

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2019

AUDIT REPORT

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2019

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CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2019

John Muhlfeld Mayor

CITY COUNCIL

Richard Hildner	Council Member
Frank Sweeney	Council Member
Katie Williams	Council Member
Andy Feury	Council Member
Melissa Hartman	Council Member
Ryan Hennen	Council Member

CITY OFFICIALS

Adam Hammatt	City Manager
Dana Smith	Assistant City Manager/ Finance Director
Angela Jacobs	City Attorney
Michelle Howke	City Clerk

City of Whitefish
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2019

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, 2019. 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, 2019 by \$110,952,264 as reported in the Statement of Net Position. This figure represents an increase of \$9,942,693 in net position from the prior year.
- The total fiscal year end governmental fund balance was \$15,513,053 as reported in the balance sheet for governmental funds. This figure represents an increase of \$2,714,312 from the prior year.
- The unassigned General Fund balance at fiscal year-end was \$1,499,497. This figure represents an increase of \$424,207 from the prior year.

EXPLANATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

City of Whitefish
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2019

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.

Notes to Financial Statements

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

City of Whitefish
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2019

Other Required Supplementary Information

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

FINANCIAL ANALYSIS OF THE CITY

Over time, net position serves as a useful indicator of a government's financial condition. The net position for both governmental and business-type activities for the fiscal year ending June 30, 2019 totaled \$110,952,264, which is an increase of \$9,942,693 from the prior year. In fiscal year 2015, the City implemented GASB Statement No. 68, which affected both governmental and business-type activities and continues to affect net position in FY19 as noted in the negative unrestricted net position for governmental activities. Although the pension retirement systems are administered by the State of Montana, including determining required contributions for each plan, the City is required to report the related liability per GASB Statement No. 68. attributed to the different plans.

The City's largest portion of net position reflects investment in capital assets (land, buildings, machinery and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. These assets are used to provide services to our 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, 2019 and June 30, 2018.

City of Whitefish - Net Position

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY19</u>	<u>FY18</u>	<u>Change Inc (Dec)</u>	<u>FY19</u>	<u>FY18</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 21,807,896	\$ 18,630,280	\$ 3,177,616	\$ 13,509,832	\$ 11,247,713	\$ 2,262,119
Capital assets	74,480,442	73,933,112	547,330	34,505,699	34,124,465	381,234
Total assets	<u>\$ 96,288,338</u>	<u>\$ 92,563,392</u>	<u>\$ 3,724,946</u>	<u>\$ 48,015,531</u>	<u>\$ 45,372,178</u>	<u>\$ 2,643,353</u>
Long-term debt outstanding	\$ 17,149,118	\$ 21,940,768	\$ (4,791,650)	\$ 12,209,532	\$ 13,246,479	\$ (1,036,947)
Other liabilities	3,104,125	1,270,857	1,833,268	888,830	467,895	420,935
Total liabilities	<u>\$ 20,253,243</u>	<u>\$ 23,211,625</u>	<u>\$ (2,958,382)</u>	<u>\$ 13,098,362</u>	<u>\$ 13,714,374</u>	<u>\$ (616,012)</u>
Net investment in capital assets	\$ 65,097,025	\$ 60,807,739	\$ 4,289,286	\$ 24,664,136	\$ 22,760,902	\$ 1,903,234
Restricted	16,548,352	14,641,134	1,907,218	3,397,663	3,072,506	325,157
Unrestricted (deficit)	(5,610,282)	(6,097,106)	486,824	6,855,370	5,824,396	1,030,974
Total net position	<u>\$ 76,035,095</u>	<u>\$ 69,351,767</u>	<u>\$ 6,683,328</u>	<u>\$ 34,917,169</u>	<u>\$ 31,657,804</u>	<u>\$ 3,259,365</u>

City of Whitefish
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2019

The City's revenues totaled \$32,500,518 for the fiscal year ending June 30, 2019. The total cost of all programs and services for that same period was \$22,557,825. Therefore, the increase in net position was \$9,942,693. The table below presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2019 and June 30, 2018.

City of Whitefish – Changes in Net Position

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY19</u>	<u>FY18</u>	<u>Change Inc (Dec)</u>	<u>FY19</u>	<u>FY18</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 6,850,888	\$ 5,688,296	\$ 1,162,592	\$ 8,134,707	\$ 7,443,275	\$ 691,432
Operating grants and contributions	519,676	478,039	41,637	35,639	-	35,639
Capital grants and contributions	136,371	329,872	(193,501)	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	9,411,422	8,769,895	641,527	-	-	-
Resort tax	4,260,456	3,987,447	273,009	-	-	-
Franchise/Utility Fees	472,457	440,391	32,066	-	-	-
Miscellaneous	230,549	503,240	(272,691)	-	-	-
Interest/investment earnings	254,086	112,140	141,946	195,432	96,367	99,065
State entitlement	1,107,226	1,090,946	16,280	-	-	-
On-Behalf payments	754,558	692,013	62,545	-	16,780	(16,780)
Proceeds from cash in lieu	137,051	49,735	87,316	-	-	-
Total revenues	\$ 24,134,740	\$ 22,142,014	\$ 1,992,726	\$ 8,365,778	\$ 7,556,422	\$ 809,356
Program expenses						
General government	\$ 1,416,476	\$ 1,757,726	\$ (341,250)	\$ -	\$ -	\$ -
Public safety	7,763,386	7,393,979	369,407	-	-	-
Public works	3,161,551	3,155,668	5,883	-	-	-
Social and economic services	1,500	3,000	(1,500)	-	-	-
Culture and recreation	2,368,018	2,270,998	97,020	-	-	-
Housing and community development	1,503,084	1,307,635	195,449	-	-	-
Debt service - interest	330,452	413,351	(82,899)	-	-	-
Miscellaneous	54,521	50,792	3,729	-	-	-
Water	-	-	-	2,878,455	2,522,322	356,133
Sewer	-	-	-	3,057,167	2,663,129	394,038
Solid Waste	-	-	-	23,215	6,892	16,323
Total expenses	\$ 16,598,988	\$ 16,353,149	\$ 245,839	\$ 5,958,837	\$ 5,192,343	\$ 766,494
Excess (deficiency) before special items and transfers	7,535,752	5,788,865	1,746,887	2,406,941	2,364,079	42,862
Gain (loss) on sale of capital assets	-	(218,903)	218,903	-	-	-
Transfers - net	(852,424)	(841,488)	(10,936)	852,424	841,488	10,936
Increase (decrease) in net position	\$ 6,683,328	\$ 4,728,474	\$ 1,954,854	\$ 3,259,365	\$ 3,205,567	\$ 53,798

Governmental activities

Revenues for the fiscal year ending June 30, 2019 from governmental activities were \$24,134,740 while expenses were \$16,598,988. Thus, with the \$852,424 in transfers-out, net position increased \$6,683,328. Total governmental revenues increased from the prior year by \$1,992,726. The increase in revenues was primarily due to increased property taxes and assessments, as well as increased Resort Tax collections and investment earnings. Overall expenses increased by \$245,839. Increases in wages and benefit, as well as the costs of post-employment benefits and pension costs all continue to be contributing factors.

City of Whitefish
 Management's Discussion and Analysis
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Business-type activities

Revenue for the fiscal year ending June 30, 2019 from business-type activities was \$8,365,778. Expenses were \$5,958,837 and net transfers-in totaled \$852,424, which resulted in an increase in net position of \$3,259,365. Charges for services revenue increased by \$691,432 from the previous year due to rate increases for both water and sewer service as the City prepares for the complete upgrade of the wastewater treatment plant. Total expenses also experienced an expected increase during FY19, which is primarily attributed increased costs for wages and benefits and the timing of capital projects.

