

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
Fiscal Year Ended June 30, 2012

AUDIT REPORT

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
 Fiscal Year Ended June 30, 2012

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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, 2012

CITY COUNCIL

John Anderson	Council Member
Frank Sweeney	Council Member
Richard Hildner	Council Member
Bill Kahle	Council Member
Phillip Mitchell	Council Member
Chris Hyatt	Council Member

CITY OFFICIALS

Chuck Stearns	City Manager
Mary VanBuskirk	City Attorney
Bradley Johnson	Municipal Judge
Necile Lorang	City Clerk, Administrative Services Director
William Dial	Police Chief
Rich Knapp	Assistant City Manager, Finance Director

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2012**

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, 2012. 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 \$72,620,589 as reported in the statement of net assets. Of this amount, \$5,419,492 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 \$13,426,222 as reported in the balance sheet.
- The unassigned general fund balance at fiscal year-end was \$1,167,307.

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 funds, the Volunteer Fire Pension and Relief Fund, and the Whitefish Trail Fund. The Volunteer Fire 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 Whitefish Trail Fund was funded by a private donation, and is used at the discretion of the Whitefish Trail 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, 2012 were \$72,620,589, an increase of \$7,836,837.

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, 2012 and June 30, 2011.

City of Whitefish - Net Assets

	Governmental Activities			Business-type Activities		
	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change Inc (Dec)</u>	<u>June 30, 2012</u>	<u>June 30, 2011</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 16,270,702	\$ 15,502,074	\$ 768,628	\$ 5,418,994	\$ 3,972,221	\$1,446,773
Capital assets	<u>52,692,498</u>	<u>48,618,113</u>	<u>4,074,385</u>	<u>22,624,436</u>	<u>21,648,094</u>	<u>976,342</u>
Total assets	<u>\$ 68,963,199</u>	<u>\$64,120,187</u>	<u>\$4,843,012</u>	<u>\$28,043,430</u>	<u>\$25,620,315</u>	<u>\$2,423,115</u>
Long-term debt outstanding	\$ 14,232,176	\$ 16,042,383	\$(1,810,207)	\$ 7,201,764	\$ 7,198,088	\$ 3,676
Other liabilities	<u>1,804,452</u>	<u>1,068,693</u>	<u>735,759</u>	<u>1,147,647</u>	<u>647,586</u>	<u>500,061</u>
Total liabilities	<u>\$16,036,629</u>	<u>\$17,111,076</u>	<u>\$(1,074,447)</u>	<u>\$8,349,411</u>	<u>\$7,845,674</u>	<u>\$503,737</u>
Net assets:						
Invested in capital assets, net of debt	\$38,460,321	\$33,099,650	\$5,360,671	\$15,422,672	\$14,801,094	\$621,578
Restricted	10,912,531	11,464,847	(552,316)	2,405,573	2,322,841	82,732
Unrestricted (deficit)	<u>3,553,718</u>	<u>2,444,614</u>	<u>1,109,104</u>	<u>1,865,774</u>	<u>650,706</u>	<u>1,215,068</u>
Total net assets	<u>\$52,926,571</u>	<u>\$ 47,009,111</u>	<u>\$ 5,917,460</u>	<u>\$ 19,694,019</u>	<u>\$17,774,641</u>	<u>\$1,919,378</u>

CHANGES IN NET ASSETS

The City's revenues totaled \$24,664,642 fiscal year ending June 30, 2012. The total cost of all programs and services for that same period were \$16,875,728. Therefore, the increase in net assets was \$7,788,914. The table below presents consolidated information on the City's change in net assets for the fiscal years ending June 30, 2011 and June 30, 2012.

City of Whitefish – Changes in Net Assets

	Governmental			Business-type		
	Activities		Change Increase (Decrease)	Activities		Change Increase (Decrease)
	June 30, 2012	June 30, 2011		June 30, 2012	June 30, 2011	
Revenues						
Program revenues (by major source):						
Charges for services	\$ 3,272,520	\$ 3,462,629	\$(190,109)	\$ 6,717,407	\$ 5,928,139	\$ 789,268
Operating grants and contributions	529,882	623,731	(93,849)	-	-	-
Capital grants and contributions	3,416,537	707,575	2,708,962	870,162	172,251	697,911
Property taxes for general purposes	7,745,163	7,067,518	677,645	294,835	232,505	62,330
Permits & Licenses	59,611	363,256	(303,645)	-	-	-
Unrestricted Federal/State shared revenues	19,925	-	19,925	-	-	-
Unrestricted investment earnings	112,550	163,173	(50,623)	40,527	54,498	(13,971)
Miscellaneous	132,955	212,115	(79,160)	45,605	70,842	(25,237)
State entitlement	862,537	867,493	(4,956)	-	-	-
<u>On behalf payments</u>	<u>323,488</u>	<u>368,793</u>	<u>(45,305)</u>	<u>220,939</u>	<u>210,988</u>	<u>9,951</u>
Total revenues	<u>\$ 16,475,169</u>	<u>\$13,836,283</u>	<u>\$2,638,886</u>	<u>\$ 8,189,474</u>	<u>\$ 6,669,223</u>	<u>\$1,520,251</u>
Program expenses						
General government	\$ 523,770	\$ 698,013	\$(174,243)			
Public safety	3,554,516	3,558,454	(3,938)			
Public works	2,390,278	2,256,410	133,868			
Social and economic services	1,250	11,074	(9,824)			
Culture and recreation	2,043,383	1,796,513	246,870			
Housing and community development	976,312	1,058,367	(82,055)			
Debt service - interest	610,386	649,617	(39,231)			
Miscellaneous	<u>39,638</u>	<u>69,787</u>	<u>(30,149)</u>			
Water				\$ 1,881,971	\$ 2,010,648	\$(128,677)
Sewer				2,226,197	2,095,256	130,941
Solid Waste				691,826	686,568	5,258
Ambulance				<u>1,936,202</u>	<u>1,816,780</u>	<u>119,422</u>
Total expenses	<u>\$ 10,139,532</u>	<u>\$ 10,098,235</u>	<u>\$ 41,297</u>	<u>\$ 6,736,197</u>	<u>\$ 6,609,252</u>	<u>\$ 126,945</u>
Excess (deficiency) before special items, extraordinary items and transfers	<u>\$ 6,335,637</u>	<u>\$ 3,738,048</u>	<u>\$ 2,597,589</u>	<u>\$ 1,453,277</u>	<u>\$ 59,971</u>	<u>\$ 1,393,306</u>
Transfers - net	<u>(464,255)</u>	<u>(464,502)</u>	<u>247</u>	<u>464,255</u>	<u>464,502</u>	<u>(247)</u>
Increase (decrease) in Net Assets	<u>\$ 5,871,381</u>	<u>\$ 3,273,546</u>	<u>\$ 2,597,835</u>	<u>\$ 1,917,532</u>	<u>\$ 524,473</u>	<u>\$ 1,393,059</u>

Governmental activities

Revenues for the fiscal year ending June 30, 2012 from governmental activities were \$16,475,169 while expenses were \$10,139,532 plus \$464,255 in net transfers. Net assets thus increased \$5,871,381. General government related revenues increased by \$2,638,886 from the previous year and expenses increased by \$41,267.

Business-type activities

Revenues for the fiscal year ending June 30, 2012 from business-type activities were \$8,189,474 plus \$464,255 in transfers. Expenses were \$6,736,197 resulting in an increase in net assets of \$1,917,532. Business-type related revenues increased by \$1,520,251 from the previous year and expenses increased by \$126,945.

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 2012, the City governmental funds reported a combined fund balance of \$13,426,222. Of that fund balance \$446,199 is unassigned.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Variance between the final revenue budget and actual resulted from better than expected building permit revenue, court revenue, and ambulance revenue. There were no significant variances between the final expenditure budget and actual.

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, 2012 totals \$53,882,993 (net of related debt). 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)

Major capital assets events during FY2012 included the following:

- Completed construction of the Downtown Street Reconstruction Project
- Completed Scott Ave Lift Station Improvement & final design on 6th/Geddes Reconstruction Project
- Continued design of E. 2nd Street Reconstruction and Trail
- New floating docks at City Beach
- Donation of \$50k for new baseball stadium
- Completed non-infrastructure portion of Safe Routes to School project and began infrastructure portion

- Completed initial phase of citywide wireless communications network
- Purchase of 105 Baker Ave property
- Constructed ADA ramp at the O’Shaughnessy
- Many upgrades to Emergency Services via the Homeland Security Grant
- Installed a thermal solar water heating system on the Emergency Services Center
- Completed reconstruction of Hwy 93/2nd Street (TIGER)
- Completed design and began construction process on hydroelectric project
- Upgraded Suncrest and Upper Grouse water booster stations
- Continued design for utility improvements on the US Hwy 93 Whitefish West Reconstruction Project
- Completed wastewater system improvement project with new disinfection facilities and inflow and infiltration mitigation
- Identified energy efficiency measures in the water and sewer system and began implementation and construction
- Completed Whitefish Lake Pump Station Improvement
- Purchased new street sweeper with 75% MACI funds
- Purchased new sewer TV camera

LONG-TERM DEBT

The City’s FY2012 total debt was decreased by 2.1%. New debt was incurred for a wastewater project. No general obligation bonds were issued.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2011	2012
Revenue						
Bonds	\$13,285,000	\$14,510,000			\$13,285,000	\$14,510,000
Special						
Assessment	935,000	1,005,000			935,000	1,005,000
Loans			7,201,764	6,847,000	7,201,764	6,847,000
Capital Leases	12,189	3,463			12,189	3,643
OPEB	795,512	523,920	530,166	351,088	1,325,678	875,008
Total Debt	\$15,027,701	\$16,042,383	\$7,731,930	\$7,198,088	\$22,759,631	\$23,240,471

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

Growth related revenues have stabilized and has recovered some since peaking in FY2007. Some newly developed properties are being added to the tax rolls, and population is growing slowly. The City implemented a lean FY2010, FY2011, and FY2012 budget and laid-off and left vacant several positions in order to reduce expenses and maintain a General Fund cash reserve. The FY2013 budget continues to be lean, but not as to same extent of the previous two years. The FY2013 budget included a cost of living plus 1% increase. Capital spending has increased from additions to the Ice Den and new fire equipment. One full time code enforcement/building inspector was added in anticipation of the new high school’s demand on inspection services. In addition, the police Office Manager will be on the payrolls for the full year and the city anticipates filling the Assistant Fire Chief position that has been vacant for almost two years.

There was no increase in the mill levy, therefore Whitefish continues to have one of the lowest property tax rates in Montana. Resort Tax revenue collections are key indicator of the local economy. Resort tax collections were up 8.7% when comparing FY10 to FY11, 8.1% when comparing FY11 to FY12, and at one third into FY13 resort taxes are 9.8% higher than the same period in FY12.

A rate increase in water and wastewater usage charges in October 2012 and changes to billing procedures and other fees during the same time will result in increased revenues for the Water, Sewer, and Garbage Funds. In addition, in Nov 2012 the city restructured most of its water and sewer debt to a lower rate, saving the city over \$720,000 over the next 17 years and reducing the net operating revenue requirement (coverage) in these funds.

