

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2017

AUDIT REPORT

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2017

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CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2017

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

Adam Hammatt
Angela Jacobs
Bradley Johnson
Michelle Howke
Dana Smith

City Manager
City Attorney
Municipal Judge
City Clerk
Finance Director

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

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, 2017. 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, 2017 by \$93,076,744 as reported in the statement of net position. This figure represents an increase of \$8,332,098 in net position from the prior year.
- The total fiscal year end governmental fund balance was \$11,774,318 as reported in the balance sheet for governmental funds. This figure represents a decrease of \$7,717,117 from the prior year. This decrease is primarily due to the completion City Hall and Parking Structure Project, which is now classified as a capital asset and therefore not included in the Governmental Fund Balance Sheet.
- The unassigned general fund balance at fiscal year-end was \$934,445. This figure represents an increase of \$91,870 from the prior year.

EXPLANATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

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

Fund Financial Statements

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

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

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

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

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

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

Notes to Financial Statements

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

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

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.

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, 2017 totaled \$93,076,744, which is an increase of \$8,332,098 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 FY17 as noted in the negative unrestricted net position for governmental activities. Although the pension retirement systems are administered by the State of Montana, including determining required contributions for each plan, the City is required to report the related liability per GASB Statement No. 68. attributed to the different plans.

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

The following table presents consolidated information on the City's net position as of June 30, 2017 and June 30, 2016.

City of Whitefish - Net Position

	Governmental			Business-type		
	Activities			Activities		
	<u>FY17</u>	<u>FY16</u>	<u>Change</u>	<u>FY17</u>	<u>FY16</u>	<u>Change</u>
			<u>Inc (Dec)</u>			<u>Inc (Dec)</u>
Current and other assets	\$ 17,607,127	\$ 23,206,561	\$ (5,599,434)	\$ 8,358,672	\$ 8,358,672	\$ 1,711,915
Capital assets	72,810,377	63,261,065	9,549,312	33,481,492	33,481,492	38,671
Total assets	90,417,504	86,467,626	\$ 3,949,878	\$ 41,840,164	\$ 41,840,164	\$ 1,750,586
Long-term debt outstanding	\$ 19,951,068	\$ 21,795,089	\$ (1,844,021)	\$ 14,713,368	\$ 14,713,368	\$ (1,101,529)
Other liabilities	6,800,997	5,057,944	1,743,053	1,996,743	1,996,743	(470,084)
Total liabilities	\$ 26,752,065	\$ 26,853,033	\$ (100,968)	\$ 16,710,111	\$ 16,710,111	\$(1,571,613)
Net investment in capital assets	\$ 56,485,824	\$ 44,649,797	\$ 11,836,027	\$ 19,706,929	\$ 19,706,929	\$ 980,671
Restricted	14,128,937	20,754,291	(6,625,354)	1,815,250	1,815,250	1,323,427
Unrestricted (deficit)	(6,949,322)	(5,789,495)	(1,159,827)	3,607,874	3,607,874	1,018,101
Total net position	\$ 63,665,439	\$ 59,614,593	\$ 4,050,846	\$ 25,130,053	\$ 25,130,053	\$ 3,322,199

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

The City's revenues totaled \$27,180,914 for the fiscal year ending June 30, 2017. The total cost of all programs and services for that same period was \$19,620,740. Therefore, the increase in net position was \$7,560,174. The table below presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2017 and June 30, 2016.

City of Whitefish – Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY17</u>	<u>FY16</u>	<u>Change Inc (Dec)</u>	<u>FY17</u>	<u>FY16</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 4,958,084	\$ 5,252,101	\$ (294,017)	\$ 6,543,504	\$ 6,936,399	\$ (392,895)
Operating grants and contributions	321,897	352,178	(30,281)			
Capital grants and contributions	88,381	629,211	(540,830)	336,086	362,188	(26,102)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	8,741,206	7,913,952	827,254			
Resort Taxes	3,657,607	3,243,642	413,965			
Franchise/Utility Fees	394,775	375,465	19,310			
Miscellaneous	303,395	198,128	105,267			
Interest/investment earnings	84,396	45,894	38,502	51,386	20,955	30,431
State entitlement	1,086,468	1,056,462	30,006			
Grants and entitlements no restricted	-	5,350	(5,350)			
On behalf payments	594,955	465,953	129,002	18,774	31,944	(13,220)
Total revenues	<u>\$ 20,231,164</u>	<u>\$ 19,538,336</u>	<u>\$ 692,828</u>	<u>\$ 6,949,750</u>	<u>\$ 7,351,536</u>	<u>\$ (401,786)</u>
Program expenses						
General government	\$ 1,824,396	\$ 897,921	\$ 926,475			
Public safety	7,071,209	6,605,799	465,410			
Public works	3,068,031	3,406,526	(338,495)			
Social and economic services	-	1,500	(1,500)			
Culture and recreation	2,076,976	2,159,999	(83,023)			
Housing and community development	1,144,945	1,106,136	38,809			
Debt service - interest	404,772	157,817	246,955			
Miscellaneous	46,746	105,992	(59,246)			
Water				\$ 2,169,822	\$ 2,260,912	\$ (91,090)
Sewer				2,220,825	2,513,946	(293,121)
Solid Waste				16,322	674,720	(658,398)
Total expenses	<u>\$ 15,213,771</u>	<u>\$ 14,441,690</u>	<u>\$ 772,081</u>	<u>\$ 4,406,969</u>	<u>\$ 5,449,578</u>	<u>\$ (1,042,609)</u>
Increase (decrease) in net position	<u>\$ 4,594,089</u>	<u>\$ 5,131,534</u>	<u>\$ (537,445)</u>	<u>\$ 2,542,781</u>	<u>\$ 1,901,958</u>	<u>\$ 640,823</u>
Gain (loss) on sale of capital assets	<u>\$ -</u>	<u>\$ (339,985)</u>	<u>\$ 339,985</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Indirect expense allocation	\$ 35,998	\$ 34,889	\$ 1,109	\$ (35,998)	\$ (34,889)	\$ (1,109)
Transfers - net	\$ (579,241)	\$ (745,840)	\$ 166,599	\$ 579,241	\$ 745,840	\$ (166,599)
Total Increase (decrease in net position)	<u><u>\$ 4,050,846</u></u>	<u><u>\$ 4,045,710</u></u>	<u><u>\$ 5,136</u></u>	<u><u>\$ 3,086,024</u></u>	<u><u>\$ 2,612,909</u></u>	<u><u>\$ 473,115</u></u>

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Governmental activities

Revenues for the fiscal year ending June 30, 2017 from governmental activities were \$20,231,164 while expenses were \$15,213,771. Thus, with the \$579,421 in transfers-out and the indirect expense allocation, net position increased \$4,402,154. Total governmental revenues increased from the prior year by \$692,828. The increase in revenues was primarily due to increased property taxes and increased Resort Tax collections. Overall expenses increased by \$772,081, which was mostly due to increases in general government activities and public safety that was offset by decreases in public work activities. Increases in wages and benefit, as well as the costs of post-employment benefits and pension costs were all contributing factors.

Business-type activities

Revenue for the fiscal year ending June 30, 2017 from business-type activities was \$6,949,750. Expenses were \$4,406,969 and net transfers-in totaled \$579,241, which resulted in an increase in net position of \$3,086,024. Charges for services revenue decreased by \$392,895 from the previous year due to the City no longer collecting fees for solid waste services. The contract was amended so that the vendor charges and collects all fees related to solid waste services in addition to their continued hauling of solid waste. Furthermore, the transfer-in decreased by \$166,599 due to the timing of debt payments for the Haskill Basin Conservation Easement bond, which is first back by Resort Tax and further backed by water rates. Total expenses also experienced an expected decrease during FY17, which again is primarily attributed to contracting out all solid waste services, both billing and the hauling of refuse, and the timing of capital projects.

Fund Balance – Governmental Funds Balance Sheet

The City's governmental funds reported a total fund balance of \$11,774,318 as of June 30, 2017, which is a \$7,717,117 decrease compared to the fund balance of governmental funds as of June 30, 2016. The significant decrease in fund balance is due to the completion of the City Hall and Parking Structure project and most of the expenditures for that project being incurred in fiscal year 2017. In the Governmental Funds Balance Sheet capital assets are not shown, but it would offset this significant decrease in fund balance. Of the fund balance at June 30, 2017, \$934,445 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 2017 two budget amendments were approved by the City Council for the Parkland Acquisition & Development Fund (\$17,500) and the Solid Waste Fund (\$1,500) due to additional approved expenditures that were not originally budgeted. All other funds expended amounts that were within the budget authority with some funds spending significantly less due to the timing of capital improvement projects and equipment purchases.

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Overall the General Fund tracked closely with the budget for both revenues and expenditures. The Resort Tax Fund collected \$315,062 more than expected due to the thriving economy and increased collections remitted by local businesses. The Resort Tax Fund also expended less than expected by \$172,897 due to the timing of budgeted capital projects. The Tax Increment Fund collected less in property taxes, which is not deemed a significant concern and due to the budget calculation. Furthermore, the Tax Increment Fund expended less within the Fund than budgeted due to project timing. However, more funds were transferred to the City Hall/Parking Structure Project Fund which were originally budgeted as a contingency for the project and not a transfer to other funds. The Fire & Ambulance Fund also experienced two significant budgetary variances. The first variance is in intergovernmental revenue, which shows a variance of \$409,199. This was primarily the result of the budgeted on-behalf payments to the firefighters' retirement system no longer being recorded due to the changes in accounting for pensions. The other variance was the purchase of a new ambulance through a loan. That purchase has moved to fiscal year 2018.

