

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2016

**AUDIT REPORT**

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

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2016

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CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2016

John Muhlfeld

Mayor

**CITY COUNCIL**

Pam Barberis  
Katie Williams  
Andy Feury  
Jen Frandsen  
Richard Hildner  
Frank Sweeney

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

**CITY OFFICIALS**

Chuck Stearns  
Angela Jacobs  
Bradley Johnson  
Michelle Howke  
William Dial  
Dana Smith

City Manager  
Attorney  
City Judge  
Clerk / Treasurer  
Chief of Police  
Finance Director

**CITY OF WHITEFISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2016**

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, 2016. The City encourages readers to consider the information presented in conjunction with the City's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2016 by \$84,744,646 as reported in the statement of net position. This figure represents an increase of \$6,653,195 from the prior year.
- The total fiscal year end governmental fund balance was \$19,491,435 as reported in the balance sheet for governmental funds. This figure represents an increase of \$7,635,033 from the prior year.
- The unassigned general fund balance at fiscal year-end was \$842,575. This figure represents a decrease of \$198,427 from the prior year.

**EXPLANATION OF THE FINANCIAL STATEMENTS**

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

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

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

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

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

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

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

**CITY OF WHITEFISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2016**

**Fund Financial Statements**

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

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

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

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

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

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

**Notes to Financial Statements**

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

**Other Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, certain required supplementary information concerning the City's budgetary control, schedule of funding progress of other post-employment benefits, and schedule of net pension liability and contributions is provided.

**CITY OF WHITEFISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2016**

**FINANCIAL ANALYSIS OF THE CITY**

Net position may serve over time as a useful indicator of a government's financial position. The net position for both governmental and business-type activities for the fiscal year ending June 30, 2016 totaled \$84,744,646, which is an increase of \$6,653,195 from the prior year. In fiscal year 2015, the City implemented GASB Statement No. 68, which affected both governmental and business-type activities and continues to affect net position in FY16 as noted in the negative unrestricted net position for governmental activities. Although the pension retirement systems are administered by the State of Montana including determining the contributions for each plan, the City is required to report the related liability per GASB Statement No. 68. to the different plans.

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

The following table presents consolidated information on the City's net position as of June 30, 2016 and June 30, 2015.

*City of Whitefish - Net Position*

	<b>Governmental</b>			<b>Business-type</b>		
	<b>Activities</b>			<b>Activities</b>		
	<b><u>FY16</u></b>	<b><u>FY15</u></b>	<b><u>Change</u></b>	<b><u>FY16</u></b>	<b><u>FY15</u></b>	<b><u>Change</u></b>
			<b><u>Inc (Dec)</u></b>			<b><u>Inc (Dec)</u></b>
Current and other assets	\$ 23,206,561	\$ 15,055,973	\$ 8,150,588	\$ 8,358,672	\$ 6,891,536	\$ 1,467,136
Capital assets	63,261,065	57,134,206	6,126,859	33,481,492	23,906,755	9,574,737
Total assets	<u>\$ 86,467,626</u>	<u>\$ 72,190,179</u>	<u>\$ 14,277,447</u>	<u>\$ 41,840,164</u>	<u>\$ 30,789,291</u>	<u>\$ 11,041,873</u>
Long-term debt outstanding	\$ 21,795,090	\$ 11,789,690	\$ 10,005,399	\$ 14,713,368	\$ 6,371,294	\$ 8,342,074
Other liabilities	5,057,944	4,735,067	322,877	1,996,743	2,000,968	(4,225)
Total liabilities	<u>\$ 26,853,033</u>	<u>\$ 16,524,757</u>	<u>\$ 10,328,276</u>	<u>\$ 16,710,111</u>	<u>\$ 8,372,262</u>	<u>\$ 8,337,849</u>
Net Investment in capital assets	\$ 44,649,797	48,340,070	\$ (3,690,273)	\$ 19,706,929	18,454,537	\$ 1,252,392
Restricted	20,754,291	13,043,676	7,710,615	1,815,250	2,609,032	(793,782)
Unrestricted (deficit)	<u>(5,789,495)</u>	<u>(5,718,324)</u>	<u>(71,171)</u>	<u>3,607,874</u>	<u>1,362,460</u>	<u>2,245,414</u>
Total net position	<u>\$ 59,614,593</u>	<u>\$ 55,665,422</u>	<u>\$ 3,949,171</u>	<u>\$ 25,130,053</u>	<u>\$ 22,426,029</u>	<u>\$ 2,704,024</u>

The City's revenues totaled \$26,889,872 for the fiscal year ending June 30, 2016. The total cost of all programs and services for that same period was \$19,891,268, not including the \$339,985 loss on the sale of capital assets (City Hall Demolition). Therefore, the total net position was \$6,658,619 and increase of \$2,674,731 over fiscal year 2015. The table below presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2016 and June 30, 2015.

**CITY OF WHITEFISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2016**

*City of Whitefish – Changes in Net Position*

	Governmental Activities			Business-type Activities		
	FY16	FY15	Change Inc (Dec)	FY16	FY15	Change Inc (Dec)
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 5,252,101	\$ 4,898,826	\$ 353,275	\$ 6,936,399	\$ 6,678,146	\$ 258,253
Operating grants and contributions	352,178	371,332	(19,154)	-	-	-
Capital grants and contributions	629,211	419,025	210,186	362,188	99,418	262,770
<i>General revenues (by major source):</i>						
Property taxes for general purposes	7,913,952	7,183,250	730,702	-	-	-
Resort taxes	3,243,642	2,213,700	1,029,942	-	-	-
Franchise/Utility Fees	375,465	353,953	21,512	-	-	-
Miscellaneous	198,128	194,879	3,249	-	54	(54)
Interest/investment earnings	45,894	32,467	13,427	20,955	12,987	7,968
State entitlement	1,056,462	1,034,165	22,297	-	-	-
Grants and entitlements no restricted	5,350	12,020	(6,670)	-	-	-
On behalf payments	465,953	461,150	4,803	31,944	32,250	(256)
Total revenues	<u>\$ 19,538,336</u>	<u>\$ 17,174,767</u>	<u>\$ 2,363,569</u>	<u>\$ 7,351,536</u>	<u>\$ 6,822,855</u>	<u>\$ 528,681</u>
<b>Program expenses</b>						
General government	\$ 897,921	\$ 1,213,357	\$ (315,436)	\$ -	\$ -	\$ -
Public safety	6,605,799	6,156,063	499,736	-	-	-
Public works	3,406,526	2,737,408	669,118	-	-	-
Social and economic services	1,500	1,500	-	-	-	-
Culture and recreation	2,159,999	2,093,459	66,540	-	-	-
Housing and community development	1,106,136	2,011,345	(905,209)	-	-	-
Debt service - interest	157,817	672,354	(514,537)	-	-	-
Miscellaneous	105,992	30,392	75,600	-	-	-
Amortization of bond premium	-	110,369	(110,369)	-	-	-
Water	-	-	-	\$ 2,260,912	\$ 2,072,768	\$ 188,144
Sewer	-	-	-	2,513,946	2,150,110	363,836
Solid Waste	-	-	-	674,720	764,609	(89,889)
Total expenses	<u>\$ 14,441,690</u>	<u>\$ 15,026,247</u>	<u>\$ (584,557)</u>	<u>\$ 5,449,578</u>	<u>\$ 4,987,487</u>	<u>\$ 462,091</u>
<b>Increase (decrease) in net position</b>	<u>\$ 5,131,534</u>	<u>\$ 2,148,520</u>	<u>\$ 2,983,014</u>	<u>\$ 1,867,069</u>	<u>\$ 1,835,368</u>	<u>\$ 31,701</u>
<b>Gain (loss) on sale of capital assets</b>	<u>\$ (339,985)</u>	<u>\$ -</u>	<u>\$ (339,985)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Transfers - net	<u>\$ (745,840)</u>	<u>\$ 35,375</u>	<u>\$ (781,215)</u>	<u>\$ 745,840</u>	<u>\$ (35,375)</u>	<u>\$ 781,215</u>
<b>Total Increase (decrease in net position)</b>	<u><u>\$ 4,010,821</u></u>	<u><u>\$ 2,183,895</u></u>	<u><u>\$ 1,826,926</u></u>	<u><u>\$ 2,647,798</u></u>	<u><u>\$ 1,799,993</u></u>	<u><u>\$ 847,805</u></u>

**CITY OF WHITEFISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2016**

**Governmental activities**

Revenues for the fiscal year ending June 30, 2016 from governmental activities were \$19,538,336 while expenses were \$14,406,801. Thus, with the \$745,840 net transfers-out and a \$339,985 loss on capital assets, net position increased \$4,045,710. Total governmental revenues increased from the prior year by \$2,363,569. The increase in revenues was primarily due to increased property taxes as expected in the budget, increased charges for services due to the strong construction activity resulting in higher building permits and related charges, and increased capital grants which were used to fund the Skye Park Bridge project. The significant increase in transfers-out during the fiscal year was due to the required monthly transfers of Resort Tax collections for 70% of the additional 1% that went into effect on July 1, 2015 from the Resort Tax Fund to the Water Fund. The transfers are a requirement of the water revenue bond that financed the purchase of the Haskill Basin Conservation Easement. Overall expenditures decreased by \$619,446 which was mostly noted in the Tax Increment Fund since the last \$750,000 payment to Whitefish School District for the new high school was paid in FY15. Other decreases were offset by increase in the public safety and public works programs.

**Business-type activities**

Revenues for the fiscal year ending June 30, 2016 from business-type activities were \$7,351,536. Expenses were \$5,484,467 and transfers-in totaled \$745,840, which resulted in an increase in net position of \$2,612,909. Charges for services revenue increased by \$258,253 from the previous year due primarily to an increase in water consumption and a rate increase for all utilities. The increase in transfers-in is described above. Total expenses also experienced an increase during FY16, which is attributed primarily to increased wages and benefits.

**Fund Balance – Governmental Funds Balance Sheet**

The City's governmental funds reported a total fund balance of \$19,491,435 at June 30, 2016, which is a \$7,635,033 increase compared to the fund balance of governmental funds as of June 30, 2015. The significant increase is due to the issuance of the tax increment revenue bond that used to finance the City Hall and Parking Structure project. In the Governmental Funds Balance Sheet long-term debt is not shown, but it would offset this significant increase in fund balance. Of the fund balance at June 30, 2016, \$842,575 is unassigned in the General. The remaining fund balance is restricted or committed based on the source of revenue or unassigned due to a negative fund balance.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

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

During fiscal year 2016 there was a significant variance between the final budgeted proceeds from long-term debt, debt service payments, and expenditure compared to the actual amounts received and expended in the Resort Tax Fund. The variance was due only to the change of which funds were used to account for the Haskill Basin Conservation Easement financing and acquisition. Other variances were related to the timing of capital projects.

