

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
Fiscal Year Ended June 30, 2015

AUDIT REPORT

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2015

TABLE OF CONTENTS

Organization	1
Management Discussion and Analysis	2-8
Independent Auditor’s Report	9-10
Financial Statements	
<u>Government-wide Financial Statements</u>	
Statement of Net Position	11
Statement of Activities	12
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	14
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	16
Statement of Net Position – Proprietary Fund Types	17
Statement of Revenues, Expenses and Changes in Net Position – Proprietary Fund Types	18
Statement of Cash Flows – Proprietary Fund Types	19
Statement of Net Position – Fiduciary Fund Types	20
Statement of Changes in Net Position – Fiduciary Fund Types	21
Notes to Financial Statements	22-60
Required Supplementary Information	
Budgetary Comparison Schedule	61-64
Budgetary Comparison Schedule – Budget-to-GAAP Reconciliation	65
Schedule of Funding Progress – Other Post Employment Benefits Other Than Pensions	66
Schedule of Proportionate share of the Net Pension Liability	67
Schedule of Contributions	68
Notes to Required Pension Supplementary Information	69-70
Independent Auditor’s Report on Compliance and 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	71-72
Report on Prior Audit Recommendations	73

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2015

John Muhlfeld

Mayor

CITY COUNCIL

Pam Barberis
Sarah Fitzgerald
Andy Feury
Jen Frandsen
Richard Hildner
Frank Sweeney

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

CITY OFFICIALS

Chuck Stearns
Mary VanBuskirk
Bradley Johnson
Necile Lorang
William Dial
Dana Smith

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

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2015**

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, 2015. The City encourages readers to consider the information presented in conjunction with the City's financial statements and accompanying notes.

FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at June 30, 2015 by \$78,091,451 as reported in the statement of net position.
- The total fiscal year end governmental fund balance was \$11,856,402 as reported in the balance sheet for governmental funds.
- The unassigned general fund balance at fiscal year-end was \$1,041,002.

EXPLANATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

Notes to Financial Statements

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

Other Required Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY

Net position may serve over time as a useful indicator of a government's financial position. The net position for both governmental and business-type activities for the fiscal year ending June 30, 2015 totaled \$78,091,451. In fiscal year 2015, the City implemented GASB Statement No. 68, which impacted both governmental and business-type activities. As a result, net pension liability increased significantly and was the primary factor in the net position decrease of \$1,486,022 in fiscal year 2015 compared to the prior year. Although the pension retirement systems are administered by the State including determining the contributions for each plan, the City is required to report the related liability per GASB Statement No. 68. to the different plans. In addition, the City refunded the 2009 Tax Increment Revenue Bond and in the process pre-paid the payment due in the first month of fiscal year 2016.

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

The following table presents consolidated information on the City's net position as of June 30, 2015 and June 30, 2014.

City of Whitefish - Net Position

	Governmental			Business-type		
	Activities			Activities		
			Change			Change
	<u>FY15</u>	<u>FY14</u>	<u>Inc (Dec)</u>	<u>FY15</u>	<u>FY14</u>	<u>Inc (Dec)</u>
Current and other assets	\$ 15,055,973	\$ 17,191,182	\$(2,135,209)	\$ 6,891,536	\$ 5,520,768	\$ 1,370,768
Capital assets	57,134,206	55,437,021	1,697,185	23,906,755	23,858,413	48,342
Total assets	\$ 72,190,179	\$ 72,628,203	\$ (438,024)	\$ 30,798,291	\$ 29,379,181	\$ 1,419,110
Long-term debt outstanding	\$ 11,789,690	\$ 14,606,766	\$(2,817,076)	\$ 6,371,294	\$ 6,752,359	\$ (381,065)
Other liabilities	4,735,067	527,108	4,207,959	2,000,968	543,678	1,457,290
Total liabilities	\$ 16,524,757	\$ 15,133,874	\$ 1,390,883	\$ 8,372,262	\$ 7,296,037	1,076,225
Net investment in capital assets	48,340,070	43,440,081	4,899,989	18,454,537	17,947,648	506,889
Restricted	13,043,676	15,378,532	(2,334,856)	2,609,032	1,493,365	1,115,667
Unrestricted (deficit)	(5,718,324)	(1,324,284)	(4,394,040)	1,362,460	2,642,131	(1,279,671)
Total net position	\$ 55,665,422	\$ 57,494,329	\$ (1,828,907)	\$ 22,426,029	\$ 22,083,144	\$ 342,885

The City's revenues totaled \$23,997,622 for the fiscal year ending June 30, 2015. The total cost of all programs and services for that same period was \$20,013,735. Therefore, the increase in net position was \$3,983,888. The table below presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2015 and June 30, 2014.

City of Whitefish – Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY15</u>	<u>FY14</u>	<u>Change Inc (Dec)</u>	<u>FY15</u>	<u>FY14</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 4,898,826	\$ 4,916,923	\$ (18,097)	\$ 6,678,146	\$ 6,329,476	\$ 348,670
Operating grants and contributions	371,332	393,682	(22,350)			
Capital grants and contributions	419,025	47,822	371,203	99,418	100,000	(582)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	9,396,950	9,100,677	296,273			
Franchise/Utility Fees	353,953	334,539	19,414			
Miscellaneous	194,879	183,208	11,671	54		54
Interest/investment earnings	32,467	50,242	(17,775)	12,987	14,235	(1,248)
State entitlement	1,034,165	889,678	144,487			
Grants and entitlements no restricted	12,020		12,020			
On-Behalf payments	461,150	591,316	(130,166)	32,250		32,250
Total revenues	\$ 17,174,767	\$ 16,508,087	\$ 666,680	\$ 6,822,855	\$ 6,443,711	\$ 379,144
Program expenses						
General government	\$ 1,071,098	\$ 1,089,864	\$ (18,766)			
Public safety	6,813,407	6,323,895	489,512			
Public works	2,751,921	2,590,506	161,415			
Social and economic services	1,500	1,500				
Culture and recreation	2,110,743	2,134,878	(24,135)			
Housing and community development	2,038,217	1,818,957	219,260			
Debt service - interest	672,354	520,020	152,334			
Miscellaneous	30,392	51,730	(21,338)			
Amortization of bond premium	110,369	22,524	87,845			
Water				\$ 2,090,471	\$ 1,964,078	\$ 126,393
Sewer				2,166,450	2,219,186	(52,736)
Solid Waste				765,941	737,345	28,596
Total expenses	\$ 15,600,001	\$ 14,553,874	\$ 1,046,127	\$ 5,022,862	\$ 4,920,609	\$ 102,253
Increase (decrease) in net position	\$ 2,183,895	\$ 1,954,213	\$ 229,682	\$ 1,799,993	\$ 1,523,102	\$ 276,891
Transfers - net	\$ 35,375	\$ 47,012	\$ (11,637)	\$ (35,375)	\$ (47,012)	\$ 11,637
Total Increase (decrease in net position)	\$ 2,219,270	\$ 2,001,225	\$ 218,045	\$ 1,764,618	\$ 1,476,090	\$ 288,528

Governmental activities

Revenues for the fiscal year ending June 30, 2015 from governmental activities were \$17,174,767 while expenses were \$15,600,001. Thus, with the \$35,375 in transfers-in, net position increased \$2,219,270. Total governmental revenues increased from the prior year by \$666,680. The increase in revenues was primarily due to increased property taxes, increased capital contributions, increased state entitlement, and increased on-behalf payments as a result of the City implementing GASB Statement No. 68. Overall expenditures increased as well which was due to an increase in City staff wages and other budgeted costs.

Business-type activities

Revenues for the fiscal year ending June 30, 2015 from business-type activities were \$6,822,855. Expenses were \$5,022,862 and transfers-out totaled \$35,375, which resulted in an increase in net position of \$1,764,618. Charges for services revenue increased by \$348,670 from the previous year due primarily to an increase in water consumption and a rate increase for all utilities. Total expenses had a slight increase during fiscal year 2015, which is attributed to increased wages and other budgeted costs.

Fund Balance – Governmental Funds Balance Sheet

The City's governmental funds reported a total fund balance of \$11,856,402 at June 30, 2015, which is a \$2,169,885 decrease compared to the fund balance of governmental funds as of June 30, 2014. Of the fund balance at June 30, 2015, \$1,041,002 is unassigned in the General. The remaining fund balance is restricted based on the source of revenue or unassigned due to a negative fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

There were no significant variances between the final revenue and expenditure budget compared to the actual amounts received and expended in fiscal year 2015.

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, 2015 total \$66,794,607 (net of related debt). The City's capital assets include land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The depreciation of capital assets is reflected in the various governmental and business-type expense activities. Total depreciation expense incurred for the governmental and business-type activities during fiscal year 2015 totaled \$2,694,136 and \$1,075,429, respectively.

Major capital assets events during fiscal year 2015:

- Started construction of the Skye Park Bridge (\$~800K est. total cost)
- Continued construction on the E. 2nd Street Reconstruction and Pedestrian Trail
- Continued working on the citywide wireless communications network
- Purchased and financed a new Fire Tender (~\$497K) and Fire Pumper (~\$290K)
- Continued making improvements to the Whitefish Trail and completed the Pavilion
- Continued design work and started construction for the Monegan Road project
- Purchased a Polaris Ranger for the Water Treatment Plant and a Bobcat Toolcat for the Parks and Recreation Department
- Purchased vehicles for Planning, Building, Police, and Street Departments
- Continued design work for the new City Hall and parking structure (demolition and excavation began in beginning of fiscal year 2016)
- Continued design and construction for multiple water and sewer projects

Long-term Debt

The City's total long-term debt increased by \$1,558,713 compared to prior fiscal year. The increase is primarily due to the implementation of GASB Statement No. 68 and recording the net pension liability beginning in fiscal year 2015. Below is a summary of the outstanding long-term debt of the City as of June 30, 2015 compared to June 30, 2014.

