

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
Fiscal Year Ended June 30, 2013

**AUDIT REPORT**

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

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2013

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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, 2013

**CITY COUNCIL**

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

**CITY OFFICIALS**

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

**CITY OF WHITEFISH  
MANAGEMENT DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2013**

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, 2013. 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 \$75,993,995 as reported in the statement of net position. Of this amount, (\$49,464) is unrestricted and may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designations.
- The total fiscal year end governmental fund balance was \$13,696,193 as reported in the balance sheet.
- The unassigned general fund balance at fiscal year-end was \$1,397,827.

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

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

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

### **Fund Financial Statements**

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

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

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

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

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

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

### **Notes to Financial Statements**

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

## Other Required Supplementary Information

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

## FINANCIAL ANALYSIS OF THE CITY AS A WHOLE NET POSITION

Net position may serve over time as a useful indicator of a government's financial position. The net position for the fiscal year ending June 30, 2013 were \$75,993,995 an increase of \$3,773,405.

The City's largest portion of net position reflects investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to citizens. Although the City's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position 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 tables presents consolidated information on the City's net position as of June 30, 2012 and June 30, 2013.

### City of Whitefish - Net position

Table 1 - Net Assets						
	Governmental Activities			Business-type Activities		
	FY13	FY12	Change Inc (Dec)	FY13	FY12	Change Inc (Dec)
Current and other assets	\$ 16,593,450	\$ 16,270,702	\$ 322,748	\$ 4,269,000	\$ 5,418,994	\$ (1,149,994)
Capital assets	54,444,896	52,692,497	1,752,399	23,690,955	22,624,436	1,066,519
Total assets	71,038,346	68,963,199	2,075,147	27,959,955	28,043,430	(83,475)
Long-term debt outstanding	\$ 15,195,954	\$ 15,687,683	\$ (491,729)	\$ 6,799,618	\$ 8,133,225	\$ (1,333,607)
Other liabilities	431,848	348,945	82,903	576,886	616,186	(39,300)
Total liabilities	15,627,802	16,036,628	(408,826)	7,376,504	8,749,411	(1,372,907)
Invested in capital assets, net of debt	41,489,842	38,460,321	3,029,521	17,617,190	15,422,672	2,194,518
Restricted	14,879,442	10,912,532	3,966,910	2,056,985	2,405,573	(348,588)
Unrestricted (deficit)	(958,740)	3,553,718	(4,512,458)	909,276	1,465,774	(556,498)
Total net position	\$ 55,410,544	\$ 52,926,571	\$ 2,483,973	\$ 20,583,451	\$ 19,294,019	\$ 1,289,432

## CHANGES in Net Position

Table 2 - Changes in Net Assets						
	Governmental			Business-type		
	Activities			Activities		
	FY13	FY12	Change Inc (Dec)	FY13	FY12	Change Inc (Dec)
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 4,401,363	\$ 3,272,520	\$ 1,128,843	\$ 5,883,386	\$ 6,317,407	\$ (434,021)
Operating grants and contributions	428,565	529,882	(101,317)	28,000	-	28,000
Capital grants and contributions	495,387	3,416,537	(2,921,150)	372,750	870,162	(497,412)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	8,664,032	7,745,163	918,869	-	294,835	(294,835)
Liquor tax apportionment	-	59,611	(59,611)	-	-	-
Video poker apportionment	-	19,925	(19,925)	-	-	-
Miscellaneous	396,801	132,955	263,846	-	-	-
Interest/investment earnings	36,369	112,550	(76,181)	10,704	40,527	(29,823)
Bureau of Indian Affairs	-	-	-	-	45,605	(45,605)
State entitlement	902,680	862,537	40,143	-	-	-
On behalf payments	606,149	323,488	282,661	-	220,939	(220,939)
Total revenues	\$ 15,931,346	\$ 16,475,168	\$ (543,822)	\$ 6,294,840	\$ 7,789,475	\$ (1,494,635)
<b>Program expenses</b>						
General government	\$ 1,002,334	\$ 523,770	\$ 478,564	\$ -	\$ -	\$ -
Public safety	\$ 5,574,407	\$ 3,554,516	2,019,891.00	-	-	-
Public works	\$ 2,089,494	\$ 2,390,278	(300,784.00)	-	-	-
Social and economic services	\$ 1,500	\$ 1,250	250.00	-	-	-
Culture and recreation	\$ 2,035,725	\$ 2,043,382	(7,657.00)	-	-	-
Housing and community development	\$ 2,167,449	\$ 976,312	1,191,137.00	-	-	-
Debt service - interest	\$ 614,469	\$ 610,386	4,083.00	-	-	-
Miscellaneous	\$ 37,770	39,638.00	(1,868.00)	-	-	-
Water	-	-	-	1,910,091.00	1,881,971.00	28,120.00
Wastewater	-	-	-	709,352.00	2,226,197.00	(1,516,845.00)
Solid Waste	-	-	-	-	691,826.00	(691,826.00)
Ambulance	-	-	-	-	1,936,203.00	(1,936,203.00)
Total expenses	\$ 13,523,148	\$ 10,139,532	\$ 3,383,616	\$ 4,881,809	\$ 6,736,197	\$ (1,854,388)
Excess (deficiency) before special items and transfers	2,408,198	6,335,636	(3,927,438)	1,413,031	1,053,278	359,753
Gain (loss) on sale of capital assets	-	-	-	-	-	-
Transfers - net	-	(464,255)	464,255	-	464,255	(464,255)
<b>Increase (decrease) in net position</b>	<b>\$ 2,408,198</b>	<b>\$ 5,871,381</b>	<b>\$ (3,463,183)</b>	<b>\$ 1,413,031</b>	<b>\$ 1,517,533</b>	<b>\$ (104,502)</b>

The City's revenues totaled \$22,226,186 fiscal year ending June 30, 2013. The total cost of all programs and services for that same period were \$18,404,957. Therefore, the increase in net position was \$3,821,229. The table above presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2012 and June 30, 2013.

### City of Whitefish – Changes in Net position

#### Governmental activities

Revenues for the fiscal year ending June 30, 2013 from governmental activities were \$15,931,346 while expenses were \$13,523,148. Net position thus increased \$2,408,198. General government related revenues decreased by \$543,822 from the previous year and expenses increased by \$3,383,616.

#### Business-type activities

Revenues for the fiscal year ending June 30, 2013 from business-type activities were \$6,294,840. Expenses were \$4,881,809 resulting in a decrease in net position of \$104,502. Business-type related revenues decreased by \$1,494,635 from the previous year and expenses decreased by \$1,854,388.

## **Significant Changes**

At the beginning of fiscal year 2013, the ambulance fund, a business type fund, was combined with the fire fund, and governmental fund, now showing as the fire and ambulance fund, a governmental fund, on the fiscal year 2013 financial statements.

## **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 2013, the City governmental funds reported a combined fund balance of \$13,696,193. Of that fund balance \$594,098 is unassigned.

## **GENERAL FUND BUDGETARY HIGHLIGHTS**

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

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

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2013 totals \$59,107,032 (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 FY2013 included the following:

- Continued design of E. 2nd Street Reconstruction and Trail
- Donation of \$25k for new baseball stadium improvements
- Began infrastructure component of Safe Routes to School project
- Completed initial phase of citywide wireless communications network
- Completed construction process on hydroelectric project
- Continued design for utility improvements on the US Hwy 93 Whitefish West Reconstruction Project
- Identified energy efficiency measures in the water and sewer system and began implementation and construction
- Completed improvements to Ice Rink refrigeration system ~\$170k
- Began design work on \$800k Sky Park Bridget project
- Completed most \$150k way finding signage project
- Purchased new street snow blower attachment for commercial loader
- Installed ~\$150k of raw water system controls in the water treatment plant
- Purchased an ~\$85k dump truck in the Public Works Department
- Completed Phase I of 6<sup>th</sup> and Geddes street reconstruction project using Resort Tax Funds

## LONG-TERM DEBT

The City's FY2012 total debt was decreased by 11.2%. New debt was incurred for a for the Ice Rink. No general obligation bonds were issued.

