

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
Fiscal Year Ended June 30, 2009

**AUDIT REPORT**

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

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
 Fiscal Year Ended June 30, 2009

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CITY OF WHITEFISH

FLATHEAD COUNTY, MONTANA

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CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2009

Michael Jensen

Mayor

**CITY COUNCIL**

Turner Askew

Council Member

Ryan Friel

Council Member

John Muhlfeld

Council Member

Nick Palmer

Council Member

Nancy Woodruff

Council Member

Frank Sweeney

Council Member

**CITY OFFICIALS**

Chuck Sterns

City Manager

John Phelps

City Attorney

Bradley Johnson

City Judge

Necile Lorang

City Clerk, Administrative

Services Director

William Dial

Chief of Police

Rich Knapp

Assistant City Manger,

Finance Director

**City of Whitefish, Flathead County, Montana**  
**Management's Discussion and Analysis**  
**Fiscal Year Ended June 30, 2009**

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, 2009. The City encourages readers to consider the information presented in conjunction with the City's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the fiscal year end by \$58,180,039 as reported in the statement of net assets. Of this amount, \$4,850,070 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations.
  
- The total fiscal year end governmental fund balance was \$8,719,662 as reported in the balance sheet.
  
- The unreserved general fund balance at fiscal year-end was \$388,285.

**Overview 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 supplementary information is also included at the end of the financial section.

**Government-wide Financial Statements**

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 basis of accounting used by most private-sector businesses.

The **statement of net assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets 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 assets have changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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).

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, public works, planning, culture and recreation, housing and economic development, and debt service. The business-type activities of the City include water, wastewater, solid waste and ambulance 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 in which revenues are recognized when they become 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, solid waste and ambulance 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 City has two agency-type fiduciary fund, the Firemen's Disability Fund, and the Trail Runs Through It Fund. The Firemen's Disability agency 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 clearing funds for payroll and claims are included in this category. The Trail Runs Through Fund was funded by a private donation, and is used at the discretion of the Trail Runs Through It Steering Committee.

## Notes to Financial Statements

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

### Other Required Supplementary Information

In addition to the basic financial statements and accompanying notes, these reports present certain required supplementary information concerning the City's budgetary control.

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

### **NET ASSETS**

Net assets may serve over time as a useful indicator of a government's financial position. The net assets for the fiscal year ending June 30, 2009 were \$58,180,039, an increase of \$4,026,850.

The City's largest portion of net assets 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 assets represent resources that are subject to external restrictions on how they may be used. The unrestricted assets 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 assets as of June 30, 2009 and June 30, 2008.

### **City of Whitefish - Net Assets**

	<b>Governmental Activities</b>			<b>Business-type Activities</b>		
	<b><u>FY09</u></b>	<b><u>FY08</u></b>	<b><u>Change Inc (Dec)</u></b>	<b><u>FY09</u></b>	<b><u>FY08</u></b>	<b><u>Change Inc (Dec)</u></b>
Current and other assets	\$12,807,993	\$11,073,059	\$1,734,934	\$ 3,847,353	\$ 5,100,915	\$(1,253,562)
Capital assets	38,513,711	36,439,389	2,074,322	21,373,671	17,877,283	3,496,388
Total assets	<u>\$51,321,704</u>	<u>\$47,512,448</u>	<u>\$3,809,256</u>	<u>\$25,221,024</u>	<u>\$22,978,198</u>	<u>\$ 2,242,826</u>
Long-term debt outstanding	\$ 9,306,944	\$ 9,291,428	\$ 15,516	\$ 7,667,413	\$ 6,138,829	\$ 1,528,584
Other liabilities	1,169,702	701,665	468,037	218,630	205,535	13,095
Total liabilities	<u>\$10,476,646</u>	<u>\$ 9,993,093</u>	<u>\$ 483,553</u>	<u>\$ 7,886,043</u>	<u>\$ 6,344,364</u>	<u>\$1,541,679</u>
Net assets:						
Invested in capital assets, net of debt	\$29,873,711	\$27,724,389	\$2,149,322	\$13,989,600	\$12,020,283	\$ 1,969,317
Restricted	8,331,377	7,458,870	872,507	1,135,281	899,149	236,132
Unrestricted (deficit)	2,639,970	2,336,096	303,874	2,210,100	3,714,402	(1,504,302)
Total net assets	<u>\$40,845,058</u>	<u>\$37,519,355</u>	<u>\$3,325,703</u>	<u>\$17,334,981</u>	<u>\$16,633,834</u>	<u>\$ 701,147</u>

## CHANGES IN NET ASSETS

The City's revenues totaled \$19,439,803 fiscal year ending June 30, 2009. The total cost of all programs and services for that same period were \$15,583,001. Therefore, the increase in net assets was \$3,876,802. The table below presents consolidated information on the City's change in net assets for the fiscal years ending June 30, 2009 and June 30, 2008.

### City of Whitefish – Changes in Net Assets

	Governmental Activities			Business-type Activities		
	<u>FY09</u>	<u>FY08</u>	<u>Change Inc (Dec)</u>	<u>FY09</u>	<u>FY08</u>	<u>Change Inc (Dec)</u>
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 3,483,216	\$ 2,970,517	\$ 512,699	\$ 5,410,336	\$ 5,355,556	\$ 54,780
Operating grants and contributions	409,786	254,984	154,802	-	-	-
Capital grants and contributions	1,048,043	2,220,573	(1,172,530)	609,205	683,295	(74,090)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	6,244,329	5,502,093	742,236	172,023	-	172,023
Personal property tax reimbursement	3,209	9,626	(6,417)	-	-	-
Miscellaneous	62,570	80,436	(17,866)	81	1,322	(1,241)
Interest/investment earnings	364,308	385,676	(21,368)	197,650	157,960	39,690
State entitlement	790,127	759,965	30,162	-	-	-
Licenses and permits	234,583	218,668	15,915	-	-	-
On-behalf payments	345,165	277,659	67,506	65,172	52,011	13,161
Total revenues	<u>\$ 12,985,336</u>	<u>\$ 12,680,197</u>	<u>\$ 305,139</u>	<u>\$ 6,454,467</u>	<u>\$ 6,250,144</u>	<u>\$ 204,323</u>
<b>Program expenses</b>						
General government	\$ 874,303	\$ 753,222	\$ 121,081			
Public safety	\$ 3,965,665	\$ 3,883,693	81,972			
Public works	\$ 2,129,631	\$ 2,140,986	(11,355)			
Public health	\$ 961,454	\$ -	961,454			
Social and economic services	\$ 1,250	\$ 1,250	-			
Culture and recreation	\$ 590,725	\$ 1,478,576	(887,851)			
Housing and community development	\$ 1,014,617	\$ 964,858	49,759			
Debt service - interest	\$ 278,980	\$ 530,644	(251,664)			
Miscellaneous	\$ 85,600	\$ 91,449	(5,849)			
Water				\$ 2,031,397	\$ 2,051,879	\$ (20,482)
Sewer				\$ 2,019,637	\$ 1,805,522	214,115
Solid Waste				\$ 647,786	\$ 646,877	909
Ambulance				\$ 981,956	\$ 840,344	141,612
Indirect Expense Allocation	\$ (72,544)	\$ (51,274)	\$ (21,274)	\$ 72,544	\$ 51,274	\$ 21,270
Total expenses	<u>\$ 9,829,681</u>	<u>\$ 9,793,404</u>	<u>\$ 36,277</u>	<u>\$ 5,753,320</u>	<u>\$ 5,395,896</u>	<u>\$ 357,424</u>
Excess (deficiency) before special items and transfers	3,155,655	2,886,793	268,862	701,147	854,248	(153,101)
Gain (loss) on sale of capital assets	20,000	-	20,000	-	-	-
<b>Increase (decrease) in net assets</b>	<u>\$ 3,175,655</u>	<u>\$ 2,886,793</u>	<u>\$ 288,862</u>	<u>\$ 701,147</u>	<u>\$ 854,248</u>	<u>\$ (153,101)</u>

#### Governmental activities

Revenues for the fiscal year ending June 30, 2009 from governmental activities were \$13,005,336 (\$12,985,336 revenues + \$20,000 gain on sale) while expenses were \$9,829,681. Net assets thus increased \$3,175,655. General government related revenues increased by \$305,139, from the previous year and expenses increased by \$36,277.

#### Business-type activities

Revenues for the fiscal year ending June 30, 2009 from business-type activities were \$6,454,467. Expenses were \$5,753,350 resulting in an increase in net assets of \$701,147. Business-type related revenues increased by \$204,323 from the previous year and expenses increased by \$357,424.

## THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are accounted for using the modified accrual basis of accounting. As of the end of fiscal year 2009, the City governmental funds reported a combined fund balance of \$8,719,662. Of that fund balance \$388,285 is unreserved in the General Fund and \$6,181,833 in the Special Revenue Funds and available for spending at the City's discretion. The remainder of the fund balance is reserved and is not available for spending because it is committed as follows: \$1,143,366 reserved for debt service and \$1,006,178 reserved for capital projects.

## GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is prepared in accordance with Title 7, Chapter 6, Part 40, MCA (Local Government Budget Act).

There were no significant variances between the original and final budget.

Significant variance between the final revenue budget and actual resulted from a decrease in growth related revenues, specifically planning and building charges. Court fines had a significant increase in revenue resulting from hiring outside help to catch up on a backlog. Significant variances between the final expenditure budget and actual resulted from an accrual pay out of two key administrative staff, and the cost to fill these positions.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2009 totals \$59,887,382 (net of accumulated depreciation). The City's capital investment includes 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.

### City of Whitefish – Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 6,690,721	\$ 6,612,462	\$ 602,783	\$ 602,783	\$ 7,293,504	\$ 7,215,245
Buildings	10,216,189	10,645,243	12,637	15,669	10,228,826	10,660,912
Improvements	1,117,777	1,209,192	-	-	1,177,777	1,209,192
Machinery and Equipment	847,415	594,483	136,303	37,754	983,718	632,237
Infrastructure	16,861,761	16,863,250	-	-	16,861,761	16,863,250
Pumping Plant	-	-	1,535,227	1,672,549	1,536,227	1,672,549
Treatment Plant	-	-	7,591,120	7,902,329	7,591,120	7,902,329
General Plant	-	-	194,281	251,524	194,281	251,524
Transmission and Distribution	-	-	4,723,619	4,970,364	4,723,619	4,970,364
Construction in Progress	2,779,848	514,759	6,576,701	2,424,311	9,356,549	2,939,070
Total Capital Assets	\$38,513,711	\$36,439,389	\$21,373,671	\$17,877,283	\$59,887,382	\$54,316,672

Major capital assets events during FY2009 included the following:

- Completion of Wisconsin Trail Bike Path
- Completion of Colorado Avenue Reconstruction
- Completion of 2<sup>nd</sup> Street to Armory Rd Trail
- Completion of East Edgewood Trail
- Began construction on Texas Ave water main
- Began construction on Wisconsin sewer main
- Began construction on Sewer Treatment Plant upgrade
- Began construction on the Emergency Services Center

**LONG-TERM DEBT**

The City’sFY2009 total debt was increased by 14.2%. No general obligation bonds are issued.

<b>City of Whitefish – Outstanding Debt</b>						
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Revenue bonds	\$8,640,000	\$8,715,000			\$8,640,000	\$8,715,000
Loans			\$7,384,071	\$5,857,000	\$7,384,071	\$5,317,000
Total debt	<u>\$8,640,000</u>	<u>\$8,715,000</u>	<u>\$7,384,071</u>	<u>\$5,857,000</u>	<u>\$16,024,071</u>	<u>\$14,032,000</u>

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

Growth related revenues have diminished significantly from FY2007 levels. Newly developed properties are not being added to tax rolls like they have in the past, and population growth is probably stagnant. The City implemented a lean FY2010 budget and laid-off and left vacant several positions in order to reduce expenses and maintain an adequate General Fund cash reserve. In addition, capital expenses will now need final approval from the manager, city staff has been asked to take one furlough day in FY2010, and all out of state travel requires prior approval of the City Manager.