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, 2017 total \$77,173,424 (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 2017 totaled \$2,993,552 and \$1,178,942, respectively.

Major capital assets events during fiscal year 2017:

- Completed construction on the new City Hall and Parking Structure (~\$16M)
- Purchased vehicles for Building, Police, and Public Works
- Completed construction of Skye Park Bridge (~\$1.2M)
- Continued making improvements to the Whitefish Trail
- Continued design and construction for multiple water and sewer projects
- Completed Memorial Park Basketball Court (~\$60K)
- Completed improvements to flooring and lighting at Armory Building (\$92K)

Long-term Debt

The City's total long-term debt decreased by \$2,429,535 compared to prior fiscal year. Below is a summary of the outstanding long-term debt of the City as of June 30, 2017 compared to June 30, 2016.

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Outstanding Long-term Debt		
Purpose/Type	June 30, 2017	June 30, 2016
<u>Revenue Bonds:</u>		
TIF 2015 Refunding (ESC)	\$ 5,147,000	\$ 7,183,000
TIF 2016 (City Hall/Park Str.)	9,030,000	9,800,000
Water	9,138,000	10,286,000
Sewer	3,694,563	3,488,563
<u>Special Assessment Bonds:</u>		
SID 166	585,000	655,000
SID 167	779,000	-
<u>Intercap Loans:</u>		
Ice Rink	15,892	47,862
Ambulance	62,315	93,070
Police Vehicle	-	5,488
Fire Engine	367,647	414,716
Fire Pumper	152,197	181,739
Fire SCBA Units	185,503	230,453
<u>OPEB:</u>		
Governmental	1,064,761	2,140,510
Business-type	516,771	689,293
<u>Compensated Absences:</u>		
Governmental	1,062,701	1,043,311
Business-type	262,505	249,512
<u>Net Pension Liability:</u>		
Governmental	5,767,896	4,013,106
Business-type	1,012,339	1,292,060
TOTAL	\$39,384,089	\$41,813,683

FISCAL YEAR 2018 BUDGET AND ECONOMIC FACTORS

With the two-year reappraisal cycle resulting in an increased taxable value for the City of 12.8% and a property tax mill levy increase of 1.19 mills, the City will see increased revenues as adopted in the FY18 Budget. The additional revenue provides increased cash reserves (fund balance), increased personnel costs for employee wages and increased health benefits, and additional staffing that includes amounts budgeted for some much-needed part-time police officers due to increased call volume. The FY18 Budget also provides increases to some maintenance assessments to address capital projects so further deferral of projects does not occur. The FY18 Budget continues to provide for increasing cash reserves in the property tax supported funds at a current level of 15.24%.

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 fees collections. Like the strong construction environment, the spending activity by consumers in the City continues to improve as the Resort Tax collections are tracking higher than the previous year. At the end of the first quarter of FY18, Resort Tax collections were up 8.4% compared to the prior year's first quarter.

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2017**

Water and Wastewater charges for FY18 are anticipated to exceed the prior year due to a rate increase that was effective October 1, 2017. 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

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, 2017, 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, 2017, 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 progress 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 9, 60 through 67, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018, 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.

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

June 21, 2018

City of Whitefish, Flathead County, Montana
Statement of Net Position
June 30, 2017

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 8,827,350	\$ 7,151,052	\$ 15,978,402
Taxes and assessments receivable, net	1,433,992	-	1,433,992
Special assessments receivable	2,007,170	-	2,007,170
Accounts receivable - net	291,346	521,765	813,111
Contracts receivable	24,997	-	24,997
Due from other governments	53,641	-	53,641
Other debits	632	-	632
Total current assets	<u>\$ 12,639,128</u>	<u>\$ 7,672,817</u>	<u>\$ 20,311,945</u>
Noncurrent assets			
Restricted cash and investments	\$ 3,533,647	\$ 2,153,529	\$ 5,687,176
Capital assets - land	8,725,278	8,333,031	17,058,309
Capital assets - construction in progress	708,962	241,050	950,012
Capital assets - depreciable, net	<u>63,376,137</u>	<u>24,946,082</u>	<u>88,322,219</u>
Total noncurrent assets	<u>\$ 76,344,024</u>	<u>\$ 35,673,692</u>	<u>\$ 112,017,716</u>
Total assets	<u>\$ 88,983,152</u>	<u>\$ 43,346,509</u>	<u>\$ 132,329,661</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ <u>1,434,352</u>	\$ <u>244,241</u>	\$ <u>1,678,593</u>
Total deferred outflows of resources	<u>\$ 1,434,352</u>	<u>\$ 244,241</u>	<u>\$ 1,678,593</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 90,417,504</u>	<u>\$ 43,590,750</u>	<u>\$ 134,008,254</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 671,421	\$ 75,449	\$ 746,870
Accrued payables	285,874	73,966	359,840
Utility billing refunds payable	-	993	993
Current portion of long-term capital liabilities	3,373,983	1,530,000	4,903,983
Current portion of compensated absences payable	<u>836,687</u>	<u>169,526</u>	<u>1,006,213</u>
Total current liabilities	<u>\$ 5,167,965</u>	<u>\$ 1,849,934</u>	<u>\$ 7,017,899</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 263,095	\$ 263,095
Noncurrent portion of long-term liabilities	1,604,761	516,771	2,121,532
Noncurrent portion of long-term capital liabilities	12,950,570	11,302,563	24,253,133
Noncurrent portion of compensated absences	226,014	92,979	318,993
Net pension liability	<u>5,767,896</u>	<u>1,012,339</u>	<u>6,780,235</u>
Total noncurrent liabilities	<u>\$ 20,549,241</u>	<u>\$ 13,187,747</u>	<u>\$ 33,736,988</u>
Total liabilities	<u>\$ 25,717,206</u>	<u>\$ 15,037,681</u>	<u>\$ 40,754,887</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 75,806	\$ 3,351	\$ 79,157
Deferred inflows of resources - hydro project	-	97,466	97,466
Total Deferred Inflows of resources	<u>\$ 75,806</u>	<u>\$ 100,817</u>	<u>\$ 176,623</u>
NET POSITION			
Net investment in capital assets	\$ 56,485,824	\$ 20,687,600	\$ 77,173,424
Restricted for capital projects	2,567,077	2,184,852	4,751,929
Restricted for debt service	7,186,550	953,825	8,140,375
Restricted for special projects	3,445,513	-	3,445,513
Unrestricted	<u>(5,060,472)</u>	<u>4,625,975</u>	<u>(434,497)</u>
Total net position	<u>\$ 64,624,492</u>	<u>\$ 28,452,252</u>	<u>\$ 93,076,744</u>
TOTAL LIABILITIES, DEFERRED INFLOWS			
AND NET POSITION	<u>\$ 90,417,504</u>	<u>\$ 43,590,750</u>	<u>\$ 134,008,254</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2017

Functions/Programs						Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Indirect Expense Allocation	Program Revenues			Primary Government		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
Primary government:								
Governmental activities:								
General government	\$ 1,401,092	\$ (142,453)	\$ 447,183	\$ -	\$ -	\$ (811,456)	\$ -	\$ (811,456)
Public safety	7,071,209	71,535	2,539,549	136,771	88,381	(4,378,043)	-	(4,378,043)
Public works	3,068,031	13,044	1,606,340	149,412	-	(1,325,323)	-	(1,325,323)
Culture and recreation	2,076,976	18,449	362,616	35,714	-	(1,697,095)	-	(1,697,095)
Housing and community development	1,144,945	3,427	2,396	-	-	(1,145,976)	-	(1,145,976)
Debt service - interest	404,772	-	-	-	-	(404,772)	-	(404,772)
Miscellaneous	46,746	-	-	-	-	(46,746)	-	(46,746)
Total governmental activities	\$ 15,213,771	\$ (35,998)	\$ 4,958,084	\$ 321,897	\$ 88,381	\$ (9,809,411)	\$ -	\$ (9,809,411)
Business-type activities:								
Water	\$ 2,169,822	\$ 18,695	\$ 3,503,907	\$ -	\$ -	\$ -	\$ 1,315,390	\$ 1,315,390
Sewer	2,220,825	17,105	3,039,597	-	336,086	-	1,137,753	1,137,753
Solid Waste	16,322	198	-	-	-	-	(16,520)	(16,520)
Total business-type activities	\$ 4,406,969	\$ 35,998	\$ 6,543,504	\$ -	\$ 336,086	\$ -	\$ 2,436,623	\$ 2,436,623
Total primary government	\$ 19,620,740	\$ -	\$ 11,501,588	\$ 321,897	\$ 424,467	\$ (9,809,411)	\$ 2,436,623	\$ (7,372,788)
General Revenues:								
Property taxes for general purposes						\$ 8,741,206	\$ -	\$ 8,741,206
Resort Taxes						3,657,607	-	3,657,607
Franchise/Utility Fees						394,775	-	394,775
Miscellaneous						232,402	-	232,402
Interest/investment earnings						84,396	51,386	135,782
State entitlement						1,086,468	-	1,086,468
On-Behalf payments						594,955	18,774	613,729
Cash In-lieu revenues						70,993	-	70,993
Transfers - net						(579,241)	579,241	-
Total general revenues, special items and transfers						\$ 14,283,561	\$ 649,401	\$ 14,932,962
Change in net position						\$ 4,474,150	\$ 3,086,024	\$ 7,560,174
Net position - beginning						\$ 59,614,593	\$ 25,130,053	\$ 84,744,646
Restatements						535,749	236,175	771,924
Net position - beginning - restated						\$ 60,150,342	\$ 25,366,228	\$ 85,516,570
Net position - end						\$ 64,624,492	\$ 28,452,252	\$ 93,076,744