Outstanding Long-term Debt		
Purpose/Type	June 30, 2015	June 30, 2014
Revenue Bonds:		
TIF 2015 Refunding (ESC)	\$ 7,183,000	\$ 10,715,000
Water	2,793,000	3,272,000
Sewer	2,659,218	2,638,765
Special Assessment Bonds:		
SID 166	725,000	795,000
Intercap Loans:		
Ice Rink	79,364	110,575
Ambulance	123,519	153,780
Police Vehicle	10,935	16,399
Fire Engine	461,318	202,453
Fire Pumper	211,000	-
Capital Leases:		
Sharp Copier	-	3,734
OPEB:		
Governmental	1,948,080	1,626,165
Business-type	631,814	535,657
Compensated Absences:		
Governmental	1,047,474	983,661
Business-type	287,262	305,937
Net Pension Liability:		
Governmental	3,585,111	-
Business-type	1,171,744	-
TOTAL	\$22,917,839	\$21,359,126

ECONOMIC FACTORS AND FISCAL YEAR 2016 BUDGET

Property tax supported funds of the City are anticipating an increase in the property tax revenue of 3.85% for fiscal year 2016. Due to the reappraisal impacting the valuations across the state, the taxable value for the City decreased by 6.7%. Therefore, the budget accounts for an increase in the total mills from 120.605 mills to 134.424 mills to provide the tax revenues equal to the prior year plus a 3.85% increase, which is close to the normal growth experienced by the City. In addition, the Fiscal Year 2016 Adopted Budget provides for a 12.0% cash reserve in the property tax supported funds.

With construction activity on the increase in the City of Whitefish, the building license and permit revenue is continuing to maintain a positive trend of increased revenues that started in 2012. The increase in construction also has had a positive impact on the City's Impact Fee collections.

As of July 1, 2015, the Resort Tax rate increased from 2% to 3% as a result of voter approval to fund additional tax relief and the debt service payments for the Haskill Basin Conservation Easement purchase that was anticipated to be complete in February, 2016. Overall, the spending activity by consumers continues to be strong as the Resort Tax collections continue to track similar to the previous year. At the end of the first quarter of fiscal year 2016, Resort Tax collections by the businesses were down 2.0% compared to the prior year's first quarter. However, the decrease during the first quarter is likely attributed to the deteriorating Canadian exchange rate and the wildfires that left heavy smoke in Whitefish during summer 2015.

Water and Wastewater charges are expected to exceed the prior year due to a rate increase of 1.3% and 2.3%, respectively. In addition, water consumption was up during the end of fiscal year 2015 and the first quarter of fiscal year 2016 due to the high temperatures and little precipitation received during the summer months.

REQUESTS FOR INFORMATION

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2015, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASB statement No. 68, *Accounting and financial Reporting for Pensions, (an amendment of GASB No. 27)*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding for other post-employment benefits other than pensions, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 8, 61 through 65, 66, 67 and 68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, 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.

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

June 27, 2016

City of Whitefish, Flathead County, Montana
Statement of Net Position
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 9,561,642	\$ 4,143,322	\$ 13,704,964
Taxes and assessments receivable, net	1,424,820	-	1,424,820
Special assessments receivable	39,243	-	39,243
Accounts receivable - net	182,164	590,120	772,284
Due from other governments	39,304	9,456	48,760
Prepaid expenses	3,000	-	3,000
Total current assets	\$ 11,250,173	\$ 4,742,898	\$ 15,993,071
Noncurrent assets			
Restricted cash and investments	\$ 2,470,933	\$ 2,048,004	\$ 4,518,937
Capital assets - land	8,426,718	602,783	9,029,501
Capital assets - construction in progress	4,331,464	3,152,048	7,483,512
Capital assets - depreciable, net	44,376,024	20,151,924	64,527,948
Special assessment receivables deferred	897,204	-	897,204
Total noncurrent assets	\$ 60,502,343	\$ 25,954,759	\$ 86,457,102
Total assets	\$ 71,752,516	\$ 30,697,657	\$ 102,450,173
DEFERRED OUTFLOWS OF RESOURCES			
Total deferred outflows of resources	\$ 437,663	\$ 100,634	\$ 538,297
LIABILITIES			
Current liabilities			
Accounts payable	\$ 206,368	\$ 24,671	\$ 231,039
Accrued payroll	194,273	45,512	239,785
Current portion of long-term capital liabilities	213,320	340,000	553,320
Current portion of compensated absences payable	820,110	183,828	1,003,938
Total current liabilities	\$ 1,434,071	\$ 594,011	\$ 2,028,082
Noncurrent liabilities			
Deposits payable	\$ -	\$ 231,653	\$ 231,653
Noncurrent portion of long-term liabilities	1,948,080	631,814	2,579,894
Noncurrent portion of long-term capital liabilities	8,580,816	5,112,218	13,693,034
Noncurrent portion of compensated absences	227,364	103,434	330,798
Net Pension Liability	3,585,111	1,171,744	4,756,855
Total noncurrent liabilities	\$ 14,341,371	\$ 7,250,863	\$ 21,592,234
Total liabilities	\$ 15,775,442	\$ 7,844,874	\$ 23,620,316
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ -	\$ 224,629	\$ 224,629
Deferred inflows of resources - pensions	749,315	302,759	1,052,074
Total Deferred Inflows of resources	\$ 749,315	\$ 527,388	\$ 1,276,703
NET POSITION			
Net investment in capital assets	\$ 48,340,070	\$ 18,454,537	\$ 66,794,607
Restricted for capital projects	7,292,168	1,940,667	9,232,835
Restricted for debt service	1,758,460	668,365	2,426,825
Restricted for special projects	3,993,048	-	3,993,048
Unrestricted	(5,718,324)	1,362,460	(4,355,864)
Total net position	\$ 55,665,422	\$ 22,426,029	\$ 78,091,451

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2015

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
						Governmental Activities	Business- type Activities	
Primary government:								
Governmental activities:								
General government	\$ 1,213,357	\$ (142,259)	\$ 364,040	\$ -	\$ -	\$ (707,058)	\$ -	\$ (707,058)
Public safety	6,156,063	48,215	2,339,947	171,861	129,117	(3,563,353)	-	(3,563,353)
Public works	2,737,408	14,513	1,497,499	146,659	-	(1,107,763)	-	(1,107,763)
Social and economic services	1,500	-	-	-	-	(1,500)	-	(1,500)
Culture and recreation	2,093,459	17,284	696,650	52,812	289,908	(1,071,373)	-	(1,071,373)
Housing and community development	2,011,345	26,872	690	-	-	(2,037,527)	-	(2,037,527)
Debt service - interest	672,354	-	-	-	-	(672,354)	-	(672,354)
Miscellaneous	30,392	-	-	-	-	(30,392)	-	(30,392)
Amortization of Bond Premium	110,369	-	-	-	-	(110,369)	-	(110,369)
Total governmental activities	\$ 15,026,247	\$ (35,375)	\$ 4,898,826	\$ 371,332	\$ 419,025	\$ (9,301,689)	\$ -	\$ (9,301,689)
Business-type activities:								
Water	\$ 2,072,768	\$ 17,703	\$ 3,281,704	\$ -	\$ -	\$ -	\$ 1,191,233	\$ 1,191,233
Sewer	2,150,110	16,340	2,584,613	-	99,418	-	517,581	517,581
Solid Waste	764,609	1,332	811,829	-	-	-	45,888	45,888
Total business-type activities	\$ 4,987,487	\$ 35,375	\$ 6,678,146	\$ -	\$ 99,418	\$ -	\$ 1,754,702	\$ 1,754,702
Total primary government	\$ 20,013,734	\$ -	\$ 11,576,972	\$ 371,332	\$ 518,443	\$ (9,301,689)	\$ 1,754,702	\$ (7,546,987)
General Revenues:								
Property taxes for general purposes						\$ 9,396,950	\$ -	\$ 9,396,950
Franchise/Utility fees						353,953	-	353,953
Miscellaneous						194,879	54	194,933
Interest/investment earnings						32,467	12,987	45,454
State entitlement						1,034,165	-	1,034,165
Grants and entitlements not restricted to specific programs						12,020	-	12,020
On-Behalf Payments						461,150	32,250	493,400
Transfers - net						35,375	(35,375)	-
Total general revenues, special items and transfers						\$ 11,520,959	\$ 9,916	\$ 11,530,875
Change in net position						\$ 2,219,270	\$ 1,764,618	\$ 3,983,888
Net position - beginning						\$ 57,494,329	\$ 22,083,144	\$ 79,577,473
Restatements						(4,048,175)	(1,421,733)	(5,469,908)
Net position - beginning - restated						\$ 53,446,154	\$ 20,661,411	\$ 74,107,565
Net position - end						\$ 55,665,422	\$ 22,426,029	\$ 78,091,451

