

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2018

AUDIT REPORT

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2018

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CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2018

John Muhlfeld

Mayor

CITY COUNCIL

Richard Hildner
Frank Sweeney
Katie Williams
Andy Feury
Melissa Hartman
Ryan Hennen

Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

CITY OFFICIALS

Adam Hammatt
Angela Jacobs
Michelle Howke
Dana Smith

City Manager
City Attorney
City Clerk
Assistant City
Manager/Finance Director

CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

The discussion and analysis of the City of Whitefish's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. The City encourages readers to consider the information presented in conjunction with the City's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2018 by \$101,009,571 as reported in the Statement of Net Position. This figure represents an increase of \$7,932,827 in net position from the prior year.
- The total fiscal year end governmental fund balance was \$12,798,741 as reported in the balance sheet for governmental funds. This figure represents an increase of \$1,024,423 from the prior year.
- The unassigned General Fund balance at fiscal year-end was \$1,075,290. This figure represents an increase of \$140,845 from the prior year.

EXPLANATION OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components:

1. Government-wide financial statements
2. Fund Financial Statements
3. Notes to the Financial Statements

Other required supplementary information is also included at the end of the financial section.

The **government-wide financial statements** are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting.

The **Statement of Net Position** presents information on all of the City's (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating.

The **Statement of Activities** presents information reflecting how the City's net position has changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. delinquent taxes and earned, but unused vacation leave).

CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, social and economic services, public works, planning, culture and recreation, housing and economic development, and debt service. The business-type activities of the City include water, wastewater, and solid waste operations.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds - Governmental funds are used to account for those same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when measurable and available and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and similar long-term items which are recorded when due. Therefore, the focus is on near-term inflows and outflows of spendable resources as well as on the balance of spendable resources available at the end of the fiscal year.

Since the focus of the governmental funds is on near-term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison.

Proprietary Funds - There are two types of proprietary funds: enterprise and internal service funds. The City maintains only enterprise funds, which are used to report the same functions presented as business-type activities in the government-wide statements. The City uses enterprise funds to account for its water, sewer, and solid waste operations.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the government and are not included in the government-wide financial statements as the resources of these funds are not available to support the City's own programs.

The Volunteer Fire Pension Trust Fund is used as a clearing account for assets held by the City until the funds are disbursed to the Fire Department Relief Association. Two administrative agency funds for payroll and claims are also used as clearing accounts.

Notes to Financial Statements

The notes to the financial statements provide additional narrative and information that is essential to obtaining a complete understanding of the data provided in the government-wide and fund financial statements.

CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

Other Required Supplementary Information

In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the City's budgetary control, schedule of changes in the total OPEB liability and related ratios, and schedule of net pension liability and contributions is provided.

FINANCIAL ANALYSIS OF THE CITY

Over time, net position serves as a useful indicator of a government's financial condition. The net position for both governmental and business-type activities for the fiscal year ending June 30, 2018 totaled \$101,009,571, which is an increase of \$7,932,827 from the prior year. In fiscal year 2015, the City implemented GASB Statement No. 68, which affected both governmental and business-type activities and continues to affect net position in FY18 as noted in the negative unrestricted net position for governmental activities. Although the pension retirement systems are administered by the State of Montana, including determining required contributions for each plan, the City is required to report the related liability per GASB Statement No. 68. attributed to the different plans.

The City's largest portion of net position reflects investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens. Although the City's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents resources that are subject to external restrictions on how they may be used. The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.

The following table presents consolidated information on the City's net position as of June 30, 2018 and June 30, 2017.

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY18</u>	<u>FY17</u>	<u>Change Inc (Dec)</u>	<u>FY18</u>	<u>FY17</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 18,630,280	\$ 17,607,127	\$ 1,023,153	\$ 11,247,713	\$ 10,070,587	\$ 1,177,126
Capital assets	73,933,112	72,810,377	1,122,735	34,124,465	33,520,163	604,302
Total assets	<u>\$ 92,563,392</u>	<u>\$ 90,417,504</u>	<u>\$ 2,145,888</u>	<u>\$ 45,372,178</u>	<u>\$ 43,590,750</u>	<u>\$ 1,781,428</u>
Long-term debt outstanding	\$ 15,993,278	\$ 18,992,015	\$ (2,998,737)	\$ 12,129,105	\$ 13,611,839	\$ (1,482,734)
Other liabilities	7,218,347	6,800,997	417,350	1,585,269	1,526,659	58,610
Total liabilities	<u>\$ 23,211,625</u>	<u>\$ 25,793,012</u>	<u>\$ (2,581,387)</u>	<u>\$ 13,714,374</u>	<u>\$ 15,138,498</u>	<u>\$ (1,424,124)</u>
Net investment in capital assets	\$ 60,807,739	\$ 56,485,824	\$ 4,321,915	\$ 22,760,902	\$ 20,687,600	\$ 2,073,302
Restricted	14,641,134	13,199,140	1,441,994	3,072,506	3,138,677	(66,171)
Unrestricted (deficit)	(6,097,106)	(5,060,472)	(1,036,634)	5,824,396	4,625,975	1,198,421
Total net position	<u>\$ 69,351,767</u>	<u>\$ 64,624,492</u>	<u>\$ 4,727,275</u>	<u>\$ 31,657,804</u>	<u>\$ 28,452,252</u>	<u>\$ 3,205,552</u>

CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

The City's revenues totaled \$29,698,436 for the fiscal year ending June 30, 2018. The total cost of all programs and services for that same period was \$21,545,492. Therefore, the increase in net position was \$7,934,041. The table below presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2018 and June 30, 2017.

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY18</u>	<u>FY17</u>	<u>Change Inc (Dec)</u>	<u>FY18</u>	<u>FY17</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 5,688,296	\$ 4,958,084	\$ 730,212	\$ 7,443,275	\$ 6,543,504	\$ 899,771
Operating grants and contributions	478,039	321,897	156,142	-	-	-
Capital grants and contributions	329,872	88,381	241,491	-	336,086	(336,086)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	8,769,895	8,741,206	28,689	-	-	-
Resort Taxes	3,987,447	3,657,607	329,840	-	-	-
Miscellaneous	503,240	232,402	270,838	-	-	-
Interest/investment earnings	112,140	84,396	27,744	96,367	51,386	44,981
State entitlement	1,090,946	1,086,468	4,478	-	-	-
Franchise/Utility Fees	440,391	394,775	45,616	-	-	-
On-Behalf payments	692,013	594,955	97,058	16,780	18,774	(1,994)
Cash In-lieu revenues	49,735	70,993	(21,258)	-	-	-
Total revenues	<u>\$ 22,142,014</u>	<u>\$ 20,231,164</u>	<u>\$ 1,910,850</u>	<u>\$ 7,556,422</u>	<u>\$ 6,949,750</u>	<u>\$ 606,672</u>
Program expenses						
General government	\$ 1,928,555	\$ 1,401,092	\$ 527,463	\$ -	\$ -	\$ -
Public safety	7,309,044	7,071,209	237,835	-	-	-
Public works	3,141,744	3,068,031	73,713	-	-	-
Social and economic services	3,000	-	3,000	-	-	-
Culture and recreation	2,248,513	2,076,976	171,537	-	-	-
Housing and community development	1,302,630	1,144,945	157,685	-	-	-
Debt service - interest	413,351	404,772	8,579	-	-	-
Miscellaneous	50,792	46,746	4,046	-	-	-
Water	-	-	-	2,498,972	2,169,822	329,150
Sewer	-	-	-	2,642,243	2,220,825	421,418
Solid Waste	-	-	-	6,648	16,322	(9,674)
Total expenses	<u>\$ 16,397,629</u>	<u>\$ 15,213,771</u>	<u>\$ 1,183,858</u>	<u>\$ 5,147,863</u>	<u>\$ 4,406,969</u>	<u>\$ 740,894</u>
Excess (deficiency) before special items and transfers	<u>\$ 5,744,385</u>	<u>\$ 5,017,393</u>	<u>\$ 726,992</u>	<u>\$ 2,408,559</u>	<u>\$ 2,542,781</u>	<u>\$ (134,222)</u>
Gain (loss) on sale of capital assets	(218,903)	-	(218,903)	-	-	-
Transfers - net	(841,488)	(579,241)	(262,247)	841,488	579,241	262,247
Increase (decrease) in net position	<u>\$ 4,683,994</u>	<u>\$ 4,438,152</u>	<u>\$ 245,842</u>	<u>\$ 3,250,047</u>	<u>\$ 3,122,022</u>	<u>\$ 128,025</u>

Governmental activities

Revenues for the fiscal year ending June 30, 2018 from governmental activities were \$22,142,014 while expenses were \$16,397,629. Thus, with the \$841,488 in transfers-out and loss on the sale of capital assets of \$218,903, net position increased \$4,636,178. Total governmental revenues increased from the prior year by \$1,910,850. The increase in revenues was primarily due to increased property taxes and assessments, as well as increased Resort Tax collections. Overall expenses increased by \$1,183,858, which was mostly due to increases in general government activities and public safety that was offset by decreases in public work activities. Increases in wages and benefit, as well as the costs of post-employment benefits and pension costs all continue to be contributing factors.

CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

Business-type activities

Revenue for the fiscal year ending June 30, 2018 from business-type activities was \$7,556,422. Expenses were \$5,147,863 and net transfers-in totaled \$841,488, which resulted in an increase in net position of \$3,250,047. Charges for services revenue increased by \$899,771 from the previous year due to rate increases for both water and sewer service as the City prepares for the complete upgrade of the wastewater treatment plant. Total expenses also experienced an expected increase during FY18, which is primarily attributed increased costs for wages and benefits and the timing of capital projects.

Fund Balance – Governmental Funds Balance Sheet

The City's governmental funds reported a total fund balance of \$12,798,741 as of June 30, 2018, which is a \$1,024,423 increase compared to the fund balance of governmental funds as of June 30, 2017. The significant increase in fund balance is primarily due to the stronger building environment, reduced capital costs since the completion of City Hall and the Parking Structure, and improving cash reserves as approved in the FY18 Budget. Of the fund balance at June 30, 2018, \$1,046,269 is unassigned in the General. The remaining fund balance is restricted or committed based on the source of revenue or unassigned due to a negative fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is prepared in accordance with Title 7, Chapter 6, Part 40, MCA (Local Government Budget Act). During fiscal year 2018 five budget amendments were approved by the City Council and are detail below:

Fund	Amount	Reason for Budget Amendment
General Fund	\$39,395.00	To provide for the unexpected damage to the Wave Aquatic & Fitness Center Building during the winter. A claim was filed with the City's property insurance and payment was made to City, which was passed onto the Wave to repair the damage to the building.
Fire & Ambulance Fund	\$240,000.00	To provide for the significant adjustments required by Medicare and Medicaid for ambulance bills. As ambulance rates increase, so do the required adjustments. Additional revenue from ambulance services and the Rescue Care Program helped offset the full \$240,000.
Commercial Lighting City Fund	\$20,000.00	To cover the additional costs of the approved LED Street Lighting Upgrade Project to ensure the City can take advantage of the rebates offered by Flathead Electric Co-op.
Parkland Acquisition & Development Fund	\$6,500.00	To cover the additional costs of the Bakke Improvement Project.
Whitefish Trail Construction Fund	\$95,000.00	To cover expenditures related to the Whitefish Trail Projects with contributions provided by Whitefish Legacy Partners including grants reimbursements.

All other funds expended amounts that were within the budget authority with some funds spending significantly less due to the timing of capital improvement projects and equipment purchases.

CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

Overall the General Fund tracked closely with the budget for both revenues and expenditures, once the budget amendment is taken into account. An increase in Planning Fees and Court Fines & Forfeitures continued into FY18, which is attributed to the strong building environment and the increased issuance of tickets and improved in-house prosecution. The Resort Tax Fund collected \$326,908 more than expected due to the thriving economy and increased collections remitted by local businesses. The Resort Tax Fund also expended less than expected by \$945,118 due to the timing of the Somers Avenue Street Project. The Tax Increment Fund revenues tracked closely with the FY18 Budget, but expenditures were less due to urban renewal project timing. The Fire & Ambulance Fund, once the budget amendment was accounted for, tracked closely with the anticipated budget.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2018 total \$108,057,577. The City's capital assets include easements, land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The depreciation of capital assets is reflected in the various governmental and business-type expense activities. Total depreciation expense incurred for the governmental and business-type activities during fiscal year 2018 totaled \$3,505,137 and \$1,257,905, respectively.

