

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

AUDIT REPORT

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2014

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CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2014

John M. Muhlfeld

Mayor

CITY COUNCIL

John Anderson
Frank Sweeney
Richard Hildner
Pam Barberis
Andy Feury
Jen Frandsen

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
City Attorney
Municipal Judge
City Clerk, Administrative Services Director
Chief of Police
Finance Director

**CITY OF WHITEFISH
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2014**

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, 2014. 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, 2014 by \$79,577,473 as reported in the statement of net position.
- The total fiscal year end governmental fund balance was \$14,026,287 as reported in the balance sheet.
- The unassigned general fund balance at fiscal year-end was \$1,332,689.

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 and schedule of funding progress of other post-employment benefits is provided.

FINANCIAL ANALYSIS OF THE CITY

Net position may serve over time as a useful indicator of a government's financial position. The total net position for the fiscal year ending June 30, 2014 was \$79,577,473, an increase of \$3,583,478.

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, 2014 and June 30, 2013.

City of Whitefish - Net Position

	Governmental			Business-type		
	Activities			Activities		
	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>	<u>FY14</u>	<u>FY13</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 17,191,182	\$ 16,593,450	\$ 597,732	\$ 5,520,768	\$ 4,269,000	\$ 1,251,768
Capital assets	55,437,021	54,444,896	992,125	23,858,413	23,690,955	167,458
Total assets	<u>\$ 72,628,203</u>	<u>\$ 71,038,346</u>	<u>\$ 1,589,857</u>	<u>\$ 29,379,181</u>	<u>\$ 27,959,955</u>	<u>\$ 1,419,226</u>
Long-term debt outstanding	\$ 14,606,766	\$ 15,195,954	\$ (589,188)	\$ 6,752,359	\$ 6,799,618	\$ (47,259)
Other liabilities	527,108	431,848	95,260	251,177	576,886	(325,709)
Total liabilities	<u>\$ 15,133,874</u>	<u>\$ 15,627,802</u>	<u>\$ (493,928)</u>	<u>\$ 7,003,536</u>	<u>7,376,504</u>	<u>(372,968)</u>
Deferred inflows of resources	\$ 0	\$ 0	\$ 0	\$ 292,501	\$ 0	\$ 292,501
Invested in capital assets, net of debt	43,440,081	41,489,842	1,950,239	17,947,648	17,617,190	330,458
Restricted	15,378,532	14,879,442	499,000	1,493,365	2,056,985	(563,620)
Unrestricted (deficit)	<u>(1,324,284)</u>	<u>(958,740)</u>	<u>(365,544)</u>	<u>2,642,131</u>	<u>909,276</u>	<u>1,732,855</u>
Total net position	<u>\$ 57,494,329</u>	<u>\$ 55,410,544</u>	<u>\$ 2,083,785</u>	<u>\$ 22,083,144</u>	<u>\$ 20,583,451</u>	<u>\$ 1,499,693</u>

The City's revenues totaled \$22,951,798 for the fiscal year ending June 30, 2014. The total cost of all programs and services for that same period was \$19,474,483. Therefore, the increase in net position was \$3,477,315. The table below presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2014 and June 30, 2013.

City of Whitefish – Changes in Net Position

	Governmental			Business-type		
	Activities			Activities		
			Change			Change
	<u>FY14</u>	<u>FY13</u>	<u>Inc (Dec)</u>	<u>FY14</u>	<u>FY13</u>	<u>Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 4,916,923	\$ 4,401,363	\$ 515,560	\$ 6,329,476	\$ 5,883,386	\$ 446,090
Operating grants and contributions	393,682	428,565	(34,883)		28,000	(28,000)
Capital grants and contributions	47,822	495,387	(447,565)	100,000	372,750	(272,750)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	9,100,677	8,664,032	436,645			
Licenses and permits		319,735	(319,735)			
Franchise/Utility Fees	334,539		334,539			
Miscellaneous	183,208	77,066	106,142			
Interest/investment earnings	50,242	36,369	13,873	14,235	10,704	(3,531)
State entitlement	889,678	902,680	(13,002)			
On behalf payments	591,316	606,149	(14,833)			
Total revenues	<u>\$ 16,508,087</u>	<u>\$ 15,931,346</u>	<u>\$ 576,741</u>	<u>\$ 6,443,711</u>	<u>\$ 6,294,840</u>	<u>\$ 148,871</u>
Program expenses						
General government	\$ 909,772	\$ 1,002,334	\$ (92,562)			
Public safety	6,415,354	5,574,407	840,947			
Public works	2,610,014	2,089,494	520,520			
Social and economic services	1,500	1,500				
Culture and recreation	2,151,051	2,035,725	115,326			
Housing and community development	1,824,897	2,167,449	(342,552)			
Debt service - interest	520,020	614,469	(94,449)			
Miscellaneous	51,730	37,770	13,960			
Amortization of bond premium	22,524		22,524			
Water				\$ 1,987,567	\$ 2,910,091	\$ 77,476
Sewer				2,240,867	2,262,366	(21,499)
Solid Waste				739,187	709,352	29,835
Total expenses	<u>\$ 14,506,862</u>	<u>\$ 13,523,148</u>	<u>\$ 983,714</u>	<u>\$ 4,967,621</u>	<u>\$ 4,881,809</u>	<u>\$ 85,812</u>
Increase (decrease) in net position	<u>\$ 2,001,225</u>	<u>\$ 2,408,198</u>	<u>\$ (406,973)</u>	<u>\$ 1,476,090</u>	<u>\$ 1,413,031</u>	<u>\$ 63,059</u>
Restatements	<u>\$ 82,560</u>		<u>\$ 82,560</u>	<u>\$ 23,603</u>		<u>\$ 23,603</u>
Total Increase (decrease in net position)	<u>\$ 2,083,785</u>	<u>\$ 2,408,198</u>	<u>\$ 324,413</u>	<u>\$ 1,499,693</u>	<u>\$ 1,413,031</u>	<u>\$ 86,662</u>

Governmental activities

Revenues for the fiscal year ending June 30, 2014 from governmental activities were \$16,508,087 while expenses were \$14,506,862. Thus, with the \$82,560 in restatements, net position increased \$2,083,785. Total governmental revenues increased from the prior year by \$576,741. The increase in revenues was primarily due to increased property taxes and increased charges for services. The increase in charges for services was the result of an increase in building code and planning revenues. Overall expenditures increased as well which was due to an increase in City staff wages and other anticipated costs.

Business-type activities

Revenues for the fiscal year ending June 30, 2014 from business-type activities were \$6,443,711. Expenses were \$4,967,621 and restatements totaled \$23,603, which resulted in an increase in net position of \$1,499,693. Charges for services revenue increased by \$446,090 from the previous year due primarily to an increase in water consumption and a rate increase for all utilities fees. Total expenses saw only a slight increase during fiscal year 2014.

Fund Balance – Governmental Funds Balance Sheet

The City's governmental funds reported a total fund balance of \$14,026,287 at June 30, 2014. This is a \$330,094 increase compared to the fund balance of governmental funds as of June 30, 2013. Of the fund balance at June 30, 2014, \$1,332,689 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 2014.

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, 2014 total \$61,387,729 (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 2014 totaled \$2,413,319 and \$1,053,658, respectively.

Major capital assets events during fiscal year 2014:

- Purchased land from BNSF (\$56,500)
- Started construction of the Skye Park Bridge (\$~800K est. total cost)
- Began construction on the E. 2nd Street/Hwy 93 W. Reconstruction and Pedestrian Trail
- Continued working on the citywide wireless communications network
- Completed construction of the 6th & Geddes reconstruction project
- Completed the construction of the Ice Den (ice rink) locker rooms (~\$52K)
- Purchased a new Ambulance (~\$170K) and Case 521F Wheel Loader (~\$93K)
- Constructed the O'Shaughnessy restrooms (~\$270K est. total cost)
- Continued constructing improvements to the Whitefish Trail
- Began design work for the Monegan Road project
- Began design work for the new City Hall and parking structure

Long-term Debt

The City's total long-term debt decreased by \$636,446 compared to prior fiscal year. Below is a summary of the outstanding long-term debt of the City as of June 30, 2014 compared to June 30, 2013.