The City Council reduced the FY2010 mill rate by 11.64 mills in the amount equal to the SAFER Grant. The mill rate is 123.57 before the Resort Tax rebate and 100.28 mills after the rebate. The City forecasts a decrease of \$172,223 or 7.9% with the lower mill levy. Resort Tax revenue collections were down 3.9% when comparing FY08 and FY09, and is trending even lower in FY10. The Tax Increment Finance District Fund revenues grew due to the County adding more properties to the district’s tax rolls. The General Fund reserve is estimated to be 9%.

A rate increase in wastewater usage charges will be proposed in order to meet future capital requirements.

**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 Office of the 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*

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**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Whitefish management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Whitefish Housing Authority, which represent 100% of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Whitefish Housing Authority is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Whitefish, Flathead County, Montana, as of June 30, 2009, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010, on our consideration of the City of Whitefish's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary information on pages 2 through 7 and pages 55 through 56, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of City of Whitefish, Flathead, County, Montana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Derrig, Downey and Associates, CPA's, P.C.*

February 26, 2010

May 27, 2010

U.S. Environmental Protection Agency, Capitalization Grants for Clean Water State Revolving Fund opinion.

**City of Whitefish, Flathead County, Montana**  
**Statement of Net Assets**  
**June 30, 2009**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 8,551,806	\$	1,022,321	\$	9,574,127
Taxes and assessments receivable, net	1,518,477		43,730		1,562,207
Special assessments receivable deferred	1,400,152		46,502		1,446,654
Accounts receivable - net	-		460,429		460,429
Employee flex plan advance receivable	6,000		-		6,000
Due from other governments	92,615		-		92,615
Total current assets	<u>\$ 11,569,050</u>	<u>\$</u>	<u>1,572,982</u>	<u>\$</u>	<u>13,142,032</u>
Noncurrent assets					
Restricted cash and investments	\$ 1,238,943	\$	2,274,371	\$	3,513,314
Capital assets - land	6,690,721		602,783		7,293,504
Capital assets - construction in progress	2,779,848		6,576,701		9,356,549
Capital assets - depreciable, net	29,043,142		14,194,187		43,237,329
Total noncurrent assets	<u>\$ 39,752,654</u>	<u>\$</u>	<u>23,648,042</u>	<u>\$</u>	<u>63,400,696</u>
Total assets	<u>\$ 51,321,704</u>	<u>\$</u>	<u>25,221,024</u>	<u>\$</u>	<u>76,542,728</u>
<b>LIABILITIES</b>					
Current liabilities					
Accounts payable	\$ 348,018	\$	77	\$	348,095
Accrued payroll	196,192		90,315		286,507
Judgements payable	399,945		-		399,945
Contracts payable	192,504		-		192,504
Developer bond payable	33,043		-		33,043
Current portion of long-term capital liabilities	530,000		469,000		999,000
Current portion of compensated absences payable	519,667		172,865		692,532
Total current liabilities	<u>\$ 2,219,369</u>	<u>\$</u>	<u>732,257</u>	<u>\$</u>	<u>2,951,626</u>
Noncurrent liabilities					
Deposits payable	\$ -	\$	128,238	\$	128,238
Noncurrent portion of long-term capital liabilities	8,110,000		6,915,071		15,025,071
Noncurrent portion of compensated absences	147,277		110,477		257,754
Total noncurrent liabilities	<u>\$ 8,257,277</u>	<u>\$</u>	<u>7,153,786</u>	<u>\$</u>	<u>15,411,063</u>
Total liabilities	<u>\$ 10,476,646</u>	<u>\$</u>	<u>7,886,043</u>	<u>\$</u>	<u>18,362,689</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 29,873,711	\$	13,989,600	\$	43,863,311
Restricted for capital projects	1,006,178		-		1,006,178
Restricted for debt service	1,143,366		1,135,281		2,278,647
Restricted for special projects	6,181,833		-		6,181,833
Unrestricted	2,639,970		2,210,100		4,850,070
Total net assets	<u>\$ 40,845,058</u>	<u>\$</u>	<u>17,334,981</u>	<u>\$</u>	<u>58,180,039</u>
Total liabilities and net assets	<u>\$ 51,321,704</u>	<u>\$</u>	<u>25,221,024</u>	<u>\$</u>	<u>76,542,728</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana  
Statement of Activities  
For the Fiscal Year Ended June 30, 2009

Functions/Programs	Program Revenues						Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
						Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>									
Governmental activities:									
General government	\$ 874,303	\$ (203,726)	\$ 486,135	\$ -	\$ -	\$ (184,442)	\$ -	\$ (184,442)	
Public safety	3,965,665	80,935	822,877	318,081	81,534	(2,824,108)	-	(2,824,108)	
Public works	2,129,631	22,112	1,779,016	-	966,509	593,782	-	593,782	
Public health	961,454	-	-	-	-	(961,454)	-	(961,454)	
Social and economic services	1,250	-	-	-	-	(1,250)	-	(1,250)	
Culture and recreation	590,725	17,537	368,037	16,359	-	(223,866)	-	(223,866)	
Housing and community development	1,014,617	10,598	27,151	75,346	-	(922,718)	-	(922,718)	
Debt service - interest	278,980	-	-	-	-	(278,980)	-	(278,980)	
Miscellaneous	85,600	-	-	-	-	(85,600)	-	(85,600)	
Total governmental activities	\$ 9,902,225	\$ (72,544)	\$ 3,483,216	\$ 409,786	\$ 1,048,043	\$ (4,888,636)	\$ -	\$ (4,888,636)	
Business-type activities:									
Water	\$ 2,031,397	\$ 29,359	\$ 2,395,204	\$ -	\$ 9,150	\$ -	\$ 343,598	\$ 343,598	
Sewer	2,019,637	29,701	1,576,319	-	600,055	-	127,036	127,036	
Solid Waste	647,786	2,296	596,440	-	-	-	(53,642)	(53,642)	
Ambulance	981,956	11,188	842,373	-	-	-	(150,771)	(150,771)	
Total business-type activities	\$ 5,680,776	\$ 72,544	\$ 5,410,336	\$ -	\$ 609,205	\$ -	\$ 266,221	\$ 266,221	
Total primary government	\$ 15,583,001	\$ -	\$ 8,893,552	\$ 409,786	\$ 1,657,248	\$ (4,888,636)	\$ 266,221	\$ (4,622,415)	
General Revenues:									
Property taxes for general purposes						\$ 6,244,329	\$ 172,023	\$ 6,416,352	
Personal property tax reimbursement						3,209	-	3,209	
Miscellaneous						62,570	81	62,651	
Interest/investment earnings						364,308	197,650	561,958	
State entitlement						790,127	-	790,127	
Licenses and permits						234,583	-	234,583	
On-behalf payments						345,165	65,172	410,337	
Gain (loss) on sale of capital assets						20,000	-	20,000	
Total general revenues, special items and transfers						\$ 8,064,291	\$ 434,926	\$ 8,499,217	
Change in net assets						\$ 3,175,655	\$ 701,147	\$ 3,876,802	
Net assets - beginning						\$ 37,519,355	\$ 16,633,834	\$ 54,153,189	
Restatements						150,048	-	150,048	
Net assets - beginning - restated						37,669,403	16,633,834	54,303,237	
Net assets - end						\$ 40,845,058	\$ 17,334,981	\$ 58,180,039	

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2009**

	<u>General Fund</u>	<u>Resort Tax</u>	<u>Law Enforcement</u>	<u>Tax Increment</u>	<u>SID 166</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 548,492	\$ 3,502,121	\$ 88,529	\$ 1,704,470	\$ -	\$ 2,708,194	\$ 8,551,806
Taxes and assessments receivable, net	356,552	-	-	718,393	20,387	423,145	1,518,477
Special assessments receivable deferred	-	-	-	139,164	1,222,206	38,782	1,400,152
Employee flex plan advance receivable	6,000	-	-	-	-	-	6,000
Due from other funds	288,006	-	-	-	-	-	288,006
Due from other governments	-	-	-	-	-	92,615	92,615
Total current assets	<u>\$ 1,199,050</u>	<u>\$ 3,502,121</u>	<u>\$ 88,529</u>	<u>\$ 2,562,027</u>	<u>\$ 1,242,593</u>	<u>\$ 3,262,736</u>	<u>\$ 11,857,056</u>
Noncurrent assets:							
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,238,943	\$ 1,238,943
Advances to other funds	-	-	-	-	-	49,592	49,592
Total noncurrent assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,288,535</u>	<u>\$ 1,288,535</u>
Total assets	<u>\$ 1,199,050</u>	<u>\$ 3,502,121</u>	<u>\$ 88,529</u>	<u>\$ 2,562,027</u>	<u>\$ 1,242,593</u>	<u>\$ 4,551,271</u>	<u>\$ 13,145,591</u>
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ 348,018	\$ -	\$ -	\$ 348,018
Accrued payroll	21,225	-	56,761	5,600	-	112,606	196,192
Judgements payable	399,945	-	-	-	-	-	399,945
Contracts payable	-	-	-	192,504	-	-	192,504
Due to other funds	-	-	-	-	-	288,006	288,006
Developer bond payable	33,043	-	-	-	-	-	33,043
Deferred revenue	356,552	-	-	857,557	1,242,593	461,927	2,918,629
Total current liabilities	<u>\$ 810,765</u>	<u>\$ -</u>	<u>\$ 56,761</u>	<u>\$ 1,403,679</u>	<u>\$ 1,242,593</u>	<u>\$ 862,539</u>	<u>\$ 4,376,337</u>
Noncurrent liabilities:							
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ 45,246	\$ 4,346	\$ 49,592
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,246</u>	<u>\$ 4,346</u>	<u>\$ 49,592</u>
Total liabilities	<u>\$ 810,765</u>	<u>\$ -</u>	<u>\$ 56,761</u>	<u>\$ 1,403,679</u>	<u>\$ 1,287,839</u>	<u>\$ 866,885</u>	<u>\$ 4,425,929</u>
<b>FUND BALANCES</b>							
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ (45,246)	\$ 1,188,612	\$ 1,143,366
Reserved for capital projects	-	-	-	-	-	1,006,178	1,006,178
Unreserved reported in general fund	388,285	-	-	-	-	-	388,285
Unreserved reported in special revenue funds	-	3,502,121	31,768	1,158,348	-	1,489,596	6,181,833
Total fund balance	<u>\$ 388,285</u>	<u>\$ 3,502,121</u>	<u>\$ 31,768</u>	<u>\$ 1,158,348</u>	<u>\$ (45,246)</u>	<u>\$ 3,684,386</u>	<u>\$ 8,719,662</u>
Total liabilities and fund balance	<u>\$ 1,199,050</u>	<u>\$ 3,502,121</u>	<u>\$ 88,529</u>	<u>\$ 2,562,027</u>	<u>\$ 1,242,593</u>	<u>\$ 4,551,271</u>	<u>\$ 13,145,591</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 Assets**  
**June 30, 2009**

<b>Total fund balances - governmental funds</b>	\$ 8,719,662
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	38,513,711
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.	2,918,629
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(9,306,944)
<b>Total net assets - governmental activities</b>	<b>\$ <u>40,845,058</u></b>