Fund Balance – Governmental Funds Balance Sheet

The City's governmental funds reported a total fund balance of \$15,513,053 as of June 30, 2019, which is a \$2,714,312 increase compared to the fund balance of governmental funds as of June 30, 2018. The significant increase in fund balance is primarily due to the stronger building environment, reduced capital costs since the completion of City Hall and the Parking Structure and improving cash reserves as approved in the FY19 Budget. Of the fund balance at June 30, 2019, \$1,499,497 is unassigned in the General Fund. The remaining fund balance is restricted or committed based on the source of revenue or unassigned due to a negative fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's budget is prepared in accordance with Title 7, Chapter 6, Part 40, MCA (Local Government Budget Act). During fiscal year 2019 four budget amendments were approved by the City Council and are detail below:

Fund	Amount	Justification
Resort Fund: 2100-521032-820 2100-460430-931	\$83,975.00	To provide for the unanticipated required transfers to the Water Fund for the Haskill Basin Conservation Easement debt service portion of collections as a result of unexpected additional revenue. To provide for the Riverside Improvement Project and City Beach Restroom Renovations that were not properly carried over to fiscal year 2019 when preparing the budget.
Fire & Ambulance Fund: 2340-420735-811	\$283,730.00	To provide for the significant adjustments required by Medicare and Medicaid for ambulance bills. As ambulance rates increase, so do the required adjustments. Additional revenue from ambulance services helped offset the full \$283,729.00.
Gas Tax – Special Roads, Streets, and Bridges Allocation Fund: 2821-430230-930	\$25,975.00	To provide for the start-up costs of the Monegan Road Improvement Project with fund balance reserved for the project.
Parkland Acquisition & Development Fund: 2990-460434-931	\$9,345.00	To provide for a landscaping project to reduce future maintenance costs in the West District of the Parkland Acquisition & Development Fund, as well as start-up costs of the Armory Improvement Project in the East District.

City of Whitefish
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2019

All other funds expended amounts that were within the budget authority with some funds spending significantly less due to the timing of capital improvement projects and equipment purchases.

Overall the General Fund tracked closely with the budget for both revenues and expenditures, once the budget amendment is considered. An increase in Planning Fees and Court Fines & Forfeitures continued into FY19, which is attributed to the strong building environment and the increased issuance of tickets and improved in-house prosecution. The Resort Tax Fund collected \$273,009 more than expected due to the thriving economy and increased collections remitted by local businesses. The Tax Increment Fund revenues were overall less than projected due to the timing of the payment from the Whitefish Housing Authority for the property purchased for the Low-Income Housing Tax Credit Project on Edgewood. Payment has been received in FY20. Tax Increment expenditures were less due to urban renewal project timing. The Fire & Ambulance Fund, once the budget amendment was accounted for, tracked closely with the anticipated budget.

CAPITAL ASSET AND LONG-TERM DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2019 total \$108,986,141. The City's capital assets include easements, land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress. The depreciation of capital assets is reflected in the various governmental and business-type expense activities. Total depreciation expense incurred for the governmental and business-type activities during fiscal year 2019 totaled \$3,375,697 and \$1,278,507, respectively.

Major capital assets events during fiscal year 2019:

- Completed the Flathead Avenue Extension Project
- Significant progress made on Somers Avenue (Resort Tax Project)
- Completed the new Woodland Place Parking Lot at City Beach
- Purchased vehicles for Building, Police, and Public Works
- Continued making improvements to the Whitefish Trail
- Continued design and construction for multiple water and sewer projects

City of Whitefish
Management's Discussion and Analysis
For Fiscal Year Ending June 30, 2019

Long-term Debt

The City's total long-term debt decreased by \$5,828,597 compared to prior fiscal year. Below is a summary of the outstanding long-term debt of the City as of June 30, 2019 compared to June 30, 2018.

Outstanding Long-term Debt		
Purpose/Type	June 30, 2019	June 30, 2018
<u>Revenue Bonds:</u>		
TIF 2015 Refunding (ESC)	\$ 2,261,000	\$ 3,722,000
TIF 2016 (City Hall/Park Str.)	5,329,558	7,330,000
Water	6,631,000	7,907,000
Sewer	3,210,563	3,456,563
<u>Special Assessment Bonds:</u>		
SID 166	450,000	515,000
SID 167	742,946	769,670
<u>Intercap Loans:</u>		
Ambulance	-	31,252
Fire Engine	272,086	320,104
Fire Pumper	92,220	122,358
Fire SCBA Units	93,904	139,989
Ambulance	141,703	175,000
<u>OPEB:</u>		
Governmental*	1,667,154	1,635,938
Business-type	474,502	485,789
<u>Compensated Absences:</u>		
Governmental	1,290,008	1,231,967
Business-type	298,588	279,753
<u>Net Pension Liability:</u>		
Governmental	4,808,539	5,947,490
Business-type	1,594,879	1,117,374
TOTAL	\$29,358,650	\$35,187,247

*See notes to financial statements.

FISCAL YEAR 2020 BUDGET AND ECONOMIC FACTORS

During a reappraisal year, the growth of property tax revenue includes newly taxable property that results from new construction or annexations, as well as the increase in market value of all taxable properties within the City. The taxable value is provided by the Montana Department of Revenue and final figures received resulted in an increase in the City's taxable value for FY20 of 6.04% compared to the prior year. With the growth of taxable value and an increase in the Resort Tax Relief from higher than expected collections through the end of FY19, the FY20 budget balanced with the number of total property tax mills levied by the City reducing by 2.71 mills from the prior year. However, even with a reduction in mills, property tax revenue for FY20 is expected to grow about 3.58%

Total appropriations for FY20 are \$11,492,967 or 25.98% higher than last year's budget mostly due to an increase in capital projects for the wastewater treatment plant upgrade project, the water treatment plant expansion project, and other Resort Tax funded capital projects. The FY20 Budget also provides for some small increases to maintenance assessments to continue to address capital projects so further deferral does not occur.

City of Whitefish
Management's Discussion and Analysis
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With construction activity remaining strong in the City of Whitefish, the building license and permit revenue is expected to continue the trend from the prior year with revenues remaining about the same as FY20. The increase in construction also has a positive impact on the City's impact fees collections. Like the strong construction environment, the spending activity by consumers in the City continues to improve as the Resort Tax collections are tracking slightly higher than the previous year and are expected to continue to grow.

Water and Wastewater service charges for FY20 are anticipated to exceed the prior year due to a rate increase that was effective October 1, 2019.

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, 2019, 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2019, the City has changed their method of reporting the claims and payroll clearing funds. In past years these clearing funds were reported as Agency Funds. In accordance with GASB statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the clearing funds are now combined with the City General Funds. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 9, 68 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2020, 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.

