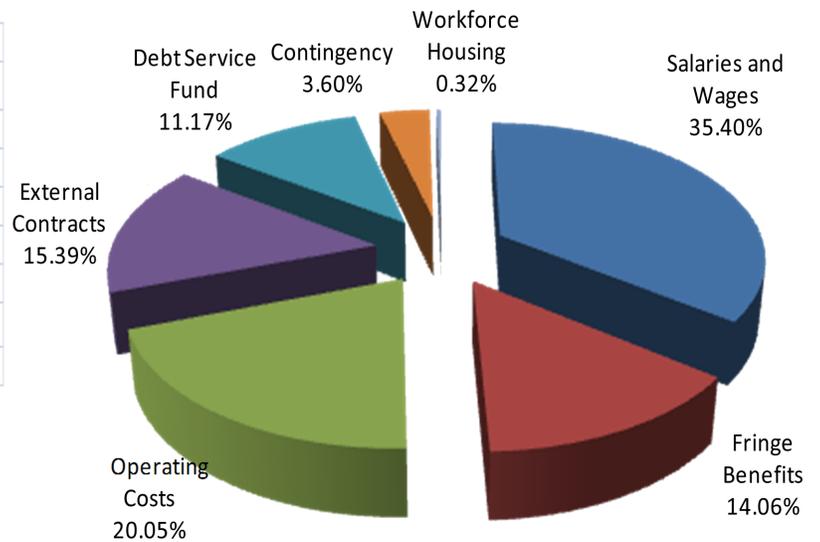
## Revenues by Source

Revenues	
Taxes	3,794,127
Licenses/Permits	152,500
State Revenue	684,481
Misc.	46,600
General Government	20,000
Interest	5,000
Fines	12,000
Rents	17,700
Debt Service Fund	619,500
Transfers in	201,000
<b>Total</b>	<b>5,552,908</b>



## Expenditures by Category

Expenditures	
Salaries and Wages	1,966,005
Fringe Benefits	780,680
Operating Costs	1,113,323
External Contracts	854,700
Debt Service Fund	620,500
Contingency	200,000
Workforce Housing	17,700
<b>Total</b>	<b>5,552,908</b>







## LEVY AND BUDGET PROCESS

One of the tools available to assist in fulfilling management's responsibilities to the public is the budget. It is the device that translates activities into dollars so that measurement, control and better management of resources can take place. The levy and budget process is used in order to provide more effective service to the citizens.

## BASIS OF BUDGETING

The City of Sun Valley does not distinguish between Basis of Budgeting and Basis of Accounting. The principles set forth as the Basis of Accounting are observed in the budgeting process. A fund's Basis of Budgeting and Basis of Accounting determines when a transaction or event is recognized with a fund's operating statement. The City of Sun Valley has only governmental funds. Therefore, the budget is prepared and reported on a modified accrual basis. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., 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. The City considers property taxes as available if they are due before the end of the year and collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

## APPROPRIATION AND BUDGET LAWS

Idaho law § 63-802 limits the amount of revenue that any taxing district can collect from property taxes. That amount is limited to 3% above that of the previous year. Blaine County taxing districts have some of the lowest levy rates in Idaho. A lower levy rate means that even if property values increase, the percentage of the value of the property that each taxing district collects in property taxes decreases.

Idaho Code § 50-1007 requires that cities "shall certify to the county commissioners the total amount required from a property tax upon property within the city to raise the amount of money fixed by their budget as previously approved..." The certification includes taxes levied for payment of outstanding bonds and any special levies. The City Council is required to certify the total property tax levy (in dollars) for the upcoming fiscal year to the county commissioners not later than the Thursday preceding the second Monday in September, unless granted an extension of up to seven working days by the county commissioners.

Idaho law requires that all property be assessed at current market value, which is the value that a homeowner would receive if the home or property were sold. Once the current market value is determined by the County Assessor's office, then a property tax rate, called a levy, is applied to that value to determine the taxes payable to the county, the city in which the property is located, the school district, fire district, etc. The levy is a function of the assessed values and the budgetary needs determined by each district.

See the Supplemental Data section of this budget for relevant Idaho State Statutes.

## BUDGET PROCESS

The fiscal year for cities in Idaho is October 1 through September 30, which is the same for Idaho counties and the federal government. Pursuant to Idaho Code § 50-1001, cities must notify the county clerk, by April 30, of the date, time and place of the budget hearing for the upcoming fiscal year.

Idaho Code requires that the annual budget be prepared prior to passage of the appropriations ordinance. The purpose of the budget is to establish a ceiling for expenditures and property tax levies that may not be exceeded in the appropriations ordinance. The budget sets forth:

- Estimated revenues and expenditures (including interest and principal payments on debt) for the upcoming fiscal year;
- Expenditures are classified by department, fund or service, and revenues are classified by source; and
- The budget must include actual revenues and expenditures from the prior fiscal year, budgeted revenues and expenditures for the current fiscal year, and proposed revenues and expenditures for the upcoming fiscal year.