Major capital assets events during fiscal year 2018:

- Finalized construction of City Hall and retail space in new parking structure (~\$1M)
- Purchased vehicles for Building, Police, and Public Works
- Purchased a new Ambulance and Command Vehicle for the Fire Department (~\$260K)
- Purchased new downtown snowblower for Public Works Department (~\$100K)
- Continued making improvements to the Whitefish Trail
- Continued design and construction for multiple water and sewer projects
- Completed Riverside Tennis Courts (~\$182K)
- Completed improvements to Lacrosse Field irrigation system (\$120K)
- Paved parking lot at dog park (~\$76K)
- Expanded the storage facilities for the Parks & Recreation and Public Works Departments (~\$90K)

Long-term Debt

The City's total long-term debt decreased by \$4,196,842 compared to prior fiscal year. Below is a summary of the outstanding long-term debt of the City as of June 30, 2018 compared to June 30, 2017.

Outstanding Long-term Debt				
Purpose/Type	June 30, 2018		June 30, 2017	
<u>Revenue Bonds:</u>				
TIF 2015 Refunding (ESC)	\$	3,722,000	\$	5,147,000
TIF 2016 (City Hall/Park Str.)		7,330,000		9,030,000
Water		7,907,000		9,138,000
Sewer		3,456,563		3,694,563
<u>Special Assessment Bonds:</u>				
SID 166		515,000		585,000
SID 167		769,670		779,000

CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

<u>Intercap Loans:</u>		
Ice Rink	-	15,893
Ambulance	31,252	62,315
Fire Engine	320,104	367,645
Fire Pumper	122,358	152,197
Fire SCBA Units	139,989	185,503
Ambulance	175,000	-
<u>OPEB:</u>		
Governmental*	1,635,938	1,064,761
Business-type	485,789	516,771
<u>Compensated Absences:</u>		
Governmental	1,231,967	1,062,701
Business-type	279,753	262,505
<u>Net Pension Liability:</u>		
Governmental	5,947,490	5,767,896
Business-type	1,117,374	1,012,339
TOTAL	\$ <u>35,187,247</u>	\$ <u>39,384,089</u>

*See notes to financial statements.

FISCAL YEAR 2019 BUDGET AND ECONOMIC FACTORS

During a non-reappraisal year, the growth of property tax revenue is restricted to only newly taxable property that results from new construction or annexations. The taxable value is provided by the Montana Department of Revenue and final figures received resulted in an increase in the City's taxable value for FY19 of 2.18% compared to the prior year. With the growth of taxable value and an increase in the Resort Tax Relief from higher than expected collections through the end of FY18, the FY19 budget balanced with the number of total property tax mills levied by the City remaining the same as the prior year. The only growth in property tax revenue for FY19 is 2.18%, which is from newly taxable property.

Total appropriations for FY19 is \$3,275,314 or 8.0% higher than last year's budget mostly due to an increase in capital projects, the addition of new staff positions, increases in wages and health benefits, a significant increase in interfund transfers, and an increase in cash reserves. The FY19 Budget also provides for some small increases to maintenance assessments to continue to address capital projects so further deferral does not occur. For FY19 a Storm-water Assessment increase of \$50.00 was approved to re-allocate personnel costs from other departments back to the Storm-water Fund. Since 2010 these other departments subsidized the Storm-water fund as a result of the recession and the need to make cuts to help ease the burden on taxpayers. Starting in FY19, the City is working to correct this subsidy and make the Storm-water program self-balancing.

With construction activity remaining strong in the City of Whitefish, the building license and permit revenue is expected to continue the trend from the prior year with higher revenues in FY19. The increase in construction also has a positive impact on the City's impact fees collections. Like the strong construction environment, the spending activity by consumers in the City continues to improve as the Resort Tax collections are tracking higher than the previous year. At the end of the first quarter of FY19, Resort Tax collections were up 6% compared to the prior year's first quarter.

CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

Water and Wastewater service charges for FY19 are anticipated to exceed the prior year due to a rate increase that was effective October 1, 2018. Future rate increases are also expected as the City is working on plans to replace the current wastewater treatment plant that cannot meet certain regulatory treatment standards.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Assistant City Manager/Finance Director, City of Whitefish, P.O. Box 158, Whitefish MT 59937.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Whitefish
Flathead County
Whitefish, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the District adopted a new accounting guidance, GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, (an amendment of GASB no. 45). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 9 and 67 through 74, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, on our consideration of the City of Whitefish, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whitefish, Flathead County, Montana's internal control over financial reporting and compliance.

Derring, Downey and Associates, CPA's, P.C.

June 18, 2019

City of Whitefish, Flathead County, Montana
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 9,074,377	\$ 7,508,530	\$ 16,582,907
Taxes and assessments receivable, net	1,353,153	-	1,353,153
Special assessments receivable	1,885,524	-	1,885,524
Accounts receivable - net	428,192	572,978	1,001,170
Contracts receivable	14,645	-	14,645
Due from other governments	23,908	-	23,908
Total current assets	<u>\$ 12,779,799</u>	<u>\$ 8,081,508</u>	<u>\$ 20,861,307</u>
Noncurrent assets			
Restricted cash and investments	\$ 4,357,904	\$ 2,887,256	\$ 7,245,160
Capital assets - land	8,725,278	8,333,031	17,058,309
Capital assets - construction in progress	3,040,788	1,737,598	4,778,386
Capital assets - depreciable, net	62,167,046	24,053,836	86,220,882
Total noncurrent assets	<u>\$ 78,291,016</u>	<u>\$ 37,011,721</u>	<u>\$ 115,302,737</u>
Total assets	<u>\$ 91,070,815</u>	<u>\$ 45,093,229</u>	<u>\$ 136,164,044</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 1,492,577	\$ 278,949	\$ 1,771,526
Total deferred outflows of resources	<u>\$ 1,492,577</u>	<u>\$ 278,949</u>	<u>\$ 1,771,526</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 92,563,392</u>	<u>\$ 45,372,178</u>	<u>\$ 137,935,570</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 791,303	\$ 50,144	\$ 841,447
Accrued payables	308,982	79,068	388,050
Current portion of long-term capital liabilities	3,751,515	1,520,000	5,271,515
Current portion of compensated absences payable	1,003,954	190,764	1,194,718
Total current liabilities	<u>\$ 5,855,754</u>	<u>\$ 1,839,976</u>	<u>\$ 7,695,730</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 286,986	\$ 286,986
Noncurrent portion of long-term liabilities	1,635,938	485,789	2,121,727
Noncurrent portion of long-term capital liabilities	9,373,858	9,843,563	19,217,421
Noncurrent portion of compensated absences	228,013	88,989	317,002
Net pension liability	5,947,490	1,117,374	7,064,864
Total noncurrent liabilities	<u>\$ 17,185,299</u>	<u>\$ 11,822,701</u>	<u>\$ 29,008,000</u>
Total liabilities	<u>\$ 23,041,053</u>	<u>\$ 13,662,677</u>	<u>\$ 36,703,730</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 170,572	\$ 9,122	\$ 179,694
Deferred inflows of resources - hydro project	-	42,575	42,575
Total Deferred Inflows of resources	<u>\$ 170,572</u>	<u>\$ 51,697</u>	<u>\$ 222,269</u>
NET POSITION			
Net investment in capital assets	\$ 60,807,739	\$ 22,760,902	\$ 83,568,641
Restricted for capital projects	-	2,184,852	2,184,852
Restricted for debt service	7,397,917	887,654	8,285,571
Restricted for special projects	7,243,217	-	7,243,217
Unrestricted	(6,097,106)	5,824,396	(272,710)
Total net position	<u>\$ 69,351,767</u>	<u>\$ 31,657,804</u>	<u>\$ 101,009,571</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	<u>\$ 92,563,392</u>	<u>\$ 45,372,178</u>	<u>\$ 137,935,570</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
Primary government:								
Governmental activities:								
General government	\$ 1,928,555	\$ (170,829)	\$ 454,229	\$ -	\$ -	\$ (1,303,497)	\$ -	\$ (1,303,497)
Public safety	7,309,044	84,935	2,875,173	133,409	64,462	(4,320,935)	-	(4,320,935)
Public works	3,141,744	13,924	1,833,496	151,121	-	(1,171,051)	-	(1,171,051)
Social and economic services	3,000	-	-	-	-	(3,000)	-	(3,000)
Culture and recreation	2,248,513	22,485	525,038	157,142	265,410	(1,323,408)	-	(1,323,408)
Housing and community development	1,302,630	5,005	360	36,367	-	(1,270,908)	-	(1,270,908)
Debt service - interest	413,351	-	-	-	-	(413,351)	-	(413,351)
Miscellaneous	50,792	-	-	-	-	(50,792)	-	(50,792)
Total governmental activities	\$ 16,397,629	\$ (44,480)	\$ 5,688,296	\$ 478,039	\$ 329,872	\$ (9,856,942)	\$ -	\$ (9,856,942)
Business-type activities:								
Water	\$ 2,498,972	\$ 23,350	\$ 3,924,567	\$ -	\$ -	\$ -	\$ 1,402,245	\$ 1,402,245
Sewer	2,642,243	20,886	3,518,708	-	-	-	855,579	855,579
Solid Waste	6,648	244	-	-	-	-	(6,892)	(6,892)
Total business-type activities	\$ 5,147,863	\$ 44,480	\$ 7,443,275	\$ -	\$ -	\$ -	\$ 2,250,932	\$ 2,250,932
Total primary government	\$ 21,545,492	\$ -	\$ 13,131,571	\$ 478,039	\$ 329,872	\$ (9,856,942)	\$ 2,250,932	\$ (7,606,010)
General Revenues:								
Property taxes for general purposes						\$ 8,769,895	\$ -	\$ 8,769,895
Resort Taxes						3,987,447	-	3,987,447
Miscellaneous						503,240	-	503,240
Interest/investment earnings						112,140	96,367	208,507
State entitlement						1,090,946	-	1,090,946
Franchise/Utility Fees						440,391	-	440,391
On-Behalf payments						692,013	16,780	708,793
Gain (loss) on sale of capital assets						(218,903)	-	(218,903)
Proceeds from cash in lieu						49,735	-	49,735
Transfers - net						(841,488)	841,488	-
Total general revenues, special items and transfers						\$ 14,585,416	\$ 954,635	\$ 15,540,051
Change in net position						\$ 4,728,474	\$ 3,205,567	\$ 7,934,041
Net position - beginning						\$ 64,624,492	\$ 28,452,252	\$ 93,076,744
Restatements						(1,199)	(15)	(1,214)
Net position - beginning - restated						\$ 64,623,293	\$ 28,452,237	\$ 93,075,530
Net position - end						\$ 69,351,767	\$ 31,657,804	\$ 101,009,571