Outstanding Long-term Debt		
Purpose/Type	June 30, 2014	June 30, 2012
<u>Revenue Bonds:</u>		
TIF ESC	\$ 10,715,000	\$ 12,020,000
Water	3,272,000	3,741,000
Sewer	2,638,765	2,332,764
<u>Special Assessment Bonds:</u>		
SID 166	795,000	865,000
<u>Intercap Loans:</u>		
Ice Rink	110,634	62,697
Emergency Vehicle	153,780	0
Police Vehicle	16,339	0
Fire Engine	202,453	0
<u>Capital Leases:</u>		
Sharp Copier	3,734	7,357
<u>OPEB:</u>		
Governmental	1,626,165	1,304,250
Business-type	535,657	439,500
<u>Compensated Absences:</u>		
Governmental	983,661	936,650
Business-type	305,937	286,353
TOTAL	\$21,359,125	\$ 21,995,571

ECONOMIC FACTORS AND FISCAL YEAR 2015 BUDGET

Property tax supported funds of the City are anticipating an increase in the property tax revenue, which is primarily due to the increase in taxable value. The total mills levied for fiscal year 2015 have increased by only 0.8 mills. The increase in levied mills was approved by the City Council for the Library Fund. In the Fiscal Year 2015 Adopted Budget, the City anticipates a 10.6% 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.

The spending activity by consumers in the City continues to be strong as the Resort Tax collections continue to track ahead of the previous year. At the end of the first quarter of fiscal year 2015, Resort Tax collections were up 6.6% compared to the prior year's first quarter.

Water and Wastewater charges are trending positively and expected to exceed the prior year due to a rate increase of 3.6%.

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, 2014, 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 8, 49 through 53, and 54 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 May 4, 2015, 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.

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

May 4, 2015

City of Whitefish, Flathead County, Montana
Statement of Net Position
June 30, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 11,085,789	\$ 2,569,682	\$ 13,655,471
Taxes and assessments receivable, net	1,605,380	-	1,605,380
Special assessments receivable	72,392	584	72,976
Accounts receivable - net	180,301	503,366	683,667
Due from other governments	23,081	-	23,081
Other receivables	6,000	-	6,000
Unamortized bond premium and costs	110,369	-	110,369
Total current assets	<u>\$ 13,083,312</u>	<u>\$ 3,073,632</u>	<u>\$ 16,156,944</u>
Noncurrent assets			
Restricted cash and investments	\$ 3,147,855	\$ 2,426,607	\$ 5,574,462
Special Assessment receivable deferred	960,015	20,529	980,544
Capital assets - land	8,409,629	602,783	9,012,412
Capital assets - construction in progress	1,829,484	2,284,440	4,113,924
Capital assets - depreciable, net	45,197,908	20,971,190	66,169,098
Total noncurrent assets	<u>\$ 59,544,891</u>	<u>\$ 26,305,549</u>	<u>\$ 85,850,440</u>
Total assets	<u>\$ 72,628,203</u>	<u>\$ 29,379,181</u>	<u>\$ 102,007,384</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 56,697	\$ -	\$ 56,697
Accrued payables	155,487	39,950	195,437
Current portion of long-term capital liabilities	1,500,664	322,000	1,822,664
Current portion of compensated absences payable	768,567	190,021	958,588
Contracts payable	314,924	-	314,924
Total current liabilities	<u>\$ 2,796,339</u>	<u>\$ 551,971</u>	<u>\$ 3,348,310</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 211,023	\$ 211,023
Other credits	-	204	204
Noncurrent portion of OPEB	1,626,165	535,657	2,161,822
Noncurrent portion of long-term capital liabilities	10,496,276	5,588,765	16,085,041
Noncurrent portion of compensated absences	215,094	115,916	331,010
Total noncurrent liabilities	<u>\$ 12,337,535</u>	<u>\$ 6,451,565</u>	<u>\$ 18,789,100</u>
Total liabilities	<u>\$ 15,133,874</u>	<u>\$ 7,003,536</u>	<u>\$ 22,137,410</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	\$ -	\$ 292,501	\$ 292,501
NET POSITION			
Net investment in capital assets	\$ 43,440,081	\$ 17,947,648	\$ 61,387,729
Restricted for debt service	4,356,916	1,493,365	5,850,281
Restricted for general government	2,252,750	-	2,252,750
Restricted for public safety	529,277	-	529,277
Restricted for public works	5,101,595	-	5,101,595
Restricted for culture and recreation	203,027	-	203,027
Restricted for housing and community development	2,934,967	-	2,934,967
Unrestricted	(1,324,284)	2,642,131	1,317,847
Total net position	<u>\$ 57,494,329</u>	<u>\$ 22,083,144</u>	<u>\$ 79,577,473</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:								
Governmental activities:								
General government	\$ 1,269,956	\$ (180,092)	\$ 403,986	\$ -	\$ -	\$ (685,878)	\$ -	\$ (685,878)
Public safety	6,232,436	91,459	2,469,860	98,416	17,234	(3,738,385)	-	(3,738,385)
Public works	2,570,998	19,508	1,349,384	146,598	8,088	(1,086,436)	-	(1,086,436)
Social and economic services	1,500	-	-	-	-	(1,500)	-	(1,500)
Culture and recreation	2,118,705	16,173	692,748	148,668	22,500	(1,270,962)	-	(1,270,962)
Housing and community development	1,813,017	5,940	945	-	-	(1,818,012)	-	(1,818,012)
Debt service - interest	520,020	-	-	-	-	(520,020)	-	(520,020)
Miscellaneous	51,730	-	-	-	-	(51,730)	-	(51,730)
Amortization of bond premium	22,524	-	-	-	-	(22,524)	-	(22,524)
Total governmental activities	\$ <u>14,600,886</u>	\$ <u>(47,012)</u>	\$ <u>4,916,923</u>	\$ <u>393,682</u>	\$ <u>47,822</u>	\$ <u>(9,195,447)</u>	\$ <u>-</u>	\$ <u>(9,195,447)</u>
Business-type activities:								
Water	\$ 1,940,589	\$ 23,489	\$ 3,122,224	\$ -	\$ 100,000	\$ -	\$ 1,258,146	\$ 1,258,146
Wastewater	2,197,505	21,681	2,432,031	-	-	-	212,845	212,845
Solid Waste	<u>735,503</u>	<u>1,842</u>	<u>775,221</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,876</u>	<u>37,876</u>
Total business-type activities	\$ <u>4,873,597</u>	\$ <u>47,012</u>	\$ <u>6,329,476</u>	\$ <u>-</u>	\$ <u>100,000</u>	\$ <u>-</u>	\$ <u>1,508,867</u>	\$ <u>1,508,867</u>
Total primary government	\$ <u>19,474,483</u>	\$ <u>-</u>	\$ <u>11,246,399</u>	\$ <u>393,682</u>	\$ <u>147,822</u>	\$ <u>(9,195,447)</u>	\$ <u>1,508,867</u>	\$ <u>(7,686,580)</u>
General Revenues:								
Property taxes for general purposes						\$ 9,100,677	\$ -	\$ 9,100,677
Franchise/Utility Fees						334,539	-	334,539
Miscellaneous						183,208	-	183,208
Interest/investment earnings						50,242	14,235	64,477
State entitlement						889,678	-	889,678
On Behalf Payments						591,316	-	591,316
Total general revenues, special items and transfers						\$ <u>11,196,672</u>	\$ <u>(32,777)</u>	\$ <u>11,163,895</u>
Change in net position						\$ <u>2,001,225</u>	\$ <u>1,476,090</u>	\$ <u>3,477,315</u>
Net position - beginning						\$ 55,410,544	\$ 20,583,451	\$ 75,993,995
Restatements						82,560	23,603	106,163
Net position - beginning - restated						\$ <u>55,493,104</u>	\$ <u>20,607,054</u>	\$ <u>76,100,158</u>
Net position - end						\$ <u>57,494,329</u>	\$ <u>22,083,144</u>	\$ <u>79,577,473</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>SID 166 Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Current assets:								
Cash and investments	\$ 928,712	\$ 1,888,666	\$ 2,325,842	\$ 299,865	\$ -	\$ -	\$ 5,642,704	\$ 11,085,789
Taxes and assessments receivable, net	385,146	-	877,651	106,271	-	-	236,312	1,605,380
Special assessments receivable	2,537	-	52,932	-	-	16,923	-	72,392
Accounts receivable - net	-	-	-	180,301	-	-	-	180,301
Due from other funds	85,139	-	-	-	-	-	15,785	100,924
Due from other governments	12,916	-	-	-	-	-	10,165	23,081
Other receivables	6,000	-	-	-	-	-	-	6,000
Unamortized bond premium and costs	-	-	-	-	110,369	-	-	110,369
Total current assets	<u>\$ 1,420,450</u>	<u>\$ 1,888,666</u>	<u>\$ 3,256,425</u>	<u>\$ 586,437</u>	<u>\$ 110,369</u>	<u>\$ 16,923</u>	<u>\$ 5,904,966</u>	<u>\$ 13,184,236</u>
Noncurrent assets:								
Restricted cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 3,147,855	\$ -	\$ -	\$ 3,147,855
Advances to other funds	344,516	-	-	-	-	-	48,740	393,256
Special Assessment receivable deferred	-	-	-	-	-	960,015	-	960,015
Total noncurrent assets	<u>\$ 344,516</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,147,855</u>	<u>\$ 960,015</u>	<u>\$ 48,740</u>	<u>\$ 4,501,126</u>
Total assets	<u>\$ 1,764,966</u>	<u>\$ 1,888,666</u>	<u>\$ 3,256,425</u>	<u>\$ 586,437</u>	<u>\$ 3,258,224</u>	<u>\$ 976,938</u>	<u>\$ 5,953,706</u>	<u>\$ 17,685,362</u>
Current liabilities:								
Accounts payable	\$ -	\$ 27,890	\$ 6,838	\$ 2,000	\$ -	\$ -	\$ 19,969	\$ 56,697
Accrued payables	44,593	-	4,514	55,160	-	-	51,220	155,487
Due to other funds	-	-	-	-	-	15,786	85,138	100,924
Contracts payable	-	-	314,924	-	-	-	-	314,924
Total current liabilities	<u>\$ 44,593</u>	<u>\$ 27,890</u>	<u>\$ 326,276</u>	<u>\$ 57,160</u>	<u>\$ -</u>	<u>\$ 15,786</u>	<u>\$ 156,327</u>	<u>\$ 628,032</u>
Noncurrent liabilities:								
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,740	\$ 344,516	\$ 393,256
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 48,740</u>	<u>\$ 344,516</u>	<u>\$ 393,256</u>
Total liabilities	<u>\$ 44,593</u>	<u>\$ 27,890</u>	<u>\$ 326,276</u>	<u>\$ 57,160</u>	<u>\$ -</u>	<u>\$ 64,526</u>	<u>\$ 500,843</u>	<u>\$ 1,021,288</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources	\$ 387,684	\$ -	\$ 930,583	\$ 106,271	\$ -	\$ 976,937	\$ 236,312	\$ 2,637,787
Total deferred inflows of resources	<u>\$ 387,684</u>	<u>\$ -</u>	<u>\$ 930,583</u>	<u>\$ 106,271</u>	<u>\$ -</u>	<u>\$ 976,937</u>	<u>\$ 236,312</u>	<u>\$ 2,637,787</u>
FUND BALANCES								
Restricted	\$ -	\$ 1,860,776	\$ 1,999,566	\$ 423,006	\$ 3,258,224	\$ -	\$ 5,684,066	\$ 13,225,638
Unassigned fund balance	1,332,689	-	-	-	-	(64,525)	(467,515)	800,649
Total fund balance	<u>\$ 1,332,689</u>	<u>\$ 1,860,776</u>	<u>\$ 1,999,566</u>	<u>\$ 423,006</u>	<u>\$ 3,258,224</u>	<u>\$ (64,525)</u>	<u>\$ 5,216,551</u>	<u>\$ 14,026,287</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, 2014