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, 2009**

	General Fund	Resort Tax	Law Enforcement	Tax Increment	SID 166	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes and assessments	\$ 1,658,043	\$ 1,638,912	\$ -	\$ 2,531,895	\$ 111,535	\$ 1,591,865	\$ 7,532,250
Licenses and permits	55,936	-	-	-	-	527,146	583,082
Intergovernmental	654,526	-	299,518	164,660	-	1,584,818	2,703,522
Charges for services	254,517	-	1,786	607	-	686,231	943,141
Fines and forfeitures	349,399	-	-	-	-	15,108	364,507
Miscellaneous	11,749	-	96,864	5,421	-	98,705	212,739
Investment earnings	171,311	140,651	-	-	1,540	122,324	435,826
Total revenues	<u>\$ 3,155,481</u>	<u>\$ 1,779,563</u>	<u>\$ 398,168</u>	<u>\$ 2,702,583</u>	<u>\$ 113,075</u>	<u>\$ 4,626,197</u>	<u>\$ 12,775,067</u>
<b>EXPENDITURES</b>							
General government	\$ 458,104	\$ -	\$ -	\$ -	\$ -	\$ 16,422	\$ 474,526
Public safety	396,173	-	2,057,525	-	-	1,490,111	3,943,809
Public works	18,283	405	-	-	-	1,131,005	1,149,693
Public health	-	-	-	-	-	961,454	961,454
Social and economic services	1,250	-	-	-	-	-	1,250
Culture and recreation	48,993	-	-	-	-	35,683	84,676
Housing and community development	-	-	-	929,055	-	96,160	1,025,215
Debt service - principal	-	-	-	-	75,000	-	75,000
Debt service - interest	-	-	-	-	54,192	224,788	278,980
Miscellaneous	84,600	-	-	-	-	1,000	85,600
Capital outlay	7,137	230,819	111,753	1,545,090	-	1,743,437	3,638,236
Total expenditures	<u>\$ 1,014,540</u>	<u>\$ 231,224</u>	<u>\$ 2,169,278</u>	<u>\$ 2,474,145</u>	<u>\$ 129,192</u>	<u>\$ 5,700,060</u>	<u>\$ 11,718,439</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,140,941</u>	<u>\$ 1,548,339</u>	<u>\$ (1,771,110)</u>	<u>\$ 228,438</u>	<u>\$ (16,117)</u>	<u>\$ (1,073,863)</u>	<u>\$ 1,056,628</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	\$ 448,364	\$ -	\$ 1,675,200	\$ -	\$ -	\$ 1,360,442	\$ 3,484,006
Transfers out	(2,405,184)	(448,364)	-	(424,488)	-	(205,970)	(3,484,006)
Total other financing sources (uses)	<u>\$ (1,956,820)</u>	<u>\$ (448,364)</u>	<u>\$ 1,675,200</u>	<u>\$ (424,488)</u>	<u>\$ -</u>	<u>\$ 1,154,472</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 184,121</u>	<u>\$ 1,099,975</u>	<u>\$ (95,910)</u>	<u>\$ (196,050)</u>	<u>\$ (16,117)</u>	<u>\$ 80,609</u>	<u>\$ 1,056,628</u>
Fund balances - beginning	\$ 204,164	\$ 2,402,146	\$ 127,678	\$ 1,354,398	\$ (29,129)	\$ 3,603,777	\$ 7,663,034
Fund balance - ending	<u>\$ 388,285</u>	<u>\$ 3,502,121</u>	<u>\$ 31,768</u>	<u>\$ 1,158,348</u>	<u>\$ (45,246)</u>	<u>\$ 3,684,386</u>	<u>\$ 8,719,662</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, 2009**

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

<b>Net change in fund balances - total governmental funds</b>	\$	1,056,628
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		3,638,236
- Depreciation expense		(1,733,962)
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		20,000
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)		210,269
The change in compensated absences is shown as an expense in the Statement of Activities		(90,516)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:		
- Long-term debt principal payments		75,000
<b>Change in net assets - Statement of Activities</b>	<b>\$</b>	<b><u><u>3,175,655</u></u></b>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Balance Sheet**  
**Proprietary Funds**  
**June 30, 2009**

**Business-Type Activities - Enterprise Funds**

	<u>Water</u>	<u>Sewer</u>	<u>Ambulance</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
<b>ASSETS</b>					
Current assets:					
Cash and investments	\$ 273,621	\$ 525,152	\$ 174,137	\$ 49,411	\$ 1,022,321
Taxes and assessments receivable, net	744	6,885	36,101	-	43,730
Special assessments receivable deferred	19,810	26,692	-	-	46,502
Accounts receivable - net	155,825	106,030	160,813	37,761	460,429
Total current assets	<u>\$ 450,000</u>	<u>\$ 664,759</u>	<u>\$ 371,051</u>	<u>\$ 87,172</u>	<u>\$ 1,572,982</u>
Noncurrent assets:					
Restricted cash and investments	\$ 1,478,422	\$ 795,949	\$ -	\$ -	\$ 2,274,371
Capital assets - land	335,283	267,500	-	-	602,783
Capital assets - construction in progress	2,183,038	4,393,663	-	-	6,576,701
Capital assets - depreciable, net	6,815,199	7,242,685	136,243	60	14,194,187
Total noncurrent assets	<u>\$ 10,811,942</u>	<u>\$ 12,699,797</u>	<u>\$ 136,243</u>	<u>\$ 60</u>	<u>\$ 23,648,042</u>
Total assets	<u>\$ 11,261,942</u>	<u>\$ 13,364,556</u>	<u>\$ 507,294</u>	<u>\$ 87,232</u>	<u>\$ 25,221,024</u>
<b>LIABILITIES</b>					
Current liabilities:					
Accounts payable	\$ 77	\$ -	\$ -	\$ -	\$ 77
Accrued payroll	33,827	35,313	18,757	2,418	90,315
Current portion of long-term capital liabilities	379,000	90,000	-	-	469,000
Current portion of compensated absences payable	71,075	65,462	30,947	5,381	172,865
Total current liabilities	<u>\$ 483,979</u>	<u>\$ 190,775</u>	<u>\$ 49,704</u>	<u>\$ 7,799</u>	<u>\$ 732,257</u>
Noncurrent liabilities:					
Deposits payable	\$ 128,226	\$ 12	\$ -	\$ -	\$ 128,238
Noncurrent portion of long-term capital liabilities	4,962,000	1,953,071	-	-	6,915,071
Noncurrent portion of compensated absences	50,671	46,858	8,178	4,770	110,477
Total noncurrent liabilities	<u>\$ 5,140,897</u>	<u>\$ 1,999,941</u>	<u>\$ 8,178</u>	<u>\$ 4,770</u>	<u>\$ 7,153,786</u>
Total liabilities	<u>\$ 5,624,876</u>	<u>\$ 2,190,716</u>	<u>\$ 57,882</u>	<u>\$ 12,569</u>	<u>\$ 7,886,043</u>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	\$ 3,992,520	\$ 9,860,777	\$ 136,243	\$ 60	\$ 13,989,600
Restricted for debt service	879,414	255,867	-	-	1,135,281
Unrestricted	765,132	1,057,196	313,169	74,603	2,210,100
Total net assets	<u>\$ 5,637,066</u>	<u>\$ 11,173,840</u>	<u>\$ 449,412</u>	<u>\$ 74,663</u>	<u>\$ 17,334,981</u>
Total liabilities and net assets	<u>\$ 11,261,942</u>	<u>\$ 13,364,556</u>	<u>\$ 507,294</u>	<u>\$ 87,232</u>	<u>\$ 25,221,024</u>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Assets**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2009**

	<u>Business-Type Activities - Enterprise Funds</u>				
	<u>Water</u>	<u>Sewer</u>	<u>Ambulance</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>					
Charges for services	\$ 2,395,204	\$ 1,576,319	\$ 842,373	\$ 596,440	\$ 5,410,336
Miscellaneous revenues	-	-	81	-	81
Total operating revenues	<u>\$ 2,395,204</u>	<u>\$ 1,576,319</u>	<u>\$ 842,454</u>	<u>\$ 596,440</u>	<u>\$ 5,410,417</u>
<b>OPERATING EXPENSES</b>					
Personal services	\$ 898,100	\$ 928,847	\$ 425,350	\$ 64,036	\$ 2,316,333
Supplies	239,475	281,222	75,161	2,432	598,290
Purchased services	203,807	232,853	42,511	581,041	1,060,212
Fixed charges	168,364	115,567	16,038	2,528	302,497
Loss/bad debt expense	-	-	393,333	-	393,333
Depreciation	330,620	469,243	40,751	45	840,659
Total operating expenses	<u>\$ 1,840,366</u>	<u>\$ 2,027,732</u>	<u>\$ 993,144</u>	<u>\$ 650,082</u>	<u>\$ 5,511,324</u>
Operating income (loss)	<u>\$ 554,838</u>	<u>\$ (451,413)</u>	<u>\$ (150,690)</u>	<u>\$ (53,642)</u>	<u>\$ (100,907)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>					
Taxes/assessments revenue	\$ -	\$ -	\$ 172,023	\$ -	\$ 172,023
Intergovernmental revenue	9,150	600,055	65,172	-	674,377
Interest revenue	86,108	99,571	8,692	3,279	197,650
Debt service interest expense	(220,390)	(21,606)	-	-	(241,996)
Total non-operating revenues (expenses)	<u>\$ (125,132)</u>	<u>\$ 678,020</u>	<u>\$ 245,887</u>	<u>\$ 3,279</u>	<u>\$ 802,054</u>
Income (loss) before contributions and transfers	<u>\$ 429,706</u>	<u>\$ 226,607</u>	<u>\$ 95,197</u>	<u>\$ (50,363)</u>	<u>\$ 701,147</u>
Change in net assets	<u>\$ 429,706</u>	<u>\$ 226,607</u>	<u>\$ 95,197</u>	<u>\$ (50,363)</u>	<u>\$ 701,147</u>
Net Assets - Beginning of the year	\$ 5,207,360	\$ 10,947,233	\$ 354,215	\$ 125,026	\$ 16,633,834
Net Assets - End of the year	<u>\$ 5,637,066</u>	<u>\$ 11,173,840</u>	<u>\$ 449,412</u>	<u>\$ 74,663</u>	<u>\$ 17,334,981</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, 2009

Business - Type Activities - Enterprise Funds

	Water	Sewer	Ambulance	Non-major Enterprise	Totals
<b>Cash flows from operating activities:</b>					
Cash received from providing services	\$ 2,362,653	\$ 1,627,059	\$ 473,870	\$ 594,262	\$ 5,057,844
Cash received from customers - deposits	1,835	-	-	-	1,835
Cash received from miscellaneous sources	-	-	81	-	81
Cash payments to suppliers	(577,210)	(592,929)	(125,798)	(583,705)	(1,879,642)
Cash payments for professional services	(34,359)	(36,701)	(7,912)	(2,296)	(81,268)
Cash payments to employees	(892,457)	(928,670)	(416,952)	(65,570)	(2,303,649)
Net cash provided (used) by operating activities	\$ 860,462	\$ 68,759	\$ (76,711)	\$ (57,309)	\$ 795,201
<b>Cash flows from capital and related financing activities:</b>					
Acquisition and construction of capital assets	\$ (94,325)	\$ (4,103,377)	\$ (139,345)	\$ -	\$ (4,337,047)
Principal paid on debt	(364,000)	(56,000)	-	-	(420,000)
Interest paid on debt	(220,390)	(21,606)	-	-	(241,996)
Proceeds from bonds, loans and advances	-	1,947,071	-	-	1,947,071
Net cash provided (used) by capital and related financing activities	\$ (678,715)	\$ (2,233,912)	\$ (139,345)	\$ -	\$ (3,051,972)
<b>Cash flows from non-capital financing activities:</b>					
Tax levies and contributions from the County	\$ (248)	\$ (250)	\$ 135,922	\$ -	\$ 135,424
Cash received from other sources	9,150	600,055	65,172	-	674,377
Net cash provided (used) from non-capital financing activities	\$ 8,902	\$ 599,805	\$ 201,094	\$ -	\$ 809,801
<b>Cash flows from investing activities:</b>					
Interest on investments	\$ 86,108	\$ 99,571	\$ 8,692	\$ 3,279	\$ 197,650
Net cash provided (used) by investing activities	\$ 86,108	\$ 99,571	\$ 8,692	\$ 3,279	\$ 197,650
<b>Net increase (decrease) in cash and cash equivalents</b>	\$ 276,757	\$ (1,465,777)	\$ (6,270)	\$ (54,030)	\$ (1,249,320)
<b>Cash and cash equivalents at beginning</b>	1,475,286	2,786,878	180,407	103,441	4,546,012
<b>Cash and cash equivalents at end</b>	\$ 1,752,043	\$ 1,321,101	\$ 174,137	\$ 49,411	\$ 3,296,692
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 554,838	\$ (451,413)	\$ (150,690)	\$ (53,642)	\$ (100,907)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	330,620	469,243	40,751	45	840,659
Changes in assets and liabilities:					
Accounts receivable	(32,551)	50,740	24,830	(2,178)	40,841
Deposits payable	1,835	-	-	-	1,835
Accounts payable	77	12	-	-	89
Compensated absences	2,781	(2,077)	2,539	(1,730)	1,513
Accrued payroll	2,862	2,254	5,859	196	11,171
Net cash provided (used) by operating activities	\$ 860,462	\$ 68,759	\$ (76,711)	\$ (57,113)	\$ 795,397