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire & Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>SID 167 Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Current assets:								
Cash and investments	\$ 1,136,408	\$ -	\$ 942,320	\$ 155,183	\$ 3,603,477	\$ 9,741	\$ 3,227,248	\$ 9,074,377
Taxes and assessments receivable, net	320,994	-	743,406	87,400	-	-	201,353	1,353,153
Special assessments receivable	-	-	-	-	-	1,249,133	636,391	1,885,524
Accounts receivable - net	24,089	-	-	404,103	-	-	-	428,192
Contracts receivable	-	-	-	-	-	-	14,645	14,645
Due from other funds	368	-	-	-	-	-	-	368
Due from other governments	23,908	-	-	-	-	-	-	23,908
Total current assets	<u>\$ 1,505,767</u>	<u>\$ -</u>	<u>\$ 1,685,726</u>	<u>\$ 646,686</u>	<u>\$ 3,603,477</u>	<u>\$ 1,258,874</u>	<u>\$ 4,079,637</u>	<u>\$ 12,780,167</u>
Noncurrent assets:								
Restricted cash and investments	\$ -	\$ 2,659,604	\$ -	\$ -	\$ 1,698,300	\$ -	\$ -	\$ 4,357,904
Advances to other funds	-	-	-	-	-	-	58,698	58,698
Total noncurrent assets	<u>\$ -</u>	<u>\$ 2,659,604</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,698,300</u>	<u>\$ -</u>	<u>\$ 58,698</u>	<u>\$ 4,416,602</u>
TOTAL ASSETS	<u>\$ 1,505,767</u>	<u>\$ 2,659,604</u>	<u>\$ 1,685,726</u>	<u>\$ 646,686</u>	<u>\$ 5,301,777</u>	<u>\$ 1,258,874</u>	<u>\$ 4,138,335</u>	<u>\$ 17,196,769</u>
LIABILITIES								
Current liabilities:								
Accounts payable	\$ 6,145	\$ 16,163	\$ 602,588	\$ 8,948	\$ -	\$ -	\$ 157,459	\$ 791,303
Accrued payables	103,338	-	9,681	89,119	-	-	106,844	308,982
Due to other funds	-	-	-	-	-	-	368	368
Total current liabilities	<u>\$ 109,483</u>	<u>\$ 16,163</u>	<u>\$ 612,269</u>	<u>\$ 98,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 264,671</u>	<u>\$ 1,100,653</u>
Noncurrent liabilities:								
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,698	\$ 58,698
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,698</u>	<u>\$ 58,698</u>
Total liabilities	<u>\$ 109,483</u>	<u>\$ 16,163</u>	<u>\$ 612,269</u>	<u>\$ 98,067</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,369</u>	<u>\$ 1,159,351</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources	\$ 320,994	\$ -	\$ 743,406	\$ 87,400	\$ -	\$ 1,249,133	\$ 837,744	\$ 3,238,677
Total deferred inflows of resources	<u>\$ 320,994</u>	<u>\$ -</u>	<u>\$ 743,406</u>	<u>\$ 87,400</u>	<u>\$ -</u>	<u>\$ 1,249,133</u>	<u>\$ 837,744</u>	<u>\$ 3,238,677</u>
FUND BALANCES								
Restricted	\$ -	\$ 2,643,441	\$ 330,051	\$ 461,219	\$ 5,301,777	\$ 9,741	\$ 3,006,243	\$ 11,752,472
Unassigned fund balance	1,075,290	-	-	-	-	-	(29,021)	1,046,269
Total fund balance	<u>\$ 1,075,290</u>	<u>\$ 2,643,441</u>	<u>\$ 330,051</u>	<u>\$ 461,219</u>	<u>\$ 5,301,777</u>	<u>\$ 9,741</u>	<u>\$ 2,977,222</u>	<u>\$ 12,798,741</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 1,505,767</u>	<u>\$ 2,659,604</u>	<u>\$ 1,685,726</u>	<u>\$ 646,686</u>	<u>\$ 5,301,777</u>	<u>\$ 1,258,874</u>	<u>\$ 4,138,335</u>	<u>\$ 17,196,769</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2018

Total fund balances - governmental funds	\$	12,798,741
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		73,933,112
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		3,238,677
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(15,993,278)
Proportionate share of ending collective net pension liability		(5,947,490)
Deferred outflows related to net pension liability		1,492,577
Deferred inflows related to net pension liability		(170,572)
Total net position - governmental activities	\$	<u><u>69,351,767</u></u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire & Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>SID 167 Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES								
Taxes and assessments	\$ 2,177,659	\$ 3,987,447	\$ 6,029,946	\$ 595,622	\$ -	\$ -	\$ 1,543,658	\$ 14,334,332
Licenses and permits	79,113	-	-	91,751	-	-	924,350	1,095,214
Intergovernmental	1,032,680	-	285,232	48,045	-	-	285,190	1,651,147
Charges for services	326,063	-	-	1,779,469	-	-	645,667	2,751,199
Fines and forfeitures	351,346	-	-	-	-	-	7,477	358,823
Miscellaneous	175,270	-	59,570	139,448	-	69,655	855,594	1,299,537
Investment earnings	43,540	25,541	-	-	34,046	80	9,292	112,499
Total revenues	<u>\$ 4,185,671</u>	<u>\$ 4,012,988</u>	<u>\$ 6,374,748</u>	<u>\$ 2,654,335</u>	<u>\$ 34,046</u>	<u>\$ 69,735</u>	<u>\$ 4,271,228</u>	<u>\$ 21,602,751</u>
EXPENDITURES								
General government	\$ 749,818	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,477	\$ 757,295
Public safety	2,796,588	-	-	3,042,917	-	-	387,032	6,226,537
Public works	25,100	-	-	-	-	-	1,322,490	1,347,590
Social and economic services	3,000	-	-	-	-	-	-	3,000
Culture and recreation	46,580	-	-	-	-	-	1,586,641	1,633,221
Housing and community development	-	-	1,304,335	-	-	-	3,300	1,307,635
Debt service - principal	-	-	-	153,957	3,125,000	9,330	85,893	3,374,180
Debt service - interest	-	-	-	18,224	316,534	50,664	27,929	413,351
Miscellaneous	-	-	-	-	-	-	50,792	50,792
Capital outlay	94,082	1,083,535	1,079,388	274,497	-	-	2,315,273	4,846,775
Total expenditures	<u>\$ 3,715,168</u>	<u>\$ 1,083,535</u>	<u>\$ 2,383,723</u>	<u>\$ 3,489,595</u>	<u>\$ 3,441,534</u>	<u>\$ 59,994</u>	<u>\$ 5,786,827</u>	<u>\$ 19,960,376</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 470,503</u>	<u>\$ 2,929,453</u>	<u>\$ 3,991,025</u>	<u>\$ (835,260)</u>	<u>\$ (3,407,488)</u>	<u>\$ 9,741</u>	<u>\$ (1,515,599)</u>	<u>\$ 1,642,375</u>
OTHER FINANCING SOURCES (USES)								
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ 175,000	\$ -	\$ -	\$ -	\$ 175,000
Proceeds from cash in lieu	-	-	-	-	-	-	49,735	49,735
Transfers in	1,309,377	-	74,159	729,525	3,718,078	-	775,869	6,607,008
Transfers out	(1,465,018)	(2,103,164)	(3,723,083)	(38,554)	-	-	(118,677)	(7,448,496)
Total other financing sources (uses)	<u>\$ (155,641)</u>	<u>\$ (2,103,164)</u>	<u>\$ (3,648,924)</u>	<u>\$ 865,971</u>	<u>\$ 3,718,078</u>	<u>\$ -</u>	<u>\$ 706,927</u>	<u>\$ (616,753)</u>
Net Change in Fund Balance	<u>\$ 314,862</u>	<u>\$ 826,289</u>	<u>\$ 342,101</u>	<u>\$ 30,711</u>	<u>\$ 310,590</u>	<u>\$ 9,741</u>	<u>\$ (808,672)</u>	<u>\$ 1,025,622</u>
Fund balances - beginning	\$ 934,445	\$ 1,817,152	\$ (61,071)	\$ 430,508	\$ 4,991,187	\$ -	\$ 3,662,097	\$ 11,774,318
Restatements	(174,017)	-	49,021	-	-	-	123,797	(1,199)
Fund balances - beginning, restated	<u>\$ 760,428</u>	<u>\$ 1,817,152</u>	<u>\$ (12,050)</u>	<u>\$ 430,508</u>	<u>\$ 4,991,187</u>	<u>\$ -</u>	<u>\$ 3,785,894</u>	<u>\$ 11,773,119</u>
Fund balance - ending	<u>\$ 1,075,290</u>	<u>\$ 2,643,441</u>	<u>\$ 330,051</u>	<u>\$ 461,219</u>	<u>\$ 5,301,777</u>	<u>\$ 9,741</u>	<u>\$ 2,977,222</u>	<u>\$ 12,798,741</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2018

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

Net change in fund balances - total governmental funds \$ 1,025,622

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased 4,846,775
- Depreciation expense (3,505,137)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Gain on the sale of capital assets (218,903)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:

- Long-term receivables (deferred revenue) (202,485)

The change in compensated absences is shown as an expense in the Statement of Activities

(169,266)

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments 3,374,180

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt (175,000)

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Termination benefits, end of the year (31,177)

Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

(908,148)

State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

692,013

Change in net position - Statement of Activities \$ 4,728,474

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2018

	<u>Business-Type Activities - Enterprise Funds</u>			
	<u>Water</u>	<u>Sewer</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and investments	\$ 4,395,618	\$ 2,993,795	\$ 119,117	\$ 7,508,530
Accounts receivable - net	315,948	257,030	-	572,978
Total current assets	<u>\$ 4,711,566</u>	<u>\$ 3,250,825</u>	<u>\$ 119,117</u>	<u>\$ 8,081,508</u>
Noncurrent assets:				
Restricted cash and investments	\$ 1,877,484	\$ 1,009,772	\$ -	\$ 2,887,256
Capital assets - land	8,065,531	267,500	-	8,333,031
Capital assets - construction in progress	1,351,104	386,494	-	1,737,598
Capital assets - depreciable, net	10,067,817	13,986,019	-	24,053,836
Total noncurrent assets	<u>\$ 21,361,936</u>	<u>\$ 15,649,785</u>	<u>\$ -</u>	<u>\$ 37,011,721</u>
Total assets	<u>\$ 26,073,502</u>	<u>\$ 18,900,610</u>	<u>\$ 119,117</u>	<u>\$ 45,093,229</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	\$ 144,670	\$ 134,279	\$ -	\$ 278,949
Total deferred outflows of resources	<u>\$ 144,670</u>	<u>\$ 134,279</u>	<u>\$ -</u>	<u>\$ 278,949</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 26,218,172</u>	<u>\$ 19,034,889</u>	<u>\$ 119,117</u>	<u>\$ 45,372,178</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 14,642	\$ 35,502	\$ -	\$ 50,144
Accrued payables	40,161	38,445	462	79,068
Current portion of long-term capital liabilities	1,276,000	244,000	-	1,520,000
Current portion of compensated absences payable	91,975	98,116	673	190,764
Total current liabilities	<u>\$ 1,422,778</u>	<u>\$ 416,063</u>	<u>\$ 1,135</u>	<u>\$ 1,839,976</u>
Noncurrent liabilities:				
Deposits payable	\$ 285,780	\$ 1,206	\$ -	\$ 286,986
Noncurrent portion of long-term liabilities	246,110	236,844	2,835	485,789
Noncurrent portion of long-term capital liabilities	6,631,000	3,212,563	-	9,843,563
Noncurrent portion of compensated absences	45,464	43,338	187	88,989
Net pension liability	579,500	537,874	-	1,117,374
Total noncurrent liabilities	<u>\$ 7,787,854</u>	<u>\$ 4,031,825</u>	<u>\$ 3,022</u>	<u>\$ 11,822,701</u>
Total liabilities	<u>\$ 9,210,632</u>	<u>\$ 4,447,888</u>	<u>\$ 4,157</u>	<u>\$ 13,662,677</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	\$ 4,731	\$ 4,391	\$ -	\$ 9,122
Deferred inflows of resources - hydro project	42,575	-	-	42,575
Total deferred inflows of resources	<u>\$ 47,306</u>	<u>\$ 4,391</u>	<u>\$ -</u>	<u>\$ 51,697</u>
NET POSITION				
Net investment in capital assets	\$ 11,577,452	\$ 11,183,450	\$ -	\$ 22,760,902
Restricted for capital projects	1,061,866	1,122,986	-	2,184,852
Restricted for debt service	720,707	166,947	-	887,654
Unrestricted	3,600,209	2,109,227	114,960	5,824,396
Total net position	<u>\$ 16,960,234</u>	<u>\$ 14,582,610</u>	<u>\$ 114,960</u>	<u>\$ 31,657,804</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES AND NET POSITION	<u>\$ 26,218,172</u>	<u>\$ 19,034,889</u>	<u>\$ 119,117</u>	<u>\$ 45,372,178</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 3,919,607	\$ 3,518,708	\$ -	\$ 7,438,315
Special assessments	4,960	-	-	4,960
Total operating revenues	<u>\$ 3,924,567</u>	<u>\$ 3,518,708</u>	<u>\$ -</u>	<u>\$ 7,443,275</u>
OPERATING EXPENSES				
Personal services	\$ 1,118,585	\$ 1,048,370	\$ 5,295	\$ 2,172,250
Supplies	181,731	302,214	495	484,440
Purchased services	286,054	269,303	930	556,287
Fixed charges	223,549	191,480	172	415,201
Depreciation	498,659	759,246	-	1,257,905
Total operating expenses	<u>\$ 2,308,578</u>	<u>\$ 2,570,613</u>	<u>\$ 6,892</u>	<u>\$ 4,886,083</u>
Operating income (loss)	<u>\$ 1,615,989</u>	<u>\$ 948,095</u>	<u>\$ (6,892)</u>	<u>\$ 2,557,192</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	\$ 8,703	\$ 8,077	\$ -	\$ 16,780
Interest revenue	59,832	35,401	1,134	96,367
Debt service interest expense	(213,744)	(92,516)	-	(306,260)
Total non-operating revenues (expenses)	<u>\$ (145,209)</u>	<u>\$ (49,038)</u>	<u>\$ 1,134</u>	<u>\$ (193,113)</u>
Income (loss) before contributions and transfers	\$ 1,470,780	\$ 899,057	\$ (5,758)	\$ 2,364,079
Transfers in	979,317	-	-	979,317
Transfers out	(116,699)	(20,886)	(244)	(137,829)
Change in net position	<u>\$ 2,333,398</u>	<u>\$ 878,171</u>	<u>\$ (6,002)</u>	<u>\$ 3,205,567</u>
Net Position - Beginning of the year	\$ 14,626,851	\$ 13,704,439	\$ 120,962	\$ 28,452,252
Restatements	(15)	-	-	(15)
Net Position - Beginning of the year - Restated	<u>\$ 14,626,836</u>	<u>\$ 13,704,439</u>	<u>\$ 120,962</u>	<u>\$ 28,452,237</u>
Net Position - End of the year	<u>\$ 16,960,234</u>	<u>\$ 14,582,610</u>	<u>\$ 114,960</u>	<u>\$ 31,657,804</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2018