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

June 26, 2020

City of Whitefish, Flathead County, Montana
Statement of Net Position
June 30, 2019

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 12,298,349	\$ 9,089,564	\$ 21,387,913
Taxes and assessments receivable, net	1,540,047	-	1,540,047
Accounts receivable - net	365,436	616,916	982,352
Due from other governments	26,752	-	26,752
Other receivables	23,570	-	23,570
Total current assets	<u>\$ 14,254,154</u>	<u>\$ 9,706,480</u>	<u>\$ 23,960,634</u>
Noncurrent assets			
Restricted cash and investments	\$ 4,751,143	\$ 3,397,663	\$ 8,148,806
Deferred special assessments receivables	1,345,114	-	1,345,114
Capital assets - land	9,447,065	8,333,031	17,780,096
Capital assets - construction in progress	5,476,954	3,017,682	8,494,636
Capital assets - depreciable, net	59,556,423	23,154,986	82,711,409
Total noncurrent assets	<u>\$ 80,576,699</u>	<u>\$ 37,903,362</u>	<u>\$ 118,480,061</u>
Total assets	<u>\$ 94,830,853</u>	<u>\$ 47,609,842</u>	<u>\$ 142,440,695</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 1,121,353	\$ 310,020	\$ 1,431,373
Deferred outflows of resources - OPEB	336,132	95,669	431,801
Total deferred outflows of resources	<u>\$ 1,457,485</u>	<u>\$ 405,689</u>	<u>\$ 1,863,174</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 96,288,338</u>	<u>\$ 48,015,531</u>	<u>\$ 144,303,869</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 941,623	\$ -	\$ 941,623
Accounts payable	679,382	50,891	730,273
Accrued payroll	331,192	85,415	416,607
Current portion of long-term capital liabilities	4,100,627	1,211,000	5,311,627
Current portion of compensated absences payable	1,047,612	204,348	1,251,960
Total current liabilities	<u>\$ 7,100,436</u>	<u>\$ 1,551,654</u>	<u>\$ 8,652,090</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 309,950	\$ 309,950
Noncurrent portion of long-term liabilities	1,667,154	474,502	2,141,656
Noncurrent portion of long-term capital liabilities	5,282,790	8,630,563	13,913,353
Noncurrent portion of compensated absences	242,396	94,240	336,636
Net pension liability	4,808,539	1,594,879	6,403,418
Total noncurrent liabilities	<u>\$ 12,000,879</u>	<u>\$ 11,104,134</u>	<u>\$ 23,105,013</u>
Total liabilities	<u>\$ 19,101,315</u>	<u>\$ 12,655,788</u>	<u>\$ 31,757,103</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 539,365	\$ 225,653	\$ 765,018
Deferred inflows of resources - OPEB	612,563	174,346	786,909
Total deferred inflows of resources	<u>\$ 1,151,928</u>	<u>\$ 442,574</u>	<u>\$ 1,594,502</u>
NET POSITION			
Net investment in capital assets	\$ 65,097,025	\$ 24,664,136	\$ 89,761,161
Restricted for capital projects	-	2,409,214	2,409,214
Restricted for debt service	7,238,780	988,449	8,227,229
Restricted for special projects	9,309,572	-	9,309,572
Unrestricted	(5,610,282)	6,855,370	1,245,088
Total net position	<u>\$ 76,035,095</u>	<u>\$ 34,917,169</u>	<u>\$ 110,952,264</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 96,288,338</u>	<u>\$ 48,015,531</u>	<u>\$ 144,303,869</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2019

<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>Primary Government</u>		<u>Total</u>
						<u>Governmental Activities</u>	<u>Business- type Activities</u>	
Primary government:								
Governmental activities:								
General government	\$ 1,616,124	\$ (199,648)	\$ 694,392	\$ -	\$ -	\$ (722,084)	\$ -	\$ (722,084)
Public safety	7,664,938	98,448	3,518,395	45,338	-	(4,199,653)	-	(4,199,653)
Public works	3,144,751	16,800	2,243,758	336,385	136,371	(445,037)	-	(445,037)
Social and economic services	1,500	-	-	-	-	(1,500)	-	(1,500)
Culture and recreation	2,340,753	27,265	394,028	137,953	-	(1,836,037)	-	(1,836,037)
Housing and community development	1,496,798	6,286	315	-	-	(1,502,769)	-	(1,502,769)
Debt service - interest	330,452	-	-	-	-	(330,452)	-	(330,452)
Miscellaneous	54,521	-	-	-	-	(54,521)	-	(54,521)
Total governmental activities	\$ 16,649,837	\$ (50,849)	\$ 6,850,888	\$ 519,676	\$ 136,371	\$ (9,092,053)	\$ -	\$ (9,092,053)
Business-type activities:								
Water	\$ 2,852,324	\$ 26,131	\$ 4,027,214	\$ 18,037	\$ -	\$ -	\$ 1,166,796	\$ 1,166,796
Sewer	3,032,723	24,444	4,105,686	17,385	-	-	1,065,904	1,065,904
Solid Waste	22,941	274	1,807	217	-	-	(21,191)	(21,191)
Total business-type activities	\$ 5,907,988	\$ 50,849	\$ 8,134,707	\$ 35,639	\$ -	\$ -	\$ 2,211,509	\$ 2,211,509
Total primary government	\$ 22,557,825	\$ -	\$ 14,985,595	\$ 555,315	\$ 136,371	\$ (9,092,053)	\$ 2,211,509	\$ (6,880,544)
General Revenues:								
Property taxes for general purposes						\$ 9,411,422	\$ -	\$ 9,411,422
Resort tax						4,260,456	-	4,260,456
Franchise/Utility Fees						472,457	-	472,457
Miscellaneous						230,549	-	230,549
Interest/investment earnings						254,086	195,432	449,518
State entitlement						1,107,226	-	1,107,226
On-Behalf payments						754,558	-	754,558
Proceeds from cash in lieu						137,051	-	137,051
Transfers - net						(852,424)	852,424	-
Total general revenues, special items and transfers						\$ 15,775,381	\$ 1,047,856	\$ 16,823,237
Change in net position						\$ 6,683,328	\$ 3,259,365	\$ 9,942,693
Net position - beginning						\$ 69,351,767	\$ 31,657,804	\$ 101,009,571
Net position - beginning - restated						\$ 69,351,767	\$ 31,657,804	\$ 101,009,571
Net position - end						\$ 76,035,095	\$ 34,917,169	\$ 110,952,264

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire & Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Current assets:							
Cash and investments	\$ 2,520,373	\$ -	\$ 1,275,107	\$ 130,429	\$ 3,936,405	\$ 4,436,035	\$ 12,298,349
Taxes and assessments receivable, net	354,169	-	810,972	97,021	-	277,885	1,540,047
Accounts receivable - net	24,089	-	-	337,972	-	3,375	365,436
Due from other funds	23,570	-	-	-	-	-	23,570
Due from other governments	-	-	-	26,752	-	-	26,752
Other receivables	-	-	-	-	-	23,570	23,570
Total current assets	<u>\$ 2,922,201</u>	<u>\$ -</u>	<u>\$ 2,086,079</u>	<u>\$ 592,174</u>	<u>\$ 3,936,405</u>	<u>\$ 4,740,865</u>	<u>\$ 14,277,724</u>
Noncurrent assets:							
Restricted cash and investments	\$ -	\$ 3,052,843	\$ -	\$ -	\$ 1,698,300	\$ -	\$ 4,751,143
Advances to other funds	-	-	-	-	-	58,699	58,699
Deferred special assessments receivables	-	-	-	-	-	1,345,114	1,345,114
Total noncurrent assets	<u>\$ -</u>	<u>\$ 3,052,843</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,698,300</u>	<u>\$ 1,403,813</u>	<u>\$ 6,154,956</u>
TOTAL ASSETS	<u><u>\$ 2,922,201</u></u>	<u><u>\$ 3,052,843</u></u>	<u><u>\$ 2,086,079</u></u>	<u><u>\$ 592,174</u></u>	<u><u>\$ 5,634,705</u></u>	<u><u>\$ 6,144,678</u></u>	<u><u>\$ 20,432,680</u></u>
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 941,623	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 941,623
Accounts payable	7,171	20,866	593,682	2,572	-	55,091	679,382
Accrued payroll	119,741	-	10,158	91,017	-	110,276	331,192
Due to other funds	-	-	-	-	-	23,570	23,570
Total current liabilities	<u>\$ 1,068,535</u>	<u>\$ 20,866</u>	<u>\$ 603,840</u>	<u>\$ 93,589</u>	<u>\$ -</u>	<u>\$ 188,937</u>	<u>\$ 1,975,767</u>
Noncurrent liabilities:							
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,699	\$ 58,699
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,699</u>	<u>\$ 58,699</u>
Total liabilities	<u>\$ 1,068,535</u>	<u>\$ 20,866</u>	<u>\$ 603,840</u>	<u>\$ 93,589</u>	<u>\$ -</u>	<u>\$ 247,636</u>	<u>\$ 2,034,466</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - taxes & assessments	\$ 354,169	\$ -	\$ 810,972	\$ 97,021	\$ -	\$ 1,622,999	\$ 2,885,161
Total deferred inflows of resources	<u>\$ 354,169</u>	<u>\$ -</u>	<u>\$ 810,972</u>	<u>\$ 97,021</u>	<u>\$ -</u>	<u>\$ 1,622,999</u>	<u>\$ 2,885,161</u>
FUND BALANCES							
Restricted	\$ -	\$ 3,031,977	\$ 671,267	\$ 401,564	\$ 5,634,705	\$ 4,285,197	\$ 14,024,710
Unassigned fund balance	1,499,497	-	-	-	-	(11,154)	1,488,343
Total fund balance	<u>\$ 1,499,497</u>	<u>\$ 3,031,977</u>	<u>\$ 671,267</u>	<u>\$ 401,564</u>	<u>\$ 5,634,705</u>	<u>\$ 4,274,043</u>	<u>\$ 15,513,053</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 2,922,201</u></u>	<u><u>\$ 3,052,843</u></u>	<u><u>\$ 2,086,079</u></u>	<u><u>\$ 592,174</u></u>	<u><u>\$ 5,634,705</u></u>	<u><u>\$ 6,144,678</u></u>	<u><u>\$ 20,432,680</u></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, 2019