Once the budget has been formulated, the City Council approves the tentative budget. Following approval of the tentative budget, notice is given on the date and time of the public hearing. The public hearing on the budget occurs prior to the certification of the property tax levy (appropriation ordinance).

The public hearing provides citizens the opportunity to testify concerning the proposed revenues and expenditures. Once the public hearing is complete, the City Council approves the appropriation ordinance, which is the official enactment of the City's budget, which takes effect upon publication in the official city newspaper.

Idaho Code § 50-902 provides that ordinances must be read on three different days. Two readings may be by title only. One reading must be in full. However, the City Council may dispense with the reading rule by a vote of one half plus one of the members of the full Council.

## 2010 LEVY AND FY 11 BUDGET PREPARATION CALENDAR MAJOR EVENTS

<b>Date</b>	<b>Activity</b>
April 15, 2010	City Council set the date for public hearing on the FY 11 budget.
May 26, 2010	City Council discussion of External Contracts, adoption of FY 11 Council Priorities and discussion of financial policies affecting the budget process.
June 3, 2010	City Council discussion of the FY 11 Draft Budget.
June 14, 2010	City Council discussion of the FY 11 Draft Budget.
June 28, 2010	City Council approved the FY 11 Tentative Budget.
August 3, 2010	Public hearing on the Tentative Budget; first reading of the FY 11 Budget and Appropriation Ordinance.
August 10, 2010	Second reading of the FY 11 Budget and Appropriation Ordinance.
August 17, 2010	Third reading of the FY 11 Budget and Appropriation Ordinance and adoption of Ordinance #433 FY 11 Budget and Appropriation Ordinance.

## BUDGET AMENDMENT

The City is permitted to amend the Appropriation Ordinance during the fiscal. The City must provide public notice of a hearing to consider amendment to the Appropriation Ordinance.

Idaho Code § 50-1003 also permits cities to make additional appropriations during the fiscal year if sanctioned by a majority of the legal voters of a city, either by petition or special election.



## APPROPRIATION AND BUDGET CYCLE

<b>February</b>	Strategic Planning/ Discussion of Council Priorities					Monitoring of revenues and expenditures.  Analysis of revenues.
<b>March</b>		Set the date for the public hearing. Review of the City's financial position. Discussion of draft budget.				
<b>April</b>						
<b>May</b>		Budget directions for Dept. Directors.	Preparation of departmental preliminary budgets.			
<b>June</b>			Preparation of draft budget at the direction of Mayor.	Mayor and City Council meet to discuss a draft budget. Approval of Tentative Budget. Public hearing on Tentative Budget. Final approval of Budget and Appropriation Ordinance.		
<b>July</b>						
<b>August</b>				Staff prepares final budget document and submits to GFOA for consideration of awards program.		
<b>September</b>						
<b>October</b>						
<b>November</b>						
<b>December</b>						
<b>January</b>						

The appropriation and budget cycle is comprised of a number of activities that overlap and take place during the year. Early in the calendar year, February through May, the Mayor and City Council engage in strategic planning and discuss Council priorities.

Pursuant to Idaho Code § 50-1002, the City must set the date for the public hearing on the budget and notify the Blaine County Clerk of the date, time and place of the budget hearing by April 30 of each year. During the months of March through June, Finance Department staff begins review of the City's financial position. The Finance Director and City Administrator meet with the Mayor to discuss a draft budget. The Finance Director begins preparing budget instructions for Department Heads.

In the months of May through July, preliminary departmental budgets are prepared and discussed with the Finance Director and City Administrator. A draft budget is prepared by Finance Department staff at the direction of the Mayor.

During the months of June through August, the Mayor and City Council meet to discuss the draft budget that has been presented by the Mayor. The Mayor and City Council may meet several times with adjustments made to the draft budget pursuant to Mayor and City Council discussions. Once the Mayor and City Council have agreed on a draft budget, City Council takes action to approve a tentative budget.

The public hearing on the tentative budget is held pursuant to City Council's earlier decision. During the public hearing the Mayor and City Council hear testimony from the public on the proposed revenues and expenditures in the tentative budget. The Mayor and City Council may adjust the tentative budget within the governmental funds following the public hearing. However, if changes are made that increase a fund budget, an additional public hearing must be provided pursuant to Idaho Code.

The Budget and Appropriation Ordinance is passed following the public hearing. The budget is passed by ordinance which requires three reading on three different days, unless waived by the City Council. The Budget and Appropriation Ordinance is the official enactment of the City's budget.

Staff works to prepare the final budget document which is submitted to the Government Finance Officers Association (GFOA). GFOA is the professional association of state, provincial and local finance officers in the United States and Canada. The GFOA Budget Awards Program is a program designed to encourage governments to prepare budget documents of the highest quality to meet the needs of decision-makers and citizens. Experts in government finance review budgets submitted for consideration of the budget awards program. Budgets meeting the awards criteria established by GFOA are issued the Distinguished Budget Presentation Award.