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 Finance Director, City of Whitefish, P O Box 158, Whitefish MT 59937.

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate 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, 2012, 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 represents 100% of the discretely presented component units. These 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 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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Whitefish, Flathead County, Montana, as of June 30, 2012, 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 June 6, 2013, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 8, 55 through 57, and 58 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City of Whitefish has not presented a budgetary reconciliation with the budgetary comparison information that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects, in relation to the financial statements as a whole.

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

June 6, 2013

City of Whitefish, Flathead County, Montana
Statement of Net Assets
June 30, 2012

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Whitefish Housing Authority</u>
ASSETS				
Current assets:				
Cash and investments	\$ 9,428,243	\$ 2,324,497	\$ 11,752,740	\$ -
Cash and cash equivalents	-	-	-	50,824
Taxes and assessments receivable, net	1,348,398	48,985	1,397,383	-
Accounts receivable - net	-	619,410	619,410	5,088
Current portion of notes and loans receivable	6,000	-	6,000	-
Due from other governments	1,053,999	-	1,053,999	14,020
Prepaid items	-	-	-	2,439
Capital Asset, held for resale	-	-	-	24,091
Unamortized bond premium and costs	180,195	-	180,195	-
<i>Restricted:</i>				
Cash and cash equivalents	-	-	-	18,029
Total current assets	\$ 12,016,835	\$ 2,992,892	\$ 15,009,727	\$ 114,491
Noncurrent assets				
Restricted cash and investments	\$ 3,106,731	\$ 2,405,573	\$ 5,512,304	\$ -
Capital assets - land	8,353,129	602,783	8,955,912	-
Capital assets - construction in progress	16,197,760	621,271	16,819,031	-
Capital assets, non-depreciable	-	-	-	57,801
Capital assets - net of depreciation	28,141,608	21,400,382	49,541,990	-
Capital assets, depreciable, net	-	-	-	345,974
Special assessments receivable deferred	1,147,136	20,529	1,167,665	-
Notes receivable	-	-	-	47,500
Other Assets, unrestricted	-	-	-	1,903
Other Assets, restricted	-	-	-	693,599
Total noncurrent assets	\$ 56,946,364	\$ 25,050,538	\$ 81,996,902	\$ 1,146,777
Total assets	\$ 68,963,199	\$ 28,043,430	\$ 97,006,629	\$ 1,261,268
LIABILITIES				
Current liabilities				
Accounts payable	\$ -	-	-	9,224
Accrued interest payable	-	-	-	3,490
Accrued payroll and benefits	-	-	-	1,388
Accrued payroll	85,835	50,723	136,558	-
Due to other governments	-	-	-	14,016
Tenant security deposit payable	-	-	-	9,722
Deferred revenue	-	400,000	400,000	15,013
Current portion of long-term capital liabilities	1,339,585	720,000	2,059,585	-
Current portion of compensated absences payable	329,997	200,647	530,644	-
Compensated absences payable	-	-	-	7,741
Contracts payable	263,110	-	263,110	-
Notes payable, noncapital	-	-	-	2,650
Total current liabilities	\$ 2,018,527	\$ 1,371,370	\$ 3,389,897	\$ 63,244
Noncurrent liabilities				
Deposits payable	\$ -	\$ 165,463	\$ 165,463	\$ -
Noncurrent portion of long-term capital liabilities	12,892,592	6,481,764	19,374,356	-
Noncurrent portion of compensated absences	329,997	200,648	530,645	-
Compensated absences payable	-	-	-	11,973
Due to other governments	-	-	-	9,889
Notes payable, noncapital	-	-	-	47,350
Noncurrent OPEB liability	795,512	530,166	1,325,678	-
Total noncurrent liabilities	\$ 14,018,101	\$ 7,378,041	\$ 21,396,142	\$ 69,212
Total liabilities	\$ 16,036,628	\$ 8,749,411	\$ 24,786,039	\$ 132,456
NET ASSETS				
Invested in capital assets, net of related debt	\$ 38,460,321	\$ 15,422,672	\$ 53,882,993	\$ -
Invested in capital assets	-	-	-	403,775
Restricted for:				
Capital projects	191,156	1,178,678	1,369,834	-
Debt service	3,472,351	1,226,895	4,699,246	-
General government	250,249	-	250,249	-
Public safety	353,494	-	353,494	-
Public works	4,448,753	-	4,448,753	-
Culture & recreation	119,659	-	119,659	-
Housing & community development	2,076,870	-	2,076,870	-
Restricted	-	-	-	705,266
Unrestricted	3,553,718	1,465,774	5,019,492	19,771
Total net assets	\$ 52,926,571	\$ 19,294,019	\$ 72,220,590	\$ 1,128,812
Total liabilities and net assets	\$ 68,963,199	\$ 28,043,430	\$ 97,006,629	\$ 1,261,268

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2012

Functions/Programs	Program Revenues						Net (Expenses) Revenues and Changes in Net Assets			Whitefish Housing Authority
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				
						Governmental Activities	Business- type Activities	Total		
Primary government:										
Governmental activities:										
General government	\$ 663,172	\$ (139,402)	\$ 388,344	\$ 1,000	\$ -	\$ (134,426)	\$ -	\$ (134,426)	\$ -	
Public safety	3,507,288	47,228	608,115	278,145	370,174	(2,298,082)	-	(2,298,082)	-	
Public works	2,374,713	15,565	1,507,700	146,139	3,046,363	2,309,924	-	2,309,924	-	
Social and economic services	1,250	-	-	-	-	(1,250)	-	(1,250)	-	
Culture and recreation	2,031,315	12,067	767,361	94,350	-	(1,181,671)	-	(1,181,671)	-	
Housing and community development	971,773	4,539	1,000	10,248	-	(965,064)	-	(965,064)	-	
Debt service - interest	610,386	-	-	-	-	(610,386)	-	(610,386)	-	
Miscellaneous	39,638	-	-	-	-	(39,638)	-	(39,638)	-	
Total governmental activities	\$ 10,199,535	\$ (60,003)	\$ 3,272,520	\$ 529,882	\$ 3,416,537	\$ (2,920,593)	\$ -	\$ (2,920,593)	\$ -	
Business-type activities:										
Water	\$ 1,864,368	\$ 17,603	\$ 2,576,913	\$ -	\$ 206,987	\$ -	\$ 901,929	\$ 901,929	\$ -	
Wastewater	2,207,173	19,024	2,065,793	-	663,175	-	502,771	502,771	-	
Solid Waste	690,363	1,463	727,853	-	-	-	36,027	36,027	-	
Ambulance	1,914,290	21,913	946,848	-	-	-	(989,355)	(989,355)	-	
Total business-type activities	\$ 6,676,194	\$ 60,003	\$ 6,317,407	\$ -	\$ 870,162	\$ -	\$ 451,372	\$ 451,372	\$ -	
Total primary government	\$ 16,875,729	\$ -	\$ 9,589,927	\$ 529,882	\$ 4,286,699	\$ (2,920,593)	\$ 451,372	\$ (2,469,221)	\$ -	
Component units:										
Whitefish Housing Authority	\$ 494,783	\$ -	\$ 293,290	\$ 37,835	\$ 115,452	\$ -	\$ -	\$ -	\$ (48,206)	
Total component units	\$ 494,783	\$ -	\$ 293,290	\$ 37,835	\$ 115,452	\$ -	\$ -	\$ -	\$ (48,206)	
General Revenues:										
Property taxes for general purposes						\$ 7,745,163	\$ 294,835	\$ 8,039,998	\$ -	
Permits & Licenses						59,611	-	59,611	-	
Unrestricted Federal/State shared revenues						19,925	-	19,925	-	
Unrestricted investment earnings						112,550	40,527	153,077	-	
Miscellaneous						132,955	45,605	178,560	-	
State entitlement						862,537	-	862,537	-	
On behalf payments						323,488	220,939	544,427	-	
Transfers - net						(464,255)	464,255	-	-	
City of Whitefish - Housing Rehab revenue						-	-	-	1,460	
Interest income						-	-	-	419	
Loss from capital asset dispositions						-	-	-	(49)	
Special item - Casualty loss expense						-	-	-	(4,548)	
Extraordinary items -										
Casualty loss income						-	-	-	360,175	
Casualty loss expense						-	-	-	(327,435)	
Total general revenues, special items and transfers						\$ 8,791,974	\$ 1,066,161	\$ 9,858,135	\$ 30,022	
Change in net assets						\$ 5,871,381	\$ 1,517,533	\$ 7,388,914	\$ (18,184)	
Net assets - beginning										
Restatements						\$ 47,009,108	\$ 17,774,641	\$ 64,783,749	\$ 1,146,996	
Net assets - beginning - restated						\$ 47,055,190	\$ 17,776,486	\$ 64,831,676	\$ 1,146,996	
Net assets - end										
						\$ 52,926,571	\$ 19,294,019	\$ 72,220,590	\$ 1,128,812	

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2012

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Tax Increment Bond Debt</u>	<u>SID 166 Bond Debt</u>	<u>US93/TIGER</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Current assets:								
Cash and investments	\$ 552,549	\$ 2,422,981	\$ 1,431,467	\$ -	\$ -	\$ -	\$ 5,021,246	\$ 9,428,243
Taxes and assessments receivable, net	290,178	-	796,859	-	6,943	-	254,417	1,348,397
Current portion of notes and loans receivable	6,000	-	-	-	-	-	-	6,000
Current portion of advances to other funds	-	-	-	-	-	-	48,740	48,740
Due from other funds	-	-	909,132	-	-	-	-	909,132
Due from other governments	62,188	-	-	-	-	919,278	72,534	1,054,000
Unamortized bond premium and costs	-	-	-	180,195	-	-	-	180,195
Total current assets	\$ 910,915	\$ 2,422,981	\$ 3,137,458	\$ 180,195	\$ 6,943	\$ 919,278	\$ 5,396,937	\$ 12,974,707
Noncurrent assets:								
Noncurrent portion of advances to other funds	\$ 652,140	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 652,140
Restricted cash and investments	-	-	-	3,106,731	-	-	-	3,106,731
Special assessments receivable deferred	-	-	81,286	-	1,059,184	-	6,666	1,147,136
Total noncurrent assets	\$ 652,140	\$ -	\$ 81,286	\$ 3,106,731	\$ 1,059,184	\$ -	\$ 6,666	\$ 4,906,007
Total assets	\$ 1,563,055	\$ 2,422,981	\$ 3,218,744	\$ 3,286,926	\$ 1,066,127	\$ 919,278	\$ 5,403,603	\$ 17,880,714
LIABILITIES								
Current liabilities:								
Accrued payroll	\$ 35,839	\$ -	\$ 3,707	\$ -	\$ -	\$ -	\$ 46,290	\$ 85,836
Due to other funds	-	-	-	-	-	909,132	-	909,132
Deferred revenue	290,178	-	878,145	-	1,066,127	-	261,083	2,495,533
Contracts payable	-	-	263,111	-	-	-	-	263,111
Total current liabilities	\$ 326,017	\$ -	\$ 1,144,963	\$ -	\$ 1,066,127	\$ 909,132	\$ 307,373	\$ 3,753,612
Noncurrent liabilities:								
Non current portion of advances from other funds	\$ -	\$ -	\$ -	\$ -	\$ 48,740	\$ -	\$ 652,140	\$ 700,880
Total noncurrent liabilities	\$ -	\$ -	\$ -	\$ -	\$ 48,740	\$ -	\$ 652,140	\$ 700,880
Total liabilities	\$ 326,017	\$ -	\$ 1,144,963	\$ -	\$ 1,114,867	\$ 909,132	\$ 959,513	\$ 4,454,492
FUND BALANCES								
Restricted for:								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250,249	\$ 250,249
Public safety	-	-	-	-	-	-	353,494	353,494
Public works	-	2,422,981	-	-	-	-	2,025,771	4,448,752
Culture & recreation	-	-	-	-	-	-	119,659	119,659
Housing & community development	-	-	2,073,781	-	-	-	3,088	2,076,869
Debt service	-	-	-	3,286,926	-	-	185,426	3,472,352
Capital projects	-	-	-	-	-	10,146	181,010	191,156
Committed for:								
Capital projects	-	-	-	-	-	-	1,772,073	1,772,073
Assigned to:								
Public safety	69,731	-	-	-	-	-	-	69,731
Public works	-	-	-	-	-	-	225,688	225,688
Unassigned	1,167,307	-	-	-	(48,740)	-	(672,368)	446,199
Total fund balance	\$ 1,237,038	\$ 2,422,981	\$ 2,073,781	\$ 3,286,926	\$ (48,740)	\$ 10,146	\$ 4,444,090	\$ 13,426,222
Total liabilities and fund balance	\$ 1,563,055	\$ 2,422,981	\$ 3,218,744	\$ 3,286,926	\$ 1,066,127	\$ 919,278	\$ 5,403,603	\$ 17,880,714