Total fund balances - governmental funds	\$	15,513,053
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		74,480,442
Property taxes, and special assessments 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.		2,885,161
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(12,340,579)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.		(4,808,539)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.		1,121,353
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds		(539,365)
The changes between actuarial assumptions, differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred outflows of resources and are not payable in the current period, therefore are not reported in the funds		336,132
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds		(612,563)
Total net position - governmental activities	\$	<u><u>76,035,095</u></u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2019

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire & Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 2,211,759	\$ 4,260,456	\$ 6,773,289	\$ 603,729	\$ -	\$ 2,157,240	\$ 16,006,473
Licenses and permits	145,297	-	-	151,175	-	1,190,893	1,487,365
Intergovernmental	1,010,438	-	248,865	52,448	-	414,520	1,726,271
Charges for services	391,570	-	-	1,955,540	-	821,191	3,168,301
Fines and forfeitures	372,983	-	-	-	-	7,568	380,551
Miscellaneous	101,944	-	78,087	35,548	-	375,662	591,241
Investment earnings	118,168	41,930	-	-	58,909	17,438	236,445
Total revenues	<u>\$ 4,352,159</u>	<u>\$ 4,302,386</u>	<u>\$ 7,100,241</u>	<u>\$ 2,798,440</u>	<u>\$ 58,909</u>	<u>\$ 4,984,512</u>	<u>\$ 23,596,647</u>
EXPENDITURES							
General government	\$ 825,975	\$ -	\$ -	\$ -	\$ -	\$ 6,838	\$ 832,813
Public safety	3,019,182	-	-	3,302,991	-	432,302	6,754,475
Public works	25,166	50	-	-	-	1,304,936	1,330,152
Social and economic services	1,500	-	-	-	-	-	1,500
Culture and recreation	9,493	-	-	-	-	1,686,881	1,696,374
Housing and community development	-	-	1,501,692	-	-	-	1,501,692
Debt service - principal	-	-	-	188,789	3,461,442	91,725	3,741,956
Debt service - interest	-	-	-	23,333	249,267	57,852	330,452
Miscellaneous	-	-	-	-	-	54,521	54,521
Capital outlay	41,852	1,589,895	1,464,313	-	-	826,967	3,923,027
Total expenditures	<u>\$ 3,923,168</u>	<u>\$ 1,589,945</u>	<u>\$ 2,966,005</u>	<u>\$ 3,515,113</u>	<u>\$ 3,710,709</u>	<u>\$ 4,462,022</u>	<u>\$ 20,166,962</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 428,991</u>	<u>\$ 2,712,441</u>	<u>\$ 4,134,236</u>	<u>\$ (716,673)</u>	<u>\$ (3,651,800)</u>	<u>\$ 522,490</u>	<u>\$ 3,429,685</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from cash in-lieu	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 137,051	\$ 137,051
Transfers in	1,523,957	-	197,994	700,380	3,984,728	887,885	7,294,944
Transfers out	(1,528,741)	(2,323,905)	(3,991,014)	(43,362)	-	(260,346)	(8,147,368)
Total other financing sources (uses)	<u>\$ (4,784)</u>	<u>\$ (2,323,905)</u>	<u>\$ (3,793,020)</u>	<u>\$ 657,018</u>	<u>\$ 3,984,728</u>	<u>\$ 764,590</u>	<u>\$ (715,373)</u>
Net Change in Fund Balance	<u>\$ 424,207</u>	<u>\$ 388,536</u>	<u>\$ 341,216</u>	<u>\$ (59,655)</u>	<u>\$ 332,928</u>	<u>\$ 1,287,080</u>	<u>\$ 2,714,312</u>
Fund balances - beginning	\$ 1,075,290	\$ 2,643,441	\$ 330,051	\$ 461,219	\$ 5,301,777	\$ 2,986,963	\$ 12,798,741
Fund balance - ending	<u>\$ 1,499,497</u>	<u>\$ 3,031,977</u>	<u>\$ 671,267</u>	<u>\$ 401,564</u>	<u>\$ 5,634,705</u>	<u>\$ 4,274,043</u>	<u>\$ 15,513,053</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, 2019

Net change in fund balances - total governmental funds	\$ 2,714,312
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	3,923,027
- Depreciation expense	(3,375,697)
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 inflows - taxes & assessments)	(353,516)
The change in compensated absences is shown as an expense in the Statement of Activities	(58,041)
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:	
- Long-term debt principal payments	3,741,956
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	(730,863)
Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	(355,624)
State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	
	754,558
Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.	
	423,216
Change in net position - Statement of Activities	\$ <u><u>6,683,328</u></u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2019