Throughout the year revenues and expenditures are monitored and revenues are analyzed. If revenues are less than expected during the year, expenditures will be adjusted to stay within budget.

## PLANNING PROCESSES

There are a number of planning processes that the City engages in annually. A complete list of the planning processes is set forth below. The plans are developed and reviewed annually. The plans range from annual, with a time frame of one year, to long-term, with a time frame of 10 years and beyond. The resulting plans have a significant impact on the current and future budgets. By engaging in the various planning processes, staff, the Mayor and the City Council has the information needed to manage resources efficiently and minimize debt.

Plan	Type of Planning Process	Description of Process	Budget Impact
<b>Grounds Maintenance Plan</b>	Annual (1 year) plan for City grounds.	Estimation of costs for planting and maintenance of City green space.	Allows for a stable level of expenditures to ensure continued maintenance.
<b>Technology Planning Plan</b>	Short range planning (1-3 years) to replace or upgrade technology hardware and software.	Evaluation of technology hardware and software and determination of useful life.	Allows for funding for replacements and maintenance of technology related hardware and software.
<b>Fixed Asset Plan</b>	Mid range planning (3 -5 years) for replacement of fixed assets such as vehicles and large equipment.	Departments provide schedules for replacement of fixed assets such as vehicles and major equipment.	Allows for the funding of replacements at an established level to minimize impact on operating budget.
<b>Building Maintenance Plan</b>	Mid-range planning (3-5 years) for facility repairs and maintenance projects.	Identifying major repairs and maintenance work on City facilities.	Provides for stable annual level of expenditures for facility maintenance.
<b>Capital Projects Plan</b>	Long range planning (5-10 years and beyond) to identify potential capital projects.	Possible projects are identified and evaluated and costs estimated.	Allows for planning of any necessary debt service or impact on fund balance.
<b>Operating Budget Forecast Plan</b>	Long range planning (5-10 years and beyond) projecting operating budget expenditures to facilitate financial planning.	Budget staff works with departmental staff to determine key forecast assumptions and project revenues and expenditures.	Provides for budget stability, planning for future resource allocation and decision making.
<b>Strategic Plan</b>	Long range planning (5-10 years and beyond) with goals and objectives established for each budget year.	City Council meets to discuss, review and revise the future direction of the City.	Enables City to identify priorities and allocate resources accordingly.



## FINANCIAL POLICIES

The City of Sun Valley financial policies provide a basic framework for the overall fiscal management of the City. The policies represent a foundation to address changing circumstances and conditions, and assist in the decision making process. The financial policies represent guidelines for evaluating both current activities and proposals for future programs. Additionally, the policies:

- demonstrate to the residents of Sun Valley that the Mayor and City Council are committed to a strong fiscal operation;
- provide precedents for future policy makers and financial managers on common financial goals and strategies;
- present fairly and with full disclosure, the financial position and results of the financial operations of the City in conformity to Generally Accepted Accounting Principles (GAAP); and,
- demonstrate compliance with finance related legal and contractual issues in accordance with provisions of Idaho Code and other pertinent legal documents and mandates.

Current and long-range financial stability is essential to enable the City to meet the goals identified in the annual budget and to continue to provide high levels of programs and services. The City works to maintain financial stability by establishing and observing financial policies and by careful and frequent monitoring of expenditures and revenue sources.

The Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB) recommend that local governments formally adopt a set of financial policies to guide the budget process and that they disclose those financial policies in their budget. Formal financial policies help to focus discussion and improve decision making by providing clear, agreed upon parameters for decision makers. Financial policies also facilitate the informed participation of other stakeholders in the budget process.

The adopted City policies provided in the following pages are:

- Budget and Appropriation Policy
- Capitalization Policy
- Debt Management Policy
- External Contracts Policy
- Fund Balance Policy, General Fund
- Property Tax Levy Policy
- Revenue and Expenditure Management Policy

## BUDGET AND APPROPRIATION POLICY

**PURPOSE:** The objectives of this Budget and Appropriation Policy are to: define an appropriate budget process; set forth the City's statutory authority; define the basis of budgeting and set standards for the City's annual budget document.

**POLICY STATEMENT:** A budget process and document that is integrated with other activities of government, such as planning and management functions will provide better financial and program decisions and will lead to improved City operations.

**BUDGET PROCESS:** An appropriate budget process is characterized by:

1. Incorporating a long-term perspective such as a strategic plan.
2. Establishing linkages to broad organizational goals.
3. Focusing budget decisions on results and outcomes.
4. Involving and promoting effective communications with stakeholders.

**STATUTORY AUTHORITY:** Idaho Code (the "Code") sets forth the statutory provisions for finances including the annual budget for Idaho Cities Title 50 Chapter 10.