<b>Outstanding Debt</b>					
	<b>Rate/TIC</b>	<b>Annual % Reduction</b>	<b>Amount Due w/n Year</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
<b>Revenue Bonds:</b>					
TIF ESC	4.23%	-9.5%	1,305,000	12,020,000	13,285,000
Water	~2.1%	-12.2%	387,000	3,740,000	4,262,000
Sewer	~2.3%	-20.6%	64,000	2,328,000	2,939,764
<b>Special Assessment Bonds:</b>					
SID 166	4.18%	-7.5%	70,000	865,000	935,000
<b>Intercap Loans:</b>					
Ice Rink	1.25%	NA	13,663	140,000	-
<b>Capital Leases:</b>					
Copier	7.27%	100%	-	-	1,196
Sharp MX5111	16.07	-33%	3,623	7,357	10,981
<b>OPEB:</b>					
Governmental	NA	NA	-	1,304,250	795,512*
Business type	NA	NA	-	439,500	530,166*
<b>Compensated Absences:</b>					
Governmental	NA	NA	740,223	936,650	659,994 #
Business type	NA	NA	177,399	286,353	401,295 #
<b>Total</b>		<b>-7.6%</b>	<b>\$2,760,908</b>	<b>21,995,571</b>	<b>23,820,908</b>

\*The business type for fiscal year 2012 includes the ambulance OPEB liability in the amount of \$186,823. In fiscal year 13 an adjustment was made to move this amount from a business liability to a governmental liability as the fund changed to a governmental fund.

# The business type for fiscal year 2012 includes the ambulance compensated absences liability in the amount of \$128,757. In fiscal year 13 an adjustment was made to move this amount from a business liability to a governmental liability as the fund changed to a governmental fund

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The City of Whitefish at mid-year FY14, found itself with Property tax supported Funds in an increasingly stronger financial position. As compared to the previous year at the same period the City's General Fund cash balance has increased by 22%. Building License and Permit revenue is continuing to follow a strong trend which began in 2012. Building plan review fees for the year have already exceeded the entire year's revenue estimates by 12% while permit fees are at 98% of the entire year's estimates. Due to construction activity Impact Fee collections are strong and will exceed budget projections. Economic activity in the City continues to be robust as Resort Tax collections continue to track ahead the previous year which was a very successful year (up 10%). Water and Wastewater charges are trending positively due to a combination of increased consumption, additional customers and modest rate increases. The City's interest earnings show a large increase throughout all Funds which is due to the distribution of interest earnings from a large, multi-year certificate of deposit.

## **REQUESTS FOR INFORMATION**

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

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

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

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 8, 49 through 54, and 55 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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 also not a required part of the financial statements.

The accompanying 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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, schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2014, on our consideration of the City of Whitefish, Flathead County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whitefish, Flathead County, Montana's internal control over financial reporting and compliance.

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

March 28, 2014

**City of Whitefish, Flathead County, Montana**  
**Statement of Net Position**  
**June 30, 2013**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 10,593,821	\$ 1,569,176	\$ 12,162,997
Taxes and assessments receivable, net	1,318,962	584	1,319,546
Other receivable	85,662	-	85,662
Accounts receivable - net	164,046	463,144	627,190
Notes and loans receivable	35,603	-	35,603
Unamortized bond premium and costs	132,893	-	132,893
Total current assets	<u>\$ 12,330,987</u>	<u>\$ 2,032,904</u>	<u>\$ 14,363,891</u>
Noncurrent assets			
Restricted cash and investments	\$ 3,116,016	\$ 2,215,567	\$ 5,331,583
Capital assets - land	8,353,129	602,783	8,955,912
Capital assets - construction in progress	19,022,250	2,385,661	21,407,911
Capital assets - depreciable, net	27,069,517	20,702,511	47,772,028
Special assessments receivable deferred	1,146,447	20,529	1,166,976
Total noncurrent assets	<u>\$ 58,707,359</u>	<u>\$ 25,927,051</u>	<u>\$ 84,634,410</u>
Total assets	<u>\$ 71,038,346</u>	<u>\$ 27,959,955</u>	<u>\$ 98,998,301</u>
<b>LIABILITIES</b>			
Current liabilities			
Accrued payroll	\$ 151,366	\$ 41,057	\$ 192,423
Current portion of long-term capital liabilities	1,392,286	451,000	1,843,286
Current portion of compensated absences payable	740,223	177,399	917,622
Contracts payable	280,482	-	280,482
Deferred revenue - hydro power	-	347,177	347,177
Total current liabilities	<u>\$ 2,564,357</u>	<u>\$ 1,016,633</u>	<u>\$ 3,580,990</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 188,652	\$ 188,652
Noncurrent portion of long-term liabilities	1,304,250	439,500	1,743,750
Noncurrent portion of long-term capital liabilities	11,562,768	5,622,765	17,185,533
Noncurrent portion of compensated absences	196,427	108,954	305,381
Total noncurrent liabilities	<u>\$ 13,063,445</u>	<u>\$ 6,359,871</u>	<u>\$ 19,423,316</u>
Total liabilities	<u>\$ 15,627,802</u>	<u>\$ 7,376,504</u>	<u>\$ 23,004,306</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	\$ 41,489,842	\$ 17,617,190	\$ 59,107,032
Restricted for capital projects	1,989,007	-	1,989,007
Restricted for debt service	4,456,946	2,056,985	6,513,931
Restricted for special projects	8,433,489	-	8,433,489
Unrestricted	(958,740)	909,276	(49,464)
Total net position	<u>\$ 55,410,544</u>	<u>\$ 20,583,451</u>	<u>\$ 75,993,995</u>
Total liabilities and net position	<u>\$ 71,038,346</u>	<u>\$ 27,959,955</u>	<u>\$ 98,998,301</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana  
Statement of Activities  
For the Fiscal Year Ended June 30, 2013

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets Primary Government		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 1,158,756	\$ (156,422)	\$ 401,689	\$ -	\$ -	\$ (600,645)	\$ -	\$ (600,645)
Public safety	5,494,147	80,260	2,024,719	183,246	62,823	(3,303,619)	-	(3,303,619)
Public works	2,074,319	15,175	1,412,787	145,709	432,564	(98,434)	-	(98,434)
Social and economic services	1,500	-	-	-	-	(1,500)	-	(1,500)
Culture and recreation	2,021,821	13,904	559,683	53,023	-	(1,423,019)	-	(1,423,019)
Housing and community development	2,162,787	4,662	2,485	46,587	-	(2,118,377)	-	(2,118,377)
Debt service - interest	614,469	-	-	-	-	(614,469)	-	(614,469)
Miscellaneous	37,770	-	-	-	-	(37,770)	-	(37,770)
Total governmental activities	\$ 13,565,569	\$ (42,421)	\$ 4,401,363	\$ 428,565	\$ 495,387	\$ (8,197,833)	\$ -	\$ (8,197,833)
Business-type activities:								
Water	\$ 1,890,908	\$ 19,183	\$ 2,841,061	\$ -	\$ 200,000	\$ -	\$ 1,130,970	\$ 1,130,970
Wastewater	2,240,770	21,596	2,297,669	28,000	172,750	-	236,053	236,053
Solid Waste	707,710	1,642	744,656	-	-	-	35,304	35,304
Total business-type activities	\$ 4,839,388	\$ 42,421	\$ 5,883,386	\$ 28,000	\$ 372,750	\$ -	\$ 1,402,327	\$ 1,402,327
Total primary government	\$ 18,404,957	\$ -	\$ 10,284,749	\$ 456,565	\$ 868,137	\$ (8,197,833)	\$ 1,402,327	\$ (6,795,506)
General Revenues:								
Property taxes for general purposes						\$ 8,664,032	\$ -	\$ 8,664,032
Miscellaneous						396,801	-	396,801
Interest/investment earnings						36,369	10,704	47,073
State entitlement						902,680	-	902,680
On behalf payments						606,149	-	606,149
Total general revenues, special items and transfers						\$ 10,606,031	\$ 10,704	\$ 10,616,735
Change in net position						\$ 2,408,198	\$ 1,413,031	\$ 3,821,229
Net position - beginning						\$ 52,926,571	\$ 19,294,019	\$ 72,220,590
Restatements						75,775	(123,599)	(47,824)
Net position - beginning - restated						\$ 53,002,346	\$ 19,170,420	\$ 72,172,766
Net position - end						\$ 55,410,544	\$ 20,583,451	\$ 75,993,995