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
 Balance Sheet
 Governmental Funds
 June 30, 2017

	General	Resort Tax	Tax Increment	Fire & Ambulance	Tax Increment Revenue Bond Debt	SID 167 Bond Debt	City Hall Project	Other Governmental Funds	Total Governmental Funds
ASSETS									
Current assets:									
Cash and investments	\$ 801,475	\$ -	\$ 361,144	\$ 243,636	\$ 3,292,887	\$ -	\$ 1,083,880	\$ 3,044,328	\$ 8,827,350
Taxes and assessments receivable, net	325,318	-	810,996	89,493	-	-	-	208,185	1,433,992
Special assessments receivable	297	-	-	-	-	1,242,179	-	764,694	2,007,170
Accounts receivable - net	24,089	-	-	267,257	-	-	-	-	291,346
Contracts receivable	-	-	-	-	-	-	-	24,997	24,997
Due from other funds	632	-	-	-	-	-	-	-	632
Due from other governments	33,564	-	-	20,077	-	-	-	-	53,641
Other debits	-	-	-	-	-	-	-	632	632
Total current assets	\$ 1,185,375	\$ -	\$ 1,172,140	\$ 620,463	\$ 3,292,887	\$ 1,242,179	\$ 1,083,880	\$ 4,042,836	\$ 12,639,760
Noncurrent assets:									
Restricted cash and investments	\$ -	\$ 1,835,347	\$ -	\$ -	\$ 1,698,300	\$ -	\$ -	\$ -	\$ 3,533,647
Advances to other funds	172,817	-	-	-	-	-	-	58,698	231,515
Total noncurrent assets	\$ 172,817	\$ 1,835,347	\$ -	\$ -	\$ 1,698,300	\$ -	\$ -	\$ 58,698	\$ 3,765,162
TOTAL ASSETS	\$ 1,358,192	\$ 1,835,347	\$ 1,172,140	\$ 620,463	\$ 4,991,187	\$ 1,242,179	\$ 1,083,880	\$ 4,101,534	\$ 16,404,922
Current liabilities:									
Accounts payable	\$ 5,952	\$ 18,195	\$ 414,639	\$ 13,014	\$ -	\$ -	\$ 154,083	\$ 65,538	\$ 671,421
Accrued payables	92,180	-	7,576	87,448	-	-	-	98,670	285,874
Due to other funds	-	-	-	-	-	-	-	632	632
Total current liabilities	\$ 98,132	\$ 18,195	\$ 422,215	\$ 100,462	\$ -	\$ -	\$ 154,083	\$ 164,840	\$ 957,927
Noncurrent liabilities:									
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,515	\$ 231,515
Total noncurrent liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 231,515	\$ 231,515
Total liabilities	\$ 98,132	\$ 18,195	\$ 422,215	\$ 100,462	\$ -	\$ -	\$ 154,083	\$ 396,355	\$ 1,189,442
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows of resources	\$ 325,615	\$ -	\$ 810,996	\$ 89,493	\$ -	\$ 1,242,179	\$ -	\$ 972,879	\$ 3,441,162
Total deferred inflows of resources	\$ 325,615	\$ -	\$ 810,996	\$ 89,493	\$ -	\$ 1,242,179	\$ -	\$ 972,879	\$ 3,441,162
FUND BALANCES									
Restricted	\$ -	\$ 1,817,152	\$ -	\$ 430,508	\$ 4,991,187	\$ -	\$ -	\$ 2,944,104	\$ 10,182,951
Committed	-	-	-	-	-	-	929,797	-	929,797
Unassigned fund balance	934,445	-	(61,071)	-	-	-	-	(211,804)	661,570
Total fund balance	\$ 934,445	\$ 1,817,152	\$ (61,071)	\$ 430,508	\$ 4,991,187	\$ -	\$ 929,797	\$ 2,732,300	\$ 11,774,318
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 1,358,192	\$ 1,835,347	\$ 1,172,140	\$ 620,463	\$ 4,991,187	\$ 1,242,179	\$ 1,083,880	\$ 4,101,534	\$ 16,404,922

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, 2017

Total fund balances - governmental funds	\$	11,774,318
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		72,810,377
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		3,441,162
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(18,992,015)
Proportionate share of ending collective net pension liability		(5,767,896)
The fund financials do not include deferred outflows relating to pension liability		1,434,352
The fund financials do not include deferred inflows relating to pension liability		(75,806)
Total net position - governmental activities	\$	<u><u>64,624,492</u></u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2017

	General	Resort Tax	Tax Increment	Fire & Ambulance	Tax Increment Revenue Bond Debt	City Hall Project	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes and assessments	\$ 1,956,954	\$ 3,658,607	\$ 5,104,849	\$ 527,339	\$ -	\$ -	\$ 149,853	\$ 11,397,602
Licenses and permits	66,654	-	-	80,536	-	-	782,874	930,064
Intergovernmental	1,068,688	-	248,865	43,204	-	-	161,567	1,522,324
Charges for services	224,598	-	-	1,625,150	-	-	637,706	2,487,454
Fines and forfeitures	267,995	-	-	-	-	-	7,670	275,665
Miscellaneous	81,338	-	986	7,897	-	71,172	1,669,674	1,831,067
Investment earnings	29,132	8,732	-	-	20,492	21,269	6,167	85,792
Total revenues	\$ 3,695,359	\$ 3,667,339	\$ 5,354,700	\$ 2,284,126	\$ 20,492	\$ 92,441	\$ 3,415,511	\$ 18,529,968
EXPENDITURES								
General government	\$ 461,639	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,180	\$ 468,819
Public safety	2,685,507	-	-	2,898,216	-	-	424,704	6,008,427
Public works	47,774	-	-	-	-	-	1,359,544	1,407,318
Culture and recreation	9,599	-	-	-	-	-	1,443,028	1,452,627
Housing and community development	13,485	-	1,134,887	-	-	-	-	1,148,372
Debt service - principal	5,488	-	-	152,316	2,806,000	-	101,911	3,065,715
Debt service - interest	63	-	-	13,672	359,573	-	31,464	404,772
Miscellaneous	-	-	-	-	-	-	46,746	46,746
Capital outlay	37,948	1,997,044	224,643	-	-	9,897,025	386,204	12,542,864
Total expenditures	\$ 3,261,503	\$ 1,997,044	\$ 1,359,530	\$ 3,064,204	\$ 3,165,573	\$ 9,897,025	\$ 3,800,781	\$ 26,545,660
Excess (deficiency) of revenues over expenditures	\$ 433,856	\$ 1,670,295	\$ 3,995,170	\$ (780,078)	\$ (3,145,081)	\$ (9,804,584)	\$ (385,270)	\$ (8,015,692)
OTHER FINANCING SOURCES (USES)								
Proceeds of general long term debt	\$ 23,370	\$ -	\$ -	\$ -	\$ -	\$ 716,680	\$ 38,950	\$ 779,000
Proceeds from the sale of general capital asset disposition	-	-	-	18,163	-	-	9,660	27,823
Other financing source (revenue)	-	-	-	-	-	-	70,993	70,993
Transfers in	1,182,354	-	203,386	835,000	3,458,768	2,015,119	706,950	8,401,577
Transfers out	(1,547,710)	(1,761,595)	(5,280,029)	-	-	-	(391,484)	(8,980,818)
Total other financing sources (uses)	\$ (341,986)	\$ (1,761,595)	\$ (5,076,643)	\$ 853,163	\$ 3,458,768	\$ 2,731,799	\$ 435,069	\$ 298,575
Net Change in Fund Balance	\$ 91,870	\$ (91,300)	\$ (1,081,473)	\$ 73,085	\$ 313,687	\$ (7,072,785)	\$ 49,799	\$ (7,717,117)
Fund balances - beginning	\$ 842,575	\$ 1,908,452	\$ 1,020,402	\$ 357,423	\$ 4,677,500	\$ 8,002,582	\$ 2,682,501	\$ 19,491,435
Fund balance - ending	\$ 934,445	\$ 1,817,152	\$ (61,071)	\$ 430,508	\$ 4,991,187	\$ 929,797	\$ 2,732,300	\$ 11,774,318

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, 2017

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

Net change in fund balances - total governmental funds	\$	(7,717,117)
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		12,542,864
- Depreciation expense		(2,993,552)
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)		1,007,425
The change in compensated absences is shown as an expense in the Statement of Activities		
		(19,390)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:		
- Long-term debt principal payments		3,065,715
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		(779,000)
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		
		(1,227,750)
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		
		594,955
Change in net position - Statement of Activities	\$	4,474,150