**POLICY:** It is the policy of the Sun Valley City Council to adopt a balanced budget while maintaining fund balances within established policy. A balanced budget requires that anticipated revenues equal the sum of budgeted expenditures for each fund. Revenues are derived from three sources: current revenue sources, new revenue sources and undesignated revenue carried forward from prior years (undesignated fund balances). It is also the policy of the Sun Valley Board that the City budget is adopted and administered based on the highest standards of local governmental budgeting consistent with Generally Accepted Accounting Principles (GAAP), Governmental Accounting Standard Board (GASB) pronouncements, and recommended practices of the Government Finance Officers Association (GFOA) and the National Advisory Council on State and Local Budgeting (NACSLB).

**BASIS OF BUDGETING:** The budget is prepared and reported on a modified accrual basis. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., 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. The City considers property taxes as available if they are due before the end of the year and collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

**PROCEDURES:**

1. The City Council shall review its Strategic Plan annually and agree on broad goals to guide the budget process.
2. The City Administrator and City Treasurer shall prepare and present information to the City Council pertaining to the City's financial condition and projected revenues and expenditures. Based on the City's broad goals and the financial information presented, the Council shall provide guidance to the City Administrator and City Treasurer regarding preparation of the annual budget.
3. The City Administrator shall oversee the preparation and submission of division and departmental budgets for consideration pursuant to direction from the City Council.
4. The operating budget is adopted at the Fund level. Programs and services are evaluated based on results and outcomes.
5. The City Council shall approve a tentative budget and, following all statutory requirements, adopt an annual budget and appropriation ordinance pursuant to the statutory provisions.
6. The Mayor and City Administrator are responsible for administration of the budget and shall observe all statutory responsibilities in administration of the budget.
7. It is the responsibility of the City Council to review financial reports provided during the year.

Adopted: April 16, 2009

## CAPITALIZATION POLICY

**PURPOSE:** The objective of this Capitalization Policy is to comply with Generally Accepted Accounting Principles (GAAP) and comply with the Governmental Accounting Standards Board (GASB) Statement 34.

**PROCEDURES:** The City Council shall periodically review the Capitalization Policy for changes or modifications.

**POLICY:** The Capitalization Policy is as follows:

1. **Minimum Capitalization Amounts:** The minimum capitalization amount for individual items is \$5,000 and for buildings and improvements is \$10,000.
2. **Items Capitalized** will have a useful life of at least two years from the date of acquisition.
3. **Maintenance:** The cost for maintenance will be expensed.
4. **Depreciation Methods:** The following depreciation methods are established:
  - Appliances – 5 years, straight line
  - Tools – 5 years, straight line
  - Equipment – 7 years, straight line
  - Vehicles 7 years, straight line
  - Other Improvements – 20 years, straight line
  - Buildings – 40 years, straight line

## DEBT MANAGEMENT POLICY

**PURPOSE:** The objectives of this Debt Management Policy are to establish parameters for issuing and managing debt.

**POLICY STATEMENT:** The City recognizes the foundation of any well-managed debt program is a comprehensive debt policy. A debt policy sets forth the parameters for issuing debt and managing outstanding debt and provides guidance to decision makers regarding the timing and purposes for which debt may be issued, types and amounts of permissible debt, method of sale that may be used and structural features that may be incorporated. The debt policy should recognize a binding commitment to full and timely repayment of all debt as an intrinsic requirement for entry into the capital markets. Adherence to a debt policy helps to ensure that a government maintains a sound debt position and that credit quality is protected.

A debt policy:

- Enhances the quality of decisions by imposing order and discipline, and promoting consistency and continuity in decision making,
- Rationalizes the decision-making process,
- Identifies objectives for staff to implement,
- Demonstrates a commitment to long-term financial planning objectives, and
- Is regarded positively by the rating agencies in reviewing credit quality.

**STATUTORY LIMITATION:** Idaho Code governs the debt limit of the City. Idaho law § 63-802 limits to 3% above the previous year the amount of revenue that any taxing district can collect from property taxes. The City may increase its extension limitation if it holds a referendum at which voters voting on the issue approve adoption of a higher extension limitation.

**POLICY:** The City has instituted sound debt management practices and will continue to follow practices that reflect positively on the City. Among these are the development of long-term financial plans, management of expense growth in line with revenues and maintenance of an adequate level of operating reserves.

**PROCEDURES:** Prior to a decision to issue any additional debt the City Council shall:

8. Consider how the issuance of debt fits with other long-term strategic planning and financial and management objectives.
9. Undertake a comprehensive review of factors affecting its ability to issue debt including trends in financial performance, service levels, the tax and revenue base, and the impact of debt on its financial outlook. The analysis will incorporate the needs and debt commitments of other governmental entities relying on the same tax base, and how planned debt issuance will affect overall debt on the community.
10. Consideration will be given to factors such as prevailing attitudes on taxes and rates and the general philosophy of the community and its leaders and the City Council's attitude toward risk.
11. The City's Long range capital plan will be current and up to date in all respects.

