

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
Fiscal Year Ended June 30, 2011

AUDIT REPORT

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
 Fiscal Year Ended June 30, 2011

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CITY OF WHITEFISH

FLATHEAD COUNTY, MONTANA

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CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2011

Michael Jenson

Mayor

CITY COUNCIL

Turner Askew

Council Member

Ryan Friel

Council Member

John Muhlfeld

Council Member

Bill Kahle

Council Member

Phillip Mitchell

Council Member

Chris Hyatt

Council Member

CITY OFFICIALS

Chuck Stearns

City Manager

Mary VanBuskirk

City Attorney

Bradley Johnson

Municipal Judge

Necile Lorang

City Clerk, Administrative Services Director

William Dial

Police Chief

Rich Knapp

Assistant City Manager, Finance Director

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2011**

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, 2011. The City encourages readers to consider the information presented in conjunction with the City's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the fiscal year end by \$64,783,752 as reported in the statement of net assets. Of this amount, \$3,095,320 is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations.
- The total fiscal year end governmental fund balance was \$12,319,076 as reported in the balance sheet.
- The unassigned general fund balance at fiscal year-end was \$854,229.

Overview of the Financial Statements

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

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

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

Government-wide Financial Statements

The **government-wide financial statements** are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, the basis of accounting used by most private-sector businesses.

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

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

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees

and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, planning, culture and recreation, housing and economic development, and debt service. The business-type activities of the City include water, wastewater, solid waste and ambulance operations.

Fund Financial Statements

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

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

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

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

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

The City has two agency-type fiduciary funds, the Volunteer Fire Pension and Relief Fund, and the Trail Runs Through It Fund. The Volunteer Fire agency fund is used as a clearing account for assets held by the City until the funds are disbursed to the Fire Department Relief Association. Two administrative clearing funds for payroll and claims are included in this category. The Trail Runs Through It Fund was funded by a private donation, and is used at the discretion of the Trail Runs Through It Steering Committee.

Discretely Presented Component Unit

The Housing Authority is both a legally separate and fiscally independent entity from the City of Whitefish. The City appoints all seven commissioners (board members) of the board of the Housing Authority in accordance to MCA 7-15-4431. The financial statements and notes to the financial statements of the Housing Authority, a discretely presented component unit of the City, are included in the City's audit report. The Housing Authority was audited by another firm and has a separate issued audit report.

Notes to Financial Statements

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

Other Required Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

NET ASSETS

Net assets may serve over time as a useful indicator of a government's financial position. The net assets for the fiscal year ending June 30, 2011 were \$64,783,752, an increase of \$3,757,390.

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

The following table presents consolidated information on the City's net assets as of June 30, 2011 and June 30, 2010.

City of Whitefish - Net Assets

	Governmental Activities			Business-type Activities		
	<u>FY11</u>	<u>FY10</u>	<u>Change Inc (Dec)</u>	<u>FY11</u>	<u>FY10</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$15,502,074	\$14,682,434	\$ 819,640	\$ 3,972,221	\$ 3,324,245	\$ 647,976
Capital assets	48,618,113	47,463,139	1,154,974	21,648,094	22,013,613	(365,519)
Total assets	\$64,120,187	\$62,145,573	\$ 1,974,614	\$25,620,315	\$25,337,858	\$ 282,457
Long-term debt outstanding	\$16,679,883	\$17,761,065	\$(1,081,182)	\$ 7,594,334	\$ 7,841,273	\$ (246,939)
Other liabilities	431,193	608,314	(177,121)	251,340	246,417	4,923
Total liabilities	\$17,111,076	\$18,369,379	\$(1,258,303)	\$ 7,845,674	\$ 8,087,690	\$ (242,016)
Invested in capital assets, net of debt	\$33,099,650	\$30,682,562	\$ 2,417,088	\$14,801,094	\$14,716,295	\$ 84,799
Restricted	11,464,847	10,256,910	1,207,937	2,322,841	2,158,907	163,934
Unrestricted (deficit)	2,444,614	2,836,722	(392,108)	650,706	374,966	275,740
Total net assets	\$47,009,111	\$43,776,194	\$3,232,917	\$17,774,641	\$17,250,168	\$ 524,473

CHANGES IN NET ASSETS

The City's revenues totaled \$20,505,506 fiscal year ending June 30, 2011. The total cost of all programs and services for that same period were \$16,707,487. Therefore, the increase in net assets was \$3,798,019. The table below presents consolidated information on the City's change in net assets for the fiscal years ending June 30, 2010 and June 30, 2011.

City of Whitefish – Changes in Net Assets

	Governmental			Business-type		
	Activities			Activities		
	<u>FY11</u>	<u>FY10</u>	<u>Change Inc (Dec)</u>	<u>FY11</u>	<u>FY10</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$3,462,629	\$3,083,793	\$ 378,836	\$5,928,139	\$5,505,319	\$ 422,820
Operating grants and contributions	623,731	672,126	(48,395)	-	-	-
Capital grants and contributions	707,575	579,256	128,319	172,251	250,630	(78,379)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	7,067,518	6,697,749	369,769	232,505	148,430	84,075
Miscellaneous	212,115	208,862	3,253	70,842	8,750	62,092
Interest/investment earnings	163,173	257,416	(94,243)	54,498	58,748	(4,250)
State entitlement	867,493	827,500	39,993	-	-	-
On behalf payments	368,793	346,504	22,289	210,988	222,493	(11,505)
Licenses and permits	363,256	242,312	120,944	-	-	-
Total revenues	<u>\$13,836,283</u>	<u>\$12,915,518</u>	<u>\$ 920,765</u>	<u>\$6,669,223</u>	<u>\$6,194,370</u>	<u>\$ 474,853</u>
Program expenses						
General government	\$ 698,013	\$ 844,235	\$ (146,222)			
Public safety	3,558,454	3,703,430	(144,976)			
Public works	2,256,410	2,263,349	(6,939)			
Social and economic services	1,250	1,250	-			
Culture and recreation	1,801,589	1,577,676	223,913			
Housing and community development	1,063,115	1,182,059	(118,944)			
Debt service - interest	649,617	815,838	(166,221)			
Miscellaneous	69,787	83,861	(14,074)			
Water				\$2,010,648	\$1,873,570	\$ 137,078
Sewer				2,095,256	2,209,452	(114,196)
Solid Waste				686,568	670,947	15,621
Ambulance				1,816,780	1,868,716	(51,936)
Total expenses	<u>\$10,098,235</u>	<u>\$10,471,698</u>	<u>\$ (373,463)</u>	<u>\$6,609,252</u>	<u>\$6,622,685</u>	<u>\$ (13,433)</u>
Excess (deficiency) before special items and transfers	3,738,048	2,443,820	1,294,228	59,971	(428,315)	488,286
Transfers - net	(464,502)	(343,502)	(121,000)	464,502	343,502	121,000
Increase (decrease) in net assets	<u>\$3,273,546</u>	<u>\$2,100,318</u>	<u>\$1,173,228</u>	<u>\$524,473</u>	<u>\$ (84,813)</u>	<u>\$ 609,286</u>

Governmental activities

Revenues for the fiscal year ending June 30, 2011 from governmental activities were \$13,836,283 while expenses were \$10,098,235 plus \$464,502 in net transfers. Net assets thus increased \$3,273,546. General government related revenues increased by \$920,765 from the previous year and expenses decreased by \$373,463.

Business-type activities

Revenues for the fiscal year ending June 30, 2011 from business-type activities were \$6,669,223 plus \$464,502 in transfers. Expenses were \$6,609,252 resulting in an increase in net assets of \$524,473. Business-type related revenues increased by \$474,853 from the previous year and expenses decreased by \$13,433.

THE CITY'S FUNDS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are accounted for using the modified accrual basis of accounting. As of the end of fiscal year 2011, the City governmental funds reported a combined fund balance of \$12,319,076. Of that fund balance \$48,158 is unassigned.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Significant variance between the final revenue budget and actual resulted from a large increase in protested property taxes. In addition, court fines were lower than budget. There were no significant variances between the final expenditure budget and actual.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2011 totals \$47,900,744 (net of related debt). The City's capital investment includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The depreciation of capital assets is reflected in the various governmental and business-type expense activities.

City of Whitefish – Capital Assets

(net of depreciation)

Major capital assets events during FY2011 included the following:

- Completed design of Hwy 93/2nd St. improvement project (TIGER Grant)
- Completed raw water improvements at Water Treatment Plant
- Began the wastewater system improvement project-UV Disinfection and Inflow and Infiltration Mitigation
- Design of 2nd Street Bike Trail
- Began Depot Park Master Plan
- Began design of 6th & Geddes
- Design of Scott Ave lift station (part of 6th & Geddes)
- Design of Safe Routes to School
- Continued construction of Central Ave

- Purchased new loader
- Improved capacity and finalized construction of the Emergency Services Center
- Began hydroelectric project.

LONG-TERM DEBT

The City's FY2011 total debt was decreased by 5%. The main new debt came from a tax increment backed bond for the new Emergency Services Center. No general obligation bonds were issued.

	Outstanding Debt					
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue Bonds	\$14,510,000	\$15,695,000	\$ -	\$ -	\$14,510,000	\$15,695,000
Special Assessment	1,005,000	1,080,000	-	-	1,005,000	1,080,000
Loans			6,847,000	7,297,318	6,847,000	7,297,318
Capital Leases	3,463	5,577		-	3,643	5,577
OPEB	523,920	263,059	351,088	170,112	875,008	433,171
Total Debt	\$16,042,383	\$17,043,636	\$7,198,088	\$7,467,430	\$23,240,471	\$24,511,066

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Growth related revenues have diminished significantly from FY2007 levels. Newly developed properties are not being added to tax rolls like they have in the past, and population growth is probably stagnant. The City implemented a lean FY2010 and FY2011 budget and laid-off and left vacant several positions in order to reduce expenses and maintain a General Fund cash reserve. The FY2012 budget continues to be lean with a small but growing cash buffer for property tax supported funds. The FY2012 budget included a return of cost of living pay increases, and continued reduced capital spending in property tax supported funds. One position in Public Works was eliminated from the FY2012 budget, and the vacant Assistant Fire Chief position is being left open until administration determines how to best fill needs within the department.

The City Council increased the general FY2012 mill rate by 5.4 mills, the same amount the County levied for the library, therefore no net increase on city resident property taxes. To offset the increases in property taxes in FY2011 the City Council reduced storm water assessments by \$300,000 and street assessments by \$100,000. In FY2012, the Council continued a \$300,000 reduction of storm water assessments, but restored \$100,000 in additional street assessments. Resort Tax revenue collections were up 8.7% when comparing FY10 and FY11, and at one third into FY12 resort taxes are 10.4% higher than the same period in FY11.

A rate increase in water and wastewater usage charges in October 2011 and changes to billing procedures and other fees during the same time will result in increased revenues for the Water, Sewer, and Garbage Funds.