Total fund balances - governmental funds	\$ 14,026,287
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	55,437,021
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.	2,637,787
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(14,606,766)
Total net position - governmental activities	<u>\$ 57,494,329</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, 2014

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>SID 166 Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES								
Taxes and assessments	\$ 1,859,906	\$ 2,087,995	\$ 4,301,945	\$ 508,047	\$ -	\$ 100,547	\$ 1,286,059	\$ 10,144,499
Licenses and permits	62,134	-	-	108,442	-	-	830,431	1,001,007
Intergovernmental	1,114,559	-	240,365	410,748	-	-	250,559	2,016,231
Charges for services	281,942	-	-	1,266,043	-	-	1,027,654	2,575,639
Fines and forfeitures	216,265	-	-	-	-	-	6,560	222,825
Miscellaneous	91,334	-	1,826	59,632	-	-	161,980	314,772
Investment earnings	21,663	7,474	-	-	10,407	99	21,093	60,736
Total revenues	<u>\$ 3,647,803</u>	<u>\$ 2,095,469</u>	<u>\$ 4,544,136</u>	<u>\$ 2,352,912</u>	<u>\$ 10,407</u>	<u>\$ 100,646</u>	<u>\$ 3,584,336</u>	<u>\$ 16,335,709</u>
EXPENDITURES								
General government	\$ 677,647	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,560	\$ 684,207
Public safety	2,498,724	-	-	3,078,296	-	-	304,481	5,881,501
Public works	23,744	48	-	-	-	-	1,222,931	1,246,723
Social and economic services	1,500	-	-	-	-	-	-	1,500
Culture and recreation	21,475	730	-	-	-	-	1,522,261	1,544,466
Housing and community development	10,902	-	1,806,355	-	-	-	1,700	1,818,957
Debt service - principal	3,623	-	-	-	1,305,000	70,000	22,335	1,400,958
Debt service - interest	-	-	-	-	479,124	39,898	998	520,020
Miscellaneous	6,579	-	-	-	-	-	28,938	35,517
Amortization of bond premium	-	-	-	-	22,524	-	-	22,524
Capital Outlay	107,211	1,662,806	535,473	372,453	-	-	743,715	3,421,658
Total expenditures	<u>\$ 3,351,405</u>	<u>\$ 1,663,584</u>	<u>\$ 2,341,828</u>	<u>\$ 3,450,749</u>	<u>\$ 1,806,648</u>	<u>\$ 109,898</u>	<u>\$ 3,853,919</u>	<u>\$ 16,578,031</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 296,398</u>	<u>\$ 431,885</u>	<u>\$ 2,202,308</u>	<u>\$ (1,097,837)</u>	<u>\$ (1,796,241)</u>	<u>\$ (9,252)</u>	<u>\$ (269,583)</u>	<u>\$ (242,322)</u>
OTHER FINANCING SOURCES (USES)								
Proceeds of general long term debt	\$ 16,399	\$ -	\$ -	\$ 356,233	\$ -	\$ -	\$ 70,212	\$ 442,844
Transfers in	2,679,436	-	-	575,000	1,805,556	-	953,247	6,013,239
Transfers out	(3,057,371)	(713,332)	(2,061,496)	(44,554)	-	-	(89,474)	(5,966,227)
Total other financing sources (uses)	<u>\$ (361,536)</u>	<u>\$ (713,332)</u>	<u>\$ (2,061,496)</u>	<u>\$ 886,679</u>	<u>\$ 1,805,556</u>	<u>\$ -</u>	<u>\$ 933,985</u>	<u>\$ 489,856</u>
Net Change in Fund Balance	<u>\$ (65,138)</u>	<u>\$ (281,447)</u>	<u>\$ 140,812</u>	<u>\$ (211,158)</u>	<u>\$ 9,315</u>	<u>\$ (9,252)</u>	<u>\$ 664,402</u>	<u>\$ 247,534</u>
Fund balances - beginning	\$ 1,397,827	\$ 2,142,223	\$ 1,858,754	\$ 634,164	\$ 3,248,909	\$ (55,273)	\$ 4,469,589	\$ 13,696,193
Restatements	-	-	-	-	-	-	82,560	82,560
Fund balances - beginning, restated	<u>\$ 1,397,827</u>	<u>\$ 2,142,223</u>	<u>\$ 1,858,754</u>	<u>\$ 634,164</u>	<u>\$ 3,248,909</u>	<u>\$ (55,273)</u>	<u>\$ 4,552,149</u>	<u>\$ 13,778,753</u>
Fund balance - ending	<u>\$ 1,332,689</u>	<u>\$ 1,860,776</u>	<u>\$ 1,999,566</u>	<u>\$ 423,006</u>	<u>\$ 3,258,224</u>	<u>\$ (64,525)</u>	<u>\$ 5,216,551</u>	<u>\$ 14,026,287</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year Ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 247,534
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:	
- Capital assets purchased	3,421,658
- Depreciation expense	(2,413,320)
- Deletions	(16,213)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:	
- Long-term receivables (deferred revenue)	172,378
The change in compensated absences is shown as an expense in the Statement of Activities	
	(47,011)
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	1,400,958
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	(442,844)
Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:	
- Post-employment benefits other than retirement liability	(321,915)
Change in net position - Statement of Activities	\$ <u>2,001,225</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2014