Adopted: January 15, 2009

## POLICY FOR CERTAIN EXTERNAL CONTRACTS

**POLICY STATEMENT:** The City Council may consider intergovernmental agreements, joint powers agreements, annual contracts for service, or event funding agreements for City services, facilities, special needs and events which are consistent with the mission of the City of Sun Valley.

**POLICY:** Requests by qualified organizations for Intergovernmental agreements, Joint Powers agreements and Annual Contracts for Services shall be submitted during the City's annual budgeting process. Requests for Event Funding agreements shall be submitted according to the Event Funding Request Guidelines and Application Instructions prescribed in Exhibit A1. All applicants shall demonstrate that their request contributes to the health, safety and welfare of the citizens of Sun Valley. All requests shall also be consistent with the goals and objectives of the City's *Comprehensive Plan* or the City Council's annual priorities.

### **PROCEDURES:**

#### **1. Intergovernmental Agreements, Joint Powers Agreements, and Annual Contracts for Services:**

A. Intergovernmental and Joint Power Agreements may be negotiated between the City of Sun Valley and political jurisdictions within Blaine County to provide for regional services administered through cooperative contracts.

Intergovernmental and Joint Power Agreements may be entered into by the City after review, public comment and favorable action by the City Council. Funding of any Intergovernmental and Joint Powers Agreement can be accomplished through a Contract for Services.

B. Annual Contract for Services

1. Annual Contracts for Services may be entered into by the City after review, public comment and favorable action by the City Council.

2. The City of Sun Valley may enter into annual Contract for Services for:

- i. City dispatch services
- ii. City engineering services
- iii. City attorney services
- iv. City parks and recreation services
- v. City transit services
- vi. City auditor services
- vii. City economic development services
- viii. City mutual aid services
- ix. City facilities services
- x. City housing services
- xi. Other necessary and appropriate City services

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<sup>1</sup> Exhibit A is available from the Sun Valley City Clerk.

C. Qualified Organizations

1. Qualified Organizations are established or newly formed organizations and shall provide a business plan including a statement of proposed services or facilities that meet the objectives of the City's *Comprehensive Plan* or the City Council's annual priorities and identify any interface or nexus with other organizations within the Wood River Valley.
2. Factors the City Council may consider include but are not limited to:
  - i. Does the request address a community need within the City's mission?
  - ii. Are the goals and objectives clearly stated for the funding requested, and outcomes adequately measurable?
  - iii. Is the budget realistic and sufficiently detailed in expected revenues and expenditures?
  - iv. Is the plan for reporting and audit sufficient to meet the City's responsibility for public funds?
  - v. Does the initiative have or will it likely secure additional funding?
  - vi. Will funding be sought again in future years? If so, what is the plan for eventual independence from City support?

D. Contract requests shall include the following, and also such additional information as may be requested by the City Council:

1. Quantifiable goals and objectives,
2. A demonstration of public benefit and direct services to City residents,
3. A demonstrated need for the program or activity,
4. An accounting of the funds including an explanation of how the organization is cooperating with existing related programs,
5. Additional funding sources that may be used to leverage resources,
6. A financial plan demonstrating managerial and fiscal competence.

E. Miscellaneous Provisions

1. Contracts are entered into on an annual basis with no expectation of continued funding and are contingent upon available funding.
2. The City may, at any time, request a written report documenting the use of funds and level of support to citizens, visitors and the local work force.

**2. Event Funding Agreements:**

- A. The Sun Valley City Council will consider requests for Event Funding Agreements from Qualified Organizations for those events which will increase Sun Valley's local option tax, engage Sun Valley's business community and benefit the quality of life of the citizens of Sun Valley.
- B. All Event Funding agreements are subject to the Event Funding Request Guidelines and Application Instructions attached hereto as Exhibit A. Event Funding agreements may be entered into by the City after review, public comment and favorable action by the City Council.

Adopted June 11, 2009  
Amended November 18, 2010

# FUND BALANCE POLICY

## GENERAL FUND

**PURPOSE:** The objectives of this Fund Balance Policy are: to provide for contingency or emergency spending; to preserve the credit worthiness of the City of Sun Valley; to avoid interest expenses for operating budget needs; and to stabilize fluctuations from year to year in property taxes collected and paid to the City.

**PROCEDURES:** In order to achieve the objectives of this Policy, the Mayor and City Council shall adhere to the following procedure:

1. As part of the annual budget and levy process, the City Administrator and City Treasurer will estimate the surplus or deficit for the current year and prepare a projection of the year-end General Fund fund balance. Estimates will include balances for unreserved and reserved (both designated and undesignated) fund balances.
2. Projections will include an analysis of trends in fund balance levels on a historical and future projection basis.
3. The Mayor and City Council shall review the Fund Balance Policy annually for changes or modification taking into consideration factors such as predictability and volatility of revenues and expenditures, availability of other resources, liquidity and existing or potential designations of fund balances.