REQUESTS FOR INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Whitefish management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Whitefish Housing Authority, which represents 100% of the discretely presented component units. These financial statements were audited by other auditors whose report thereon, has been furnished to us, and our opinion insofar as it relates to the amounts included for the Whitefish Housing Authority is based on the report of the other auditors.

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

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Whitefish, Flathead County, Montana, as of June 30, 2011, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented the Fund Balance Reporting and Governmental Fund Type Definitions as required by the provisions of GASB Statement No. 54, as of June 30, 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2012, on our consideration of the City of Whitefish's internal control over financial reporting

and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post-employment benefits other than pensions on pages 2 through 8, 59 through 61, and 62 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 Americas, 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of City of Whitefish, Flathead County, Montana. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has be subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

March 29, 2012

City of Whitefish, Flathead County, Montana
Statement of Net Assets
June 30, 2011

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 8,915,580	\$ 988,553	\$ 9,904,133
Taxes and assessments receivable, net	1,624,801	50,003	1,674,804
Internal balances	332	(332)	-
Special assessments receivable deferred	1,127,004	26,859	1,153,863
Accounts receivable - net	-	584,297	584,297
Notes and loans receivable	29,156	-	29,156
Due from other governments	347,389	-	347,389
Unamortized bond premium and costs	202,719	-	202,719
Total current assets	<u>\$ 12,246,981</u>	<u>\$ 1,649,380</u>	<u>\$ 13,896,361</u>
Noncurrent assets			
Restricted cash and investments	\$ 3,255,093	\$ 2,322,841	\$ 5,577,934
Capital assets - land	7,605,540	602,783	8,208,323
Capital assets - construction in progress	12,179,648	4,554,403	16,734,051
Capital assets - depreciable, net	28,832,925	16,490,908	45,323,833
Total noncurrent assets	<u>\$ 51,873,206</u>	<u>\$ 23,970,935</u>	<u>\$ 75,844,141</u>
Total assets	<u>\$ 64,120,187</u>	<u>\$ 25,620,315</u>	<u>\$ 89,740,502</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 2,402	\$ 1,845	\$ 4,247
Contracts payable	265,869	-	265,869
Accrued payroll	162,922	100,934	263,856
Current portion of long-term capital liabilities	1,297,268	511,000	1,808,268
Current portion of compensated absences payable	499,998	285,570	785,568
Total current liabilities	<u>\$ 2,228,459</u>	<u>\$ 899,349</u>	<u>\$ 3,127,808</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 148,561	\$ 148,561
Noncurrent portion of long-term liabilities	523,920	351,088	875,008
Noncurrent portion of long-term capital liabilities	14,221,195	6,336,000	20,557,195
Noncurrent portion of compensated absences	137,502	110,676	248,178
Total noncurrent liabilities	<u>\$ 14,882,617</u>	<u>\$ 6,946,325</u>	<u>\$ 21,828,942</u>
Total liabilities	<u>\$ 17,111,076</u>	<u>\$ 7,845,674</u>	<u>\$ 24,956,750</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 33,099,650	\$ 14,801,094	\$ 47,900,744
Restricted for capital projects	1,641,825	-	1,641,825
Restricted for debt service	3,425,702	2,322,841	5,748,543
Restricted for special projects	6,397,320	-	6,397,320
Unrestricted	2,444,614	650,706	3,095,320
Total net assets	<u>\$ 47,009,111</u>	<u>\$ 17,774,641</u>	<u>\$ 64,783,752</u>
Total liabilities and net assets	<u>\$ 64,120,187</u>	<u>\$ 25,620,315</u>	<u>\$ 89,740,502</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2011

Functions/Programs	Program Revenues					Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
						Governmental Activities	Business-type Activities	Total
Primary government:								
Governmental activities:								
General government	\$ 842,321	\$ (144,308)	\$ 323,499	\$ -	\$ -	\$ (374,514)	\$ -	\$ (374,514)
Public safety	3,508,328	50,126	1,015,469	347,168	266,517	(1,929,300)	-	(1,929,300)
Public works	2,240,442	15,968	1,644,538	-	429,851	(182,021)	-	(182,021)
Social and economic services	1,250	-	-	-	-	(1,250)	-	(1,250)
Culture and recreation	1,791,765	9,824	475,915	120,623	11,207	(1,193,844)	-	(1,193,844)
Housing and community development	1,058,367	4,748	3,208	155,940	-	(903,967)	-	(903,967)
Debt service - interest	649,617	-	-	-	-	(649,617)	-	(649,617)
Miscellaneous	69,787	-	-	-	-	(69,787)	-	(69,787)
Total governmental activities	\$ 10,161,877	\$ (63,642)	\$ 3,462,629	\$ 623,731	\$ 707,575	\$ (5,304,300)	\$ -	\$ (5,304,300)
Business-type activities:								
Water	\$ 1,991,881	\$ 18,767	\$ 2,322,348	\$ -	\$ -	\$ -	\$ 311,700	\$ 311,700
Sewer	2,074,649	20,607	1,926,885	-	172,251	-	3,880	3,880
Solid Waste	685,117	1,451	710,555	-	-	-	23,987	23,987
Ambulance	1,793,963	22,817	968,351	-	-	-	(848,429)	(848,429)
Total business-type activities	\$ 6,545,610	\$ 63,642	\$ 5,928,139	\$ -	\$ 172,251	\$ -	\$ (508,862)	\$ (508,862)
Total primary government	\$ 16,707,487	\$ -	\$ 9,390,768	\$ 623,731	\$ 879,826	\$ (5,304,300)	\$ (508,862)	\$ (5,813,162)
General Revenues:								
Property taxes for general purposes						\$ 7,067,518	\$ 232,505	\$ 7,300,023
Miscellaneous						212,115	70,842	282,957
Interest/investment earnings						163,173	54,498	217,671
State entitlement						867,493	-	867,493
On behalf payments						368,793	210,988	579,781
Licenses and permits						363,256	-	363,256
Transfers - net						(464,502)	464,502	-
Total general revenues, special items and transfers						\$ 8,577,846	\$ 1,033,335	\$ 9,611,181
Change in net assets						\$ 3,273,546	\$ 524,473	\$ 3,798,019
Net assets - beginning						\$ 43,776,194	\$ 17,250,168	\$ 61,026,362
Restatements						(40,629)	-	(40,629)
Net assets - beginning - restated						\$ 43,735,565	\$ 17,250,168	\$ 60,985,733
Net assets - end						\$ 47,009,111	\$ 17,774,641	\$ 64,783,752

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>SID 166</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Current assets:							
Cash and investments	\$ 225,078	\$ 2,415,908	\$ 1,976,702	\$ 9,219	\$ -	\$ 4,288,673	\$ 8,915,580
Taxes and assessments receivable, net	401,731	-	938,027	-	11,203	273,840	1,624,801
Special assessments receivable deferred	-	-	-	-	1,109,163	17,841	1,127,004
Notes and loans receivable	29,156	-	-	-	-	-	29,156
Due from other funds	121,347	-	211,855	-	-	332	333,534
Due from other governments	13,870	-	-	-	-	333,519	347,389
Unamortized bond premium and costs	-	-	-	202,719	-	-	202,719
Total current assets	<u>\$ 791,182</u>	<u>\$ 2,415,908</u>	<u>\$ 3,126,584</u>	<u>\$ 211,938</u>	<u>\$ 1,120,366</u>	<u>\$ 4,914,205</u>	<u>\$ 12,580,183</u>
Noncurrent assets:							
Restricted cash and investments	\$ -	\$ -	\$ -	\$ 3,085,843	\$ -	\$ 169,250	\$ 3,255,093
Advances to other funds	530,792	-	-	-	-	70,114	600,906
Total noncurrent assets	<u>\$ 530,792</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,085,843</u>	<u>\$ -</u>	<u>\$ 239,364</u>	<u>\$ 3,855,999</u>
Total assets	<u>\$ 1,321,974</u>	<u>\$ 2,415,908</u>	<u>\$ 3,126,584</u>	<u>\$ 3,297,781</u>	<u>\$ 1,120,366</u>	<u>\$ 5,153,569</u>	<u>\$ 16,436,182</u>
LIABILITIES							
Current liabilities:							
Accounts payable	\$ 190	\$ -	\$ 441	\$ -	\$ -	\$ 1,771	\$ 2,402
Contracts payable	-	-	265,869	-	-	-	265,869
Accrued payroll	65,824	-	7,575	-	-	89,523	162,922
Due to other funds	-	-	-	-	-	333,202	333,202
Deferred revenue	401,731	-	938,027	-	1,120,366	291,681	2,751,805
Total current liabilities	<u>\$ 467,745</u>	<u>\$ -</u>	<u>\$ 1,211,912</u>	<u>\$ -</u>	<u>\$ 1,120,366</u>	<u>\$ 716,177</u>	<u>\$ 3,516,200</u>
Noncurrent liabilities:							
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ 56,197	\$ 544,709	\$ 600,906
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 56,197</u>	<u>\$ 544,709</u>	<u>\$ 600,906</u>
Total liabilities	<u>\$ 467,745</u>	<u>\$ -</u>	<u>\$ 1,211,912</u>	<u>\$ -</u>	<u>\$ 1,176,563</u>	<u>\$ 1,260,886</u>	<u>\$ 4,117,106</u>
FUND BALANCES							
Restricted	\$ -	\$ 2,415,908	\$ 1,914,672	\$ 3,297,781	\$ -	\$ 4,642,557	\$ 12,270,918
Unassigned	854,229	-	-	-	(56,197)	(749,874)	48,158
Total fund balance	<u>\$ 854,229</u>	<u>\$ 2,415,908</u>	<u>\$ 1,914,672</u>	<u>\$ 3,297,781</u>	<u>\$ (56,197)</u>	<u>\$ 3,892,683</u>	<u>\$ 12,319,076</u>
Total liabilities and fund balance	<u>\$ 1,321,974</u>	<u>\$ 2,415,908</u>	<u>\$ 3,126,584</u>	<u>\$ 3,297,781</u>	<u>\$ 1,120,366</u>	<u>\$ 5,153,569</u>	<u>\$ 16,436,182</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2011

Total fund balances - governmental funds	\$ 12,319,076
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	48,618,113
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	2,751,805
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(16,679,883)
Total net assets - governmental activities	\$ <u>47,009,111</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, 2011