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2017

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-major Enterprise	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 4,227,573	\$ 2,791,743	\$ 131,736	\$ 7,151,052
Accounts receivable - net	285,888	235,877	-	521,765
Total current assets	<u>\$ 4,513,461</u>	<u>\$ 3,027,620</u>	<u>\$ 131,736</u>	<u>\$ 7,672,817</u>
Noncurrent assets:				
Restricted cash and investments	\$ 1,880,958	\$ 272,571	\$ -	\$ 2,153,529
Capital assets - land	8,065,531	267,500	-	8,333,031
Capital assets - construction in progress	101,644	139,406	-	241,050
Capital assets - depreciable, net	10,431,827	14,514,255	-	24,946,082
Total noncurrent assets	<u>\$ 20,479,960</u>	<u>\$ 15,193,732</u>	<u>\$ -</u>	<u>\$ 35,673,692</u>
Total assets	<u>\$ 24,993,421</u>	<u>\$ 18,221,352</u>	<u>\$ 131,736</u>	<u>\$ 43,346,509</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	\$ 126,670	\$ 117,571	\$ -	\$ 244,241
Total deferred outflows of resources	<u>\$ 126,670</u>	<u>\$ 117,571</u>	<u>\$ -</u>	<u>\$ 244,241</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 25,120,091</u>	<u>\$ 18,338,923</u>	<u>\$ 131,736</u>	<u>\$ 43,590,750</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 40,236	\$ 35,213	\$ -	\$ 75,449
Accrued payables	38,380	35,144	442	73,966
Utility Billing Refunds Payable	-	993	-	993
Current portion of long-term capital liabilities	1,294,000	236,000	-	1,530,000
Current portion of compensated absences payable	92,605	76,921	-	169,526
Total current liabilities	<u>\$ 1,465,221</u>	<u>\$ 384,271</u>	<u>\$ 442</u>	<u>\$ 1,849,934</u>
Noncurrent liabilities:				
Deposits payable	\$ 263,095	\$ -	\$ -	\$ 263,095
Noncurrent portion of long-term liabilities	244,576	262,336	9,859	516,771
Noncurrent portion of long-term capital liabilities	7,844,000	3,458,563	-	11,302,563
Noncurrent portion of compensated absences	52,118	40,388	473	92,979
Net pension liability	525,026	487,313	-	1,012,339
Total noncurrent liabilities	<u>\$ 8,928,815</u>	<u>\$ 4,248,600</u>	<u>\$ 10,332</u>	<u>\$ 13,187,747</u>
Total liabilities	<u>\$ 10,394,036</u>	<u>\$ 4,632,871</u>	<u>\$ 10,774</u>	<u>\$ 15,037,681</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	\$ 1,738	\$ 1,613	\$ -	\$ 3,351
Deferred inflows of resources - hydro project	97,466	-	-	97,466
Total deferred inflows of resources	<u>\$ 99,204</u>	<u>\$ 1,613</u>	<u>\$ -</u>	<u>\$ 100,817</u>
NET POSITION				
Net investment in capital assets	\$ 9,461,002	\$ 11,226,598	\$ -	\$ 20,687,600
Restricted for capital projects	1,061,866	1,122,986	-	2,184,852
Restricted for debt service	786,878	166,947	-	953,825
Unrestricted	3,317,105	1,187,908	120,962	4,625,975
Total net position	<u>\$ 14,626,851</u>	<u>\$ 13,704,439</u>	<u>\$ 120,962</u>	<u>\$ 28,452,252</u>
Total liabilities and net position	<u>\$ 25,020,887</u>	<u>\$ 18,337,310</u>	<u>\$ 131,736</u>	<u>\$ 43,489,933</u>
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	<u>\$ 25,120,091</u>	<u>\$ 18,338,923</u>	<u>\$ 131,736</u>	<u>\$ 43,590,750</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, 2017

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-major Enterprise	Totals
OPERATING REVENUES				
Charges for services	\$ 3,489,597	\$ 3,039,597	\$ -	\$ 6,529,194
Special assessments	14,310	-	-	14,310
Total operating revenues	\$ 3,503,907	\$ 3,039,597	\$ -	\$ 6,543,504
OPERATING EXPENSES				
Personal services	\$ 781,184	\$ 692,607	\$ 5,151	\$ 1,478,942
Supplies	160,645	266,808	228	427,681
Purchased services	317,102	302,683	10,215	630,000
Fixed charges	207,024	164,316	926	372,266
Depreciation	469,197	709,744	-	1,178,941
Total operating expenses	\$ 1,935,152	\$ 2,136,158	\$ 16,520	\$ 4,087,830
Operating income (loss)	\$ 1,568,755	\$ 903,439	\$ (16,520)	\$ 2,455,674
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	\$ 9,737	\$ 345,123	\$ -	\$ 354,860
Interest revenue	34,892	15,707	787	51,386
Debt service interest expense	(240,679)	(95,105)	-	(335,784)
Grants to other institutions	(12,686)	(6,667)	-	(19,353)
Total non-operating revenues (expenses)	\$ (208,736)	\$ 259,058	\$ 787	\$ 51,109
Income (loss) before contributions and transfers	\$ 1,360,019	\$ 1,162,497	\$ (15,733)	\$ 2,506,783
Transfers in	898,726	-	-	898,726
Transfers out	(319,485)	-	-	(319,485)
Change in net position	\$ 1,939,260	\$ 1,162,497	\$ (15,733)	\$ 3,086,024
Net Position - Beginning of the year	\$ 12,605,940	\$ 12,454,362	\$ 69,751	\$ 25,130,053
Restatements	81,651	87,580	66,944	236,175
Net Position - Beginning of the year - Restated	\$ 12,687,591	\$ 12,541,942	\$ 136,695	\$ 25,366,228
Net Position - End of the year	\$ 14,626,851	\$ 13,704,439	\$ 120,962	\$ 28,452,252

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2017

Business - Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from providing services	\$ 3,468,982	\$ 3,004,274	\$ 648	\$ 6,473,904
Cash received from miscellaneous sources	14,310	-	-	14,310
Cash payments to suppliers	(324,946)	(266,808)	(1,312)	(593,066)
Cash payments for fixed charges	-	(220,154)	-	(220,154)
Cash payments for professional services	(317,102)	(302,683)	(10,215)	(630,000)
Cash payments to employees	(971,096)	(908,669)	(13,827)	(1,893,592)
Net cash provided (used) by operating activities	<u>\$ 1,870,148</u>	<u>\$ 1,305,960</u>	<u>\$ (24,706)</u>	<u>\$ 3,151,402</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (346,874)	\$ (873,574)	\$ -	\$ (1,220,448)
Principal paid on debt	(1,148,000)	(233,085)	-	(1,381,085)
Interest paid on debt	(240,679)	(95,105)	-	(335,784)
Proceeds from bonds, loans and advances	-	439,085	-	439,085
Net cash provided (used) by capital and related financing activities	<u>\$ (1,735,553)</u>	<u>\$ (762,679)</u>	<u>\$ -</u>	<u>\$ (2,498,232)</u>
Cash flows from non-capital financing activities:				
Cash received from/paid to other sources	\$ 503,840	\$ 362,118	\$ -	\$ 865,958
Net cash provided (used) from non-capital financing activities	<u>\$ 503,840</u>	<u>\$ 362,118</u>	<u>\$ -</u>	<u>\$ 865,958</u>
Cash flows from investing activities:				
Interest on investments	\$ 34,892	\$ 15,707	\$ 787	\$ 51,386
Net cash provided (used) by investing activities	<u>\$ 34,892</u>	<u>\$ 15,707</u>	<u>\$ 787</u>	<u>\$ 51,386</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 673,327</u>	<u>\$ 921,106</u>	<u>\$ (23,919)</u>	<u>\$ 1,570,514</u>
Cash and cash equivalents at beginning	<u>\$ 5,435,204</u>	<u>\$ 2,143,208</u>	<u>\$ 155,655</u>	<u>\$ 7,734,067</u>
Cash and cash equivalents at end	<u>\$ 6,108,531</u>	<u>\$ 3,064,314</u>	<u>\$ 131,736</u>	<u>\$ 9,304,581</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,568,755	\$ 903,439	\$ (16,520)	\$ 2,455,674
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	469,197	709,744	-	1,178,941
Net pension liability	(214,236)	(225,456)	-	(439,692)
Other post-employment benefits	2,836	-	-	2,836
Changes in assets and liabilities:				
Increase (decrease) in accounts receivable	(20,615)	(35,323)	648	(55,290)
Increase (decrease) in accounts payable	25,407	(55,871)	-	(30,464)
Increase (decrease) in deposits payable	17,316	33	(158)	17,191
Increase (decrease) in compensated absences	13,694	5,866	(4,299)	15,261
Increase (decrease) in wages payable	7,794	3,528	(4,377)	6,945
Net cash provided (used) by operating activities	<u>\$ 1,870,148</u>	<u>\$ 1,305,960</u>	<u>\$ (24,706)</u>	<u>\$ 3,151,402</u>

See accompanying notes to the financial statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2017

		Agency Funds
<hr/>		
ASSETS		
Cash and short-term investments	\$	825,167
Taxes receivable		9,015
Total assets	\$	<u>834,182</u>
LIABILITIES		
Warrants payable	\$	761,567
Due to others		72,615
Total liabilities	\$	<u>834,182</u>

NET POSITION

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, 2017

		<u>Pension Trust Funds</u>
Net Position - Beginning of the year	\$	<u>32,879</u>
Restatements		<u>(32,879)</u>
Net Position - Beginning of the year - Restated	\$	<u>-</u>

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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. 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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Major Funds:

The City reports the following major governmental funds:

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

Resort Tax Fund – A special revenue fund established in 1995 to provide budget opportunity to implement City Ordinance 95-15, the Resort Tax Ordinance. The ordinance imposes a 3% resort tax on a range of 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.