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**

	<b>Private Purpose Trust Funds</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and short-term investments	\$ 3,032,941	\$ 1,059,176
Taxes Receivable	-	16,775
Total assets	\$ 3,032,941	\$ 1,075,951
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 953,809
Due to others	-	122,142
Total liabilities	\$ -	\$ 1,075,951
Assets held in trust	\$ 3,032,941	

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2009**

		<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Contributions	\$	3,000,000
Investment earnings:		
Interest and change in fair value of investments		56,326
Total additions	\$	<u>3,056,326</u>
<b>DEDUCTIONS</b>		
Administrative expenses	4	69,453
Other expenditures		17,913
Total deductions	\$	<u>87,366</u>
Change in net assets	\$	<u>2,968,960</u>
 Net Assets - Beginning of the year	 \$	 63,981
 Net Assets - End of the year	 \$	 <u>3,032,941</u>

See accompanying Notes to the Financial Statements

WHITEFISH HOUSING AUTHORITY  
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
 STATEMENT OF NET ASSETS - PROPRIETARY FUND  
 June 30, 2009

**ASSETS**

	Housing
<b>CURRENT ASSETS:</b>	
Cash and cash equivalents	\$ 35,496
Accounts receivable, net	119
Accrued interest receivable	340
Due from other governments	62,794
Notes receivable	15,000
Prepaid insurance	2,411
Capital Assets, held for sale	186,694
<i>Restricted:</i>	
Cash and cash equivalents	16,104
<b>TOTAL CURRENT ASSETS</b>	<b>318,958</b>
<b>NONCURRENT ASSETS:</b>	
Capital Assets, non-depreciable	68,152
Capital Assets, depreciable, net	493,119
Notes receivable	167,500
Other Assets, unrestricted	1,903
Other Assets, restricted	340,398
<b>TOTAL NONCURRENT ASSETS</b>	<b>1,071,072</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,390,030</b>

**LIABILITIES**

<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 1,734
Accrued payroll and benefits	1,976
Accrued interest payable	2,436
Compensated absences payable	6,771
Due to other governments	9,118
Deferred revenue	10,945
Tenant security deposit payable	10,250
Notes payable, noncapital	50,000
Notes payable, capital, current portion	2,009
<b>TOTAL CURRENT LIABILITIES</b>	<b>95,239</b>
<b>NONCURRENT LIABILITIES:</b>	
Compensated absences payable	9,974
Notes payable, capital	136,202
Deferred loans	120,000
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>266,176</b>
<b>TOTAL LIABILITIES</b>	<b>361,415</b>

**NET ASSETS**

Invested in capital assets, net of related debt	609,754
Restricted	363,748
Unrestricted	55,113
<b>TOTAL NET ASSETS</b>	<b>\$ 1,028,615</b>

See accompanying notes.

WHITEFISH HOUSING AUTHORITY  
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN  
 FUND NET ASSETS - PROPRIETARY FUND  
 Year Ended June 30, 2009

OPERATING REVENUES	Housing
Rental income	\$ 187,116
HUD Section 8 program revenue	62,189
Program revenue	33,994
Other income	8,019
TOTAL OPERATING REVENUES	291,318
OPERATING EXPENSES	
Administrative	164,593
Tenant services	16,815
Utilities	45,228
Ordinary maintenance and operations	65,230
General expense	21,625
Housing assistance payments	67,883
Depreciation	114,929
TOTAL OPERATING EXPENSES	496,303
	OPERATING INCOME (LOSS)
	(204,985)
NONOPERATING REVENUES (EXPENSES)	
HUD operating subsidy	70,448
HUD capital grants - operations	7,723
CDBG grant revenue	13,058
CDBG grant expenses	(13,058)
HOME grant revenue	20,243
HOME grant expense	(20,243)
City of Whitefish - Housing Rehab revenue	20,587
City of Whitefish - Housing Rehab expenses	(20,587)
Interest income	2,015
Interest expense	(2,013)
Loss on equipment dispositions	(357)
Net gain on capital assets held for sale	15,283
TOTAL NONOPERATING REVENUES (EXPENSES)	93,099
	INCOME (LOSS) BEFORE CONTRIBUTIONS
	(111,886)
CAPITAL CONTRIBUTIONS	
HUD capital fund grant	13,935
HUD capital fund stimulus recovery act	2,317
HOME grant	71,965
Affordable Housing Program	10,000
	INCREASE (DECREASE) IN NET ASSETS
	(13,669)
NET ASSETS:	
Net assets, beginning balance	1,042,457
Prior period adjustments	(173)
Net assets, beginning balance, restated	1,042,284
NET ASSETS - ENDING BALANCE \$	1,028,615

See accompanying notes.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**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. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds GASB statement Nos. 20 and 34 provide the City the option of electing to apply FASB pronouncements issued after November 30, 1989. The City has elected not to apply those pronouncements.

**Financial Reporting Entity**

In determining the financial reporting entity, the City complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, and includes all component units of which the City appointed a voting majority of the units' board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*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.

*Related Organizations*

Related organizations are separate legal entities that are related to the primary government because the primary government officials appoint a voting majority of the board members. However, the primary government is not financially accountable because it does not have the ability to impose its will and there is not a potential financial benefit or burden relationship. The City has the following related organizations:

Housing Authority

The Housing Authority is established in accordance to Montana Code Annotated (MCA) 7-15-4416. The Housing Authority is both legally separate and fiscally independent from the City of Whitefish. The City appoints all seven commissioners (board members) of the board of the Housing Authority in accordance to MCA 7-15-4431. The City established an inter-local agreement with the Housing Authority.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**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 Assets and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting City 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 to minimize the double-counting 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 Assets 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*

On the government-wide Statement of Net Assets 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 assets are available.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**Fund Financial Statements:**

*Basis of Presentation*

Fund financial statements of the reporting Entity 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, liabilities, 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, liabilities, 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***

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 be 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  
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June 30, 2009

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 authority to implement City Ordinance 95-15, the Resort Tax Ordinance. The ordinance imposes a 2% resort tax on a range of goods and services sold by establishments within the City. The Ordinance specifies that property tax relief should be provided to Whitefish taxpayers in an amount equal to 25% of resort 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. 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.

*Law Enforcement Fund* - A special revenue fund that is used to account for law enforcement activities.

*Tax Increment Fund* – A special revenue fund that was established in 1987 is used to account for urban renewal activities within the boundaries of the Whitefish Tax Increment District. In accordance to Montana Code Annotated (MCA) 7-15-4292, tax increment districts must be terminated 15 years after their creation or at a later date necessary to pay all bond obligations for which the tax increment was pledged. Based upon the bond obligations, termination of the district is projected to be July 15, 2021.

*SID 166* – A debt service fund created to service the special assessment bonds for the JP Road Project.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

***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

*Ambulance Fund* – An enterprise fund that accounts for the activities of the City's ambulance service.

***Fiduciary Funds***

The City maintains a Fiduciary Fund which is custodial in nature.

*Private Purpose Trust* – The City maintains a trust fund to record activity of the trail project

**Cost Allocation Plan**

The City allocates administrative service costs to each of the funds based on a percentage of the budgeted salary. Administrative cost allocation percentages are listed below:

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2009

General Fund	10.06%
Street and Alley	9.52%
Parks and Recreation	7.96%
Law Enforcement	22.71%
Tax Increment	2.27%
Fire and Rescue	8.42%
Building Codes	5.61%
Light #1	0.26%
Light #2	0.26%
Water Fund	13.33%
Wastewater Fund	13.48%
Solid Waste Fund	1.04%
Ambulance Fund	<u>5.08%</u>
Total	<u>100%</u>

**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2009, are as follows:

	<u>Primary</u>
	<u>Government</u>
<u>Cash on hand and Deposits:</u>	
Petty Cash	\$ 875
Cash in Banks:	
Demand Deposits	6,774,678
Time Deposits	10,377,032
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	<u>26,973</u>
Total	<u>\$ 17,179,558</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):

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2009

- (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.

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 place 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.

The government has no investment policy that would further limit its investment choices.

The government has the following investments and their related credit risk:

Short Term Investment Pool (STIP) Credit Quality ratings by the NRSRO as of June 30, 2009:

<u>Security Investment Type</u>	<u>Amortized</u> <u>Cost</u>	<u>Credit</u> <u>Quality</u> <u>Rating</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>in Days</u>
Asset Backed Commercial Paper	\$ 299,326,610	A1	23
Corporate Commercial Paper	164,976,250	A1	16
Corporate Fixed	36,474,136	A3	196
Corporate Variable-Rate	364,248,333	A3	67
Certificates of Deposit Fixed	25,000,000	A1+	360
Certificates of Deposit Variable-Rate	105,000,000	A1	62
U.S. Government Agency Fixed	140,672,204	A1+	73
U.S. Government Agency Variable-Rate	750,530,748	A1+	45
Money Market Funds (Unrated)	121,427,621	NR	1
Money Market Funds (Rated)	180,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>113,625,566</u>	D	NA
Total Investments	\$ <u>2,301,281,468</u>	A1	46
Securities Lending Collateral Investment Pool		NR	

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

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**Custodial Credit**

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, 2009 the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Balance</u>
Insured	\$ 1,000,000
Collateralized	
- Collateral held by the pledging bank's trust department in the City's name.	<u>16,115,992</u>
Total Deposits and Investments	<u>\$ 17,115,992</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, 2009, equaled or exceeded the amount required by State statutes.

**NOTE 3. RECEIVABLES**

An allowance for uncollectible accounts was not maintained for real and personal property taxes and special assessments receivable. The direct write-off method is used for these accounts.

Property tax levies are set on or before the second Monday in August, in connection with the budget process. 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.