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, 2012

Total fund balances - governmental funds	\$ 13,426,222
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	52,692,498
Other assets are not available for current-period expenditures and, therefore, are deferred in the funds	2,495,533
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(14,892,170)
Other post employment benefits (OPEB) liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(795,512)
Total net assets - governmental activities	\$ <u>52,926,571</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2012

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Tax Increment Bond Debt</u>	<u>SID 166 Bond Debt</u>	<u>US93/TIGER</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES								
Taxes and assessments	\$ 1,925,213	\$ 1,819,283	\$ 3,991,924	\$ -	\$ 113,155	\$ -	\$ 1,540,395	\$ 9,389,970
Licenses and permits	59,611	-	-	-	-	-	600,094	659,705
Intergovernmental	1,128,503	-	148,194	-	-	2,451,438	768,403	4,496,538
Charges for services	116,164	-	-	-	-	-	872,665	988,829
Fines and forfeitures	254,596	-	-	-	-	-	8,616	263,212
Miscellaneous	75,430	-	8,423	-	9,644	300	139,772	233,569
Investment earnings	47,145	21,542	-	21,622	226	-	23,193	113,728
Total revenues	<u>\$ 3,606,662</u>	<u>\$ 1,840,825</u>	<u>\$ 4,148,541</u>	<u>\$ 21,622</u>	<u>\$ 123,025</u>	<u>\$ 2,451,738</u>	<u>\$ 3,953,138</u>	<u>\$ 16,145,551</u>
EXPENDITURES								
General government	\$ 451,917	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,616	\$ 460,533
Public safety	2,291,405	-	-	22,525	-	-	1,007,040	3,320,970
Public works	29,062	85	-	-	-	12,826	1,272,923	1,314,896
Social and economic services	1,250	-	-	-	-	-	-	1,250
Culture and recreation	16,899	2,055	-	-	-	-	1,396,065	1,415,019
Housing and community development	-	-	952,977	-	-	-	10,556	963,533
Debt service - principal	2,267	-	-	1,225,000	70,000	-	-	1,297,267
Debt service - interest	208	-	-	564,611	45,568	-	-	610,387
Miscellaneous	-	-	-	-	-	-	39,638	39,638
Capital outlay	47,972	1,353,710	885,108	-	-	2,428,766	612,913	5,328,469
Total expenditures	<u>\$ 2,840,980</u>	<u>\$ 1,355,850</u>	<u>\$ 1,838,085</u>	<u>\$ 1,812,136</u>	<u>\$ 115,568</u>	<u>\$ 2,441,592</u>	<u>\$ 4,347,751</u>	<u>\$ 14,751,962</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 765,682</u>	<u>\$ 484,975</u>	<u>\$ 2,310,456</u>	<u>\$ (1,790,514)</u>	<u>\$ 7,457</u>	<u>\$ 10,146</u>	<u>\$ (394,613)</u>	<u>\$ 1,393,589</u>
OTHER FINANCING SOURCES (USES)								
Proceeds of general long term debt	\$ 10,981	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,981
Transfers in	2,263,708	-	1,264	1,779,659	-	-	1,032,113	5,076,744
Transfers out	<u>(2,657,752)</u>	<u>(553,708)</u>	<u>(2,153,051)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(55,735)</u>	<u>(5,420,246)</u>
Total other financing sources (uses)	<u>\$ (383,063)</u>	<u>\$ (553,708)</u>	<u>\$ (2,151,787)</u>	<u>\$ 1,779,659</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 976,378</u>	<u>\$ (332,521)</u>
Net Change in Fund Balance	<u>\$ 382,619</u>	<u>\$ (68,733)</u>	<u>\$ 158,669</u>	<u>\$ (10,855)</u>	<u>\$ 7,457</u>	<u>\$ 10,146</u>	<u>\$ 581,765</u>	<u>\$ 1,061,068</u>
Fund balances - beginning	\$ 854,229	\$ 2,415,908	\$ 1,914,672	\$ 3,297,781	\$ (56,197)	\$ (45,273)	\$ 3,937,956	\$ 12,319,076
Restatements	190	75,806	440	-	-	45,273	(75,631)	46,078
Fund balances - beginning, restated	<u>\$ 854,419</u>	<u>\$ 2,491,714</u>	<u>\$ 1,915,112</u>	<u>\$ 3,297,781</u>	<u>\$ (56,197)</u>	<u>\$ -</u>	<u>\$ 3,862,325</u>	<u>\$ 12,365,154</u>
Fund balance - ending	<u>\$ 1,237,038</u>	<u>\$ 2,422,981</u>	<u>\$ 2,073,781</u>	<u>\$ 3,286,926</u>	<u>\$ (48,740)</u>	<u>\$ 10,146</u>	<u>\$ 4,444,090</u>	<u>\$ 13,426,222</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, 2012

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

Net change in fund balances - total governmental funds	\$	1,061,068
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		5,328,469
- Depreciation expense		(1,719,223)
In the Statement of Activities, the fair market value of capital asset donations is recognized as revenue. The fund financial statements do not recognize these revenues:		
- Fair market value of donated capital assets		585,891
Tax and assessment revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Tax and assessment receivables (change in deferred revenues)		(256,272)
The change in compensated absences is shown as an expense on the Statement of Activities, but are not reported as an expenditure on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Change in compensated absence liability		(22,494)
Repayment of debt principal is an expenditures in the governmentnal funds, but repayment reduces long-term debt in the Statement of Net Assets:		
- Long-term debt principal payments		1,297,268
Long term debt proceeds provide curretn financial resources to the governmentnal funds, but issuing debt increases long-term liabilities in the Statement of Net Assets:		
- Proceeds from general long-term debt		(10,981)
The change in other post employment benefits is shown as an expense on the Statement of Activiites, but are not reported as an expenditure on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
		(271,592)
In the Statement of Activities, Intergovernmental transfers of the fair value, original cost less accumulated depreciation, of a capital asset is recognized as a transfer in (out). The fund financial statemetns do not recognize an other financing source (use).		
		(120,753)
Change in net assets - Statement of Activities	\$	<u>5,871,381</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Proprietary Funds
June 30, 2012

	Business-Type Activities - Enterprise Funds				
	<u>Water</u>	<u>Wastewater</u>	<u>Ambulance</u>	<u>Other Business- Type Activities</u>	
ASSETS					
Current assets:					
Cash and investments	\$ 1,570,991	\$ 603,595	\$ 108,514	\$ 41,398	\$ 2,324,498
Taxes and assessments receivable, net	496	669	47,821	-	48,986
Accounts receivable - net	196,911	166,747	194,882	60,869	619,409
Total current assets	<u>\$ 1,768,398</u>	<u>\$ 771,011</u>	<u>\$ 351,217</u>	<u>\$ 102,267</u>	<u>\$ 2,992,893</u>
Noncurrent assets:					
Restricted cash and investments	\$ 1,619,237	\$ 786,335	\$ -	\$ -	\$ 2,405,572
Capital assets - land	335,283	267,500	-	-	602,783
Capital assets - construction in progress	454,003	167,268	-	-	621,271
Capital assets - net of depreciation	8,551,456	12,743,213	105,713	-	21,400,382
Special assessments receivable deferred	8,746	11,784	-	-	20,530
Total noncurrent assets	<u>\$ 10,968,725</u>	<u>\$ 13,976,100</u>	<u>\$ 105,713</u>	<u>\$ -</u>	<u>\$ 25,050,538</u>
Total assets	<u>\$ 12,737,123</u>	<u>\$ 14,747,111</u>	<u>\$ 456,930</u>	<u>\$ 102,267</u>	<u>\$ 28,043,431</u>
LIABILITIES					
Current liabilities:					
Accrued payroll	14,729	16,975	17,750	1,270	50,724
Deferred revenue	400,000	-	-	-	400,000
Current portion of long-term capital liabilities	433,000	287,000	-	-	720,000
Current portion of compensated absences payable	66,366	63,374	64,378	6,529	200,647
Total current liabilities	<u>\$ 914,095</u>	<u>\$ 367,349</u>	<u>\$ 82,128</u>	<u>\$ 7,799</u>	<u>\$ 1,371,371</u>
Noncurrent liabilities:					
Deposits payable	165,450	13	-	-	165,463
Noncurrent portion of long-term capital liabilities	3,829,000	2,652,764	-	-	6,481,764
Noncurrent portion of compensated absences	66,365	63,374	64,379	6,529	200,647
Due to other governments	158,274	171,919	186,823	13,150	530,166
Total noncurrent liabilities	<u>\$ 4,219,089</u>	<u>\$ 2,888,070</u>	<u>\$ 251,202</u>	<u>\$ 19,679</u>	<u>\$ 7,378,040</u>
Total liabilities	<u>\$ 5,133,184</u>	<u>\$ 3,255,419</u>	<u>\$ 333,330</u>	<u>\$ 27,478</u>	<u>\$ 8,749,411</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 5,078,742	\$ 10,238,217	\$ 105,713	\$ -	\$ 15,422,672
Restricted for capital projects	729,781	448,897	-	-	1,178,678
Restricted for debt service	889,457	337,438	-	-	1,226,895
Unrestricted	905,959	467,140	17,887	74,789	1,465,775
Total net assets	<u>\$ 7,603,939</u>	<u>\$ 11,491,692</u>	<u>\$ 123,600</u>	<u>\$ 74,789</u>	<u>\$ 19,294,020</u>
Total liabilities and net assets	<u>\$ 12,737,123</u>	<u>\$ 14,747,111</u>	<u>\$ 456,930</u>	<u>\$ 102,267</u>	<u>\$ 28,043,431</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, 2012