**POLICY:** The Fund Balance Policy is:

1. An annual appropriated budget is adopted for the General Fund. The Financial Statements and Independent Auditor's Report are prepared at the end of the fiscal year. The Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. All appropriations lapse at the end of the fiscal year. Excess revenues over expenditures for the fiscal year accumulate in the General Fund fund balance.
2. The City shall maintain at all times in its General Fund, an unreserved, designated fund balance entitled "Fiscal Policy Reserve" of no less than the equivalent of 16 weeks and no more than the equivalent of 32 weeks of regular General Fund operating expenditures, based on its annual General Fund Budget. The amount of the Fiscal Policy Reserve will be established by the City Council in its adoption of the Annual Budget.
3. The Fiscal Policy Reserve is maintained to mitigate current and future risks (e.g. revenue shortfalls and unanticipated expenditures) and to ensure stable tax rates. The City will exercise diligence in avoiding the appropriation of Fiscal Policy Reserves for regular General Fund operating expenditures.
4. General Fund balances that exceed the maximum level established for each designated or reserved fund may be appropriated for non-recurring capital projects or programs.
5. As the City Council deem necessary, they may designate a portion of the unreserved undesignated fund balances for an intended purpose such as capital improvements.

## PROPERTY TAX LEVY POLICY

**PURPOSE:** Idaho code (the “Code”) provides that a city is empowered to levy taxes for general revenue purposes (IC 50-235). The objectives of this City Council Property Tax Levy Policy are: (1) to annually evaluate the need for a levy; (2) determine the amount of the levy, and; (3) consider the levy amount for each City fund.

**POLICY STATEMENT:** Property taxes are a significant revenue source for the City of Sun Valley. The current level and quality of programs and services could not be maintained without collecting the allowable amount of revenue through the property tax levy. Along with maintaining the current level and quality of programs and services, the City Council is committed to ensuring that all City revenues are used wisely and for the purposes intended.

**STATUTORY AUTHORITY:** Idaho Code sets forth the statutory provisions for the Levy and Apportionment of Taxes for Idaho Cities Title 63 Chapter 8.

**POLICY:** The Property Tax Levy Policy is to strive to:

1. Levy the amount necessary to defray City expenses.
2. Continue the optimal level and quality of programs and services.
3. Maximize non-property tax based revenue.
4. Consider the factors below in determining the levy.

**PROCEDURES:** The Sun Valley City Council shall adhere to the following procedures:

1. Observation of all Idaho state statutes governing the Levy and Apportionment of Taxes. As part of the annual budget and levy process, the City Administrator and City Treasurer will present information to the City Council regarding the allowable property tax levy.
2. In determining the levy, the City shall consider each fund’s statutory authority, purpose and projected:
  - a. Revenues
  - b. Expenditures
  - c. Fund balance
  - d. Five-year revenues and expenditures.
3. The City Council shall determine that the amount of money collected by the property tax levy is necessary to defray City charges.

Adopted April 16, 2009  
Amended June 14, 2010

## REVENUE AND EXPENDITURE MANAGEMENT POLICY

**PURPOSE:** The objective of this Revenue and Expenditure Management Policy is to provide guidance for management decisions to ensure consistency and quality control in revenue and expenditure management.

**POLICY STATEMENT:** Development and use of revenue and expenditure policies aid in the consistent provision of public services and help ensure financial stability regardless of economic fluctuations.

The Government Finance Officers Association (GFOA), through its recommended practices, endorsement of the National Advisory Council on State and Local Budgeting (NACSLB) recommended budget practices, and the GFOA Distinguished Budget Presentation Awards program, recommends that governments develop financial policies. This Revenue and Expenditure Management Policy is part of a comprehensive financial policy program.

**REVENUE POLICY:** The Revenue Policy supports the following practices to provide financial stability and avoid potential service disruptions:

- 1) Diversification and stabilization: A diversified and stable revenue system will be maintained as a protection from short-run fluctuations. One-time revenues will not be used to fund ongoing expenditures. The use of one-time revenues is limited to the purpose for which they were intended, or for a capital expenditure.
- 2) Revenue estimates: Revenues will be estimated conservatively, using an objective and analytical approach appropriate for City revenues. Multi-year forecasts will be utilized to give the Council lead-time to react to expected revenue shortfalls or windfalls.
- 3) User fees: User fees will be set at appropriate levels in order to recover a portion of the costs associated with providing the service. The fees will be reviewed as needed, but in no case longer than every other year.
- 4) Taxes: The Council will strive to evaluate tax sources to minimize the property tax cost to achieve optimal City services.<sup>1</sup>

**EXPENDITURE POLICY:** The Expenditure Policy is to use prudent expenditure planning and accountability to ensure fiscal stability through the following practices:

- 1) Maintenance of Capital Assets: Within the resources available each fiscal year, the City shall maintain capital assets and infrastructure at a sufficient level to protect the City's investment, to minimize future replacement and maintenance costs and to continue service levels.
- 2) Pension Funding: The City shall fully fund all pension obligations.
- 3) Program Review: Develop and use technology and productivity advancements that will help reduce or avoid increasing costs.