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2015

	<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>City Hall Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS									
Current assets:									
Cash and investments	\$ 881,212	\$ 89	\$ 2,504,464	\$ 307,420	\$ 73,969	\$ -	\$ 2,297,384	\$ 3,497,104	\$ 9,561,642
Taxes and assessments receivable, net	311,445	-	809,715	86,800	-	12,740	-	204,120	1,424,820
Special assessments receivable	11,091	-	28,152	-	-	-	-	-	39,243
Accounts receivable - net	-	-	-	182,164	-	-	-	-	182,164
Due from other funds	13,448	-	-	-	-	-	-	-	13,448
Due from other governments	26,798	-	-	-	-	-	-	12,506	39,304
Prepaid expenses	-	-	3,000	-	-	-	-	-	3,000
Total current assets	<u>\$ 1,243,994</u>	<u>\$ 89</u>	<u>\$ 3,345,331</u>	<u>\$ 576,384</u>	<u>\$ 73,969</u>	<u>\$ 12,740</u>	<u>\$ 2,297,384</u>	<u>\$ 3,713,730</u>	<u>\$ 11,263,621</u>
Noncurrent assets:									
Restricted cash and investments	\$ -	\$ 1,751,457	\$ -	\$ -	\$ 719,476	\$ -	\$ -	\$ -	\$ 2,470,933
Advances from other funds	193,975	-	-	-	-	-	-	58,698	252,673
Special assessment receivables deferred	-	-	-	-	-	897,204	-	-	897,204
Total noncurrent assets	<u>\$ 193,975</u>	<u>\$ 1,751,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 719,476</u>	<u>\$ 897,204</u>	<u>\$ -</u>	<u>\$ 58,698</u>	<u>\$ 3,620,810</u>
Total assets	<u>\$ 1,437,969</u>	<u>\$ 1,751,546</u>	<u>\$ 3,345,331</u>	<u>\$ 576,384</u>	<u>\$ 793,445</u>	<u>\$ 909,944</u>	<u>\$ 2,297,384</u>	<u>\$ 3,772,428</u>	<u>\$ 14,884,431</u>
Current liabilities:									
Accounts payable	\$ 2,715	\$ 92,297	\$ 20,966	\$ -	\$ 72,850	\$ -	\$ -	\$ 17,540	\$ 206,368
Accrued payroll	58,268	-	6,033	65,708	-	-	-	64,264	194,273
Due to other funds	13,448	-	-	-	-	-	-	-	13,448
Total current liabilities	<u>\$ 74,431</u>	<u>\$ 92,297</u>	<u>\$ 26,999</u>	<u>\$ 65,708</u>	<u>\$ 72,850</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 81,804</u>	<u>\$ 414,089</u>
Noncurrent liabilities:									
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,698	\$ -	\$ 193,975	\$ 252,673
Total liabilities	<u>\$ 74,431</u>	<u>\$ 92,297</u>	<u>\$ 26,999</u>	<u>\$ 65,708</u>	<u>\$ 72,850</u>	<u>\$ 58,698</u>	<u>\$ -</u>	<u>\$ 275,779</u>	<u>\$ 666,762</u>
DEFERRED INFLOWS OF RESOURCES									
Deferred inflows of resources	<u>\$ 322,536</u>	<u>\$ -</u>	<u>\$ 837,867</u>	<u>\$ 86,800</u>	<u>\$ -</u>	<u>\$ 909,944</u>	<u>\$ -</u>	<u>\$ 204,120</u>	<u>\$ 2,361,267</u>
FUND BALANCES									
Restricted	\$ -	\$ 1,659,249	\$ 2,480,465	\$ 423,876	\$ 720,595	\$ -	\$ 2,297,384	\$ 3,482,075	\$ 11,063,644
Unassigned fund balance	<u>1,041,002</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(58,698)</u>	<u>-</u>	<u>(189,546)</u>	<u>792,758</u>
Total fund balance	<u>\$ 1,041,002</u>	<u>\$ 1,659,249</u>	<u>\$ 2,480,465</u>	<u>\$ 423,876</u>	<u>\$ 720,595</u>	<u>\$ (58,698)</u>	<u>\$ 2,297,384</u>	<u>\$ 3,292,529</u>	<u>\$ 11,856,402</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, 2015

Total fund balances - governmental funds	\$ 11,856,402
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	57,134,206
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.	2,361,267
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(15,374,801)
On-behalf payments and pension expenses for the current year are not recognized in the net pension liability, but will recognized in future periods, therefore they are deferred.	(311,652)
Total net position - governmental activities	<u>\$ 55,665,422</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2015

	General	Resort Tax	Tax Increment	Fire and Ambulance	Tax Increment Revenue Bond Debt	SID 166 Bond Debt	City Hall Project	Other Governmental Funds	Total Governmental Funds
REVENUES									
Taxes and assessments	\$ 2,053,077	\$ 2,213,700	\$ 4,741,033	\$ 562,656	\$ -	\$ -	\$ -	\$ 1,450,369	\$ 11,020,835
Licenses and permits	66,490	-	-	107,242	-	-	-	833,678	1,007,410
Intergovernmental	996,917	-	248,865	60,719	-	-	-	363,436	1,669,937
Charges for services	252,258	-	-	1,305,566	-	-	-	1,099,172	2,656,996
Fines and forfeitures	204,938	-	-	-	-	-	-	6,829	211,767
Miscellaneous	41,664	-	2,451	12,282	-	112,738	-	119,791	288,926
Investment earnings	14,535	3,967	-	-	5,621	61	5,303	3,670	33,157
Total revenues	\$ 3,629,879	\$ 2,217,667	\$ 4,992,349	\$ 2,048,465	\$ 5,621	\$ 112,799	\$ 5,303	\$ 3,876,945	\$ 16,889,028
EXPENDITURES									
General government	\$ 644,218	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,829	\$ 651,047
Public safety	2,356,854	-	-	2,673,651	-	-	-	311,052	5,341,557
Public works	24,569	-	-	-	-	-	-	1,233,532	1,258,101
Social and economic services	1,500	-	-	-	-	-	-	-	1,500
Culture and recreation	9,928	-	-	-	-	-	-	1,486,899	1,496,827
Housing and community development	12,020	-	1,949,989	-	72,850	-	-	4,200	2,039,059
Debt service - principal	9,138	-	-	54,055	10,715,000	70,000	-	31,212	10,879,405
Debt service - interest	653	-	-	3,723	629,979	36,972	-	1,027	672,354
Miscellaneous	-	-	-	-	-	-	-	30,516	30,516
Capital outlay	100,129	1,730,463	237,300	589,915	-	-	594,975	1,037,430	4,290,212
Amortization of Bond Premium	-	-	-	-	110,369	-	-	-	110,369
Total expenditures	\$ 3,159,009	\$ 1,730,463	\$ 2,187,289	\$ 3,321,344	\$ 11,528,198	\$ 106,972	\$ 594,975	\$ 4,142,697	\$ 26,770,947
Excess (deficiency) of revenues over expenditures	\$ 470,870	\$ 487,204	\$ 2,805,060	\$ (1,272,879)	\$ (11,522,577)	\$ 5,827	\$ (589,672)	\$ (265,752)	\$ (9,881,919)
OTHER FINANCING SOURCES (USES)									
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ 493,659	\$ 7,183,000	\$ -	\$ -	\$ -	\$ 7,676,659
Transfers in	780,733	-	92,000	815,000	1,801,948	-	634,355	1,108,190	5,232,226
Transfers out	(1,543,290)	(688,731)	(2,416,161)	(34,910)	-	-	-	(513,759)	(5,196,851)
Total other financing sources (uses)	\$ (762,557)	\$ (688,731)	\$ (2,324,161)	\$ 1,273,749	\$ 8,984,948	\$ -	\$ 634,355	\$ 594,431	\$ 7,712,034
Net Change in Fund Balance	\$ (291,687)	\$ (201,527)	\$ 480,899	\$ 870	\$ (2,537,629)	\$ 5,827	\$ 44,683	\$ 328,679	\$ (2,169,885)
Fund balances - beginning	\$ 1,332,689	\$ 1,860,776	\$ 1,999,566	\$ 423,006	\$ 3,258,224	\$ (64,525)	\$ 2,252,701	\$ 2,963,850	\$ 14,026,287
Fund balance - ending	\$ 1,041,002	\$ 1,659,249	\$ 2,480,465	\$ 423,876	\$ 720,595	\$ (58,698)	\$ 2,297,384	\$ 3,292,529	\$ 11,856,402

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, 2015

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

Net change in fund balances - total governmental funds \$ (2,169,885)

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 4,290,212
- Depreciation expense (2,694,136)

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

- Donated capital assets 101,109
- Long-term receivables (deferred revenue) (276,520)

The change in compensated absences is shown as an expense in the Statement of Activities (63,813)

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

- Long-term debt principal payments 10,879,405

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

- Proceeds from the sale of long-term debt (7,676,659)
- Post-employment benefits other than retirement liability (321,915)

Special funding revenues from non-employers in support of the employer's pension expense are reported on the statement of activities 461,150

Changes in the net pension liability are required to be reported as pension expenses in the statement of activities. (309,678)

Change in net position - Statement of Activities \$ 2,219,270

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2015

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-major Enterprise	
ASSETS				
Current assets:				
Cash and investments	\$ 2,334,405	\$ 1,658,813	\$ 150,104	\$ 4,143,322
Accounts receivable - net	307,798	212,194	70,128	590,120
Due from other governments	-	9,456	-	9,456
Total current assets	<u>\$ 2,642,203</u>	<u>\$ 1,880,463</u>	<u>\$ 220,232</u>	<u>\$ 4,742,898</u>
Noncurrent assets:				
Restricted cash and investments	\$ 1,603,980	\$ 444,024	\$ -	\$ 2,048,004
Capital assets - land	335,283	267,500	-	602,783
Capital assets - construction in progress	1,315,785	1,836,263	-	3,152,048
Capital assets - depreciable, net	8,992,731	11,159,193	-	20,151,924
Total noncurrent assets	<u>\$ 12,247,779</u>	<u>\$ 13,706,980</u>	<u>\$ -</u>	<u>\$ 25,954,759</u>
Total assets	<u>\$ 14,889,982</u>	<u>\$ 15,587,443</u>	<u>\$ 220,232</u>	<u>\$ 30,697,657</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pension	<u>\$ 48,449</u>	<u>\$ 48,241</u>	<u>\$ 3,944</u>	<u>\$ 100,634</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 9,826	\$ 14,845	\$ -	\$ 24,671
Accrued payroll	23,173	22,339	-	45,512
Current portion of long-term capital liabilities	246,000	94,000	-	340,000
Current portion of compensated absences payable	97,062	77,320	9,446	183,828
Total current liabilities	<u>\$ 376,061</u>	<u>\$ 208,504</u>	<u>\$ 9,446</u>	<u>\$ 594,011</u>
Noncurrent liabilities:				
Deposits payable	\$ 230,916	\$ 683	\$ 54	\$ 231,653
Noncurrent portion of long-term liabilities	296,238	322,426	13,150	631,814
Noncurrent portion of long-term capital liabilities	2,547,000	2,565,218	-	5,112,218
Noncurrent portion of compensated absences	53,382	43,809	6,243	103,434
Net Pension Liability	564,125	561,694	45,925	1,171,744
Total noncurrent liabilities	<u>\$ 3,691,661</u>	<u>\$ 3,493,830</u>	<u>\$ 65,372</u>	<u>\$ 7,250,863</u>
Total liabilities	<u>\$ 4,067,722</u>	<u>\$ 3,702,334</u>	<u>\$ 74,818</u>	<u>\$ 7,844,874</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	\$ 224,629	\$ -	\$ -	\$ 224,629
Deferred inflows of resources - pensions	145,761	145,132	11,866	302,759
Total deferred inflows of resources	<u>\$ 370,390</u>	<u>\$ 145,132</u>	<u>\$ 11,866</u>	<u>\$ 527,388</u>
NET POSITION				
Net investment in capital assets	\$ 7,850,799	\$ 10,603,738	\$ -	\$ 18,454,537
Restricted for capital projects	1,058,534	882,133	-	1,940,667
Restricted for debt service	545,446	122,919	-	668,365
Unrestricted	1,045,540	179,428	137,492	1,362,460
Total net position	<u>\$ 10,500,319</u>	<u>\$ 11,788,218</u>	<u>\$ 137,492</u>	<u>\$ 22,426,029</u>
Total liabilities and net position	<u>\$ 14,568,041</u>	<u>\$ 15,490,552</u>	<u>\$ 212,310</u>	<u>\$ 30,270,903</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, 2015