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

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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

Proprietary Funds:

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

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

Major Funds:

The City reports the following major proprietary funds:

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

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

Fiduciary Funds

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

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.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2017, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Petty Cash	\$ 700
Cash in banks:	
Demand deposits	9,758,459
Savings deposits	388,198
Time deposits	2,179,764
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	10,163,624
Total	<u>\$ 22,490,745</u>

Credit Risk

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

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

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

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

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

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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

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

The government has 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, 2017, (in thousands) unaudited:

<u>Security Investment Type</u>	<u>Fair Value</u>	<u>Credit Quality Rating*</u>	<u>Weighted Average Maturity in Days</u>
Treasuries	\$ 124,774	A-1+	80
Asset Backed Commercial Paper	1,089,830	A-1	25
Corporate Commercial Paper	356,122	A-1	63
Corporate Notes	369,751	A-1+	78
Certificates of Deposit	484,113	A-1+	35
U.S. Government Agency	389,807	A-1+	24
Money Market Funds (Unrated)	24,219	NR	1
Money Market Funds (Rated)	<u>148,000</u>	A-1+	1
Total Investments	<u>\$ 2,986,616</u>	A-1	39

*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.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2017 the government's bank balance was exposed to custodial credit risk as follows:

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

	June 30, 2017 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 750,000
- Collateral held by the pledging bank's trust department but not in the City's name	7,998,986
Uninsured	3,539,805
Total deposits and investments	<u>\$ 12,288,791</u>

Deposit Security

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

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

The amount of collateral held for City deposits at June 30, 2017, equaled or exceeded the amount required by State statutes.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2017. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Description</u>	<u>Amount</u>
Streets	\$ 593,994
Parks	117,506
Tax Relief	1,123,847
Debt Service	3,645,424
Replacement & Depreciation	<u>206,405</u>
	<u>\$ 5,687,176</u>

NOTE 4. RECEIVABLES

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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

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

NOTE 5. INVENTORIES

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

NOTE 6. CAPITAL ASSETS

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2017 Basic Financial Statements.

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

Governmental activities:

	Balance July 1, 2016	Additions	Retirements	Transfers	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 8,725,278	\$ -	\$ -	\$ -	\$ 8,725,278
Construction in progress	8,731,397	12,186,095	-	(20,208,530)	708,962
Total capital assets not being depreciated	<u>\$ 17,456,675</u>	<u>\$ 12,186,095</u>	<u>\$ -</u>	<u>\$ (20,208,530)</u>	<u>\$ 9,434,240</u>
Other capital assets:					
Buildings	\$ 20,533,216	\$ 13,428	\$ -	\$ 15,916,696	\$ 36,463,340
Improvements other than buildings	2,350,637	-	-	158,543	2,509,180
Machinery and equipment	7,688,472	147,417	(202,269)	-	7,633,620
Infrastructure	37,854,606	195,924	-	4,133,291	42,183,821
Total other capital assets at historical cost	<u>\$ 68,426,931</u>	<u>\$ 356,769</u>	<u>\$ (202,269)</u>	<u>\$ 20,208,530</u>	<u>\$ 88,789,961</u>
Less: accumulated depreciation	<u>\$ (22,622,541)</u>	<u>\$ (2,993,552)</u>	<u>\$ 202,269</u>	<u>\$ -</u>	<u>\$ (25,413,824)</u>
Total	<u>\$ 63,261,065</u>	<u>\$ 9,549,312</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,810,377</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 56,311
Public safety	620,686
Public works	1,673,757
Culture and recreation	642,798
Total governmental activities depreciation expense	<u>\$ 2,993,552</u>

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

Business-type activities:

	Balance July 1, 2016	Additions	Transfers	Adjustments	Balance June 30, 2017
Capital assets not being depreciated:					
Land	\$ 602,783	\$ -	\$ -	\$ -	\$ 602,783
Haskill Basin Conservation Easement	7,730,248	-	-	-	7,730,248
Construction in progress	2,168,075	1,117,217	(3,044,242)	-	241,050
Total capital assets not being depreciated	<u>\$ 10,501,106</u>	<u>\$ 1,117,217</u>	<u>\$ (3,044,242)</u>	<u>\$ -</u>	<u>\$ 8,574,081</u>
Other capital assets:					
Machinery and equipment	\$ 134	\$ -	\$ -	\$ -	\$ 134
Buildings	792,287	-	-	-	792,287
Pumping Plant	3,170,905	-	-	-	3,170,905
Treatment Plant	16,515,158	-	-	-	16,515,158
Transmission and distribution	18,929,763	6,082	2,795,565	-	21,731,410
General Plant	1,700,679	97,151	248,677	(4,818)	2,041,689
Total other capital assets at historical cost	<u>\$ 41,108,926</u>	<u>\$ 103,233</u>	<u>\$ 3,044,242</u>	<u>\$ (4,818)</u>	<u>\$ 44,251,583</u>
Less: accumulated depreciation	<u>\$ (18,128,540)</u>	<u>\$ (1,178,942)</u>	<u>\$ -</u>	<u>\$ 1,981</u>	<u>\$ (19,305,501)</u>
Total	<u>\$ 33,481,492</u>	<u>\$ 41,508</u>	<u>\$ -</u>	<u>\$ (2,837)</u>	<u>\$ 33,520,163</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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, 2017, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance				Balance		Due Within
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	<u>June 30, 2017</u>		<u>One Year</u>
Special assessment bond	\$ 655,000	\$ 779,000	\$ (70,000)	\$ -	\$ 1,364,000	\$	79,331
Revenue bonds	16,983,000	-	(2,806,000)	-	14,177,000		3,125,000
Compensated absences	1,043,311	19,390	-	-	1,062,701		836,687
Intercap loans	973,268	-	(189,715)	-	783,553		169,652
Net pension liability*	4,013,106	1,754,790	-	-	5,767,896		-
Other post-employment benefits**	2,140,510	-	-	(535,749)	1,604,761		-
Total	<u>\$ 25,808,195</u>	<u>\$ 2,553,180</u>	<u>\$ (3,065,715)</u>	<u>\$ (535,749)</u>	<u>\$ 24,759,911</u>	<u>\$</u>	<u>4,210,670</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				Balance		Due Within
	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	<u>June 30, 2017</u>		<u>One Year</u>
Revenue bonds	\$ 13,774,563	\$ 439,085	\$ (1,381,085)	\$ -	\$ 12,832,563	\$	1,530,000
Compensated absences	249,512	19,560	(6,567)	-	262,505		169,526
Net pension liability*	1,292,060	-	(215,206)	(64,515)	1,012,339		-
Other post-employment benefits**	689,293	-	-	(172,522)	516,771		-
Total	<u>\$ 16,005,428</u>	<u>\$ 458,645</u>	<u>\$ (1,602,858)</u>	<u>\$ (237,037)</u>	<u>\$ 14,624,178</u>	<u>\$</u>	<u>1,699,526</u>