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2013**

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>SID 166 Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>								
Current assets:								
Cash and investments	\$ 721,512	\$ 2,142,223	\$ 2,015,177	\$ 523,280	\$ -	\$ -	\$ 5,191,629	\$ 10,593,821
Taxes and assessments receivable, net	298,281	-	733,389	81,607	-	10,063	195,622	1,318,962
Other receivable	-	-	85,662	-	-	-	-	85,662
Accounts receivable - net	-	-	-	164,046	-	-	-	164,046
Notes and loans receivable	35,603	-	-	-	-	-	-	35,603
Due from other funds	90,162	-	43,578	-	-	-	6,533	140,273
Unamortized bond premium and costs	-	-	-	-	132,893	-	-	132,893
Total current assets	<u>\$ 1,145,558</u>	<u>\$ 2,142,223</u>	<u>\$ 2,877,806</u>	<u>\$ 768,933</u>	<u>\$ 132,893</u>	<u>\$ 10,063</u>	<u>\$ 5,393,784</u>	<u>\$ 12,471,260</u>
Noncurrent assets:								
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 3,116,016	\$ -	\$ -	\$ 3,116,016
Advances to other funds	593,010	-	-	-	-	-	48,740	641,750
Special assessments receivable deferred	-	-	81,286	-	-	1,059,184	5,977	1,146,447
Total noncurrent assets	<u>\$ 593,010</u>	<u>\$ -</u>	<u>\$ 81,286</u>	<u>\$ -</u>	<u>\$ 3,116,016</u>	<u>\$ 1,059,184</u>	<u>\$ 54,717</u>	<u>\$ 4,904,213</u>
Total assets	<u>\$ 1,738,568</u>	<u>\$ 2,142,223</u>	<u>\$ 2,959,092</u>	<u>\$ 768,933</u>	<u>\$ 3,248,909</u>	<u>\$ 1,069,247</u>	<u>\$ 5,448,501</u>	<u>\$ 17,375,473</u>
<b>LIABILITIES</b>								
Current liabilities:								
Accrued payroll	\$ 42,460	\$ -	\$ 5,181	\$ 53,161	\$ -	\$ -	\$ 50,564	\$ 151,366
Due to other funds	-	-	-	-	-	6,533	133,740	140,273
Deferred revenue - taxes	298,281	-	814,675	81,607	-	1,069,247	201,599	2,465,409
Contracts payable	-	-	280,482	-	-	-	-	280,482
Total current liabilities	<u>\$ 340,741</u>	<u>\$ -</u>	<u>\$ 1,100,338</u>	<u>\$ 134,768</u>	<u>\$ -</u>	<u>\$ 1,075,780</u>	<u>\$ 385,903</u>	<u>\$ 3,037,530</u>
Noncurrent liabilities:								
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,740	\$ 593,010	\$ 641,750
Total liabilities	<u>\$ 340,741</u>	<u>\$ -</u>	<u>\$ 1,100,338</u>	<u>\$ 134,768</u>	<u>\$ -</u>	<u>\$ 1,124,520</u>	<u>\$ 978,913</u>	<u>\$ 3,679,280</u>
<b>FUND BALANCES</b>								
Restricted	\$ -	\$ 2,142,223	\$ 1,858,754	\$ 634,165	\$ 3,248,909	\$ -	\$ 5,218,044	\$ 13,102,095
Unassigned fund balance	1,397,827	-	-	-	-	(55,273)	(748,456)	594,098
Total fund balance	<u>\$ 1,397,827</u>	<u>\$ 2,142,223</u>	<u>\$ 1,858,754</u>	<u>\$ 634,165</u>	<u>\$ 3,248,909</u>	<u>\$ (55,273)</u>	<u>\$ 4,469,588</u>	<u>\$ 13,696,193</u>
Total liabilities and fund balance	<u>\$ 1,738,568</u>	<u>\$ 2,142,223</u>	<u>\$ 2,959,092</u>	<u>\$ 768,933</u>	<u>\$ 3,248,909</u>	<u>\$ 1,069,247</u>	<u>\$ 5,448,501</u>	<u>\$ 17,375,473</u>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2013**

<b>Total fund balances - governmental funds</b>	\$	13,696,193
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		54,444,896
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.		2,465,409
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(15,195,954)
<b>Total net position - governmental activities</b>	<b>\$</b>	<b><u><u>55,410,544</u></u></b>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>SID 166 Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>								
Taxes and assessments	\$ 1,885,754	\$ 1,966,425	\$ 4,237,148	\$ 515,049	\$ -	\$ -	\$ 1,348,408	\$ 9,952,784
Licenses and permits	63,053	-	-	78,391	-	-	655,255	796,699
Intergovernmental	1,177,313	-	171,325	417,479	-	-	666,410	2,432,527
Charges for services	218,123	-	-	1,152,214	-	-	736,596	2,106,933
Fines and forfeitures	251,958	-	-	-	-	-	8,172	260,130
Miscellaneous	50,194	-	2,186	105,440	-	106,154	109,569	373,543
Investment earnings	14,944	5,528	-	-	8,548	81	9,753	38,854
Total revenues	\$ 3,661,339	\$ 1,971,953	\$ 4,410,659	\$ 2,268,573	\$ 8,548	\$ 106,235	\$ 3,534,163	\$ 15,961,470
<b>EXPENDITURES</b>								
General government	\$ 480,655	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,172	\$ 488,827
Public safety	2,461,428	-	-	2,725,235	-	-	279,681	5,466,344
Public works	11,435	-	-	-	-	-	1,011,840	1,023,275
Social and economic services	1,500	-	-	-	-	-	-	1,500
Culture and recreation	18,988	23,630	-	-	-	-	1,394,201	1,436,819
Housing and community development	-	-	2,120,862	-	-	-	46,587	2,167,449
Debt service - principal	4,036	-	-	-	1,265,000	70,000	7,686	1,346,722
Debt service - interest	-	-	-	-	571,401	42,768	300	614,469
Miscellaneous	-	-	-	-	-	-	37,770	37,770
Capital outlay	55,444	1,631,074	441,150	42,905	-	-	1,292,994	3,463,567
Total expenditures	\$ 3,033,486	\$ 1,654,704	\$ 2,562,012	\$ 2,768,140	\$ 1,836,401	\$ 112,768	\$ 4,079,231	\$ 16,046,742
Excess (deficiency) of revenues over expenditures	\$ 627,853	\$ 317,249	\$ 1,848,647	\$ (499,567)	\$ (1,827,853)	\$ (6,533)	\$ (545,068)	\$ (85,272)
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 69,599	\$ 69,599
Transfers in	2,393,007	-	1,935	494,594	1,789,836	-	855,442	5,534,814
Transfers out	(2,860,071)	(598,007)	(2,065,609)	-	-	-	(11,127)	(5,534,814)
Total other financing sources (uses)	\$ (467,064)	\$ (598,007)	\$ (2,063,674)	\$ 494,594	\$ 1,789,836	\$ -	\$ 913,914	\$ 69,599
Net Change in Fund Balance	\$ 160,789	\$ (280,758)	\$ (215,027)	\$ (4,973)	\$ (38,017)	\$ (6,533)	\$ 368,846	\$ (15,673)
Fund balances - beginning	\$ 1,237,038	\$ 2,422,981	\$ 2,073,781	\$ 353,496	\$ 3,286,926	\$ (48,740)	\$ 4,100,742	\$ 13,426,224
Restatements	-	-	-	285,642	-	-	-	285,642
Fund balances - beginning, restated	\$ 1,237,038	\$ 2,422,981	\$ 2,073,781	\$ 639,138	\$ 3,286,926	\$ (48,740)	\$ 4,100,742	\$ 13,711,866
Fund balance - ending	\$ 1,397,827	\$ 2,142,223	\$ 1,858,754	\$ 634,165	\$ 3,248,909	\$ (55,273)	\$ 4,469,588	\$ 13,696,193

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, 2013**

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

<b>Net change in fund balances - total governmental funds</b>	\$	(15,673)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		3,463,567
- Depreciation expense		(1,816,881)
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)		(30,124)
The change in compensated absences is shown as an expense in the Statement of Activities		
		(147,899)
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		1,346,722
Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets:		
- Proceeds from the sale of long-term debt		(69,599)
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		(321,915)
<b>Change in net position - Statement of Activities</b>	<b>\$</b>	<b><u>2,408,198</u></b>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana  
Statement of Net Position  
Proprietary Funds  
June 30, 2013