	Business-Type Activities - Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
OPERATING REVENUES				
Charges for services	\$ 3,280,145	\$ 2,583,619	\$ 811,883	\$ 6,675,647
Special assessments	1,559	112	-	1,671
Total operating revenues	<u>\$ 3,281,704</u>	<u>\$ 2,583,731</u>	<u>\$ 811,883</u>	<u>\$ 6,677,318</u>
OPERATING EXPENSES				
Personal services	\$ 886,126	\$ 840,232	\$ 69,193	\$ 1,795,551
Supplies	197,506	207,881	2,241	407,628
Purchased services	334,851	222,037	693,425	1,250,313
Fixed charges	191,720	155,234	1,082	348,036
Depreciation	408,766	666,663	-	1,075,429
Other	6,667	6,867	-	13,534
Total operating expenses	<u>\$ 2,025,636</u>	<u>\$ 2,098,914</u>	<u>\$ 765,941</u>	<u>\$ 4,890,491</u>
Operating income (loss)	<u>\$ 1,256,068</u>	<u>\$ 484,817</u>	<u>\$ 45,942</u>	<u>\$ 1,786,827</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	\$ 15,951	\$ 115,300	\$ 1,299	\$ 132,550
Interest revenue	8,291	4,353	343	12,987
Debt service interest expense	(64,835)	(67,536)	-	(132,371)
Total non-operating revenues (expenses)	<u>\$ (40,593)</u>	<u>\$ 52,117</u>	<u>\$ 1,642</u>	<u>\$ 13,166</u>
Income (loss) before contributions and transfers	<u>\$ 1,215,475</u>	<u>\$ 536,934</u>	<u>\$ 47,584</u>	<u>\$ 1,799,993</u>
Transfers out	(17,703)	(16,340)	(1,332)	(35,375)
Change in net position	<u>\$ 1,197,772</u>	<u>\$ 520,594</u>	<u>\$ 46,252</u>	<u>\$ 1,764,618</u>
Net Position - Beginning of the year	\$ 9,985,000	\$ 11,951,463	\$ 146,681	\$ 22,083,144
Restatements	(682,453)	(683,839)	(55,441)	(1,421,733)
Net Position - Beginning of the year - Restated	<u>\$ 9,302,547</u>	<u>\$ 11,267,624</u>	<u>\$ 91,240</u>	<u>\$ 20,661,411</u>
Net Position - End of the year	<u>\$ 10,500,319</u>	<u>\$ 11,788,218</u>	<u>\$ 137,492</u>	<u>\$ 22,426,029</u>

City of Whitefish, Flathead County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2015

Business - Type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Totals</u>
Cash flows from operating activities:				
Cash received from providing services	\$ 3,180,155	\$ 2,554,889	\$ 808,075	\$ 6,543,119
Cash payments to suppliers	(386,067)	(355,137)	(3,323)	(744,527)
Cash payments for professional services	(334,851)	(222,037)	(693,425)	(1,250,313)
Cash payments to employees	(840,996)	(808,275)	(70,755)	(1,720,026)
Net cash provided (used) by operating activities	<u>\$ 1,618,241</u>	<u>\$ 1,169,440</u>	<u>\$ 40,572</u>	<u>\$ 2,828,253</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (346,294)	\$ (774,643)	\$ -	\$ (1,120,937)
Principal paid on debt	(479,000)	(165,000)	-	(644,000)
Interest paid on debt	(64,835)	(67,536)	-	(132,371)
Proceeds from bonds, loans and advances	-	185,454	-	185,454
Net cash provided (used) by capital and related financing activities	<u>\$ (890,129)</u>	<u>\$ (821,725)</u>	<u>\$ -</u>	<u>\$ (1,711,854)</u>
Cash flows from non-capital financing activities:				
Special assessment revenues	\$ 4,713	\$ 6,352	\$ -	\$ 11,065
Grants and donations from other institutions	-	89,962	1,299	91,261
Transfers to other funds	(17,703)	(16,340)	(2,631)	(36,674)
Net cash provided (used) from non-capital financing activities	<u>\$ (12,990)</u>	<u>\$ 79,974</u>	<u>\$ (1,332)</u>	<u>\$ 65,652</u>
Cash flows from investing activities:				
Interest on investments	\$ 8,291	\$ 4,353	\$ 343	\$ 12,987
Net cash provided (used) by investing activities	<u>\$ 8,291</u>	<u>\$ 4,353</u>	<u>\$ 343</u>	<u>\$ 12,987</u>
Net increase (decrease) in cash and cash equivalents	\$ 723,413	\$ 432,042	\$ 39,583	\$ 1,195,038
Cash and cash equivalents at beginning	3,214,972	1,670,796	110,521	4,996,289
Restatements - Includes beginning restricted cash				-
Cash and cash equivalents at end	<u>\$ 3,938,385</u>	<u>\$ 2,102,838</u>	<u>\$ 150,104</u>	<u>\$ 6,191,327</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,256,068	\$ 484,817	\$ 45,942	\$ 1,786,827
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	408,766	666,663	-	1,075,429
Other post-employment benefits	45,988	50,169	-	96,157
Pension Expense	(3,620)	(3,604)	(295)	(7,519)
Changes in assets and liabilities:				
Change in accounts receivable	(59,587)	(23,345)	(3,821)	(86,753)
Change in deferred inflows of resources	(61,855)	(6,017)	-	(67,872)
Change in deposit payables	19,893	520	13	20,426
Change in accounts payable	9,826	14,845	-	24,671
Change in payroll payables	3,582	3,475	(1,495)	5,562
Change in compensated absences	(820)	(18,083)	228	(18,675)
Net cash provided (used) by operating activities	<u><u>\$ 1,618,241</u></u>	<u><u>\$ 1,169,440</u></u>	<u><u>\$ 40,572</u></u>	<u><u>\$ 2,828,253</u></u>

See accompanying notes to the financial statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2015

	Pension Trust	Agency Funds
ASSETS		
Cash and short-term investments	\$ 29,956	\$ 606,891
Taxes receivable	14,243	-
Total assets	\$ 44,199	\$ 606,891
LIABILITIES		
Warrants payable	\$ -	\$ 445,232
Due to others	40,316	161,659
Total liabilities	\$ 40,316	\$ 606,891
NET POSITION		
Assets held in trust	\$ 3,883	

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, 2015

	<u>Pension Trust Funds</u>
ADDITIONS	
Contributions:	
Tax	\$ 94,402
Intergovernmental	46,883
Total contributions	<u>\$ 141,285</u>
Investment earnings:	
Interest and change in fair value of investments	\$ 30
Total additions	<u>\$ 141,315</u>
 DEDUCTIONS	
Distributions from investment trust fund	\$ 137,921
Change in net position	<u>\$ 3,394</u>
 Net Position - Beginning of the year	 \$ 489
 Net Position - End of the year	 <u>\$ 3,883</u>

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Recent Accounting Pronouncements:

The Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, is effective for years beginning after June 15, 2014 (fiscal year ended June 30, 2015, for the City). The statement establishes accounting and financial reporting standards for the recognition and disclosure requirements for employers with liabilities to a defined benefit pension plan. The statement requires the liability of employers for defined benefit pensions to be measured as the portion of the present, value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service, less the amount of the pension plan's fiduciary net position. The statement also requires employers to present, as required supplementary information, information about the changes in the net pension liability and the related ratios, including the plan's fiduciary net position as a percentage of total pension liability, and the net pension liability, as a percentage of covered-employee payroll. As a cost-sharing employer under this statement, the City is required to recognize a liability for its proportionate share of the net pension liability, and to recognize pension expense and report deferred outflows and deferred inflows. The City is further required to present as required supplementary information a 10- year schedule containing the net pension liability and certain related ratios, and information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios. The City adopted GASB Statement No. 68 in 2015 by retroactively restating financial statements for all periods presented.

Financial Reporting Entity

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

Primary Government

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

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

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

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

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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 opportunity to implement City Ordinance 95-15, the Resort Tax Ordinance. The ordinance imposes a 2% resort tax on a range of good and services sold by establishments within the City. The Ordinance specifies that the property tax relief should be provided to Whitefish taxpayers in the amount equal to 25% of the tax revenues derived during the preceding fiscal year. An amount equal to 65% of these revenues shall be used for repair and improvement of existing infrastructure. 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. In fiscal year 2016, the resort tax rate was increased and is described later in the notes to the financial statements.