	Business-Type Activities - Enterprise Funds				Totals
	Water	Wastewater	Ambulance	Other Business-Type Activities	
OPERATING REVENUES					
Charges for services	\$ 2,575,144	\$ 2,063,410	\$ 889,399	\$ 727,853	\$ 6,255,806
Miscellaneous revenues	-	-	45,605	-	45,605
Special assessments	1,769	2,383	-	-	4,152
Total operating revenues	<u>\$ 2,576,913</u>	<u>\$ 2,065,793</u>	<u>\$ 935,004</u>	<u>\$ 727,853</u>	<u>\$ 6,305,563</u>
OPERATING EXPENSES					
Personal services	\$ 834,100	\$ 910,142	\$ 1,337,596	\$ 71,351	\$ 3,153,189
Supplies	137,401	198,217	77,639	4,003	417,260
Purchased services	228,215	210,340	71,518	614,565	1,124,638
Fixed charges	166,657	136,958	30,814	1,907	336,336
Loss/bad debt expense	-	-	390,539	-	390,539
Depreciation	338,814	669,999	28,096	-	1,036,909
Total operating expenses	<u>\$ 1,705,187</u>	<u>\$ 2,125,656</u>	<u>\$ 1,936,202</u>	<u>\$ 691,826</u>	<u>\$ 6,458,871</u>
Operating income (loss)	<u>\$ 871,726</u>	<u>\$ (59,863)</u>	<u>\$ (1,001,198)</u>	<u>\$ 36,027</u>	<u>\$ (153,308)</u>
NON-OPERATING REVENUES (EXPENSES)					
Taxes/assessments revenue	\$ -	\$ -	\$ 294,834	\$ -	\$ 294,834
Intergovernmental revenue	-	-	278,388	-	278,388
Interest revenue	27,752	11,673	840	262	40,527
Debt service interest expense	(176,784)	(100,542)	-	-	(277,326)
Total non-operating revenues (expenses)	<u>\$ (149,032)</u>	<u>\$ (88,869)</u>	<u>\$ 574,062</u>	<u>\$ 262</u>	<u>\$ 336,423</u>
Income (loss) before contributions, transfers, special & extraordinary items	<u>\$ 722,694</u>	<u>\$ (148,732)</u>	<u>\$ (427,136)</u>	<u>\$ 36,289</u>	<u>\$ 183,115</u>
Capital contributions	206,987	783,929	-	-	990,916
Transfers in	-	-	343,502	-	343,502
Change in net assets	<u>\$ 929,681</u>	<u>\$ 635,197</u>	<u>\$ (83,634)</u>	<u>\$ 36,289</u>	<u>\$ 1,517,533</u>
Net Assets - Beginning of the year	\$ 6,672,412	\$ 10,856,495	\$ 207,234	\$ 38,500	\$ 17,774,641
Restatements	1,846	-	-	-	1,846
Net Assets - Beginning of the year - Restated	<u>\$ 6,674,258</u>	<u>\$ 10,856,495</u>	<u>\$ 207,234</u>	<u>\$ 38,500</u>	<u>\$ 17,776,487</u>
Net Assets - End of the year	<u>\$ 7,603,939</u>	<u>\$ 11,491,692</u>	<u>\$ 123,600</u>	<u>\$ 74,789</u>	<u>\$ 19,294,020</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2012

	Business - Type Activities				
	<u>Water</u>	<u>Wastewater</u>	<u>Ambulance</u>	<u>Total Non-Major Enterprise Funds</u>	
Cash flows from operating activities:					
Cash received from customers	\$ 2,967,535	\$ 2,065,500	\$ 525,129	\$ 729,095	\$ 6,287,259
Cash paid to suppliers	(532,273)	(545,514)	(179,972)	(620,475)	(1,878,234)
Cash paid to employees	(790,815)	(862,599)	(1,298,704)	(67,153)	(3,019,271)
Cash received (paid) from customer deposits	16,925	(23)	-	-	16,902
Net cash provided (used) by operating activities	<u>\$ 1,661,372</u>	<u>\$ 657,364</u>	<u>\$ (953,547)</u>	<u>\$ 41,467</u>	<u>\$ 1,406,656</u>
Cash flows from capital and related financing activities:					
Proceeds from debt	\$ -	\$ 886,000	\$ -	\$ -	\$ 886,000
Purchases/acquisition/construction of capital assets	(316,961)	(1,256,597)	-	-	(1,573,558)
Principal on debt	(414,000)	(117,236)	-	-	(531,236)
Interest paid on debt	(176,784)	(100,542)	-	-	(277,326)
Proceeds from intergovernmental capital grants	-	551,220	278,388	-	829,608
Net cash provided (used) by capital and related financing activities	<u>\$ (907,745)</u>	<u>\$ (37,155)</u>	<u>\$ 278,388</u>	<u>\$ -</u>	<u>\$ (666,512)</u>
Cash flows from non-capital financing activities:					
Transfers from (to) other funds	\$ -	\$ -	\$ 343,502	\$ -	\$ 343,502
Due from (to) other funds	-	-	-	(332)	(332)
Cash received from taxes	-	-	294,835	-	294,835
Net cash provided (used) from non-capital financing activities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 638,337</u>	<u>\$ (332)</u>	<u>\$ 638,005</u>
Cash flows from investing activities:					
Interest earnings	\$ 27,751	\$ 11,673	\$ 840	\$ 263	\$ 40,527
Net cash provided (used) by investing activities	<u>\$ 27,751</u>	<u>\$ 11,673</u>	<u>\$ 840</u>	<u>\$ 263</u>	<u>\$ 40,527</u>
Net increase (decrease) in cash and cash equivalents	\$ 781,378	\$ 631,882	\$ (35,982)	\$ 41,398	\$ 1,418,676
Cash and cash equivalents at beginning	\$ 2,408,849	\$ 758,049	\$ 144,496	\$ -	\$ 3,311,394
Cash and cash equivalents at end	<u>\$ 3,190,227</u>	<u>\$ 1,389,931</u>	<u>\$ 108,514</u>	<u>\$ 41,398</u>	<u>\$ 4,730,070</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 1,271,726	\$ (59,863)	\$ (1,001,198)	\$ 36,027	\$ 246,692
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation expense	338,814	669,999	28,096	-	1,036,909
(Increase) Decrease in accounts receivable	(12,074)	(3,926)	(20,354)	1,242	(35,112)
Increase (decrease) in customer deposits	16,925	(23)	-	-	16,902
Increase (decrease) in compensated absences pay	5,204	6,035	(7,187)	4,276	8,328
(Increase) decrease in assessments receivable	-	-	1,019	-	1,019
Increase (decrease) in OPEB liability	52,535	56,777	65,398	1,088	175,798
(Increase) decrease in special assessments receivable deferred	2,697	3,633	-	-	6,330
Increase (decrease) in accrued payroll payable	(14,455)	(15,269)	(19,320)	(1,166)	(50,210)
Net cash provided (used) by operating activities	<u>\$ 1,661,372</u>	<u>\$ 657,363</u>	<u>\$ (953,546)</u>	<u>\$ 41,467</u>	<u>\$ 1,406,656</u>
Non-cash activity					
Capital contributions	<u>\$ 206,987</u>	<u>\$ 232,709</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 439,696</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 102,977	\$ 626,759
Taxes receivable	-	13,032
Total assets	\$ 102,977	\$ 639,791
LIABILITIES		
Warrants payable	\$ -	\$ 600,265
Due to other governments	-	13,388
Due to others	-	26,138
Total liabilities	\$ -	\$ 639,791
NET ASSETS		
Assets held in trust	\$ 102,977	

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, 2012

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Investment earnings	\$	<u>10,857</u>
Net investment earnings		<u>10,857</u>
Total additions	\$	<u>10,857</u>
 DEDUCTIONS		
Administrative expenses		50,711
Other deductions		<u>2,258,940</u>
Total deductions	\$	<u>2,309,651</u>
Change in net assets	\$	<u>(2,298,794)</u>
 Net Assets - Beginning of the year	 \$	 2,401,771
 Net Assets - End of the year	 \$	 <u>102,977</u>

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

Financial Reporting Entity

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

Primary Government

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

During the year ended June 30, 2012 the City of Whitefish Library came under the control of the City and is now reported as a fund of the City of Whitefish. The Library is a non-major fund and is reported in all other aggregate governmental funds.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending June 30, 2012. The City has the following discretely presented component units:

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 interlocal agreement with the Housing Authority.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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 in the consolidation of business-type activities.

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

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net 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

Government-Wide Financial Statements

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, 2012

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

Modified Accrual

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The City defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to 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.

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

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, termination of the district is projected to be July 15, 2021.

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

Special Improvement District 166 – A debt service fund created to service special assessment bonds for the JP Road Project.

US93/TIGER - A capital project fund created to track revenues and expenditures associated with the construction project along U.S. Highway 93.

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.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

Wastewater 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

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

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.

General Fund	7.40%
Street and Alley	9.35%
Parks and Recreation	9.67%
Library	1.64%
Law Enforcement	18.96%
Tax Increment	2.87%
Fire and Rescue	7.92%
Building Codes	3.18%
Light #1	0.28%
Light #4	0.28%
Water Fund	11.21%
Wastewater Fund	12.18%
Solid Waste Fund	0.95%
Ambulance Fund	<u>14.11%</u>
Total	<u>100%</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2012, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty cash	\$ 1,225
Cash in banks:	
Demand deposits	15,241,455
Savings deposits	382,735
Time deposits	2,342,139
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	<u>27,226</u>
Total	<u>\$ 17,994,780</u>

Credit Risk

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

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

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

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

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

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

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.

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

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

The government has no investments that require credit risk disclosure.

Short Term Investment Pool (STIP) Credit Quality ratings by the NRSRO as of June 30, 2012:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
Asset Backed Commercial Paper	\$ 579,229,187	A1	29
Corporate Commercial Paper	68,067,209	A1	116
Corporate Fixed Rate	23,609,565	B	214
Corporate Variable-Rate	419,480,034	A3	39
Certificates of Deposit Fixed Rate	30,064,940	A1	66
Certificates of Deposit Variable-Rate	416,232,894	A3	37
Other Asset Backed	21,507,129	BBB-	NA
U.S. Government Agency Fixed	124,991,596	A1	352
U.S. Government Agency Variable -Rate	502,707,759	A1	19
Money Market Funds (Unrated)	147,931,122	NR	1
Money Market Funds (Rated)	24,000,000	A1	1
Structured Investment Vehicles (SIV)	<u>37,566,658</u>	NR	<u>6</u>
Total Investments	<u>\$ 2,395,388,093</u>		<u>49</u>
Securities Lending Collateral Investment Pool	<u>\$ 4,930,327</u>	NR	*

“*As of June 30, 2012, the Securities Lending Quality Trust liquidity pool had an average duration of 25 days and an average weighted final maturity of 61 days for U.S. dollar collateral. The duration pool had an average duration of 33 days and an average weighted final maturity of 606 days for U.S. dollar collateral.”