	Business-Type Activities - Enterprise Funds			
	Water	Wastewater	Non-major Enterprise	Totals
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 987,713	\$ 506,197	\$ 75,266	\$ 1,569,176
Taxes and assessments receivable, net	249	335	-	584
Accounts receivable - net	230,590	168,930	63,624	463,144
Total current assets	<u>\$ 1,218,552</u>	<u>\$ 675,462</u>	<u>\$ 138,890</u>	<u>\$ 2,032,904</u>
Noncurrent assets:				
Restricted cash and investments	\$ 1,448,854	\$ 766,713	\$ -	\$ 2,215,567
Capital assets - land	335,283	267,500	-	602,783
Capital assets - construction in progress	1,993,589	392,072	-	2,385,661
Capital assets - depreciable, net	8,377,312	12,325,199	-	20,702,511
Special assessments receivable deferred	8,745	11,784	-	20,529
Total noncurrent assets	<u>\$ 12,163,783</u>	<u>\$ 13,763,268</u>	<u>\$ -</u>	<u>\$ 25,927,051</u>
Total assets	<u>\$ 13,382,335</u>	<u>\$ 14,438,730</u>	<u>\$ 138,890</u>	<u>\$ 27,959,955</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accrued payroll	\$ 19,442	\$ 20,012	\$ 1,603	\$ 41,057
Current portion of long-term capital liabilities	387,000	64,000	-	451,000
Current portion of compensated absences payable	84,314	85,101	7,984	177,399
Deferred revenue - hydro power	347,177	-	-	347,177
Total current liabilities	<u>\$ 837,933</u>	<u>\$ 169,113</u>	<u>\$ 9,587</u>	<u>\$ 1,016,633</u>
Noncurrent liabilities:				
Deposits payable	\$ 188,550	\$ 74	\$ 28	\$ 188,652
Noncurrent portion of long-term liabilities	204,262	222,088	13,150	439,500
Noncurrent portion of long-term capital liabilities	3,354,000	2,268,765	-	5,622,765
Noncurrent portion of compensated absences	55,910	47,206	5,838	108,954
Total noncurrent liabilities	<u>\$ 3,802,722</u>	<u>\$ 2,538,133</u>	<u>\$ 19,016</u>	<u>\$ 6,359,871</u>
Total liabilities	<u>\$ 4,640,655</u>	<u>\$ 2,707,246</u>	<u>\$ 28,603</u>	<u>\$ 7,376,504</u>
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	\$ 6,965,184	\$ 10,652,006	\$ -	\$ 17,617,190
Restricted for debt service	1,290,272	766,713	-	2,056,985
Unrestricted	486,224	312,765	110,287	909,276
Total net position	<u>\$ 8,741,680</u>	<u>\$ 11,731,484</u>	<u>\$ 110,287</u>	<u>\$ 20,583,451</u>
Total liabilities and net position	<u>\$ 13,382,335</u>	<u>\$ 14,438,730</u>	<u>\$ 138,890</u>	<u>\$ 27,959,955</u>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Fiscal Year Ended June 30, 2013**

**Business-Type Activities - Enterprise Funds**

	<b>Water</b>	<b>Wastewater</b>	<b>Non-major Enterprise</b>	<b>Totals</b>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 2,835,924	\$ 2,273,228	\$ 744,656	\$ 5,853,808
Miscellaneous revenues	5,137	24,441	-	29,578
Total operating revenues	\$ 2,841,061	\$ 2,297,669	\$ 744,656	\$ 5,883,386
<b>OPERATING EXPENSES</b>				
Personal services	\$ 832,035	\$ 911,843	\$ 69,433	\$ 1,813,311
Supplies	139,710	223,349	1,897	364,956
Purchased services	271,448	207,064	634,316	1,112,828
Fixed charges	180,417	150,315	3,706	334,438
Depreciation	363,734	690,177	-	1,053,911
Total operating expenses	\$ 1,787,344	\$ 2,182,748	\$ 709,352	\$ 4,679,444
Operating income (loss)	\$ 1,053,717	\$ 114,921	\$ 35,304	\$ 1,203,942
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	\$ 200,000	\$ 200,750	\$ -	\$ 400,750
Interest revenue	6,771	3,739	194	10,704
Debt service interest expense	(116,080)	(72,952)	-	(189,032)
Grants and donations to other institutions	(6,667)	(6,666)	-	(13,333)
Total non-operating revenues (expenses)	\$ 84,024	\$ 124,871	\$ 194	\$ 209,089
Income (loss) before contributions and transfers	\$ 1,137,741	\$ 239,792	\$ 35,498	\$ 1,413,031
Change in net position	\$ 1,137,741	\$ 239,792	\$ 35,498	\$ 1,413,031
Net Position - Beginning of the year	\$ 7,603,939	\$ 11,491,692	\$ 198,388	\$ 19,294,019
Restatements	-	-	(123,599)	(123,599)
Net Position - Beginning of the year - Restated	\$ 7,603,939	\$ 11,491,692	\$ 74,789	\$ 19,170,420
Net Position - End of the year	\$ 8,741,680	\$ 11,731,484	\$ 110,287	\$ 20,583,451

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2013**

	<b>Business - Type Activities - Enterprise Funds</b>			
	<u>Water</u>	<u>Wastewater</u>	<u>Nonmajor Enterprise</u>	<u>Totals</u>
<b>Cash flows from operating activities:</b>				
Cash received from providing services	\$ 2,772,522	\$ 2,271,106	\$ 741,929	\$ 5,785,557
Cash received from miscellaneous sources	5,137	24,441	-	29,578
Cash payments to suppliers	(311,381)	(361,880)	(1,897)	(675,158)
Cash payments for professional services	(271,448)	(207,064)	(634,316)	(1,112,828)
Cash payments to employees	(773,841)	(853,078)	(72,042)	(1,698,961)
Net cash provided (used) by operating activities	<u>\$ 1,420,989</u>	<u>\$ 873,525</u>	<u>\$ 33,674</u>	<u>\$ 2,328,188</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	\$ (1,729,176)	\$ (496,967)	\$ -	\$ (2,226,143)
Principal paid on debt	(521,000)	(606,999)	-	(1,127,999)
Interest paid on debt	(116,080)	(72,952)	-	(189,032)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,366,256)</u>	<u>\$ (1,176,918)</u>	<u>\$ -</u>	<u>\$ (3,543,174)</u>
<b>Cash flows from non-capital financing activities:</b>				
Tax levies and contributions from the County	\$ 191,502	\$ 189,300	\$ -	\$ 380,802
Grants and donations to other institutions	(6,667)	(6,666)	-	(13,333)
Net cash provided (used) from non-capital financing activities	<u>\$ 184,835</u>	<u>\$ 182,634</u>	<u>\$ -</u>	<u>\$ 367,469</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	\$ 6,771	\$ 3,739	\$ 194	\$ 10,704
Net cash provided (used) by investing activities	<u>\$ 6,771</u>	<u>\$ 3,739</u>	<u>\$ 194</u>	<u>\$ 10,704</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ (753,661)</b>	<b>\$ (117,020)</b>	<b>\$ 33,868</b>	<b>\$ (836,813)</b>
<b>Cash and cash equivalents at beginning</b>	<b>\$ 3,190,228</b>	<b>\$ 1,389,930</b>	<b>\$ 41,398</b>	<b>\$ 4,621,556</b>
<b>Cash and cash equivalents at end</b>	<b>\$ 2,436,567</b>	<b>\$ 1,272,910</b>	<b>\$ 75,266</b>	<b>\$ 3,784,743</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,053,717	\$ 114,921	\$ 35,304	\$ 1,203,942
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	363,734	690,177	-	1,053,911
Other post-employment benefits	45,988	50,169	-	96,157
Changes in assets and liabilities:				
Change in accounts receivable	(10,579)	(2,122)	(2,727)	(15,428)
Change in deferred revenue	(52,823)	-	-	(52,823)
Change in special assessment receivable deferred	8,746	11,784	-	20,530
Change in accrued payables	4,713	3,037	333	8,083
Change in compensated absences	7,493	5,559	764	13,816
Net cash provided (used) by operating activities	<u>\$ 1,420,989</u>	<u>\$ 873,525</u>	<u>\$ 33,674</u>	<u>\$ 2,328,188</u>

See accompanying notes to the financial statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2013**

	<u>Pension</u> <u>Trust Funds</u>		<u>Private Purpose</u> <u>Trust Funds</u>		<u>Agency</u> <u>Funds</u>
<b>ASSETS</b>					
Cash and short-term investments	\$ 26,073		\$ 82,560		\$ 492,508
Interest and dividends receivable	13,415		-		-
Total assets	<u>\$ 39,488</u>		<u>\$ 82,560</u>		<u>\$ 492,508</u>
<b>LIABILITIES</b>					
Warrants payable	\$ -		\$ -		\$ 492,508
Deferred revenue	13,415		-		-
Total liabilities	<u>\$ 13,415</u>		<u>\$ -</u>		<u>\$ 492,508</u>
<b>NET POSITION</b>					
Assets held in trust	<u>\$ 26,073</u>		<u>\$ 82,560</u>		

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2013**

	<u>Pension Trust Funds</u>	<u>Private Purpose Trust Funds</u>
<b>ADDITIONS</b>		
Contributions:		
Tax	\$ 86,503	\$ -
Intergovernmental	-	231,611
Total contributions	<u>\$ 86,503</u>	<u>\$ 231,611</u>
Investment earnings:		
Interest and change in fair value of investments	\$ 40	\$ 322
Total additions	<u>\$ 86,543</u>	<u>\$ 231,933</u>
<b>DEDUCTIONS</b>		
Distributions from investment trust fund	\$ 60,470	\$ 252,350
Change in net position	<u>\$ 26,073</u>	<u>\$ (20,417)</u>
Net Position - Beginning of the year	\$ -	\$ 102,977
Net Position - End of the year	<u><u>\$ 26,073</u></u>	<u><u>\$ 82,560</u></u>

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH  
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**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.

GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, incorporates the pre-November 30, 1989 FASB, APB and ARB pronouncements that the GASB considers to be applicable to state and local governments. This standard is effective for fiscal year ending June 30, 2013.

**Financial Reporting Entity**

In determining the financial reporting entity, the City complies with the provisions of GASB statement No, 14, *The Financial Reporting City*, and includes all component units of which the City appointed a voting majority of the component units' board; the City is either able to impose its' will on the unit or a financial benefit or burden relationship exists. In addition, the City complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the City. In complying with GASBS No. 62, the City will no longer report the Whitefish Housing Authority as a component unit. The Authority was previously reported as a discretely presented component unit. This change has no effect on beginning net position or fund balance.

*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.

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

*Government-wide Financial Statements:*

*Basis of Presentation*

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

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

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

*Measurement Focus and Basis of Accounting*

**Government-Wide Financial Statements**

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

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**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***

**Modified Accrual**

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

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

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Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The City reports the following major governmental funds:

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

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

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

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

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

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

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***Proprietary Funds:***

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

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

**Major Funds:**

The City reports the following major proprietary funds:

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

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

***Fiduciary Funds***

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

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

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**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	7.07%
Street and Alley	7.52%
Parks and Recreation	9.04%
Library	1.73%
Law Enforcement	21.48%
Tax Increment	2.43%
Fire and Ambulance	24.49%
Building Codes	3.50%
Light #1	0.25%
Light #4	0.25%
Water Fund	10.02%
Wastewater Fund	11.34%
Solid Waste Fund	<u>0.88%</u>
Total	<u>100%</u>

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

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2013, are as follows:

	<u>Primary</u> <u>Government</u>
<u>Cash on hand and deposits:</u>	
Petty Cash	\$ 1,225
Cash in banks:	
Demand deposits	15,341,182
Savings deposits	383,882
Time deposits	2,342,138
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	27,294
Total	<u>\$ 18,095,721</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;

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(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.

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

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

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

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Short Term Investment Pool (STIP) Credit Quality ratings by the NRSRO as of June 30, 2013:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
Asset Backed Commercial Paper	\$ 907,892,295	A1	44
Corporate Commercial Paper	150,768,775	A1	105
Corporate Variable-Rate	663,143,336	A3	41
Certificates of Deposit Fixed Rate	50,000,000	A1	222
Certificates of Deposit Variable-Rate	435,974,196	A2	35
Other Asset Backed	17,987,295	BBB-	NA
U.S. Government Agency Fixed	25,000,000	A1	3
U.S. Government Agency Variable -Rate	182,700,345	A1	17
Money Market Funds (Unrated)	168,232,935	NR	1
Money Market Funds (Rated)	15,000,000	A1+	1
Structured Investment Vehicles (SIV)	29,561,449	NR	4
Total Investments	\$ <u>2,395,388,093</u>	A2	<u>43</u>
Securities Lending Collateral Investment Pool	\$ <u>7,182,928</u>	NR	*

\*“As of June 30, 2013, the Securities Lending Quality Trust liquidity pool had an average duration of 48 days and an average weighted final maturity of 99 days for U.S. dollar collateral. The duration pool had an average duration of 36 days and an average weighted final maturity of 679 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, 2013 \$17,292,718 of the government’s bank balance of \$18,042,718 was exposed to custodial credit risk as follows:

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<u>Depository Account</u>	<u>Balance</u>
Insured	\$ 750,000
- Collateral held by the pledging bank's trust department in the City's name.	10,653,871
Uninsured and uncollateralized	6,638,847
Total deposits and investments	\$ <u><u>18,042,718</u></u>

Deposit Security

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

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

The amount of collateral held for City deposits at June 30, 2013, equaled or exceeded the amount required by State statutes.

**Cash equivalents**

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

**NOTE 3. RESTRICTED CASH/INVESTMENTS**

The following restricted cash/investments were held by the City as of June 30, 2013. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Description</u>	<u>Amount</u>
Debt Service	\$ 3,932,307
Construction	1,192,891
Replacement and depreciation	<u>206,405</u>
Total	<u><u>\$ 5,331,583</u></u>

**NOTE 4. RECEIVABLES**

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

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

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

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

**NOTE 5. INVENTORIES**

The cost of inventories are recorded as an expenditure when purchased

**NOTE 6. CAPITAL ASSETS**

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

	Useful Life	Capitalization Threshold
Buildings	10 – 40 years	\$25,000
Improvements	5 – 20 years :	\$25,000
Equipment	3 – 40 years :	\$5,000
Infrastructure	10 – 40 years :	\$75,000

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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 infrastructures into the 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:

Governmental activities

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 8,353,129	\$ -	\$ -	\$ 8,353,129
Construction in progress	16,197,760	2,824,490	-	19,022,250
Total capital assets not being depreciated	<u>\$ 24,550,889</u>	<u>\$ 2,824,490</u>	<u>\$ -</u>	<u>\$ 27,375,379</u>
Other capital assets:				
Buildings	\$ 13,729,591	\$ 73,183	\$ -	\$ 13,802,774
Improvements other than buildings	1,656,182	191,699	-	1,847,881
Machinery and equipment	4,423,191	374,195	565,352	5,362,738
Infrastructure	22,460,087	-	-	22,460,087
Total other capital assets at historical cost	<u>\$ 42,269,051</u>	<u>\$ 639,077</u>	<u>\$ 565,352</u>	<u>\$ 43,473,480</u>
Less: accumulated depreciation	<u>\$ (14,127,443)</u>	<u>\$ (1,816,881)</u>	<u>\$ (459,639)</u>	<u>\$ (16,403,963)</u>
Total	<u>\$ 52,692,497</u>	<u>\$ 1,646,686</u>	<u>\$ 105,713</u>	<u>\$ 54,444,896</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 43,693
Public safety	108,063
Public works	1,066,219
Culture and recreation	<u>598,906</u>
Total governmental activities depreciation expense	<u>\$ 1,816,881</u>

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

Business-type activities

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 602,783	\$ -	\$ -	\$ 602,783
Construction in progress	621,271	1,764,390	-	2,385,661
Total capital assets not being depreciated	<u>\$ 1,224,054</u>	<u>\$ 1,764,390</u>	<u>\$ -</u>	<u>\$ 2,988,444</u>
Other capital assets:				
Buildings	\$ 170,980	\$ -	\$ -	\$ 170,980
Pumping Plant	2,880,335	-	-	2,880,335
Treatment Plans	16,332,389	107,180	-	16,439,569
Transmission and distribution	14,636,984	97,666	-	14,734,650
General Plant	1,169,130	256,906	-	1,426,036
Machinery and equipment	565,486	-	(565,352)	134
Total other capital assets at historical cost	<u>\$ 35,755,304</u>	<u>\$ 461,752</u>	<u>\$ (565,352)</u>	<u>\$ 35,651,704</u>
Less: accumulated depreciation	\$ (14,354,922)	\$ (1,053,910)	\$ 459,639	\$ (14,949,193)
Total	<u>\$ 22,624,436</u>	<u>\$ 1,172,232</u>	<u>\$ (105,713)</u>	<u>\$ 23,690,955</u>

**NOTE 7. LONG TERM DEBT OBLIGATIONS**

In the governmental-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are amortized over the life of the bonds.