Tax Increment Fund – A special revenue fund that was established in 1987 is used to account for urban renewal activities within the boundaries of the Whitefish Tax Increment District. In accordance with Montana Code Annotated (MCA) 7-15-4292, tax increment districts must be terminated 15 years after their creation or at a later date necessary to pay all bond obligations, termination of the district is projected to be July 15, 2020.

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

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

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

Proprietary Funds:

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

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

Major Funds:

The City reports the following major proprietary funds:

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

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

Fiduciary Funds

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

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2015, are as follows:

<u>Cash on hand and deposits:</u>	
Petty Cash	\$ 1,325
Cash in banks:	
Demand deposits	16,283,507
Savings deposits	385,974
Time deposits	2,162,573
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	27,369
Total	<u>\$ 18,860,748</u>

Credit Risk

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

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

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

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

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

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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

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

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

The government has no investments that require credit risk disclosure.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2015:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
Asset Backed Commercial Paper	\$ 779,579,000	A1	25
Corporate Commercial Paper	101,299,000	A1	102
Corporate Variable-Rate	571,672,000	A1+	42
Certificates of Deposit Fixed Rate	150,000,000	A1	259
Certificates of Deposit Variable-Rate	450,000,000	A1+	47
Other Asset Backed	27,821,000	NR	NA
U.S. Government Agency Fixed	54,498,000	A1+	236
U.S. Government Agency Variable -Rate	239,008,000	A1+	42
Money Market Funds (Unrated)	161,592,000	NR	1
Money Market Funds (Rated)	<u>3,000,000</u>	A1+	1
Total Investments	\$ <u>2,538,469,000</u>		52
Securities Lending Collateral Investment Pool	\$ <u>5,806,000</u>	NR	30*

“*As of June 30, 2015, the Securities Lending Quality Trust liquidity pool had an average duration of 30 days and an average weighted final maturity of 115 days for U.S. dollar collateral. In March 2015, all holdings in the Securities Lending Duration Pool were sold.”

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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, 2015 the government's bank balance of \$18,809,866 was exposed to custodial credit risk as follows:

	June 30, 2015 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 750,000
- Collateral held by the pledging bank's trust department but not in the City's name.	11,128,531
- Amount uninsured and uncollateralized	<u>6,931,335</u>
Total deposits and investments	<u><u>\$ 18,809,866</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 ratio of less than 6%.

The amount of collateral held for the City's deposits at June 30, 2015, equaled or exceeded the amount required by State statutes.

Cash equivalents

For purposes of the statement of cash flows, the enterprise and internal services 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, 2015. These amounts are reported within the cash/investment account on the Statement of Net Position.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

<u>Description</u>	<u>Amount</u>
Debt service	\$ 1,387,841
Construction	1,173,234
Replacement and depreciation	206,405
Park improvements	530,297
Street improvements	541,825
Tax relief	<u>679,335</u>
Total	<u>\$ 4,518,937</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.

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

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

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

NOTE 5. INVENTORIES

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

NOTE 6. CAPITAL ASSETS

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2015 Basic Financial Statements.

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

Governmental activities:

	Balance July 1, 2014	Additions	Transfers	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 8,409,629	\$ 17,089	\$ -	\$ 8,426,718
Construction in progress	1,829,484	3,327,326	(825,346)	4,331,464
Total capital assets not being depreciated	<u>\$ 10,239,113</u>	<u>\$ 3,344,415</u>	<u>\$ (825,346)</u>	<u>\$ 12,758,182</u>
Other capital assets:				
Buildings	\$ 21,528,047	\$ 59,061	\$ 369,855	\$ 21,956,963
Improvements other than buildings	2,114,791	38,081	-	2,152,872
Machinery and equipment	6,485,144	921,343	6,693	7,413,180
Infrastructure	33,575,688	28,421	448,798	34,052,907
Total other capital assets at historical cost	\$ 63,703,670	\$ 1,046,906	\$ 825,346	\$ 65,575,922
Less: accumulated depreciation	\$ (18,505,762)	\$ (2,694,136)	\$ -	\$ (21,199,898)
Total	<u>\$ 55,437,021</u>	<u>\$ 1,697,185</u>	<u>\$ -</u>	<u>\$ 57,134,206</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 35,755
Public safety	545,376
Public works	1,496,584
Culture and recreation	<u>616,421</u>
Total governmental activities depreciation expense	<u>\$ 2,694,136</u>

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

Business-type activities:

	Balance July 1, 2014	Additions	Transfers	Adjustment	Balance June 30, 2015
Capital assets not being depreciated:					
Land	\$ 602,783	\$ -	\$ -	\$ -	\$ 602,783
Construction in progress	2,284,440	1,086,991	(219,381)	-	3,152,050
Total capital assets not being depreciated	<u>\$ 2,887,223</u>	<u>\$ 1,086,991</u>	<u>\$ (219,381)</u>	<u>\$ -</u>	<u>\$ 3,754,833</u>
Other capital assets:					
Buildings	\$ 792,287	\$ -	\$ -	\$ -	\$ 792,287
Machinery and equipment	134	-	-	-	134
Pumping plant	3,151,859	-	-	-	3,151,859
Treatment plant	16,481,858	-	-	-	16,481,858
Transmission and distribution	14,934,528	16,435	88,702	-	15,039,665
General plant	1,519,390	17,512	130,679	(23,601)	1,643,980
Total other capital assets at historical cost	\$ 36,880,056	\$ 33,947	\$ 219,381	\$ (23,601)	\$ 37,109,783
Less: accumulated depreciation	\$ (15,908,866)	\$ (1,075,429)	\$ -	\$ 26,434	\$ (16,957,861)
Total	<u>\$ 23,858,413</u>	<u>\$ 45,509</u>	<u>\$ -</u>	<u>\$ 2,833</u>	<u>\$ 23,906,755</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 expensed at the date of sale.

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2015, the following changes occurred in liabilities reported in long-term debt:

**CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015**

Governmental Activities:

	Balance				Restatement	Balance	
	July 1, 2014	Additions	Deletions	Deletions		June 30, 2015	Due Within One Year
Special assessment bond	\$ 795,000	\$ -	\$ (70,000)	\$ -	\$ 725,000	\$ 70,000	
Revenue bonds	10,715,000	7,183,000	(10,715,000)	-	7,183,000	-	
Compensated absences	983,661	63,813	-	-	1,047,474	820,110	
Capital lease	3,734	-	(3,734)	-	-	-	
Intercap loans	483,207	493,660	(90,731)	-	886,136	143,320	
Net pension liability*	-	-	(883,139)	4,468,250	3,585,111	-	
Other post-employment benefits**	1,626,165	321,915	-	-	1,948,080	-	
Total	\$ 14,606,767	\$ 8,062,388	\$ (11,762,604)	\$ 4,468,250	\$ 15,374,801	\$ 1,033,430	

*See Note 10

**See Note 8

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

Business-type Activities:

	Balance				Restatements	Balance	
	July 1, 2014	Additions	Deletions	Deletions		June 30, 2015	Due Within One Year
Revenue bonds	5,910,764	185,454	(644,000)	-	5,452,218	340,000	
Compensated absences	305,937	-	(18,675)	-	287,262	183,828	
Net pension liability*	-	-	(336,111)	1,507,855	1,171,744	-	
Other post-employment benefits**	535,657	96,157	-	-	631,814	-	
Total	\$ 6,752,358	\$ 281,611	\$ (998,786)	\$ 1,507,855	\$ 7,543,038	\$ 523,828	

*See Note 10

**See Note 8

Special Assessment Debt - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement districts bonds were issued with revolving fund backing. The City is not obligated to levy and collect a general property tax on all taxable property in the Entity to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least 5% of the principal amount of bonds outstanding. Special assessment bonds outstanding as of June 30, 2015 were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bond Amount	Annual Payment	Balance June 30, 2015
SID #166 – JP Road Project	7/6/06	3.65-4.80%	20yrs	7/1/2026	\$ 1,360,000	Varies	\$ 725,000

Reported in Governmental-Type Activities

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 70,000	\$ 33,577
2017	70,000	30,497
2018	70,000	27,382
2019	65,000	24,232
2020	65,000	21,275
2021	65,000	18,285
2022	65,000	15,262
2023	65,000	12,207
2024	65,000	9,120
2025	65,000	6,000
2026	60,000	2,880
Total	\$ <u><u>725,000</u></u>	\$ <u><u>200,717</u></u>

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

<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, 2015</u>
DNRC – Water 1998 (2)	7/6/98	2.00%	20yrs	7/1/18	\$ 400,000	Varies	\$ 80,000
DNRC – Water 1999 (2)	6/21/99	2.00%	20yrs	7/1/19	5,839,000	Varies	1,519,000
Water DWSRF #06098-2007 (2)	6/15/06	2.25%	20yrs	7/1/26	248,699	Varies	546,000
Water WRF #8110 – 2006 (2)	9/6/07	2.25%	20yrs	7/1/27	900,000	Varies	564,000
Water SRF (2009B) (2)	10/21/09	0.75%	20yrs	7/1/29	120,100	Varies	84,000
Sewer SRF 2002 Series (2)	7/1/02	2.00%	20yrs	7/1/22	200,000	Varies	77,000
Sewer DNRC (2008A) (2)	12/11/08	2.25%	20yrs	7/1/28	500,000	Varies	305,000
Sewer DNRC (2008B) (2)	1/16/09	2.25%	20yrs	1/1/29	1,711,000	Varies	1,034,000
Sewer DNRC (2010B) (2)	2/4/10	0.75%	20yrs	1/1/30	48,211	Varies	38,000
Sewer 2011B (2)	8/1/11	3.00%	20yrs	7/1/31	340,000	Varies	287,000
Sewer 2011C (2)	8/1/11	3.00%	20yrs	7/1/31	350,000	Varies	312,764
Sewer 2014 (2)	3/6/14	3.00%	20yrs	1/1/34	452,300	Varies	426,000
Sewer – River Lakes (2)	11/20/14	2.50%	20 yrs	1/1/35	185,454	Varies	179,454
2015 Tax Increment Urban Renewal Refunding Bond 2015A (1)	6/10/15	2.62%	5 yrs.	7/15/20	3,591,500	Varies	3,591,500
2015 Tax Increment Urban Renewal Refunding Bond 2015B (1)	6/10/15	2.62%	5 yrs	7/15/20	<u>3,591,500</u>	Varies	<u>3,591,500</u>
					<u>\$ 18,477,764</u>		<u>\$ 12,635,218</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

- (1) Reported in Governmental-Type Activities
 (2) Reported in Business-Type Activities

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The City was in compliance with applicable covenants as of June 30, 2015.