*See Note 10

**See Note 8

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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 Entity to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least 5% of the principal amount of bonds outstanding. Special assessment bonds outstanding as of June 30, 2017 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, 2017</u>
SID #166 - JP Road Project	7/6/06	3.65-4.80%	20yrs	7/1/26	\$ 1,360,000	varies	\$ 585,000
SID #167	1/5/17	4.36%	20yrs	7/1/37	389,500	varies	389,500
SID #167	1/5/17	4.36%	20yrs	7/1/37	<u>389,500</u>	varies	<u>389,500</u>
					<u>\$ 2,139,000</u>		<u>\$ 1,364,000</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 79,331	\$ 48,047
2019	91,724	57,502
2020	92,902	53,367
2021	94,132	49,147
2022	95,416	44,840
2023	96,758	40,443
2024	98,156	35,958
2025	99,618	31,376
2026	96,144	26,730
2027	37,736	22,258
2028	39,400	20,594
2029	41,136	18,858
2030	42,950	17,044
2031	44,842	15,152
2032	46,820	13,174
2033	48,884	11,110
2034	51,038	8,956
2035	53,288	6,706
2036	55,636	4,358
2037	58,089	1,905
Total	\$ <u>1,364,000</u>	\$ <u>527,525</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
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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, 2017</u>
2016 A Tax Increment Urban renewal Bond (Glacier Bank)(1)	3/1/16	2.21%	4 yrs	7/15/20	\$ 4,900,000	Varies	\$ 4,515,000
2016B Tax Increment Urban Renewal Bond (First Interstate Bank) (1)	3/1/16	2.21%	4 yrs	7/15/20	4,900,000	Varies	4,515,000
2015 Tax Increment Urban Renewal Refunding Bonds 2015A (Glacier Bank) (1)	6/10/15	2.62%	5 yrs	7/15/20	3,591,500	Varies	2,573,500
2015 Tax Increment Urban Renewal Refunding Bonds 2015B (First Interstate) (1)	6/10/15	2.62%	5yrs	7/15/20	3,591,500	Varies	2,573,000
DNRC - Water 1998(2)	7/6/98	2.00%	20 yrs	7/1/18	400,000	Varies	28,000
DNRC - Water 1999(2)	6/21/99	2.00%	20 yrs	7/1/19	5,839,000	Varies	775,000
Water DWSRF #06098-2007(2)	6/15/06	2.25%	20 yrs	7/1/26	248,699	Varies	461,000
Water WRF #08110 - 2006(2)	9/6/07	2.25%	20 yrs	7/1/27	900,000	Varies	472,000
Water SRF (2009B) (2)	10/21/09	0.75%	20 yrs	7/1/29	120,100	Varies	72,000
Water System Revenue Bond, Taxable Series 2016 (Haskill Basin) (2)	1/1/16	2.50%	20 yrs	1/1/25	8,219,500	Varies	7,216,000
Water DNRC Series 2015(2)	12/7/15	2.50%	30 yrs	1/1/36	120,000	Varies	114,000
Sewer SRF 2002 Series(2)	7/1/02	2.00%	20 yrs	7/1/22	200,000	Varies	57,000
Sewer DNRC (2008A) (2)	12/11/08	2.25%	20 yrs	7/1/28	500,000	Varies	257,000
Sewer DNRC (2008B) (2)	1/16/09	2.25%	20 yrs	1/1/29	1,711,000	Varies	872,000
Sewer DNRC (2010B) (2)	2/4/10	0.75%	20 yrs	1/1/30	48,211	Varies	34,000
Sewer 2011B(2)	8/1/11	3.00%	20 yrs	7/1/31	340,000	Varies	259,000
Sewer 2011C(2)	8/1/11	3.00%	20 yrs	7/1/31	350,000	Varies	280,764
Sewer - River Lakes(2)	11/20/14	2.50%	20 yrs	1/1/35	300,000	Varies	219,799
Sewer 2014(2)	3/6/14	3.00%	20 yrs	1/1/34	452,300	Varies	390,000
Sewer DNRC Series 2015(2)	12/17/15	2.50%	20 yrs	7/1/36	960,000	Varies	903,000
Sewer I & I(2)	7/21/16	2.50%	20 yrs	1/1/36	439,085	Varies	422,000
					<u>\$ 37,830,895</u>		<u>\$ 27,009,563</u>

(1) Reported in Government Activities

(2) Reported in Business-Type Activities

CITY OF WHITEFISH
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 June 30, 2017

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, 2017.

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 4,655,000	\$ 567,876
2019	4,991,000	464,224
2020	5,059,000	352,680
2021	5,028,000	216,027
2022	1,365,000	147,969
2023	1,456,000	119,184
2024	1,577,000	89,503
2025	995,000	57,139
2026	401,000	42,944
2027	265,000	35,102
2028	170,000	28,515
2029	168,000	24,592
2030	164,000	20,689
2031	162,764	16,540
2032	141,000	12,130
2033	130,000	8,820
2034	125,799	5,810
2035	94,000	2,650
2036	62,000	760
Total	\$ <u>27,009,563</u>	\$ <u>2,213,154</u>

Intercap Loans

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

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Intercept loans outstanding as of June 30, 2017 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, 2017</u>
Ice Rink	10/1/2012	1.00-1.55%	5yrs	8/15/2017	\$ 140,000	\$ 15,893
Emergency Vehicle	3/14/2014	1.00-1.55%	5yrs	2/15/2019	155,597	62,315
Fire Pumper Type 1	6/20/2014	1.00-1.55%	10yrs	8/15/2024	485,112	153,408
Fire Pumper	10/3/2014	1.00-1.55%	10 yrs	8/15/2024	282,659	214,237
Water Tender Fire Apparatus	2/13/2015	1.00-1.55%	7 yrs	2/15/2022	211,000	152,197
Fire SCBAs	12/4/2015	1.25-2.50%	5 yrs	2/15/2021	230,453	185,503
Total					<u>\$1,521,220</u>	<u>\$ 783,553</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 169,652	\$ 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	24,875	324
Total	<u>\$ 783,553</u>	<u>\$ 37,885</u>

Compensated Absences

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

CITY OF WHITEFISH
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NOTES TO THE FINANCIAL STATEMENTS
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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. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post-Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

Funding Status and funding Progress. The funded status of the plan as of June 30, 2017, was as follows:

Actuarial Accrued Liability (AAL)	\$	2,121,532
Actuarial value of plan 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)	\$	-
Interest on net OPEB obligation		-
Adjustment to ARC		-
Annual OPEB cost (expense)	\$	-
Contributions made		-
Increase in net OPEB obligation	\$	-
Net OPEB obligation - beginning of year		2,829,803
Restatement		(708,271)
Net OPEB obligation - end of year	\$	121,532

CITY OF WHITEFISH
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Actuarial Methods and Assumptions. The following actuarial methods and assumptions were used:

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	65
Discount rate (average anticipated rate)	3.82%
Average salary increase (Consumer Price Index)	3.80%

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

<u>Year</u>	<u>% Increase</u>
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, 2017, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u> <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Negative cash balance	General – Major Governmental	Whitefish Trail Construction – Non Major Governmental	\$ <u>632</u>
	<u>Advances to/from other funds:</u> <u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half of Annual Assessment	SID Revolving – Non Major Governmental	SID 166 – Non Major Governmental	\$ 58,669
Deficit Cash	General – Major Governmental	Drug Forfeiture – Non Major Governmental	<u>172,817</u>
			\$ <u>231,516</u>

The above advance balances are not expected to be paid within one year:

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Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2017:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating Transfer	Parks, Recreation & Community Service – Non Major Governmental	General – Major Governmental	\$ 672,579
Operating Transfer	Fire & Ambulance–Major Governmental	General– Major Governmental	835,000
Capital Projects Transfer	City Hall Project– Major Governmental	General– Major Governmental	5,760
Operating Transfer	Library– Non Major Governmental	General– Major Governmental	34,371
Operating Transfer	Water – Major Business-Type	Resort Tax–Major Governmental	898,726
Property Tax Relief	General– Major Governmental	Resort Tax–Major Governmental	862,869
Debt Payments	Tax Increment Revenue Bond Debt– Major Governmental	Tax Increment– Major Governmental	3,458,768
Capital Projects Transfer	City Hall Project– Major Governmental	Tax Increment– Major Governmental	1,821,261
Urban Renewal Projects	Tax Increment– Major Governmental	Impact Fees– Non Major Governmental	203,386
Capital Projects Transfer	City Hall Project– Major Governmental	Impact Fees– Non Major Governmental	188,098
Operating Transfer	General– Major Governmental	Water– Major Business-Type	<u>319,485</u>
			<u>\$ 9,300,303</u>

NOTE 10. NET PENSION LIABILITY

Plan Descriptions

PERS

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school 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 participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

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 provides retirement benefits to all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. 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

Member's highest average compensation (HAC)

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

Compensation Cap

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

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.

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Guaranteed Annual Benefit Adjustment (GABA)

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

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

MPORS

Eligibility for benefit

20 years of membership service, regardless of age.

Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately 5 years of membership service for all other rights

Member's final average compensation (FAC)

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

Compensation Cap

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

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 3.0% 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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FURS

Eligibility for benefit

20 years of membership service, regardless of age.

Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately

5 years of membership service for all other rights

Member's compensation is defined as

- 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.

Compensation Cap

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

Monthly benefit formula

1) 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

i) if less than 20 years of service

2% of HMC for each year of service;

ii) if more than 20 years of service

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

2) 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 3.0% 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 firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service).

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Overview of Contributions

PERS

1. Rates are specified by state law for periodic employer and employee contributions.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. Local government entities are required to contribution 8.17% of members' compensation.
 - b. School district employers contributed 7.90% of members' compensation.
 - c. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - d. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - e. The Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
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 Severance Tax fund.

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MPORS

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

Fiscal Year	Member				Employer	State
	Hired <7/1/75	Hired >6/30/75	Hired >6/30/79	Hired>6/30/9 7 GABA		
2000-2017	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%

FURS

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

Fiscal Year	Member		Employer	State
	Non-GABA	GABA		
1998-2017	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%

Stand-Alone Statements

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

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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.

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest to PERS. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer. The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2017 and June 30, 2016 (reporting dates).

	PERS NPL as of 6/30/17	PERS NPL as of 6/30/16	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	MPOR NPL as of 6/30/17	MPOR NPL as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	FURS NPL as of 6/30/17	FURS NPL as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	Total NPL as of 6/30/17	TotalPercent Collective NPL as of 6/30/17
Employer Proportionate Share	\$ 4,646,925	\$ 3,443,819	0.2728%	0.2464%	\$ 1,222,583	\$ 1,031,015	0.6792%	0.6233%	\$ 910,727	\$ 830,332	0.7974%	0.8118%	\$ 6,780,235	1.7494%
State of Montana Proportionate Share associated with Employer	56,780	42,302	0.0033%	0.0030%	2,426,881	2,088,934	1.3482%	1.2628%	2,063,421	1,849,371	1.8066%	1.8082%	4,547,082	3.1581%
Total	<u>\$ 4,703,705</u>	<u>\$ 3,486,121</u>	<u>0.2761%</u>	<u>0.2494%</u>	<u>\$ 3,649,464</u>	<u>\$ 3,119,949</u>	<u>2.0274%</u>	<u>1.8861%</u>	<u>\$ 2,974,148</u>	<u>\$ 2,679,703</u>	<u>2.6040%</u>	<u>2.6200%</u>	<u>\$ 11,327,317</u>	<u>4.9075%</u>

At June 30, 2017, the employer recorded a liability of \$6,780,235 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, 2016. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS, MPORS, FURS during the measurement period July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERS, MPORS, FURS participating employers. At June 30, 2017, the employer's proportion was 1.7494 percent.