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2009

**NOTE 4. INVENTORIES**

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

**NOTE 5. 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 fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings .....	10-40 years
Improvements .....	5-20 years
Equipment .....	3-40 years
Infrastructure .....	10-50 years

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 2009 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Adjustments/ Transfers</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets not being depreciated:					
Land	\$ 6,612,462	\$ 1,050	\$ 77,209	\$ -	\$ 6,690,721
Construction Work in Progress	<u>514,759</u>	<u>2,392,522</u>	<u>(127,433)</u>	-	<u>2,779,848</u>
Total capital assets not being depreciated	<u>\$ 7,127,221</u>	<u>\$ 2,393,572</u>	<u>\$ (50,224)</u>	<u>\$ -</u>	<u>\$ 9,470,569</u>
Other Capital Assets:					
Buildings	\$ 13,309,590	\$ -		\$ -	\$ 13,309,590
Improvements Other than Buildings	1,534,778	-		-	1,534,778
Machinery and Equipment	3,318,678	535,077		(161,689)	3,692,066
Infrastructure	<u>18,741,797</u>	<u>729,587</u>	<u>50,224</u>	-	<u>19,521,608</u>
Total other Capital Assets at historical cost	<u>\$ 36,904,843</u>	<u>\$ 1,264,664</u>	<u>\$ 50,224</u>	<u>\$(161,689)</u>	<u>\$ 38,058,042</u>
Less Accumulated Depreciation	<u>\$(7,592,675)</u>	<u>\$(1,733,962)</u>	<u>\$ 150,048</u>	<u>\$ 161,689</u>	<u>\$(9,014,900)</u>
Total	<u>\$ 36,439,389</u>	<u>\$ 1,924,274</u>	<u>\$ 150,048</u>	<u>\$ -</u>	<u>\$ 38,513,711</u>

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2009

The following is a summary of business type capital assets were as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets not being depreciated:			
Land	\$ 602,783	\$ -	\$ 602,783
Construction Work in Progress	<u>2,424,311</u>	<u>4,152,390</u>	<u>6,576,701</u>
Total Capital Assets not being depreciated	<u>\$ 3,027,094</u>	<u>\$ 4,152,390</u>	<u>\$ 7,179,484</u>
Other Capital Assets:			
Buildings	\$ 170,980	\$ -	\$ 170,980
Machinery and Equipment	370,009	139,345	509,354
Pumping Plant	2,768,406	-	2,768,406
Treatment Plant	11,849,860	10,981	11,860,841
Transmission and Distribution	9,793,487	-	9,793,487
General Plant	<u>1,016,606</u>	<u>34,331</u>	<u>1,050,937</u>
Total other Capital Assets at historical cost	<u>\$ 25,969,348</u>	<u>\$ 184,657</u>	<u>\$ 26,154,005</u>
Less Accumulated Depreciation	<u>\$(11,119,159)</u>	<u>\$(840,659)</u>	<u>\$(11,959,818)</u>
Total	<u>\$ 17,877,283</u>	<u>\$ 3,496,388</u>	<u>\$ 21,373,671</u>

Governmental activities capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 105,535
Public Safety	102,791
Public Works	1,004,200
Culture and Recreation	<u>521,436</u>
Total governmental activities depreciation expense	<u>\$ 1,733,962</u>

**NOTE 6. 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, 2009, the following changes occurred in liabilities reported in long-term debt:

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Governmental Activities:

	Balance			Balance	Due within
	<u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>	<u>one year</u>
Special Assessment Bond	\$ 1,230,000	\$ -	\$ (75,000)	\$ 1,155,000	\$ 75,000
Revenue Bonds	7,485,000	-	-	7,485,000	455,000
Compensated Absences	<u>576,428</u>	<u>90,516</u>	<u>-</u>	<u>666,944</u>	<u>519,667</u>
Total	<u>\$ 9,291,428</u>	<u>\$ 90,516</u>	<u>\$ (75,000)</u>	<u>\$ 9,306,944</u>	<u>\$1,049,667</u>

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, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2009</u>	<u>one year</u>
Revenue Bonds	\$ 5,857,000	\$1,947,071	\$ (420,000)	\$ 7,384,071	\$ 469,000
Compensated Absences	<u>281,829</u>	<u>5,320</u>	<u>(3,807)</u>	<u>283,342</u>	<u>172,865</u>
Total	<u>\$ 6,138,829</u>	<u>\$1,952,391</u>	<u>\$ (423,807)</u>	<u>\$ 7,667,413</u>	<u>\$ 641,865</u>

*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 districts bonds were issued with revolving fund backing. The City or is not obligated to levy and collect a general property tax on all taxable property in the City 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, 2009 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, 2009</u>
SID #166 – JP Road Project	7/06/2006	3.65-4.8%	20 yrs	7/01/2026	<u>\$1,360,000</u>	Varies	<u>\$ 1,155,000</u>

Reported in governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 75,000	\$ 51,080
2011	75,000	48,192
2012	70,000	45,268
2013	70,000	42,468
2014	70,000	39,597
2015	70,000	36,622
2016	70,000	33,577
2017	70,000	30,498

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2018	70,000	27,382
2019	65,000	24,232
2020	65,000	21,274
2021	65,000	18,286
2022	65,000	15,263
2023	65,000	12,208
2024	65,000	9,120
2025	65,000	6,000
2026	<u>60,000</u>	<u>2,880</u>
Total	<u>\$ 1,155,000</u>	<u>\$ 463,947</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, 2009</u>
2000 Tax Increment Revenue Bonds(1)	6/15/2000	5.1- 6.25%	20 yrs	7/15/2020	\$5,735,000	Varies	\$ 4,200,000
2001 Tax Increment Revenue Bonds(1)	6/23/2000	6.00%	20 yrs	7/15/2020	2,500,000	Varies	1,800,000
2004 Tax Increment Revenue Bonds(1)	6/26/2004	5.10%	16 yrs	7/15/2020	1,775,000	Varies	1,485,000
DNRC – Water 1998(2)	7/06/1998	4.00%	20 yrs	7/01/2018	400,000	Varies	219,000
DNRC – Water 1999(2)	6/21/1999	4.00%	20 yrs	7/01/2019	5,839,000	Varies	3,487,000
Sewer SRF 2002 Series(2)	7/01/2002	3.00%	20 yrs	7/01/2022	200,000	Varies	144,000
Water DWSRF #06098(2)	6/15/2006	3.75%	20 yrs	7/01/2026	248,699	Varies	800,000
Water WRF #08110(2)	9/06/2007	3.75%	20 yrs	7/01/2027	900,000	Varies	835,000
Sewer SRF-09177 (2008A)(2)	12/11/2008	2.75%	20 yrs	7/01/2028	500,000	Varies	481,000
Sewer SRF-09178 (2008B)(2)	1/16/2009	3.75%	20 yrs	7/01/2029	<u>1,447,071</u>	Varies	<u>1,418,071</u>
Total					<u>\$19,544,770</u>		<u>\$ 14,869,071</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 not in compliance with applicable covenants as of June 30, 2009.

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Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 914,464	\$ 711,882
2011	951,374	667,230
2012	998,356	620,522
2013	1,050,414	571,111
2014	1,098,549	519,054
2015	1,142,765	446,494
2016	1,201,066	407,032
2017	1,261,453	345,680
2018	1,325,930	280,021
2019	1,358,501	211,277
2020	995,170	144,301
2021	1,055,940	86,447
2022	224,814	52,655
2023	219,797	44,603
2024	226,893	36,573
2025	237,107	28,263
2026	244,442	19,604
2027	179,903	11,268
2028	131,495	5,366
2029	<u>50,637</u>	<u>949</u>
Total	<u>\$ 14,869,071</u>	<u>\$ 5,210,332</u>

**Compensated Absences**

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 respective fund/business-type activities.

**Advance Refunding of Long-Term Debt**

In prior years, the City defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements.

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
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**Judgments Payable**

In April 2006, the City of Whitefish adopted an Interim Zoning Ordinance which, among other things, prohibited construction of buildings or residences on slopes exceeding thirty percent (30%). William H. Walton and Theodora D. Walton own a lot on Whitefish Lake which has a slope down to Whitefish Lake that exceeds 30%. The City denied the Walton's site plan, because they proposed to build on the slope. In July of 2006, the Waltons filed a complaint for injunctive relief and for damages against the City.

In July 2007, after a jury trial, the Waltons were awarded \$300,000 in compensatory damages against the City. In September of 2008, the District Court granted the Waltons \$99,945.38 in attorney's fees and costs.

**NOTE 7. DEFICIT FUND BALANCES/NET ASSETS**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Building Codes	\$ (257,561)	Slowed Economy - Less Building	Transfer from the General Fund
CDBG First Time Homebuyer	\$ (125)	Payment of Legal Fees	CDBG will pick up shortfall
Centennial Celebration	\$ (28,827)	Not a profitable undertaking	Transfer from the General Fund
SID 151	\$ (1,255)	Delinquent Special Assessments	Delinquent Assessment Revenue
SID 154	\$ (3,091)	Delinquent Special Assessments	Delinquent Assessment Revenue
SID 166	\$ (45,246)	Deferred Assessments Receivable	Future Assessments
Federally Funded Trails Project	\$ (6,278)	Overspent Project	Transfer from the General Fund

**NOTE 8. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2009, were as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u>		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
Loan between funds for deficit cash	General – Major Governmental	Building Code – Nonmajor Governmental	\$ 245,262
Loan between funds for deficit cash	General – Major Governmental	Centennial Celebration – Nonmajor Governmental	28,827
Loan between funds for deficit cash	General – Major Governmental	JP Road Project – Nonmajor Governmental	<u>13,917</u>
Total			\$ <u>288,006</u>
	<u>Advances to/from other funds:</u>		
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Payoff loan in advance	3400 - SID Revolving – Nonmajor Governmental	SID 151 – Nonmajor Governmental	\$ 1,255
Payoff loan in advance	3400 - SID Revolving – Nonmajor Governmental	SID 154 – Nonmajor Governmental	3,091
Half of annual assessment to SID	3400 - SID Revolving – Nonmajor Governmental	SID 166 – Nonmajor Governmental	<u>45,246</u>
Total			\$ <u>49,592</u>

CITY OF WHITEFISH  
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**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2006:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Resort Tax Ordinance requires tax relief of 25% of resort tax revenues.	General –	Resort Tax –	\$ 448,364
Budgeted operating transfers	Major Governmental Parks and Recreation –	Major Governmental General –	522,384
Budgeted operating transfers	Nonmajor Governmental Law Enforcement –	Major Governmental General –	1,675,200
Budgeted operating transfers	Major Governmental Fire and Rescue –	Major Governmental General –	207,600
TIF fund to TIF debt fund	Nonmajor Governmental Tax Increment Revenue Bond –	Major Governmental Tax Increment –	224,488
Tax from TIF Fund to City Hall Fund	Nonmajor Governmental City Hall Project –	Major Governmental Tax Increment –	200,000
Excess Cash	Nonmajor Governmental SID Revolving –	Major Governmental SID 153 –	30
Excess Cash	Nonmajor Governmental SID Revolving –	Nonmajor Governmental SID 164 –	3,040
Federal grant match money	Nonmajor Governmental Federally Funded Trails Project –	Nonmajor Governmental Street and Alley –	<u>202,900</u>
Total	Nonmajor Governmental	Nonmajor Governmental	<u>\$3,484,006</u>

**NOTE 9. STATE-WIDE RETIREMENT PLANS**

All full-time City employees are covered under one of the following retirement plans: Montana Public Employees Retirement System (PERS), Municipal Police Officers Retirement system (MPORS), and Firefighters Unified Retirement System (FURS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2009, were:

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
Employer	6.935%	14.41%	14.360%
Employee	6.90%	9.00%	10.700%
State	0.10%	29.37%	32.61%

The State contribution qualifies as an on-behalf payment. These amounts have been recorded in the City's financial statements.

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
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Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling: Public Employees Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.

The City's contributions for the years ended June 30, 2007, 2008, and 2009, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
2007	\$ 173,199	\$ 89,763	\$ 60,669
2008	\$ 204,273	\$ 92,779	\$ 62,456
2009	\$ 225,450	\$ 114,965	\$ 77,518

**NOTE 10. POST EMPLOYMENT BENEFITS**

Terminated employees may remain on the City's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the City's health plan to age 65, provided they pay the monthly premiums. State law requires the City to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

The City had 7 retired employees and 1 terminated employee participating in the plan as of June 30, 2009.