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
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June 30, 2012

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2012 the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Balance</u>
Insured	\$ 750,000
- Collateral held by the pledging bank's trust department in the City's name.	10,652,724
Uninsured and uncollateralized	<u>6,587,466</u>
Total deposits and investments	<u>\$17,990,190</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 ration of less than 6%.

The amount of collateral held for City deposits at June 30, 2012, 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 assessment receivable. The direct write-off method is used for these accounts.

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

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

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

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Donated</u> <u>Assets</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:					
Land	\$ 7,605,540	\$ 747,589	\$ -	\$ -	\$ 8,353,129
Construction in Progress	<u>12,179,648</u>	<u>4,426,799</u>	<u>(120,753)</u>	<u>(287,934)</u>	<u>16,197,760</u>
Total capital assets not being depreciated	<u>\$ 19,785,188</u>	<u>\$ 5,174,388</u>	<u>\$(120,753)</u>	<u>\$ (287,934)</u>	<u>\$ 24,550,889</u>
Other capital assets:					
Buildings	\$ 13,714,767	\$ 14,824	\$ -	\$ -	\$ 13,729,591
Improvements other than buildings	1,606,202	49,980	-	-	1,656,182
Machinery and equipment	4,170,429	88,567	164,195	-	4,423,191
Infrastructure	<u>21,749,747</u>	<u>710</u>	<u>421,696</u>	<u>287,934</u>	<u>22,460,087</u>
Total other capital assets at historical cost	<u>\$ 41,241,145</u>	<u>\$ 154,081</u>	<u>\$ 585,891</u>	<u>\$ 287,934</u>	<u>\$ 42,269,051</u>
Less accumulated depreciation	<u>\$ (12,408,220)</u>	<u>\$ (1,719,223)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,127,443)</u>
Total	<u>\$ 48,618,113</u>	<u>\$ 3,609,246</u>	<u>\$ 465,138</u>	<u>\$ -</u>	<u>\$ 52,692,497</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 43,485
Public safety	67,464
Public works	1,030,012
Culture and recreation	<u>578,262</u>
Total governmental activities depreciation expense	<u>\$ 1,719,223</u>

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

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Donated</u> <u>Assets</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:					
Land	\$ 602,783	\$ -	\$ -	\$ -	\$ 602,783
Construction in Progress	<u>4,554,403</u>	<u>356,334</u>	<u>-</u>	<u>(4,289,466)</u>	<u>621,271</u>
Total capital assets not being depreciated	<u>\$ 5,157,186</u>	<u>\$ 356,334</u>	<u>\$ -</u>	<u>\$ (4,289,466)</u>	<u>\$ 1,224,054</u>
Other capital assets:					
Buildings	\$ 170,980	\$ -	\$ -	\$ -	\$ 170,980
Machinery and equipment	565,486	-	-	-	565,486
Pumping plant	2,742,985	525	-	136,825	2,880,335
Treatment plant	11,860,841	590,243	-	3,881,305	16,332,389
Transmission and distribution	13,333,426	911,469	120,753	271,336	14,636,984
General plant	<u>1,135,203</u>	<u>33,927</u>	<u>-</u>	<u>-</u>	<u>1,169,130</u>
Total other capital assets at historical cost	<u>\$ 29,808,921</u>	<u>\$ 1,536,164</u>	<u>\$ 120,753</u>	<u>\$ 4,289,466</u>	<u>\$ 35,755,304</u>
Less accumulated depreciation	<u>\$ (13,318,013)</u>	<u>\$ (1,036,909)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,354,922)</u>
Total	<u>\$ 21,648,094</u>	<u>\$ 855,589</u>	<u>\$ 120,753</u>	<u>\$ -</u>	<u>\$ 22,624,436</u>

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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 amortized over the life of the bonds.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are amortized over the life of the bond.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2012, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>	Due Within <u>One Year</u>
Revenue bond	\$ 14,510,000	\$ -	\$(1,225,000)	\$ 13,285,000	\$ 1,256,000
Special assessment bond	1,005,000	-	(70,000)	935,000	70,000
Compensated absences	637,500	22,494	-	659,994	24,000
Capital leases	3,463	10,981	(2,267)	12,177	4,585
Other post-employment benefits *	<u>523,920</u>	<u>271,592</u>	<u>-</u>	<u>795,512</u>	<u>-</u>
Total	<u>\$ 16,679,883</u>	<u>\$ 305,067</u>	<u>\$(1,297,267)</u>	<u>\$ 15,687,683</u>	<u>\$ 1,354,585</u>

*See Note 14

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

Business-type Activities:

	Balance <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2012</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 6,847,000	\$ 886,000	\$ (531,236)	\$ 7,201,764	\$ 720,000
Compensated absences	396,246	12,235	(7,187)	401,294	200,647
Other post-employment benefits *	<u>351,088</u>	<u>179,078</u>	<u>-</u>	<u>530,166</u>	<u>-</u>
Total	<u>\$ 7,594,334</u>	<u>\$1,077,313</u>	<u>\$ (538,423)</u>	<u>\$ 8,133,224</u>	<u>\$ 920,647</u>

*See Note 14

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 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, 2012 were as follows:

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<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, 2012</u>
SID #166- JP Road Project	07/06/2006	3.65-4.80%	20 yrs	07/01/2026	\$1,360,000	Varies	<u>\$935,000</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
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
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>\$ 935,000</u>	<u>\$ 319,407</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>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2012</u>
2009 Tax Increment Urban Renewal Revenue Bonds(1)	07/14/2009	3.00-4.625%	11 yrs	07/15/2020	\$15,695,000	Varies	\$ 13,285,000
DNRC-Water 1998(2)	07/06/1998	4.00%	20 yrs	07/01/2018	400,000	Varies	155,000
DNRC-Water 1999(2)	06/21/1999	4.00%	20 yrs	07/01/2019	5,839,000	Varies	2,581,000
Water DWSRF #06098(2)	06/15/2006	3.75%	20 yrs	07/01/2026	248,699	Varies	693,000
Water WRF #08110(2)	09/06/2007	3.75%	20 yrs	07/01/2027	900,000	Varies	731,000
Water SRF (2009B) (2)	10/21/2009	0.75%	20 yrs	07/01/2029	120,100	Varies	102,000
Sewer SRF 2002 Series(2)	07/01/2002	3.00%	20 yrs	07/01/2022	200,000	Varies	114,000
Sewer DNRC (2008A) (2)	12/11/2008	2.75%	20 yrs	07/01/2028	500,000	Varies	421,000
Sewer DNRC (2008B) (2)	01/16/2009	3.75%	20 yrs	01/01/2029	1,711,000	Varies	1,495,000
Sewer DNRC (2010B) (2)	02/04/2010	0.75%	20 yrs	01/01/2030	48,211	Varies	44,000
2011B(2)	08/01/2011	3.75%	20 yrs	07/01/2031	340,000	Varies	328,000
2011C(2)	08/01/2011	3.75%	20 yrs	07/01/2031	386,000	Varies	377,764
201 IA SRF-12287(2)	08/01/2011	3.75%	20 yrs	07/01/2031	<u>160,000</u>	Varies	<u>160,000</u>
Total					<u>\$ 26,547,910</u>		<u>\$ 20,486,764</u>

- (1) Reported in governmental activities
- (2) Reported in business-type activities

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Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The City was in compliance with applicable covenants as of June 30, 2012.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
2013	\$ 1,819,000	\$ 761,781
2014	1,885,000	701,824
2015	1,950,000	630,156
2016	2,030,000	552,416
2017	2,111,000	471,580
2018	2,198,000	386,285
2019	2,257,000	295,113
2020	1,921,000	201,998
2021	2,002,000	115,476
2022	282,000	66,398
2023	281,000	57,024
2024	289,000	47,596
2025	301,000	37,854
2026	312,000	27,703
2027	251,000	17,797
2028	204,000	10,286
2029	113,000	4,223
2030	50,000	2,193
2031	48,000	1,220
2032	22,764	250
Total	<u>\$ 20,326,764</u>	<u>\$4,389,173</u>

Capital Leases

The City has entered into a several leases which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2012 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Value</u>	<u>Deletions</u>	<u>Remaining Payments as of June 30, 2012</u>
Sharp Copier Lease	02/09/2010	7.27%	\$ 6,774	\$ (2,237)	\$ 1,196
Sharp MX5111	04/04/2012	16.07%	<u>10,981</u>	-	<u>10,981</u>
Total			<u>\$14,755</u>	<u>\$ (2,237)</u>	<u>\$ 12,177</u>

Reported in the governmental activities.

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Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2013	\$ 4,585	\$ 902
2014	3,623	625
2015	<u>3,969</u>	<u>280</u>
Total	\$ <u>12,177</u>	\$ <u>1,807</u>

Compensated Absences

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

NOTE 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>
Parks, Recreation and Community Services	\$ 16,760	Delinquent Taxes Receivable	Future Revenues
Drug Forfeiture	\$ 191,162	Excess Payroll Payments	Future Drug Forfeitures
Building Code	\$ 464,446	Excess Expenditures	Future Revenues
SID 166 Bond Debt	\$ 48,740	Deferred Assessment Receivable	Future Assessments

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2012, was as follows:

Due to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Temporary Due to/Due from for TIGER	Tax Increment – Major Governmental	US93/TIGER – Major Governmental	\$ <u>909,132</u>
Advances to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half of Annual Assessment to SID	SID Revolving – Nonmajor Governmental	SID 166 – Major Governmental	\$ 48,741
Cover Negative Cash	General – Major Governmental	Building Codes – Nonmajor Governmental	460,977
Cover Negative Cash	General – Major Governmental	Drug Forfeiture – Nonmajor Governmental	<u>191,162</u>
Total			<u>\$ 700,880</u>

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Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2012:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Transfer	Parks, Recreation and Community Services – Nonmajor Governmental	General – Major Governmental	\$ 480,368
Operating Transfer	Law Enforcement – Major Governmental	General – Major Governmental	1,710,000
Operating Transfer	Fire and Ambulance – Nonmajor Governmental	General – Major Governmental	90,512
Operating Transfer	Ambulance – Major Enterprise fund	General – Major Governmental	343,502
Operating Transfer	Library – Nonmajor Governmental	General – Major Governmental	33,370
25% Taxpayer Relief	General – Major Governmental	Resort Tax – Major Governmental	553,708
Move Taxes from TIF	Tax Increment Revenue Bond Debt – Major Governmental	Tax Increment – Major Governmental	1,779,659
Move Taxes from TIF	City Hall Project – Nonmajor Governmental	Tax Increment – Major Governmental	250,000
Move Taxes from TIF	Emergency Services Center Construction – Nonmajor Governmental	Tax Increment – Major Governmental	123,392
Transfer Impact Fees to Correct Fund	Emergency Services Center Construction – Nonmajor Governmental	Impact Fees – Nonmajor Governmental	42,169
Transfer Impact Fees to Correct Fund	Tax Increment – Major Governmental	Impact Fees – Nonmajor Governmental	1,264
Transfer Excess Funds Back to Financing Fund	Street and Alley – Nonmajor Governmental	SID 151 Bond Debt – Nonmajor Governmental	4,796
Transfer Excess Funds Back to Financing Fund	Street and Alley – Nonmajor Governmental	SID 154 Bond Debt – Nonmajor Governmental	7,506
Capital asset transfer	Wastewater – Major Enterprise	Governmental activities	120,753
		Total	<u>\$ 5,540,999</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. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee

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in control of investments options and their retirement is based upon the cash in their investment account.