**CITY OF WHITEFISH  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2016**

**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, 2016 total \$64,356,726 (net of related debt). The City's capital assets include easements, land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The depreciation of capital assets is reflected in the various governmental and business-type expense activities. Total depreciation expense incurred for the governmental and business-type activities during fiscal year 2016 totaled \$2,812,582 and \$1,213,821, respectively.

Major capital assets events during fiscal year 2016:

- Completed the acquisition and financing of the Haskill Basin Conservation Easement to protect the City's water supply (\$7.7M)
- Continued construction on the new City Hall and Parking Structure (completion expected April 2017)
- Completed construction on the E. 2<sup>nd</sup> Street Reconstruction and Pedestrian Trail
- Financed the purchase of 32 self-contained breathing apparatuses and accessories for the Fire Department (~\$237K)
- Completed the Monegan Road project (~\$370K)
- Purchased Logic Control System for the Ice Den (~\$51K)
- Purchased vehicles for Building, Police, and Public Works
- Construction of Skye Park Bridge continued through the year with completion in early fiscal year 2017 (~\$1.17M)
- Continued working on the citywide wireless communications network
- Continued making improvements to the Whitefish Trail
- Continued design and construction for multiple water and sewer projects

**Long-term Debt**

The City's total long-term debt increased by \$18,895,785 compared to prior fiscal year. The increase is primarily due to the \$9,800,000 Tax Increment 2016 Series Bonds for the new City Hall and Parking Structure project and the \$8,219,500 Water Revenue Bond for the acquisition of the Haskill Basin Conservation Easement. Below is a summary of the outstanding long-term debt of the City as of June 30, 2016 compared to June 30, 2015.

	<b>Outstanding Long-term Debt</b>	
<b>Purpose/Type</b>	<b>June 30, 2016</b>	<b>June 30, 2015</b>
<b><u>Revenue Bonds:</u></b>		
TIF 2015 Refunding (ESC)	\$ 7,183,000	\$ 7,183,000
TIF 2016 (City Hall/Park Str.)	9,800,000	0
Water	10,286,000	2,793,000
Sewer	3,488,563	2,659,218
<b><u>Special Assessment Bonds:</u></b>		
SID 166	655,000	725,000
<b><u>Intercap Loans:</u></b>		
Ice Rink	47,805	79,364
Ambulance	93,069	123,519

Police Vehicle	5,489	10,935
Fire Engine	414,715	461,318
Fire Pumper	181,739	211,000
Fire SCBA Units	230,453	0
<u>OPEB:</u>		
Governmental	2,140,510	1,948,080
Business-type	689,293	631,814
<u>Compensated Absences:</u>		
Governmental	1,043,311	1,047,474
Business-type	249,512	287,262
<u>Net Pension Liability:</u>		
Governmental	4,013,106	3,585,111
Business-type	1,292,060	1,171,744
<b>TOTAL</b>	<b>\$41,813,624</b>	<b>\$22,917,839</b>

## **FISCAL YEAR 2017 BUDGET AND ECONOMIC FACTORS**

The FY17 Adopted Budget provides a decrease in the property tax mill levy of 15 mills because of the voter's approval of the Resort Tax increase to 3% with 25% of the additional one percent increase going to property tax relief. The reduction in property tax revenue of -8.5% is offset by the transfer of the additional property tax relief from the Resort Tax Fund to the General Fund. While property taxes decrease in FY17, the Budget provides increases to some maintenance assessments. Furthermore, the FY17 Budget continues to provide for cash reserve in the property tax supported funds at a current level of 11.57%.

With construction activity remaining strong in the City of Whitefish, the building license and permit revenue is expected to continue the trend from the prior year with higher revenues. The increase in construction also has a positive impact on the City's Impact Fee collections. The increased demand for building permits gave rise to an increase in staffing at the Building and Planning Department.

Like the strong construction environment, the spending activity by consumers in the City continues to improve as the Resort Tax collections are tracking higher than the previous year. At the end of the first quarter of FY17, Resort Tax collections by the businesses were up 13% compared to the prior year's first quarter.

Water and Wastewater charges for FY17 are anticipated to exceed the prior year due to a rate increase that was effective October 1, 2016. Future rate increases are also expected as the City is working on plans to replace the current wastewater treatment plant that cannot meet certain regulatory treatment standards.

## **REQUESTS FOR INFORMATION**

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

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

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

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding for other post-employment benefits other than pensions, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 8, 59 through 62, 64, 65 and 66, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2017, on our consideration of the City of Whitefish, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whitefish, Flathead County, Montana's internal control over financial reporting and compliance.

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

April 18, 2017

**City of Whitefish, Flathead County, Montana**  
**Statement of Net Position**  
**June 30, 2016**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 16,280,567	\$ 5,902,449	\$ 22,183,016
Taxes and assessments receivable, net	1,525,716	-	1,525,716
Special assessments receivable	908,021	-	908,021
Accounts receivable - net	244,263	466,475	710,738
Due from other governments	34,535	23,662	58,197
Total current assets	<u>\$ 18,993,102</u>	<u>\$ 6,392,586</u>	<u>\$ 25,385,688</u>
Noncurrent assets			
Restricted cash and investments	\$ 3,660,783	\$ 1,831,618	\$ 5,492,401
Capital assets - land	8,725,278	8,333,031	17,058,309
Capital assets - construction in progress	8,731,397	2,168,075	10,899,472
Capital assets - depreciable, net	45,804,390	22,980,386	68,784,776
Total noncurrent assets	<u>\$ 66,921,848</u>	<u>\$ 35,313,110</u>	<u>\$ 102,234,958</u>
Total assets	<u>\$ 85,914,950</u>	<u>\$ 41,705,696</u>	<u>\$ 127,620,646</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 552,676	\$ 134,468	\$ 687,144
Total deferred outflows of resources	<u>\$ 552,676</u>	<u>\$ 134,468</u>	<u>\$ 687,144</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 468,860	\$ 105,913	\$ 574,773
Accrued payroll	259,853	64,753	324,606
Current portion of long-term capital liabilities	3,065,716	1,347,000	4,412,716
Current portion of compensated absences payable	836,687	174,298	1,010,985
Total current liabilities	<u>\$ 4,631,116</u>	<u>\$ 1,691,964</u>	<u>\$ 6,323,080</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 246,897	\$ 246,897
Noncurrent portion of long-term liabilities	2,140,510	689,293	2,829,803
Noncurrent portion of long-term capital liabilities	15,545,552	12,427,563	27,973,115
Noncurrent portion of compensated absences	206,624	75,214	281,838
Net pension liability	4,013,106	1,292,060	5,305,166
Total noncurrent liabilities	<u>\$ 21,905,792</u>	<u>\$ 14,731,027</u>	<u>\$ 36,636,819</u>
Total liabilities	<u>\$ 26,536,908</u>	<u>\$ 16,422,991</u>	<u>\$ 42,959,899</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 316,125	\$ 117,202	\$ 433,327
Deferred inflows of resources - hydro project	-	169,918	169,918
Total Deferred Inflows of resources	<u>\$ 316,125</u>	<u>\$ 287,120</u>	<u>\$ 603,245</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 44,649,797	\$ 19,706,929	\$ 64,356,726
Restricted for capital projects	8,002,582	-	8,002,582
Restricted for debt service	5,721,456	1,608,845	7,330,301
Restricted for special projects	7,030,253	-	7,030,253
Restricted for other purposes	-	206,405	206,405
Unrestricted	(5,789,495)	3,607,874	(2,181,621)
Total net position	<u>\$ 59,614,593</u>	<u>\$ 25,130,053</u>	<u>\$ 84,744,646</u>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2016**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
						<u>Governmental Activities</u>	<u>Business- type Activities</u>	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 897,921	\$ (141,887)	\$ 465,469	\$ -	\$ -	\$ (290,565)	\$ -	\$ (290,565)
Public safety	6,605,799	70,875	2,701,559	168,822	62,778	(3,743,515)	-	(3,743,515)
Public works	3,406,526	13,871	1,553,395	149,242	-	(1,717,760)	-	(1,717,760)
Social and economic services	1,500	-	-	-	-	(1,500)	-	(1,500)
Culture and recreation	2,159,999	18,383	531,013	34,114	566,433	(1,046,822)	-	(1,046,822)
Housing and community development	1,106,136	3,869	665	-	-	(1,109,340)	-	(1,109,340)
Debt service - interest	157,817	-	-	-	-	(157,817)	-	(157,817)
Miscellaneous	105,992	-	-	-	-	(105,992)	-	(105,992)
Total governmental activities	\$ 14,441,690	\$ (34,889)	\$ 5,252,101	\$ 352,178	\$ 629,211	\$ (8,173,311)	\$ -	\$ (8,173,311)
Business-type activities:								
Water	\$ 2,260,912	\$ 17,135	\$ 3,546,890	\$ -	\$ -	\$ -	\$ 1,268,843	\$ 1,268,843
Sewer	2,513,946	16,335	2,771,297	-	362,188	-	603,204	603,204
Solid Waste	674,720	1,419	618,212	-	-	-	(57,927)	(57,927)
Total business-type activities	\$ 5,449,578	\$ 34,889	\$ 6,936,399	\$ -	\$ 362,188	\$ -	\$ 1,814,120	\$ 1,814,120
Total primary government	\$ 19,891,268	\$ -	\$ 12,188,500	\$ 352,178	\$ 991,399	\$ (8,173,311)	\$ 1,814,120	\$ (6,359,191)
General Revenues:								
Property taxes for general purposes						\$ 7,913,952	\$ -	\$ 7,913,952
Resort Taxes						3,243,642	-	3,243,642
Franchise/Utility fees						375,465	-	375,465
Miscellaneous						198,128	-	198,128
Interest/investment earnings						45,894	20,955	66,849
State entitlement						1,056,462	-	1,056,462
Grants and entitlements not restricted to specific programs						5,350	-	5,350
On-Behalf payments						465,953	31,994	497,947
Gain (loss) on sale of capital assets						(339,985)	-	(339,985)
Transfers - net						(745,840)	745,840	-
Total general revenues, special items and transfers						\$ 12,219,021	\$ 798,789	\$ 13,017,810
Change in net position						\$ 4,045,710	\$ 2,612,909	\$ 6,658,619
Net position - beginning						\$ 55,665,422	\$ 22,426,029	\$ 78,091,451
Restatements						(96,539)	91,115	(5,424)
Net position - beginning - restated						\$ 55,568,883	\$ 22,517,144	\$ 78,086,027
Net position - end						\$ 59,614,593	\$ 25,130,053	\$ 84,744,646

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana  
 Balance Sheet  
 Governmental Funds  
 June 30, 2016