	<u>General Fund</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>SID 166</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 1,875,410	\$ 1,680,394	\$ 4,061,653	\$ -	\$ 125,007	\$ 1,456,372	\$ 9,198,836
Licenses and permits	62,475	-	-	-	-	611,677	674,152
Intergovernmental	1,136,324	-	164,660	-	-	1,394,443	2,695,427
Charges for services	152,077	-	-	-	-	1,080,587	1,232,664
Fines and forfeitures	207,497	-	-	-	-	10,072	217,569
Miscellaneous	102,620	-	125,677	-	-	90,123	318,420
Investment earnings	60,786	37,616	-	31,443	658	33,397	163,900
Internal services	-	-	-	-	-	2,482	2,482
Total revenues	<u>\$ 3,597,189</u>	<u>\$ 1,718,010</u>	<u>\$ 4,351,990</u>	<u>\$ 31,443</u>	<u>\$ 125,665</u>	<u>\$ 4,679,153</u>	<u>\$ 14,503,450</u>
EXPENDITURES							
General government	\$ 467,166	\$ -	\$ -	\$ -	\$ -	\$ 10,954	\$ 478,120
Public safety	2,329,188	-	-	-	-	1,140,834	3,470,022
Public works	19,462	1,050	-	-	-	1,260,220	1,280,732
Social and economic services	1,250	-	-	-	-	-	1,250
Culture and recreation	51,366	-	-	-	-	1,151,197	1,202,563
Housing and community development	-	-	905,371	-	-	157,744	1,063,115
Debt service - principal	2,114	-	-	1,185,000	75,000	-	1,262,114
Debt service - interest	362	-	-	600,762	48,493	-	649,617
Miscellaneous	-	-	-	22,524	-	47,263	69,787
Capital outlay	-	1,397,473	9,923	-	-	1,490,304	2,897,700
Total expenditures	<u>\$ 2,870,908</u>	<u>\$ 1,398,523</u>	<u>\$ 915,294</u>	<u>\$ 1,808,286</u>	<u>\$ 123,493</u>	<u>\$ 5,258,516</u>	<u>\$ 12,375,020</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 726,281</u>	<u>\$ 319,487</u>	<u>\$ 3,436,696</u>	<u>\$ (1,776,843)</u>	<u>\$ 2,172</u>	<u>\$ (579,363)</u>	<u>\$ 2,128,430</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	\$ 2,270,801	\$ -	\$ 1,701	\$ 1,720,361	\$ -	\$ 872,193	\$ 4,865,056
Transfers out	(2,487,714)	(460,574)	(2,046,698)	-	-	(334,572)	(5,329,558)
Total other financing sources (uses)	<u>\$ (216,913)</u>	<u>\$ (460,574)</u>	<u>\$ (2,044,997)</u>	<u>\$ 1,720,361</u>	<u>\$ -</u>	<u>\$ 537,621</u>	<u>\$ (464,502)</u>
Net Change in Fund Balance	<u>\$ 509,368</u>	<u>\$ (141,087)</u>	<u>\$ 1,391,699</u>	<u>\$ (56,482)</u>	<u>\$ 2,172</u>	<u>\$ (41,742)</u>	<u>\$ 1,663,928</u>
Fund balances - beginning	\$ 398,238	\$ 2,556,995	\$ 522,973	\$ 3,354,263	\$ (58,369)	\$ 3,881,048	\$ 10,655,148
Restatements	(53,377)	-	-	-	-	53,377	-
Fund balances - beginning, restated	<u>\$ 344,861</u>	<u>\$ 2,556,995</u>	<u>\$ 522,973</u>	<u>\$ 3,354,263</u>	<u>\$ (58,369)</u>	<u>\$ 3,934,425</u>	<u>\$ 10,655,148</u>
Fund balance - ending	<u>\$ 854,229</u>	<u>\$ 2,415,908</u>	<u>\$ 1,914,672</u>	<u>\$ 3,297,781</u>	<u>\$ (56,197)</u>	<u>\$ 3,892,683</u>	<u>\$ 12,319,076</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	1,663,928
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		2,897,700
- Depreciation expense		(1,702,097)
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)		(667,167)
The change in compensated absences is shown as an expense in the Statement of Activities		
		79,929
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:		
- Long-term debt principal payments		1,262,114
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:		
- Post-employment benefits other than retirement liability		(260,861)
Change in net assets - Statement of Activities	\$	<u><u>3,273,546</u></u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Proprietary Funds
June 30, 2011

	Business-Type Activities - Enterprise Funds				Totals
	Water	Sewer	Ambulance	Non-major Enterprise	
ASSETS					
Current assets:					
Cash and investments	\$ 790,797	\$ 53,260	\$ 144,496	\$ -	\$ 988,553
Taxes and assessments receivable, net	496	669	48,838	-	50,003
Special assessments receivable deferred	11,442	15,417	-	-	26,859
Accounts receivable - net	184,837	162,819	174,529	62,112	584,297
Total current assets	<u>\$ 987,572</u>	<u>\$ 232,165</u>	<u>\$ 367,863</u>	<u>\$ 62,112</u>	<u>\$ 1,649,712</u>
Noncurrent assets:					
Restricted cash and investments	\$ 1,618,052	\$ 704,789	\$ -	\$ -	\$ 2,322,841
Capital assets - land	335,283	267,500	-	-	602,783
Capital assets - construction in progress	184,726	4,369,677	-	-	4,554,403
Capital assets - depreciable, net	8,635,600	7,721,499	133,809	-	16,490,908
Total noncurrent assets	<u>\$ 10,773,661</u>	<u>\$ 13,063,465</u>	<u>\$ 133,809</u>	<u>\$ -</u>	<u>\$ 23,970,935</u>
Total assets	<u>\$ 11,761,233</u>	<u>\$ 13,295,630</u>	<u>\$ 501,672</u>	<u>\$ 62,112</u>	<u>\$ 25,620,647</u>
LIABILITIES					
Current liabilities:					
Accounts payable	\$ 1,845	\$ -	\$ -	\$ -	\$ 1,845
Accrued payroll	29,185	32,244	37,069	2,436	100,934
Due to other funds	-	-	-	332	332
Current portion of long-term capital liabilities	415,000	96,000	-	-	511,000
Current portion of compensated absences payable	79,433	79,682	117,057	9,398	285,570
Total current liabilities	<u>\$ 525,463</u>	<u>\$ 207,926</u>	<u>\$ 154,126</u>	<u>\$ 12,166</u>	<u>\$ 899,681</u>
Noncurrent liabilities:					
Deposits payable	\$ 148,525	\$ 36	\$ -	\$ -	\$ 148,561
Noncurrent portion of long-term liabilities	105,739	115,142	121,425	8,782	351,088
Noncurrent portion of long-term capital liabilities	4,261,000	2,075,000	-	-	6,336,000
Noncurrent portion of compensated absences	48,094	41,031	18,887	2,664	110,676
Total noncurrent liabilities	<u>\$ 4,563,358</u>	<u>\$ 2,231,209</u>	<u>\$ 140,312</u>	<u>\$ 11,446</u>	<u>\$ 6,946,325</u>
Total liabilities	<u>\$ 5,088,821</u>	<u>\$ 2,439,135</u>	<u>\$ 294,438</u>	<u>\$ 23,612</u>	<u>\$ 7,846,006</u>
NET ASSETS					
Invested in capital assets, net of related debt	\$ 4,479,609	\$ 10,187,676	\$ 133,809	\$ -	\$ 14,801,094
Restricted for debt service	1,618,052	704,789	-	-	2,322,841
Unrestricted	574,751	(35,970)	73,425	38,500	650,706
Total net assets	<u>\$ 6,672,412</u>	<u>\$ 10,856,495</u>	<u>\$ 207,234</u>	<u>\$ 38,500</u>	<u>\$ 17,774,641</u>
Total liabilities and net assets	<u>\$ 11,761,233</u>	<u>\$ 13,295,630</u>	<u>\$ 501,672</u>	<u>\$ 62,112</u>	<u>\$ 25,620,647</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2011

	Business-Type Activities - Enterprise Funds				Totals
	Water	Sewer	Ambulance	Non-major Enterprise	
OPERATING REVENUES					
Charges for services	\$ 2,320,734	\$ 1,924,448	\$ 876,345	\$ 710,554	\$ 5,832,081
Miscellaneous revenues	1,614	68,437	4,883	-	74,934
Total operating revenues	<u>\$ 2,322,348</u>	<u>\$ 1,992,885</u>	<u>\$ 881,228</u>	<u>\$ 710,554</u>	<u>\$ 5,907,015</u>
OPERATING EXPENSES					
Personal services	\$ 878,400	\$ 947,514	\$ 1,267,353	\$ 68,218	\$ 3,161,485
Supplies	174,967	246,901	90,964	3,790	516,622
Purchased services	215,372	203,884	72,109	612,418	1,103,783
Fixed charges	163,440	131,832	31,019	2,126	328,417
Loss/bad debt expense	-	-	327,239	-	327,239
Depreciation	386,919	488,057	28,096	16	903,088
Total operating expenses	<u>\$ 1,819,098</u>	<u>\$ 2,018,188</u>	<u>\$ 1,816,780</u>	<u>\$ 686,568</u>	<u>\$ 6,340,634</u>
Operating income (loss)	<u>\$ 503,250</u>	<u>\$ (25,303)</u>	<u>\$ (935,552)</u>	<u>\$ 23,986</u>	<u>\$ (433,619)</u>
NON-OPERATING REVENUES (EXPENSES)					
Taxes/assessments revenue	\$ -	\$ -	\$ 232,505	\$ -	\$ 232,505
Intergovernmental revenue	-	172,251	302,953	-	475,204
Interest revenue	40,330	13,190	816	163	54,499
Debt service interest expense	(191,550)	(77,068)	-	-	(268,618)
Total non-operating revenues (expenses)	<u>\$ (151,220)</u>	<u>\$ 108,373</u>	<u>\$ 536,274</u>	<u>\$ 163</u>	<u>\$ 493,590</u>
Income (loss) before contributions and transfers	<u>\$ 352,030</u>	<u>\$ 83,070</u>	<u>\$ (399,278)</u>	<u>\$ 24,149</u>	<u>\$ 59,971</u>
Transfers in	-	-	464,502	-	464,502
Change in net assets	<u>\$ 352,030</u>	<u>\$ 83,070</u>	<u>\$ 65,224</u>	<u>\$ 24,149</u>	<u>\$ 524,473</u>
Net Assets - Beginning of the year	\$ 6,320,382	\$ 10,773,425	\$ 142,010	\$ 14,351	\$ 17,250,168
Net Assets - End of the year	<u>\$ 6,672,412</u>	<u>\$ 10,856,495</u>	<u>\$ 207,234</u>	<u>\$ 38,500</u>	<u>\$ 17,774,641</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Cash Flows
Proprietary Funds
June 30, 2011