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 June 30, 2017

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.

Changes in benefit terms: There have been no changes in benefit terms since the previous measurement date.

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

Pension Expense as of 6/30/17

	Pension Expense (PERS) as of 6/30/2017	Pension Expense (MPORS) as of 6/30/2017	Pension Expense (FURS) as of 6/30/2017	Total Pension Expense as of 6/30/2017
Employer Proportionate Share	\$ 449,266	\$ 166,107	\$ 111,671	\$ 727,044
State of Montana Proportionate Share associated with the Employer	86,173	260,051	267,504	613,728
Total	<u>\$ 535,439</u>	<u>\$ 426,158</u>	<u>\$ 379,175</u>	<u>\$ 1,340,772</u>

At June 30, 2017, the employer recognized a Pension Expense of \$1,340,772 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$613,728 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2017, the employer recognized a beginning deferred outflow of resources for the employers FY 2016 contributions of \$583,530.

Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of PERS, MPORS, FURS deferred outflows of resources and deferred inflows of resources related to PERS, MPORS, FURS from the following sources:

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	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	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	\$ 25,073	\$ 15,381	\$ -	\$ 24,907	\$ -	\$ 8,574	\$ 25,073	\$ 48,862
Changes in actuarial assumptions	-	-	-	-	-	-	-	-
Actual vs. Expected Investment Earnings	437,183	-	79,275	-	95,344	-	611,802	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	353,072	-	90,969	-	-	30,295	444,041	30,295
Employer contributions subsequent to the measurement date - FY17	305,804	-	133,396	-	158,477	-	597,677	-
Total	<u>\$ 1,121,132</u>	<u>\$ 15,381</u>	<u>\$ 303,640</u>	<u>\$ 24,907</u>	<u>\$ 253,821</u>	<u>\$ 38,869</u>	<u>\$ 1,678,593</u>	<u>\$ 79,157</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:

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Deferred Inflows and Outflows

PERS: Year ended June 30:	Amount of deferred outflows and deferred inflws recongized in furture years as an increase or (decrease) to Pension Expense	
2017	\$	21,166
2018	\$	21,166
2019	\$	248,435
2020	\$	156,108
2021	\$	-
Thereafter	\$	-

MPORS: Year ended June 30:	Amount of deferred outflows and deferred inflws recongized in furture years as an increase or (decrease) to Pension Expense	
2017	\$	(2,498)
2018	\$	(2,498)
2019	\$	33,678
2020	\$	25,685
2021	\$	-
Thereafter	\$	-

FURS: Year ended June 30:	Amount of deferred outflows and deferred inflws recongized in furture years as an increase or (decrease) to Pension Expense	
2017	\$	6,919
2018	\$	6,919
2019	\$	45,570
2020	\$	28,906
2021	\$	(1,545)
Thereafter	\$	-

Actuarial Assumptions

PERS

The Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2015, with update procedures to roll forward the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

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• General Wage Growth*	4.00%
• *includes Inflation at	3.00%
• Merit Increases	0% to 6%
• Investment Return (net of admin expense)	7.75%
• Admin Expense as a % of Payroll	0.27%
• Postretirement Benefit Increases	

Guaranteed Annual Benefit Adjustment(GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, 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.

MPORS, FURS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the last actuarial experience study, dated June 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

Investment Return (net of admin expense)	7.75%
Admin Expense as % of Payroll	0.20%
General Wage Growth*	4.00%
*includes Inflation at	3.00%
Merit Increases	0% to 7.3%

- Postretirement Benefit Increases

i. Guaranteed Annual Benefit Adjustment (GABA)

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

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

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

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

FURS

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

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

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. 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 2117. 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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For MPORS the State contributes 29.37% of salaries paid by employers. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

For FURS the State contributes 32.61% of salaries paid by employers. Based on those assumptions, the System’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

PERS, MPORS, FURS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	<u>8.00%</u>	4.00%	<u>0.32%</u>
Total	<u>100.00%</u>		<u>4.37%</u>
	Inflation		3.00%
	Portfolio Return Expectation		7.37%

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. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized in the table above.

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Sensitivity Analysis

	1.0% Decrease		Current		1.0% Increase
	-6.75%		Discount Rate		-8.75%
PERS	\$ 6,743,031	\$	4,646,925	\$	2,841,335
MPORS	\$ 1,646,143	\$	1,222,583	\$	760,554
FURS	\$ 1,434,018	\$	910,727	\$	480,466

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.

Summary of Significant Accounting Policies

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

NOTE 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.

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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

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

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

Committed – constraint is internally imposed by the formal action of council. This is the government's highest level of decision making authority and a formal action is required to establish, modify, or rescind the fund balance commitment.

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

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

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

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Resort Tax	\$ 1,817,152	Street and park improvements
Fire and Ambulance	430,508	Emergency services
Tax Increment Revenue Bond Debt	4,991,187	Debt service
All Other Aggregate	1,340,551	Maintenance
	205,394	Culture and recreation services and improvements
	142,795	Construction inspections
	344,836	Improvements
	48,882	Utility Services
	629,757	Strom Drainage
	5,112	Miscellaneous
	<u>226,777</u>	Debt Service
	<u>\$ 10,182,951</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
City Hall Project	\$ <u>929,797</u>	City hall and parking structure

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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>
Resort Tax	\$ (61,071)	Insufficient cash to cover current liabilities	Future tax revenues
Drug Forfeiture	\$ (172,817)	Insufficient cash to pay advance from General fund	Transfer of cash
SID 166 Bond Debt (J.P. Road Project)	\$ (38,287)	Insufficient cash to pay advance from SID Revolving fund	Future assessments
Whitefish Trail Construction	\$ (700)	Insufficient assets to cover current liabilities	Transfer of cash

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>
Water	\$ 81,651	Restated OPEB liability
Sewer	87,580	Restated OPEB liability
Solid Waste	3,291	Restated OPEB liability
Solid Waste	64,515	Restated net pension liability
Solid Waste	(862)	Restated capital assets
Pension Trust	(32,879)	To reclassify fund as agency in accordance with GASB #73
Governmental Activities	<u>535,749</u>	Restated OPEB liability
	<u>\$ 739,045</u>	

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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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.

NOTE 17. SERVICES PROVIDED TO OTHER GOVERNMENTS

County Provided Services

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

NOTE 18. RISK MANAGEMENT

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

Insurance Policies:

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

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:

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, 2017 the Resort Tax Fund has a cash balance of \$1,835,347. This balance was restricted as follows:

Park Improvements	\$ 111,944
Street Improvements	\$ 552,413
Tax Relief	\$ 1,170,990

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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. SUBSEQUENT EVENTS

City Hall and Parking Structure Project and Financing

In August 2015, City Hall was relocated to a temporary location to allow for demolition and construction to begin on the new City Hall and Parking Structure. The project is complete and the total amount expended as of June 13, 2018, was \$17,020,108. City staff moved into the new City Hall in May of 2017 and the final construction on the retail portion of the Parking Structure was completed in the spring of 2018. The funding sources for the project included cash on hand, two Tax Increment Revenue Bonds totaling \$9.8 million, and the Special Improvement District (SID) 167 Bonds totaling \$779,000.

Whitefish Trail Construction Project

Whitefish Trail Construction Project includes two new trailheads (Upper Haskill and Lower Haskill), 5.7 miles of new trail, and a boardwalk and viewing platform in Haskill Basin, as well as long-term trailhead improvements at Twin Bridges on Spencer Mountain. This project has continued through FY18 and is intended to continue into FY19 to construct one new mile of trail (Beaver Lake connection) and Beaver Lake improvements (shore improvements, toilet, kiosks, and signs. A total of \$379,905 has been spent from July 1, 2016 through June 13, 2018. To date, the City has collected \$211,747 in contributions and donations related to this project since fiscal year-end.

Cast Iron Water Main Construction Project

The City continues to replace cast iron water mains throughout the City's Water System. In FY17 and FY18 the City awarded a design and engineering contract and two construction contracts in the amount of \$364,750 for Phase I and \$761,720 for Phase II to replace cast iron water mains for Montana Avenue and 3rd & 4th West of Jennings. A total of \$1,223,055 including design, engineering, and construction, has been spent on the project from July 1, 2016 through June 13, 2018.