Business-Type Activities - Enterprise Funds

	<u>Water</u>	<u>Wastewater</u>	<u>Non-major Enterprise</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and investments	\$ 1,595,318	\$ 863,843	\$ 110,521	\$ 2,569,682
Special assessments receivable	249	335	-	584
Accounts receivable - net	248,209	188,850	66,307	503,366
Total current assets	<u>\$ 1,843,776</u>	<u>\$ 1,053,028</u>	<u>\$ 176,828</u>	<u>\$ 3,073,632</u>
Noncurrent assets:				
Restricted cash and investments	\$ 1,619,654	\$ 806,953	\$ -	\$ 2,426,607
Special Assessment receivable deferred	8,745	11,784	-	20,529
Capital assets - land	335,283	267,500	-	602,783
Capital assets - construction in progress	1,208,687	1,075,753	-	2,284,440
Capital assets - depreciable, net	9,159,467	11,811,723	-	20,971,190
Total noncurrent assets	<u>\$ 12,331,836</u>	<u>\$ 13,973,713</u>	<u>\$ -</u>	<u>\$ 26,305,549</u>
Total assets	<u>\$ 14,175,612</u>	<u>\$ 15,026,741</u>	<u>\$ 176,828</u>	<u>\$ 29,379,181</u>
LIABILITIES				
Current liabilities:				
Accrued payables	\$ 19,591	\$ 18,864	\$ 1,495	\$ 39,950
Current portion of long-term capital liabilities	242,000	80,000	-	322,000
Current portion of compensated absences payable	91,493	89,591	8,937	190,021
Total current liabilities	<u>\$ 353,084</u>	<u>\$ 188,455</u>	<u>\$ 10,432</u>	<u>\$ 551,971</u>
Noncurrent liabilities:				
Deposits payable	\$ 211,023	\$ 163	\$ (163)	\$ 211,023
Noncurrent portion of OPEB	250,250	272,257	13,150	535,657
Noncurrent portion of long-term capital liabilities	3,030,000	2,558,765	-	5,588,765
Noncurrent portion of compensated absences	59,771	49,621	6,524	115,916
Total noncurrent liabilities	<u>\$ 3,551,044</u>	<u>\$ 2,880,806</u>	<u>\$ 19,715</u>	<u>\$ 6,451,565</u>
Total liabilities	<u>\$ 3,904,128</u>	<u>\$ 3,069,261</u>	<u>\$ 30,147</u>	<u>\$ 7,003,536</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources	<u>\$ 286,484</u>	<u>\$ 6,017</u>	<u>\$ -</u>	<u>\$ 292,501</u>
NET POSITION				
Net investment in capital assets	\$ 7,431,437	\$ 10,516,211	\$ -	\$ 17,947,648
Restricted for debt service	845,573	647,792	-	1,493,365
Unrestricted	1,707,990	787,460	146,681	2,642,131
Total net position	<u>\$ 9,985,000</u>	<u>\$ 11,951,463</u>	<u>\$ 146,681</u>	<u>\$ 22,083,144</u>
Total liabilities and net position	<u>\$ 13,889,128</u>	<u>\$ 15,020,724</u>	<u>\$ 176,828</u>	<u>\$ 29,086,680</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, 2014

Business-Type Activities - Enterprise Funds

	Water	Wastewater	Non-major Enterprise	Totals
OPERATING REVENUES				
Charges for services	\$ 3,120,717	\$ 2,432,021	\$ 775,222	\$ 6,327,960
Special assessments	1,507	10	-	1,517
Total operating revenues	\$ 3,122,224	\$ 2,432,031	\$ 775,222	\$ 6,329,477
OPERATING EXPENSES				
Personal services	\$ 852,114	\$ 860,590	\$ 65,910	\$ 1,778,614
Supplies	206,528	262,782	2,739	472,049
Purchased services	231,976	197,476	665,338	1,094,790
Fixed charges	180,661	144,653	1,516	326,830
Depreciation	388,233	665,427	-	1,053,660
Other	23,489	21,681	1,842	47,012
Total operating expenses	\$ 1,883,001	\$ 2,152,609	\$ 737,345	\$ 4,772,955
Operating income (loss)	\$ 1,239,223	\$ 279,422	\$ 37,877	\$ 1,556,522
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	\$ 100,000	\$ -	\$ -	\$ 100,000
Interest revenue	8,663	5,212	359	14,234
Debt service interest expense	(74,411)	(59,910)	-	(134,321)
Grants and donations to other institutions	(6,666)	(6,667)	-	(13,333)
Total non-operating revenues (expenses)	\$ 27,586	\$ (61,365)	\$ 359	\$ (33,420)
Income (loss) before contributions and transfers	\$ 1,266,809	\$ 218,057	\$ 38,236	\$ 1,523,102
Change in net position	\$ 1,243,320	\$ 196,376	\$ 36,394	\$ 1,476,090
Net Position - Beginning of the year	\$ 8,741,680	\$ 11,731,484	\$ 110,287	\$ 20,583,451
Restatements	-	23,603	-	23,603
Net Position - Beginning of the year - Restated	\$ 8,741,680	\$ 11,755,087	\$ 110,287	\$ 20,607,054
Net Position - End of the year	\$ 9,985,000	\$ 11,951,463	\$ 146,681	\$ 22,083,144

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2014

	Business - Type Activities			
	Water	Wastewater	Solid Waste	Totals
Cash flows from operating activities:				
Cash received from providing services	\$ 3,064,878	\$ 2,418,208	\$ 772,552	\$ 6,255,638
Cash received from miscellaneous sources	1,507	10	-	1,517
Cash payments to suppliers	(387,189)	(407,435)	(4,255)	(798,879)
Cash payments for professional services	(231,976)	(197,476)	(665,338)	(1,094,790)
Cash payments to employees	(841,915)	(848,027)	(68,063)	(1,758,005)
Net cash provided (used) by operating activities	\$ 1,605,305	\$ 965,280	\$ 34,896	\$ 2,605,481
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (385,485)	\$ (812,029)	\$ -	\$ (1,197,514)
Principal paid on debt	(469,000)	(146,300)	-	(615,300)
Interest paid on debt	(74,411)	(59,910)	-	(134,321)
Proceeds from bonds, loans and advances	-	452,300	-	452,300
Net cash provided (used) by capital and related financing activities	\$ (928,896)	\$ (565,939)	\$ -	\$ (1,494,835)
Cash flows from non-capital financing activities:				
Intergovernmental Revenue	\$ 100,000	\$ -	\$ -	\$ 100,000
Grants and donations to other institutions	(6,666)	(6,667)	-	(13,333)
Net cash provided (used) from non-capital financing activities	\$ 93,334	\$ (6,667)	\$ -	\$ 86,667
Cash flows from investing activities:				
Interest on investments	\$ 8,663	\$ 5,212	\$ 359	\$ 14,234
Net increase (decrease) in cash and cash equivalents	\$ 778,406	\$ 397,886	\$ 35,255	\$ 1,211,547
Cash and cash equivalents at beginning	2,436,567	1,272,910	75,266	3,784,743
Cash and cash equivalents at end	\$ 3,214,973	\$ 1,670,796	\$ 110,521	\$ 4,996,290
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,215,734	\$ 257,742	\$ 36,035	\$ 1,509,511
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	388,233	665,426	-	1,053,659
Other post-employment benefits	45,988	50,169	-	96,157
Changes in assets and liabilities:				
Change in accounts receivable	(17,619)	(19,920)	(2,683)	(40,222)
Change in deferred inflows of resources	(60,693)	6,017	13	(54,663)
Change in deposit payables	22,473	89	-	22,562
Change in compensated absences	11,040	6,905	1,639	19,584
Change in accrued payables	149	(1,148)	(108)	(1,107)
Net cash provided (used) by operating activities	\$ 1,605,305	\$ 965,280	\$ 34,896	\$ 2,605,481