	General	Resort Tax	Tax Increment	Fire and Ambulance	Tax Increment Revenue Bond Debt	City Hall Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>								
Current assets:								
Cash and investments	\$ 719,061	\$ -	\$ 1,412,926	\$ 201,376	\$ 2,978,025	\$ 8,002,582	\$ 2,966,597	\$ 16,280,567
Taxes and assessments receivable, net	330,800	-	908,454	80,974	-	-	205,488	1,525,716
Special assessments receivable	-	-	-	-	-	-	908,021	908,021
Accounts receivable - net	-	-	-	244,263	-	-	-	244,263
Due from other governments	34,535	-	-	-	-	-	-	34,535
Total current assets	<u>\$ 1,084,396</u>	<u>\$ -</u>	<u>\$ 2,321,380</u>	<u>\$ 526,613</u>	<u>\$ 2,978,025</u>	<u>\$ 8,002,582</u>	<u>\$ 4,080,106</u>	<u>\$ 18,993,102</u>
Noncurrent assets:								
Restricted cash and investments	\$ -	\$ 1,961,308	\$ -	\$ -	\$ 1,699,475	\$ -	\$ -	\$ 3,660,783
Advances to other funds	172,817	-	-	-	-	-	58,699	231,516
Total noncurrent assets	<u>\$ 172,817</u>	<u>\$ 1,961,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,699,475</u>	<u>\$ -</u>	<u>\$ 58,699</u>	<u>\$ 3,892,299</u>
Total assets	<u>\$ 1,257,213</u>	<u>\$ 1,961,308</u>	<u>\$ 2,321,380</u>	<u>\$ 526,613</u>	<u>\$ 4,677,500</u>	<u>\$ 8,002,582</u>	<u>\$ 4,138,805</u>	<u>\$ 22,885,401</u>
Current liabilities:								
Accounts payable	\$ 3,058	\$ 52,856	\$ 384,391	\$ 2,810	\$ -	\$ -	\$ 25,745	\$ 468,860
Accrued payroll	80,780	-	8,133	85,406	-	-	85,534	259,853
Total current liabilities	<u>\$ 83,838</u>	<u>\$ 52,856</u>	<u>\$ 392,524</u>	<u>\$ 88,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 111,279</u>	<u>\$ 728,713</u>
Noncurrent liabilities:								
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,516	\$ 231,516
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 231,516</u>	<u>\$ 231,516</u>
Total liabilities	<u>\$ 83,838</u>	<u>\$ 52,856</u>	<u>\$ 392,524</u>	<u>\$ 88,216</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 342,795</u>	<u>\$ 960,229</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflows of resources - taxes	\$ 330,800	\$ -	\$ 908,454	\$ 80,974	\$ -	\$ -	\$ 1,113,509	\$ 2,433,737
Total deferred inflows of resources	<u>\$ 330,800</u>	<u>\$ -</u>	<u>\$ 908,454</u>	<u>\$ 80,974</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,113,509</u>	<u>\$ 2,433,737</u>
<b>FUND BALANCES</b>								
Restricted	\$ -	\$ 1,908,452	\$ 1,020,402	\$ 357,423	\$ 4,677,500	\$ 8,002,582	\$ 2,908,859	\$ 18,875,218
Unassigned fund balance	842,575	-	-	-	-	-	(226,358)	616,217
Total fund balance	<u>\$ 842,575</u>	<u>\$ 1,908,452</u>	<u>\$ 1,020,402</u>	<u>\$ 357,423</u>	<u>\$ 4,677,500</u>	<u>\$ 8,002,582</u>	<u>\$ 2,682,501</u>	<u>\$ 19,491,435</u>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2016**

<b>Total fund balances - governmental funds</b>	\$ 19,491,435
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	63,261,065
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	2,433,737
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(21,795,089)
Proportionate share of ending collective net pension liability	(4,013,106)
Deferred outflows related to net pension liability	552,676
Deferred inflows related to net pension liability	(316,125)
<b>Total net position - governmental activities</b>	<b>\$ <u>59,614,593</u></b>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2016**

	General	Resort Tax	Tax Increment	Fire and Ambulance	Tax Increment Revenue Bond Debt	City Hall Project	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes and assessments	\$ 2,141,339	\$ 3,243,642	\$ 5,067,353	\$ 512,646	\$ -	\$ -	\$ 1,490,283	\$ 12,455,263
Licenses and permits	67,701	-	-	119,417	-	-	943,516	1,130,634
Intergovernmental	1,011,457	-	248,865	92,010	-	-	614,728	1,967,060
Charges for services	281,397	-	-	1,329,243	-	-	1,188,021	2,798,661
Fines and forfeitures	198,486	-	-	-	-	-	5,666	204,152
Miscellaneous	48,167	-	23,828	26,785	-	6,060	257,477	362,317
Investment earnings	16,311	7,753	-	-	3,869	15,432	3,194	46,559
Total revenues	<u>\$ 3,764,858</u>	<u>\$ 3,251,395</u>	<u>\$ 5,340,046</u>	<u>\$ 2,080,101</u>	<u>\$ 3,869</u>	<u>\$ 21,492</u>	<u>\$ 4,502,885</u>	<u>\$ 18,964,646</u>
<b>EXPENDITURES</b>								
General government	\$ 452,158	\$ -	\$ -	\$ -	\$ -	\$ 102,000	\$ 5,462	\$ 559,620
Public safety	2,570,803	-	-	2,804,945	-	-	399,398	5,775,146
Public works	26,056	21	-	-	-	-	1,823,909	1,849,986
Social and economic services	1,500	-	-	-	-	-	-	1,500
Culture and recreation	9,598	-	-	-	-	-	1,541,839	1,551,437
Housing and community development	12,661	-	1,097,344	-	-	-	-	1,110,005
Debt service - principal	5,446	-	-	106,314	-	-	101,560	213,320
Debt service - interest	119	-	-	10,184	112,694	-	34,820	157,817
Miscellaneous	-	-	300	-	72,591	-	33,101	105,992
Capital outlay	43,358	1,577,308	474,987	311,831	-	5,301,229	1,556,713	9,265,426
Total expenditures	<u>\$ 3,121,699</u>	<u>\$ 1,577,329</u>	<u>\$ 1,572,631</u>	<u>\$ 3,233,274</u>	<u>\$ 185,285</u>	<u>\$ 5,403,229</u>	<u>\$ 5,496,802</u>	<u>\$ 20,590,249</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 643,159</u>	<u>\$ 1,674,066</u>	<u>\$ 3,767,415</u>	<u>\$ (1,153,173)</u>	<u>\$ (181,416)</u>	<u>\$ (5,381,737)</u>	<u>\$ (993,917)</u>	<u>\$ (1,625,603)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ 230,453	\$ 1,053,200	\$ 8,746,800	\$ -	\$ 10,030,453
Proceeds from the sale of general capital asset disposition	-	-	-	21,267	-	-	-	21,267
Transfers in	679,023	-	213,084	835,000	3,085,121	2,340,135	912,209	8,064,572
Transfers out	(1,520,609)	(1,424,863)	(5,396,801)	-	-	-	(468,139)	(8,810,412)
Total other financing sources (uses)	<u>\$ (841,586)</u>	<u>\$ (1,424,863)</u>	<u>\$ (5,183,717)</u>	<u>\$ 1,086,720</u>	<u>\$ 4,138,321</u>	<u>\$ 11,086,935</u>	<u>\$ 444,070</u>	<u>\$ 9,305,880</u>
Net Change in Fund Balance	<u>\$ (198,427)</u>	<u>\$ 249,203</u>	<u>\$ (1,416,302)</u>	<u>\$ (66,453)</u>	<u>\$ 3,956,905</u>	<u>\$ 5,705,198</u>	<u>\$ (549,847)</u>	<u>\$ 7,680,277</u>
Fund balances - beginning	\$ 1,041,002	\$ 1,659,249	\$ 2,480,465	\$ 423,876	\$ 720,595	\$ 2,297,384	\$ 3,233,831	\$ 11,856,402
Restatements	-	-	(43,761)	-	-	-	(1,483)	(45,244)
Fund balances - beginning, restated	<u>\$ 1,041,002</u>	<u>\$ 1,659,249</u>	<u>\$ 2,436,704</u>	<u>\$ 423,876</u>	<u>\$ 720,595</u>	<u>\$ 2,297,384</u>	<u>\$ 3,232,348</u>	<u>\$ 11,811,158</u>
Fund balance - ending	<u>\$ 842,575</u>	<u>\$ 1,908,452</u>	<u>\$ 1,020,402</u>	<u>\$ 357,423</u>	<u>\$ 4,677,500</u>	<u>\$ 8,002,582</u>	<u>\$ 2,682,501</u>	<u>\$ 19,491,435</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, 2016**

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

**Net change in fund balances - total governmental funds** \$ 7,680,277

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 9,265,426  
- Depreciation expense (2,812,582)

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

- Proceeds from the sale of capital assets 14,000  
- Deletion of capital assets (339,984)

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

- Long-term receivables (deferred revenue) 72,470

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

4,163

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

- Long-term debt principal payments 213,320

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

- Proceeds from the sale of long-term debt (10,030,453)

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

- Post-employment benefits other than retirement liability (192,430)

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

(772,038)