Adopted: January 15, 2009  
Amended June 14, 2010

<sup>1</sup> The Council's complete policy on property taxes will be set forth separately in its Property Tax Levy Policy

## ACCOUNTING POLICIES

The City of Sun Valley is a municipal corporation existing under the laws of the State of Idaho Code §50-101. The City's financial statements are prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units, hereinafter referred to as Generally Accepted Accounting Principles, (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's significant accounting policies are described below.

## FINANCIAL REPORTING ENTITY

The financial reporting entity is the City of Sun Valley. The elected officials of the City are financially accountable for the City. The City has an elected Mayor and a four member Council having the authority and responsibility to levy taxes, expend funds, designate management, prepare and modify the annual budget, and the authority to issue debt. The City of Sun Valley is not included as a component of any other entity.

## BASIS OF PRESENTATION FUND ACCOUNTING

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses as appropriate. Government resources are allocated to, and accounted for, in individual funds based on the purposes for which they are to be set and the means by which spending activities are controlled. Funds are classified into the following categories: governmental, propriety and fiduciary.

Governmental funds are used to account for all of the City's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of capital assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all activities of the City not accounted for in some other fund.

The City has no proprietary or fiduciary funds.

## GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The City's government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the City. The effect of material inter-fund activity has been eliminated from the statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statement.

For a description of the governmental funds reported by the City see the section titled Fund Organization, Fund Types and Description of Funds.

## BASIS OF ACCOUNTING

The City does not distinguish between Basis of Budgeting and Basis of Accounting. The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue and additions are recorded when earned; and expenses and deductions are recorded when a liability is incurred. Property taxes are recognized as revenues in the year for which they are levied (i.e., intended to finance). 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 the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., 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. The City considers property taxes as available if they are due before the end of the year and collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Charges for services and miscellaneous revenues (except investment income) are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment income is susceptible to accrual and is recognized as revenue of the current period since recognition criteria indicated above are met.

In applying the susceptible to accrual concept to intergovernmental revenues (i.e., federal and state grants), the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditures and are generally revocable only for failure to comply with prescribed

eligibility requirement, such as equal employment opportunity. These resources are reflected as revenues at the time of receipt or earlier if they meet the availability criterion.

The City reports deferred/unearned revenue on its financial statements. Deferred revenues arise when potential revenue does not meet both the measurable and available or earned criteria for recognition in the current period. Deferred revenues also arise when resources are received by the City before it has a legal claim to them; or prior to the provision of services, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the financial statements and revenue is recognized.

### CASH AND INVESTMENTS

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

It is the policy of the City of Sun Valley to invest public funds in a manner which will provide a reasonable market rate of return with maximum security to the invested principal while meeting the daily cash flow demands of the City and conforming to all Idaho State Statutes governing the investment of public funds and particularly Idaho Code § 50-1013.

### RECEIVABLES

Receivables consist primarily of property taxes, intergovernmental and other miscellaneous amounts due to the City.

### COMPENSATED ABSENCES

Vacation time is earned by employees based on length of employment and employee status. Employees are generally required to use their vacation time with the exception that 40 hours can be carried to the following year. Any unused vacation time is paid to employees upon termination.

The City also allows employees to accumulate compensatory time for later use (subject to an established maximum). Accumulated unused compensatory time is paid to the employee on termination.

The City allows for carryover of unused sick time, subject to maximum limits. Upon termination employees are not paid for unused sick time.

Vested or accumulated vacation and compensatory time that is owed to retirees or terminated employees is reported as expenditures and a fund liability of the governmental fund that will pay it in the fund financial statements. Vested or accumulated vacation and compensatory time of governmental activities at the government-wide level is recorded as an expense and liability as the benefits accrue to employees.

## CAPITAL ASSETS

Capital assets, which include property and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and have an estimated useful life in excess of two years. The minimum capitalization amount for individual equipment is \$5,000 and for buildings and improvements is \$10,000. 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 asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects. Property and equipment is depreciated using the straight-line method.

## LONG-TERM OBLIGATIONS

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

## FUND BALANCES/ NET ASSETS

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. In the government-wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose. Funds invested in capital assets, net of related debt, represent the book value of capital assets. This does not include any outstanding long-term debt that has been issued to construct capital assets.

**DEPOSITS WITH FINANCIAL INSTITUTIONS**

Custodial credit risk for deposits with financial institutions is the risk that in the event of bank failure, the City's deposits may not be returned. The City's investment policy requires pledging of collateral for all non-negotiable certificates of deposit.

**PROPERTY TAXES**

The City's property tax is levied each calendar year on all taxable real property located in the City. For governmental funds, property taxes received in the period intended to finance, and collected within 60 days subsequent to year-end are recorded as revenue.