See accompanying notes to the financial statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2014

	<u>Pension Trust Funds</u>		<u>Agency Funds</u>
ASSETS			
Cash and short-term investments	\$ 26,562	\$	816,943
Taxes receivable	17,526		-
Total assets	<u>\$ 44,088</u>	\$	<u>816,943</u>
LIABILITIES			
Warrants payable	\$ -	\$	809,843
Due to others	43,599		7,100
Total liabilities	<u>\$ 43,599</u>	\$	<u>816,943</u>
NET POSITION			
Assets held in trust	<u>\$ 489</u>		

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2014

	Pension Trust Funds	Private Purpose Trust Funds
ADDITIONS		
Contributions:		
Tax	\$ 85,025	\$ -
Contributions	89,616	-
Total contributions	\$ 174,641	\$ -
Investment earnings:	\$ 112	-
Total additions	\$ 174,753	\$ -
DEDUCTIONS		
Distributions from investment trust fund	\$ 174,264	\$ -
Total deductions	\$ 174,264	\$ -
Change in net position	\$ 489	\$ -
Net Position - Beginning of the year	\$ 26,073	\$ 82,560
Restatements	(26,073)	(82,560)
Net Position - Beginning of the year - Restated	\$ -	\$ -
Net Position - End of the year	\$ 489	\$ -

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements.

GASBS No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard is effective for fiscal year ending June 30, 2014.

Financial Reporting Entity

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

Primary Government

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

Basis of Presentation, Measurement Focus and Basis of Accounting.

Government-wide Financial Statements:

Basis of Presentation

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

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

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

Measurement Focus and Basis of Accounting

Government-Wide Financial Statements

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

Fund Financial Statements:

Basis of Presentation

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

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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.

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.

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Major Funds:

The City reports the following major governmental funds:

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

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

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

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

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.

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

Major Funds:

The City reports the following major proprietary funds:

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

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

Fiduciary Funds

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

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

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Cost Allocation Plan

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

General Fund	8.33%
Street and Alley	9.36%
Parks and Recreation	6.29%
Library	1.94%
Law Enforcement	19.91%
Tax Increment	2.98%
Fire and Ambulance	22.69%
Building Codes	3.98%
Light #1	0.29%
Light #4	0.29%
Water Fund	11.96%
Wastewater Fund	11.04%
Solid Waste Fund	<u>0.94%</u>
Total	<u>100%</u>

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2014, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Petty Cash	\$ 1,225
Cash in banks:	
Demand deposits	17,506,072
Savings deposits	385,010
Time deposits	2,153,797
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	<u>27,334</u>
Total	<u>\$ 20,073,438</u>

Credit Risk

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

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

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

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

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

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

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be 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.

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Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2013:

<u>Security Investment Type</u>	<u>Amortized Cost</u>	<u>Credit Quality Rating</u>	<u>Weighted Average Maturity</u>
Asset Backed Commercial Paper	\$ 907,892,295	A1	44
Corporate Commercial Paper	150,768,775	A1	105
Corporate Variable-Rate	663,143,336	A3	41
Certificates of Deposit Fixed Rate	50,000,000	A1	222
Certificates of Deposit Variable-Rate	435,974,196	A2	35
Other Asset Backed	17,987,295	BBB-	NA
U.S. Government Agency Fixed	25,000,000	A1	3
U.S. Government Agency Variable -Rate	182,700,345	A1	17
Money Market Funds (Unrated)	168,232,935	NR	1
Money Market Funds (Rated)	15,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>29,561,449</u>	<u>NR</u>	<u>4</u>
Total Investments	<u>\$ 2,646,260,626</u>		<u>43</u>
Securities Lending Collateral Investment Pool	<u>\$ 7,182,928</u>	NR	*

“*As of June 30, 2013, the Securities Lending Quality Trust liquidity pool had an average duration of 48 days and an average weighted final maturity of 99 days for U.S. dollar collateral. The duration pool had an average duration of 36 days and an average weighted final maturity of 679 days for U.S. dollar collateral.”

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. All deposits are carried at cost plus accrued interest. As of June 30, 2014 \$19,957,487 of the government's bank balance of \$20,046,104 was exposed to custodial credit risk as follows:

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	June 30, 2014 <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.	11,018,016
- Uninsured and undercollateralized	8,188,246
Total deposits and investments	\$ <u><u>19,956,262</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 City deposits at June 30, 2014, equaled or exceeded the amount required by State statutes.

Cash equivalents

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

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2014. These amounts are reported within the cash/investment account on the Statement of Net Assets.

<u>Description</u>	<u>Tax Increment Debt</u>	<u>Water</u>	<u>Wastewater</u>
Debt Service	\$ 3,147,855	\$ 545,443	\$ 230,986
Construction	-	969,833	473,940
Replacement & Depreciation	-	<u>104,378</u>	<u>102,027</u>
Total	\$ <u><u>3,147,855</u></u>	\$ <u><u>1,619,564</u></u>	\$ <u><u>806,953</u></u>

NOTE 4. RECEIVABLES

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

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

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

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

NOTE 5. INVENTORIES

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

NOTE 6. CAPITAL ASSETS

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

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

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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2014 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

Governmental activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 8,353,129	\$ 56,500	\$ -	\$ -	\$ 8,409,629
Construction in progress	19,022,250	1,421,216	-	(18,613,982)	1,829,484
Total capital assets not being depreciated	<u>\$ 27,375,379</u>	<u>\$ 1,477,716</u>	<u>\$ -</u>	<u>\$ (18,613,982)</u>	<u>\$ 10,239,113</u>
Other capital assets:					
Buildings	\$ 13,802,774	\$ 74,564	\$ -	\$ 7,650,709	\$ 21,528,047
Improvements other than buildings	1,847,881	190,299	-	76,611	2,114,791
Machinery and equipment	5,362,738	620,055	(327,734)	830,085	6,485,144
Infrastructure	22,460,087	1,059,024	-	10,056,577	33,575,688
Total other capital assets at historical cost	\$ 43,473,480	\$ 1,943,942	\$ (327,734)	\$ 18,613,982	\$ 63,703,670
Less: accumulated depreciation	\$ (16,403,963)	\$ (2,413,320)	\$ 311,521	\$ -	\$ (18,505,762)
Total	<u>\$ 54,444,896</u>	<u>\$ 1,008,338</u>	<u>\$ (16,213)</u>	<u>\$ -</u>	<u>\$ 55,437,021</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 36,731
Public safety	442,394
Public works	1,343,783
Culture and recreation	<u>590,412</u>
Total	<u>\$ 2,413,320</u>