	Business - Type Activities - Enterprise Funds			
	Water	Sewer	Non-major Enterprise	Totals
Cash flows from operating activities:				
Cash received from providing services	\$ 3,857,326	\$ 3,497,768	\$ -	\$ 7,355,094
Cash received from miscellaneous sources	4,960	-	-	4,960
Cash payments to suppliers	(207,325)	(301,925)	(495)	(509,745)
Cash payments for professional services	(509,603)	(460,783)	(1,102)	(971,488)
Cash payments to employees	(1,083,087)	(1,009,785)	(11,912)	(2,104,784)
Net cash provided (used) by operating activities	<u>\$ 2,062,271</u>	<u>\$ 1,725,275</u>	<u>\$ (13,509)</u>	<u>\$ 3,774,037</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (1,384,109)	\$ (478,098)	\$ -	\$ (1,862,207)
Principal paid on debt	(1,231,000)	(238,000)	-	(1,469,000)
Interest paid on debt	(213,744)	(92,516)	-	(306,260)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,828,853)</u>	<u>\$ (808,614)</u>	<u>\$ -</u>	<u>\$ (3,637,467)</u>
Cash flows from non-capital financing activities:				
Cash transferred in/out	\$ 862,618	\$ (20,886)	\$ (244)	\$ 841,488
Cash received from other sources	8,703	8,077	-	16,780
Net cash provided (used) from non-capital financing activities	<u>\$ 871,321</u>	<u>\$ (12,809)</u>	<u>\$ (244)</u>	<u>\$ 858,268</u>
Cash flows from investing activities:				
Interest on investments	\$ 59,832	\$ 35,401	\$ 1,134	\$ 96,367
Net cash provided (used) by investing activities	<u>\$ 59,832</u>	<u>\$ 35,401</u>	<u>\$ 1,134</u>	<u>\$ 96,367</u>
Net increase (decrease) in cash and cash equivalents	\$ 164,571	\$ 939,253	\$ (12,619)	\$ 1,091,205
Cash and cash equivalents at beginning	6,108,531	3,064,314	131,736	9,304,581
Restatements - Includes beginning restricted cash				-
Cash and cash equivalents at end	<u>\$ 6,273,102</u>	<u>\$ 4,003,567</u>	<u>\$ 119,117</u>	<u>\$ 10,395,786</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,615,989	\$ 948,095	\$ (6,892)	\$ 2,557,192
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	498,659	759,246	-	1,257,905
Other post-employment benefits	1,534	(25,492)	(7,024)	(30,982)
Net pension liability	54,474	50,561		105,035
Deferred inflows/outflows - pensions (net)	(15,007)	(13,930)		(28,937)
Changes in assets and liabilities:				
Accounts receivable	(30,075)	(21,153)	-	(51,228)
Deposits payable	22,685	213		22,898
Deferred inflows - hydro project	(54,891)	-		(54,891)
Accounts payable	(25,594)	289		(25,305)
Accrued payroll	1,781	3,301	20	5,102
Compensated absences payable	(7,284)	24,145	387	17,248
Net cash provided (used) by operating activities	<u>\$ 2,062,271</u>	<u>\$ 1,725,275</u>	<u>\$ (13,509)</u>	<u>\$ 3,774,037</u>

See accompanying notes to the financial statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2018

		<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$	809,733
Taxes receivable		8,840
Total assets	\$	<u>818,573</u>
LIABILITIES		
Warrants payable	\$	731,512
Due to others		87,061
Total liabilities	\$	<u>818,573</u>

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASB No. 75 *Accounting and Financial Report for Postemployment Benefits Other than Pension (OPEB)*, is effective for years beginning after June 15, 2017 with early implementation encouraged. The statement fully amends the previously issued GASB No. 45 *Accounting and Financial Report for Postemployment Benefits Other than Pension*. GASB 75 established standards for recognition and measurement of the liabilities, deferred outflows and inflows of resources, and expense/expenditures related to OPEB. Different distinctions are made regarding the particular requirements depending upon whether the OPEB plans are administered through a trust that meets criteria identified in the statement. The statement also identifies the methods and assumptions required in projecting benefit payments, discounting those payments to actuarial present value, and applying that present value to periods of employee service in the City. The disclosure requirements for OPEB plans is defined in this statement, that includes further detail on the District's plan and benefits provided, the assumptions used in the valuations, sensitivity analysis, and number of employees in the plan. Lastly, it increased the required supplementary information requiring 10 most recent fiscal years summarizing sources of change in OPEB liability, its components, and other related ratios. These changes are similar to pension GASB No. 68 that became effective in the prior fiscal year.

Financial Reporting Entity

In determining the financial reporting entity, the City complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component units of which the City appointed a voting majority of the component units' board; the City is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the City complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the City.

Primary Government

The City is a political subdivision of the State of Montana governed by an elected Mayor and Council duly elected by the registered voters of the City. The City utilizes the manager form of government. The City is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Basis of Presentation, Measurement Focus and Basis of Accounting

Government-wide Financial Statements

Basis of Presentation

The Government-wide Financial Statements (the Statement of Net Position and the Statement of Activities) display information about the reporting government as a whole. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City charges indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net position are available.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Fund Financial Statements

Basis of Presentation

Fund financial statements of the reporting City are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds:

Modified Accrual

All governmental funds are accounted for using 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. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The City reports the following major governmental funds:

General Fund – This is the City’s primary operating fund and it accounts for all financial resources of the City except those required to be accounted for in other funds.

Resort Tax Fund – A special revenue fund established in 1995 to provide budget opportunity to implement City Ordinance 95-15, the Resort Tax Ordinance. The ordinance imposes a 3% resort tax on a range of goods and services sold by establishments within the City. The Ordinance specifies that of the 3%, 2% is distributed as follows: property tax relief should be provided to Whitefish taxpayers in the amount equal to 25% of the tax revenues derived during the preceding fiscal year, an amount equal to 65% of these revenues shall be used for repair and improvement of existing infrastructure and an amount equal to 5% of the revenues shall be used for bicycle paths and other park improvements. Finally, each collecting merchant is entitled to withhold 5% to defray costs of collecting the tax. Of the other 1% of the resort tax, 25% goes to additional tax relief, 70% to secure and be pledged to the repayment of a loan or a bond to finance a portion of the costs of, or to otherwise pay for, the acquisition of the Haskill Basin Conservation Easement, and the remaining 5% for the merchants’ costs of administration. In fiscal year 2016, the resort tax rate was increased and is described later in the notes to the financial statements in Note 19.

Tax Increment Fund – A special revenue fund that was established in 1987 to account for \$2,100,000 of urban renewal bond revenue.

Fire and Ambulance Fund – A special revenue fund established to account for the activities of the City’s fire and ambulance services.

Tax Increment Revenue Bond Debt Fund – A debt service fund that was established to account for the payment of principle and interest on long-term debt.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

SID 167 Bond Debt Fund – A debt service fund that was established to account for the payment of principal and interest on long-term debt for the Special Improvement District 167 bond. This relates to the new parking structure for city hall.

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Major Funds:

The City reports the following major proprietary funds:

Water Fund – An enterprise fund that accounts for the activities of the City's water distribution operations.

Sewer Fund – An enterprise fund that accounts for the activities of the City's sewer collection and treatment operations and includes the storm sewer system.

Fiduciary Funds:

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are:

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consists of assets held by the City as an agent for individuals, private organizations, other local governmental entities and the City's claims and payroll clearing funds.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2018, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,000
Cash in banks:	
Demand deposits	9,736,784
Savings deposits	393,394
Time deposits	2,789,583
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	10,314,952
U.S. Government Securities	1,402,087
Total	<u>\$ 24,637,800</u>

Credit Risk

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

Section 7-6-202, MCA, as amended, now limits authorized investments in certain securities that previously were permissible investments. The amendment does not apply to and does not require the sale of securities that were legal investments before the effective date of this act. However, the investments reported as collateralized mortgage obligations above are not authorized investments at the current time.

The government has an investment policy that follows State Law, which does not further limit its investment choices.

The government has no investments that require credit risk disclosure.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2018, (in thousands) unaudited:

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	Weighted Average Maturity <u>in Days</u>
Treasuries	\$ 19,900	A-1+	97
Corporate:			
Corporate Commercial Paper	288,944	A-1	71
Corporate Notes	225,944	A-1+	67
Certificates of Deposit	<u>546,591</u>	A-1	41
Total Investments	<u>\$ 1,080,556</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 555 Fuller Avenue in Helena, Montana.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2018 the government's bank balance was exposed to custodial credit risk as follows:

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

	June 30, 2018 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 10,927,324
- Collateral held by the pledging bank's trust department but not in the County's name	1,731,730
Uninsured	343,630
Total deposits and investments	<u>\$ 13,002,684</u>

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

- (a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or
- (b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for City deposits at June 30, 2018, equaled or exceeded the amount required by State statutes.

Interest Rate Risk

The government does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The following is a list of individual investments as of June 30, 2018 along with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity Dates</u>	<u>Amount</u>
U.S. Government agency securities	1.480%	6/30/2018	\$ 4,004
U.S. Treasury Bond	1.125%	12/31/2018	348,838
U.S. Treasury Bond	1.250%	9/30/2018	350,678
U.S. Treasury Bond	1.375%	2/28/2019	348,733
U.S. Treasury Bond	1.500%	10/31/2018	349,834
STIP	Varies	NA	<u>10,314,952</u>
			<u>\$ 11,717,039</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2018. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Description</u>	<u>Amount</u>
Streets	\$ 1,312,706
Parks	67,122
Tax Relief	1,279,776
Debt Service	2,585,953
Replacement & Depreciation	206,405
Impact Fees- Construction	<u>1,793,198</u>
	<u>\$ 7,245,160</u>

NOTE 4. RECEIVABLES

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

NOTE 5. INVENTORIES

The costs of inventories are recorded as an expenditure when purchased.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6. CAPITAL ASSETS

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	10 – 40 years	\$ 25,000
Improvements	5 – 20 years	\$ 25,000
Equipment	3 – 40 years	\$ 5,000
Infrastructure	10 – 40 years	\$ 75,000

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2018 Basic Financial Statements.