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2013, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	<u>Balance</u> <u>June 30, 2013</u>
Revenue bonds	\$ 13,285,000	\$ -	\$ (1,265,000)	\$ -	\$ 12,020,000
Special assessment bond	935,000	-	(70,000)	-	865,000
Compensated absences	659,994	147,899	-	128,757	936,650
Intercap loans	-	69,599	(6,902)	-	62,697
Capital leases	12,177	-	(4,820)	-	7,357
Other post-employment benefits*	795,512	321,915	-	186,823	1,304,250
Total	<u>\$ 15,687,683</u>	<u>\$ 539,413</u>	<u>\$ (1,346,722)</u>	<u>\$ 315,580</u>	<u>\$ 15,195,954</u>

\*See Note 8

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

Business-type Activities:

	Balance <u>July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	Balance <u>June 30, 2013</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 7,201,764	\$ -	\$ (1,128,000)	\$ -	\$ 6,073,764	\$ 451,000
Compensated absences	401,294	13,816	-	(128,757)	286,353	177,399
Other post-employment benefits*	530,166	96,157	-	(186,823)	439,500	-
<b>Total</b>	<b>\$ 8,133,224</b>	<b>\$ 109,973</b>	<b>\$ (1,128,000)</b>	<b>\$ (315,580)</b>	<b>\$ 6,799,617</b>	<b>\$ 628,399</b>

\*See Note 8

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds outstanding as of June 30, 2013 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2013</u>
2009 Tax Increment Urban Renewal Revenue Bonds	7/14/09	3-4.625%	11 yrs	7/15/20	\$ <u>15,695,000</u>	varies	\$ <u>12,020,000</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,305,000	\$ 478,824
2015	1,350,000	428,986
2016	1,405,000	373,886
2017	1,460,000	316,586
2018	1,525,000	255,933
2019	1,590,000	189,898
2020	1,655,000	117,665
2021	1,730,000	40,006
<b>Total</b>	<b>\$ <u>12,020,000</u></b>	<b>\$ <u>2,201,784</u></b>

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*Special Assessment Debt* - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement districts bonds were issued with revolving fund backing. The City is not obligated to levy and collect a general property tax on all taxable property in the City to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least 5% of the principal amount of bonds outstanding. Special assessment bonds outstanding as of June 30, 2013 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, 2013</u>
SID #166 – JP Road Project	7/6/06	3.65- 4.80%	20 yrs	7/1/26	\$ <u>1,360,000</u>	varies	\$ <u>865,000</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
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	60,000	2,880
Total	\$ <u>865,000</u>	\$ <u>276,939</u>

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

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2013</u>
DNRC - Water 1998	7/6/98	4.00%	20 yrs	7/1/18	\$ 400,000	varies	\$ 131,000
DNRC - Water 1999	6/21/99	4.00%	20 yrs	7/1/19	5,839,000	varies	2,234,000
Water DWSRF #06098-2006	6/15/06	3.75%	20 yrs	7/1/26	248,699	varies	628,000
Water WRF #08110 – 2007	9/6/07	3.75%	20 yrs	7/1/27	900,000	varies	652,000
Water SRF (2009B)	10/21/09	0.75%	20 yrs	7/1/29	120,100	varies	96,000
Sewer SRF 2002 Series	7/1/02	3.00%	20 yrs	7/1/22	200,000	varies	97,000
Sewer DNRC (2008A)	12/11/08	2.75%	20 yrs	7/1/28	500,000	varies	350,000
Sewer DNRC (2008B)	1/16/09	3.75%	20 yrs	1/1/29	1,711,000	varies	1,188,000
Sewer DNRC (2010B)	2/4/10	0.75%	20 yrs	1/1/30	48,211	varies	42,000
Sewer 2011B	8/1/11	3.75%	20 yrs	7/1/31	340,000	varies	315,000
Sewer 2011C	8/1/11	3.75%	20 yrs	7/1/31	350,000	varies	340,764
<b>Total</b>					<b><u>\$ 10,657,010</u></b>		<b><u>\$ 6,073,764</u></b>

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, 2013.

CITY OF WHITEFISH  
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Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 451,000	\$ 164,488
2015	599,000	202,206
2016	623,000	179,110
2017	650,000	155,202
2018	670,000	130,088
2019	646,000	104,744
2020	264,000	83,999
2021	271,000	74,676
2022	280,000	65,062
2023	278,000	55,215
2024	288,000	45,252
2025	298,000	34,924
2026	306,000	24,248
2027	231,000	13,788
2028	53,000	7,131
2029	54,000	5,410
2030	48,000	3,726
2031	41,764	1,979
2032	22,000	487
<b>Total</b>	<b>\$ <u><u>6,073,764</u></u></b>	<b>\$ <u><u>1,351,735</u></u></b>

**Intercap Loans**

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

Intercap loans outstanding as of June 30, 2013 were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2013</u>
Ice Rink	10/1/2012	1.25%	5 yrs	8/15/17	\$ <u><u>69,599</u></u>	\$ <u><u>62,697</u></u>

Reported in the governmental activities.

CITY OF WHITEFISH  
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Annual requirement to amortize debt:

<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 13,663	\$ 784
2015	13,833	613
2016	14,007	440
2017	14,183	615
2018	7,011	617
Total	\$ 62,697	\$ 3,069

**Capital Leases**

The City has entered into several leases which meet 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, 2013 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest rate</u>	<u>Capitalized Original Cost</u>	<u>Remaining Payments as of June 30, 2013</u>
Sharp MX5111	4/4/12	16.7%	10,981	7,357
Total			\$ 17,755	\$ 7,357

Reported in the governmental activities.

Annual requirement to amortize debt:

For Fiscal		<u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2014	\$	3,623	\$	625
2015		3,734		280
Total	\$	7,357	\$	905

**Compensated Absences**

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

**NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN**

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*Plan Description.* The healthcare plan provides for, and Montana State Law (2-18-704) requires local governments to allow employees with at least 5 years of service and who are at least age 50 along with surviving spouses and dependents to stay on the government's health care plan as long as they pay the same premium. Since retirees are usually older than the average age of the plan participants they receive a benefit of lower insurance rates. This benefit is reported as the Other Post Employment Benefits (OPEB) liability. The government has less than 100 plan members and thus qualifies to use the "Alternative Measurement Method" for calculating the liability. The above described OPEB plan does not provide a stand-alone financial report.

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

*Funding Status and funding Progress.* The funded status of the plan as of June 30, 2013, was as follows:

Actuarial Accrued Liability (AAL)	\$	2,917,871
Actuarial value of plan assets	\$	<u>-</u>
Unfunded Actuarial Accrued Liability (UAAL)	\$	<u><u>2,917,871</u></u>
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active plan members)	\$	4,966,132
UAAL as a percentage of covered payroll		58.76%

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

Annual Required Contribution (ARC)	\$	418,072
Interest on net OPEB obligation	\$	-
Adjustment to ARC	\$	<u>-</u>
Annual OPEB cost (expense)	\$	418,072
Contributions made	\$	<u>-</u>
Increase in net OPEB obligation	\$	418,072
Net OPEB obligation - beginning of year	\$	<u>1,325,678</u>
Net OPEB obligation - end of year	\$	<u><u>1,743,750</u></u>

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

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	2.00%
Average salary increase (Consumer Price Index)	2.80%

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

<u>Year</u>	<u>% Increase</u>
2012	3.80%
2013	4.00%
2014	7.80%
2015	6.40%
2016	6.20%
2017	6.00%
2018	6.40%
2019	6.80%
2020	6.90%
2021	6.70%
2022 and after	6.90%

**NOTE 9. INTERFUND RECEIVABLES AND PAYABLES**

The composition of interfund balances as of June 30, 2013, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u>		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
To cover negative cash	General – Major Governmental	Recreation – Nonmajor Governmental	\$ 90,162
To cover negative cash	Tax Increment – Major Governmental	Emergency Services – Nonmajor Governmental	43,578
To cover negative cash	SID Revolving – Nonmajor Governmental	SID 166 Bond Debt – Major Governmental	<u>6,533</u>
Total			<u>\$ 140,273</u>
	<u>Advances to/from other funds:</u>		
	<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Half of annual assessment to SID	SID 166 – Major Governmental	SID Revolving – Nonmajor Governmental	\$ 48,741
Cover negative cash	Building Codes – Nonmajor Governmental	General – Major Governmental	401,847
Cover negative cash	Drug Forfeiture – Nonmajor Governmental	General – Major Governmental	<u>191,162</u>
Total			<u>\$ 641,750</u>