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

Business-type activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Adjustments <u>Transfers</u>	Balance <u>June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 602,783	\$ -	\$ -	\$ -	\$ 602,783
Construction in progress	2,385,661	946,538	-	(1,047,759)	2,284,440
Total capital assets not being depreciated	<u>\$ 2,988,444</u>	<u>\$ 946,538</u>	<u>\$ -</u>	<u>\$ (1,047,759)</u>	<u>\$ 2,887,223</u>
Other capital assets:					
Buildings	\$ 170,980	\$ -	\$ -	\$ 621,307	\$ 792,287
Machine & Equipment	134				134
Pumping plant	2,880,335	-	-	271,524	3,151,859
Treatment Plant	16,439,569	35,374	-	6,915	16,481,858
Transmission and distribution	14,734,650	51,865	-	148,013	14,934,528
General plant	1,426,036	163,739	(93,986)	23,601	1,519,390
Total other capital assets at historical cost	\$ 35,651,704	\$ 250,978	\$ (93,986)	\$ 1,071,360	\$ 36,880,056
Less: accumulated depreciation	\$ (14,949,193)	\$ (1,053,659)	\$ 93,986	-	\$ (15,908,866)
Total	<u>\$ 23,690,955</u>	<u>\$ 143,857</u>	<u>\$ -</u>	<u>\$ 23,601</u>	<u>\$ 23,858,413</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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, 2014, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2014</u>	Due Within <u>One Year</u>
TIF Revenue Bonds	\$ 12,020,000	\$ -	\$ (1,305,000)	\$ 10,715,000	\$ 1,350,000
Special assessment bond	865,000	-	(70,000)	795,000	70,000
Intercap loans	62,698	442,843	(22,335)	483,206	76,930
Capital leases	7,357	-	(3,623)	3,734	3,734
Other post-employment benefits*	1,304,250	321,915	-	1,626,165	-
Compensated absences	936,650	47,011		983,661	768,567
Total	<u>\$ 14,259,305</u>	<u>\$ 811,769</u>	<u>\$ (1,400,958)</u>	<u>\$ 14,606,766</u>	<u>\$ 2,269,231</u>

*See Note 8

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

Business-type Activities:

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>	<u>Due Within</u> <u>One Year</u>
Revenue bonds	\$ 6,073,764	\$ 452,301	\$ (615,300)	\$ 5,910,765	\$ 322,000
Other post-employment benefits*	439,500	96,157	-	535,657	-
Compensated absences	286,353	19,584		305,937	190,021
Total	<u>\$ 6,799,617</u>	<u>\$ 568,042</u>	<u>\$ (615,300)</u>	<u>\$ 6,752,359</u>	<u>\$ 512,021</u>

*See Note 8

Revenue Bonds - The City issues Revenue bonds to provide funds for the acquisition and construction of major capital facilities. Revenue bonds are direct obligations and pledge the full faith and credit of the City. Revenue bonds outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Annual</u> <u>Payment</u>	<u>Balance</u> <u>June 30, 2014</u>
2009 Tax Increment Urban Renewal Revenue Bonds	7/14/09	3-4.625%	11 yrs	7/15/20	\$ <u>15,695,000</u>	Varies	\$ <u>10,715,000</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,350,000	\$ 428,986
2016	1,405,000	373,886
2017	1,460,000	316,586
2018	1,525,000	255,933
2019	1,590,000	189,898
2020	1,655,000	117,665
2021	1,730,000	40,006
Total	<u>\$ 10,715,000</u>	<u>\$ 1,722,960</u>

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Special Assessment Debt - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement districts bonds were issued with revolving fund backing. The City is not obligated to levy and collect a general property tax on all taxable property in the 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, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
SID #166 – JP Road Project	7/6/06	3.65-4.80%	20 yrs	7/1/26	\$ <u>1,360,000</u>	Varies	\$ <u>795,000</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 70,000	\$ 36,622
2016	70,000	33,577
2017	70,000	30,498
2018	70,000	27,382
2019	65,000	24,232
2020	65,000	21,274
2021	65,000	18,286
2022	65,000	15,263
2023	65,000	12,208
2024	65,000	9,120
2025	65,000	6,000
2026	60,000	2,880
Total	\$ <u>795,000</u>	\$ <u>237,342</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, 2014

<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, 2014</u>
DNRC – Water 1998	7/6/98	2.00%	20 yrs	7/1/18	\$ 400,000	Varies	\$ 106,000
DNRC – Water 1999	6/21/99	2.00%	20 yrs	7/1/19	5,839,000	Varies	1,880,000
Water DWSRF #06098-2007	6/15/06	2.25%	20 yrs	7/1/26	248,699	Varies	588,000
Water SRF #08110-2006	9/6/07	2.25%	20 yrs	7/1/27	900,000	Varies	608,000
Water SRF (2009B)	10/21/09	0.75%	20 yrs	7/1/29	120,100	Varies	90,000
Sewer SRF 2002 Series	7/1/02	2.00%	20 yrs	7/1/22	200,000	Varies	87,000
Sewer DNRC (2008A)	12/11/08	2.25%	20 yrs	7/1/28	500,000	Varies	328,000
Sewer DNRC (2008B)	1/16/09	2.25%	20 yrs	1/1/29	1,711,000	Varies	1,112,000
Sewer DNRC (2010B)	2/4/10	0.75%	20 yrs	1/1/30	48,211	Varies	40,000
Sewer 2011B	8/1/11	3.00%	20 yrs	7/1/31	340,000	Varies	301,000
Sewer 2011C	8/1/11	3.00%	20 yrs	7/1/31	350,000	Varies	326,764
Sewer 2014	3/6/14	3.00%	20 yrs	1/1/34	<u>452,300</u>	Varies	<u>444,000</u>
					<u>\$ 11,109,310</u>		<u>\$ 5,910,764</u>

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, 2014.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 322,000	\$ 66,807
2016	644,000	123,553
2017	657,000	109,729
2018	670,000	95,664
2019	672,000	81,274
2020	478,000	66,963
2021	284,000	58,436
2022	290,000	51,757
2023	295,000	44,924
2024	294,000	38,036
2025	298,000	31,094
2026	309,000	24,011
2027	291,000	16,713
2028	77,000	11,265
2029	80,000	9,222
2030	74,000	7,099
2031	68,764	4,920
2032	50,000	2,700
2033	28,000	1,500
2034	29,000	660
Total	\$ <u>5,910,764</u>	\$ <u>846,327</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.

Intercap loans outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2014</u>
Ice Rink	10/1/12	1.00%	5 yrs	8/15/17	\$ 140,00	\$ 110,574
Police Dept Admin Vehicle	3/14/14	1.00%	3 yrs	2/15/17	16,399	16,399
Emergency Vehicle	3/14/14	1.00%	5 yrs	2/15/19	155,597	153,780
Fire Pumper	6/20/14	1.00%	10 yrs	8/15/24	485,112	202,453
Total					\$ <u>797,108</u>	\$ <u>483,206</u>

Reported in the governmental activities.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 76,930	\$ 4,831
2016	86,906	4,202
2017	87,797	3,308
2018	66,795	2,422
2019	51,292	1,599
2020	20,241	1,092
2021	20,444	889
2022	20,648	689
2023	20,856	490
2024	21,064	294
2025	10,233	100
Total	\$ <u>483,206</u>	\$ <u>19,916</u>

Capital Leases

The City has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2014 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2014</u>
Sharp MX5111	4/4/12	16.07%	3 yrs	4/1/15	\$ <u>10,981</u>	\$ <u>4,248</u>	\$ <u>3,734</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ <u>3,734</u>	\$ <u>280</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Compensated Absences

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

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

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

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

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

Actuarial Accrued Liability (AAL)	\$	2,917,871
Actuarial value of plan assets	\$	-
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%

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

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	\$	1,743,750
Net OPEB obligation - end of year	\$	2,161,822

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

Actuarial cost method	Unit Credit Cost Method
Average age of retirement (based on historical data)	62
Discount rate (average anticipated rate)	2.00%
Average salary increase (Consumer Price Index)	2.8%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	
<u>Year</u>	<u>% Increase</u>
2010	3.90%
2011	5.20%
2012	5.50%
2013	6.10%
2014	6.60%
2015	6.70%
2016	7.00%
2017	6.80%
2018	6.80%
2019 and after	6.60%