Business - Type Activities - Enterprise Funds

	<u>Water</u>	<u>Sewer</u>	<u>Ambulance</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
Cash flows from operating activities:					
Cash received from providing services	\$ 2,283,644	\$ 1,900,168	\$ 501,481	\$ 692,457	\$ 5,377,750
Cash received from customers - deposits	10,505	-	-	-	10,505
Cash received from miscellaneous sources	1,614	68,437	4,883	-	74,934
Cash payments to suppliers	(553,779)	(582,617)	(194,102)	(618,334)	(1,948,832)
Cash payments for professional services	-	-	-	-	-
Cash payments to employees	(821,110)	(897,028)	(1,182,130)	(63,368)	(2,963,636)
Net cash provided (used) by operating activities	<u>\$ 920,874</u>	<u>\$ 488,960</u>	<u>\$ (869,868)</u>	<u>\$ 10,755</u>	<u>\$ 550,721</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(145,792)	(391,777)	-	-	(537,569)
Principal paid on debt	(400,000)	(93,911)	-	-	(493,911)
Interest paid on debt	(191,550)	(102,344)	-	(10,935)	(304,829)
Proceeds from bonds, loans and advances	-	43,593	-	-	43,593
Net cash provided (used) by capital and related financing activities	<u>\$ (737,342)</u>	<u>\$ (544,439)</u>	<u>\$ -</u>	<u>\$ (10,935)</u>	<u>\$ (1,292,716)</u>
Cash flows from non-capital financing activities:					
Tax levies and contributions from the County	-	-	225,106	-	225,106
Cash received from other funds	-	-	464,502	-	464,502
Cash received from other sources	-	172,251	302,953	-	475,204
Net cash provided (used) from non-capital financing activities	<u>\$ -</u>	<u>\$ 172,251</u>	<u>\$ 992,561</u>	<u>\$ -</u>	<u>\$ 1,164,812</u>
Cash flows from investing activities:					
Interest on investments	\$ 40,330	\$ 13,190	\$ 816	\$ 163	\$ 54,499
Net cash provided (used) by investing activities	<u>\$ 40,330</u>	<u>\$ 13,190</u>	<u>\$ 816</u>	<u>\$ 163</u>	<u>\$ 54,499</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 223,862</u>	<u>\$ 129,962</u>	<u>\$ 123,509</u>	<u>\$ (17)</u>	<u>\$ 477,316</u>
Cash and cash equivalents at beginning	<u>2,184,987</u>	<u>628,087</u>	<u>20,987</u>	<u>17</u>	<u>2,834,078</u>
Cash and cash equivalents at end	<u>\$ 2,408,849</u>	<u>\$ 758,049</u>	<u>\$ 144,496</u>	<u>\$ -</u>	<u>\$ 3,311,394</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 503,250	\$ (25,303)	\$ (935,552)	\$ 23,986	\$ (433,619)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation	386,919	488,057	28,096	16	903,088
Other post-employment benefits	53,369	58,598	64,884	4,125	180,976
Changes in assets and liabilities:					
Change in accounts receivable	(37,090)	(24,249)	(47,625)	(18,086)	(127,050)
Change in accounts payable	-	-	(10)	-	(10)
Change in compensated absences	7,035	(4,897)	19,383	882	22,403
Change in customer deposits	-	(31)	-	(11)	(42)
Change in accrued wages	(3,114)	(3,215)	956	(157)	(5,530)
Net cash provided (used) by operating activities	<u>\$ 920,874</u>	<u>\$ 488,960</u>	<u>\$ (869,868)</u>	<u>\$ 10,755</u>	<u>\$ 550,721</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust Funds	Agency Funds
ASSETS		
Cash and short-term investments	\$ 2,401,771	\$ 933,093
Taxes receivable	-	17,693
Total assets	\$ 2,401,771	\$ 950,786
LIABILITIES		
Warrants payable	\$ -	\$ 895,571
Due to others	-	55,215
Total liabilities	\$ -	\$ 950,786
NET ASSETS		
Assets held in trust	\$ 2,401,771	

See accompanying Notes to the Financial Statements

**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2011**

		<u>Private Purpose Trust Funds</u>
ADDITIONS		
Interest and change in fair value of investments	\$	35,585
Total additions	\$	<u>35,585</u>
DEDUCTIONS		
Administrative expenses	\$	83,722
Other expenditures		251,997
Total deductions	\$	<u>335,719</u>
Change in net assets	\$	<u>(300,134)</u>
Net Assets - Beginning of the year	\$	2,701,905
Net Assets - End of the year	\$	<u><u>2,401,771</u></u>

See accompanying Notes to the Financial Statements

WHITEFISH HOUSING AUTHORITY
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
 STATEMENT OF NET ASSETS - PROPRIETARY FUND
 June 30, 2011

ASSETS

CURRENT ASSETS:

		Housing
Cash and cash equivalents	\$	9,577
Accounts receivable, net		2,371
Due from other governments		12,890
Prepaid items		2,143
<i>Restricted:</i>		
Cash and cash equivalents		20,965
TOTAL CURRENT ASSETS		47,946

NONCURRENT ASSETS:

Capital Assets, non-depreciable		50,110
Capital Assets, depreciable, net		423,898
Notes receivable		167,500
Other Assets, unrestricted		1,903
Other Assets, restricted		693,599
TOTAL NONCURRENT ASSETS		1,337,010
TOTAL ASSETS	\$	1,384,956

LIABILITIES

CURRENT LIABILITIES:

Accounts payable	\$	5,264
Accrued payroll and benefits		1,637
Accrued interest payable		3,490
Compensated absences payable		8,644
Due to other governments		14,236
Deferred revenue		37
Tenant security deposit payable		10,871
Notes payable, noncapital		50,000
TOTAL CURRENT LIABILITIES		94,179

NONCURRENT LIABILITIES:

Compensated absences payable		10,609
Due to other governments		13,172
Deferred loans		120,000
TOTAL NONCURRENT LIABILITIES		143,781
TOTAL LIABILITIES		237,960

NET ASSETS

Invested in capital assets		474,008
Restricted		706,310
Unrestricted		(33,322)
TOTAL NET ASSETS	\$	1,146,996

See accompanying notes.

WHITEFISH HOUSING AUTHORITY
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 FUND NET ASSETS - PROPRIETARY FUND
 Year Ended June 30, 2011

	Housing
OPERATING REVENUES	
Rental income	\$ 186,071
HUD Section 8 program revenue	79,016
Other income	<u>25,503</u>
TOTAL OPERATING REVENUES	290,590
 OPERATING EXPENSES	
Administrative	145,207
Tenant services	20,004
Utilities	36,087
Ordinary maintenance and operations	72,881
General expense	35,223
Housing assistance payments	76,912
Depreciation	<u>93,290</u>
TOTAL OPERATING EXPENSES	479,604
	<u>OPERATING INCOME (LOSS)</u>
	(189,014)
 NONOPERATING REVENUES (EXPENSES)	
HUD operating subsidy	11,363
HUD capital grants - operations	38,757
City of Whitefish - Housing Rehab revenue	3,648
City of Whitefish - Housing Rehab expenses	(3,648)
CDBG grant income	152,730
CDBG grant expense	(152,730)
USDA home preservation grant income	1,054
USDA home preservation grant expense	(1,054)
Interest income	655
Interest expense	(3,490)
Net loss, real property held for re-sale	<u>(21,948)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	25,337
INCOME (LOSS) BEFORE CONTRIBUTIONS AND SPECIAL ITEMS	(163,677)
 CAPITAL CONTRIBUTIONS	
HUD capital fund grant	26,000
HUD capital fund stimulus recovery act grant	16,349
 SPECIAL ITEMS	
Energy savings rebate	<u>8,029</u>
INCREASE (DECREASE) IN NET ASSETS	(113,299)
 NET ASSETS:	
Net assets, beginning balance	<u>1,260,295</u>
NET ASSETS - ENDING BALANCE	\$ <u>1,146,996</u>

See accompanying notes.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City adopted the provisions of Governmental Accounting Standards Board statement No. 54 Fund Balance, Reporting and Governmental Fund Type Definitions for fiscal year ended June 30, 2011. The City included the Law Enforcement fund as part of the General Fund. In prior years, the Law Enforcement fund was reported as a Special Revenue Fund.

Financial Reporting Entity

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

Primary Government

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

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending June 30, 2011. The City has the following discretely presented component units:

Housing Authority

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

of the Housing Authority in accordance to MCA 7-15-4431. The City established an inter-local agreement with the Housing Authority.

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

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

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

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The City reports the following major governmental funds:

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

Resort Tax Fund – A special revenue fund established in 1995 to provide budget authority to implement City Ordinance 95-15, the Resort Tax Ordinance. The ordinance imposes a 2% resort tax on a range of goods and services sold by establishments within the City. The Ordinance specifies that property tax relief should be provided to Whitefish taxpayers in an amount equal to 25% of resort tax revenues derived during the preceding fiscal year. An amount equal to 65% of these revenues shall be used for repair and improvement of existing infrastructure. An amount equal to 5% of the revenues shall be used for bicycle paths and other park improvements. Finally each collecting merchant is entitled to withhold 5% to defray costs of collecting the tax.

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

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

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

Proprietary Funds:

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2011

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

Major Funds:

The City reports the following major proprietary funds:

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

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

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

Fiduciary Funds

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

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

Cost Allocation Plan

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

General Fund	7.12%
Street and Alley	9.70%
Parks and Recreation	6.32%
Law Enforcement	20.92%
Tax Increment	3.06%
Fire and Rescue	8.16%
Building Codes	3.18%
Light #1	0.29%
Light #2	0.29%
Water Fund	12.08%
Wastewater Fund	13.26%
Solid Waste Fund	0.93%
Ambulance Fund	<u>14.69%</u>
Total	<u>100%</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2011, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and Deposits:</u>	
Cash on Hand	
Petty Cash	\$ 1,175
<u>Cash in Banks:</u>	
Demand Deposits	16,165,481
Savings Deposits	381,192
Time Deposits	2,241,938
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	<u>27,145</u>
Total	<u>\$18,816,931</u>

Credit Risk

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

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

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

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

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

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

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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The government has no investment policy that would further limit its investment choices.

The government has the following investment and the related credit risk.

Short Term Investment Pool (STIP) Credit Quality ratings by the NRSRO as of June 30, 2011:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity in Days</u>
Asset Backed Commercial Paper	\$ 326,176,221	A1	18
Corporate Commercial Paper	289,334,734	A1	58
Corporate Fixed Rate	7,173,761	A1	15
Corporate Variable Rate	522,126,148	A2	34
Certificates of Deposit Fixed	28,012,037	A3	235
Certificates of Deposit Variable Rate	359,994,307	A2	36
Other Assets Backed	24,591,903	BBB	N/A
U.S. Government Agency Fixed Rate	100,013,159	A1+	155
U.S. Government Agency Variable Rate	474,851,769	A1+	20
Money Market Funds (Unrated)	140,598,914	NR	1
Money Market Funds (Rated)	111,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>46,317,465</u>	<u>NR</u>	<u>5</u>
Total Investments	\$ <u>2,430,190,418</u>	A1	<u>35</u>
Securities Lending Collateral Investment Pool	\$ <u>32,271,105</u>	NR	*

* As of June 20, 2011, the Securities Lending Quality Trust liquidity pool had an average duration of 34 days and an average weighted final maturity of 105 days for U.S. dollar collateral. The duration pool had an average duration of 32 days and an average weighted final maturity of 952 days for U.S. dollar collateral.