CITY OF WHITEFISH  
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**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2013:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
25 % Taxpayer Relief	General – Major Governmental	Resort Tax – Major Governmental	\$ 598,007
Transfer excess funds back to financing fund	Street & Alley – Nonmajor Governmental	SID 151 Bond Debt – Nonmajor Governmental	768
Transfer excess funds back to financing fund	Street & Alley – Nonmajor Governmental	SDI 154 Bond Debt – Nonmajor Governmental	8,327
Close Fund	Parks, Recreation – Nonmajor Governmental	Bike & Pedestrian – Nonmajor Governmental	97
Budget Operating Transfer	Parks, Recreation – Nonmajor Governmental	General – Major Governmental	536,106
Budget Operating Transfer	Library – Nonmajor Governmental	General – Major Governmental	34,374
Budget Operating Transfer	Law Enforcement – Nonmajor Governmental	General – Major Governmental	1,795,000
Transfer impact fees to correct fund	Tax Increment –Major Governmental	Impact Fees – Nonmajor Governmental	1,935
Budget Operating Transfer	Fire & Ambulance –Major Governmental	General – Major Governmental	494,594
Move taxes from the TIF	Tax Increment Revenue Bond Debt –Major Governmental	Tax Increment –Major Governmental	1,789,836
Move taxes from the TIF	City Hall Project – Nonmajor Governmental	Tax Increment –Major Governmental	250,000
Move taxes from the TIF	Emergency Services Center – Nonmajor Governmental	Tax Increment –Major Governmental	<u>25,773</u>
Total			<u>\$ 5,534,814</u>

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
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**NOTE 10. STATE-WIDE RETIREMENT PLANS**

All full-time City employees are covered under one of the following retirement plans: Montana Public Employees Retirement System (PERS), Municipal Police Officers Retirement System (MPORS) and Firefighters Unified Retirement System (FURS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State. However, PERS members may have chosen the defined contribution retirement plan. Under this plan it puts the employee in control of investments options and their retirement is based upon the cash in their investment account.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2013 for the defined benefit plans, were:

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

The State contribution qualifies as an on-behalf payment. These amounts have been recorded in the City’s financial statements except for PERS which was considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Montana Public Employee Retirement Administration, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.

The City's contributions for the years ended June 30, 2011, 2012, and 2013, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
2011	\$ 208,269	\$ 123,221	\$ 140,093
2012	\$ 218,100	\$ 108,124	\$ 138,988
2013	\$ 217,963	\$ 113,228	\$ 136,154

CITY OF WHITEFISH  
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**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.

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

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

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

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Resort Tax	\$ 2,142,223	Public Works
Tax Increment	1,858,754	Housing and Community Development
Fire and Ambulance	634,165	Public Safety
Tax Increment Revenue	3,248,909	Debt Service
Bond Debt		
Aggregate Remaining Funds:		
	3,050,305	Public Works
	129,532	Culture & Recreation
	5,573	Housing & Community Development
	49	Public Safety
	<u>2,032,585</u>	Capital Projects
	<u>\$ 13,102,095</u>	

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2013

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

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Parks, Recreation and Community Services	\$ (112,806)	Delinquent taxes receivable	Future revenues
Drug Forfeiture	(191,162)	Excess payroll payments	Future drug forfeitures
Building Codes	(400,910)	Excess expenditures	Future revenues
SID 166 Bond Debt	(55,273)	Deferred assessment receivable	Future assessments
Emergency Services Center	(43,578)	Excess expenditures	Future TIF transfers
Total	<u>\$ (803,729)</u>		

**NOTE 14. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Fire and Ambulance	\$ 285,642	Combine Ambulance Enterprise Fund balance sheet accounts with Fire Governmental Fund
Ambulance	(123,599)	Combine beginning fund balance of Ambulance Enterprise Fund with Fire Governmental Fund
Governmental Activities:	(186,823)	Remove Ambulance OPEB Fund Level Restatement
	(128,757)	Reclassify Ambulance Compensated absences to Governmental from Enterprise
	<u>105,713</u>	Remove Ambulance Capital Assets Fund Level Restatement
	<u>\$ (47,824)</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.

CITY OF WHITEFISH  
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**Flathead County 911 Emergency Coordination Center**

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

**Big Mountain County Sewer District**

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

**NOTE 16. SERVICES PROVIDED TO OTHER GOVERNMENTS**

**County Provided Services**

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

**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.

CITY OF WHITEFISH  
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Insurance Pools:

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public City risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$3,750 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

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

**NOTE 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:

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

On June 30, 2013 the resort tax fund had a cash balance of \$2,142,224. This balance was restricted as follows:

Park Improvements	\$ 473,898
Street Improvements	\$ 974,694
Tax Relief	\$ <u>693,632</u>
Total Resort Tax Cash	\$ <u><u>2,142,224</u></u>

**NOTE 19. WHITEFISH LAKE GOLF COURSE LEASE**

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

CITY OF WHITEFISH  
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**NOTE 20. REDEMPTION OF INTERFUND LOANS**

The Drug forfeiture and Building Code funds currently owe \$191,162 and \$401,847 respectively to the General fund which is to be paid back by fiscal year 2015. The Drug Forfeiture fund is currently operating at a deficit and had no revenue during the year ending June 30, 2013. The Building Code fund is also operating at a deficit and had net income of only \$63,535 during the fiscal year ending June 30, 2013. As such, both of these funds will have significant difficulty in repaying the interfund loans in the time frame allotted.

**NOTE 21. PENDING LITIGATION**

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

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

**REQUIRED SUPPLEMENTAL  
INFORMATION**

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2013**

	<b>General</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>	
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>	
<b>RESOURCES (INFLOWS):</b>					
Taxes and assessments	\$ 1,903,954	\$ 1,903,954	\$ 1,885,754	\$	(18,200)
Licenses and permits	59,300	59,300	63,053	\$	3,753
Intergovernmental	758,300	758,300	757,000	\$	(1,300)
Charges for services	125,350	125,350	218,123	\$	92,773
Fines and forfeitures	238,750	238,750	251,958	\$	13,208
Miscellaneous	36,375	36,375	32,596	\$	(3,779)
Investment earnings	25,000	25,000	14,944	\$	(10,056)
Amounts available for appropriation	<u>\$ 3,147,029</u>	<u>\$ 3,147,029</u>	<u>\$ 3,223,428</u>	<u>\$</u>	<u>76,399</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>					
General government	\$ 520,171	\$ 520,171	\$ 480,655	\$	39,516
Public safety	302,698	302,698	266,889	\$	35,809
Public works	33,338	33,338	26,232	\$	7,106
Social and economic services	1,500	1,500	1,500	\$	-
Culture and recreation	20,860	20,860	18,988	\$	1,872
Housing and community development	-	-	-	\$	-
Debt service - principal	-	-	4,036	\$	(4,036)
Debt service - interest	-	-	-	\$	-
Miscellaneous	10,000	10,000	-	\$	10,000
Capital outlay	-	-	56	\$	(56)
Total charges to appropriations	<u>\$ 888,567</u>	<u>\$ 888,567</u>	<u>\$ 798,356</u>	<u>\$</u>	<u>90,211</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 598,007	\$ 598,007	\$ 598,007	\$	-
Transfers out	<u>(2,795,965)</u>	<u>(2,795,965)</u>	<u>(2,860,071)</u>	\$	<u>(64,106)</u>
Total other financing sources (uses)	<u>\$ (2,197,958)</u>	<u>\$ (2,197,958)</u>	<u>\$ (2,262,064)</u>	<u>\$</u>	<u>(64,106)</u>
Net change in fund balance			<u>\$ 163,008</u>		
Fund balance - beginning of the year			\$ 1,167,307		
Restatements			-		
Fund balance - beginning of the year - restated			<u>\$ 1,167,307</u>		
<b>Fund balance - end of the year</b>			<u><u>\$ 1,330,315</u></u>		

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Resort Tax</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b>ORIGINAL</b>	<b>FINAL</b>		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 1,720,000	\$ 1,720,000	\$ 1,966,425	\$ 246,425
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	15,000	15,000	5,528	(9,472)
Amounts available for appropriation	<u>\$ 1,735,000</u>	<u>\$ 1,735,000</u>	<u>\$ 1,971,953</u>	<u>\$ 236,953</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	2,000,000	2,000,000	-	2,000,000
Social and economic services	-	-	-	-
Culture and recreation	285,000	285,000	23,630	261,370
Housing and community development	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	-	-	1,631,074	(1,631,074)
Total charges to appropriations	<u>\$ 2,285,000</u>	<u>\$ 2,285,000</u>	<u>\$ 1,654,704</u>	<u>\$ 630,296</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ -	\$ -
Transfers out	(637,807)	(637,807)	(598,007)	39,800
Total other financing sources (uses)	<u>\$ (637,807)</u>	<u>\$ (637,807)</u>	<u>\$ (598,007)</u>	<u>\$ 39,800</u>
Net change in fund balance			<u>\$ (280,758)</u>	
Fund balance - beginning of the year			\$ 2,422,981	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 2,422,981</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 2,142,223</u></u>	