**REQUIRED SUPPLEMENTAL
INFORMATION**

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,919,897	\$ 1,919,897	\$ 1,956,954	\$ 37,057
Licenses and permits	67,700	67,700	66,654	(1,046)
Intergovernmental	865,103	865,103	857,653	(7,450)
Charges for services	249,950	249,950	224,598	(25,352)
Fines and forfeitures	217,250	217,250	267,995	50,745
Miscellaneous	57,520	57,520	64,197	6,677
Investment earnings	24,000	24,000	29,132	5,132
Amounts available for appropriation	\$ 3,401,420	\$ 3,401,420	\$ 3,467,183	\$ 65,763
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 480,716	\$ 480,716	\$ 461,639	\$ 19,077
Public safety	411,687	411,687	349,494	62,193
Public works	48,185	48,185	47,774	411
Social and economic services	1,500	1,500	-	1,500
Culture and recreation	19,700	19,700	9,599	10,101
Housing and community development	12,500	12,500	13,485	(985)
Miscellaneous	10,000	10,000	-	10,000
Total charges to appropriations	\$ 984,288	\$ 984,288	\$ 881,991	\$ 102,297
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ 23,370	\$ 23,370
Transfers in	1,182,354	1,182,354	(974,646)	(2,157,000)
Transfers out	(3,704,710)	(3,704,710)	(1,547,710)	2,157,000
Total other financing sources (uses)	\$ (2,522,356)	\$ (2,522,356)	\$ (2,498,986)	\$ 23,370
Net change in fund balance			\$ 86,206	
Fund balance - beginning of the year			\$ 865,598	
Restatements			1	
Fund balance - beginning of the year - restated			\$ 865,599	
Fund balance - end of the year			\$ 951,805	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

Resort Tax				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
			(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 3,346,277	\$ 3,346,277	\$ 3,658,607	\$ 312,330
Investment earnings	6,000	6,000	8,732	2,732
Amounts available for appropriation	<u>\$ 3,352,277</u>	<u>\$ 3,352,277</u>	<u>\$ 3,667,339</u>	<u>\$ 315,062</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	\$ 2,169,941	\$ 2,169,941	\$ 1,997,044	\$ 172,897
Total charges to appropriations	<u>\$ 2,169,941</u>	<u>\$ 2,169,941</u>	<u>\$ 1,997,044</u>	<u>\$ 172,897</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (1,702,494)	\$ (1,702,494)	\$ (1,761,595)	\$ (59,101)
Total other financing sources (uses)	<u>\$ (1,702,494)</u>	<u>\$ (1,702,494)</u>	<u>\$ (1,761,595)</u>	<u>\$ (59,101)</u>
Net change in fund balance			<u>\$ (91,300)</u>	
Fund balance - beginning of the year			<u>\$ 1,908,452</u>	
Fund balance - end of the year			<u><u>\$ 1,817,152</u></u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

	Tax Increment			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 5,359,523	\$ 5,359,523	\$ 5,104,849	\$ (254,674)
Intergovernmental	248,865	248,865	248,865	-
Miscellaneous	5,000	5,000	986	(4,014)
Amounts available for appropriation	<u>\$ 5,613,388</u>	<u>\$ 5,613,388</u>	<u>\$ 5,354,700</u>	<u>\$ (258,688)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	\$ 1,828,425	\$ 1,864,200	\$ 1,134,887	\$ 729,313
Capital outlay	535,775	500,000	224,643	275,357
Total charges to appropriations	<u>\$ 2,364,200</u>	<u>\$ 2,364,200</u>	<u>\$ 1,359,530</u>	<u>\$ 1,004,670</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 203,386	\$ 203,386	\$ 203,386	\$ -
Transfers out	(4,683,916)	(4,683,916)	(5,280,029)	(596,113)
Total other financing sources (uses)	<u>\$ (4,480,530)</u>	<u>\$ (4,480,530)</u>	<u>\$ (5,076,643)</u>	<u>\$ (596,113)</u>
Net change in fund balance			<u>\$ (1,081,473)</u>	
Fund balance - beginning of the year			<u>\$ 1,020,402</u>	
Fund balance - end of the year			<u>\$ (61,071)</u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2017

Fire & Ambulance				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
			(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 527,630	\$ 527,630	\$ 527,339	\$ (291)
Licenses and permits	120,300	120,300	80,536	(39,764)
Intergovernmental	452,403	452,403	43,204	(409,199)
Charges for services	1,475,317	1,475,317	1,625,150	149,833
Miscellaneous	10,000	10,000	7,897	(2,103)
Amounts available for appropriation	<u>\$ 2,585,650</u>	<u>\$ 2,585,650</u>	<u>\$ 2,284,126</u>	<u>\$ (301,524)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 3,206,404	\$ 3,206,404	\$ 2,898,216	\$ 308,188
Debt service - principal	152,316	152,316	152,316	-
Debt service - interest	13,672	13,672	13,672	-
Capital outlay	175,000	175,000	-	175,000
Total charges to appropriations	<u>\$ 3,547,392</u>	<u>\$ 3,547,392</u>	<u>\$ 3,064,204</u>	<u>\$ 483,188</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ 175,000	\$ 175,000	\$ -	\$ (175,000)
Proceeds from the sale of general capital asset disposition	-	-	18,163	18,163
Transfers in	835,000	835,000	835,000	-
Total other financing sources (uses)	<u>\$ 1,010,000</u>	<u>\$ 1,010,000</u>	<u>\$ 853,163</u>	<u>\$ (156,837)</u>
Net change in fund balance			<u>\$ 73,085</u>	
Fund balance - beginning of the year			<u>\$ 357,423</u>	
Fund balance - end of the year			<u>\$ 430,508</u>	

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

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

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire & Ambulance</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,467,183	\$ 3,667,339	\$ 5,354,700	\$ 2,284,126
Combined funds (GASBS 54) revenues	228,176	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,695,359</u>	<u>\$ 3,667,339</u>	<u>\$ 5,354,700</u>	<u>\$ 2,284,126</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 881,991	\$ 1,997,044	\$ 1,359,530	\$ 3,064,204
Combined funds (GASBS 54) expenditures	2,379,512	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,261,503</u>	<u>\$ 1,997,044</u>	<u>\$ 1,359,530</u>	<u>\$ 3,064,204</u>

City of Whitefish, Flathead County, Montana
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2017

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
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2017

	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.2728%	0.2464%	0.2405%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 4,646,925	\$ 3,443,819	\$ 2,996,189
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 56,780	\$ 42,302	\$ 36,588
Total	\$ 4,703,705	\$ 3,486,121	\$ 3,032,777
Employer's covered payroll	\$ 3,267,805	\$ 2,875,089	\$ 2,757,858
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	74.71%	78.40%	79.87%
	MPORS 2017	MPORS 2016	MPORS 2015
Employer's proportion of the net pension liability	0.6792%	0.6233%	0.6024%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,222,583	\$ 1,031,015	\$ 946,627
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 2,426,881	\$ 2,088,934	\$ 1,912,300
Total	\$ 3,649,464	\$ 3,119,949	\$ 2,858,927
Employer's covered payroll	\$ 958,753	\$ 862,615	\$ 808,297
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of the total pension liability	65.62%	66.90%	67.01%
	FURS 2017	FURS 2016	FURS 2015
Employer's proportion of the net pension liability	0.7974%	0.8118%	0.8339%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 910,727	\$ 830,332	\$ 814,039
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 2,063,421	\$ 1,849,371	\$ 1,836,432
Total	\$ 2,974,148	\$ 2,679,703	\$ 2,650,471
Employer's covered payroll	\$ 1,122,869	\$ 1,091,002	\$ 1,083,229
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	81.11%	76.11%	75.15%
Plan fiduciary net position as a percentage of the total pension liability	75.48%	76.90%	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
Schedule of Contributions
For the Year Ended June 30, 2017

	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 305,804	\$ 273,141	\$ 236,919
Contributions in relation to the contractually required contributions	\$ 305,804	\$ 282,462	\$ 253,208
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,267,136	\$ 3,267,808	\$ 2,875,089
Contributions as a percentage of covered payroll	9.36%	8.64%	8.81%

	MPORS 2017	MPORS 2016	MPORS 2015
Contractually required contributions	\$ 133,396	\$ 140,445	\$ 125,045
Contributions in relation to the contractually required contributions	\$ 133,396	\$ 140,445	\$ 125,045
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 958,994	\$ 958,753	\$ 862,615
Contributions as a percentage of covered payroll	13.91%	14.65%	14.50%

	FURS 2017	FURS 2016	FURS 2015
Contractually required contributions	\$ 158,477	\$ 160,540	\$ 159,717
Contributions in relation to the contractually required contributions	\$ 158,477	\$ 160,540	\$ 159,717
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,122,941	\$ 1,122,869	\$ 1,091,002
Contributions as a percentage of covered payroll	14.11%	14.30%	14.64%

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

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2017

Public Employees Retirement System (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes:

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.

- 3.0% 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% reduced by 0.1% for each 2.0% 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 (currently 0.25%);
 - no service credit for second employment;
 - start same benefit amount the month following termination; and
 - GABA starts again the January immediately following second retirement.
- 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 retirement; and,
 - GABA starts 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 (currently 0.25%);
 - no service credit for second employment;
 - start same benefit amount the month following termination; and,
 - GABA starts again the January immediately following second retirement.

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, 2017

- 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 effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP
The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% 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 was adopted in 2014 based on implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
-------------------------------	-------

There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 6.0%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed mark
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Municipal Police Officers’ Retirement System (MPORS)

Changes of Benefit Terms

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

2015 Legislative Changes:

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

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, 2017

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 was adopted in 2014 based on implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.20%
-------------------------------	-------

There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed mark
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Firefighters' Unified Retirement System (FURS)

Changes of Benefit Terms

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

2015 Legislative Changes:

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

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition was adopted in 2014 based on implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.19%
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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, 2017

There were no changes following the 2013 Economic Experience study.

The following Actuarial Assumptions were adopted from the June 2010 Experience Study:

General Wage Growth*	4.00%
*Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed mark
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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

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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, 2017, and the related notes to the financial statements, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated June 21, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

June 21, 2018