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 340,000	\$ 174,822
2017	2,701,000	284,683
2018	2,103,000	225,340
2019	2,141,000	173,152
2020	1,984,000	120,141
2021	1,055,000	71,918
2022	298,000	55,043
2023	303,000	48,010
2024	302,000	40,922
2025	308,000	33,743
2026	319,000	26,410
2027	301,000	18,862
2028	87,000	13,164
2029	90,000	10,871
2030	84,000	8,498
2031	78,764	6,069
2032	60,000	3,599
2033	40,000	2,137
2034	40,454	996
Total	\$ <u>12,635,218</u>	\$ <u>1,318,380</u>

Intercap Loans

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Intercept loans outstanding as of June 30, 2015 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2015</u>
Ice Rink	10/1/12	1.25%	5yrs	8/15/17	\$ 140,000	\$ 79,364
Police Dept. Admin Vehicle	3/14/14	1.00%	3yrs	2/15/17	16,399	10,935
Emergency Vehicle	3/14/14	1.00%	5yrs	2/15/16	155,597	123,519
Fire Pumper Type 1	6/20/14	1.00%	10yrs	8/15/24	485,112	192,501
Fire Pumper	10/3/14	1.25%	10yrs	8/15/24	282,659	268,817
Water Tender Fire Apparatus	2/13/15	1.25%	7yrs	2/15/22	<u>211,000</u>	<u>211,000</u>
Total					<u>\$ 1,079,767</u>	<u>\$ 886,136</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 143,320	\$ 10,638
2017	144,765	8,320
2018	124,335	7,048
2019	109,410	5,274
2020	78,938	4,185
2021	79,730	3,254
2022	80,514	2,298
2023	49,973	1,440
2024	50,473	866
2025	24,678	216
Total	<u>\$ 886,136</u>	<u>\$ 43,538</u>

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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.

Advance Refunding of Long-Term Debt (Year of Refunding)

On May 21, 2015, the City issued \$7,183,000 in revenue bonds with an average interest rate of 2.62% to advance refund \$9,365,000 of outstanding revenue bonds with an average interest rate of 4.625%. The net proceeds of \$7,183,000 plus the additional \$3,175,493 of restricted cash that was on the City's books was used to pay the \$73,025 in bond issuance costs, \$719,475 to establish and new reserve account on the City's books, and \$9,565,993 was deposited with an escrow agent to cover the July 2015 principal payment due on the Series 2009 Bonds in the amount of \$1,405,000, the July 15, 2015 interest payment due on the Series 2009 Bonds in the amount of \$200,993, and the redemption of principal of the Series 2009 Bonds scheduled to mature in the years 2016-2020 in the aggregate principal amount of \$7,960,000 on July 15, 2015. As a result, the revenue bonds are considered to be defeased and the liability for those bonds has been removed from the governmental activities.

The City advance refunded the bonds to reduce its total debt service payments over the next 6 years by approximately \$1,517,456 and to obtain an economic gain (difference between the present values of the debt service payments of the old and new debt) of \$1,478,714.

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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	\$	-
Unfunded Actuarial Accrued Liability (UAAL)	\$	2,917,871
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	\$	-
Annual OPEB cost (expense)	\$	418,072
Contributions made	\$	-
Increase in net OPEB obligation	\$	418,072
Net OPEB obligation - beginning of year	\$	2,161,822
Net OPEB obligation - end of year	\$	2,579,894

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

	Unit Credit Cost Method
Actuarial 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%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

<u>Year</u>	<u>% Increase</u>
2016	6.2%
2017	6.0%
2018	6.4%
2019	6.8%
2020	6.9%
2021	6.7%
2022 and after	6.9%

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2015, was as follows:

<u>Purpose</u>	<u>Due to/from other funds:</u>	<u>Payable Fund</u>	<u>Amount</u>
	<u>Receivable Fund</u>		
Cover Negative Cash	General – Major Governmental	Law Enforcement – Nonmajor Governmental	\$ 13,448

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2015:

<u>Purpose</u>	<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Operating	General – Major Governmental	Parks, Recreation and Community – Nonmajor Governmental	\$ 693,919
Operating	General – Major Governmental	Library – Nonmajor Governmental	34,371
Operating	General – Major Governmental	Fire and Ambulance – Major Governmental	815,000
Urban renewal project	Impact Fees – Nonmajor Governmental	Tax Increment – Major Governmental	92,000
Parkland improvements	Tax Increment – Major Governmental	Parkland Acquisition and Development – Nonmajor Governmental	360,000
Debt payments	Tax Increment – Major Governmental	Tax Increment Revenue Bond Debt – Nonmajor Governmental	1,769,988
Debt payments	Tax Increment – Major Governmental	Tax Increment Revenue Bond Debt – Major Governmental	31,960
Property tax relief	Resort Tax – Nonmajor Governmental	General – Major Governmental	668,831
Parkland improvements	Resort Tax – Major Governmental	Parkland Acquisition and Development – Nonmajor Governmental	19,900
Construction	Tax Increment – Major	City Hall Project – Major	250,000

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Construction	Governmental Impact Fees – Nonmajor Governmental	Governmental City Hall Project – Major Governmental	384,355
Interfund cost allocation plan	Street and Alley – Nonmajor Governmental	General – Major Governmental	13,707
Interfund cost allocation plan	Parks, Recreation and Community Services – Nonmajor Governmental	General – Major Governmental	14,543
Interfund cost allocation plan	Library – Nonmajor Governmental	General – Major Governmental	2,741
Interfund cost allocation plan	Tax Increment – Major Governmental	General – Major Governmental	4,213
Interfund Cost Allocation Plan	Fire and Ambulance – Nonmajor Governmental	General – Major Governmental	34,910
Interfund Cost Allocation Plan	Building Code Enforcement – Nonmajor Governmental	General – Major Governmental	5,607
Interfund Cost Allocation Plan	Light District #1 – Nonmajor Governmental	General – Major Governmental	403
Interfund Cost Allocation Plan	Light District #4 – Nonmajor Governmental	General – Major Governmental	403
Interfund Cost Allocation Plan	Water – Major Governmental	General – Major Governmental	17,703
Interfund Cost Allocation Plan	Sewer – Major Governmental	General Major Governmental	16,340
Interfund Cost Allocation Plan	Solid Waste – Nonmajor Governmental	General – Major Governmental	<u>1,332</u>
			<u>\$ 5,232,226</u>

NOTE 10. NET PENSION LIABILITY

Plan Descriptions

PERS

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

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

MPORS

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

FURS

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

Summary of Benefits

PERS

Member's highest average compensation (HAC)

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

MPORS

Member's final average compensation (FAC)

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

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

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

Age 50, 5 years of membership service.

Vesting

5 years of membership service

Monthly benefit formula

2.5% of FAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum benefit adjustment (non-GABA)

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

FURS

Member's compensation

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

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

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

Eligibility for benefit

20 years of membership service, regardless of age.

Early Retirement

Age 50, 5 years of membership service.

Vesting

5 years of membership service

Monthly benefit formula

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

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

2.5% of HAC per year of membership service

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

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

Overview of Contributions

PERS

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

MPORS

- 1. Rates are specified by state law for periodic employer and employee contributions
 - The State legislature has the authority to establish and amend contribution rates to the plan.
- 2. Member contributions to the system:
 - Member contribution rates are dependent upon date of hire as a police officer. For fiscal year 2015:
 - If employed on or before June 30, 1975, member contributions as a percentage of salary are 5.8%;
 - If employed after June 30, 1975 and prior to July 1, 1979, member contributions as a percentage of salary are 7.0%;
 - If employed after June 30, 1979 and prior to July 1, 1997, member contributions as a percentage of salary are 8.5%; and,
 - If employed on or after July 1, 1997 and for members electing GABA, member contributions as a percentage of salary were 9.0%.
- 3. Employer contributions to the system:
 - The employers are required to contribute 14.41% of member's compensation.
 - The State contributes 29.37% of member's compensation from the general fund.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

FURS

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

Stand-Alone Statements

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

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System(PERS), Municipal Police Officers' Retirement System (MPORS) and Firefighters' Unified' Retirement System (FURS) Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS, MPORS, FURS that are used to provide pension benefits to the retired members. Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

	PERS NPL as of 6/30/13	PERS NPL as of 6/30/14	Percent of Collective NPL	MPORS NPL as of 6/30/13	MPORS NPL as of 6/30/14	Percent of Collective NPL	FURS NPL as of 6/30/13	FURS NPL as of 6/30/14	Percent of Collective NPL	Total NPL as of 6/30/13	Total NPL as of 6/30/14	Percent of Collective NPL
Employer Proportionate Share	\$ 3,855,635	\$ 2,996,189	0.2405%	\$ 1,078,547	\$ 946,627	0.6024%	\$ 1,041,921	\$ 814,039	0.8339%	\$ 5,976,103	\$ 4,756,855	1.6768%
State of Montana Proportionate Share associated with Employer	47,083	36,588	0.3055%	2,178,795	1,912,300	1.8194%	2,350,524	1,836,432	2.7664%	4,576,402	3,785,320	4.8912%
Total	\$ 3,902,718	\$ 3,032,777	0.5459%	\$ 3,257,342	\$ 2,858,927	2.4218%	\$ 3,392,445	\$ 2,650,471	3.6003%	\$ 10,552,505	\$ 8,542,175	6.5680%

At June 30, 2015, the employer recorded a liability of \$4,756,855 for its proportionate share of the Net Pension Liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the net pension liability was based on the employer's contributions received by PERS, MPORS, FURS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS, MPORS, FURS participating employers. At June 30, 2014, the employer's proportion was 1.6768 percent.