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

465,953

Current year contributions to retirement reclassified to deferred inflows

477,588

**Change in net position - Statement of Activities** \$ 4,045,710

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>			<b>Totals</b>
	<b>Water</b>	<b>Sewer</b>	<b>Non-major Enterprise</b>	
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 3,875,272	\$ 1,871,522	\$ 155,655	\$ 5,902,449
Accounts receivable - net	265,273	200,554	648	466,475
Due from other governments	-	23,662	-	23,662
Total current assets	<u>\$ 4,140,545</u>	<u>\$ 2,095,738</u>	<u>\$ 156,303</u>	<u>\$ 6,392,586</u>
Noncurrent assets:				
Restricted cash and investments	\$ 1,559,932	\$ 271,686	\$ -	\$ 1,831,618
Capital assets - land	8,065,531	267,500	-	8,333,031
Capital assets - construction in progress	430,730	1,737,345	-	2,168,075
Capital assets - depreciable, net	10,227,900	12,752,486	-	22,980,386
Total noncurrent assets	<u>\$ 20,284,093</u>	<u>\$ 15,029,017</u>	<u>\$ -</u>	<u>\$ 35,313,110</u>
Total assets	<u>\$ 24,424,638</u>	<u>\$ 17,124,755</u>	<u>\$ 156,303</u>	<u>\$ 41,705,696</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources-pensions	\$ 64,801	\$ 62,953	\$ 6,714	\$ 134,468
Total deferred outflows of resources	<u>\$ 64,801</u>	<u>\$ 62,953</u>	<u>\$ 6,714</u>	<u>\$ 134,468</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 14,829	\$ 91,084	\$ -	\$ 105,913
Accrued payroll	30,586	31,616	2,551	64,753
Current portion of long-term capital liabilities	1,141,000	206,000	-	1,347,000
Current portion of compensated absences payable	92,605	76,921	4,772	174,298
Total current liabilities	<u>\$ 1,279,020</u>	<u>\$ 405,621</u>	<u>\$ 7,323</u>	<u>\$ 1,691,964</u>
Noncurrent liabilities:				
Deposits payable	\$ 245,779	\$ 960	\$ 158	\$ 246,897
Noncurrent portion of long-term liabilities	326,227	349,916	13,150	689,293
Noncurrent portion of long-term capital liabilities	9,145,000	3,282,563	-	12,427,563
Noncurrent portion of compensated absences	38,424	34,522	2,268	75,214
Net pension liability	622,651	604,894	64,515	1,292,060
Total noncurrent liabilities	<u>\$ 10,378,081</u>	<u>\$ 4,272,855</u>	<u>\$ 80,091</u>	<u>\$ 14,731,027</u>
Total liabilities	<u>\$ 11,657,101</u>	<u>\$ 4,678,476</u>	<u>\$ 87,414</u>	<u>\$ 16,422,991</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pensions	\$ 56,480	\$ 54,870	\$ 5,852	\$ 117,202
Deferred inflows of resources - hydro project	169,918	-	-	169,918
Total deferred inflows of resources	<u>\$ 226,398</u>	<u>\$ 54,870</u>	<u>\$ 5,852</u>	<u>\$ 287,120</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 8,438,161	\$ 11,268,768	\$ -	\$ 19,706,929
Restricted for debt service	1,455,554	153,291	-	1,608,845
Restricted for other purposes	104,378	102,027	-	206,405
Unrestricted	2,607,847	930,276	69,751	3,607,874
Total net position	<u>\$ 12,605,940</u>	<u>\$ 12,454,362</u>	<u>\$ 69,751</u>	<u>\$ 25,130,053</u>
Total liabilities and net position	<u>\$ 24,263,041</u>	<u>\$ 17,132,838</u>	<u>\$ 163,017</u>	<u>\$ 41,840,164</u>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<b>Business-Type Activities - Enterprise Funds</b>			
	<b>Water</b>	<b>Sewer</b>	<b>Non-major Enterprise</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 3,545,040	\$ 2,771,298	\$ 618,213	\$ 6,934,551
Miscellaneous revenues	1,850	-	-	1,850
Total operating revenues	<u>\$ 3,546,890</u>	<u>\$ 2,771,298</u>	<u>\$ 618,213</u>	<u>\$ 6,936,401</u>
<b>OPERATING EXPENSES</b>				
Personal services	\$ 932,174	\$ 929,051	\$ 83,969	\$ 1,945,194
Supplies	172,597	256,212	3,127	431,936
Purchased services	377,935	316,609	586,493	1,281,037
Fixed charges	198,503	151,141	1,131	350,775
Depreciation	439,288	774,533	-	1,213,821
Total operating expenses	<u>\$ 2,120,497</u>	<u>\$ 2,427,546</u>	<u>\$ 674,720</u>	<u>\$ 5,222,763</u>
Operating income (loss)	<u>\$ 1,426,393</u>	<u>\$ 343,752</u>	<u>\$ (56,507)</u>	<u>\$ 1,713,638</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	\$ 15,418	\$ 377,166	\$ 1,598	\$ 394,182
Interest revenue	14,211	6,213	529	20,953
Debt service interest expense	(133,748)	(79,733)	-	(213,481)
Miscellaneous expense	(23,802)	(23,002)	(1,419)	(48,223)
Total non-operating revenues (expenses)	<u>\$ (127,921)</u>	<u>\$ 280,644</u>	<u>\$ 708</u>	<u>\$ 153,431</u>
Income (loss) before contributions and transfers	<u>\$ 1,298,472</u>	<u>\$ 624,396</u>	<u>\$ (55,799)</u>	<u>\$ 1,867,069</u>
Transfers in	745,840	-	-	745,840
Change in net position	<u>\$ 2,044,312</u>	<u>\$ 624,396</u>	<u>\$ (55,799)</u>	<u>\$ 2,612,909</u>
Net Position - Beginning of the year	\$ 10,500,319	\$ 11,788,218	\$ 137,492	\$ 22,426,029
Restatements	61,309	41,748	(11,942)	91,115
Net Position - Beginning of the year - Restated	<u>\$ 10,561,628</u>	<u>\$ 11,829,966</u>	<u>\$ 125,550</u>	<u>\$ 22,517,144</u>
Net Position - End of the year	<u>\$ 12,605,940</u>	<u>\$ 12,454,362</u>	<u>\$ 69,751</u>	<u>\$ 25,130,053</u>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2016**

**Business - Type Activities - Enterprise Funds**

	<u>Water</u>	<u>Sewer</u>	<u>Non-major enterprise</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>				
Cash received from providing services	\$ 3,602,428	\$ 2,783,215	\$ 687,797	\$ 7,073,440
Cash received from miscellaneous sources	1,850	-	-	1,850
Cash payments to suppliers	(167,594)	(194,179)	(3,127)	(364,900)
Cash payments for professional services	(576,438)	(467,750)	(587,624)	(1,631,812)
Cash payments to employees	(934,802)	(921,996)	(92,203)	(1,949,001)
Net cash provided (used) by operating activities	<u>\$ 1,925,444</u>	<u>\$ 1,199,290</u>	<u>\$ 4,843</u>	<u>\$ 3,129,577</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	\$ (8,484,833)	\$ (2,268,908)	\$ -	\$ (10,753,741)
Principal paid on debt	(846,500)	(195,000)	-	(1,041,500)
Interest paid on debt	(133,748)	(79,733)	-	(213,481)
Proceeds from bonds, loans and advances	8,339,500	1,024,345	-	9,363,845
Net cash provided (used) by capital and related financing activities	<u>\$ (1,125,581)</u>	<u>\$ (1,519,296)</u>	<u>\$ -</u>	<u>\$ (2,644,877)</u>
<b>Cash flows from non-capital financing activities:</b>				
Cash received from/paid to other sources	\$ 682,745	\$ 354,164	\$ 179	\$ 1,037,088
Net cash provided (used) from non-capital financing activities	<u>\$ 682,745</u>	<u>\$ 354,164</u>	<u>\$ 179</u>	<u>\$ 1,037,088</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	\$ 14,211	\$ 6,213	\$ 529	\$ 20,953
Net cash provided (used) by investing activities	<u>\$ 14,211</u>	<u>\$ 6,213</u>	<u>\$ 529</u>	<u>\$ 20,953</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>\$ 1,496,819</u>	<u>\$ 40,371</u>	<u>\$ 5,551</u>	<u>\$ 1,542,741</u>
<b>Cash and cash equivalents at beginning</b>	<u>3,938,385</u>	<u>2,102,837</u>	<u>150,104</u>	<u>6,191,326</u>
<b>Cash and cash equivalents at end</b>	<u>\$ 5,435,204</u>	<u>\$ 2,143,208</u>	<u>\$ 155,655</u>	<u>\$ 7,734,067</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,426,393	\$ 343,752	\$ (56,507)	\$ 1,713,638
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	439,288	774,533	-	1,213,821
Net pension liability	14,202	(20,026)	(2,136)	(7,960)
Other post-employment benefits	29,989	27,490	-	57,479
Changes in assets and liabilities:				
Decrease in accounts receivable	42,525	11,640	69,480	123,645
Increase in deposits payable	14,863	277	104	15,244
Increase in due from other governments	-	(14,206)	-	(14,206)
Increase in accounts payable	5,003	76,239	-	81,242
Increase in accrued wages payable	7,413	9,277	2,551	19,241
Decrease in compensated absences	(54,232)	(9,686)	(8,649)	(72,567)
Net cash provided (used) by operating activities	<u>\$ 1,925,444</u>	<u>\$ 1,199,290</u>	<u>\$ 4,843</u>	<u>\$ 3,129,577</u>

See accompanying notes to the financial statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	<u>Pension Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 58,952	\$ 1,931,928
Taxes receivable	8,154	-
Total assets	<u>\$ 67,106</u>	<u>\$ 1,931,928</u>
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 1,930,528
Due to others	34,227	1,400
Total liabilities	<u>\$ 34,227</u>	<u>\$ 1,931,928</u>
<b>NET POSITION</b>		
Assets held in trust	<u>\$ 32,879</u>	

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2016**

	<u><b>Pension Trust Funds</b></u>
<b>ADDITIONS</b>	
Contributions:	
Tax	\$ 48,911
Intergovernmental	<u>44,812</u>
Total contributions	<u>93,723</u>
Investment earnings:	
Interest and change in fair value of investments	\$ <u>102</u>
Total additions	<u>\$ 93,825</u>
 <b>DEDUCTIONS</b>	
Distributions from investment trust fund	\$ <u>64,829</u>
Change in net position	<u>\$ 28,996</u>
 Net Position - Beginning of the year	 \$ <u>3,883</u>
 Net Position - End of the year	 \$ <u><u>32,879</u></u>

See accompanying Notes to the Financial Statements

City of Whitefish  
Flathead County, Montana  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

**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.

**Financial Reporting Entity**

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

*Primary Government*

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

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Government-wide Financial Statements:***

*Basis of Presentation*

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function. The City charges indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions.

City of Whitefish  
Flathead County, Montana  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

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

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

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

**Fund Financial Statements:**

*Basis of Presentation*

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

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

City of Whitefish  
Flathead County, Montana  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

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

*Measurement Focus and Basis of Accounting*

***Governmental Funds***

Modified Accrual

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

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

City of Whitefish  
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**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

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

*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 with 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, 2020.

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

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

*City Hall Project Fund* – A capital project fund established in fiscal year 2005 to account for revenues and expenses associated with the construction of the new City hall and parking structure.

***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.

City of Whitefish  
Flathead County, Montana  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

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

***Major Funds:***

The City reports the following major proprietary funds:

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

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

***Fiduciary Funds***

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

*Pension (and other employee benefit) Trust Funds* – To report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

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

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

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2016, are as follows:

City of Whitefish  
Flathead County, Montana  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
<u>Cash on hand:</u>	
Petty Cash	\$ 1,425
<u>Cash in banks:</u>	
Demand deposits	10,048,000
Savings deposits	386,864
Time deposits	2,174,903
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	17,055,105
Total	<u>\$ 29,666,297</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 placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

City of Whitefish  
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**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

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 S&P's rating services as of June 30, 2016 (in thousands):

<u>Security Investment Type</u>	Fair Value*	Credit Quality Rating**	Weighted Average Maturity in Days
Treasuries	\$ 75,122	A-1+	133
Asset Backed Commercial Paper	786,486	A-1	22
Corporate Commercial Paper	262,021	A-1	82
Corporate Variable-Rate	467,046	A-1	45
Certificates of Deposit Fixed Rate	25,004	A-1	15
Certificates of Deposit Variable-Rate	500,023	A-1	47
U.S. Government Agency Fixed	241,350	A-1+	75
U.S. Government Agency Variable -Rate	263,901	A-1+	16
Money Market Funds (Unrated)	13,143	NR	1
Money Market Funds (Rated)	<u>189,003</u>	A-1+	1
Total Investments	<u>\$ 2,823,099</u>	A-1	41
Securities Lending Collateral Investment Pool	<u>\$ 11,844</u>	NR	32

\*Beginning with the period of June 30, 2016, the STIP portfolio is shown at fair value. For the period prior to June 30, 2016, the STIP portfolio was shown at amortized cost.