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Tax Increment</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 4,245,596	\$ 4,245,596	\$ 4,237,148	\$ (8,448)
Licenses and permits	-	-	-	-
Intergovernmental	148,194	148,194	171,325	23,131
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	2,186	2,186
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 4,393,790</u>	<u>\$ 4,393,790</u>	<u>\$ 4,410,659</u>	<u>\$ 16,869</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	2,080,512	2,080,512	2,120,862	(40,350)
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	2,048,737	2,048,737	441,150	1,607,587
Total charges to appropriations	<u>\$ 4,129,249</u>	<u>\$ 4,129,249</u>	<u>\$ 2,562,012</u>	<u>\$ 1,567,237</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 1,935	\$ 1,935
Transfers out	(2,153,000)	(2,153,000)	(2,065,609)	87,391
Total other financing sources (uses)	<u>\$ (2,153,000)</u>	<u>\$ (2,153,000)</u>	<u>\$ (2,063,674)</u>	<u>\$ 89,326</u>
Net change in fund balance			<u>\$ (215,027)</u>	
Fund balance - beginning of the year			\$ 2,073,781	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 2,073,781</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 1,858,754</u></u>	

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2013**

<b>Fire and Ambulance</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS</b>	
			<b>(BUDGETARY</b>	<b>WITH FINAL</b>
			<b>BASIS) See Note A</b>	<b>BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 4,224,596	\$ 4,224,596	\$ 515,049	\$ (3,709,547)
Licenses and permits	-	-	78,391	78,391
Intergovernmental	148,194	148,194	417,479	269,285
Charges for services	-	-	1,152,214	1,152,214
Fines and forfeitures	-	-	-	-
Miscellaneous	21,000	21,000	105,440	84,440
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 4,393,790</u>	<u>\$ 4,393,790</u>	<u>\$ 2,268,573</u>	<u>\$ (2,125,217)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	3,684,313	3,684,313	2,725,235	959,078
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	165,000	165,000	42,905	122,095
Total charges to appropriations	<u>\$ 3,849,313</u>	<u>\$ 3,849,313</u>	<u>\$ 2,768,140</u>	<u>\$ 1,081,173</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ -	\$ -	\$ 494,594	\$ 494,594
Transfers out	(2,153,000)	(2,153,000)	-	2,153,000
Total other financing sources (uses)	<u>\$ (2,153,000)</u>	<u>\$ (2,153,000)</u>	<u>\$ 494,594</u>	<u>\$ 2,647,594</u>
Net change in fund balance			<u>\$ (4,973)</u>	
Fund balance - beginning of the year			\$ 353,496	
Restatements			<u>285,642</u>	
Fund balance - beginning of the year - restated			\$ <u>639,138</u>	
<b>Fund balance - end of the year</b>			<u>\$ <u>634,165</u></u>	

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2013**

	<b>Tax Increment Revenue Bond Debt</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL</b>	<b>VARIANCE</b>
	<b>ORIGINAL</b>	<b>FINAL</b>	<b>AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>WITH FINAL BUDGET</b>
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	12,000	12,000	8,548	(3,452)
Amounts available for appropriation	<u>\$ 12,000</u>	<u>\$ 12,000</u>	<u>\$ 8,548</u>	<u>\$ (3,452)</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	1,265,000	1,265,000	1,265,000	-
Debt service - interest	547,524	547,524	571,401	(23,877)
Miscellaneous	-	-	-	-
Capital outlay	-	-	-	-
Total charges to appropriations	<u>\$ 1,812,524</u>	<u>\$ 1,812,524</u>	<u>\$ 1,836,401</u>	<u>\$ (23,877)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 1,778,000	\$ 1,778,000	\$ 1,789,836	\$ 11,836
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ 1,778,000</u>	<u>\$ 1,778,000</u>	<u>\$ 1,789,836</u>	<u>\$ 11,836</u>
Net change in fund balance			<u>\$ (38,017)</u>	
Fund balance - beginning of the year			\$ 3,286,926	
Restatements			-	
Fund balance - beginning of the year - restated			<u>\$ 3,286,926</u>	
<b>Fund balance - end of the year</b>			<u><u>\$ 3,248,909</u></u>	

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

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

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>
<b>Sources/Inflows of resources</b>					
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,223,428	\$ 1,971,953	\$ 4,410,659	\$ 2,268,573	\$ 8,548
Combined funds (GASBS 54) revenues	437,911				
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,661,339</u>	<u>\$ 1,971,953</u>	<u>\$ 4,410,659</u>	<u>\$ 2,268,573</u>	<u>\$ 8,548</u>
<b>Uses/Outflows of resources</b>					
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 798,356	\$ 1,654,704	\$ 2,562,012	\$ 2,768,140	\$ 1,836,401
Combined funds (GASBS 54) expenditures	2,235,130	-	-	-	
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,033,486</u>	<u>\$ 1,654,704</u>	<u>\$ 2,562,012</u>	<u>\$ 2,768,140</u>	<u>\$ 1,836,401</u>

**City of Whitefish**  
**REQUIRED SUPPLEMENTAL INFORMATION**  
**Schedule of Funding Progress**  
**For the Fiscal Year Ended June 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 2,138,344	\$ 2,138,344	0%	\$ 5,340,571	40.0%
July 1, 2012	\$ -	\$ 2,917,871	\$ 2,917,871	0%	\$ 4,966,132	58.8%

# **SINGLE AUDIT SECTION**

City of Whitefish, Flathead County, Montana  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For Fiscal Year Ended June 30, 2013

<b>Federal Grantor/Pass-Through Grantor/Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Entity Identifying Number</b>	<b>Federal Expenditures June 30, 2012</b>
<b><u>U.S. Department of Housing &amp; Urban Development</u></b>			
<i>Passed through Montana Department of Commerce:</i>			
CDBG Community Development	14.228	MT-CDBG-PG-15	\$ 11,748
Community Development Block Grants	14.228	MT-CDBG-09HR-03	34,838
<b>Total U.S. Department of Housing &amp; Urban Development</b>			<b>\$ 46,586</b>
<b><u>U.S. Department of Justice</u></b>			
<i>Direct:</i>			
Public Safety Partnership and Community Policing Grants	16.710	2009-RKWX-0523	\$ 35,580
<b>Total U.S. Department of Justice</b>			<b>\$ 35,580</b>
<b><u>U.S. Department of Transportation</u></b>			
<i>Passed through Montana Department of Transportation:</i>			
Highway Planning and Construction (Safe Routes to School)	20.205	7483	\$ 33,215
Highway Planning and Construction (Safe Routes to School)	20.205	106449	3,172
<i>Direct:</i>			
ARRA - Transportation Investments Generating Economic Revenue (TIGER)	20.932	DTFH61-10-G-00009	437,319
<b>Total U.S. Department of Transportation</b>			<b>\$ 473,706</b>
<b><u>U.S. Department of Energy</u></b>			
<i>Passed through Montana Department of Environmental Quality:</i>			
ARRA - Energy Efficient and Conservation block Grant Program	81.128	210153	\$ 200,000
<b>Total U.S. Department of Energy</b>			<b>\$ 200,000</b>
<b><u>U.S. Department of Homeland Security</u></b>			
<i>Direct:</i>			
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2008-FF-00288	\$ 58,590
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 58,590</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 814,462</b>

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA

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

Fiscal Year Ended June 30, 2013

*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 - Suite 101 Kalispell, MT 59901*

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated March 28, 2014.

**Internal Control Over Financial Reporting**

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

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

March 28, 2014

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

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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

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, 2013. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Whitefish, Flathead County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Whitefish, Flathead County, Montana, complied, in all material respects, with the types of 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, 2013.

### **Report on Internal Control Over Compliance**

Management of City of Whitefish, Flathead County, Montana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

March 28, 2014

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

Fiscal Year Ended June 30, 2013

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

**Financial Statements**

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.710	Public Safety Partnership and Community Policing Grants
20.932	ARRA Transportation Investments Generating Economic Revenue (TIGER)

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

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

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

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

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

<u>Recommendation</u>	<u>Action Taken</u>
City Court – Outstanding Bonds/Internal Controls	Implemented
Financial Reporting	Implemented
Schedule of Expenditures of Federal Awards	Implemented

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

March 28, 2014