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-major Enterprise	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 5,457,040	\$ 3,524,983	\$ 107,541	\$ 9,089,564
Accounts receivable - net	314,138	302,778	-	616,916
Total current assets	<u>\$ 5,771,178</u>	<u>\$ 3,827,761</u>	<u>\$ 107,541</u>	<u>\$ 9,706,480</u>
Noncurrent assets:				
Restricted cash and investments	\$ 2,028,348	\$ 1,369,315	\$ -	\$ 3,397,663
Capital assets - land	8,065,531	267,500	-	8,333,031
Capital assets - construction in progress	1,771,664	1,246,018	-	3,017,682
Capital assets - depreciable, net	9,748,450	13,406,536	-	23,154,986
Total noncurrent assets	<u>\$ 21,613,993</u>	<u>\$ 16,289,369</u>	<u>\$ -</u>	<u>\$ 37,903,362</u>
Total assets	<u>\$ 27,385,171</u>	<u>\$ 20,117,130</u>	<u>\$ 107,541</u>	<u>\$ 47,609,842</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	\$ 156,901	\$ 151,228	\$ 1,891	\$ 310,020
Deferred outflows of resources - OPEB	48,579	46,530	560	95,669
Total deferred outflows of resources	<u>\$ 205,480</u>	<u>\$ 197,758</u>	<u>\$ 2,451</u>	<u>\$ 405,689</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 27,590,651</u>	<u>\$ 20,314,888</u>	<u>\$ 109,992</u>	<u>\$ 48,015,531</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 42,404	\$ 8,487	\$ -	\$ 50,891
Accrued payroll	44,011	40,923	481	85,415
Current portion of long-term capital liabilities	959,000	252,000	-	1,211,000
Current portion of compensated absences payable	100,299	103,126	923	204,348
Total current liabilities	<u>\$ 1,145,714</u>	<u>\$ 404,536</u>	<u>\$ 1,404</u>	<u>\$ 1,551,654</u>
Noncurrent liabilities:				
Deposits payable	\$ 307,691	\$ 2,259	\$ -	\$ 309,950
Noncurrent portion of long-term liabilities	240,942	230,783	2,777	474,502
Noncurrent portion of long-term capital liabilities	5,672,000	2,958,563	-	8,630,563
Noncurrent portion of compensated absences	48,021	46,027	192	94,240
Net pension liability	807,167	777,984	9,728	1,594,879
Total noncurrent liabilities	<u>\$ 7,075,821</u>	<u>\$ 4,015,616</u>	<u>\$ 12,697</u>	<u>\$ 11,104,134</u>
Total liabilities	<u>\$ 8,221,535</u>	<u>\$ 4,420,152</u>	<u>\$ 14,101</u>	<u>\$ 12,655,788</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - hydro project	\$ 42,575	\$ -	\$ -	\$ 42,575
Deferred inflows of resources - pensions	114,203	110,074	1,376	225,653
Deferred inflows of resources - OPEB	88,529	84,797	1,020	174,346
Total deferred inflows of resources	<u>\$ 245,307</u>	<u>\$ 194,871</u>	<u>\$ 2,396</u>	<u>\$ 442,574</u>
NET POSITION				
Net investment in capital assets	\$ 12,954,645	\$ 11,709,491	\$ -	\$ 24,664,136
Restricted for capital projects	1,206,845	1,202,369	-	2,409,214
Restricted for debt service	821,503	166,946	-	988,449
Unrestricted	4,140,816	2,621,059	93,495	6,855,370
Total net position	<u>\$ 19,123,809</u>	<u>\$ 15,699,865</u>	<u>\$ 93,495</u>	<u>\$ 34,917,169</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 27,590,651</u>	<u>\$ 20,314,888</u>	<u>\$ 109,992</u>	<u>\$ 48,015,531</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, 2019

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-major Enterprise	Totals
OPERATING REVENUES				
Charges for services	\$ 4,027,214	\$ 4,105,687	\$ -	\$ 8,132,901
Total operating revenues	\$ 4,027,214	\$ 4,105,687	\$ -	\$ 8,132,901
OPERATING EXPENSES				
Personal services	\$ 1,462,495	\$ 1,414,742	\$ 22,464	\$ 2,899,701
Supplies	224,887	297,743	495	523,125
Purchased services	290,107	296,632	-	586,739
Fixed charges	207,405	193,278	256	400,939
Depreciation	509,535	768,972	-	1,278,507
Total operating expenses	\$ 2,694,429	\$ 2,971,367	\$ 23,215	\$ 5,689,011
Operating income (loss)	\$ 1,332,785	\$ 1,134,320	\$ (23,215)	\$ 2,443,890
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	\$ 18,037	\$ 17,385	\$ 217	\$ 35,639
Interest revenue	119,637	75,794	1,807	197,238
Debt service interest expense	(184,026)	(85,800)	-	(269,826)
Total non-operating revenues (expenses)	\$ (46,352)	\$ 7,379	\$ 2,024	\$ (36,949)
Income (loss) before contributions and transfers	\$ 1,286,433	\$ 1,141,699	\$ (21,191)	\$ 2,406,941
Transfers in	1,046,280	-	-	1,046,280
Transfers out	(169,138)	(24,444)	(274)	(193,856)
Change in net position	\$ 2,163,575	\$ 1,117,255	\$ (21,465)	\$ 3,259,365
Net Position - Beginning of the year	\$ 16,960,234	\$ 14,582,610	\$ 114,960	\$ 31,657,804
Net Position - End of the year	\$ 19,123,809	\$ 15,699,865	\$ 93,495	\$ 34,917,169

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, 2019

	Business - Type Activities			Totals
	Water	Sewer	Non-Major Enterprise	
Cash flows from operating activities:				
Cash received from providing services	\$ 4,050,935	\$ 4,060,992	\$ -	\$ 8,111,927
Cash payments to suppliers	(197,125)	(324,758)	(495)	(522,378)
Cash payments for professional services	(497,512)	(489,910)	(256)	(987,678)
Cash payments to employees	(1,088,074)	(1,043,515)	(12,575)	(2,144,164)
Net cash provided (used) by operating activities	<u>\$ 2,268,224</u>	<u>\$ 2,202,809</u>	<u>\$ (13,326)</u>	<u>\$ 4,457,707</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (610,728)	\$ (1,049,013)	\$ -	\$ (1,659,741)
Principal paid on debt	(1,276,000)	(246,000)	-	(1,522,000)
Interest paid on debt	(184,026)	(85,800)	-	(269,826)
Net cash provided (used) by capital and related financing activities	<u>\$ (2,070,754)</u>	<u>\$ (1,380,813)</u>	<u>\$ -</u>	<u>\$ (3,451,567)</u>
Cash flows from non-capital financing activities:				
Intergovernmental revenues	\$ 18,037	\$ 17,385	\$ 217	\$ 35,639
Transfers from (to) other funds	877,142	(24,444)	(274)	852,424
Net cash provided (used) from non-capital financing activities	<u>\$ 895,179</u>	<u>\$ (7,059)</u>	<u>\$ (57)</u>	<u>\$ 888,063</u>
Cash flows from investing activities:				
Interest on investments	\$ 119,637	\$ 75,794	\$ 1,807	\$ 197,238
Net cash provided (used) by investing activities	<u>\$ 119,637</u>	<u>\$ 75,794</u>	<u>\$ 1,807</u>	<u>\$ 197,238</u>
Net increase (decrease) in cash and cash equivalents	\$ 1,212,286	\$ 890,731	\$ (11,576)	\$ 2,091,441
Cash and cash equivalents at beginning	6,273,102	4,003,567	119,117	10,395,786
Cash and cash equivalents at end	<u>\$ 7,485,388</u>	<u>\$ 4,894,298</u>	<u>\$ 107,541</u>	<u>\$ 12,487,227</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,332,785	\$ 1,134,320	\$ (23,215)	\$ 2,443,890
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	509,535	768,972	-	1,278,507
Changes in assets and liabilities:				
Accounts receivable	1,810	(45,748)	-	(43,938)
Deferred inflows/outflows	126,855	127,001	(55)	253,801
Accounts payable	27,762	(27,015)	-	747
Accrued payroll	3,850	2,478	19	6,347
Compensated absence payable	10,881	7,699	255	18,835
Deposits payable	21,911	1,053	-	22,964
Other post-employment benefits	5,168	(6,061)	(58)	(951)
Net pension liability	227,667	240,110	9,728	477,505
Net cash provided (used) by operating activities	<u>\$ 2,268,224</u>	<u>\$ 2,202,809</u>	<u>\$ (13,326)</u>	<u>\$ 4,457,707</u>

See accompanying notes to the financial statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2019

		<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$	83,416
Taxes receivable		8,085
Total assets	\$	<u>91,501</u>
LIABILITIES		
Due to others	\$	91,501
Total liabilities	\$	<u>91,501</u>

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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.

New Accounting Pronouncements

GASB No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the City, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as financed purchased of an asset, or accounts payable. In addition, the Statement requires that the City disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The City has implemented this pronouncement current fiscal year and is related in the debt footnotes below if applicable.