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

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, 2011 the government's bank balance was exposed to custodial credit risk as follows:

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
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 June 30, 2011

<u>Depository Account</u>	<u>Balance</u>
Insured	\$ 750,000
Collateralized	
- Collateral held by the pledging bank's trust department in the City's name	11,303,406
Uninsured and uncollateralized	<u>6,661,741</u>
Total Deposits	<u>\$18,715,147</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, 2011, equaled or exceeded the amount required by State statutes.

NOTE 3. RECEIVABLES

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

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

NOTE 4. INVENTORIES

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2011

NOTE 5. CAPITAL ASSETS

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2011 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Adjustments/</u> <u>Transfers</u>	<u>Balance</u> <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 7,605,540	\$ -	\$ -	\$ 7,605,540
Construction Work in Progress	<u>10,352,947</u>	<u>2,702,201</u>	<u>(875,500)</u>	<u>12,179,648</u>
Total Capital Assets not be depreciated	<u>\$ 17,958,487</u>	<u>\$ 2,702,201</u>	<u>\$ (875,500)</u>	<u>\$ 19,785,188</u>
Other Capital Assets:				
Buildings	\$ 13,701,655	\$ 9,923	\$ 3,189	\$ 13,714,767
Improvements Other than Buildings	1,600,300	5,902	-	1,606,202
Machinery and Equipment	3,990,755	179,674	-	4,170,429
Infrastructure	<u>20,877,436</u>	<u>-</u>	<u>872,311</u>	<u>21,749,747</u>
Total other Capital Assets at historical cost	<u>\$ 40,170,146</u>	<u>\$ 195,499</u>	<u>\$ 875,500</u>	<u>\$ 41,241,145</u>
Less Accumulated Depreciation	<u>\$(10,665,494)</u>	<u>\$(1,702,097)</u>	<u>\$ (40,629)</u>	<u>\$(12,408,220)</u>
Total	<u>\$ 47,463,139</u>	<u>\$ 1,195,603</u>	<u>\$ (40,629)</u>	<u>\$ 48,618,113</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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The following is a summary of business type capital assets were as follows:

	Balance <u>June 30, 2010</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>June 30, 2011</u>
Capital assets not being depreciated:				
Land	\$ 602,783	\$ -	\$ -	\$ 602,783
Construction in Progress	<u>6,951,377</u>	<u>483,059</u>	<u>(2,880,033)</u>	<u>4,554,403</u>
Total Capital Assets not be depreciated	\$ <u>7,554,160</u>	\$ <u>483,059</u>	\$ <u>(2,880,033)</u>	\$ <u>5,157,186</u>
Other Capital Assets:				
Buildings	\$ 170,980	\$ -	\$ -	\$ 170,980
Machinery and Equipment	565,486	-	-	565,486
Pumping Plant	2,275,443	-	467,542	2,742,985
Treatment Plant	11,860,841	-	-	11,860,841
Transmission and Distribution	10,912,164	8,771	2,412,491	13,333,426
General Plant	<u>1,089,464</u>	<u>45,739</u>	<u>-</u>	<u>1,135,203</u>
Total other Capital Assets at historical cost	\$ <u>26,874,378</u>	\$ <u>54,510</u>	\$ <u>2,880,033</u>	\$ <u>29,808,921</u>
Less Accumulated Depreciation	\$ <u>(12,414,925)</u>	\$ <u>(903,088)</u>	\$ <u>-</u>	\$ <u>(13,318,013)</u>
Total	\$ <u>22,013,613</u>	\$ <u>(365,519)</u>	\$ <u>-</u>	\$ <u>21,648,094</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 38,961
Public Safety	88,432
Public Works	975,678
Culture and Recreation	<u>599,026</u>
Total governmental activities depreciation expense	<u>\$1,702,097</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2011, the following changes occurred in liabilities reported in long-term debt:

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
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Governmental Activities:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due within</u> <u>one year</u>
Special Assessment Bond	\$ 1,080,000	\$ -	\$ (75,000)	\$ 1,005,000	\$ 70,000
Revenue Bonds	15,695,000	-	(1,185,000)	14,510,000	1,225,000
Compensated Absences	717,429	-	(79,929)	637,500	499,998
Capital Leases	5,577	-	(2,114)	3,463	2,268
*Other Post Employment Benefits	<u>263,059</u>	<u>260,861</u>	<u>-</u>	<u>523,920</u>	<u>-</u>
Total	<u>\$ 17,761,065</u>	<u>\$ 260,861</u>	<u>\$(1,342,043)</u>	<u>\$ 16,679,883</u>	<u>\$ 1,797,266</u>

* See Note 10

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

Business-type Activities:

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Due within</u> <u>one year</u>
Revenue Bonds	\$ 7,297,318	\$ 43,593	\$ (493,911)	\$ 6,847,000	\$ 511,000
Compensated Absences	373,843	27,300	(4,897)	396,246	285,570
*Other Post Employment Benefits	<u>170,112</u>	<u>180,976</u>	<u>-</u>	<u>351,088</u>	<u>-</u>
Total	<u>\$ 7,841,273</u>	<u>\$ 251,869</u>	<u>\$(498,808)</u>	<u>\$ 7,594,334</u>	<u>\$ 796,570</u>

* See Note 10

Special Assessment Debt - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement districts bonds were issued with revolving fund backing. The City is not obligated to levy and collect a general property tax on all taxable property in the City to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least 5% of the principal amount of bonds outstanding. Special assessment bonds outstanding as of June 30, 2011 were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Bond</u> <u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Bonds</u> <u>Amount</u>	<u>Annual</u> <u>Payment</u>	<u>Balance</u> <u>June 30, 2011</u>
SID#166 – JP Road Project	07/06/2006	3.65-4.8%	20 yrs	07/01/2026	<u>\$1,360,000</u>	varies	<u>\$ 1,005,000</u>

Reported in the governmental activities.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
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Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 70,000	\$ 45,268
2013	70,000	42,468
2014	70,000	39,597
2015	70,000	36,622
2016	70,000	33,577
2017	70,000	30,498
2018	70,000	27,382
2019	65,000	24,232
2020	65,000	21,274
2021	65,000	18,286
2022	65,000	15,263
2023	65,000	12,208
2024	65,000	9,120
2025	65,000	6,000
2026	<u>60,000</u>	<u>2,880</u>
Total	<u>\$ 1,005,000</u>	<u>\$ 364,675</u>

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

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2011</u>
2009 Tax Increment Urban Renewal Revenue							
Bonds(1)	07/14/09	3-4.625%	11 yrs	07/15/20	\$15,695,000	varies	\$14,510,000
DNRC - Water 1998(2)	07/06/98	4%	20 yrs	07/01/18	400,000	varies	177,000
DNRC - Water 1999(2)	06/21/99	4%	20 yrs	07/01/19	5,839,000	varies	2,895,000
Water DWSRF #06098(2)	06/15/06	3.75%	20 yrs	07/01/26	248,699	varies	730,000
Water WRF #08110(2)	09/06/07	3.75%	20 yrs	07/01/27	900,000	varies	766,000
Water SRF (2009B)(2)	10/21/09	0.75%	20 yrs	07/01/29	120,100	varies	108,000
Sewer SRF 2002 Series(2)	07/01/02	3%	20 yrs	07/01/22	200,000	varies	124,000
Sewer DNRC (2008A)(2)	12/11/08	2.75%	20 yrs	07/01/28	500,000	varies	441,000
Sewer DNRC (2008B)(2)	01/16/09	3.75%	20 yrs	01/01/29	1,711,000	varies	1,560,000
Sewer DNRC (2010B)(2)	02/04/10	0.75%	20 yrs	01/01/30	<u>48,211</u>	varies	<u>46,000</u>
Total					<u>\$25,662,010</u>		<u>\$21,357,000</u>

(1) Reported in the governmental activities.

(2) Reported in the business-type activities.

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The City was in compliance with applicable covenants as of June 30, 2011.

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Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2012	\$1,736,000	\$ 813,661
2013	1,799,000	753,408
2014	1,857,000	687,920
2015	1,922,000	616,826
2016	2,001,000	539,659
2017	2,081,000	459,427
2018	2,167,000	374,745
2019	2,224,000	284,217
2020	1,887,000	191,785
2021	1,968,000	105,956
2022	247,000	57,572
2023	243,000	48,931
2024	251,000	40,276
2025	262,000	31,308
2026	271,000	21,963
2027	208,000	12,915
2028	160,000	6,283
2029	69,000	1,143
2030	<u>4,000</u>	<u>1</u>
Total	<u>\$21,357,000</u>	<u>\$5,047,996</u>

Capital Leases

The City has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2011 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Value</u>	<u>Deletions</u>	<u>Remaining Payments as of June 30, 2011</u>
Sharp Copier Lease	02/09/10	7%	\$ <u>6,774</u>	\$ <u>(1,238)</u>	\$ <u>3,463</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2012	\$ 2,268	\$ 208
2013	<u>1,195</u>	<u>43</u>

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Total \$ 3,463 \$ 251

Compensated Absences

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

Advance Refunding of Long-Term Debt

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

NOTE 7. DEFICIT FUND BALANCES/NET ASSETS

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How deficit will be eliminated</u>
Parks, Recreation, and Community Service	\$ (30,242)	Delinquent Taxes Receivable	Future Revenue
Drug Forfeiture	\$(191,162)	Grant revenue not received	Future Grant Revenue
SID 166	\$ (56,197)	Deferred Assessment Receivable	Future assessments
US 93/2 nd St. TIGER	\$ (45,273)	Grant revenue not received	Future Grant Revenue

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2011, were as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u>		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
Loan between funds for deficit cash	General – Major Governmental	Drug Forfeiture – Nonmajor Governmental	\$ 91,942
Loan between funds for deficit cash	General – Major Governmental	Building Codes – Nonmajor Governmental	29,405
Loan between funds for deficit cash	Tax Increment – Major Governmental	Emergency Services Center Construction – Nonmajor Governmental	85,094
Loan between funds for deficit cash	Tax Increment – Major Governmental	US 93/2nd St TIGER – Nonmajor Governmental	126,761
Loan between funds for deficit cash	Storm Water – Nonmajor Governmental	Solid Waste – Nonmajor Business-type	332
			<u>\$333,534</u>

CITY OF WHITEFISH
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Purpose	Advances to/from other funds:		Amount
	Payable Fund	Receivable Fund	
Half of annual assessment to SID	SID 166 – Major Governmental	SID Revolving – Nonmajor Governmental	\$ 56,197
Cover negative cash	Building Codes – Nonmajor Governmental	General – Major Governmental	431,572
Cover negative cash	JP Road Project – Nonmajor Governmental	Street & Alley – Nonmajor Governmental	13,917
Cover negative cash	Drug Forfeiture – Nonmajor Governmental	General – Major Governmental	<u>99,220</u>
			<u>\$600,906</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2011:

Purpose	Receivable fund	Payable fund	Amount
Budgeted operating transfer	Parks, Recreation, & Community Service – Nonmajor Governmental	General – Major Governmental	\$ 413,984
Budgeted operating transfer	Law Enforcement – * Major Governmental	General – Major Governmental	1,730,227
Budgeted operating transfer	Ambulance – Major Business-Type	General – Major Governmental	343,502
Resort Tax Ordinance requires tax relief of 25% of resort tax revenues.	General – Major Governmental Tax Increment Revenue Bond	Resort Tax – Major Governmental	460,574
Move taxes from the TIF fund	Debt – Major Governmental	Tax Increment – Major Governmental	1,720,361
Move taxes from the TIF fund	City Hall – Nonmajor Governmental Emergency Services Center	Tax Increment – Major Governmental	250,000
Move taxes from the TIF fund	Construction – Nonmajor Governmental Emergency Services Center	Tax Increment – Major Governmental	76,337
Transfer Impact fees to the correct fund	Construction – Nonmajor Governmental	Impact Fees – Nonmajor Governmental	110,489
To allocate emergency services cash	Ambulance – Major Business-type General – Major Governmental	Fire and Rescue – Nonmajor Governmental SID Revolving – Nonmajor Governmental	121,000
To comply with MCA	Major Governmental	Nonmajor Governmental	80,000
Transfer excess funds back to financing fund	Street and Alley – Nonmajor Governmental	SID 151 – Nonmajor Governmental	8,954
Excess Cash transferred to revolving fund	SID Revolving – Nonmajor Governmental	SID 153 – Nonmajor Governmental	301

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Transfer excess funds back to financing fund	Street and Alley – Nonmajor Governmental	SID 154 – Nonmajor Governmental	13,718
Excess Cash transferred to revolving fund	SID Revolving – Nonmajor Governmental	SID 164 – Nonmajor Governmental	111
			<u>\$5,329,558</u>

* Law Enforcement Fund was included with the General Fund for GASB 54.

NOTE 9. STATE-WIDE RETIREMENT PLANS

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

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2011, were:

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
Employer	7.070%	14.410%	14.360%
Employee	6.90%	9.00%	10.700%
State	0.10%	29.370%	32.610%

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

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

The City's contributions for the years ended June 30, 2009, 2010, and 2011, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
2009	\$225,450	\$114,965	\$ 77,518
2010	\$225,755	\$123,221	\$139,965
2011	\$208,269	\$117,882	\$140,093

NOTE 10. POST EMPLOYMENT BENEFITS

Terminated employees may remain on the City's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under federal COBRA

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

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

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

Funding Policy. The plan is unfunded by the City and plan members receiving benefits contribute 100 percent of their cost of the benefits on a pay-as-you-go basis. For fiscal year ended June 30, 2009, the City has 31 retired members receiving benefits.

Annual OPEB Cost and Net OPEC Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

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Annual required contribution	\$433,171
Adjustment to annual require contribution	<u>8,666</u>
Annual OPEB cost (expense)	441,837
Contributions made	<u>-</u>
Increase in net OPEB obligation	441,837
Net OPEB obligation -beginning of year	<u>433,171</u>
Net OPEB obligation -end of year	<u><u>\$875,008</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year ended June 30, 2011, were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2011	\$441,837	0%	\$875,008

The June 30, 2011 year-end OPEB obligation is reported in the City's funds as follows:

<u>Functions/Programs</u>	<u>Expenses</u>
Primary Government	
Governmental Activities:	
General government	<u>\$ 523,920</u>
Total governmental activities	<u>523,920</u>
Business-type activities:	
Water	105,739
Sewer	115,142
Garbage	8,782
Ambulance	<u>121,425</u>
Total business-type activities	<u>351,088</u>
Total primary government	<u>\$ 875,008</u>

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

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

Participant Information	
Active participants:	92
Retirees, Dependents, and Surviving Spouses:	<u>2</u>

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Total 94
The following key assumptions were chosen by the City:

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

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

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

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

Fire Department Relief Association Disability and Pension Fund

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

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

CITY OF WHITEFISH
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NOTE 12. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2011. These amounts are reported within the cash/investment account on the Statement of Net Assets.

<u>Description</u>	<u>Amount</u>
Parkland Acquisition	\$ 43,917
Sidewalk Project	125,333
Bond Debt Service	4,230,768
Construction	971,511
Replacement & Depreciation	<u>206,405</u>
	<u>\$5,577,934</u>

NOTE 13. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

The government considers restricted amounts to have been spend 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>Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Resort Tax	\$ 2,415,908	Public works
Street and Alley	809,460	Public works
Library	11,045	Culture and recreation
Tax Increment	1,914,672	Housing and community development
Fire & Rescue	349,700	Public safety
Impact Fees	179,500	General government
Light District #1	46,583	Public works
Light District #4	60,661	Public works
Storm Water	1,058,046	Public works
Crime Victims Assistance	49	General government
Housing Rehabilitation Grant	2,397	Housing and community development
Parkland Acquisition & Development	16,840	Public works
Parkland Acquisition & Development	95,427	Culture and recreations
Bike & Pedestrian Development	2,383	Public works
Sidewalk Districts Project	125,333	Public works
Tax Increment Revenue Bond Debt	3,297,781	Debt service
SID Revolving	184,118	Debt service
City Hall Project	1,507,249	General government
Emergency Services Center Construction	143,917	Public safety
Federally Funded Trails Project	<u>49,849</u>	Culture and recreation
	<u>\$ 12,270,918</u>	

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 14. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General	\$ 53,377	To comply with GASB 54 restrictions
Law Enforcement	(53,377)	To comply with GASB 54 restrictions
Governmental Activities	<u>(40,629)</u>	To correct prior year depreciation expense
	<u>\$(40,629)</u>	

NOTE 15. JOINT VENTURES

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

Flathead County 911 Emergency Coordination Center

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

Big Mountain County Sewer District

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

NOTE 16. SERVICES PROVIDED BY 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

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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 17. RISK MANAGEMENT

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

Insurance Policies:

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

Insurance Pools:

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan.

Both public City risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$7,500 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums. The tort liability plan and workers' compensation program issued bonds in the amount of \$4.41 million and \$7.61 million, respectively, to immediately finance the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenues were insufficient to cover the debt service. The City's share is \$39,271 for tort liability and \$60,760 for workers compensation. Based on the plan's current financial position, the City doesn't expect to make any payments on these notes.

Audited financial statements for fiscal year ended September 30, 2011, are available from the Montana Municipal Insurance Authority.

NOTE 18. RESORT TAX

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

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

As of June 30, 2011, the following balance of tax proceeds remained:

Administration fee to the business owners	\$	0
Park Improvements	\$	285,570
Street Improvements	\$	412,329
Tax Relief	\$	0

NOTE 19. PENDING LITIGATION

The following is a list of litigation pending against the City and the amount of damages claimed by the Plaintiff. The City Attorney has made no evaluation as to the outcome of each case. The City has liability insurance which may cover all or part of the damages requested.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
Rosaaen v. City of Whitefish	Not Stated	Not Stated
T. Warren Schweitzer and Ingela Schnittger v. City of Whitefish	Not Stated	Not Stated
City of Whitefish and Flathead County v. Linda Babiak and Tim Babiak	Not Stated	Not Stated

Montana Municipal Interlocal Authority is also defending additional claims not listed, but these are not expected to exceed the City's liability insurance.

NOTE 20. SUBSEQUENT EVENTS

Whitefish Library

In the fall of 2010, it was determined that the agreement with Flathead County to operate the library in the City of Whitefish would not be renewed. The County was contractually obligated to maintain operations through June 30, 2011. As of July 1, 2011, the Whitefish Library became an independent city library with the responsibilities of operations shifting from Flathead County to the City of Whitefish.

Revenue Bonds

In April 2011, the Council authorized the City to borrow up to \$886,000 for the wastewater improvement project. The sewer system revenue bonds are provided through the DNRC water pollution control state revolving loan program, which consist of a \$160,000 Subordinate Lien Taxable Series 2011A Bond, a \$340,000 Series 2011B Bond, and a \$386,000 Series 2011C Bond. The \$160,000 Subordinate Lien Taxable Series

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2011A Bond will be forgiven if the city complies with all the requirements for the project. The City did not receive proceeds from these bonds until fiscal year 2012.

Urban Renewal District Boundary Modification

In February 2012, the City Council approved the Resolution No. 12-04 and Ordinance No. 12-05. This Resolution and Ordinance modifies the boundaries of the City of Whitefish Urban Renewal District to include the Whitefish School District's High School as a blighted area in need of redevelopment and rehabilitation. The Whitefish School District High School Project was approved as an Urban Renewal Project and was approved for financing through the City's Tax Increment Financing as long as the Project was completed. This Project is expected to occur as the Whitefish School District recently passed a bond to assist in the construction of a new High School.

NOTE 21. WHITEFISH LAKE GOLF COURSE LEASE

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

NOTE 22. SIGNIFICANT CONSTRUCTION COMMITMENTS

In August 2011, the bid for the US Highway 93/Second Street Improvements Project was awarded to LHC, Inc. in the amount not to exceed \$2,153,401.30.

In September 2011, the bid for the Scott Avenue Lift Station and Sewer Improvements Project was awarded to LHC, Inc. in the amount of \$576,033.

WHITEFISH HOUSING AUTHORITY
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

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

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

Financial Reporting Entity

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

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

Basis of accounting, measurement focus, and financial statement presentation

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

WHITEFISH HOUSING AUTHORITY
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

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

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

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

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

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

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

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

WHITEFISH HOUSING AUTHORITY
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

Budgetary Process

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

Cash and Investments

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

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

Accounts Receivable

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

Prepaid Items

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

Capital Assets and Depreciation

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

WHITEFISH HOUSING AUTHORITY
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

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

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

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

Use of Restricted/Unrestricted Net Assets

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

Restricted Net Assets

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

Estimates

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

Grant Revenue

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

Investment Income

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

Compensated Absences

It is the Authority's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from Authority service. Employees are allowed to accumulate and carry over a maximum of

WHITEFISH HOUSING AUTHORITY
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

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

two times their annual accumulation of vacation, but not more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave.

Postemployment Benefits Other Than Pensions (OPEB)

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

Income Taxes

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

Leases

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

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

At June 30, 2011, the Authority's carrying amount of deposits was \$29,997 and the bank balances were \$41,687. The Authority had cash on hand of \$545 as of June 30, 2011. All of the bank balances were covered by federal depository insurance.