\*\*Credit Quality Rating is weighted.

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

City of Whitefish  
Flathead County, Montana  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

**Custodial Credit**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2016, the government's bank balance of \$12,575,732 was exposed to custodial credit risk as follows:

	June 30, 2016 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 1,000,000
- Collateral held by the pledging bank's trust department but not in the City's name.	11,575,732
Total deposits and investments	<u>\$ 12,575,732</u>

Deposit Security

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

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

The amount of collateral held for the City's deposits at June 30, 2016, equaled or exceeded the amount required by State statutes.

**Cash equivalents**

For purposes of the statement of cash flows, the enterprise funds consider all funds (including restricted assets) held in the City's cash management pool to be cash equivalents.

**NOTE 3. RESTRICTED CASH/INVESTMENTS**

The following restricted cash/investments were held by the City as of June 30, 2016. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Description</u>	<u>Amount</u>
Debt Service	\$3,324,689
Replacement and depreciation	\$206,404
Park Improvements	\$345,442
Street Improvements	\$752,997
Tax Relief	<u>\$862,869</u>
Total	<u>\$5,492,401</u>

City of Whitefish  
Flathead County, Montana  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

**NOTE 4. RECEIVABLES**

An allowance for uncollectible accounts was not maintained for real and personal property taxes 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 Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

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

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

**NOTE 5. INVENTORIES**

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

**NOTE 6. CAPITAL ASSETS**

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold as noted below. 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	\$	25,000
Improvements	5 - 20 years	\$	25,000
Equipment	3 - 40 years	\$	5,000
Infrastructure	10 - 40 years	\$	75,000

City of Whitefish  
Flathead County, Montana  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2016

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 2016 Basic Financial Statements.

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

	Balance July 1, 2015	Additions	Donated Assets	Retirements	Transfers	Balance June 30, 2016
Capital assets not being depreciated:						
Land	\$ 8,426,718	\$ 284,560	\$ 14,000	\$ -	\$ -	\$ 8,725,278
Construction in progress	4,331,464	8,305,599	-	-	(3,905,666)	8,731,397
Total capital assets not being depreciated	<u>\$ 12,758,182</u>	<u>\$ 8,590,159</u>	<u>\$ 14,000</u>	<u>\$ -</u>	<u>\$ (3,905,666)</u>	<u>\$ 17,456,675</u>
Other capital assets:						
Buildings	\$ 21,956,963	\$ -	\$ -	\$ (1,527,714)	\$ 103,967	\$ 20,533,216
Improvements other than buildings	2,152,872	197,765	-	-	-	2,350,637
Machinery and equipment	7,413,180	477,502	-	(202,210)	-	7,688,472
Infrastructure	34,052,907	-	-	-	3,801,699	37,854,606
Total other capital assets at historical cost	<u>\$ 65,575,922</u>	<u>\$ 675,267</u>	<u>\$ -</u>	<u>\$ (1,729,924)</u>	<u>\$ 3,905,666</u>	<u>\$ 68,426,931</u>
Less: accumulated depreciation	<u>\$ (21,199,898)</u>	<u>\$ (2,812,582)</u>	<u>\$ -</u>	<u>\$ 1,389,939</u>	<u>\$ -</u>	<u>\$ (22,622,541)</u>
Total	<u>\$ 57,134,206</u>	<u>\$ 6,452,844</u>	<u>\$ 14,000</u>	<u>\$ (339,985)</u>	<u>\$ -</u>	<u>\$ 63,261,065</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 26,107
Public safety	589,119
Public works	1,570,411
Culture and recreation	626,945
Total governmental activities depreciation expense	<u>\$ 2,812,582</u>

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

	Balance July 1, 2015	Additions	Retirements	Transfers	Adjustments	Balance June 30, 2016
Business-type activities:						
Capital assets not being depreciated:						
Land	\$ 602,783	\$ -	\$ -	\$ -	\$ -	\$ 602,783
Haskill Basin Conservation Easement	-	7,700,248	-	-	30,000	7,730,248
Construction in progress	3,152,048	2,906,125	-	(3,890,098)	-	2,168,075
Total capital assets not being depreciated	<u>\$ 3,754,831</u>	<u>\$ 10,606,373</u>	<u>\$ -</u>	<u>\$ (3,890,098)</u>	<u>\$ 30,000</u>	<u>\$ 10,501,106</u>
Other capital assets:						
Buildings	\$ 792,287	\$ -	\$ -	\$ -	\$ -	\$ 792,287
Pumping Plant	3,151,859	19,046	-	-	-	3,170,905
Treatment Plant	16,481,858	33,300	-	-	-	16,515,158
General Plant	1,643,980	95,022	(43,140)	-	4,817	1,700,679
Machinery and equipment	134	-	-	-	-	134
Transmission and distribution	15,039,665	-	-	3,890,098	-	18,929,763
Total other capital assets at historical cost	<u>\$ 37,109,783</u>	<u>\$ 147,368</u>	<u>\$ (43,140)</u>	<u>\$ 3,890,098</u>	<u>\$ 4,817</u>	<u>\$ 41,108,926</u>
Less: accumulated depreciation	<u>\$ (16,957,859)</u>	<u>\$ (1,213,821)</u>	<u>\$ 43,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,128,540)</u>
Total	<u>\$ 23,906,755</u>	<u>\$ 9,539,920</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,817</u>	<u>\$ 33,481,492</u>

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**NOTE 7. LONG TERM DEBT OBLIGATIONS**

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2016, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatement</u>	Balance <u>June 30, 2016</u>	Due Within <u>One Year</u>
Special assessment bond	\$ 725,000	\$ -	\$ (70,000)	\$ -	\$ 655,000	\$ 70,000
Revenue bonds	7,183,000	9,800,000	-	-	16,983,000	2,806,000
Compensated absences	1,047,474	-	(4,163)	-	1,043,311	836,687
Intercap loans	886,136	230,453	(143,320)	-	973,269	189,716
Net pension liability*	3,585,111	479,590	-	(51,595)	4,013,106	-
Other post-employment benefits**	1,948,080	192,430	-	-	2,140,510	-
Total	<u>\$ 15,374,801</u>	<u>\$ 10,702,473</u>	<u>\$ (217,483)</u>	<u>\$ (51,595)</u>	<u>\$ 25,808,196</u>	<u>\$ 3,902,403</u>

\*See Note 10

\*\*See Note 8

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

Business-type Activities:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	Balance <u>June 30, 2016</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 5,452,218	\$ 9,363,845	\$ (1,041,500)	\$ -	\$ 13,774,563	\$ 1,347,000
Compensated absences	287,262	-	(37,750)	-	249,512	174,298
Net pension liability*	1,171,744	64,287	-	56,029	1,292,060	-
Other post-employment benefits**	631,814	57,479	-	-	689,293	-
Total	<u>\$ 7,543,038</u>	<u>\$ 9,485,611</u>	<u>\$ (1,079,250)</u>	<u>\$ 56,029</u>	<u>\$ 16,005,428</u>	<u>\$ 1,521,298</u>

\*See Note 10

\*\*See Note 8

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*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, 2016 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2016</u>
SID #166 – JP Road Project	7/6/06	3.65- 4.80%	20yrs	7/1/2026	<u>\$1,360,000</u>	Varies	<u>\$655,000</u>

*Reported in Governmental-Type Activities*

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 70,000	\$ 30,497
2018	70,000	27,382
2019	65,000	24,232
2020	65,000	21,275
2021	65,000	18,285
2022	65,000	15,262
2023	65,000	12,207
2024	65,000	9,120
2025	65,000	6,000
2026	60,000	2,880
<b>Total</b>	<b>\$ <u>655,000</u></b>	<b>\$ <u>167,140</u></b>

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

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2016</u>
2016 A Tax Increment Urban Renewal Bond (Glacier Bank) (1)	3/1/16	2.21%	4yrs	7/15/20	\$ 4,900,000	Varies	\$ 4,900,000
2016 B Tax Increment Urban Renewal Bond (First Interstate Bank) (1)	3/1/16	2.21%	4yrs	7/15/20	4,900,000	Varies	4,900,000
2015 A Tax Increment Urban Renewal Refunding Bonds (Glacier Bank) (1)	6/10/15	2.62%	5yrs	7/15/20	3,591,500	Varies	3,591,500
2015 B Tax Increment Urban Renewal Bonds (First Interstate Bank) (1)	6/10/15	2.62%	5yrs	7/15/20	3,591,500	Varies	3,591,500
DNRC – Water 1998 (2)	7/6/98	2.00%	20yrs	7/1/18	400,000	Varies	54,000
DNRC – Water 1999 (2)	6/21/99	2.00%	20yrs	7/1/19	5,839,000	Varies	1,151,000
Water DWSRF #06098-2007 (2)	6/15/06	2.25%	20yrs	7/1/26	248,699	Varies	504,000
Water WRF# #8110-2006(2)	9/6/07	2.25%	20yrs	7/1/27	900,000	Varies	518,000
Water SRF (2009B) (2)	10/21/09	0.75%	20yrs	7/1/29	120,100	Varies	78,000
Water System Revenue Bond, Taxable Series	1/1/16	2.50%	20yrs	1/1/25	8,219,500	Varies	7,863,000
2016 (Haskill Basin) (2)							
Water DNRC Series 2015 (2)	12/7/15	2.50%	30yrs	1/1/36	120,000	Varies	118,000
Sewer SRF 2002 series (2)	7/1/02	2.00%	20yrs	7/1/22	200,000	Varies	67,000
Sewer DNRC (2008A) (2)	12/11/08	2.25%	20yrs	7/1/28	500,000	Varies	281,000
Sewer DNRC (2008B) (2)	1/16/09	2.25%	20yrs	1/1/29	1,711,000	Varies	954,000
Sewer DNRC (2010B) (2)	2/4/10	0.75%	20yrs	1/1/30	48,211	Varies	36,000
Sewer 2011B (2)	8/1/11	3.00%	20yrs	7/1/31	340,000	Varies	273,000
Sewer 2011C (2)	8/1/11	3.00%	20yrs	7/1/31	350,000	Varies	296,764
Sewer – River Lakes (2)	11/20/14	2.50%	20yrs	1/1/35	300,000	Varies	231,799
Sewer 2014 (2)	3/6/14	3.00%	20yrs	1/1/34	452,300	Varies	408,000
Sewer DNCR Series 2015 (2)	12/17/15	2.50%	20yrs	7/1/36	960,000	Varies	941,000
					<u>\$ 37,691,810</u>		<u>\$ 30,757,563</u>

(1) Reported in Government Activities

(2) Reported in Business-Type Activities

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The City was in compliance with applicable covenants as of June 30, 2016.