Changes in actuarial assumptions and methods:
 PERS, MPORS, FURS

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

Pension Expense as of 6/30/14

	PERS	MPORS	FURS	Total
Employer Proportionate Share	\$ 149,139	\$ 101,824	\$ 90,368	\$ 341,331
State of Montana Proportionate Share associated with the Employer	84,720	205,697	203,865	494,282
Total	\$ 233,859	\$ 307,521	\$ 294,233	\$ 835,613

At June 30, 2015, the employer recognized a Pension Expense of \$835,613 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$494,282 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

Recognition of Beginning Deferred Outflow

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$513,738.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Deferred Inflows and Outflows

At June 30, 2015, the employer reported its proportionate share of PERS, MPORS, FURS deferred outflows of resources and deferred inflows of resources related to PERS, MPORS, FURS from the following sources:

	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	MPORS Deferred Outflows of Resources	MPORS Deferred Inflows of Resources	FURS Deferred Outflows of Resources	FURS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Difference between projected and actual investment earnings	\$ -	\$ 774,166	\$ -	\$ 116,221	\$ -	\$ 161,687	\$ -	\$ 1,052,074
Difference between actual and expected contributions	5,331	99	-	-	-	-	5,331	99
*Contributions paid subsequent to the measurement date - FY 2015 Contributions	264,782	-	125,085	-	156,669	-	546,536	-
Total	\$ 270,113	\$ 774,265	\$ 125,085	\$ 116,221	\$ 156,669	\$ 161,687	\$ 551,867	\$ 1,052,173

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Deferred Inflows and Outflows

PERS: Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 191,798	\$ (191,798)
2017	\$ -	\$ 191,798	\$ (191,798)
2018	\$ -	\$ 191,798	\$ (191,798)
2019	\$ -	\$ 193,542	\$ (193,542)
2020	\$ -	\$ -	-
Thereafter	\$ -	\$ -	-

MPORS: Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 29,055	\$ (29,055)
2017	\$ -	\$ 29,055	\$ (29,055)
2018	\$ -	\$ 29,055	\$ (29,055)
2019	\$ -	\$ 29,055	\$ (29,055)
2020	\$ -	\$ -	-
Thereafter	\$ -	\$ -	-

FURS: Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016	\$ -	\$ 40,422	\$ (40,422)
2017	\$ -	\$ 40,422	\$ (40,422)
2018	\$ -	\$ 40,422	\$ (40,422)
2019	\$ -	\$ 10,422	\$ (10,422)
2020	\$ -	\$ -	-
Thereafter	\$ -	\$ -	-

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Actuarial Assumptions

PERS, MPORS, FURS

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

- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases - PERS 0% to 6%
- Merit Increases – SRS 0% to 7.3%
- Investment Return 7.75%
- Postretirement Benefit Increases
 - 3% for members hired **prior to** July 1, 2007
 - 1.5% for members hired **on or after** July 1, 2007

PERS

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

FURS

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

Minimum Benefit Adjustment is 50% of a newly confirmed officer

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

Discount Rate

PERS, MPORS, FURS

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

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

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

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

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

Target Allocations

PERS, MPORS, FURS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	<u>8.00%</u>	4.50%
Total	<u>100.00%</u>	

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

Sensitivity Analysis

	1.0% Decrease	Current	1.0% Increase
	-6.75%	Discount Rate	-8.75%
PERS	\$ 4,766,628	\$ 2,996,189	\$ 1,502,998
FURS	\$ 1,307,777	\$ 814,039	\$ 411,042
MPORS	\$ 1,364,859	\$ 946,627	\$ 614,611

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

Summary of Significant Accounting Policies

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

Fire Department Relief Association Disability and Pension Fund

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

A member of a volunteer fire department who has served 20 years or more is entitled to benefits regardless of age. Volunteer serving less than 20 years but more than 10 years may receive reduced benefits. The amount of the pension benefits 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	\$ 1,659,249	Street and Park improvements
Tax Increment	2,480,465	Urban development
Fire and ambulance	423,876	Emergency services
Tax Increment Revenue Bond Debt	720,595	Debt service
City Hall Project	2,297,384	Construction
All Other Aggregate:		
	573,818	Culture and recreation services and improvements
	186,619	Debt service
	1,918,553	Improvements
	1,357	Miscellaneous
	738,620	Storm drainage
	<u>63,108</u>	Utility services
Total	<u>\$ 11,063,644</u>	

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

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>
Building Code Enforcement	\$ 16,729	Prior year's deficit cash balances	Future Building permit fees
Drug Forfeiture	172,817	Prior year's deficit cash balances	Future drug forfeiture charges
SID 166 Bond Debt	<u>58,698</u>	Prior year's deficit cash balances	Future assessments
Total	<u>\$ 248,244</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>
Water	\$ (681,006)	GASB 68 Implementation
Sewer	\$ (678,072)	GASB 68 Implementation
Solid Waste	\$ (55,441)	GASB 68 Implementation
Water	\$ (4,281)	SID 158 correction
Sewer	\$ (5,767)	SID 158 correction
Water	\$ 2,834	Prior year capital asset error
Governmental Activities	\$ (4,048,235)	GASB 68 Implementation
Governmental Activities	60	Prior year long term debt error

NOTE 15. INTERLOCAL AGREEMENT

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 16. JOINT VENTURES

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

Flathead County 911 Emergency Coordination Center

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

Big Mountain County Sewer District

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

NOTE 17. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

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

NOTE 18. RISK MANAGEMENT

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

Insurance Policies:

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

Insurance Pools:

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

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

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

NOTE 19. RESORT TAX

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

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

On June 30, 2015 the Resort Tax Fund has a cash balance of \$1,751,456. This balance was restricted as follows:

Park Improvements	\$530,297
Street Improvements	\$541,825
Tax Relief	\$679,335

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

In April of 2015 it was voted and approved for the resort tax to increase 1% to a total of 3% starting July 1, 2015. Of the additional 1%, 70% will go to debt service for the repayment of the debt associated with the Haskill Basin conservation easement purchase, as noted under the subsequent events, which occurred in fiscal year 2016. 25% of the additional 1% will go to property tax relief, and the remaining 5% will be added on to the administrative fee to business owners.

NOTE 20. WHITEFISH LAKE GOLF COURSE

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

NOTE 21. PENDING LITIGATION

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

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Montana Public Employees' Association Inc. v. City of Whitefish. Cause No. DV-15-036C</i>	Not Stated	Not Stated
<i>Scott Wurster v. Whitefish City Council, Dave Taylor and Virgil Bench. Cause No. DV-13-900A</i>	Not Stated	Not Stated
<i>Frank Lloyd Wright Building, LLP v. City of Whitefish, Cause No. DB-15-856A</i>	Not Stated	Not Stated
<i>Lakeshore Group, LLC v. The City of Whitefish, Cause No. DV-15-1022D</i>	Not Stated	Not Stated

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 22. SUBSEQUENT EVENTS

Resort Tax Increase and the Haskill Basin Conservation Easement Project

At a special election on April 18, 2015, Whitefish voters approved by a margin of 1718 to 334 to increase to the existing resort tax rate from 2% to 3% to be effective July 1, 2015. The resort tax revenues resulting from the 1% increase are restricted as follows: (i) 25% property tax relief; (ii) 70% to secure and be pledged to the repayment of a loan or a bond to finance a portion of the costs of, or to otherwise pay for, the acquisition of the Haskill Basin Conservation Easement or other interests, except that if such portion of resort tax revenues received in a fiscal year is more than is needed in that fiscal year for such loan or bond, the excess will be applied to additional property tax relief in the next fiscal year; and 5% for the merchants' costs of administration.

The Haskill Basin Project includes the acquisition by the City, as co-grantee with the Montana Department of Fish, Wildlife and Parks, of a conservation easement with respect to approximately 3,020 acres in and around Haskill Basin for the purposes of protecting and preserving water quality and quantity, including the source drinking water supply for the City's municipal water system. On February 16, 2016, the City, as co-grantee with the Montana Department of Fish, Wildlife, and Parks (FWP), closed on the purchase of the Haskill Basin Conservation Easement with F.H. Stoltz Land and Lumber Company. The City's contribution for this project totaled \$7,700,000 with an additional \$519,500 of closing costs and cash reserves required for the revenue bond from the Montana State Revolving Fund loan program. FWP provided \$9,000,000 for the project through two grants including the Habitat Conservation Grant and the U.S. Federal Forest Legacy Grant. Furthermore, F.H. Stoltz Land and Lumber Company also donated \$3,280,000 of the appraised value. The total cost of the acquisition was \$20,449,500, including bond counsel costs of \$60,000 and reserves of \$459,500.

City Hall and Parking Structure Project and Financing

In August 2015, the City relocated City Hall to a temporary location to allow for demolition and construction to begin on the new City Hall and Parking Structure. The most recent approved budget for the project occurred at the January 19, 2016 council meeting where the total budget was unanimously approved for \$16,041,550. Furthermore, on March 1, 2016, the City closed on the Series 2016 Tax Increment Urban Renewal Revenue Bonds that will partially fund the project. The total amount issued was \$9,800,000 with a maturity date of July 15, 2020 and an interest rate of 2.21%. The amount spent on the project as of May 26, 2016 totals \$4,483,357.