A summary of changes in governmental capital assets was as follows:

Governmental activities:

	Balance July 1, 2017	Additions	Retirements	Transfers	Balance June 30, 2018
Capital assets not being depreciated:					
Land	\$ 8,725,278	\$ -	\$ -	\$ -	\$ 8,725,278
Construction in progress	708,962	2,720,916		(389,090)	3,040,788
Total capital assets not being depreciated	<u>\$ 9,434,240</u>	<u>\$ 2,720,916</u>	<u>\$ -</u>	<u>\$ (389,090)</u>	<u>\$ 11,766,066</u>
Other capital assets:					
Buildings	\$ 36,463,340	\$ 1,142,683	\$ (392,065)	\$ 35,128	\$ 37,249,086
Improvements other than buildings	2,509,180	103,894	-	349,488	2,962,562
Machinery and equipment	7,633,620	668,045	-	-	8,301,665
Infrastructure	42,183,821	211,237	-	4,474	42,399,532
Total other capital assets at historical cost	\$ 88,789,961	\$ 2,125,859	\$ (392,065)	\$ 389,090	\$ 90,912,845
Less: accumulated depreciation	(25,413,824)	(3,505,137)	173,162	-	(28,745,799)
Total	<u>\$ 72,810,377</u>	<u>\$ 1,341,638</u>	<u>\$ (218,903)</u>	<u>\$ -</u>	<u>\$ 73,933,112</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 466,534
Public safety	592,748
Public works	1,808,078
Culture and recreation	<u>637,777</u>
Total governmental activities depreciation expense	<u>\$ 3,505,137</u>

**CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018**

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Transfers</u>	<u>Adjustments</u>	Balance <u>June 30, 2018</u>
Capital assets not being depreciated:					
Land	\$ 602,783	\$ -	\$ -	\$ -	\$ 602,783
Haskill Basin Conservation Easement	7,730,248	-	-	-	7,730,248
Construction in progress	241,050	1,612,849	(120,701)	4,400	1,737,598
Total capital assets not being depreciated	<u>\$ 8,574,081</u>	<u>\$ 1,612,849</u>	<u>\$ (120,701)</u>	<u>\$ 4,400</u>	<u>\$ 10,070,629</u>
Other capital assets:					
Buildings	\$ 792,287	\$ -	\$ 42,578	\$ -	\$ 834,865
Machinery and equipment	134	-	-	-	134
Pumping plant	3,170,905	-	-	-	3,170,905
Treatment plant	16,515,158	-	-	-	16,515,158
Transmission and distribution	21,731,410	51,182	33,987	(4,400)	21,812,179
General plant	2,041,689	198,176	44,136	-	2,284,001
Total other capital assets at historical cost	<u>\$ 44,251,583</u>	<u>\$ 249,358</u>	<u>\$ 120,701</u>	<u>\$ (4,400)</u>	<u>\$ 44,617,242</u>
Less: accumulated depreciation	<u>(19,305,501)</u>	<u>(1,257,905)</u>	<u>-</u>	<u>-</u>	<u>(20,563,406)</u>
Total	<u>\$ 33,520,163</u>	<u>\$ 604,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,124,465</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>	Due Within <u>One Year</u>
Special assessment bond	\$ 1,364,000	\$ -	\$ (79,330)	\$ 1,284,670	\$ 91,724
Revenue bonds	14,177,000	-	(3,125,000)	11,052,000	3,471,000
Compensated absences	1,062,701	169,266	-	1,231,967	1,003,954
Intercap loans	783,553	175,000	(169,850)	788,703	188,791
Net pension liability*	5,767,896	179,594	-	5,947,490	-
Other post-employment benefits**	1,604,761	31,177	-	1,635,938	-
Total	<u>\$ 24,759,911</u>	<u>\$ 555,037</u>	<u>\$ (3,374,180)</u>	<u>\$ 21,940,768</u>	<u>\$ 4,755,469</u>

*See Note 9

**See Note 8

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In prior years the general fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance			Balance		Due Within
	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>	<u>One Year</u>	
Revenue bonds	\$ 12,832,563	\$ -	\$ (1,469,000)	\$ 11,363,563	\$	1,520,000
Compensated absences	262,505	24,532	(7,284)	279,753		190,764
Net pension liability*	1,012,339	105,035	-	1,117,374		-
Other post-employment benefits**	516,771	1,534	(32,516)	485,789		-
Total	\$ 14,624,178	\$ 131,101	\$ (1,508,800)	\$ 13,246,479	\$	1,710,764

*See Note 9

**See Note 8

Special Assessment Debt - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement district bonds were issued with revolving fund backing. The City is not obligated to levy and collect a general property tax on all taxable property in the Entity to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least 5% of the principal amount of bonds outstanding.

Special assessment bonds outstanding as of June 30, 2018 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2018</u>
SID #166 - JP Road Project	7/6/06	3.65-4.80%	20 yrs	7/1/26	\$ 1,360,000	varies	\$ 515,000
SID #167	1/5/17	4.36%	20 yrs	7/1/37	389,500	varies	384,835
SID #167	1/5/17	4.36%	20 yrs	7/1/37	389,500	varies	384,835
					<u>\$ 2,139,000</u>		<u>\$ 1,284,670</u>

Reported in Governmental Activities

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 91,724	\$ 57,502
2020	92,902	53,367
2021	94,132	49,147
2022	95,416	44,840
2023	96,758	40,443
2024	98,156	35,958
2025	99,618	31,376

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2026	96,144	26,730
2027	37,736	22,258
2028	39,400	20,594
2029	41,136	18,858
2030	42,950	17,044
2031	44,842	15,152
2032	46,820	13,174
2033	48,884	11,110
2034	51,038	8,956
2035	53,288	6,706
2036	55,636	4,358
2037	58,090	1,905
Total	\$ <u>1,284,670</u>	\$ <u>479,478</u>

Revenue Bonds - The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2018</u>
2016 A Tax Increment Urban renewal Bond (Glacier Bank) (1)	3/1/16	2.21%	4 yrs	7/15/20	\$4,900,000	N/A	\$3,665,000
2016B Tax Increment Urban Renewal Bond (First Interstate Bank) (1)	3/1/16	2.21%	4 yrs	7/15/20	\$4,900,000	N/A	3,665,000
2015 Tax Increment Urban Renewal Refunding Bonds 2015A (Glacier Bank) (1)	6/10/15	2.62%	5 yrs	7/15/20	\$3,591,500	varies	1,861,000
2015 Tax Increment Urban Renewal Refunding Bonds 2015B (First Interstate) (1)	6/10/15	2.62%	5yrs	7/15/20	\$3,591,500	varies	1,861,000
DNRC - Water 1999 (2)	6/21/99	2.00%	20 yrs	7/1/19	\$5,839,000	varies	391,000
Water DWSRF #06098- 2007 (2)	6/15/06	2.25%	20 yrs	7/1/26	\$248,699	varies	417,000
Water WRF #08110 – 2006 (2)	9/6/07	2.25%	20 yrs	7/1/27	\$900,000	varies	424,000
Water SRF (2009B) (2)	10/21/09	0.75%	20 yrs	7/1/29	\$120,100	varies	66,000
Water System Revenue Bond, Taxable Series 2016 (Haskill Basin) (2)	1/1/16	2.50%	20 yrs	1/1/25	8,219,500	varies	6,499,000

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Water DNRC Series 2015 (2)	12/7/15	2.50%	30 yrs	1/1/36	120,000	varies	110,000
Sewer SRF 2002 Series (2)	7/1/02	2.00%	20 yrs	7/1/22	200,000	varies	47,000
Sewer DNRC (2008A) (2)	12/11/08	2.25%	20 yrs	7/1/28	500,000	varies	233,000
Sewer DNRC (2008B) (2)	1/16/09	2.25%	20 yrs	1/1/29	1,711,000	varies	789,000
Sewer DNRC (2010B) (2)	2/4/10	0.75%	20 yrs	1/1/30	48,211	varies	32,000
Sewer 2011B (2)	8/1/11	3.00%	20 yrs	7/1/31	340,000	varies	243,000
Sewer 2011C (2)	8/1/11	3.00%	20 yrs	7/1/31	350,000	varies	264,764
Sewer - River Lakes (2)	11/20/14	2.50%	20 yrs	1/1/35	300,000	varies	207,799
Sewer 2014 (2)	3/6/14	3.00%	20 yrs	1/1/34	452,300	varies	372,000
Sewer DNRC Series 2015 (2)	12/17/15	2.50%	20 yrs	7/1/36	960,000	varies	864,000
Sewer I & I (2)	7/21/16	2.50%	20 yrs	1/1/36	<u>439,085</u>	varies	<u>404,000</u>
					<u>\$37,730,895</u>		<u>\$ 22,415,563</u>

(1) Reported in Governmental Activities
 (2) Reported in Business-type Activities

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The City was in compliance with applicable covenants as of June 30, 2018.

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 4,991,000	\$ 463,540
2020	5,059,000	352,121
2021	5,028,000	215,468
2022	1,366,000	147,410
2023	1,456,000	118,595
2024	1,577,000	88,914
2025	1,060,000	56,550
2026	401,000	42,325
2027	265,000	34,483
2028	171,000	27,896
2029	168,000	23,943

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2030	164,000	20,040
2031	163,764	16,135
2032	139,000	11,710
2033	130,000	8,400
2034	120,799	5,375
2035	94,000	2,650
2036	62,000	760
Total	\$ <u>22,415,563</u>	\$ <u>1,636,315</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans outstanding as of June 30, 2018 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2018</u>
Emergency Vehicle	3/14/2014	1.00-1.55%	5 yrs	2/15/2019	155,597	31,252
Fire Pumper Type 1	6/20/2014	1.00-1.55%	10 yrs	8/15/2024	485,112	133,567
Fire Pumper	10/3/2014	1.00-1.55%	10 yrs	8/15/2024	282,659	186,537
Water Tender Fire Apparatus	2/13/2015	1.00-1.55%	7 yrs	2/15/2022	211,000	122,358
Fire SCBAs	12/4/2015	1.25-2.50%	5 yrs	2/15/2021	230,453	139,989
Ambulance	2/16/2018	3.15%	5 yrs	2/15/2023	175,000	175,000
Total					\$ <u>1,539,821</u>	\$ <u>788,703</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 188,791	\$ 23,338
2020	159,724	17,643
2021	161,951	12,595
2022	116,373	7,851
2023	86,713	4,418
2024	50,473	1,971
2025	24,678	389
Total	\$ <u>788,703</u>	\$ <u>68,205</u>

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Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the City's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from City service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The City of Whitefish provides a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the City. A former covered employee whose employment with the City terminates due solely to retirement can continue coverage under the plan as a retiree if they have met the eligibility requirements and are receiving a retirement benefit from a qualified pension plan. Eligibility requirements are as follows:

PERS: Age 55 with 5 years of service or 25 years of service regardless of age
FURS: Age 50 with 5 years of service or 20 years of service regardless of age
MPORS: Age 50 with 5 years of service or 20 years of service regardless of age

Coverage will continue for as long as the retiree is enrolled under the plan and the applicable premiums are paid, provided a break in coverage does not occur. If a break in coverage occurs, the retiree is no longer eligible to participate or re-enroll in the plan.

The retiree's termination of coverage from the plan does not apply to the retiree's spouse, provided the retiree is terminating because of Medicare coverage. The spouse of a retiree is permitted to maintain coverage unless the spouse is also eligible for Medicare coverage or the spouse has or is eligible for equivalent coverage.

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

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Benefits Provided. Retirees enrolling in the plan may choose medical, dental, vision, and life insurance benefits. All benefits are provided through the Montana Municipal Interlocal Authority. The table below presents a high-level summary of the medical benefits offered in the plan year beginning July 1, 2017.

	<u>PPO Plan</u>
Medical Deductible (Individual/Family)	\$500/\$1000
Out-of-Pocket Maximum (Individual/Family)	\$1,500/\$3,000
Coinsurance (In Network/Out of Network)	\$20%/40%
Prescription Deductible	None
Prescription Copays:	
Generic	\$6
Brand Formulary	\$12
Brand Non-Formulary	\$22
Prescription Out-of-Pocket Maximum (Individual/Family)	\$5,100/\$10,200

The life insurance benefit is provided by UNUM Life Insurance Company and provides \$25,000 of term life coverage plus \$25,000 AD&D coverage for employees and a \$5,000 basic term life benefit for dependents. At age 70, the life benefit reduces to \$12,500.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	19
Active employees	78
Total employees	<u>97</u>

Total OPEB Liability

The District's total OPEB liability of \$2,121,727 at June 30, 2018, and was determined by using the actuarial valuation as of that date.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2018 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018
Valuation Date	July 1, 2017
Discount rate (average anticipated rate)	3.10%
Payroll Growth Rate	3.50%
General Inflation	3.0% per year

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Mortality Rate:

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.1879%	0.1578%
55	0.3010%	0.2458%
60	0.5271%	0.4135%
65	0.9041%	0.7624%
70	1.4636%	1.3151%
75	2.5057%	2.2077%
80	4.2816%	3.6037%
85	7.3750%	6.0833%
90	13.0721%	10.5549%

Termination Before:

<u>Service</u>	<u>PERS</u>	<u>FURS</u>	<u>MPORS</u>
0	30.0%	4.25%	16.0%
1	22.5%	4.25%	13.0%
2	15.0%	4.25%	11.0%
3	12.5%	4.25%	9.0%
4-5	10.0%	3.00%	7.0%
6	8.0%	3.00%	7.0%
7	6.0%	2.00%	7.0%
8-9	6.0%	2.0%	5.0%
10	6.0%	2.0%	2.0%
11-14	4.0%	1.0%	2.0%
15+	2.0%	1.0%	2.0%

The discount rate was based on the S & P Municipal Bond 20Year High Grade Rate Index as of July 3, 2017.