NOTE C – ACCOUNTS RECEIVABLE

A summary of accounts receivable as presented in the Statement of Net Assets at June 30, 2011 is as follows:

Tenants	\$	316
Allowance for doubtful accounts		--
Homeowners – administrative fees		2,055
	\$	2,371

WHITEFISH HOUSING AUTHORITY
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE D – DUE FROM OTHER GOVERNMENTS

A summary of due from other governments as presented in the Statement of Net Assets at June 30, 2011 is as follows:

HUD – operating subsidy	\$	1,988
City of Whitefish – CDBG 2009 Grant		9,848
USDA – Housing Preservation Grant		1,054
	\$	<u>12,890</u>

NOTE E – PREPAID ITEMS

A summary of prepaid items as presented in the Statement of Net Assets at June 30, 2011 is as follows:

Prepaid insurance	\$	1,896
Other prepaid expenses		247
	\$	<u>2,143</u>

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 7/1/10	Increases	Decreases	Balance 6/30/11
Non-depreciable assets:				
Land	\$ 50,110	\$ -	\$ -	\$ 50,110
Construction in progress	61,680	42,349	(104,029)	-
Total non-depreciable assets	<u>111,790</u>	<u>42,349</u>	<u>(104,029)</u>	<u>50,110</u>
Depreciable assets				
Buildings	2,275,566	107,178	-	2,382,744
Equipment - Dwelling	12,080	-	-	12,080
Equipment - Administration	23,701	-	-	23,701
Total depreciable assets	<u>2,311,348</u>	<u>107,178</u>	<u>-</u>	<u>2,418,526</u>
Total Capital Assets	<u>2,423,137</u>	<u>149,527</u>	<u>(104,029)</u>	<u>2,468,635</u>
Accumulated depreciation				
Buildings	1,873,175	90,728	-	1,963,903
Equipment - Dwelling	8,548	637	-	9,184
Equipment - Administration	19,614	1,926	-	21,540
Total accumulated depreciation	<u>1,901,336</u>	<u>93,290</u>	<u>-</u>	<u>1,994,625</u>
Depreciable assets, net	<u>410,012</u>	<u>13,887</u>	<u>-</u>	<u>423,898</u>
Capital assets, net	<u>\$ 521,802</u>	<u>\$ 56,237</u>	<u>\$ (104,029)</u>	<u>\$ 474,008</u>

WHITEFISH HOUSING AUTHORITY
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE G – RESTRICTED ASSETS

A summary of restricted cash and cash equivalents as presented in the Statement of Net Assets at June 30, 2011 is as follows:

Tenant security deposits	\$	10,871
Housing Assistance Payments		10,094
	\$	20,965

NOTE H – NOTES RECEIVABLE/DEFERRED LOANS

Affordable Home Program

The Authority administers an Affordable Home (AHP) Grant from the Federal Home Loan Bank of Seattle. The purpose of this grant was to assist low to moderate income families become property owners by providing down payment and closing cost assistance through deferred loans which are contingently payable upon re-sale of the property. The amount that would be due to the Authority is reduced ratably over a period of five years. After five years the full amount of the loan is forgiven. However, if a participant repays the loan or a portion thereof then the Authority must find another participant of the loan is repayable to the Federal Home Loan Bank of Seattle. As of June 30, 2011 the Authority had nine loans outstanding that totaled \$120,000 for this program. This asset was offset by a deferred loan of \$120,000 payable to the Federal Home Loan Bank for participants who repay the loans.

Downpayment Assistance Loan

The Authority provided a loan to a first-time homebuyer within the guidelines of low and moderate income assistance. The note is dated June 28, 2007 and has an original principal sum of \$47,500. There is no interest charged on the loan, however the Authority shall have the right to a share in the appreciation in the value of the property, if any, upon "Maturity" of the note. The maturity of the note occurs if there is a sale or transfer of the property, upon default under this note or trust indenture securing the note, upon the refinancing of a lien superior to securing the note, upon the repayment in full of the principal balance of this note without payment of share of appreciation value. As of June 30, 2011 the loan balance was \$47,500.

NOTE I – OTHER ASSETS

Unrestricted

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

WHITEFISH HOUSING AUTHORITY
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE I – OTHER ASSETS (CONT'D)

Restricted

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

If the property is sold within the first 15 years, then any gain from the property must be reinvested as program income and used in a similar manner. However, after the 15 year time period then any property sold and any share of appreciation that is received then these funds are the Whitefish Housing Authority funds. The Authority has a secured deed on each respective property securing the Authority's interest. As of June 30, 2011 the Authority has sold eight properties. The total Authority contribution or equity in these properties is \$693,599 as of June 30, 2011.

NOTE J – ACCOUNTS PAYABLE

A summary of accounts payable as presented in the Statement of Net Assets at June 30, 2011 is as follows:

Vendors and contractors	\$ <u>5,264</u>
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NOTE K – DUE TO OTHER GOVERNMENTS

A summary of due to other governments as presented in the Statement of Net Assets at June 30, 2011 is as follows:

Payments in Lieu of Taxes	\$ 23,254
HUD – section 8 admin fees	918
HUD – operating subsidy	<u>3,236</u>
	\$ <u>27,408</u>

NOTE L – DEFERRED REVENUE

A summary of deferred revenue as presented in the Statement of Net Assets at June 30, 2011 is as follows:

City Housing Rehab Grant	\$ 31
Tenant prepaid rents	<u>6</u>
	\$ <u>37</u>

WHITEFISH HOUSING AUTHORITY
 COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
 NOTES TO FINANCIAL STATEMENTS
 June 30, 2011

NOTE M—ACCRUED COMPENSATED ABSENCES

A summary of accrued compensated absences as presented in the Statement of Net Assets as of June 30, 2011 is as follows:

	Beginning Balance	Net Decrease	Ending Balance	Due within One Year
Compensated absences	\$ 19,502	\$ (249)	\$ 19,253	\$ 8,644

NOTE O— NOTES PAYABLE

The Authority has an unsecured loan with the Montana Homeownership Network. The Promissory note is dated June 25, 2007 with an original loan amount of \$50,000. The loan matured on June 30, 2008 and was extended on March 16, 2011 thru June 30, 2012 with an interest rate of 4%. The Authority's intention was to repay the loan based on the funds received by the City of Whitefish from payments in lieu of housing fees generated from area developers. As of June 30, 2011 these funds have not been received. As of June 30, 2011 the loan balance was \$50,000 and unpaid interest of \$3,490.

The Authority entered into a promissory note with Mountain West Bank for the purpose of developing a property known as 1481 Armory. The note is dated October 4, 2006 with an original principal sum of \$250,549 and an interest rate of 8.25%. During the current year the Authority sold this property and the loan was retired.

A summary of changes in notes payable as of June 30, 2011 is as follows:

Description	Balance 7/1/2010	Issued	Retired	Balance 6/30/2011	Due Within One Year
Montana Neighbor Works	\$ 50,000	\$ -	\$ -	\$ 50,000	\$ 50,000
Moutain West Bank	121,332	-	(121,332)	-	-
Total	\$ 171,332	\$ -	\$ (121,332)	\$ 50,000	\$ 50,000
			Less current maturities	(50,000)	
			Long-term portion	-	

Principal and interest requirements for the notes are as follows:

Fiscal Year	Principal	Interest	Total
2012	\$ 50,000	\$ 2,000	\$ 52,000

WHITEFISH HOUSING AUTHORITY
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE P—NET ASSETS

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

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

A summary of restricted net assets as presented in the Statement of Net Assets at June 30, 2011 is as follows:

As of June 30, 2011 the Authority had net assets of \$693,599 restricted in the Public Housing Program for the Deed Restricted Program as described in Note I.

As of June 30, 2011 the Authority had net assets of \$12,711 restricted in the Section 8 Housing Choice Voucher Program for program housing assistance payments. As of June 30, 2011 the Authority did not have sufficient funds to cover the restricted net asset balance. The Authority was deficient by (\$2,617) which was a culmination of previous years administrative expenses exceeding the funds received for administrative fees. The Authority continues to reduce the above deficit with operations.

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

NOTE Q – PENSION PLAN

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

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

WHITEFISH HOUSING AUTHORITY
COMPONENT UNIT OF THE CITY OF WHITEFISH, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2011

NOTE Q – PENSION PLAN (CONT'D)

Contribution rates are expressed as percentage of covered payroll, which are determined by the State law and were 7.07% for the employer and 6.9% for the employee. The State of Montana contributes .10% of the employees' wages covered by PERS, which is considered an on-behalf payment. This immaterial amount has not been recorded in these financial statements as required under Generally Accepted Accounting Principles. The Authority's contributions were calculated using the base salary amount of \$151,821. Employer and employee contributions to the plan were \$10,734 and \$10,476, respectively.

NOTE R—DEFICIT NET ASSETS

The Authority has a deficit unrestricted net asset balance of (\$33,322) as of June 30, 2011. The Authority plans to fund the deficit with future operations and the leveraging of donated property.

NOTE S - RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters for which the Authority purchases commercial insurance. During the year ended June 30, 2011, the Authority did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

NOTE T – COMMITMENTS AND CONTINGENCIES

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

**REQUIRED SUPPLEMENTAL
INFORMATION**

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2011

	General Fund				Resort Tax			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
RESOURCES (INFLOWS):								
Taxes and assessments	\$ 1,983,487	\$ 1,983,487	\$ 1,875,410	\$ (108,077)	\$ 1,550,000	\$ 1,550,000	\$ 1,680,394	\$ 130,394
Licenses and permits	56,600	56,600	62,475	5,875	-	-	-	-
Intergovernmental	726,738	726,738	729,477	2,739	-	-	-	-
Charges for services	141,450	141,450	151,627	10,177	-	-	-	-
Fines and forfeitures	262,000	262,000	207,497	(54,503)	-	-	-	-
Miscellaneous	23,600	23,600	37,863	14,263	-	-	-	-
Investment earnings	40,000	40,000	60,786	20,786	30,000	30,000	37,616	7,616
Amounts available for appropriation	\$ 3,233,875	\$ 3,233,875	\$ 3,125,135	\$ (108,740)	\$ 1,580,000	\$ 1,580,000	\$ 1,718,010	\$ 138,010
CHARGES TO APPROPRIATIONS (OUTFLOWS):								
General government	\$ 460,250	\$ 460,250	\$ 467,166	\$ (6,916)	\$ -	\$ -	\$ -	\$ -
Public safety	245,640	245,640	221,556	24,084	-	-	-	-
Public works	40,069	19,319	19,462	(143)	-	-	1,050	(1,050)
Social and economic services	1,250	1,250	1,250	-	-	-	-	-
Culture and recreation	32,120	52,870	51,366	1,504	-	-	-	-
Housing and community development	-	-	-	-	-	-	-	-
Debt service - principal	-	-	2,114	(2,114)	-	-	-	-
Debt service - interest	-	-	362	(362)	-	-	-	-
Miscellaneous	10,000	10,000	-	10,000	-	-	-	-
Capital outlay	-	-	-	-	2,102,000	2,102,000	1,397,473	704,527
Total charges to appropriations	\$ 789,329	\$ 789,329	\$ 763,276	\$ 26,053	\$ 2,102,000	\$ 2,102,000	\$ 1,398,523	\$ 703,477
OTHER FINANCING SOURCES (USES)								
Transfers in	540,574	540,574	540,574	-	-	-	-	-
Transfers out	(2,583,603)	(2,583,603)	(2,487,714)	95,889	(520,574)	(520,574)	(460,574)	60,000
Total other financing sources (uses)	\$ (2,043,029)	\$ (2,043,029)	\$ (1,947,140)	\$ 95,889	\$ (520,574)	\$ (520,574)	\$ (460,574)	\$ 60,000
Net change in fund balance			\$ 414,719				\$ (141,087)	
Fund balance - beginning of the year			\$ 398,238				\$ 2,556,995	
Fund balance - beginning of the year - restated			\$ 398,238				\$ 2,556,995	
Fund balance - end of the year			\$ 812,957				\$ 2,415,908	