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Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 4,153,000	\$ 650,073
2018	4,569,000	578,548
2019	4,967,000	471,532
2020	5,052,000	355,323
2021	5,006,000	216,110
2022	1,344,000	147,497
2023	1,435,000	118,124
2024	1,556,000	87,826
2025	1,035,000	54,834
2026	378,000	40,011
2027	266,000	31,023
2028	149,000	24,145
2029	147,000	20,662
2030	142,000	17,229
2031	138,764	13,560
2032	114,000	9,630
2033	104,000	6,830
2034	99,799	4,340
2035	68,000	1,700
2036	\$ 34,000	340
<b>Total</b>	<b>\$ 30,757,563</b>	<b>\$ 2,849,337</b>

**Intercap Loans**

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

Intercap loans outstanding as of June 30, 2016 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2016</u>
Ice Rink	10/1/12	1.25%	5yrs	8/15/17	140,000	47,804
Police Dept. Admin Vehicle	3/14/14	1.00%	3yrs	2/15/17	16,399	5,489
Emergency Vehicle	3/14/14	1.00%	5yrs	2/15/19	155,597	93,069
Fire Pumper Type 1	6/20/14	1.00%	10yrs	8/15/24	485,112	173,052
Fire Pumper	10/3/14	1.25%	10yrs	8/15/24	282,659	241,663
Water Tender Fire Apparatus	2/13/15	1.25%	7yrs	2/15/22	211,000	181,739
Fire SCBAs	12/4/15	1.25-1.55%	5yrs	2/15/21	<u>230,453</u>	<u>230,453</u>
<b>Total</b>					<b>\$1,521,220</b>	<b>\$ 973,269</b>

*Reported in the governmental activities.*

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Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 189,716	\$ 13,655
2018	169,849	11,292
2019	155,494	8,940
2020	125,601	6,688
2021	126,971	4,830
2022	80,514	2,941
2023	49,973	1,779
2024	50,473	1,091
2025	24,678	324
Total	\$ 973,269	\$ 51,540

**Compensated Absences**

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

**NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN**

*Plan Description.* The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB), since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. Retirees enrolling in the plan may choose medical, dental, vision, and life insurance benefits. All benefits are provided through the Montana Municipal Interlocal Authority (MMIA). The medical plan is a self-funded MMIA PPO plan with a \$500 deductive, 80% coinsurance (in-network) and maximum out-of-pocket limits of \$1,500 for medical and \$5,100 for prescription drugs. The life insurance benefit is provided by UNUM Life Insurance Company. Medical, dental, vision, and insurance benefits are offered to eligible retirees and their spouses. The OPEB plan is a single-employer defined benefit plan administered by the City of Whitefish.

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The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The above described OPEB plan does not provide a stand-alone financial report.

*Benefits Provided.* The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in MCA 2-18-704. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

*Employees covered by benefit terms.* At June 30, 2016, the following employees were covered by the benefit terms:

Actuarial Accrued Liability (AAL)	\$	2,121,532
Actuarial Value of Assets		-
Unfunded Actuarial Accrued Liability (UAAL)	\$	2,121,532
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	4,790,758
UAAL as a percentage of covered payroll		44.30%

*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.

Annual Required Contribution (ARC)	\$	249,909
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	249,909
Contributions made		-
Increase in net OPEB obligation	\$	249,909
Net OPEB obligation - beginning of year		2,579,894
Net OPEB obligation - end of year	\$	2,829,803

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*Actuarial Methods and Assumptions.* The following actuarial methods and assumptions were used:

Actuarial cost method	Entry Age Normal
Average age of retirement	65
Discount rate	3.82%
Average salary increase	3.80%

Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2017	6.75%
2018	6.50%
2019	6.25%
2020	6.00%
2021	5.75%
2022	5.50%
2023	5.25%
2024 and after	5.00%

**NOTE 9. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2016, was as follows:

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2016:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Property Tax relief	General Fund – Major Governmental	Resort Tax – Major Governmental	\$ 679,023
Purchase of the Haskill Basin Conservation Easement	Water Fund – Major Business-Type	Resort Tax – Major Governmental	745,840
Operating	Parks Fund – Nonmajor Governmental	General Fund – Major Governmental	651,238
Operating	Fire and Ambulance – Major Governmental	General Fund – Major Governmental	835,000
Operating	Library Fund – Nonmajor Governmental	General Fund – Major Governmental	34,371
Construction	City Hall Project – Major Governmental	Tax Increment – Major Governmental	2,250,080

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Parkland Improvements	Parkland Acquisition & Development – Nonmajor Governmental	Tax Increment – Major Governmental	61,600
Debt Payments	Tax Increment Revenue Bond Debt – Major Governmental	Tax Increment – Major Governmental	3,085,121
Urban Renewal projects	Tax Increment – Major Governmental	Impact Fees – Nonmajor Governmental	213,084
Parkland Improvements	Parkland Acquisition & Development – Nonmajor Governmental	Impact Fees – Nonmajor Governmental	165,000
Construction	City Hall Project – Major Governmental	Impact Fees- Nonmajor Governmental	<u>90,055</u> <u>\$ 8,810,412</u>

**Advances to/from other funds**

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half of annual Assessment	SID Revolving- Nonmajor Governmental	SID 166 – Nonmajor Governmental	\$ 58,699
Deficit Cash balance	General – Major Governmental	Drug Forfeiture – Nonmajor Governmental	<u>172,817</u> <u>\$ 231,516</u>

The above are not expected to be paid within one year.

**NOTE 10. NET PENSION LIABILITY**

**Plan Descriptions**

**PERS**

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

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All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be members of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

**MPORS**

The Municipal Police Officers' Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9 of the MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service.

**FURS**

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and either final monthly compensation or final average compensation. Effective July 1, 2005, the benefits are based on highest average compensation and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after five years of service.

**Summary of Benefits**

**PERS**

Member's highest average compensation (HAC)

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

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Eligibility for benefit

Service retirement:

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

Hired on or after July 1, 2011: Age 65, 5 years of membership service;  
Age 70, regardless of membership service.

Early retirement, actuarially reduced:

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

Hired on or after July 1, 2011: Age 55, 5 years of membership service.

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)\*

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

- 3% for members hired **prior** to July 1, 2007
  - 1.5% for members hired on or after July 1, 2007
- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

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\*At this time, as a result of permanent injunction issued in the *AMRPE vs State* litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

**MPORS**

Member's final average compensation (FAC)

Hired prior to July 1, 1977 - average monthly compensation of final year of service;

Hired on or after July 1, 1977 - final average compensation (FAC) for last consecutive 36 months. Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's final average compensation.

Eligibility for benefit

20 years of membership service, regardless of age.

**Early Retirement**

Age 50, 5 years of membership service.

**Vesting**

5 years of membership service

Monthly benefit formula

2.5% of FAC per year of service credit.

**Guaranteed Annual Benefit Adjustment (GABA)**

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

**Minimum benefit adjustment (non-GABA)**

If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city that the member was last employed.

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

FURS

Member's compensation

Hired prior to July 1, 1981 and not electing GABA - highest monthly compensation (HMC);

Hired after June 30, 1981 and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

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

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

Age 50, 5 years of membership service.

Vesting

5 years of membership service

Monthly benefit formula

Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of:  
2.5% of HMC per year of service, OR  
if less than 20 years of service -  
2% of HMC for each year of service;  
if more than 20 years of service -

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50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981 and those electing GABA:

2.5% of HAC per year of membership service

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service). If a benefit falls below that minimum, the benefit is increased and paid to the benefit recipient.

### **Overview of Contributions**

#### **PERS**

1. Rates are specified by state law for periodic employer and employee contributions.
  - a. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
  - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
  - a. Local government entities are required to contribution 8.17% of members' compensation.
  - b. School district employers contributed 7.90% of members' compensation.

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- c. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
  - d. Effective July 1, 2013, the additional employer contributions for DCRP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
  - e. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
- a. Special Funding
    - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
    - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
  - b. Not Special Funding
    - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

MPORS

- 1. Rates are specified by state law for periodic employer and employee contributions
  - The State legislature has the authority to establish and amend contribution rates to the plan.
- 2. Member contributions to the system:
  - Member contribution rates are dependent upon date of hire as a police officer. For fiscal year 2015:
  - If employed on or before June 30, 1975, member contributions as a percentage of salary are 5.8%;
  - If employed after June 30, 1975 and prior to July 1, 1979, member contributions as a percentage of salary are 7.0%;
  - If employed after June 30, 1979 and prior to July 1, 1997, member contributions as a percentage of salary are 8.5%; and,
  - If employed on or after July 1, 1997 and for members electing GABA, member contributions as a percentage of salary were 9.0%.

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3. Employer contributions to the system:
  - The employers are required to contribute 14.41% of member's compensation.
  - The State contributes 29.37% of member's compensation from the general fund.

**FURS**

1. Rates are specified by state law for periodic employer and employee contributions.
  - i. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - i. For members hired prior to July 1, 1997 and not electing GABA, member contributions as a percentage of salary are 9.5%, and
  - ii. For members hired on or after July 1, 1997 and members electing GABA, member contributions as a percentage of salary are 10.7%.
3. Employer contributions to the system:
  - i. The employers are required to contribute 14.36% of member's compensation.
  - ii. The State contributes 32.61% of member's compensation from the general fund.
  - iii. Effective July 1, 2013, employer and state contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

**Stand-Alone Statements**

The PERS, MPORS, FURS stand-alone financial statements, actuarial valuations and experience studies can be found online at <http://mpera.mt.gov/annualReports.shtml> and <http://mpera.mt.gov/actuarialValuations.asp>

**Net Pension Liability**

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

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The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	PERS NPL as of 6/30/15	PERS NPL as of 6/30/16	Percent of Collective NPL	MPORS NPL as of 6/30/15	MPORS NPL as of 6/30/16	Percent of Collective NPL	FURS NPL as of 6/30/15	FURS NPL as of 6/30/16	Percent of Collective NPL	Total NPL as of 6/30/15	Total NPL as of 6/30/16	Percent of Collective NPL
Employer Proportionate Share	\$ 2,996,189	\$ 3,443,819	0.246362%	\$ 946,627	\$ 1,031,015	0.623268%	\$ 814,039	\$ 830,332	0.811847%	\$ 4,756,855	\$ 5,305,166	1.6815%
State of Montana Proportionate Share associated with Employer	36,588	42,302	0.003026%	1,912,300	2,088,934	1.262801%	1,836,432	1,849,371	1.808199%	3,785,320	3,980,607	3.0740%
<b>Total</b>	<u>\$ 3,032,777</u>	<u>\$ 3,486,121</u>	<u>0.2494%</u>	<u>\$ 2,858,927</u>	<u>\$ 3,119,949</u>	<u>1.8861%</u>	<u>\$ 2,650,471</u>	<u>\$ 2,679,703</u>	<u>2.6200%</u>	<u>\$ 8,542,175</u>	<u>\$ 9,285,773</u>	<u>4.7555%</u>

At June 30, 2016, the employer recorded a liability of \$5,305,166 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS, MPORS, FURS during the measurement period July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERS, MPORS, FURS participating employers. At June 30, 2016, the employer's proportion was 1.6815 percent.