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 9. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2014, was as follows:

Due to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Deficit Cash Balance	General – Major Governmental	Park, Rec, and Community – Nonmajor Governmental	\$ 55,919
Deficit Cash Balance	General – Major Governmental	WF Trail Construction – Nonmajor Governmental	29,220
Deficit Cash Balance	SID Revolving – Nonmajor Governmental	SID 166 – Major Governmental	<u>15,785</u>
			<u>\$ 100,924</u>
Advances to/from other funds:			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half of annual assessment of SID Cover Negative Cash	SID 166 – Major Governmental	SID Revolving – Nonmajor Governmental	\$ 48,741
Cash	Building Codes – Nonmajor Governmental	General – Major Governmental	171,699
Cash	Drug Forfeiture – Nonmajor Governmental	General – Major Governmental	<u>172,817</u>
			<u>\$ 393,257</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2014:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Tax Relief FY14	General – Major Governmental	Resort Tax – Major Governmental	\$ 693,432
Excess cash from SID 154	Street & Ally – Nonmajor Governmental	SID 154 Bond Debt – Nonmajor Governmental	2,398
Operating/Budgeted	Park, Recreating, and Community Service – Nonmajor Governmental	General – Major Governmental	603,000
Operating/Budgeted	Library – Nonmajor Governmental	General – Major Governmental	34,371
Operating/Budgeted	Fire & Ambulance – Major Governmental	General – Major Governmental	575,000
Operating/Budgeted	Park Land Acquisition & Development – Nonmajor Governmental	Resort Tax – Major Governmental	19,900
Debt Payments	Tax Increment Bond Debt – Major Governmental	Tax Increment – Major Governmental	1,805,556
Capital Projects	City Hall Project – Nonmajor Governmental	Tax Increment – Major Governmental	250,000

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

ESC Construction	Emergency Service Center Construction – Nonmajor Governmental	Impact Fee – Nonmajor Governmental	43,578
Indirect Cost Allocation	General – Major Governmental	Street & Alley – Nonmajor Governmental	18,372
Indirect Cost Allocation	General – Major Governmental	Park, Rec & Community Service – Nonmajor Governmental	12,355
Indirect Cost Allocation	General – Major Governmental	Library – Nonmajor Governmental	3,818
Indirect Cost Allocation	General – Major Governmental	Public Safety – Nonmajor Governmental	39,088
Indirect Cost Allocation	General – Major Governmental	Tax Increment – Major Governmental	5,940
Indirect Cost Allocation	General – Major Governmental	Fire & Ambulance – Major Governmental	44,554
Indirect Cost Allocation	General – Major Governmental	Building Code Enforcement – Nonmajor Governmental	7,817
Indirect Cost Allocation	General – Major Governmental	Light District #1 – Nonmajor Governmental	568
Indirect Cost Allocation	General – Major Governmental	Light District #2 – Nonmajor Governmental	568
Indirect Cost Allocation	General – Major Governmental	Water – Major Proprietary	23,489
Indirect Cost Allocation	General – Major Governmental	Wastewater – Major Proprietary	21,681
Indirect Cost Allocation	General – Major Governmental	Solid Waste – Nonmajor Governmental	1,842
Indirect Cost Allocation	Public Safety – Nonmajor Governmental	General – Major Governmental	<u>1,845,000</u>
			<u>\$ 6,013,239</u>

NOTE 10. STATE-WIDE RETIREMENT PLANS

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2014 for the defined benefit plans, were:

	<u>PERS</u> **	<u>MPORS</u>	<u>FURS</u>
Employer	8.07%	14.41%	14.36%
Employee	7.90%*	If first employed: on or before 6/30/75- 5.8% after 6/30/75 - 7% after 6/30/79 - 8.5% on & after 7/1/97 - 9% w/ GABA - 9%	9.5% w/o GABA 10.7% w/GABA Also – 1% withheld & paid to Montana State Firemen’s Association
State	0.10%	29.37%	32.61%

* For PERS members hired before 7/1/2011 that rate is 6.9%

** For the defined contribution plan all rates are the same except only 4.19% of the employer amount is added to the individuals account.

The State contribution qualifies as an on-behalf payment. The State contribution for PERS has not been recorded in the City’s financial statements and was considered immaterial.

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

The City's contributions for the years ended June 30, 2012, 2013, and 2014, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>
2012	\$ 218,100	\$ 108,124	\$ 138,988
2013	\$ 217,963	\$ 113,228	\$ 136,154
2014	\$ 259,311	\$ 116,475	\$ 155,261

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all 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.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Fire Department Relief Association Disability and Pension Fund

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

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

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Resort Tax	\$ 1,860,776	Street improvements, parks improvements, tax relief
Tax Increment	1,999,566	Housing and community development
Fire and Ambulance	423,006	Public Safety
Tax Increment Revenue Bond Debt	3,258,224	Debt Service
Aggregate remaining funds:	2,252,701	General Government Capital Projects
	3,061,552	Public Works
	49	Public Safety
	178,666	Culture & Recreation
	4,818	Housing and community development
	<u>186,280</u>	Public Works Debt Service
	<u>\$ 13,225,638</u>	

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 13. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Parks, Recreation and Community Service	\$ 88,846	Prior year revenues exceeded revenues	Future revenues
Drug Forfeiture Building Code Enforcement	\$ 172,817	Past expenditures exceeded revenues creating a deficit fund balance	Future charges for services for drug forfeitures
SID 166 Bond Debt	\$ 176,632	Past expenditures exceeded revenues creating a deficit fund balance	Future permit fees
WF Trail Construction	\$ 64,525	Assessments did not meet debt payments	Future assessments
	\$ 29,220	Expenditures exceeded their revenues	Future revenues

NOTE 14. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
WF Trail Construction	\$ 82,560	Closed out Trail Improvements Agency Fund to WF Trail Construction fund 7/1/13
Wastewater	<u>23,603</u>	Depreciation Restatement due to formula error in FY13 schedule
	<u>\$ 106,163</u>	

NOTE 15. JOINT VENTURES

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2014

Flathead County 911 Emergency Coordination Center

Flathead County along with the City of Kalispell, the City of Columbia Falls, and the City of Whitefish, participate in a County-wide enhanced 911 public safety answering point called Flathead County 911 Emergency Coordination Center (ECC) that was established by an interlocal agreement in February, 1999. The ECC was formed for the purpose of providing for police/law enforcement public safety dispatch point (PSDP) 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; the Flathead County Sheriff, one member of the Flathead County Board of Commissioners, and one member from each of the City's operations for the ECC are accounted for in the 911 Fund and are reported in the general purpose financial states of Flathead County within the Special Revenue Fund. The salaries for the dispatch services are reported under the participating entities sheriff and police departments.

Big Mountain County Sewer District

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

NOTE 16. SERVICES PROVIDED TO OTHER GOVERNMENTS

County Provided Services

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

NOTE 17. RISK MANAGEMENT

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

Insurance Policies:

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

Insurance Pools:

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public 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 the business owners	5%
Parks Improvements	5%
Street Improvements	65%
Tax Relief	25%

On June 30, 2014 the Resort Tax Fund has a cash balance of \$1,888,666. This balance was restricted as follows:

Parks Improvements	\$ 467,764
Street Improvements	755,605
Tax Relief	<u>664,297</u>
	<u>\$ 1,888,666</u>

NOTE 20. WHITEFISH LAKE GOLF COURSE LEASE

In January 2011, the City leased the Whitefish Lake Golf Course to the Whitefish Lake Golf Club, Inc. The term of the lease is for 30 years beginning January 1, 2011 and ending December 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 profit for the Whitefish Lake Golf Club, Inc.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2014

NOTE 21. EXTRAORDINARY ITEMS

The Drug Forfeiture and Building Code funds currently owe \$172,817 and \$171,699 respectively to the General fund which is to be paid back fiscal year 2015. The Drug Forfeiture fund is currently operating at a deficit and had net income of only \$18,345 during the year ending June 30, 2014. As such, this fund will have significant difficulty repaying the interfund loan in the time frame allotted. The Building Code fund is also operating at a deficit but had net income of \$224,278 during the fiscal year ending June 30, 2014 reducing the deficit from 401,847 in fiscal year 2013 to \$171,699 in fiscal year 2014.