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, 2012 for the defined benefit plans, were:

	<u>PERS**</u>	<u>MPORS</u>	<u>FURS</u>
Employer	7.07%	14.41%	14.36%
Employee	6.90%*	If first employed: on or before 6/30/75- 5.8% after 6/30/75 - 7% after 6/30/79 - 8.5% on & after 7/1/97 - 9% w/ GABA - 9%	9.5% w/o GABA 10.7% w/GABA Also – 1% withheld & paid to Montana State Firemen’s Association
State	0.10%	29.37%	32.61%

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the City’s financial statements and were considered immaterial.

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

The City's contributions for the years ended June 30, 2010, 2011, and 2012, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
2010	\$225,755	\$114,965	\$139,965
2011	\$208,269	\$123,221	\$140,093
2012	\$218,100	\$108,124	\$138,988

NOTE 10. POSTEMPLOYMENT HEALTHCARE PLAN

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 federal COBRA law. In accordance with Montana State law (see below), retirees may remain on the City’s health plan as long as they wish, at a rate that does not cover all of the related costs. This results in the reporting of an implied rate subsidy in the financial statements and footnotes. The City’s contract with allegiance Benefits details the plan eligibility. MMIA is the administrator of the benefit plan which covers both active and retired members. The City’s retirees may continue coverage for themselves and their covered eligible dependents if they are eligible for public employees’ retirement by virtue of their employment with the City of Whitefish. The City’s current labor contracts do not include any obligations for payments to retirees.

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Montana Code Annotated (MCA) Section 2-18-704 states (1) An insurance contract or plan issued under this part must contain provisions that permit:

- (a) The member of a group who retires from active service under the appropriate retirement provisions of a defined benefit plan provided by law or, in the case of the defined contribution plan provided in Title 19, chapter 3, part 21, a member with at least 5 years of service and who is at least age 50 while in covered employment to remain a member of the group until the member becomes eligible for medicare under the federal Health Insurance for the Aged Act, 42 U.S.C. 1395, as amended, unless the member is a participant in another group plan with substantially the same or greater benefits at an equivalent cost;
- (b) The surviving spouse of a member to remain a member of the group as long as the spouse is eligible for retirement benefits accrued by the deceased member as provided by law unless the spouse is eligible for medicare under the federal Health Insurance for the Aged Act or unless the spouse has or is eligible for equivalent insurance coverage as provided in subsection (1)(a);
- (c) The surviving children of a member to remain members of the group as long as they are eligible for retirement benefits accrued by the deceased member as provide by law unless they have equivalent coverage in subsection (1)(a) or are eligible for insurance coverage by virtue of the employment of a surviving parent or legal guardian.

Funding Policy. The government pays OPEB liability costs on a pay-as-you-go basis. A trust fund for future liabilities has not been established.

Funding Status and funding Progress. The funded status of the plan as of June 30, 2012, was as follows:

Actuarial Accrued Liability (AAL)	\$ 2,138,344
Actuarial value of plan assets	\$ _____ -
Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>2,138,344</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll (active plan members)	\$ 5,340,571
UAAL as a percentage of covered payroll	40%

Annual OPEB Cost and Net OPEB Obligation. The government's annual other post employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameter of GASB statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty (30) years. The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the government's net OPEB obligation.

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Annual Required Contribution (ARC)	\$ 441,837
Interest on net OPEB obligation	\$ 8,834
Adjustment to ARC	\$ _____ -
Annual OPEB cost (expense)	\$ 450,671
Contributions made	\$ _____ -
Increase in net OPEB obligation	\$ 450,671
Net OPEB obligation - beginning of year	\$ <u>875,008</u>
Net OPEB obligation - end of year	\$ <u><u>1,325,679</u></u>

Actuarial Methods and Assumptions. As of July 1, 2010, the City's actuarially accrued liability (AAL) for benefits was \$2,138,344. The AAL by status breakdown is shown below:

Active participants:	\$2,102,450
Retirees, Dependents, and Surviving Spouses:	<u>35,894</u>
Total AAL	<u><u>\$2,138,344</u></u>
Normal Cost	\$ 331,073

Participant Information

Active participants:	92
Retirees, Dependents, and Surviving Spouses:	<u>2</u>
Total	<u><u>94</u></u>

The following key assumptions were chosen by the City:

- 1 Discount Rate: 2.00%
- 2 Expected Long Term Rate of Return on Assets: 2.00%
- 3 Average Salary Increase 2.00%
- 4 Premium Increases 7.00%

The June 30, 2012 year-end OPEB obligation is reported in the City's funds as follows:

Primary Government	
Governmental Activities:	
General government	\$ <u>795,512</u>
Total governmental activities	\$ <u>795,512</u>
Business-type activities:	
Water	\$ 158,274
Sewer	\$ 171,919
Garbage	13,150
Ambulance	<u>186,823</u>
Total business-type activities	\$ <u>530,166</u>
Total primary government	\$ <u><u>1,325,678</u></u>

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Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples, as detailed above, include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations, and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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 an agency fund of the City.

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

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NOTE 12. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2012. These amounts are reported within the cash/investment account on the Statement of Net Assets.

<u>Description</u>	<u>Amount</u>
Tax Increment Bond Debt:	
Restricted for Debt Service	\$ 3,106,731
Water Fund:	
Restricted for Debt Service	296,784
Restricted for Debt Reserves	592,673
Restricted for Construction	348,362
Water Impact Fee:	
Restricted for Construction	381,419
Wastewater Fund:	
Restricted for Debt Service	111,839
Restricted for Debt Reserves	225,599
Restricted for Construction	75,202
Wastewater Impact Fee:	
Restricted for Construction	<u>373,695</u>
Total	<u>\$5,512,304</u>

NOTE 13. 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>
General Fund	\$ 175	Prior Year Expenditure Correction
Law Enforcement	15	Prior Year Expenditure Correction
Resort Tax	75,806	Prior Year Expenditure Correction
Tax Increment	440	Prior Year Expenditure Correction
US93/TIGER	45,273	Properly Record Prior Year Accrued Revenue
Water	1,846	Prior Year Expenditure Correction
Park, Rec & Community Service	177	Prior Year Expenditure Correction
Parkland Acquisition & Development	(25,959)	Prior Year Expenditure Correction
Trails Project	<u>(49,849)</u>	Prior Year Expenditure Correction
Total	<u>\$ 47,924</u>	

NOTE 14. 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.

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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 county-wide 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 states 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 15. SERVICES PROVIDED TO OTHER GOVERNMENTS

County Provided Services

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

NOTE 16. 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.

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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 \$3,750 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

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

NOTE 17. RESORT TAX

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

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

As of June 30, 2012, the following balance of tax proceeds remained:

Park Improvements	\$ 413,538
Street Improvements	\$1,411,436
Tax Rebate	\$ 598,007
Total Resort Tax Cash	<u>\$2,422,981</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE 18. 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. The City has liability insurance which may cover all or part of the damages requested.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Rosaaen v. City of Whitefish</i>	Not stated	Not stated
<i>T. Warren Schweitzer and Ingela Schnittger v. City of Whitefish</i>	Not stated	Not stated
<i>City of Whitefish and Flathead County v. Linda Babiak and Tim Babiak</i>	Not stated	Not stated
<i>Ella Marzean Quay v. LHC, Inc., Town of Whitefish, et. al.</i>	Not stated	Not stated

NOTE 19. WHITEFISH LAKE GOLF COURSE LEASE

In January 2011, the City leased the Whitefish Lake Golf Course to the Whitefish Lake Golf Club, Inc. The term of the lease is for 30 years beginning January 1, 2011 and ending December 21, 2040. The annual rental payments due to the City are \$22,375 per year and shall increase by the December to December change in the Consumer Price Index every five years beginning with the payment due in June 2016. In addition, the City will receive a net profits payment beginning February 2012 of 3% of the prior year's net profit for the Whitefish Lake Golf Club, Inc.

NOTE 20. REDEMPTION OF INTERFUND LOANS

The Drug forfeiture and Building Code funds currently owe \$191,162 and \$460,978 respectively to the General fund which is to be paid back by fiscal year 2015. The Drug Forfeiture fund is currently operating at a deficit and had no revenue during the year ending June 30, 2012. The Building Code fund is also operating at a deficit and had net income of only \$4,834 during the fiscal year ending June 30, 2012. As such, both of these funds will have significant difficulty in repaying the interfund loans in the time frame allotted.

NOTE 21. SIGNIFICANT CONSTRUCTION COMMITMENTS

Subsequent to June 30, 2012 the City of Whitefish Water fund paid \$470,000 for the construction of a hydro plant.

NOTE 22. SUBSEQUENT EVENTS

The city filed their annual report with the State of Montana prior to December 31, 2012 as required by state law. Subsequent to this filing, the City received notice their 2011 ASRF Bond of \$160,000 was forgiven.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

WHITEFISH HOUSING AUTHORITY
A Component Unit of City of Whitefish, Flathead County

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 ("GASS") 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, 1 989.

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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
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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 developments 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.

Development/Homeownership. This program accounts for various activities including grants related to the development of homeownership opportunities.

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

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.

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

Estimates

The preparation of financial statement 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, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

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.

NOTE B – DEPOSITS AND INVESTMENTS

At June 30, 2012, the Authority's carrying amount of deposits was \$68,753 and the bank balances were \$87,971. The Authority had cash on hand of \$100 as of June 30, 2012. All of the bank balances were 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, 2012 is as follows:

Tenants	\$ 1,918
Allowance for doubtful accounts	-
Homeowners – administrative fees	<u>3,170</u>
	<u>\$ 5,088</u>

NOTE D – DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Assets at June 30, 2012 is as follows:

HUD – capital fund grants	\$ 3,132
City of Whitefish – CDBG 2009 Grants	2,547
City of Whitefish – CDBG Planning Grant	5,750
USDA – Housing Preservation Grant	<u>2,591</u>
	<u>\$ 14,020</u>

NOTE E – PREPAID ITEMS

A summary of prepaid items as presented in the Statement of Net Assets at June 30, 2012 is as follows:

Prepaid insurance	\$ 2,184
Other prepaid expenses	<u>255</u>
	<u>\$ 2,439</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE F – CAPITAL ASSETS HELD FOR SALE

The Authority develops property for the purpose of assisting participants in homeownership opportunities. As of June 30, 2012, the Authority had one property held for future sale with costs incurred of \$24,091. The property was sold in August 2012.