Payroll Growth Rate was determined by the Pension Actuarial Valuations 6-30-17.

Mortality Rate was determined by the Male and Female RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using scale BB, males set back 1 year, from Pension Actuarial Valuations 6-30-17

Termination rates were set based on PERS, FURS, and MPORS Pension Actuarial Valuations 6-30-17.

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Retirement Rate as follows:

<u>Age</u>	PERS		<u>FURS</u>	<u>MPORS</u>
	<u>Less than 30 years</u>	<u>30+ years</u>		
50	0%	10%	5%	12%
51	3%	10%	10%	15%
52	3%	10%	10%	15%
53	3%	10%	10%	15%
54	3%	10%	10%	15%
55	3%	15%	25%	20%
56	4%	15%	25%	20%
57	5%	15%	25%	20%
58	5%	15%	25%	20%
59	6%	15%	25%	20%
60	8%	15%	50%	20%
61	15%	15%	50%	20%
62	25%	25%	50%	100%
63	15%	15%	100%	
64	15%	15%		
65-66	30%	30%		
67-69	25%	25%		
70	100%	100%		

Participation Rate – 50% of active employees are assumed to elect the City healthcare coverage in retirement. 20% are assumed to continue the plan after age 65. Current retirees are assumed to continue their existing elections until age 65, however, only 40% of the retirees currently under age 65 are assumed to continue their exiting election after age 65 for their remaining lifetime.

Participation Rate Life Insurance – 68% of active employees are assumed to elect the City life insurance coverage in retirement. All current retirees are assumed to continue their existing election for their remaining lifetime.

Spousal Coverage – Of the current active employees, 95% of those assumed to elect coverage in the retirement are assumed to be married and 80% of the married participants are assumed to elect coverage for their spouse in retirement. Husbands are assumed to be 3 years older than their wives. Of the current retired employees, existing elections for the spouse coverage are assumed to be maintained until death. Actual spouse information is used where it was available, otherwise, husbands are assumed to be 3 years older than their wives.

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Medical Trend Rate:

<u>Effective July 1</u>	<u>Trend Rate</u>
2018	6.2%
2019	6.0%
2020	5.8%
2021	5.6%
2022	5.4%
2023	5.2%
2024+	5.0%

The Medical Trend Rates above were from the Price Waterhouse Coopers 2017 Assumption and Disclosure Survey.

Changes in the Total OPEB Liability

Balance at 6/30/2017	\$ <u>2,121,532</u>
Changes for the year:	
Service Cost	\$ 171,915
Interest	65,767
Difference between expected and actual experience	(801,946)
Changes in assumptions	<u>564,459</u>
Net Changes	\$ <u>195</u>
Balance at 6/30/2018	\$ <u><u>2,121,727</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (2.10%)	Discount Rate (3.10%)	1% Increase (4.10%)
Total OPEB Liability \$	\$ 2,615,858	\$ 2,121,727	\$ 1,743,913

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1% Decrease	Cost Trends*	1% Increase
Total OPEB Liability \$	\$ 1,744,993	\$ 2,121,727	\$ 2,639,852

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**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the City recognized an OPEB expense of \$171,915. The City does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience or changes in assumptions performed in the alternative measurement method. In addition, since City records costs as they come due there are no deferred outflows of resources for contributions to the OPEB plan trust.

NOTE 9. NET PENSION LIABILITY

Plan Descriptions

PERS

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school Cities.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

MPORS

The Municipal Police Officers' Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1974 and governed by Title 19, chapters 2 & 9, MCA. This plan provides retirement benefits to all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries.

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Deferred Retirement Option Plan (DROP): Beginning July 2002, eligible members of MPORS can participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. A member must have completed at least twenty years of membership service to be eligible. They may elect to participate in the DROP for a minimum of one month and a maximum of 60 months and may only participate in the DROP once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During participation in the DROP, all mandatory contributions continue to the retirement system. A monthly benefit is calculated based on salary and years of service to date as of the beginning of the DROP period. The monthly benefit is paid into the member's DROP account until the end of the DROP period.

At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan, as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit. The DROP account cannot be distributed until employment is formally terminated.

FURS

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This plan provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire City departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Summary of Benefits

PERS

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 - highest average compensation during any consecutive 36 months; Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months; Hired on or after July 1, 2013 – 110% annual cap on compensation considered as part of a member's highest average compensation.

Eligibility for benefit

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

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Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) Retire before January 1, 2016 and accumulate less than 2 years' additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years' additional service credit:

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

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Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

MPORS

Service retirement:

- 20 years of membership service, regardless of age.
- Age 50 with 5 years of membership service.
- 2.5% of FAC x years of service credit.

Second retirement: (applies to members re-employed in a MPORS position after July 1, 2017):

- 1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and

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- d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
- a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 3) A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service

Member's final average compensation (FAC)

- Hired prior to July 1, 1977 - average monthly compensation of final year of service;
- Hired on or after July 1, 1977 - final average compensation (FAC) for last consecutive 36 months.

Compensation Cap

- Hired on or after July 1, 2013: 110% annual cap on compensation considered as a part of a member's FAC.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.

Minimum benefit adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA, the minimum benefit adjustment provided is equal to 50% of the current base compensation of a newly confirmed police officer of the employer that last employed the member as a police officer.

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FURS

Eligibility for benefit and benefit formulas

Service retirement:

- Hired on or after July 1, 1981, or has elected to be covered by GABA:
 - 20 years of membership service
 - 2.5% of HAC x years of service credit
- Hired prior to July 1, 1981, and who had not elected to be covered by GABA, the greater of above, or:
 - If membership service is less than 20 years:
- 2% of the highest monthly compensation (HMC) x years of service credit and
 - If membership services are greater or equal to 20 years:
- 50% of HMC + 2% of HMC x years of service credit in excess of 20

Early retirement:

- Age 50 with 5 years of membership service

Vesting

5 years of membership service.

Member's compensation period used in benefit calculation

- Hired prior to July 1, 1981 and not electing GABA: highest monthly compensation (HMC);
- Hired after June 30, 1981 and those electing GABA: highest average compensation (HAC) during any consecutive 36 months (or shorter period of total service).
- Part-time firefighter: 15% of regular compensation of a newly confirmed full-time firefighter.

Compensation Cap

- Hired on or after July 1, 2013: 110% annual cap on compensation considered as a part of a member's HAC.

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months – the member's benefit increases by 3.0% each January.

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA - the minimum benefit adjustment is provided equal to 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.

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Overview of Contributions

PERS

1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school City entities.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Severance Tax fund.

MPORS

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below.

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Fiscal Year	Member Hired <7/1/75	Member Hired >6/30/75	Member Hired >6/30/79	Member Hired>6/30/97 GABA	Employer	State
2000-2018	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%

FURS

Rates are specified by state law for periodic member and employer contributions and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below.

<u>Fiscal Year</u>	<u>Member Non- GABA</u>	<u>Member GABA</u>	<u>Employer</u>	<u>State</u>
1998-2018	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%

Stand-Alone Statements

The PERS's, MPORS, FURS financial statements of the Montana Public Employees Retirement Board (PERB) *Comprehensive Annual Financial Report* (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov>.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS), Municipal Police Officers' Retirement System (MPORS) and Firefighters' Unified' Retirement System (FURS) Statement 68 became effective June 30, 2016 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS, MPORS, FURS that are used to provide pension benefits to the retired members. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

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The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2017 and June 30, 2018 (reporting dates).

	PERS NPL as of 6/30/2017	PERS NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2018	FURS NPL as of 6/30/17	FURS NPL as of 6/30/18	Percent of Collective NPL as of 6/30/2018	MPORS NPL as of 6/30/17	MPORS NPL as of 6/30/18	Percent of Collective NPL as of 6/30/2018	Total Collective NPL as of 6/30/2018	Percent Totals as of 6/30/2018
Employer Proportionate Share	\$ 4,646,925	\$ 5,129,068	0.26330%	\$ 910,727	\$ 834,451	0.7382%	\$ 1,222,583	\$ 1,101,345	0.6190%	\$ 7,064,864	1.6205%
State of Montana Proportionate Share associated with Employer	56,780	68,528	0.3492%	2,063,421	1,894,948	1.6764%	2,426,881	2,244,725	1.2617%	4,208,201	3.2873%
Total	<u>\$ 4,703,705</u>	<u>\$ 5,197,596</u>	<u>0.6125%</u>	<u>\$ 2,974,148</u>	<u>\$ 2,729,399</u>	<u>2.4146%</u>	<u>\$ 3,649,464</u>	<u>\$ 3,346,070</u>	<u>1.8807%</u>	<u>\$ 11,273,065</u>	<u>4.9078%</u>

At June 30, 2018, the employer recorded a liability of \$7,064,864 for its proportionate share of the Net Pension Liability. The net pension liability of PERS, MPORS, FURS was measured as of June 30, 2016 and applying roll forward procedures. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS, MPORS, FURS during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERS, MPORS, FURS participating employers. At June 30, 2018, the employer's proportion was 1.6205 percent.

Changes in actuarial assumptions and methods:

PERS

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

MPORS

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.

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- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased the rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Increased the administrative expense load from 0.20% to 0.24%.

FURS

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased the rates of withdrawal.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Increased the administrative expense load from 0.19% to 0.23%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in benefit terms:

PERS

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

FURS, MPORS

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Working Retiree Limitations applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

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- Lump sum payouts in all systems are limited to the member’s accumulated contributions rather than the present value of the member’s benefit.

Changes in proportionate share: Between the measurement date of the collective NPL and the employer’s reporting date there were some changes in proportion that may have an effect on the employer’s proportionate share of the collective NPL.

Pension Expense as of 6/30/18

	<u>PERS</u>	<u>FURS</u>	<u>MPORS</u>	<u>Total</u>
Employer Proportionate Share	\$ 653,105	\$ 108,700	\$ 139,748	\$ 901,553
State of Montana Proportionate Share associated with the Employer	77,025	359,884	271,884	708,793
Total	<u>\$ 730,130</u>	<u>\$ 468,584</u>	<u>\$ 411,632</u>	<u>\$ 1,610,346</u>

At June 30, 2018, the employer recognized a Pension Expense of \$1,610,346 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$708,793 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2018, the employer recognized a beginning deferred outflow of resources for the employer’s FY 2017 contributions of \$597,677.

Deferred Inflows and Outflows

At June 30, 2018, the employer reported its proportionate share of PERS, MPORS, FURS deferred outflows of resources and deferred inflows of resources related to PERS, MPORS, FURS from the following sources:

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	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	FURS Deferred Outflows Resources	FURS Deferred Inflows of Resources	MPORS Deferred Outflows Resources	MPORS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 126,313	\$ 7,424	\$ 5,497	\$ 6,311	\$ -	\$ 37,578	\$ 131,810	\$ 51,313
Actual vs. Expected Investment Earnings	-	34,447	688	-	957	-	1,645	34,447
Changes in Assumptions	701,090	-	104,603	-	74,338	-	880,031	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	116,897	-	-	73,962	-	19,972	116,897	93,934
Employer contributions subsequent to the measurement date - FY18	335,619	-	166,946	-	138,578	-	641,143	-
Total	<u>\$ 1,279,919</u>	<u>\$ 41,871</u>	<u>\$ 277,734</u>	<u>\$ 80,273</u>	<u>\$ 213,873</u>	<u>\$ 57,550</u>	<u>\$ 1,771,526</u>	<u>\$ 179,694</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Deferred Inflows and Outflows

PERS: Year ended June 30,	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2019	\$ 181,684
2020	\$ 401,071
2021	\$ 311,946
2022	\$ (109,170)
2023	\$ -
Thereafter	\$ -

FURS: Year ended June 30,	Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2019	\$ 8,431
2020	\$ 44,214
2021	\$ 28,786
2022	\$ 595
Thereafter	\$ 21,912

MPORS: Year ended June 30,	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2019	\$ (1,567)
2020	\$ 31,406
2021	\$ 24,121
2022	\$ (16,242)
2023	\$ -
Thereafter	\$ -

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Actuarial Assumptions

PERS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases:

Guaranteed Annual Benefit Adjustment(GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

MPORS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.24%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.60%

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- Postretirement Benefit Increases
 - i. Guaranteed Annual Benefit Adjustment (GABA)
Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.
 - ii. Minimum benefit adjustment (non-GABA)
If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city that the member was last employed.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale Bb, set back one year for males.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Mortality Tables.