Change in Accounting Principle

Beginning in fiscal year 2019, the City changed the method of reporting its clearing funds, claims and payroll clearing. Previously, these funds were reported as agency funds, but it was determined in the current year that these funds did not meet the definition of an agency fund as outlined in GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, as the resources are not being held by the City in a custodial capacity. As explained further in the major fund descriptions, these funds were combined with the General Funds of the City for reporting purposes.

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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

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 City except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the City at year end. 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 those transactions between governmental and business-type activities have not been eliminated.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Measurement Focus and Basis of Accounting

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

Fund Financial Statements

Basis of Presentation

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

- 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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and 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 is collection within 60 days of the end of the current fiscal period with the exception of property taxes and other state grants that is 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.

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. The payroll and claims clearing funds of the City, previously reported in the agency funds, have been combined with the General Funds for reporting purposes. The cash and related payables of these clearing funds are also reported here.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Resort Tax Fund – A special revenue fund established in 1995 to provide budget opportunity to implement City Ordinance 95-15, the Resort Tax Ordinance. The ordinance imposes a 3% resort tax on a range of good and services sold by establishments within the City. The Ordinance specifies that of the 3%, 2% is distributed as follows: property tax relief should be provided to Whitefish taxpayers in the amount equal to 25% of the tax revenues derived during the preceding fiscal year, an amount equal to 65% of these revenues shall be used for repair and improvement of existing infrastructure and an amount equal to 5% of the revenues shall be used for bicycle paths and other park improvements. Finally, each collecting merchant is entitled to withhold 5% to defray costs of collecting the tax. Of the other 1% of the resort tax, 25% goes to additional tax relief, 70% to secure and be pledged to the repayment of a loan or a bond to finance a portion of the costs of, or to otherwise pay for, the acquisition of the Haskill Basin Conservation Easement, and the remaining 5% for the merchants' costs of administration. In fiscal year 2016, the resort tax rate was increased and is described later in the notes to the financial statements in Note 18.

Tax Increment Fund – A special revenue fund that was established in 1987 to account for \$2,100,000 of urban renewal bond revenue.

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

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

Proprietary Funds:

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

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Major Funds:

The City reports the following major proprietary funds:

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

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

Fiduciary Funds

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

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.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2019, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,000
Cash in banks:	
Demand deposits	12,341,841
Savings deposits	412,033
Time deposits	5,442,786
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	10,558,194
U.S. Government Securities	864,281
Total	\$ 29,620,135

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

Cash equivalents

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The City's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings and time deposits, STIP, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

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

Fair Value Measurements

Investments, are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date. Fair value is determined annually at fiscal year-end and requires use of valuation techniques described below.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted account principles. The hierarchy, as follows, is based on the valuation inputs used to measure fair value. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs that include the following:

- (a) Level 1 Inputs – Quotes prices in active markets for identical assets; these investments are valued using prices quoted in active markets.
- (b) Level 2 Inputs – Significant other observable inputs other than quoted prices included within Level 1; these investments are valued using matrix pricing.
- (c) Level 3 Inputs – Significant unobservable inputs, these investments are valued using consensus pricing.

The U.S Government Treasury are valued using quoted market prices (Level 1 inputs).

Credit Risk

As a means of limiting exposure to credit risk, the City is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state MCA:

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;

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

(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.

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

The government has no investments that require credit risk disclosure.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2019, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	WAM <u>(Days)</u>
Treasuries	\$ 129,877	A-1+	20
Agency or Government Related	873,181	A-1+	69
Corporate:			
Commercial Paper	200,145	A-1+	16
Notes	448,909	A-1+	61
Certificates of Deposit	<u>325,235</u>	A-1+	45
Total Investments	<u>\$ 1,977,347</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3rd Floor in Helena, Montana.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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 other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2019 the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2019 <u>Balance</u>
Insured	\$ 16,000,048
- Collateral held by the pledging bank's trust department but not in the City's name	1,178,447
- Uninsured and uncollateralized	<u>925,470</u>
Total deposits and investments	<u><u>\$ 18,103,965</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, 2019, equaled or exceeded the amount required by State statutes.

Interest Rate Risk

The government does have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2019 along with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest Rate</u>	<u>Maturity</u>	<u>Amount</u>
US Treasury	2.590%	11/15/2019	\$ 151,112
US Treasury	1.720%	12/15/2019	358,045
US Treasury	2.070%	9/30/2019	355,124
STIP	Varies	N/A	<u>10,558,194</u>
Total			<u><u>\$ 11,422,475</u></u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2019. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Resort Tax	Resort Tax - Streets	\$ 1,697,321
Resort Tax	Resort Tax - Parks	67,990
Resort Tax	Resort Tax - Tax Relief	1,287,532
Tax Increment	Debt Service -Future	1,698,300
Water Fund	Debt Service -Future	821,503
Water Fund	Debt Service - Replacement & Depreciation	104,378
Water Fund	Impact Fees-Construction	1,102,467
Sewer Fund	Debt Service -Future	166,947
Sewer Fund	Debt Service - Replacement & Depreciation	102,026
Sewer Fund	Impact Fees-Construction	<u>1,100,342</u>
Total		<u>\$ 8,148,806</u>

NOTE 4. RECEIVABLES

Tax Receivables

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

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.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the City has included the value of all infrastructure into the 2019 Basic Financial Statements.

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

Governmental activities:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 8,725,278	\$ 721,787	\$ -	\$ 9,447,065
Construction in progress	3,040,788	2,871,745	(435,579)	5,476,954
Total capital assets not being depreciated	<u>\$ 11,766,066</u>	<u>\$ 3,593,532</u>	<u>\$ (435,579)</u>	<u>\$ 14,924,019</u>
Other capital assets:				
Buildings	\$ 37,249,085	\$ 30,400	\$ -	\$ 37,279,485
Improvements other than buildings	2,962,562	12,000	-	2,974,562
Machinery and equipment	8,301,665	284,651	-	8,586,316
Infrastructure	42,399,533	2,444	435,579	42,837,556
Total other capital assets at historical cost	\$ 90,912,845	\$ 329,495	\$ 435,579	\$ 91,677,919
Less: accumulated depreciation	(28,745,799)	(3,375,697)	-	(32,121,496)
Total	<u>\$ 73,933,112</u>	<u>\$ 547,330</u>	<u>\$ -</u>	<u>\$ 74,480,442</u>

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 450,984
Public safety	420,278
Public works	1,831,399
Culture and recreation	671,644
Housing and community development	<u>1,392</u>
Total governmental activities depreciation expense	<u>\$3,375,697</u>

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

Business-type activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
Capital assets not being depreciated:				
Land	\$ 602,783	\$ -	\$ -	\$ 602,783
Haskill Basin Conservation Easement	7,730,248	-	-	7,730,248
Construction in progress	<u>1,737,598</u>	<u>1,632,009</u>	<u>(351,925)</u>	<u>3,017,682</u>
Total capital assets not being depreciated	<u>\$ 10,070,629</u>	<u>\$ 1,632,009</u>	<u>\$ (351,925)</u>	<u>\$ 11,350,713</u>
Other capital assets:				
Machinery and equipment	\$ 134	\$ -	\$ -	\$ 134
Buildings	834,865	-	-	834,865
Pumping plant	3,170,905	-	-	3,170,905
Treatment plant	16,515,158	-	-	16,515,158
Transmission and distribution	21,811,637	-	351,925	22,163,562
General plant	<u>2,284,005</u>	<u>27,732</u>	<u>-</u>	<u>2,311,737</u>
Total other capital assets at historical cost	<u>\$ 44,616,704</u>	<u>\$ 27,732</u>	<u>\$ 351,925</u>	<u>\$ 44,996,361</u>
Less: accumulated depreciation	<u>(20,562,868)</u>	<u>(1,278,507)</u>	<u>-</u>	<u>(21,841,375)</u>
Total	<u><u>\$ 34,124,465</u></u>	<u><u>\$ 381,234</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 34,505,699</u></u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