*Changes in actuarial assumptions and methods:*

PERS, MPORS, FURS

There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability for PERS, MPORS, FURS.

**Pension Expense as of 6/30/16**

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>	<u>Total</u>
Proportionate Share State of Montana Proportionate Share associated with the Employer	\$ 251,006	\$ 113,782	\$ 87,112	\$ 451,900
	2,629	212,451	200,220	415,300
<b>Total</b>	<u>\$ 253,635</u>	<u>\$ 326,233</u>	<u>\$ 287,332</u>	<u>\$ 867,200</u>

At June 30, 2016, the employer recognized a Pension Expense of \$867,200 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$415,300 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

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Recognition of Beginning Deferred Outflow

At June 30, 2016, the employer recognized a beginning deferred outflow of resources for the employers FY 2015 contributions of \$546,536.

Deferred Inflows and Outflows

At June 30, 2016, the employer reported its proportionate share of PERS, MPORS, FURS deferred outflows of resources and deferred inflows of resources related to PERS, MPORS, FURS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	MPORS Deferred Outflows of Resources	MPORS Deferred Inflows of Resources	FURS Deferred Outflows of Resources	FURS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience \$	-	20,835	-	9,416	-	1,082	-	31,333
Changes in actuarial assumptions	-	-	-	-	-	-	-	-
Difference between projected and actual investment earnings	-	291,556	-	38,733	-	50,190	-	380,479
Difference between actual and expected contributions	-	-	-	-	-	-	-	-
Changes in proportion	76,036	-	27,579	-	-	21,517	103,615	21,517
*Contributions paid subsequent to the measurement date - FY 2016	282,374	-	140,616	-	160,540	-	583,530	-
<b>Contributions</b>								
<b>Total</b>	<u>\$ 358,410</u>	<u>\$ 312,391</u>	<u>\$ 168,195</u>	<u>\$ 48,149</u>	<u>\$ 160,540</u>	<u>\$ 72,789</u>	<u>\$ 687,145</u>	<u>\$ 433,329</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Deferred Inflows and Outflows

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PERS: Year ended June 30:	Deferred of Resources	Outflows	Deferred of Resources	Inflows	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2017	\$	-	\$	103,469	\$ (103,469)
2018	\$	-	\$	103,469	\$ (103,469)
2019	\$	-	\$	105,246	\$ (105,246)
2020	\$	-	\$	(75,828)	\$ 75,828
2021	\$	-	\$	-	-
Thereafter	\$	-	\$	-	-

MPORS: Year ended June 30:	Deferred of Resources	Outflows	Deferred of Resources	Inflows	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2017	\$	-	\$	11,144	\$ (11,144)
2018	\$	-	\$	11,144	\$ (11,144)
2019	\$	-	\$	11,144	\$ (11,144)
2020	\$	-	\$	(12,862)	\$ 12,862
2021	\$	-	\$	-	-
Thereafter	\$	-	\$	-	-

FURS: Year ended June 30:	Deferred of Resources	Outflows	Deferred of Resources	Inflows	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2017	\$	-	\$	26,905	\$ (26,905)
2018	\$	-	\$	26,905	\$ (26,905)
2019	\$	-	\$	26,905	\$ (26,905)
2020	\$	-	\$	(12,447)	\$ 12,447
2021	\$	-	\$	4,520	\$ (4,520)
Thereafter	\$	-	\$	-	-

**Actuarial Assumptions**

PERS, MPORS, FURS

The Total Pension Liability as of June 30, 2014 is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth\* 4.00%
- \*includes Inflation at 3.00%
- Merit Increases - PERS 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases
  - 3% for members hired **prior to** July 1, 2007
  - 1.5% for members hired on or after July 1, 2007

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**PERS**

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

**FURS**

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

Minimum Benefit Adjustment is 50% of a newly confirmed officer

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

**Discount Rate**

PERS, MPORS, FURS

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly.

For MPORS, the State contributes 29.37% of salaries pensionable payroll paid by employers.

For FURS, the State contributes 32.61% of salaries pensionable payroll paid by employers.

Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

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**Target Allocations**

PERS, MPORS, FURS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Long-Term Expected Real Rate <u>of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	<u>8.00%</u>	4.25%
Total	<u>100.00%</u>	

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated June 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015, is summarized in the above table.

**Sensitivity Analysis**

	<b>1.0% Decrease -6.75%</b>	<b>Current Discount Rate</b>	<b>1.0% Increase -8.75%</b>
<b>PERS</b>	\$ 5,309,624	\$ 3,443,819	\$ 1,868,190
<b>FURS</b>	\$ 1,339,530	\$ 830,332	\$ 415,375
<b>MPORS</b>	\$ 1,455,636	\$ 1,031,015	\$ 654,057

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

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**Summary of Significant Accounting Policies**

The Montana Public Employee Retirement Administration (MPERA (for PERS, MPORS, and FURS) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. MPERA adhere to all applicable Governmental Accounting Standards Board (GASB) statements.

**NOTE 11. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

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

**Fire Department Relief Association Disability and Pension Fund**

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

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

**NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES**

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

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

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**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Resort Tax	\$ 1,908,452	Street and Park Improvements
Tax Increment	1,020,402	Urban Development
Fire & Ambulance	357,423	Emergency Services
Tax Increment Revenue Bond	4,677,500	Debt Service
City Hall Project	8,002,582	City Hall and Parking Structure
All Other Aggregate:		
	1,213,953	Maintenance of Streets
	191,825	Culture and Recreation Services and Improvements
	165,171	Construction Inspections
	537,424	Improvements
	47,381	Utility Services
	563,879	Storm Drainage
	2,226	Miscellaneous
	<u>186,982</u>	Debt Service
	<u>\$18,875,218</u>	

**NOTE 13. DEFICIT FUND BALANCES/NET POSITION**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Drug Forfeiture	\$ 172,817	Advance from General Fund	Transfer of Cash
SID 166 Bond Debt	51,047	Advance from SID Revolving Fund	Future Assessments
WF Trail Construction	<u>2,494</u>	Accounts payable	Transfer of Cash
Total	<u>\$ 226,358</u>		

**NOTE 14. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Street and Alley	\$ (1,078)	Prior Period Tax Refund
Parks, Rec and Community Service	(226)	Prior Period Tax Refund
Tax Increment	(43,761)	TIF payment to School FY15
Light District #1	(179)	Prior Period Tax Refund
Water	26,492	GASB 68 adjustment
Water	30,000	Capital Assets
Water	4,817	Capital Assets
Sewer	41,748	GASB 68 adjustment
Solid Waste	(11,942)	GASB 68 adjustment
Governmental Activities	<u>(51,295)</u>	GASB 68 adjustment
Total	<u>\$ (5,424)</u>	

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**NOTE 15. INTERLOCAL AGREEMENT**

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

**NOTE 16. JOINT VENTURES**

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

**Flathead County 911 Emergency Coordination Center**

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

**Big Mountain County Sewer District**

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

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**NOTE 17. SERVICES PROVIDED TO OTHER GOVERNMENTS**

**County Provided Services**

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

**NOTE 18. RISK MANAGEMENT**

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

Insurance Policies:

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

Insurance Pools:

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

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

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

**NOTE 19. RESORT TAX**

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

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

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

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

On June 30, 2016 the Resort Tax Fund has a cash balance of \$1,961,308. This balance was restricted as follows:

Park Improvements	\$345,441
Street Improvements	\$752,998
Tax Relief	\$862,869

**NOTE 20. WHITEFISH LAKE GOLF COURSE**

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

**NOTE 21. PENDING 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>Scott Wurster v. Whitefish City Council, Dave Taylor and Virgil Bench. Cause No. DV-13-900A</i>	Unknown	Unknown
<i>Quatman V. John Constenius, City of Whitefish, et al Cause No. DV-16-64</i>	Unknown	Unknown

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**NOTE 22. SUBSEQUENT EVENTS**

**City Hall and Parking Structure Project and Financing**

In August 2015, the City relocated City Hall to a temporary location to allow for demolition and construction to begin on the new City Hall and Parking Structure. The most recent approved budget for the project occurred at the January 19, 2016 council meeting where the total budget was unanimously approved for \$16,261,087. As a partial funding source for the Parking Structure portion of the project, Special Improvement District (SID) 167 was created in the downtown area surrounding the project site. The SID 167 Bonds were issued on January 5, 2017, in the amount of \$779,000 that is payable over 20 years with an interest rate of 4.36%. Properties in the SID boundaries will be assessed for the first time in the fall of 2017. The project continues to be on schedule with the amount spent on the project as of March 31, 2017 totaling \$13,565,402.

**2015 Wastewater Infiltration & Inflow Mitigation (I&I) Project – Financing**

On June 20, 2016, the City Council approved Resolution 16-25 authorizing a \$506,000 wastewater revenue bond to partially fund the Wastewater I & I project. The bond closing took place on July 21, 2016, and since then the project has been completed. The total amount of the bond that was drawn down for the project was \$439,085, which is less than the total amount approved in the original resolution. The remaining amount that was not drawn down has been released back to the Department of Natural Resources and Conservation. The total cost of the project was \$1,064,049. The costs exceeding the bond proceeds was paid for by two State of Montana grants.