The County Assessor is responsible for assessment of all taxable real property within Blaine County, except for certain railroad property which is assessed directly by the State. Reassessments occur based on market conditions. The County Clerk computes the annual tax for each parcel of real property and prepares tax books used by the County Assessor as the basis for issuing tax bills to all taxpayers in the County.

Property taxes are collected by the County Assessor and are submitted to the County Treasurer, who remits funds to the taxing units based on their respective share of the collections. Taxes are levied in one year, and become due and payable in two installments on or about June 1 and December 1 during the following year.

Blaine County divides the City of Sun Valley into 14 Code Areas. Depending on the location of property in the City, in 2009 a Code Area had between 7 and 12 tax levies.

The twelve tax levies within the City of Sun Valley are set forth to the right. The tax rate for each levy depends on the amount of the levy for that year divided by the assessed valuation of the jurisdiction for that year.

$$\frac{\text{Levy Amount}}{\text{Assessed Valuation}} = \text{Levy Rate}$$

<b>Tax Levies in Sun Valley</b>
County
Land, Water & Wildlife (Other Levies)
Ambulance
Recreation
<b>SV City</b>
<b>SV Bond</b>
School District # 61
SV Water & Sewer
SV Water & Sewer Bond 2004
SV Water & Sewer Bond 2007
Ketchum Cemetery
Flood # 9

**RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; illnesses of employees; and natural disasters. The City purchases third party indemnity insurance for general liability, property casualty, worker's compensation and health risk exposures. The policies are in effect annually from October 1 through September 30. The policies limit the City's exposure to

deductibles of \$500 per occurrence.

## CONTINGENT LIABILITIES

Amounts received and receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State of Idaho and the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

## FUND ORGANIZATION FUND TYPES AND DESCRIPTION OF FUNDS

For accounting purposes a state or local government is not treated as a single integral entity. Rather, a government is viewed as a collection of smaller separate entities known as “funds”. The Governmental Accounting Standard Board’s (GASB) Codification of Governmental Accounting and Financial Reporting Standards (Codification), §1300, defines a fund as:

A fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitation.

All of the funds used by a government must be classified into one of eleven fund types.<sup>1</sup> Four of these fund types are used to account for a state or local government’s “governmental-type” activities and are known as “governmental funds.” Two of these fund types are used to account for a government’s “business-type” activities and are known as “proprietary funds.” Finally, the seventh fund type is reserved for a government’s “fiduciary activities.”

### City of Sun Valley Fund Descriptions:

The **General Fund** is usually the largest and most important of the governmental funds. The General Fund is the primary operating fund and the most important in terms of the operating budget. It is “general” because any transaction that cannot be accounted for in another fund must be recorded in the General Fund. The City of Sun Valley General Fund consists of eight departments; Legislation, Administration, Community Development, Police, Fire, Building, Street, and Other General Government. In FY 2010, the Street Department ceased to be an independent fund and became a part of the General Fund. This change was initiated so that the true cost of personnel salaries and department operating costs could be tracked and managed in a precise manner.

The **Fixed Asset Fund** accounts for all revenues and expenditures to finance assets that have a useful life exceeding two years and have a significant value. A fixed asset can be categorized as land, building, equipment, improvements other than buildings, construction in progress and intangibles.

The **Debt Service Fund** accounts for financial resources to be used for the redemption of

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<sup>1</sup> The eleven basic fund types are grouped into three categories: governmental, proprietary and fiduciary. The governmental fund category includes general fund, special revenue funds, debt service funds, and capital improvement funds. The Proprietary (business-type) funds category includes enterprise funds and internal service funds. The Fiduciary funds category includes investment trust funds, private-purpose trust funds, pension trust funds and agency funds.

principal, interest and paying fees for General Obligation Bonds issued on behalf of the City. The purpose of establishing a separate fund for bond repayment is to demonstrate that money to pay back the debt has been set aside.

The ***Land Acquisition Fund*** accounts for financial resources for the acquisition of land by the City.

The ***Capital Improvement Fund*** accounts for financial resources used to construct or acquire capital facilities. Revenues flowing into the fund may include general obligation bond proceeds that were authorized for the project, state and federal grants and current taxes. Expenditures flowing out of the fund are usually payments to contractors for project design and construction.

The ***Work Force Housing Fund*** accounts for financial resources to support housing for City employees.

## Annual Revenue Forecasting Process

### **Step 1**

Establish Base Year with  
Previous Actual Revenue  
Collections

### **Step 2**

Assess Revenue Growth Trend

### **Step 3**

Specify the Underlying  
Assumptions

### **Step 4**

Select Most Appropriate  
Forecasting Method to Project  
Future Revenue

### **Step 5**

Assess Reliability and Validity  
of the Revenue Forecast

### **Step 6**

Monitor and Compare Revenue  
Collections with Projected  
Revenue

### **Step 7**

Update Revenue Forecast