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

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2019, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 11,052,000	\$ -	\$ (3,461,442)	\$ 7,590,558	\$ 3,848,000
Special assessment bond	1,284,670	-	(91,724)	1,192,946	92,903
Intercap loans	788,703	-	(188,790)	599,913	159,724
Compensated absences	1,231,967	58,041	-	1,290,008	1,047,612
Net pension liability*	5,947,490	-	(1,138,951)	4,808,539	-
Other post-employment benefits**	<u>1,635,938</u>	<u>31,216</u>	<u>-</u>	<u>1,667,154</u>	<u>-</u>
Total	<u>\$ 21,940,768</u>	<u>\$ 89,257</u>	<u>\$ (4,880,907)</u>	<u>\$ 17,149,118</u>	<u>\$ 5,148,239</u>

*See Note 9
 **See Note 8

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

Business-type Activities:

	Balance <u>July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 11,363,563	\$ -	\$ (1,522,000)	\$ 9,841,563	\$ 1,211,000
Compensated absences	279,753	18,835	-	298,588	204,348
Net pension liability*	1,117,374	477,505	-	1,594,879	-
Other post-employment benefits**	<u>485,789</u>	<u>-</u>	<u>(11,287)</u>	<u>474,502</u>	<u>-</u>
Total	<u>\$ 13,246,479</u>	<u>\$ 496,340</u>	<u>\$ (1,533,287)</u>	<u>\$ 12,209,532</u>	<u>\$ 1,415,348</u>

*See Note 9
 **See Note 8

Special Assessment Debt - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected. Rural special improvement districts bonds were issued with revolving fund backing. The City is not obligated to levy and collect a general property tax on all taxable property in the City to provide additional funding for the debt service payments. The cash balance in the Revolving Fund must equal at least 5% of the principal amount of bonds outstanding. Special assessment bonds outstanding as of June 30, 2019 were as follows:

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<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, 2019</u>
SID #166 - JP Road Project	7/6/06	3.65-4.80%	20yrs	7/1/26	\$ 1,360,000	varies	\$ 450,000
SID #167 (Glacier Bank)	1/5/17	4.36%	20yrs	7/1/37	389,500	varies	371,473
SID #167 (First Interstate Bank)	1/5/17	4.36%	20yrs	7/1/37	<u>389,500</u>	varies	<u>371,473</u>
					<u>\$ 2,139,000</u>		<u>\$ 1,192,946</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 92,903	\$ 53,367
2021	94,132	49,147
2022	95,416	44,840
2023	96,758	40,443
2024	98,156	35,958
2025	99,618	31,376
2026	96,144	26,730
2027	37,736	22,258
2028	39,400	20,594
2029	41,136	18,858
2030	42,950	17,044
2031	44,842	15,152
2032	46,820	13,174
2033	48,884	11,110
2034	51,038	8,956
2035	53,288	6,706
2036	55,636	4,358
2037	58,089	1,905
Total	<u>\$ 1,192,946</u>	<u>\$ 421,976</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, net of an unamortized premium of at year-end were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2019</u>
2016A Tax Increment Urban renewal Bond (Glacier Bank) (1)	3/1/16	2.21%	4 yrs	7/15/20	\$ 4,900,000	varies	\$ 2,664,558

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2016B Tax Increment Urban Renewal Bond (First Interstate Bank) (1)	3/1/16	2.21%	4 yrs	7/15/20	4,900,000	varies	2,665,000
2015A Tax Increment Urban Renewal Refunding Bonds 2015A (Glacier Bank) (1)	6/10/15	2.62%	5 yrs	7/15/20	3,591,500	varies	1,130,500
2015B Tax Increment Urban Renewal Refunding Bonds 2015B (First Interstate) (1)	6/10/15	2.62%	5yrs	7/15/20	3,591,500	varies	1,130,500
Water DWSRF #06098- 2007 (2)	6/15/06	2.25%	20 yrs	7/1/26	248,699	varies	372,000
Water WRF #08110 – 2006 (2)	9/6/07	2.25%	20 yrs	7/1/27	900,000	varies	375,000
Water SRF (2009B) (2)	10/21/09	0.75%	20 yrs	7/1/29	120,100	varies	60,000
Water System Revenue Bond, Taxable Series 2016 (Haskill Basin) (2)	1/1/16	2.50%	20 yrs	1/1/25	8,219,500	varies	5,718,000
Water DNRC Series 2015 (2)	12/7/15	2.50%	30 yrs	1/1/36	120,000	varies	106,000
Sewer SRF 2002 Series (2)	7/1/02	2.00%	20 yrs	7/1/22	200,000	varies	36,000
Sewer DNRC (2008A) (2)	12/11/08	2.25%	20 yrs	7/1/28	500,000	varies	207,000
Sewer DNRC (2008B) (2)	1/16/09	2.25%	20 yrs	1/1/29	1,711,000	varies	704,000
Sewer DNRC (2010B) (2)	2/4/10	0.75%	20 yrs	1/1/30	48,211	varies	30,000
Sewer 2011B (2)	8/1/11	3.00%	20 yrs	7/1/31	340,000	varies	227,000
Sewer 2011C (2)	8/1/11	3.00%	20 yrs	7/1/31	350,000	varies	248,764
Sewer - 2014A - River Lakes (2)	11/20/14	2.50%	20 yrs	1/1/35	300,000	varies	195,799
Sewer 2014 (2)	3/6/14	3.00%	20 yrs	1/1/34	452,300	varies	352,000
Sewer DNRC 2015 (2)	12/17/15	2.50%	20 yrs	7/1/36	960,000	varies	824,000
Sewer I & I (2)	7/21/16	2.50%	20 yrs	1/1/36	<u>439,085</u>	varies	<u>386,000</u>
					<u>\$37,730,895</u>		<u>\$ 17,432,121</u>

(1) Reported in the governmental activities.

(2) Reported in business-type activities.

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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 most significant covenants are summarized in detail below:

Governmental: The City was to create a reserve account and credit \$718,300 from the proceeds of the Series 2015 Bonds and \$980,000 from the Series 2016 Bonds.

Proprietary: The City was to create a reserve account for both the Water and Sewer Revenue Bonds which they were to maintain an amount equal to one-half the sum of the highest cumulate amounts of principle and interest payable on all outstanding bonds in any current or future fiscal year; and the amount of net revenues for both water and sewer will at least equal 1.25 times the maximum annual debt service on the bonds.

As of June 30, 2019, the City was in compliance with these requirements.

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 5,059,000	\$ 364,741
2021	5,037,558	248,753
2022	1,366,000	147,665
2023	1,455,000	118,790
2024	1,577,000	89,169
2025	1,060,000	56,805
2026	401,000	42,580
2027	264,000	34,738
2028	171,000	28,151
2029	168,000	24,198
2030	164,000	20,295
2031	163,764	16,135
2032	139,000	11,710
2033	130,000	8,400
2034	120,799	5,375
2035	94,000	2,650
2036	62,000	760
Total	\$ <u><u>17,432,121</u></u>	\$ <u><u>1,220,915</u></u>

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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, 2019 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2019</u>
Fire Pumper Type 1	6/20/2014	1.00-1.55%	10 yrs	8/15/2024	\$ 485,112	\$ 113,526
Fire Pumper	10/3/2014	1.00-1.55%	10 yrs	8/15/2024	282,659	158,560
Water Tender Fire Apparatus	2/13/2015	1.00-1.55%	7 yrs	2/15/2022	211,000	92,220
Fire SCBAs	12/4/2015	1.25-2.5%	5 yrs	2/15/2021	230,453	93,904
Ambulance 2018	2/16/2018	3.15%	5 yrs	2/15/2023	<u>175,000</u>	<u>141,703</u>
Total					<u>\$ 1,384,224</u>	<u>\$ 599,913</u>