**NOTE 11. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all City 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 agency fund of the town.

A member of a volunteer fire department who has served 20 years or more is entitled to benefits regardless of age. Volunteer serving less that 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.

CITY OF WHITEFISH  
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 June 30, 2009

**NOTE 12. RESTRICTED CASH/INVESTMENTS**

The following restricted cash/investments were held by the City as of June 30, 2009. These amounts are reported within the cash/investment account on the Statement of Net Assets.

<u>Description</u>	<u>Amount</u>
Bond Debt Service	
Tax Increment	\$ 44,803
Water Fund	292,776
Sewer Fund	85,312
Bond Debt Reserve	
Tax Increment	891,177
Water Fund	586,638
Sewer Fund	170,556
Replacement and Depreciation	
Water Fund	104,378
Sewer Fund	102,027
Sidewalk Project	
District Sidewalk Fund	115,578
Parkland Acquisition Fund	42,411
Impact Fees	
Water Fund	112,990
Sewer Fund	127,048
Impact Fund	144,974
PIF Construction	
Water Fund	381,640
Sewer Fund	<u>311,006</u>
	<u>\$ 3,513,314</u>

**NOTE 13. FUND EQUITY**

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated below:

<u>Fund</u>	<u>Amount</u>	<u>Description</u>
Tax Increment Revenue Bond	\$ 935,980	Reserved for Debt Service
SID Revolving	256,978	Reserved for Debt Service
SID 151	(1,255)	Reserved for Debt Service
SID 154	(3,091)	Reserved for Debt Service
SID 166	(45,246)	Reserved for Debt Service
City Hall Project	968,136	Reserved for Capital Projects
Federally Funded Trails Project	51,959	Reserved for Capital Projects
JP Road Project	<u>(13,917)</u>	Reserved for Capital Projects
Total	<u>\$2,149,544</u>	

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**NOTE 14. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental Activities	<u>\$150,048</u>	To adjust prior year accumulated depreciation

**NOTE 15. 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 called 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) selective call transfers, basic emergency dispatch services for all fire departments, fire districts, fire service areas, and licensed emergency dispatch services, and coordination of local and countrywide multi-agency and/or multi-jurisdictional emergencies and disaster response. The Board consists of five members; the Flathead County Sheriff, one member of the Flathead County Board of Commissioners, and one member from each of the city's operations for the ECC are accounted for in the 911 Fund and are reported in the general purpose financial statements of Flathead County within the 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 with 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.

**NOTE 16. 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.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

**NOTE 17. 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:

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 City 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 \$7,500 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. The tort liability plan and workers' compensation program issued bonds in the amount of \$4.41 million and \$7.61 million, respectively, to immediately finance the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenues were insufficient to cover the debt service. The City's share is \$39,271 for tort liability and \$60,760 for workers compensation. Based on the plan's current financial position, the City doesn't expect to make any payment on these notes.

**NOTE 18. RESORT TAXES**

In 1995, the citizens of the City of Whitefish approved a 2% resort tax. City Ordinance 95-15 restricted the tax proceeds as follows:

5%	Administration fee to the business owners
5%	Park Improvements
25%	Tax relief
65%	Street Improvements

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
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As of June, 30, 2009 the City held cash in the Resort Tax fund that was restricted for the following purposes:

Park Improvements	\$ 246,158
Tax Relief	468,203
Street Improvements	<u>2,787,759</u>
Total	<u>\$3,502,120</u>

**NOTE 19. PENDING LITIGATION**

The following is a list of litigation pending against the City and the amount of damages claimed by the Plaintiff. 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>Rosaaen v. City of Whitefish</i>	Not Stated	Not Stated
<i>Judy &amp; Joel Scallen v. City of Whitefish and David Taylor</i>	Not Stated	Not Stated

**NOTE 20. SUBSEQUENT EVENT**

**Tax Increment Urban Renewal Revenue and Refunding Bonds**

On July 21, 2008 the City has designated and approved the project of a new emergency service facility. The new facility will be the fire station, police department and the municipal court. As of July 2009, the City issued a Tax Increment Urban Renewal Revenue and Refunding Bonds, Series 2009 for \$15,695,000 to fund the emergency service facility. Payments are due on July 15 of each year completing on July 15, 2020.

**Construction Project Commitments**

The City has committed to the following construction projects:

Downtown Infrastructure Improvements for \$1,352,394 with Sandry Construction  
 Lakeside Sewer Lift Station for \$106,633 with LHC  
 Water Main Project on Reservoir Road for \$238,468 with LHC

WHITEFISH HOUSING AUTHORITY  
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE A—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Whitefish Housing Authority was established in 1967 and signed its Cooperation Agreement and Annual Contributions contract in 1969. The Authority is governed by a board of commissioners appointed by the Mayor of the City of Whitefish, Montana. The purpose of the Authority is to furnish low rent housing to low income tenants primarily by administering housing programs authorized by the Quality Housing and Work Responsibility Act of 1998. These programs are subsidized by the Federal Government through the U.S. Department of Housing and Urban Development (HUD).

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the Authority has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

Financial Reporting Entity

In determining how to define the reporting entity, management has considered all potential component units. The decision to include a component unit in the reporting entity was made by applying the criteria set forth in Section 2100 and 2600 of the Government Accounting Standards Board Codification. These criteria state that the financial reporting entity consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on these criteria, the following component unit is included in the financial statements of the Authority:

*The Whitefish Area Land Trust is a non-profit corporation created by the Whitefish Housing Authority for the purpose of developing other housing opportunities through various grants now available to the Housing Authority by use of the Corporation.*

Basis of accounting, measurement focus, and financial statement presentation

The accounts of the Authority are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate.

WHITEFISH HOUSING AUTHORITY  
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included in the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The Authority distinguishes between operating and nonoperating revenues and expenses in its Statement of Revenues, Expenses and Changes in Fund Net Assets. For this purpose, the Authority's operating revenues result from providing low-income housing services such as tenant rent, HUD Section 8 funds earned, program revenues and other tenant charges. Operating expenses include the cost attributed to administration, tenant services, utilities, maintenance and operations, housing assistance payments and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated.

The model as defined in Statement No. 34 establishes criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for determination of major funds. If non-major funds exist, these funds are combined in a single column in the fund financial statements.

The Authority has a sole enterprise fund which includes the activities of the following programs:

**Public Housing Program.** This program accounts for the operation, maintenance, and development of 50 housing units which are owned by the Authority. The development of the projects were funded primarily by the U.S. Department of Housing and Urban Development through loans and bonds. The loans have been forgiven by HUD and the bond debt service and repayment requirements are the responsibility of HUD and therefore no outstanding liabilities are recorded. The program is subsidized annually by operating subsidy from HUD and through Capital Grants for capital improvements.

**Housing Choice Voucher.** This program accounts for the operation of the Housing Choice Voucher program which is funded primarily by the U.S. Department of Housing and Urban Development. The program funds housing assistance payments to eligible low-income housing participants.

**Whitefish Area Land Trust.** This program accounts for the development of various properties to help participants with homebuyer assistance through various grants and programs.

WHITEFISH HOUSING AUTHORITY  
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Budgetary Process

The Authority establishes a budget for the fiscal year and is adopted by the Board of Commissioners.

Cash and Investments

All investments are recorded at fair value based on quoted market prices. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. Cash and Cash Investments are available upon demand and are considered to be "cash equivalents" when preparing these financial statements. In addition, any marketable securities that are owned by a specific amount and that are purchased with a maturity of ninety days or less are also considered to be "cash equivalents".

The Authority's deposits can only be invested in the following HUD approved investments: direct obligations of the federal government backed by the full faith and credit of the United States, obligations of federal government agencies, securities of government-sponsored agencies, demand and savings deposits, money-market deposit accounts, municipal depository fund, super now accounts, certificate of deposit, repurchase agreements, sweep accounts, separate trading of registered interest and principal securities (STRIPS), and mutual funds that consist of securities purchased from the HUD approved list.

Accounts Receivable

All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible.

Prepaid Items

Prepaid balances are for payments made by the Authority in the current year to provide services occurring in the subsequent fiscal year.

Inventory

Inventories consist of supplies and are recorded at the lower of cost or market on a first-in, first-out basis.

Capital Assets and Depreciation

Property and equipment are stated at actual or estimated historical cost, net of accumulated depreciation. Contributions of assets are recorded at fair market value at the date donated.

WHITEFISH HOUSING AUTHORITY  
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	15-40 years
Building improvements	10-40 years
Furniture and fixtures	5-10 years
Equipment	3-10 years

Use of Restricted/Unrestricted Net Assets

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

Restricted Net Assets

Certain enterprise funds are restricted for the replacement reserve that is to be used for future capital needs.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. The balances result from the time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds.

Transfers

Permanent reallocation of resources between funds of the reporting entity are classified as interfund transfers.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

WHITEFISH HOUSING AUTHORITY  
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Grant Revenue

The Authority, a recipient of grant revenues, recognizes revenues (net of estimated uncollectible amounts, if any), when all applicable eligibility requirements, including time requirements are met in accordance with GASB Statement No. 33. Resources transmitted to the Authority before the eligibility requirements are met are reported as deferred revenue.

Investment Income

Investment income from pooled cash and investments is allocated monthly based on the percentage of a fund's average pooled cash and investments balance.

Compensated Absences

It is the Authority'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 Authority service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but not 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.

Postemployment Benefits Other Than Pensions (OPEB)

OPEB benefits are part of an exchange of salaries and/or benefits in a future period as the result of employee services rendered during employment. In accordance with the accrual basis of accounting, generally benefits should be associated with the periods in which the exchange occurs, rather than with the periods when benefits are paid or provided. The Authority has not incurred, adopted a plan or obligated resources to other postemployment benefits as defined in GASB Statement No. 45.

Income Taxes

The Authority is a governmental subdivision of the State of Montana and is exempt from Federal and State income taxes.

Leases

The majority of leases and subleases are short-term operating leases.

WHITEFISH HOUSING AUTHORITY  
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2009

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2009, the Authority's carrying amount of deposits was \$51,300 and the bank balances were \$70,916. The Authority had cash on hand of \$300 as of June 30, 2009. All of the bank balance was covered by federal depository insurance.

NOTE C - ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Assets at June 30, 2009 is as follows:

Other	\$	119
Allowance for doubtful accounts		--
	\$	119

NOTE D - DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Assets at June 30, 2009 is as follows:

City of Whitefish - CDBG 2009 Grant		13,058
City of Whitefish - HOME 2007 Grant		49,736
	\$	62,794

NOTE E - NOTES RECEIVABLE - CURRENT

Downpayment Assistance Loan

The Authority provided a loan to a first-time homebuyer within the guidelines of low and moderate income assistance. The note is dated August 10, 2005 and has an original principal sum of \$15,000. There is no interest charged on the loan. The maturity of the note occurs if there is a sale or transfer of the property, upon default under this note or trust indenture securing the note, upon the refinancing of a lien superior to securing the note, upon the repayment in full of the principal balance of this note. As of June 30, 2009 the loan balance is \$15,000. Subsequent the fiscal year end, this property was sold and the Authority received the proceeds for the Note on November 4, 2009.

NOTE F - CAPITAL ASSETS HELD FOR SALE

The Authority develops property for the purpose of assisting participants in homeownership opportunities. As of June 30, 2009, the Authority had one property held for future sale with the cost incurred of \$186,694.