Highway 93 West – Phase II Project Financing and Project Completion

On December 7, 2015 the City Council approved Resolutions 15-50 and 15-51 authorizing a \$120,000 water revenue bond and a \$960,000 wastewater revenue bond to partially fund the Highway 93 North – Whitefish West Phase II project. The project has been completed and the bond closing took place on December 17, 2015. The total cost of the project is \$1,408,050. The remainder of the cost was covered by impact fees for the extension and increased capacity of water and sewer lines.

**REQUIRED SUPPLEMENTAL
INFORMATION**

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2015

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,017,659	\$ 2,017,659	\$ 2,053,077	\$ 35,418
Licenses and permits	60,600	60,600	66,490	5,890
Intergovernmental	1,343,243	1,343,243	802,208	(541,035)
Charges for services	240,550	240,550	252,258	11,708
Fines and forfeitures	228,250	228,250	204,938	(23,312)
Miscellaneous	63,000	63,000	29,378	(33,622)
Investment earnings	15,000	15,000	14,535	(465)
Amounts available for appropriation	<u>\$ 3,968,302</u>	<u>\$ 3,968,302</u>	<u>\$ 3,422,884</u>	<u>\$ (545,418)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 540,996	\$ 540,996	\$ 644,218	\$ (103,222)
Public safety	2,798,966	2,798,966	333,358	2,465,608
Public works	59,257	59,257	24,569	34,688
Social and economic services	-	-	1,500	(1,500)
Culture and recreation	-	-	9,928	(9,928)
Housing and community development	-	-	12,020	(12,020)
Debt service - principal	3,400	3,400	3,734	(334)
Debt service - interest	-	-	515	(515)
Miscellaneous	12,000	12,000	-	12,000
Capital outlay	51,800	51,800	17,085	34,715
Total charges to appropriations	<u>\$ 3,466,419</u>	<u>\$ 3,466,419</u>	<u>\$ 1,046,927</u>	<u>\$ 2,419,492</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers in	2,553,831	2,553,831	(1,104,267)	(3,658,098)
Transfers out	(3,428,290)	(3,428,290)	(1,512,933)	1,915,357
Total other financing sources (uses)	<u>\$ (874,459)</u>	<u>\$ (874,459)</u>	<u>\$ (2,617,200)</u>	<u>\$ (1,742,741)</u>
Net change in fund balance			<u>\$ (241,243)</u>	
Fund balance - beginning of the year			<u>\$ 1,315,291</u>	
Fund balance - end of the year			<u><u>\$ 1,074,048</u></u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule - Continued
For the Fiscal Year Ended June 30, 2015

	Resort Tax			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,087,995	\$ 2,087,995	\$ 2,213,700	\$ 125,705
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	5,000	5,000	3,967	(1,033)
Amounts available for appropriation	<u>\$ 2,092,995</u>	<u>\$ 2,092,995</u>	<u>\$ 2,217,667</u>	<u>\$ 124,672</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Capital outlay	2,527,214	2,527,214	1,730,463	796,751
Total charges to appropriations	<u>\$ 2,527,214</u>	<u>\$ 2,527,214</u>	<u>\$ 1,730,463</u>	<u>\$ 796,751</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(708,631)	(708,631)	(688,731)	19,900
Total other financing sources (uses)	<u>\$ (708,631)</u>	<u>\$ (708,631)</u>	<u>\$ (688,731)</u>	<u>\$ 19,900</u>
Net change in fund balance			<u>\$ (201,527)</u>	
Fund balance - beginning of the year			<u>\$ 1,860,776</u>	
Fund balance - end of the year			<u><u>\$ 1,659,249</u></u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule - Continued
For the Fiscal Year Ended June 30, 2015

	Tax Increment			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 4,626,600	\$ 4,626,600	\$ 4,741,033	\$ 114,433
Licenses and permits	-	-	-	-
Intergovernmental	248,865	248,865	248,865	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	149,365	149,365	2,451	(146,914)
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 5,024,830</u>	<u>\$ 5,024,830</u>	<u>\$ 4,992,349</u>	<u>\$ (32,481)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	2,264,667	2,264,667	1,949,989	314,678
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	500,000	500,000	-	500,000
Capital outlay	965,633	965,633	237,300	728,333
Total charges to appropriations	<u>\$ 3,730,300</u>	<u>\$ 3,730,300</u>	<u>\$ 2,187,289</u>	<u>\$ 1,543,011</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	92,000	92,000
Transfers out	(2,379,988)	(2,379,988)	(2,416,161)	(36,173)
Total other financing sources (uses)	<u>\$ (2,379,988)</u>	<u>\$ (2,379,988)</u>	<u>\$ (2,324,161)</u>	<u>\$ 55,827</u>
Net change in fund balance			<u>\$ 480,899</u>	
Fund balance - beginning of the year			<u>\$ 1,999,566</u>	
Fund balance - end of the year			<u><u>\$ 2,480,465</u></u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule - Continued
For the Fiscal Year Ended June 30, 2015

	Fire and Ambulance			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 548,956	\$ 548,956	\$ 562,656	\$ 13,700
Licenses and permits	100,300	100,300	107,242	6,942
Intergovernmental	439,682	439,682	60,719	(378,963)
Charges for services	1,257,000	1,257,000	1,305,566	48,566
Fines and forfeitures	-	-	-	-
Miscellaneous	2,500	2,500	12,282	9,782
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 2,348,438</u>	<u>\$ 2,348,438</u>	<u>\$ 2,048,465</u>	<u>\$ (299,973)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	3,093,593	3,093,593	2,673,651	419,942
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	69,500	69,500	54,055	15,445
Debt service - interest	-	-	3,723	(3,723)
Miscellaneous	-	-	-	-
Capital outlay	574,547	574,547	589,915	(15,368)
Total charges to appropriations	<u>\$ 3,737,640</u>	<u>\$ 3,737,640</u>	<u>\$ 3,321,344</u>	<u>\$ 416,296</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ 504,547	\$ 504,547	\$ 493,659	\$ (10,888)
Transfers in	815,000	815,000	815,000	-
Transfers out	-	-	(34,910)	(34,910)
Total other financing sources (uses)	<u>\$ 1,319,547</u>	<u>\$ 1,319,547</u>	<u>\$ 1,273,749</u>	<u>\$ (45,798)</u>
Net change in fund balance			<u>\$ 870</u>	
Fund balance - beginning of the year			<u>\$ 423,006</u>	
Fund balance - end of the year			<u><u>\$ 423,876</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>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,422,884	\$ 2,217,667	\$ 4,992,349	\$ 2,048,465
Combined funds (GASBS 54) revenues	206,995	-	-	-
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,629,879</u>	<u>\$ 2,217,667</u>	<u>\$ 4,992,349</u>	<u>\$ 2,048,465</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,046,927	\$ 1,730,463	\$ 2,187,289	\$ 3,321,344
Combined funds (GASBS 54) expenditures	2,112,082	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,159,009</u>	<u>\$ 1,730,463</u>	<u>\$ 2,187,289</u>	<u>\$ 3,321,344</u>

City of Whitefish, Flathead County, Montana
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Unit Credit Cost Method (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/(c))
July 1, 2009	\$ -	\$ 2,138,344	\$ 2,138,344	0%	\$ 5,340,271	40.0%
July 1, 2012		\$ 2,917,891	\$ 2,917,891	0%	\$ 4,966,132	58.8%

City of Whitefish, Flathead County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2015

	PERS <u>2015</u>	MPORS <u>2015</u>	FURS <u>2015</u>
Employer's proportion of the net pension liability	\$ 2,996,189	\$ 946,627	\$ 814,039
Employer's proportionate share of the net pension liability associated with the Employer	0.240463%	0.602426%	0.833914%
State of Montana's proportionate share of the net pension liability associated with the Employer	<u>36,588</u>	<u>1,912,300</u>	<u>1,836,432</u>
Total	\$ <u>3,032,777</u>	\$ <u>2,858,927</u>	\$ <u>2,650,471</u>
Employer's covered-employee payroll	\$ 2,722,032	\$ 808,297	\$ 1,083,229
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.072%	117.114%	75.149%
Plan fiduciary net position as a percentage of the total pension liability	79.9%	67.0%	76.7%

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

City of Whitefish, Flathead County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2015

Schedule of Contributions	PERS <u>2015</u>	MPORS <u>2015</u>	FURS <u>2015</u>
Contractually required contributions	\$ 239,651	\$ 117,524	\$ 156,563
Contributions in relation to the contractually required contributions	\$ 239,651	\$ 117,524	\$ 156,563
District's covered-employee payroll	\$ 2,722,032	\$ 808,297	\$ 1,083,229
Contributions as a percentage of covered-employee payroll	8.804%	14.540%	14.453%

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

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2015

Public Employees' Retirement System of Montana(PERS)

Changes of assumptions:

Assumptions related to future member contribution rates have been updated based on revised projections, which incorporate Plan experience over the year ending on the valuation date.

Assumptions related to the Guaranteed Annual Benefit Adjustment (GABA) for members hired on or after July 1, 2013 have been added, given new guidance on the GABA applicable to these members.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	3 percent
Rate of Increase in Total Payroll	4 percent
Investment rate of return	7.75 percent

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

Changes of assumptions: None

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	3 percent
Rate of Increase in Total Payroll	4 percent
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

Montana Firefighters' Unified Retirement System of Montana (FURS)

Changes of assumptions: None

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014.

The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Open
Remaining amortization period	30 years
Asset valuation method	4-year smoothed market
Inflation	3 percent
Rate of Increase in Total Payroll	4 percent
Investment rate of return	7.75 percent, net of pension plan investment expense, and including inflation

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

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

**INDEPENDENT AUDITOR'S REPORT ON 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, 2015, and the related notes to the financial statements, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

June 27, 2016

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

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

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

The prior audit report contained no recommendations.

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

June 27, 2016