FURS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.23%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases:

Guaranteed Annual Benefit Adjustment (GABA)

Members hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)

Members hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service).

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- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, males set back 1 year.
- Mortality assumptions among Disabled Members were based on RP 2000 Combined Mortality Tables.

Discount Rate

PERS, MPORS, FURS

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for school and Cities. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

For MPORS the State contributes 29.37% of salaries paid by employers. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

For FURS the State contributes 32.61% of salaries paid by employers. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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Target Allocations

PERS, MPORS, FURS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	<u>8.00%</u>	4.00%	<u>0.32%</u>
Total	<u>100.00%</u>		<u>4.37%</u>
	Inflation		2.75%
	Portfolio Return Expectation		7.12%

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized above. The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

Sensitivity Analysis

	1.0% <u>Decrease</u>	Current <u>Discount Rate</u>	1.0% <u>Increase</u>
PERS	\$ 7,470,051	\$ 5,129,068	\$ 3,163,992
FURS	\$ 1,386,647	\$ 834,451	\$ 388,305
MPORS	\$ 1,603,600	\$ 1,101,345	\$ 698,642

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

PERS, MPORS, FURS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA (for PERS, MPORS, FURS)) MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

NOTE 10. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2018, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u>		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
Negative cash balance	General – Major Governmental	Light District #4 Commercial – Non Major Governmental	\$ <u>368</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2018:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating transfer	Parks, Recreation and Community Services – Nonmajor Governmental	General – Major Governmental	\$ 701,122
Operating transfer	Library Fund – Nonmajor Governmental	General – Major Governmental	34,371
Operating transfer	Fire and Ambulance – Major Governmental	General – Major Governmental	729,525

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Resort tax transfer	General – Major Governmental	Resort Tax – Major Governmental	1,123,847
Resort tax transfer	Water – Major Business-type	Resort Tax – Major Governmental	979,317
Indirect cost allocation transfer	General – Major Governmental	Street & Alley – Nonmajor Governmental	12,795
Indirect cost allocation transfer	General – Major Governmental	Parks, Recreation and Community Service – Nonmajor Governmental	19,079
Indirect cost allocation transfer	General – Major Governmental	Library Fund – Nonmajor Governmental	3,406
TIF transfer	Tax Increment Revenue Bond Debt Service – Major Governmental	Tax Increment – Major Governmental	3,718,078
Indirect cost allocation transfer	General – Major Governmental	Tax Increment – Major Governmental	5,005
Indirect cost allocation transfer	General – Major Governmental	Fire & Ambulance – Major Governmental	38,554
Indirect cost allocation transfer	General – Major Governmental	Building Codes – Nonmajor Governmental	8,110
Impact fees transfer	Tax Increment – Major Governmental	Impact Fees – Nonmajor Governmental	74,159
Indirect cost allocation transfer	General – Major Governmental	Light District #1 – Nonmajor Governmental	564
Indirect cost allocation transfer	General – Major Governmental	Light District #4 Commercial – Nonmajor Governmental	564
Operating transfer	Parks, Recreation and Community Services – Nonmajor Governmental	Water – Major Business -type	40,376
Indirect cost allocation transfer	General – Major Governmental	Water –Major Business -type	76,323
Indirect cost allocation transfer	General – Major Governmental	Sewer – Major Business -type	20,886

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Indirect cost allocation transfer	General – Major Governmental	Solid Waste – Nonmajor Business -Type	<u>244</u> <u>\$ 7,586,325</u>
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NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The Entity offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all Entity employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Fire Department Relief Association Disability and Pension Fund

City volunteer firefighters are covered by the Fire Department Relief Association Disability and Pension Fund, which is established by State Law. The Association is managed by a Board of Trustees made up of members of the fire department, and is accounted for as a pension trust fund of the City.

A member of a volunteer fire department who has served 20 years or more is entitled to benefits regardless of age. Volunteer serving less than 20 years but more than 10 years may receive reduced benefits. The amount of the pension benefits are set by the Association’s Board of Trustees.

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The City, categorizes fund balance of the governmental funds into the following categories:

Restricted - constraint is externally imposed by a third party, State Constitution, or enabling legislation.

Unassigned – negative fund balance in all funds, or fund balance with no constraints in the General Fund.

The government considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The government considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Resort Tax	\$ 2,643,441	Street and park improvements
Tax Increment	330,051	Urban development
Fire and Ambulance Tax Increment	461,219	Emergency services
Revenue Bond Debt	5,301,777	Debt services
SID 167 Bond Debt	9,741	Debt services
All Other Aggregate	1,064,441	Maintenance
	221,619	Culture and recreation services and improvements
	245,360	Construction inspections
	534,321	Improvements
	44,684	Utility services
	665,281	Strom drainage
	2,172	Miscellaneous
	<u>228,365</u>	Debt service
	<u>\$ 11,752,472</u>	

NOTE 13. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Light District #4 Commercial	\$ (1,531)	Insufficient cash to pay current liabilities	Future assessment revenues
SID 166 Bond Debt (JP Road)	<u>(27,490)</u>	Insufficient cash to pay interfund advance	Future assessment revenues
Total	<u>\$ (29,021)</u>		

NOTE 14. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net position.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$(172,817)	Remove advances between funds
General	(1,200)	Restate prior year refunds
Tax Increment	49,021	Restate to close out construction fund
Drug Forfeiture	172,817	Remove advances between funds
City Hall Project	(49,020)	Restate to close out construction fund
Water (Proprietary)	<u>(15)</u>	Restate prior year payable
	<u>\$ (1,214)</u>	

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 15. INTERLOCAL AGREEMENT

The City of Whitefish, Montana and the City of Columbia Falls, Montana entered into an interlocal agreement for the provision of building code inspection services in August 1999. The City of Whitefish through its building department agreed to provide plan review, site review, and site inspection services relating to the enforcement of the State and City of Columbia Falls technical, building and plumbing codes within the extended jurisdictional limits of Columbia Falls. Columbia Falls agreed to pay Whitefish a sum equal to 65% of the permitting fees paid by the permit applicant on the project inspected, payable on a monthly basis. Whitefish agreed to provide Columbia Falls, on a monthly basis, a report concerning all services provided to Columbia Falls.

NOTE 16. JOINT VENTURES

Joint ventures are independently constituted entities generally created by two or more governments for a specific purpose which are subject to joint control, in which the participating governments retain 1) an ongoing financial interest or 2) an ongoing financial responsibility.

Flathead County 911 Emergency Coordination Center

Flathead County along with the City of Kalispell, the City of Columbia Falls, and the City of Whitefish, participate in a County-wide enhanced 911 public safety answering point call Flathead County 911 Emergency Coordination Center (ECC) that was established by an interlocal agreement in February 1999. The ECC was formed for the purpose of providing for police/law enforcement public safety dispatch point (PSDP) districts, fire service areas, and licensed emergency services for all fire departments, fire local and county-wide multi-agency and/or multi-jurisdictional emergencies and disaster response. The Board consists of five members: Flathead County Sheriff, one member of the Flathead County Board of Commissioners, and one member for each of the City's operations for the ECC are accounted for in the 011 fund and reported in the general purpose financial statements of Flathead County within a Special revenue fund. The salaries for the dispatch services are reported under the participating entities sheriff and police departments.

Big Mountain County Sewer District

The City permits the District to connect to the City's sanitary sewage collection system. The usage rate charged by the City to the District is \$40.00 for each customer classified as SC2/Outside.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 17. SERVICES PROVIDED TO OTHER GOVERNMENTS

County Provided Services

The City is provided various financial services by Flathead County. The County also serves as cashier and treasurer for the City for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the City are accounted for in an agency fund in the City's name and are periodically remitted to the City by the County Treasurer. No service charges have been recorded by the City or the County.

NOTE 18. RISK MANAGEMENT

The City faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies:

Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees' torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

Insurance Pools:

The City participates in the state-wide public safety risk pool, Montana Municipal Insurance Authority for workers' compensation.

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$3.750 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

Separate audited financial statements are available from the Montana Municipal Insurance Authority.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 19. RESORT TAX

In 1995, the citizens of the City of Whitefish approved a 2% resort tax. City Ordinance 15 restricted the tax proceeds as follows:

Administration	5%
Parks Improvements	5%
Street Improvements	65%
Tax Relief	25%

In April 2015, it was voted and approved to increase the resort tax 1% starting July 1, 2015. The 1% tax proceeds are restricted as follows:

Tax Relief	25%
Debt Service	70%
Administration fee to business owners	5%

On June 30, 2018 the Resort Tax Fund had a cash balance of \$2,659,604. This balance was restricted as follows:

Park Improvements	\$	67,122
Street Improvements	\$	1,312,706
Tax Relief	\$	1,279,776

NOTE 20. WHITEFISH LAKE GOLF COURSE

In January 2011, the City leased the Whitefish Lake Golf Course to the Whitefish Lake Golf Club, Inc. The term of the lease is 30 years beginning January 1, 2011 and ending December 31, 2040. The annual rental payments due to the City are \$22,375 per year and shall increase by the December to December change in the Consumer Price Index every five years beginning with the payment due in June 2016. In addition, the City will receive a net profits payment beginning February 2012 of 3% of the prior year's net profits for the Whitefish Lake Golf Club, Inc.

NOTE: 21 PENDING LITIGATIONS

The following is a list of litigation pending against the City of Whitefish. The City Attorney has made no evaluation as to the outcome of each case.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Edward Moffatt and Chris Clouse v. City of Whitefish DV-15-2019-264A</i>	Unknown	Unknown
<i>Michael Goguen v. City of Whitefish</i>	Unknown	Unknown
<i>Jack Quatman v. City of Whitefish</i>	Unknown	Unknown

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 22. SUBSEQUENT EVENTS

The City continued street improvements on Somers Avenue after year-end. This project was awarded to Sandry Construction for \$1,659,362. The City also began work on street improvements on State Park Road. This project was awarded to Robert, Peccia and Associates for \$153,200. To date, the City has incurred expenditures of \$1,269,391 on these projects combined.

The following is a list of bid awards made after year-end and their related projects:

- Flathead Avenue Extension Project to Sandry Construction for \$374,836
- Wastewater Treatment Plant Improvement Project to Aqua-Aerobic Systems, Inc for \$2,365,911
- City Beach Parking and Lift Station Improvements Project to Watson Construction for \$368,245
- Depot Park Phase II Project to LCH, Inc. for \$835,856
- State Park Road Reconstruction Project Phase I to Sandry Construction for \$1,313,313

**REQUIRED SUPPLEMENTAL
INFORMATION**

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,193,568	\$ 2,193,568	\$ 2,177,659	\$ (15,909)
Licenses and permits	67,525	67,525	79,113	11,588
Intergovernmental	872,120	872,120	909,597	37,477
Charges for services	247,950	247,950	326,063	78,113
Fines and forfeitures	251,250	251,250	351,346	100,096
Miscellaneous	92,760	132,157	124,328	(7,829)
Investment earnings	27,000	27,000	43,540	16,540
Amounts available for appropriation	\$ <u>3,752,173</u>	\$ <u>3,791,570</u>	\$ <u>4,011,646</u>	\$ <u>220,076</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 551,834	\$ 551,832	\$ 749,818	\$ (197,986)
Public safety	455,830	455,830	455,597	233
Public works	13,090	29,890	25,100	4,790
Social and economic services	1,500	1,500	3,000	(1,500)
Culture and recreation	36,500	59,097	46,580	12,517
Housing and community development	13,500	13,500	-	13,500
Capital outlay	50,000	50,000	30,000	20,000
Total charges to appropriations	\$ <u>1,122,254</u>	\$ <u>1,161,649</u>	\$ <u>1,310,095</u>	\$ <u>(148,446)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,176,819	\$ 1,176,819	\$ 1,347,648	\$ 170,829
Transfers out	(3,757,704)	(3,757,704)	(3,757,704)	-
Total other financing sources (uses)	\$ <u>(2,580,885)</u>	\$ <u>(2,580,885)</u>	\$ <u>(2,410,056)</u>	\$ <u>170,829</u>
Net change in fund balance			\$ <u>291,495</u>	
Fund balance - beginning of the year			\$ 951,805	
Restatements			(174,017)	
Fund balance - beginning of the year - restated			\$ <u>777,788</u>	
Fund balance - end of the year			\$ <u><u>1,069,283</u></u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