NOTE 22. 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>T. Warren Schweitzer and Ingela Schnittger v. City of Whitefish</i>	Not Stated	Not Stated
<i>City of Whitefish and Flathead County v. Linda Babiak and Tim Babiak</i>	Not Stated	Not Stated
<i>Ella Marzean Quay v. LHC, Inc., Town of Whitefish, et al</i>	Not Stated	Not Stated
<i>Jeffrey R. Folsom v. City of Whitefish Police Department and Montana Public Employees' Association, Inc.</i>	Not Stated	Not Stated
<i>Scott Wurster v. Whitefish City Council, Dave Taylor and Virgil Bench</i>	Not Stated	Not Stated

**REQUIRED SUPPLEMENTAL
INFORMATION**

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,928,548	\$ 1,928,548	\$ 1,859,906	\$ (68,642)
Licenses and permits	60,300	60,300	62,134	1,834
Intergovernmental	775,300	775,300	777,218	1,918
Charges for services	207,550	207,550	281,942	74,392
Fines and forfeitures	256,250	256,250	216,265	(39,985)
Miscellaneous	40,375	40,375	78,082	37,707
Investment earnings	20,000	20,000	21,663	1,663
Amounts available for appropriation	<u>\$ 3,288,323</u>	<u>\$ 3,288,323</u>	<u>\$ 3,297,210</u>	<u>\$ 8,887</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 515,527	\$ 515,528	\$ 677,647	\$ (162,119)
Public safety	349,046	349,046	283,298	65,748
Public works	14,102	14,102	23,744	(9,642)
Social and economic services	1,500	1,500	1,500	-
Culture and recreation	28,500	26,100	21,475	4,625
Housing and community development	-	-	10,902	(10,902)
Debt service - principal	-	-	3,623	(3,623)
Debt service - interest	-	-	-	-
Miscellaneous	10,000	10,000	6,579	3,421
Amortization of bond premium	-	-	-	-
Capital Outlay	53,000	53,000	60,531	(7,531)
Total charges to appropriations	<u>\$ 971,675</u>	<u>\$ 969,276</u>	<u>\$ 1,089,299</u>	<u>\$ (120,023)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers in	693,432	693,432	834,436	141,004
Transfers out	(3,057,371)	(3,057,371)	(3,057,371)	-
Total other financing sources (uses)	<u>\$ (2,363,939)</u>	<u>\$ (2,363,939)</u>	<u>\$ (2,222,935)</u>	<u>\$ 141,004</u>
Net change in fund balance			<u>\$ (15,024)</u>	
Fund balance - beginning of the year			<u>\$ 1,330,315</u>	
Fund balance - end of the year			<u><u>\$ 1,315,291</u></u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Resort Tax			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,930,000	\$ 1,930,000	\$ 2,087,995	\$ 157,995
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	-	-
Investment earnings	6,000	6,000	7,474	1,474
Amounts available for appropriation	<u>\$ 1,936,000</u>	<u>\$ 1,936,000</u>	<u>\$ 2,095,469</u>	<u>\$ 159,469</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	48	(48)
Social and economic services	-	-	-	-
Culture and recreation	-	-	730	(730)
Housing and community development	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Amortization of bond premium	-	-	-	-
Capital Outlay	2,305,000	2,305,000	1,662,806	642,194
Total charges to appropriations	<u>\$ 2,305,000</u>	<u>\$ 2,305,000</u>	<u>\$ 1,663,584</u>	<u>\$ 641,416</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(733,232)	(733,232)	(713,332)	19,900
Total other financing sources (uses)	<u>\$ (733,232)</u>	<u>\$ (733,232)</u>	<u>\$ (713,332)</u>	<u>\$ 19,900</u>
Net change in fund balance			<u>\$ (281,447)</u>	
Fund balance - beginning of the year			<u>\$ 2,142,223</u>	
Fund balance - end of the year			<u><u>\$ 1,860,776</u></u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

	Tax Increment			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 4,462,988	\$ 4,462,988	\$ 4,301,945	\$ (161,043)
Licenses and permits	-	-	-	-
Intergovernmental	498,894	148,194	240,365	92,171
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Miscellaneous	-	-	1,826	1,826
Investment earnings	-	-	-	-
Amounts available for appropriation	<u>\$ 4,961,882</u>	<u>\$ 4,611,182</u>	<u>\$ 4,544,136</u>	<u>\$ (67,046)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	1,942,650	1,942,650	1,806,355	136,295
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	300,000	-	-	-
Amortization of bond premium	-	-	-	-
Capital Outlay	1,522,000	1,522,000	535,473	986,527
Total charges to appropriations	<u>\$ 3,764,650</u>	<u>\$ 3,464,650</u>	<u>\$ 2,341,828</u>	<u>\$ 1,122,822</u>
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Transfers in	-	-	-	-
Transfers out	(2,046,986)	(2,046,986)	(2,061,496)	(14,510)
Total other financing sources (uses)	<u>\$ (2,046,986)</u>	<u>\$ (2,046,986)</u>	<u>\$ (2,061,496)</u>	<u>\$ (14,510)</u>
Net change in fund balance			<u>\$ 140,812</u>	
Fund balance - beginning of the year			<u>\$ 1,858,754</u>	
Fund balance - end of the year			<u><u>\$ 1,999,566</u></u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2014

Fire and Ambulance				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS	
			(BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 530,538	\$ 530,538	\$ 508,047	\$ (22,491)
Licenses and permits	60,300	60,300	108,442	48,142
Intergovernmental	413,123	413,123	410,748	(2,375)
Charges for services	1,211,000	1,211,000	1,266,043	55,043
Fines and forfeitures	-	-	-	-
Miscellaneous	2,200	2,200	59,632	57,432
Investment earnings	-	-	-	-
Amounts available for appropriation	\$ 2,217,161	\$ 2,217,161	\$ 2,352,912	\$ 135,751
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ -	\$ -	\$ -	\$ -
Public safety	2,910,963	2,910,963	3,078,296	(167,333)
Public works	-	-	-	-
Social and economic services	-	-	-	-
Culture and recreation	-	-	-	-
Housing and community development	-	-	-	-
Debt service - principal	-	-	-	-
Debt service - interest	-	-	-	-
Miscellaneous	-	-	-	-
Amortization of bond premium	-	-	-	-
Capital Outlay	995,000	995,000	372,453	622,547
Total charges to appropriations	\$ 3,905,963	\$ 3,905,963	\$ 3,450,749	\$ 455,214
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ 875,000	\$ 875,000	\$ 356,233	\$ (518,767)
Transfers in	575,000	575,000	575,000	-
Transfers out	-	-	(44,554)	(44,554)
Total other financing sources (uses)	\$ 1,450,000	\$ 1,450,000	\$ 886,679	\$ (563,321)
Net change in fund balance			\$ (211,158)	
Fund balance - beginning of the year			\$ 634,164	
Fund balance - end of the year			\$ 423,006	

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	\$ 3,297,210	\$ 2,095,469	\$ 4,544,136	\$ 2,352,912
Combined funds (GASBS 54) revenues	350,593	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,647,803</u>	<u>\$ 2,095,469</u>	<u>\$ 4,544,136</u>	<u>\$ 2,352,912</u>
Uses/Outflows of resources				
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,089,299	\$ 1,663,584	\$ 2,341,828	\$ 3,450,749
Combined funds (GASBS 54) expenditures	2,262,106	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,351,405</u>	<u>\$ 1,663,584</u>	<u>\$ 2,341,828</u>	<u>\$ 3,450,749</u>

City of Whitefish
REQUIRED SUPPLEMENTAL INFORMATION
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2014

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

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

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

**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, 2014, 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 May 4, 2015.

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 on 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.

May 4, 2015

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.

May 4, 2015