NOTE G – RESTRICTED ASSETS

A summary of restricted cash and cash equivalents as presented in the Statement of Net Assets at June 30, 2012 is as follows:

Tenant security deposits	\$	9,722
Housing Assistance Payments		<u>8,307</u>
	\$	<u>18,029</u>

NOTE H – NOTES RECEIVABLE

Downpayment Assistance Loan

The Authority provided a loan to a first-time homebuyer with 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, 2012 the loan balance was \$47,500.

NOTE I – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance <u>July 1, 2011</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2012</u>
Non-depreciable assets:				
Land	\$ 50,110	\$ -	\$ -	\$ 50,110
Construction in progress	<u>-</u>	<u>21,948</u>	<u>(14,257)</u>	<u>7,691</u>
Total non-depreciable assets:	\$ <u>50,110</u>	\$ <u>21,948</u>	\$ <u>(14,257)</u>	\$ <u>57,801</u>
Depreciable assets:				
Buildings	\$ 2,382,744	\$ 9,257	\$ -	\$ 2,392,00
Equipment -- Dwelling	12,080	-	-	12,080
Equipment – Administration	<u>23,701</u>	<u>-</u>	<u>(966)</u>	<u>22,735</u>
Total depreciable assets	\$ <u>2,418,526</u>	\$ <u>9,257</u>	\$ <u>(966)</u>	\$ <u>2,426,816</u>
Total Capital Assets	\$ <u>2,468,635</u>	\$ <u>31,205</u>	\$ <u>(15,223)</u>	\$ <u>2,484,617</u>
Accumulated depreciation:				
Buildings	\$ 1,963,903	\$ 85,695	\$ -	\$ 2,049,598
Equipment – Dwelling	9,184	637	-	9,821
Equipment – Administration	<u>21,540</u>	<u>700</u>	<u>(816)</u>	<u>21,423</u>
Total accumulated depreciation:	\$ <u>1,994,626</u>	\$ <u>87,032</u>	\$ <u>(816)</u>	\$ <u>2,080,841</u>
Depreciable Assets, net	\$ <u>423,899</u>	\$ <u>(77,775)</u>	\$ <u>(150)</u>	\$ <u>345,974</u>
Capital Assets, net	\$ <u>474,009</u>	\$ <u>(55,827)</u>	\$ <u>(14,407)</u>	\$ <u>403,775</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE J – OTHER ASSETS

Unrestricted

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

Restricted

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.

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, 2012 the Authority has sold eight properties. The total Authority contribution or equity in these properties is \$693,599 as of June 30, 2012.

NOTE K – ACCOUNTS PAYABLE

A summary of accounts payable as presented in the Statement of Net Assets at June 30, 2012 is as follows:

Vendors and contractors	\$ <u>9,224</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, 2012 is as follows:

Payments in Lieu of Taxes	\$ 20,668
HUD – section 8 admin fees	1
HUD – operating subsidy	<u>3,236</u>
	\$ <u>23,905</u>

NOTE M – DEFERRED REVENUE

A summary of deferred revenue as presented in the Statement of Net Assets at June 30, 2012 is as follows:

City TIF funds	\$ 11,999
City Housing Rehab Grant	2,997
Tenant prepaid rents	<u>17</u>
	\$ <u>15,013</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE N – ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Assets as of June 30, 2012 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Compensated absences	\$ <u>19,253</u>	\$ <u>10,296</u>	\$ <u>(9,835)</u>	\$ <u>19,714</u>	\$ <u>7,741</u>

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 and was extended on March 16, 2011 through June 30, 2012 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, 2012 these funds have not been received. As of June 30, 2012 the loan balance was \$50,000 and unpaid interest of \$3,490.

Subsequent the fiscal year end of June 30, 2012, the Authority entered into a new loan agreement which extends the maturity date of this loan to November 2022. The new loan bears an interest rate of 2% and requires monthly payments of \$460.07.

A summary of changes in notes payable as of June 30, 2012 is as follows:

	<u>Balance July 1, 2011</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>	<u>Due within One Year</u>
Montana Neighbor Works	\$ <u>50,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>50,000</u>	\$ <u>2,650</u>
Total	\$ <u>50,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>50,000</u>	\$ <u>2,650</u>
			Less current maturities	<u>(2,650)</u>	
			Long-term portion	<u>\$ 47,350</u>	

Principal and interest for the notes are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 2,650	\$ 570	\$ 3,220
2014	4,616	905	5,521
2015	4,709	812	5,521
2016	4,804	717	5,521
2017	4,901	620	5,521
2018-2022	26,030	1,574	27,604
2023	<u>2,289</u>	<u>11</u>	<u>2,300</u>
Total	\$ <u>50,000</u>	\$ <u>5,209</u>	\$ <u>55,209</u>

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

NOTE P – NET ASSETS

The fund financial statements utilize a net assets presentation. Net assets are categorized as invested in capital assets, restricted and unrestricted.

- **Invested in Capital Assets** – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation of the assets reduces 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, 2012 is as follows:

As of June 30, 2012 the Authority had net assets of \$693,599 restricted in the Public Housing Program for the Deed Restricted Program as described in Note I.

As of June 30, 2012 the Authority had net assets of \$11,667 restricted in the Section 8 Housing Choice Voucher Program for program housing assistance payments. As of June 30, 2012 the Authority did not have sufficient funds to cover the restricted net asset balance. The Authority was deficient by (\$3,360) which was a culmination of previous years administrative expenses exceeding the funds received for administrative fees. The Authority continues to reduce the above deficit with operations.

- **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, 2001. The assets of one retirement plan cannot be commingled with those of another plan.

Contribution rates are expressed as percentage of covered payroll, which are determined by the State law and were 7.07% 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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2012

payment. This immaterial amount has not been recorded in these financial statements as required under Generally Accepted Accounting Principles. The Authority's contributions to the plan were \$10,378 and \$10,128, respectively.

NOTE R – SPECIAL ITEMS

The Authority incurred a casualty loss of \$4,548 related to water damage as the result of a boiler valve.

NOTE S – EXTRAORDINARY ITEMS

On 12/24/2011, the Authority had a fire which resulted in the damage of ten apartments. The majority of the damage was caused by the discharge from the fire sprinkler suppression system. The Authority had recognized \$360,175 of income and incurred \$327,435 of costs to repair the damage caused by the fire.

NOTE T – 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, 2012 the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage in place during the past three fiscal years.

NOTE U – COMMITMENTS AND CONTINGENCIES

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
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
For the Year Ending June 30, 2012

GENERAL FUND

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Property Taxes	\$ 1,871,560	\$ 1,871,560	\$ 1,925,200	\$ 53,640
Special assessments	-	-	14	14
Licenses and permits				
Alcoholic beverage licenses	14,200	14,200	15,028	828
General business licenses	40,000	40,000	40,643	643
Animal licenses	1,700	1,700	940	(760)
Other licenses and permits	1,000	1,000	3,000	2,000
Intergovernmental revenue (See supplemental section for detail)				
State grants	9,500	9,500	4,335	(5,165)
State shared revenues	723,835	723,835	734,268	10,433
Charges for services				
General government	139,550	139,550	112,054	(27,496)
Public works	5,850	5,850	4,110	(1,740)
Fines and forfeitures				
City court	215,000	215,000	253,414	38,414
Other fines and forfeitures	1,050	1,050	1,183	133
Miscellaneous	31,575	31,575	59,495	27,920
Investment and royalty earnings	35,000	35,000	47,145	12,145
Total revenues	<u>\$ 3,089,820</u>	<u>\$ 3,089,820</u>	<u>\$ 3,200,829</u>	<u>\$ 111,009</u>
EXPENDITURES				
Current:				
General Government:				
Legislative services				
Supplies/services/materials, etc	\$ 700	\$ 700	\$ 453	\$ 247
Judicial services				
Personal services	251,737	251,737	229,377	22,360
Supplies/services/materials, etc	128,717	128,717	123,429	5,288
Financial services				
Personal services	56,803	56,803	54,597	2,206
Supplies/services/materials, etc	16,767	16,767	13,549	3,218
Legal services				
Personal services	32,149	32,149	31,209	940
Supplies/services/materials, etc	2,367	2,367	-	2,367
Other general government services				
Supplies/services/materials, etc	1,000	1,000	1,778	(778)
Capital outlay	-	-	10,981	(10,981)
Public Safety:				
Protective inspections				
Personal services	206,348	206,348	200,895	5,453
Supplies/services/materials, etc	43,426	43,426	40,111	3,315
Public Works:				
Transit systems				
Supplies/services/materials, etc	16,800	16,800	16,800	-
Cemetery services				
Personal services	984	984	991	(7)
Supplies/services/materials, etc	1,550	1,550	11,271	(9,721)
Social and Economic Services:				
Aging services				
Supplies/services/materials, etc	1,250	1,250	1,250	-
Culture and Recreation:				
Library services				
Personal services	-	-	(390)	390
Supplies/services/materials, etc	12,700	12,700	7,533	5,167
Participant recreation				
Supplies/services/materials, etc	9,900	9,900	9,756	144
Miscellaneous	10,000	10,000	-	10,000
Total expenditures	<u>\$ 793,198</u>	<u>\$ 793,198</u>	<u>\$ 753,590</u>	<u>\$ 39,608</u>
Excess of revenues over (under) expenditures	<u>\$ 2,296,622</u>	<u>\$ 2,296,622</u>	<u>\$ 2,447,239</u>	<u>\$ 150,617</u>
OTHER FINANCING SOURCES (USES)				
Inception of capital lease	\$ -	\$ -	\$ 10,981	\$ 10,981
Transfers in	553,708	553,708	553,708	-
Transfers out	(2,704,780)	(2,704,780)	(2,657,752)	47,028
Total other financing sources (uses)	<u>\$ (2,151,072)</u>	<u>\$ (2,151,072)</u>	<u>\$ (2,093,063)</u>	<u>\$ 58,009</u>
Net change in fund balance	<u>\$ 145,550</u>	<u>\$ 145,550</u>	<u>\$ 354,176</u>	<u>\$ 208,626</u>
Fund balance - July 1, 2011 -				
- As previously reported	\$ 812,957	\$ 812,957	\$ 812,957	\$ -
Prior period adjustments	175	175	175	-
Fund balance - July 1, 2011 - As restated	<u>\$ 813,132</u>	<u>\$ 813,132</u>	<u>\$ 813,132</u>	<u>\$ -</u>
Fund balance - June 30, 2012	<u>\$ 958,682</u>	<u>\$ 958,682</u>	<u>\$ 1,167,308</u>	<u>\$ 208,626</u>

City of Whitefish, Flathead County, Montana
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE- BUDGET AND ACTUAL
For the Year Ending June 30, 2012