WHITEFISH HOUSING AUTHORITY  
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2009

NOTE G – RESTRICTED ASSETS

A summary of restricted cash and cash equivalents as presented in the Statement of Net Assets at June 30, 2009 is as follows:

Tenant security deposits	\$	10,250
Capital Fund Stimulus Grant		2,683
Housing Assistance Payments		3,171
	\$	<u>16,104</u>

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance 7/1/08	Increases	Decreases	Balance 6/30/09
<b>Non-depreciable assets:</b>				
Land	\$ 50,110	\$ -	\$ -	\$ 50,110
Construction in progress	1,790	16,252	-	18,041
<b>Total non-depreciable assets</b>	<u>51,899</u>	<u>16,252</u>	<u>-</u>	<u>68,152</u>
<b>Depreciable assets</b>				
Buildings	2,256,692	-	-	2,256,692
Equipment - Dwelling	9,798	-	-	9,798
Equipment - Administration	24,643	2,093	(1,787)	24,950
<b>Total depreciable assets</b>	<u>2,291,134</u>	<u>2,093</u>	<u>(1,787)</u>	<u>2,291,440</u>
<b>Total Capital Assets</b>	<u>2,343,033</u>	<u>18,345</u>	<u>(1,787)</u>	<u>2,359,592</u>
<b>Accumulated depreciation</b>				
Buildings	1,659,922	111,047	-	1,770,969
Equipment - Dwelling	7,550	409	-	7,959
Equipment - Administration	17,349	3,474	(1,429)	19,393
<b>Total accumulated depreciation</b>	<u>1,684,821</u>	<u>114,929</u>	<u>(1,429)</u>	<u>1,798,320</u>
<b>Depreciable assets, net</b>	<u>606,313</u>	<u>(112,836)</u>	<u>(357)</u>	<u>493,119</u>
<b>Capital assets, net</b>	<u>\$ 658,212</u>	<u>\$ (96,584)</u>	<u>\$ (357)</u>	<u>\$ 561,271</u>

WHITEFISH HOUSING AUTHORITY  
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE I – NOTES RECEIVABLE/DEFERRED LOANS

Affordable Home Program

The Authority administers an Affordable Home (AHP) Grant from the Federal Home Loan Bank of Seattle. The purpose of this grant was to assist low to moderate income families become property owners by providing down payment and closing cost assistance through deferred loans which are contingently payable upon re-sale of the property. The amount that would be due to the Authority is reduced ratably over a period of five years. After five years the full amount of the loan is forgiven. However, if a participant repays the loan or a portion thereof then the Authority must find another participant of the loan is repayable to the Federal Home Loan Bank of Seattle. As of June 30, 2009 the Authority had nine loans outstanding that totaled \$120,000 for this program. This asset was offset by a deferred loan of \$120,000 payable to the Federal Home Loan Bank for participants who repay the loans.

Downpayment Assistance Loan

The Authority provided a loan to a first-time homebuyer within the guidelines of low and moderate income assistance. The note is dated June 28, 2007 and has an original principal sum of \$47,500. There is no interest charged on the loan, however the Authority shall have the right to a share in the appreciation in the value of the property, if any, upon "Maturity" of the note. The maturity of the note occurs if there is a sale or transfer of the property, upon default under this note or trust indenture securing the note, upon the refinancing of a lien superior to securing the note, upon the repayment in full of the principal balance of this note without payment of share of appreciation value. As of June 30, 2009 the loan balance is \$47,500.

NOTE J – OTHER ASSETS

The Authority participates in a "Deed Restricted Program" whereas the sole purpose is for the downpayment assistance to stay with the Property. As part of the program if a person sells the property before 90 years, the Authority shares in the appreciation value of the property. The Authority's share of equity in the property consists of funds from various sources such as CDBG Grant, HOME Fund and the Affordable Housing Program provided by the Federal Home Loan Bank of Seattle as discussed in Note I.

If the property is sold within the first 15 years, then any gain from the property must be reinvested as program income and used in a similar manner. However, after the 15 year time period then any property sold and any share of appreciation that is received then these funds are the Whitefish Housing Authority funds. The Authority has a secured deed on each respective property securing the Authority's interest. As of June 30, 2009 the Authority has sold four properties. The total Authority contribution or equity in these properties is \$340,398 as of June 30, 2009.

The Authority has also capitalized organization costs of \$1,903 of the Whitefish Area Land Trust.

WHITEFISH HOUSING AUTHORITY  
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2009

NOTE K – ACCOUNTS PAYABLE

A summary of accounts payable as presented in the Statement of Net Assets at June 30, 2009 is as follows:

Vendors and contractors	\$ <u>1,734</u>
-------------------------	-----------------

NOTE L – DUE TO OTHER GOVERNMENTS

A summary of due to other governments as presented in the Statement of Net Assets at June 30, 2009 is as follows:

Payments in Lieu of Taxes	\$ 9,066
Section 8 Excess Admin Fees	52
	\$ <u>9,118</u>

NOTE M – DEFERRED REVENUE

A summary of deferred revenue as presented in the Statement of Net Assets at June 30, 2009 is as follows:

Tenant prepaid rents	\$ 82
Operating subsidy	8,038
Housing Rehab Grant	142
Capital Fund Stimulus Grant	2,683
	\$ <u>10,945</u>

NOTE N—ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Assets as of June 30, 2009 is as follows:

	<u>Beginning Balance</u>	<u>Net Increase</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated absences	\$ <u>12,968</u>	\$ <u>3,777</u>	\$ <u>16,745</u>	\$ <u>6,771</u>

WHITEFISH HOUSING AUTHORITY  
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2009

NOTE O- NOTES PAYABLE

The Authority has an unsecured loan with the Montana Homeownership Network. The Promissory note is dated June 25, 2007 with an original loan amount of \$50,000. The loan matured on June 30, 2008 with an interest rate of 4%. The Authority's intention was to repay the loan based on the funds received by the City of Whitefish from payments in lieu of housing fees generated from area developers. As of June 30, 2009 these funds have not been received and the Authority has been in contact with the Montana Homeownership Network. On October 6, 2008 the Authority paid the accrued interest on the loan. As of June 30, 2009 the loan balance is \$50,000 and unpaid interest of \$1,500.

The Authority entered into a promissory note with Mountain West Bank for the purpose of developing a property known as 1481 Armory. The note is dated October 4, 2006 with an original principal sum of \$250,549 and an interest rate of 8.25%. During the current year the maturity date of this loan was changed to October 28, 2012. The Authority is required to pay monthly payments of principal and interest of \$1,223.95 with a balloon payment of \$128,206.72 on the date of maturity. As of June 30, 2009 the loan balance was \$138,211 and unpaid interest of \$937.

A summary of changes in notes payable as of June 30, 2009 is as follows:

Description	Balance 7/1/2008	Issued	Retired	Balance 6/30/2009	Due Within One Year
Montana Neighbor Works	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000
Moutain West Bank	155,825	2,386	(20,000)	138,211	2,009
Glacier Affordable Foundation	23,690	(23,690)	-	-	-
Total	<u>\$ 229,515</u>	<u>\$ (21,304)</u>	<u>\$ -</u>	<u>\$ 188,211</u>	<u>\$ 52,009</u>
			Less current maturities	(52,009)	
			Long-term portion	<u>\$ 136,202</u>	

Principal and interest requirements for the notes are as follows:

Fiscal Year	Principal	Interest	Total
2010	\$ 52,009	\$ 12,678	\$ 64,687
2011	3,234	11,453	14,687
2012	3,520	11,167	14,687
2013	129,448	3,655	133,103
	<u>\$ 188,211</u>	<u>\$ 38,954</u>	<u>\$ 227,165</u>

WHITEFISH HOUSING AUTHORITY  
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

NOTE P—NET ASSETS

The fund financial statements utilize a net assets presentation. Net assets are categorized as invested capital assets (net of related debt), restricted and unrestricted.

- **Invested in Capital Assets, Net of Related Debt** – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.
- **Restricted Net Assets** – This category represents net assets of the Agency that are restricted externally by creditors, grantors, contributors, laws or regulations of other governments, imposed by law through constitutional provisions or enabling legislation.

A summary of restricted net assets as presented in the Statement of Net Assets at June 30, 2009 is as follows:

As of June 30, 2009 the Authority had net assets of \$340,398 restricted in the Public Housing Program for the Deed Restricted Program as described in Note J.

As of June 30, 2009 the Authority had net assets of \$23,350 restricted in the Section 8 Housing Choice Voucher Program for program housing assistance payments. As of June 30, 2009 the Authority did not have sufficient funds to cover the restricted net asset balance. The Authority was deficient by (\$20,179) which was a culmination of previous years administrative expenses exceeding the funds received for administrative fees. On August 19, 2009, the Authority adopted a repayment agreement to correct this deficit administrative equity and expects to be fully funded by the fiscal year ended June 30, 2010.

- **Unrestricted Net Assets** – This category represents net assets of the Authority, not restricted for any project or other purposes.

NOTE Q – PENSION PLAN

The Authority participates in a mandatory cost-sharing multiple employer defined benefit plan, which covers all full-time employees. The Public Employee Retirement System (PERS) is established by State law and is administered by the Department of Administration of the State of Montana. The plan provides retirement, disability, and death benefits to plan members and beneficiaries.

The plan issues publicly available annual reports that include financial statements and required supplemental information for the plan. The report can be obtained at P.O. Box 200131, 1712 Ninth Avenue, Helena, Montana, 59620-0131. The financial statements for PERS include activity for a defined benefit and a defined contribution retirement plan. The defined contribution plan is available to all active members starting July 1, 2002. The assets of one retirement plan can not be comingled with those of another plan.

WHITEFISH HOUSING AUTHORITY  
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2009

**NOTE Q – PENSION PLAN (CONT'D)**

Contribution rates are expressed as percentage of covered payroll, which are determined by the State law and were 6.935% for the employer and 6.9% for the employee. The State of Montana contributes .10% of the employees' wages covered by PERS, which is considered an on-behalf payment. This immaterial amount has not been recorded in these financial statements as required under Generally Accepted Accounting Principles.

The Authority's total payroll for the year ended June 30, 2009 was \$141,308 and the Authority's contributions were calculated using the base salary amount of \$134,855. Employer and employee contributions to the plan were \$9,352 and \$9,305, respectively.