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2016**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 2,181,908	\$ 2,181,908	\$ 2,141,339	\$ (40,569)
Licenses and permits	64,400	64,400	67,701	3,301
Intergovernmental	838,397	838,397	824,280	(14,117)
Charges for services	224,550	224,550	281,397	56,847
Fines and forfeitures	220,750	220,750	198,486	(22,264)
Miscellaneous	54,068	54,068	29,072	(24,996)
Investment earnings	15,000	15,000	16,311	1,311
Amounts available for appropriation	\$ 3,599,073	\$ 3,599,073	\$ 3,558,586	\$ (40,487)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 543,651	\$ 543,651	\$ 452,158	\$ 91,493
Public safety	370,220	370,220	338,477	31,743
Public works	31,721	31,721	26,056	5,665
Social and economic services	1,500	1,500	1,500	-
Culture and recreation	19,800	19,800	9,598	10,202
Housing and community development	12,500	12,500	12,661	(161)
Miscellaneous	17,500	17,500	-	17,500
Capital outlay	10,000	10,000	-	10,000
Total charges to appropriations	\$ 1,006,892	\$ 1,006,892	\$ 840,450	\$ 166,442
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 679,023	\$ 679,023	\$ 679,023	\$ -
Transfers out	(3,605,609)	(3,605,609)	(3,605,609)	-
Total other financing sources (uses)	\$ (2,926,586)	\$ (2,926,586)	\$ (2,926,586)	\$ -
Net change in fund balance			\$ (208,450)	
Fund balance - beginning of the year			\$ 1,074,048	
Fund balance - end of the year			\$ 865,598	

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2016**

Resort Tax				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 3,288,592	\$ 3,288,592	\$ 3,243,642	\$ (44,950)
Investment earnings	5,000	5,000	7,753	2,753
Amounts available for appropriation	\$ 3,293,592	\$ 3,293,592	\$ 3,251,395	\$ (42,197)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	\$ -	\$ -	\$ 21	\$ (21)
Debt service - principal	690,000	690,000	-	690,000
Debt service - interest	117,748	117,748	-	117,748
Capital outlay	10,123,900	10,123,900	1,577,308	8,546,592
Total charges to appropriations	\$ 10,931,648	\$ 10,931,648	\$ 1,577,329	\$ 9,354,319
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long term debt	\$ 8,387,000	\$ 8,387,000	-	\$ (8,387,000)
Transfers out	(679,023)	(679,023)	(1,424,863)	(745,840)
Total other financing sources (uses)	\$ 7,707,977	\$ 7,707,977	\$ (1,424,863)	\$ (9,132,840)
Net change in fund balance			\$ 249,203	
Fund balance - beginning of the year			\$ 1,659,249	
Fund balance - end of the year			\$ 1,908,452	

City of Whitefish, Flathead County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2016

	Tax Increment			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 5,158,326	\$ 5,158,326	\$ 5,067,353	\$ (90,973)
Intergovernmental	258,865	258,865	248,865	(10,000)
Miscellaneous	20,000	20,000	23,828	3,828
Amounts available for appropriation	<u>\$ 5,437,191</u>	<u>\$ 5,437,191</u>	<u>\$ 5,340,046</u>	<u>\$ (97,145)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Housing and community development	\$ 1,318,657	\$ 1,318,657	\$ 1,097,344	\$ 221,313
Miscellaneous	-	-	300	(300)
Capital outlay	959,802	959,802	474,987	484,815
Total charges to appropriations	<u>\$ 2,278,459</u>	<u>\$ 2,278,459</u>	<u>\$ 1,572,631</u>	<u>\$ 705,828</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 213,084	\$ 213,084	\$ 213,084	\$ -
Transfers out	(5,430,788)	(5,430,788)	(5,396,801)	33,987
Total other financing sources (uses)	<u>\$ (5,217,704)</u>	<u>\$ (5,217,704)</u>	<u>\$ (5,183,717)</u>	<u>\$ 33,987</u>
Net change in fund balance			<u>\$ (1,416,302)</u>	
Fund balance - beginning of the year			\$ 2,480,465	
Restatements			(43,761)	
Fund balance - beginning of the year - restated			<u>\$ 2,436,704</u>	
Fund balance - end of the year			<u>\$ 1,020,402</u>	

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2016**

<b>Fire and Ambulance</b>					
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>	
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	<b>WITH FINAL</b>	
			<b>(BUDGETARY</b>	<b>BUDGET</b>	
<b>RESOURCES (INFLOWS):</b>			<b>See Note A</b>		
Taxes and assessments	\$ 512,174	\$ 512,174	\$ 512,646	\$	472
Licenses and permits	130,300	130,300	119,417		(10,883)
Intergovernmental	449,524	449,524	92,010		(357,514)
Charges for services	1,380,000	1,380,000	1,329,243		(50,757)
Miscellaneous	5,000	5,000	26,785		21,785
Amounts available for appropriation	\$ 2,476,998	\$ 2,476,998	\$ 2,080,101	\$	(396,897)
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>					
Public safety	\$ 3,137,130	\$ 3,137,130	\$ 2,804,945	\$	332,185
Debt service - principal	136,313	136,313	106,314		29,999
Debt service - interest	12,121	12,121	10,184		1,937
Capital outlay	350,000	350,000	311,831		38,169
Total charges to appropriations	\$ 3,635,564	\$ 3,635,564	\$ 3,233,274	\$	402,290
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds of general long term debt	\$ 300,000	\$ 300,000	\$ 230,453	\$	(69,547)
Proceeds from the sale of general capital asset disposition	-	-	21,267		21,267
Transfers in	835,000	835,000	835,000		-
Total other financing sources (uses)	\$ 1,135,000	\$ 1,135,000	\$ 1,086,720	\$	(48,280)
Net change in fund balance			\$ (66,453)		
Fund balance - beginning of the year			\$ 423,876		
Fund balance - end of the year			\$ 357,423		

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

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

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and Ambulance</u>
<b>Sources/Inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,558,586	\$ 3,251,395	\$ 5,340,046	\$ 2,080,101
Combined funds (GASBS 54) revenues	<u>206,272</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,764,858</u>	<u>\$ 3,251,395</u>	<u>\$ 5,340,046</u>	<u>\$ 2,080,101</u>
<b>Uses/Outflows of resources</b>				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 840,450	\$ 1,577,329	\$ 1,572,631	\$ 3,233,274
Combined funds (GASBS 54) expenditures	<u>2,281,249</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,121,699</u>	<u>\$ 1,577,329</u>	<u>\$ 1,572,631</u>	<u>\$ 3,233,274</u>

**City of Whitesh, Flathead County, Montana**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2016**

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%	\$ 5,340,271	40.0%
July 1, 2012	\$ -	\$ 2,917,891	\$ 2,917,891	0%	\$ 4,966,132	58.8%
July 1, 2015	\$ -	\$ 2,121,532	\$ 2,121,532	0%	\$ 4,790,758	44.3%

**City of Whitefish, Flathead County, Montana**  
**Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2016**

	<b>PERS 2016</b>	<b>MPORS 2016</b>	<b>FURS 2016</b>	<b>PERS 2015</b>	<b>MPORS 2015</b>	<b>FURS 2015</b>
Employer's proportion of the net pension liability	0.246362%	0.6233%	0.811847%	0.240463%	0.602426%	0.833914%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 3,443,819	\$ 1,031,015	\$ 830,332	\$ 2,996,189	\$ 946,627	\$ 814,039
State of Montana's proportionate share of the net pension liability associated with the Employer	<u>\$ 42,302</u>	<u>\$ 2,088,934</u>	<u>\$ 1,849,371</u>	<u>\$ 36,588</u>	<u>\$ 1,912,300</u>	<u>\$ 1,836,432</u>
Total	<u>\$ 3,486,121</u>	<u>\$ 3,119,949</u>	<u>\$ 2,679,703</u>	<u>\$ 3,032,777</u>	<u>\$ 2,858,927</u>	<u>\$ 2,650,471</u>
Employer's covered-employee payroll	\$ 2,875,089	\$ 862,615	\$ 1,091,002	\$ 2,722,032	\$ 808,297	\$ 1,083,229
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	119.78%	119.522%	76.11%	110.07%	117.11%	75.15%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	66.90%	76.90%	79.90%	67.00%	76.70%

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

**City of Whitefish, Flathead County, Montana**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**For the Year Ended June 30, 2016**

	<b>PERS</b>	<b>MPORS</b>	<b>FURS</b>	<b>PERS</b>	<b>MPORS</b>	<b>FURS</b>
	<b>2016</b>	<b>2016</b>	<b>2016</b>	<b>2015</b>	<b>2015</b>	<b>2015</b>
Contractually required contributions	\$ 282,374	\$ 140,616	\$ 160,540	\$ 253,208	\$ 125,045	\$ 159,717
Contributions in relation to the contractually required contributions	\$ 282,374	\$ 140,616	\$ 160,540	\$ 253,208	\$ 125,045	\$ 159,717
District's covered-employee payroll	\$ 3,267,805	\$ 958,753	\$ 1,122,869	\$ 2,875,089	\$ 862,615	\$ 1,091,002
Contributions as a percentage of covered-employee payroll	8.641%	14.667%	14.297%	8.807%	14.496%	14.639%

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

**City of Whitefish, Flathead County, Montana**  
**Notes to Required Supplementary Information**  
**Schedule of Proportionate Share of the Net Pension Liability and**  
**Schedule of Contributions**  
**For the Year ended June 30, 2016**

Public Employees' Retirement System of Montana(PERS)

**Changes of Benefit Terms**

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

**2013 Legislative Changes:**

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.

All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

**Guaranteed Annual Benefit Adjustment (GABA) - for PERS**

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

- 3% for members hired **prior to** July 1, 2007
- 1.5% for members hired **on or after** July 1, 2007 and **before** July 1, 2013
- Members hired **on or after** July 1, 2013
  - a. 1.5% each year PERS is funded at or above 90%;
  - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
  - c. 0% whenever the amortization period for PERS is 40 years or more.

## 2015 Legislative Changes:

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

### Second Retirement Benefit - for PERS

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

- refund of member's contributions from second employment plus regular interest
- no service credit for second employment;
- start same benefit amount the month following termination; and
- GABA starts again in the January immediately following second retirement.

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

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

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

- refund of member's contributions from second employment plus regular interest
- no service credit for second employment;
- start same benefit amount the month following termination; and,
- GABA starts again in the January immediately following second retirement.

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

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

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

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

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

## Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

<b>Admin Expense as % of Payroll</b>	<b>0.27%</b>
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The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

The following Actuarial Assumptions are from the June 2010 Experience Study:

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00 percent, net of pension plan investment expense, and including
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

## **Montana Municipal Police Officers' Retirement System of Montana(MPORS)**

### **Changes of Benefit Terms**

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

2013 Legislative Changes:

#### Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

All MPORS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.

All bonuses paid to MPORS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

2015 Legislative Changes:

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

MPORS DROP Survivor Benefits - for MPORS

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

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

<b>Admin Expense as % of Payroll</b>	<b>0.20%</b>
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The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including

The following Actuarial Assumptions are from the June 2010 Experience Study:

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00 percent, net of pension plan investment expense, and including
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

**Montana Firefighters' Unified Retirement System of Montana (FURS)**

**Changes of Benefit Terms**

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

2013 Legislative Changes:

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- Requires employer contributions on working retiree compensation.
- Member contributions are not required.

- Working retiree limitations are not impacted. FURS retirees may still work up to 480 hours a without returning to active service.

Highest Average Compensation (HAC) Cap - House Bill 97, All Systems, effective July 1, 2013

- All FURS members hired on or after July 1, 2013 are subject to a 110% annual cap on considered as part of a member’s highest or final average compensation.
- All bonuses paid to FURS members on or after July 1, 2013 will not be treated as retirement purposes.

2015 Legislative Changes: none

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

<b>Admin Expense as % of Payroll</b>	<b>0.19%</b>
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The following changes were adopted in 2013 based on the 2013 Economic Experience study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including

The following Actuarial Assumptions are from the June 2010 Experience Study:

General Wage Growth*	4.25%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00 percent, net of pension plan investment expense, and including
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

***Denning, Downey & Associates, P.C.***

**CERTIFIED PUBLIC ACCOUNTANTS**

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated April 18, 2017.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

April 18, 2017

***Denning, Downey & Associates, P.C.***

***CERTIFIED PUBLIC ACCOUNTANTS***

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

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

The prior audit report contained no recommendations.

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

April 18, 2017