Resort Tax				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 3,660,539	\$ 3,660,539	\$ 3,987,447	\$ 326,908
Investment earnings	6,500	6,500	25,541	19,041
Amounts available for appropriation	\$ 3,667,039	\$ 3,667,039	\$ 4,012,988	\$ 345,949
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	\$ 2,028,653	\$ 2,028,653	\$ 1,083,535	\$ 945,118
Total charges to appropriations	\$ 2,028,653	\$ 2,028,653	\$ 1,083,535	\$ 945,118
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,024,471)	\$ (2,024,472)	\$ (2,103,164)	\$ (78,692)
Total other financing sources (uses)	\$ (2,024,471)	\$ (2,024,472)	\$ (2,103,164)	\$ (78,692)
Net change in fund balance			\$ 826,289	
Fund balance - beginning of the year			\$ 1,817,152	
Fund balance - end of the year			\$ 2,643,441	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

	Tax Increment			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 6,054,361	\$ 6,054,361	\$ 6,029,946	\$ (24,415)
Intergovernmental	248,865	248,865	285,232	36,367
Miscellaneous	143,573	69,414	59,570	(9,844)
Amounts available for appropriation	<u>\$ 6,446,799</u>	<u>\$ 6,372,640</u>	<u>\$ 6,374,748</u>	<u>\$ 2,108</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	\$ 1,316,744	\$ 1,316,744	\$ 1,304,335	\$ 12,409
Capital outlay	<u>1,380,855</u>	<u>1,380,855</u>	<u>1,079,388</u>	<u>301,467</u>
Total charges to appropriations	<u>\$ 2,697,599</u>	<u>\$ 2,697,599</u>	<u>\$ 2,383,723</u>	<u>\$ 313,876</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 74,158	\$ 74,159	\$ 1
Transfers out	<u>(3,798,123)</u>	<u>(3,798,123)</u>	<u>(3,723,083)</u>	<u>75,040</u>
Total other financing sources (uses)	<u>\$ (3,798,123)</u>	<u>\$ (3,723,965)</u>	<u>\$ (3,648,924)</u>	<u>\$ 75,041</u>
Net change in fund balance			<u>\$ 342,101</u>	
Fund balance - beginning of the year			\$ (61,071)	
Restatements			<u>49,021</u>	
Fund balance - beginning of the year - restated			<u>\$ (12,050)</u>	
Fund balance - end of the year			<u>\$ 330,051</u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2018

Fire & Ambulance				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 595,315	\$ 595,315	\$ 595,622	\$ 307
Licenses and permits	110,300	110,300	91,751	(18,549)
Intergovernmental	65,000	65,000	48,045	(16,955)
Charges for services	1,658,991	1,745,991	1,779,469	33,478
Miscellaneous	10,000	137,059	139,448	2,389
Amounts available for appropriation	\$ 2,439,606	\$ 2,653,665	\$ 2,654,335	\$ 670
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 2,833,968	4 3,073,968	\$ 3,042,917	\$ 31,051
Debt service - principal	168,160	168,160	153,957	14,203
Debt service - interest	21,021	21,021	18,224	2,797
Capital outlay	265,000	265,000	274,497	(9,497)
Total charges to appropriations	\$ 3,288,149	\$ 3,528,149	\$ 3,489,595	\$ 38,554
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ 175,000	\$ 175,000	\$ 175,000	\$ -
Transfers in	729,525	729,525	729,525	-
Transfers out	-	-	(38,554)	(38,554)
Total other financing sources (uses)	\$ 904,525	\$ 904,525	\$ 865,971	\$ (38,554)
Net change in fund balance			\$ 30,711	
Fund balance - beginning of the year			\$ 430,508	
Fund balance - end of the year			\$ 461,219	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire & Ambulance</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,011,646	\$ 4,012,988	\$ 6,374,748	\$ 2,654,335
Combined funds (GASBS 54) revenues	<u>174,025</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 4,185,671</u>	<u>\$ 4,012,988</u>	<u>\$ 6,374,748</u>	<u>\$ 2,654,335</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,310,095	\$ 1,083,535	\$ 2,383,723	\$ 3,489,595
Combined funds (GASBS 54) expenditures	<u>2,405,073</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,715,168</u>	<u>\$ 1,083,535</u>	<u>\$ 2,383,723</u>	<u>\$ 3,489,595</u>

City of Whitefish, Flathead County, Montana
Schedule of Changes in the Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2018

	2018
Total OPEB liability	
Service Cost	\$ 171,915
Total OPEB Liability - beginning	2,121,532
Interest (3%)	65,767
Difference between expected and actual experience	(801,946)
Change in assumptions or other inputs	564,459
Total OPEB Liability - ending	\$ 2,121,727
Covered-employee payroll	\$ 5,137,380
 Total OPEB liability as a percentage of covered -employee payroll	 41.3%

City of Whitefish, Flathead County, Montana
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2018

	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.2633%	0.2728%	0.2464%	0.2405%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 5,129,069	\$ 4,646,925	\$ 3,443,819	\$ 2,996,189
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 68,528	\$ 56,780	\$ 42,302	\$ 36,588
Total	<u>\$ 5,197,597</u>	<u>\$ 4,703,705</u>	<u>\$ 3,486,121</u>	<u>\$ 3,032,777</u>
Employer's covered payroll	\$ 3,266,903	\$ 3,267,805	\$ 2,875,089	\$ 2,757,858
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.75%	74.71%	78.40%	79.87%
	<u>MPORS</u> <u>2018</u>	<u>MPORS</u> <u>2017</u>	<u>MPORS</u> <u>2016</u>	<u>MPORS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.6190%	0.6792%	0.6233%	0.6024%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,101,345	\$ 1,222,583	\$ 1,031,015	\$ 946,627
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 2,244,725	\$ 2,426,881	\$ 2,088,934	\$ 1,912,300
Total	<u>\$ 3,346,070</u>	<u>\$ 3,649,464</u>	<u>\$ 3,119,949</u>	<u>\$ 2,858,927</u>
Employer's covered payroll	\$ 925,719	\$ 958,753	\$ 862,615	\$ 808,297
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	0.00%	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of the total pension liability	68.34%	65.62%	66.90%	67.01%
	<u>FURS</u> <u>2018</u>	<u>FURS</u> <u>2017</u>	<u>FURS</u> <u>2016</u>	<u>FURS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.7382%	0.7974%	0.8118%	0.8339%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 834,451	\$ 910,727	\$ 830,332	\$ 814,039
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 1,894,948	\$ 2,063,421	\$ 1,849,371	\$ 1,836,432
Total	<u>\$ 2,729,399</u>	<u>\$ 2,974,148</u>	<u>\$ 2,679,703</u>	<u>\$ 2,650,471</u>
Employer's covered payroll	\$ 1,103,598	\$ 1,122,869	\$ 1,091,002	\$ 1,083,229
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	75.61%	81.11%	76.11%	75.15%
Plan fiduciary net position as a percentage of the total pension liability	77.77%	75.48%	76.90%	76.71%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Whitefish, Flathead County, Montana
Schedule of Contributions
For the Year Ended June 30, 2018

	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Contractually required contributions	\$ 336,159	\$ 273,442	\$ 273,141	\$ 236,919
Contributions in relation to the contractually required contributions	\$ 336,159	\$ 273,442	\$ 282,462	\$ 253,208
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,968,826	\$ 3,266,903	\$ 3,267,805	\$ 2,875,089
Contributions as a percentage of covered payroll	8.47%	8.37%	8.64%	8.81%

	<u>MPORS</u> <u>2018</u>	<u>MPORS</u> <u>2017</u>	<u>MPORS</u> <u>2016</u>	<u>MPORS</u> <u>2015</u>
Contractually required contributions	\$ 138,578	\$ 133,396	\$ 140,445	\$ 125,045
Contributions in relation to the contractually required contributions	\$ 138,578	\$ 133,396	\$ 140,445	\$ 125,045
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 961,676	\$ 925,719	\$ 958,753	\$ 862,615
Contributions as a percentage of covered payroll	14.41%	14.41%	14.65%	14.50%

	<u>FURS</u> <u>2018</u>	<u>FURS</u> <u>2017</u>	<u>FURS</u> <u>2016</u>	<u>FURS</u> <u>2015</u>
Contractually required contributions	\$ 166,946	\$ 158,477	\$ 160,540	\$ 159,717
Contributions in relation to the contractually required contributions	\$ 166,946	\$ 158,477	\$ 160,540	\$ 159,717
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,162,570	\$ 1,103,598	\$ 1,122,869	\$ 1,091,002
Contributions as a percentage of covered payroll	14.36%	14.36%	14.30%	14.64%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2018

PERS

Changes of Benefit Terms

The following changes to the plan provisions were made as identified:

2015 Legislative Changes:

General Revisions – House Bill 101, effective January 1, 2016

Second Retirement Benefit – for PERS

1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:

- Refund of member's contributions from second employment plus regular interest (currently 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

1) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:

- Member receives a recalculated retirement benefit based on laws in effect at second retirement; and
- GABA starts the January after receiving recalculated benefit for 12 months.

2) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:

- Refund of member's contributions from second employment plus regular interest (currently 0.25%);
- No service credit for second employment;
- Start same benefit amount the month following termination; and
- GABA starts again the January immediately following second retirement.

3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:

- Member receives the same retirement benefit as prior to return to service;
- Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
- GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws – House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47% and the 1.00% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2018

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for PERS

If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Terminating Employers – Recovery of actuary costs – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - a. FY2020 - \$32.277 million
 - b. FY2021 - \$32.6 million
 - c. FY2022 - \$32.926 million
 - d. FY2023 - \$33.255 million
 - e. FY2024 - \$33.588 million
 - f. FY2025 - \$33.924 million

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2018

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
* Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Mortality (Healthy members)	For Males and Females: RP 200 Combine Employee and Annuitant Mortality Table project to 2020 Using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.23%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

MPORS

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2015 Legislative Changes:

General Revisions - House Bill 101, effective January 1, 2016

MPORS DROP Survivor Benefits - for MPORS

Allow statutory beneficiary (spouse or dependent child) of a deceased DROP participant to receive a DROP benefit and a survivorship benefit rather than accumulated contributions or a lump sum payment. 19-9- 1206(1), MCA.

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for MPORS

- 1) Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- 2) Members who return for less than 480 hours in a calendar year:
 - a. May not become an active member in the system; and
 - b. Are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.
- 3) Members who return for 480 or more hours in a calendar year:
 - a. Must become an active member of the system;

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2018

- b. Will stop receiving a retirement benefit from the system; and
 - c. Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- 4) Employee, employer and state contributions, if any, apply as follows:
- a. Employer contributions and state contributions (if any) must be paid on all working retirees;
 - b. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit – for MPORS

- 1) Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- 2) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 3) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 4) A member who returns to covered service is not eligible for a disability benefit.

Terminating Employers – Recovery of actuarial costs – for MPORS

Employers who terminate participation in MPORS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2018

- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
* Includes inflation at	2.75%
Merit salary increases	0% to 6.60%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Mortality (Healthy members)	For Males and Females: RP 200 Combine Employee and Annuitant Mortality Table project to 2020 Using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.24%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

FURS

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2015 Legislative Changes:

General Revisions – House Bill 101, effective January 1, 2016

- If a PERS member transfers employment to a FURS covered position and fails to elect FURS membership within 90 days, the default is PERS membership.

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
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For the Year ended June 30, 2018

2017 Legislative Changes:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for FURS

- 1) Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- 2) Members who return for less than 480 hours in a calendar year:
 - a. May not become an active member in the system; and
 - b. Are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.
- 3) Members who return for 480 or more hours in a calendar year:
 - a. Must become an active member of the system;
 - b. Will stop receiving a retirement benefit from the system; and
 - c. Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- 4) Employee, employer and state contributions, if any, apply as follows:
 - a. Employer contributions and state contributions (if any) must be paid on all working retirees;
 - b. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit – for FURS

- 1) Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- 2) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 3) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2018

ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.

4) A member who returns to covered service is not eligible for a disability benefit.

Terminating Employers – Recovery of actuary costs – for FURS

Employers who terminate participation in FURS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.

2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.

3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned

Eligibility to Participate – for FURS Part-Paid Firefighters

Part-paid firefighters become eligible to participate in FURS once they have earned \$300 in a fiscal year. Previously, statute was unclear on whether the limit applied to a calendar year or a fiscal year.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
* Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Mortality (Healthy members)	For Males and Females: RP 200 Combine Employee and Annuitant Mortality Table project to 2020 Using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.23%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

Denning, Downey & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

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

Mayor and City Council
City of Whitefish
Flathead County
Whitefish, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated June 18, 2019.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Derring, Downey and Associates, CPAs, P.C.

June 18, 2019