**NOTE R - RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2009, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

**NOTE S – COMMITMENTS AND CONTINGENCIES**

The Authority has various contract commitments with contractors for the implementation of various grants as outlined by the Federal Agency in each respective grant budget. The Authority recognizes as revenue grant monies received as reimbursement for costs incurred in certain Federal and State programs it administers. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any to be immaterial.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

City of Whitefish, Flathead County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2009

	General Fund				Resort Tax			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>								
Taxes and assessments	\$ 1,600,705	\$ 1,600,705	\$ 1,658,043	\$ 57,338	\$ 1,890,000	\$ 1,890,000	\$ 1,638,912	\$ (251,088)
Licenses and permits	120,900	55,700	55,936	236	-	-	-	-
Intergovernmental	642,398	642,398	654,526	12,128	-	-	-	-
Charges for services	244,400	288,900	254,517	(34,383)	-	-	-	-
Fines and forfeitures	229,000	229,000	349,399	120,399	-	-	-	-
Miscellaneous	35,500	35,500	11,749	(23,751)	-	-	-	-
Investment earnings	150,000	150,000	171,311	21,311	50,000	50,000	140,651	90,651
Amounts available for appropriation	\$ 3,022,903	\$ 3,002,203	\$ 3,155,481	\$ 153,278	\$ 1,940,000	\$ 1,940,000	\$ 1,779,563	\$ (160,437)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>								
General government	\$ 423,113	\$ 423,113	\$ 458,104	\$ (34,991)	\$ -	\$ -	\$ -	\$ -
Public safety	479,726	479,726	396,173	83,553	-	-	-	-
Public works	19,613	19,613	18,283	1,330	-	-	405	(405)
Social and economic services	1,250	1,250	1,250	-	-	-	-	-
Culture and recreation	52,013	52,013	48,993	3,020	-	-	-	-
Housing and community development	-	-	-	-	-	-	-	-
Debt service - principal	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-
Miscellaneous	141,928	141,928	84,600	57,328	-	-	-	-
Capital outlay	-	-	7,137	(7,137)	1,946,002	1,946,002	230,819	1,715,183
Total charges to appropriations	\$ 1,117,643	\$ 1,117,643	\$ 1,014,540	\$ 103,103	\$ 1,946,002	\$ 1,946,002	\$ 231,224	\$ 1,714,778
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	453,637	453,637	448,364	(5,273)	-	-	-	-
Transfers out	(2,484,915)	(2,484,915)	(2,405,184)	79,731	(453,637)	(453,637)	(448,364)	5,273
Total other financing sources (uses)	\$ (2,031,278)	\$ (2,031,278)	\$ (1,956,820)	\$ 74,458	\$ (453,637)	\$ (453,637)	\$ (448,364)	\$ 5,273
Net change in fund balance			\$ 184,121				\$ 1,099,975	
Fund balance - beginning of the year			\$ 204,164				\$ 2,402,146	
Fund balance - beginning of the year - restated			\$ 204,164				\$ 2,402,146	
<b>Fund balance - end of the year</b>			\$ 388,285				\$ 3,502,121	

City of Whitefish, Flathead County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2009

	Law Enforcement				Tax Increment			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>								
Taxes and assessments	-	-	-	-	2,494,126	2,494,126	2,531,895	37,769
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	98,000	98,000	299,518	201,518	164,660	164,660	164,660	-
Charges for services	-	-	1,786	1,786	-	-	607	607
Fines and forfeitures	-	-	-	-	-	-	-	-
Miscellaneous	42,244	42,244	96,864	54,620	-	-	5,421	5,421
Investment earnings	-	-	-	-	-	-	-	-
Amounts available for appropriation	<u>\$ 140,244</u>	<u>\$ 140,244</u>	<u>\$ 398,168</u>	<u>\$ 257,924</u>	<u>\$ 2,658,786</u>	<u>\$ 2,658,786</u>	<u>\$ 2,702,583</u>	<u>\$ 43,797</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>								
General government	-	-	-	-	-	-	-	-
Public safety	1,897,100	2,057,525	2,057,525	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Housing and community development	-	-	-	-	875,939	929,055	929,055	-
Debt service - principal	-	-	-	-	-	-	-	-
Debt service - interest	-	-	-	-	-	-	-	-
Miscellaneous	14,747	14,747	-	14,747	-	-	-	-
Capital outlay	87,000	111,753	111,753	-	862,907	1,545,090	1,545,090	-
Total charges to appropriations	<u>\$ 1,998,847</u>	<u>\$ 2,184,025</u>	<u>\$ 2,169,278</u>	<u>\$ 14,747</u>	<u>\$ 1,738,846</u>	<u>\$ 2,474,145</u>	<u>\$ 2,474,145</u>	<u>\$ -</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	1,675,200	1,675,200	1,675,200	-	-	-	-	-
Transfers out	-	-	-	-	(1,128,975)	(1,128,975)	(424,488)	704,487
Total other financing sources (uses)	<u>\$ 1,675,200</u>	<u>\$ 1,675,200</u>	<u>\$ 1,675,200</u>	<u>\$ -</u>	<u>\$ (1,128,975)</u>	<u>\$ (1,128,975)</u>	<u>\$ (424,488)</u>	<u>\$ 704,487</u>
Net change in fund balance			<u>\$ (95,910)</u>				<u>\$ (196,050)</u>	
Fund balance - beginning of the year			<u>\$ 127,678</u>				<u>\$ 1,354,398</u>	
Fund balance - beginning of the year - restated			<u>\$ 127,678</u>				<u>\$ 1,354,398</u>	
<b>Fund balance - end of the year</b>			<u>\$ 31,768</u>				<u>\$ 1,158,348</u>	

# **SINGLE AUDIT SECTION**

City of Whitefish, Flathead County, Montana  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For Fiscal Year Ended June 30, 2009

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance July 1, 2008	Federal Revenue	Match /Other Revenue	Federal Expenditures	Match / Other Expenditures	Ending Balance June 30, 2009
<b><u>U.S. Department of Housing and Urban Development</u></b>									
<i>Passed through Department of Commerce:</i>									
HOME Investment Partnerships Program	14.239	M07-SG3001-43	\$ 500,000	\$ -	\$ 75,346	\$ -	\$ 75,346	\$ -	\$ -
<b>Total U.S. Department of Housing and Urban Development</b>				<u>\$ -</u>	<u>\$ 75,346</u>	<u>\$ -</u>	<u>\$ 75,346</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>U.S. Department of Justice</u></b>									
<i>Direct:</i>									
Public Safety Partnership and Community Policing Grants	16.710	N/A	\$ 177,707	\$ -	\$ 177,707	\$ -	\$ 177,707	\$ -	\$ -
<b>Total U.S. Department of Justice</b>				<u>\$ -</u>	<u>\$ 177,707</u>	<u>\$ -</u>	<u>\$ 177,707</u>	<u>\$ -</u>	<u>\$ -</u>
<b><u>U.S. Department of Transportation</u></b>									
<i>Passed through the State Department of Transportation:</i>									
Highway Planning and Construction	20.205	MT 15(67)	\$ 1,309,023	\$ -	\$ 966,508	\$ 202,900	\$ 1,099,512	\$ 202,900	\$ (133,004)
<b>Total U.S. Department of Transportation</b>				<u>\$ -</u>	<u>\$ 966,508</u>	<u>\$ 202,900</u>	<u>\$ 1,099,512</u>	<u>\$ 202,900</u>	<u>\$ (133,004)</u>
<b><u>U.S. Environmental Protection Agency</u></b>									
<i>Passed through Montana Department of Natural Resources:</i>									
Capitalization Grants for Clean Water State Revolving Fund	66.458	SRF	\$ 1,841,763	\$ -	\$ 1,621,910	\$ 325,161	\$ 1,621,910	\$ 325,161	\$ -
<b>Total U.S. Environmental Protection Agency</b>				<u>\$ -</u>	<u>\$ 1,621,910</u>	<u>\$ 325,161</u>	<u>\$ 1,621,910</u>	<u>\$ 325,161</u>	<u>\$ -</u>
<b><u>U.S. Department of Homeland Security</u></b>									
<i>Direct:</i>									
Assistance to Firefighters Grant	97.044	N/A	\$ 650,280	\$ -	\$ 58,522	\$ -	\$ 58,522	\$ -	\$ -
<b>Total U.S. Department of Homeland Security</b>				<u>\$ -</u>	<u>\$ 58,522</u>	<u>\$ -</u>	<u>\$ 58,522</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Federal Financial Assistance</b>				<u>\$ -</u>	<u>\$ 2,899,993</u>	<u>\$ 528,061</u>	<u>\$ 3,032,997</u>	<u>\$ 528,061</u>	<u>\$ (133,004)</u>

N/A = Not Applicable or Not Available

CITY OF WHITEFISH

FLATHEAD COUNTY, MONTANA

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Fiscal Year Ended June 30, 2009

*Basis of Presentation*

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of City of Whitefish, Flathead County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

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

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**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 the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, 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, 2009, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated February 26, 2010. 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. We did not audit the financial statements of the Whitefish Housing Authority, which represent 100% of the discretely presented component unit. Those financial statements, were audited by other auditors whose report thereon, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Whitefish Housing Authority is based on the report of the other auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Whitefish internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Whitefish's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Whitefish's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Whitefish's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the

entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-2 to be a material weakness.

#### 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 09-3.

City of Whitefish's response to the findings identified in our audit is described in the schedule of finding and questioned costs. We did not audit City of Whitefish's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Mayor and City Council, management, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denning, Downey and Associates, CPAs, P.C.*

February 26, 2010

***Denning, Downey & Associates, P.C.***  
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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of City of Whitefish, Flathead County, Montana, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion of the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, City of Whitefish complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing an opinion on compliance but not for the purpose of expressing an opinion on the

effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended for the information of the audit committee, management, the Mayor and City Council, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Denning, Downey and Associates, CPA's, P.C.*

February 26, 2010

May 27, 2010

U.S. Environmental Protection Agency Capitalization Grants for Clean Water State Revolving Fund opinion.

CITY OF WHITEFISH

FLATHEAD COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2009

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
66.458	Capitalization Grants for Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	No

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### Section II – Financial Statement Findings

#### 09-1 Special Assessments Receivable

**Condition:**

The debt for Special Improvement Districts #151 and #154 has been paid off. The City has continued to assess in excess of the outstanding debt.

**Criteria:**

This City's authority to assess a tax in order to pay outstanding debt is limited to the outstanding debt.

**Effect:**

SID Assessments Receivable and Deferred Assessments Receivable are predicted to be over collected in the debt service funds as follows:

SID 151	\$ 12,330
SID 154	\$ 26,471

**Recommendation:**

The City should annually adjust the special assessments to reduce or eliminate over collections.

**Auditee Response:**

The City will review the issue with the City Attorney.

#### 09-2 City Court

**Condition:**

The administrative function of processing citations after disposition has not kept up with the number of citations processed by the court. As a result the bond account has numerous citations that dispositions have not been entered.

**Criteria:**

The City Court should have internal controls in place to ensure citations are processed timely.

**Effect:**

The effects of the disposition backlog might include:

1. Slow collections and remittance of fines to the City
2. Inability to utilize all the functions of the Court's software system to their greatest extent
  - Time pay system
  - Overdue processing system
3. Possible delay in reporting dispositions to the State DMV.

The auditor had no indications that there was a delay in the judicial functions of the Court.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

### **Cause:**

Overall Court activity has increased over the last several years. The City's administrative functions have not kept pace.

### **Recommendation:**

We recommend that the City immediately address the backlog issue of processing court dispositions and establish procedures to ensure that the backlog does not occur in the future.

### **Auditee Response:**

The City Council will address the issue.

## **09-3 Revenue Bond Requirements**

### **Condition:**

#### Tax Increment Fund

Revenue Bond Account Current - The City is required to create and maintain a revenue bond account with monthly deposits equal to one-sixth (1/6) of the interest to become due and one-twelfth (1/12) of the next installment of principal.

#### Sewer Fund

The City is required to maintain net revenues equal to the sum of 1.25 times the maximum annual debt service of the bonds.

### **Criteria:**

The bond agreements define the requirements.

### **Effect:**

#### Tax Increment Fund

The City is not in compliance with the reserve requirement. The amount required was \$679,488 and the amount held for reserve was \$44,803.

#### Sewer Fund

The City is not in compliance with the 125% test. Total net revenues were \$117,398 and 125% of the maximum debt is \$188,135.

### **Cause:**

Tax Increment Fund – The City refunded the bonds in July 2009.

Sewer Fund – The City's Sewer fund revenues were not adequate to pass the bond test.

### **Recommendation:**

We recommend that the City review the reserve requirements for all revenue bonds annually and make adjustments as necessary. We also recommend that the City review their revenues and expenses for the Sewer fund in order to bring it into compliance.

### **Auditee Response:**

We are currently in the process of reviewing all bond requirements.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

**Section III – Federal Award Findings and Questioned Costs**

There were no federal award findings and questioned costs.

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**REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING  
CONTROL MATTERS**

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

There were no other compliance, financial, or internal accounting matters.

*Denning, Downey and Associates, CPA's, P.C.*

February 26, 2010

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

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

The prior audit report contained two recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
City Court	Repeated
Management's Discussion and Analysis	Implemented

*Denning, Downey and Associates, CPAs, P.C.*

February 26, 2010