City of Whitefish, Flathead County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2011

	Tax Increment			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 3,648,469	\$ 3,648,469	\$ 4,061,653	\$ 413,184
Licenses and permits	-	-	-	-
Intergovernmental	164,660	164,660	164,660	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	22,000	22,000	125,677	103,677
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 3,835,129</u>	<u>\$ 3,835,129</u>	<u>\$ 4,351,990</u>	<u>\$ 516,861</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	977,064	877,064	905,371	(28,307)
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	15,000	15,000	9,923	5,077
Total charges to appropriations	<u>\$ 992,064</u>	<u>\$ 892,064</u>	<u>\$ 915,294</u>	<u>\$ (23,230)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,701	1,701
Transfers out	(2,296,462)	(2,296,462)	(2,046,698)	249,764
Total other financing sources (uses)	<u>\$ (2,296,462)</u>	<u>\$ (2,296,462)</u>	<u>\$ (2,044,997)</u>	<u>\$ 251,465</u>
Net change in fund balance			<u>\$ 1,391,699</u>	
Fund balance - beginning of the year			<u>\$ 522,973</u>	
Fund balance - beginning of the year - restated			<u>\$ 522,973</u>	
Fund balance - end of the year			<u>\$ 1,914,672</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 Fund</u>	<u>Resort Tax</u>	<u>Tax Increment</u>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,125,135	\$ 1,718,010	\$ 4,351,990
Combined funds (GASBS 54) revenues	<u>472,054</u>	<u> </u>	<u> </u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	\$ <u><u>3,597,189</u></u>	\$ <u><u>1,718,010</u></u>	\$ <u><u>4,351,990</u></u>
Uses/Outflows of resources			
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 763,276	\$ 1,398,523	\$ 915,294
Combined funds (GASBS 54) expenditures	<u>2,107,632</u>	<u> </u>	<u> </u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ <u><u>2,870,908</u></u>	\$ <u><u>1,398,523</u></u>	\$ <u><u>915,294</u></u>

City of Whitefish, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 2,138,344	\$2,138,344	0%	\$5,340,571	40%

SINGLE AUDIT SECTION

City of Whitefish, Flathead County, Montana
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures June 30, 2011
<u>U.S. Forest Service</u>			
<i>Passed through Montana Department of Natural Resources and Conservation:</i>			
Urban and Community Forestry ARRA Grant-Cooling Our Communities	10.680	ARRA-06-102	\$ 52,878
Total U.S. Forest Service			\$ 52,878
<u>U.S. Department of Housing and Urban Development</u>			
<i>Passed through Department of Commerce:</i>			
Community Development Block Grant	14.228	MT-CDBG-09HR-03	\$ 155,940
Total U.S. Department of Housing and Urban Development			\$ 155,940
<u>U.S. Department of Justice</u>			
<i>Direct:</i>			
Community Oriented Policing Services (COPS)	16.710	2009RKWX0523	\$ 57,869
Total U.S. Department of Justice			\$ 57,869
<u>U.S. Department of Transportation</u>			
<i>Direct:</i>			
ARRA - Transportation Investments Generating Economic Recovery (Tiger)	20.932	DTFH61-10-G-00009	\$ 429,850
<i>Passed through Montana Department of Transportation:</i>			
Safe Routes to Schools	20.205	105149	23,020
Highway Planning and Construction - Bike Paths	20.205	MT 15(67)	11,207
State and Community Highway Safety	20.600	2010-05-04-26	17,667
Total U.S. Department of Transportation			\$ 481,744
<u>U.S. Environmental Protection Agency</u>			
<i>Passed through Montana Department of Natural Resources and Conservation:</i>			
Capitalization Grants for Clean Water - State Revolving Fund	66.458	SRF-12288	\$ 36,313
Total U.S. Environmental Protection Agency			\$ 36,313
<u>U.S. Department of Homeland Security</u>			
<i>Direct:</i>			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2008-FF-00288	\$ 188,542
<i>Passed through Montana Department of Military Affairs:</i>			
Emergency Operations Center Program	97.052	2010-EO-MX-0035	229,011
Total U.S. Department of Homeland Security			\$ 417,553
Total Federal Financial Assistance			\$ 1,202,297

CITY OF WHITEFISH

FLATHEAD COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2011

Basis of Presentation

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

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

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

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

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

We have audited the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2011, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated March 29, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statement of the Whitefish Housing Authority, as describe in our report on the City of Whitefish, Flathead County, Montana's financial statements. This report does not include the results of the auditors' testing of internal control over financial reporting or compliance and other matters that are reported separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting as items 11-1 and 11-2.

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Whitefish's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described in the accompanying schedule of findings and questions costs as items 11-3 and 11-4.

City of Whitefish's response to the findings identified in our audit is described in the Schedule of Findings and Questioned Costs. We did not audit City of Whitefish's response, and accordingly, we express no opinion on it.

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

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

March 29, 2012

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited City of Whitefish, Flathead County, Montana, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Whitefish's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion of the City's compliance based on our audit.

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

In our opinion, City of Whitefish complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of

expressing an opinion on compliance and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 11-5.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

City of Whitefish's response to the findings identified in our audit are described in the Schedule of Findings and Questioned Costs. We did not audit City of Whitefish's response and, accordingly, we express no opinion on it.

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

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

March 29, 2012

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2011

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unqualified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Type of auditor’s report issued on compliance for major programs:	<i>Unqualified</i>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.932	ARRA – Transportation Investments Generating Economic Recovery (TIGER)
97.083	Staffing for Adequate Fire and Emergency Response (SAFER)

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

11-1 Managerial Review of Adjustments

Condition:

During the fiscal year ended June 30, 2011, the City was not having adjustments to the accounting system approved by the Council or City Manager.

Criteria:

Internal control procedures should be in place to ensure those charged with accounting and have full access to all accounting areas, are properly proposing adjustments which are approved by management of the City.

Effect:

An internal control weakness was noted in which accounting system journal vouchers were not approved by the Council or City Manager.

Cause:

The City had not implemented adequate controls over journal vouchers as of June 30, 2011.

Recommendation:

The City should have all adjustments to the accounting system approved by the Council or the City Manager.

Auditee Response:

The City Manager will review journal vouchers prior to report distribution.

11-2 City Court

Condition:

The administrative function of processing citations after disposition has not kept up with the number of citations processed by the court. As a result the bond account has numerous citations that dispositions have not been entered. Between 2008 and 2009 the outstanding bonds went down by half. Between 2009 and 2010, the outstanding bonds have dropped another 34%. And between 2010 and 2011, the outstanding bonds have dropped another 31% to \$59,929 in outstanding bonds as of June 30, 2011. In addition, duties are not segregated since two clerks are responsible for the receipting, posting to Full Court, depositing and reconciling.

Criteria:

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

The effects of the disposition backlog might include:

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

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

Internal control weaknesses were noted related to segregation of duties.

Cause:

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

Recommendation:

We recommend that the City continue to address the backlog issue of processing court dispositions and establish procedures to ensure that the backlog does not occur in the future. In addition, the City should adequately segregate the duties of receipting, recording, depositing and reconciling.

Auditee Response:

The City will review the trust account and segregation of duties and make changes as they feel appropriate.

11-3 Exceeded Budget Authority

Condition:

The Ambulance Fund exceeded budget authority.

Criteria:

Montana Code Annotated (MCA), Section 7-6-4005, states in part "Expenditures limited to appropriations.

(1) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund."

Effect:

The City exceeded its budget authority by \$97,882 in the Ambulance Fund.

Cause:

The City did not properly budget for all expected full accrual transactions.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Recommendation:

We recommend that the City limit expenditures to the amount budgeted as required by Section 7-6-4005, MCA.

Auditee Response:

The City will review budgets in more detail in the future.

11-4 Operating Transfer

Condition:

The City used an operating transfer to allocate the cash in the Fire and Rescue Fund, a special revenue fund, to the Ambulance Fund, an enterprise fund.

Criteria:

Generally accepted accounting principles only allow the use of transfers to move money between funds.

Effect:

The cash and transfers in are overstated in the Ambulance Fund by \$121,000. The cash is understated and transfers are overstated \$121,000 in the Fire and Rescue Fund.

Cause:

The Fire and Rescue Fund had excess cash that the City transferred to the Ambulance Fund. The City was unaware that this was not an allowed transfer.

Recommendation:

We recommend the City review the separation between the funds with an option to consolidate the two funds.

Auditee Response:

The City will consider combining the funds in fiscal year 2013.

Section III – Federal Award Findings and Questioned Costs

11-5 Controls Over Cash Management of the Federal TIGER Grant

CFDA Title:	ARRA – Transportation Investments Generating Economic Recovery (TIGER)
CFDA Number:	20.932
Federal Award Number:	DTFH61-10-G-00009
Federal Agency:	U.S. Department of Transportation
Pass-through Entity:	Direct

Condition:

In March 2011 the City requested a reimbursement of \$126,000 more than they were allowed for reimbursement in request #2. The City discovered the error in June 2011 and corrected the error by requesting \$126,000 less than they were allowed for reimbursement in request #3.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Criteria:

Federal controls over cash management are very specific and require supporting documentation to agree with all grant requests.

Effect:

The City's did identify the error. However their control system did not identify the error for three months after the reimbursement was received.

Cause:

This error appears to be an isolated error.

Recommendation:

We recommend the City put in place a control system that would identify requests for federal reimbursement in excess of what is allowed.

Auditee Response:

The City will review its control system and make appropriate changes.

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

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

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

<u>Recommendation</u>	<u>Action Taken</u>
Unrecorded Accounts Payable/Capital Asset	Implemented
City Court	Repeated
Exceeding Budget Authority	Repeated

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

March 29, 2012