TAX INCREMENT FUND

	Original Budget	Final Budget	Actual Amounts	Variance with Final Budget Positive (Neg)
REVENUES				
Taxes				
Property Taxes	\$ 4,009,614	\$ 4,009,614	\$ 3,964,927	\$ (44,687)
Special assessments	22,000	22,000	# 26,997	4,997
Intergovernmental revenue (See supplemental section for detail)				
State shared revenues	148,194	148,194	148,194	-
Miscellaneous	-	-	8,423	8,423
Total revenues	\$ 4,179,808	\$ 4,179,808	\$ 4,148,541	\$ (31,267)
EXPENDITURES				
Current:				
Housing and Community Development				
Personal services	\$ 210,934	\$ 210,934	\$ 203,901	\$ 7,033
Supplies/services/materials, etc	1,008,300	1,008,300	749,076	259,224
Capital expenditures	1,238,737	1,238,737	885,108	353,629
Total expenditures	\$ 2,457,971	\$ 2,457,971	\$ 1,838,085	\$ 619,886
Excess of revenues over (under) expenditures	\$ 1,721,837	\$ 1,721,837	\$ 2,310,456	\$ 588,619
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ -	\$ 1,264	\$ 1,264
Transfers out	(2,395,311)	(2,395,311)	(2,153,050)	242,261
Total other financing sources (uses)	\$ (2,395,311)	\$ (2,395,311)	\$ (2,151,786)	\$ 243,525
Net change in fund balance	\$ (673,474)	\$ (673,474)	\$ 158,670	\$ 832,144
Fund balance - July 1, 2011 -				
- As previously reported	\$ 1,914,671	\$ 1,914,671	\$ 1,914,671	\$ -
Prior period adjustments	441	441	441	-
Fund balance - July 1, 2011 - As restated	\$ 1,915,112	\$ 1,915,112	\$ 1,915,112	\$ -
Fund balance - June 30, 2012	\$ 1,241,638	\$ 1,241,638	\$ 2,073,782	\$ 832,144

City of Whitefish, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 2,138,344	\$ 2,138,344	0%	\$ 5,340,571	40.0%

SINGLE AUDIT SECTION

City of Whitefish, Flathead County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures June 30, 2012
<u>U.S. Department of Housing & Urban Development</u>			
<i>Passed through Montana Department of Commerce:</i>			
Community Development Block Grants	14.228	MT-CDBG-09HR-03	\$ <u>7,838</u>
Total U.S. Department of Housing & Urban Development			\$ <u>7,838</u>
<u>U.S. Department of Justice</u>			
<i>Direct:</i>			
Public Safety Partnership and Community Policing Grants	16.710	2009RKWX0523	\$ <u>68,470</u>
Total U.S. Department of Justice			\$ <u>68,470</u>
<u>U.S. Department of Transportation</u>			
<i>Passed through Montana Department of Transportation:</i>			
Highway Planning and Construction	20.205	Contract #105740	\$ 8,685
<i>Direct:</i>			
Surface Transportation - Discretionary Grants for Capital Investment - ARRA	20.932-ARRA	DTFH61-10-G-00009	\$ <u>2,451,438</u>
Total U.S. Department of Transportation			\$ <u>2,460,123</u>
<u>U.S. Department of Homeland Security</u>			
<i>Direct:</i>			
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2008-FF-00288	\$ 117,045
<i>Passed through Montana Department of Emergency Services:</i>			
Emergency Operations Center	97.052	2010-EO-MX-0035	\$ <u>370,174</u>
Total U.S. Department of Homeland Security			\$ <u>487,219</u>
Total Federal Financial Assistance			\$ <u>3,023,650</u>

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal year Ended June 30, 2012

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

**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***

City Council
City of Whitefish
Flathead County
Whitefish, Montana

We have audited the financial statements of the governmental activities, business-type activities, the aggregate 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, 2012, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated Need Date. We did not audit the financial statements of the Whitefish Housing Authority, which represents 100% of the discretely presented component units. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of City of Whitefish is responsible for establishing and maintaining effective 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 was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questions costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the

accompanying schedule of findings and questioned costs to be material weaknesses as items 12-2 through 12-3.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 12-1 to be significant deficiencies.

Compliance and Other Matters

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

City of Whitefish's response to the findings identified in our audit is described in the Auditee's Response to Findings. 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 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.

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

June 6, 2013

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON 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 City of Whitefish, Flathead County, Montana, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Whitefish's major federal programs for the year ended June 30, 2012. 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, the City of Whitefish complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

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 our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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 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.

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

June 6, 2013

CITY OF WHITEFISH

FLATHEAD COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2012

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?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	No
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)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.932	ARRA – Transportation Investments Generating Economic Recovery (TIGER)
97.052	Emergency Operations Center

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

12-1 City Court – Outstanding Bonds / Internal Controls

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. Between 2008 and 2009 the outstanding bonds went down by half. Between 2009 and 2010, the outstanding bonds have dropped another 34%. Between 2010 and 2011, the outstanding bonds have dropped a further 31%. And between 2011 and 2012, the outstanding bonds have dropped an additional 45% to \$32,878.38 in outstanding bonds as of June 30, 2012.

In addition, duties are not adequately segregated between the cash receipting and accounting for cash receipts.

Criteria:

The City Court should process citations in a timely manner. The duties of receipting, recording, depositing and reconciling should be segregated to ensure the safeguarding of assets.

Effect:

The effects of the disposition backlog might include:

- Slow collections and remittance of fines to the City
- Inability to utilize all the functions of the Court's software system to their greatest extent (Time pay system and Overdue processing system)
- Possible delay in reporting dispositions to the State Department of Motor Vehicles

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

Internal controls over cash receipting and accounting are significantly weakened when cash receipting and accounting functions are handled by the same individual.

Cause:

Overall Court activity has increased over the last several years. The City's administrative functions have not kept pace. Due to the move to the Emergency Service Building the Court has limited staff and is not able to adequately segregate the duties and does not have compensating controls in place.

Recommendation:

We recommend that the City continue to address the backlog issue of processing court dispositions and establish procedures to ensure that the backlog does not occur in the future. In addition, the City should continue to monitor and segregate as much as possible the controls over receipting, recording, depositing and reconciling cash receipts.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Auditee Response:

The City will continue to work to reduce the backlog and continue to explore methods to segregate duties without a significant cost increase or reduced customer service.

12-2 Financial Reporting

Condition:

The following financial reporting errors were found during the audit of the City of Whitefish:

- 1) Short term portions of long-term liabilities included interest payments to be made in the subsequent year. Because of this short term liabilities are overstated and long-term understated by \$568,374 in governmental activities, \$159,363 in the Water fund and \$96,585 in the Wastewater fund. Total long term liabilities are accurately stated. This has been corrected for financial reporting.
- 2) \$3,106,731 in restricted cash in the Tax increment Bond Debt fund was reported as unrestricted cash. This has been corrected for financial reporting.
- 3) The Hydro project was funded in part by a pre-payment of funds for the electricity which was to be generated. Under this agreement the funds would be earned over a maximum of 8 years and would have to be repaid if not properly earned. Therefore, all unearned funds should be reported as deferred revenues until earned. The total amount of unearned revenue at June 30, 2012 is \$400,000. This has been corrected for financial reporting.
- 4) In the governmental funds *Statement of Revenues, Expenditures, and Changes in fund Balances* report, the general fund properly included the activity of the Law Enforcement fund. In the *Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual* the general fund properly did not include the activity of the Law Enforcement Fund. When these statements are different Generally Accepted Accounting Principles (GAAP) require a reconciliation to be provided.
- 5) Restricted cash balance in the Water fund used for future Revenue bond requirements is overstated by \$296,164 and the Sewer fund amount for Revenue bond requirements is overstated by \$115,461.
- 6) Accounts payable was underreported in the resort tax fund (\$30,102), the water fund (\$201,944) and the wastewater fund (\$50,543).

Criteria:

- 1) Only the principle portion of long-term debt due within one year should be reported as a short term liability, with the amount due over one year reported as a long-term liability. Interest should not be counted in the short term liability or reduced from the long-term portion.
- 2) Per the Tax Increment Bond requirements, this cash is to be restricted for current and future debt payments.
- 3) Unearned revenues should be reported as a deferred revenue liability until earned.
- 4) Governmental Accounting Standards (GASB) #34 require the budget to actual statement include a reconciliation showing the differences caused by the inclusion of the Law Enforcement fund in the General fund for reporting purposes.
- 5) The amount of funds reported in restricted cash should equal the amount required by third parties (in this case the bond covenants).
- 6) Under both the modified and full accrual methods of accounting, expenditures/expenses are required to be reported in the year incurred.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

- 1) Short term liabilities are overstated and long-term understated by \$568,374 in the governmental activities, \$159,363 in the Water fund and \$96,585 in the Wastewater fund. This has been corrected for financial reporting.
- 2) Short term assets and long term assets on the fund and government wide financial statements are misstated by \$3,106,731. This has been corrected for financial reporting.
- 3) Water fund revenues are overstated and liabilities are understated by \$400,000. This has been corrected for financial reporting.
- 4) Non-compliance with GAAP specifically GASB #34
- 5) Unrestricted cash in the Water and Sewer funds are overstated and the restricted cash is understated by \$296,164 and \$115,461
- 6) Short term liabilities and expenses were both understated in the resort tax fund by (\$30,102), the water fund (\$201,944), and the wastewater fund (\$50,543).

Cause:

In several of the instances the City was not aware of the applicable accounting requirement.

Recommendation:

We recommend that the City review financial reporting procedures to ensure financial statement presentation in accordance with Generally Accepted Accounting Principle (GAAP)

Auditee Response:

The City will review its financial reporting process to ensure the financial statement presentation meets all GAAP requirements.

12-3 Schedule of Expenditures of Federal Awards (SEFA)

Condition:

Community Transportation Enhancement Program (CTEP) funds in the amount of \$22,735 were not properly reported on the SEFA as federal pass through money. A grant related to a donated asset in the amount of \$164,195 was not properly reported on the SEFA. JAG Grant revenues for the Drug task force in the amount of \$75,152 were not properly reported on the SEFA as federal pass through money.

Federal program names reported on the SEFA included informal grant names and acronyms.

Criteria:

CTEP funds and donated asset grant funds are U.S. Department of Transportation funds (CFDA #20.205) which are passed through the State of Montana Department of Transportation in the form of grants to local governments. JAG grant funds are from the U.S. Department of Justice (CFDA #16.738). These funds are therefore required to be reported on the SEFA as federal pass through funds.

Federal program names on the SEFA are required to be the specific federal government names associated with specific CFDA numbers.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

The SEFA is underreporting federal expenditures by \$262,082.

The federal census would be filled out using incorrect grant names which would not necessarily match the CFDA numbers. This has been corrected for reporting purposes.

Cause:

The City was not aware that CTEP funds were passed through from the U.S. Department of Transportation and that JAG grant funds were passed through the U.S. Department of Justice.

The City was not aware of the requirement to use official names for federal programs on the SEFA.

Recommendation:

We recommend that the City research and report all future pass through funds on the SEFA. We also recommend that the City research and report all grant funds using the official CFDA title provided by the federal government.

Auditee Response:

The City will use the official title provided by the federal government and review all intergovernmental revenue and donations to determine if federal dollars were involved.

Section III – Federal Award Findings and Questioned Costs

None

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

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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 five recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
11-1 Managerial Review of Adjustments	Implemented
11-2 City Court	Repeated
11-3 Exceeded Budget Authority	Implemented
11-4 Operating Transfer	Implemented
11-5 Controls Over Cash Management of the Federal TIGER Grant	Implemented

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

June 6, 2013