Reported in governmental-type activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 159,724	\$ 38,358
2021	161,951	27,555
2022	116,373	16,881
2023	86,713	10,061
2024	50,473	4,823
2025	24,679	1,137
Total	<u>\$ 599,913</u>	<u>\$ 98,816</u>

Compensated Absences

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

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NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The City of Whitefish provides a single-employer defined benefit post-employment health care plan that covers eligible retired employees of the City. A former covered employee whose employment with the City terminates due solely to retirement can continue coverage under the plan as a retiree if they have met the eligibility requirements and are receiving a retirement benefit from a qualified pension plan. Eligibility requirements are as follows:

PERS: Age 55 with 5 years of service or 25 years of service regardless of age
 FURS: Age 50 with 5 years of service or 20 years of service regardless of age
 MPORS: Age 50 with 5 years of service or 20 years of service regardless of age

Coverage will continue for as long as the retiree is enrolled under the plan and the applicable premiums are paid, provided a break in coverage does not occur. If a break in coverage occurs, the retiree is no longer eligible to participate or re-enroll in the plan.

The retiree’s termination of coverage from the plan does not apply to the retiree’s spouse, provided the retiree is terminating because of Medicare coverage. The spouse of a retiree is permitted to maintain coverage unless the spouse is also eligible for Medicare coverage or the spouse has or is eligible for equivalent coverage.

No assets have been accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Benefits Provided. Retirees enrolling in the plan may choose medical, dental, vision, and life insurance benefits. All benefits are provided through the Montana Municipal Interlocal Authority. The table below presents a high-level summary of the medical benefits offered in the plan year beginning July 1, 2017.

	<u>PPO Plan</u>
Medical Deductible (Individual/Family)	\$500/\$1000
Out-of-Pocket Maximum (Individual/Family)	\$1,500/\$3,000
Coinsurance (In Network/Out of Network)	\$20%/40%
Prescription Deductible	None
Prescription Copays:	
Generic	\$6
Brand Formulary	\$12
Brand Non-Formulary	\$22
Prescription Out-of-Pocket Maximum (Individual/Family)	\$5,100/\$10,200

The life insurance benefit is provided by UNUM Life Insurance Company and provides \$25,000 of term life coverage plus \$25,000 AD&D coverage for employees and a \$5,000 basic term life benefit for dependents. At age 70, the life benefit reduces to \$12,500.

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This report summarizes the GASB 75 roll forward actuarial valuation for the City of Whitefish, valued at June 30, 2019 for the fiscal year ending on that date. The information presented herein is based on the actuarial assumptions and substantive plan provisions summarized in the City’s July 1, 2017 actuarial valuation. In a roll forward valuation, the census data and assumptions used in the prior year’s valuation are rolled forward to the new measurement date with only minimal change.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	19
Active employees	78
Total employees	97

Total Other Post-employment Benefits (OPEB) Liability

The City’s total OPEB liability of \$2,141,656 at June 30, 2019, and was determined by actuarial valuation using the actuarial entry age normal funding method, with roll forward procedures to the determined liability as of July 1, 2017.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2018 was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date	June 30, 2018
Valuation Date	July 1, 2017
Discount rate (average anticipated rate)	3.36%
Payroll Growth Rate	3.50%
General Inflation	3.0% per year

Mortality Rate:

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.1879%	0.1578%
55	0.3010%	0.2458%
60	0.5271%	0.4135%
65	0.9041%	0.7624%
70	1.4636%	1.3151%
75	2.5057%	2.2077%
80	4.2816%	3.6037%
85	7.3750%	6.0833%
90	13.0721%	10.5549%

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Termination Before:

<u>Service</u>	<u>PERS</u>	<u>FURS</u>	<u>MPORS</u>
0	30.0%	4.25%	16.0%
1	22.5%	4.25%	13.0%
2	15.0%	4.25%	11.0%
3	12.5%	4.25%	9.0%
4-5	10.0%	3.00%	7.0%
6	8.0%	3.00%	7.0%
7	6.0%	2.00%	7.0%
8-9	6.0%	2.0%	5.0%
10	6.0%	2.0%	2.0%
11-14	4.0%	1.0%	2.0%
15+	2.0%	1.0%	2.0%

The discount rate was based on the S & P Municipal Bond 20Year High Grade Rate Index as of July 1, 2019.

Payroll Growth Rate was determined by the Pension Actuarial Valuations June 30, 2017.

Mortality Rate was determined by the Male and Female RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using scale BB, males set back 1 year, from Pension Actuarial Valuations June 30, 2017.

Termination rates were set based on PERS, FURS, and MPORS Pension Actuarial Valuations June 30, 2017.

Retirement Rate as follows:

<u>Age</u>	<u>PERS</u>		<u>FURS</u>	<u>MPORS</u>
	<u>Less than 30 years</u>	<u>30+ years</u>		
50	0%	10%	5%	12%
51	3%	10%	10%	15%
52	3%	10%	10%	15%
53	3%	10%	10%	15%
54	3%	10%	10%	15%
55	3%	15%	25%	20%
56	4%	15%	25%	20%
57	5%	15%	25%	20%
58	5%	15%	25%	20%
59	6%	15%	25%	20%
60	8%	15%	50%	20%
61	15%	15%	50%	20%

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62	25%	25%	50%	100%
63	15%	15%	100%	
64	15%	15%		
65-66	30%	30%		
67-69	25%	25%		
70	100%	100%		

Participation Rate – 50% of active employees are assumed to elect the City healthcare coverage in retirement. 20% are assumed to continue the plan after age 65. Current retirees are assumed to continue their existing elections until age 65, however, only 40% of the retirees currently under age 65 are assumed to continue their exiting election after age 65 for their remaining lifetime.

Participation Rate Life Insurance – 68% of active employees are assumed to elect the City life insurance coverage in retirement. All current retirees are assumed to continue their existing election for their remaining lifetime.

Spousal Coverage – Of the current active employees, 95% of those assumed to elect coverage in the retirement are assumed to be married and 80% of the married participants are assumed to elect coverage for their spouse in retirement. Husbands are assumed to be 3 years older than their wives. Of the current retired employees, existing elections for the spouse coverage are assumed to be maintained until death. Actual spouse information is used where it was available, otherwise, husbands are assumed to be 3 years older than their wives.

Medical Trend Rate:

<u>Effective July 1</u>	<u>Trend Rate</u>
2018	6.2%
2019	6.0%
2020	5.8%
2021	5.6%
2022	5.4%
2023	5.2%
2024+	5.0%

The Medical Trend Rates above were from the PriceWaterhouseCoopers 2017 Assumption and Disclosure Survey.

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Changes in the Total OPEB Liability

Balance at 6/30/2018	\$ <u>2,121,727</u>
Changes for the year:	
Service Cost	\$ 146,887
Interest	71,290
Differences in experience	(83,630)
Change in assumptions	(114,618)
Benefit payments	<u>-</u>
Net Changes	\$ <u>19,929</u>
Balance at 6/30/2019	\$ <u><u>2,141,656</u></u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (2.36%)	Discount Rate (3.36%)	1% Increase (4.36%)
Total OPEB Liability \$	2,630,161	\$ 2,141,656	\$ 1,766,802

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	1% Decrease	Healthcare Cost Trends*	1% Increase
Total OPEB Liability \$	1,767,367	\$ 2,141,656	\$ 2,654,469

**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the City recognized an OPEB expense of \$19,929. The City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	OPEB - Deferred Outflows of Resources	OPEB - Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 686,637
Changes in Assumptions	431,801	100,272
Total	\$ 431,801	\$ 786,909

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

OPEB: Year ended June 30,		Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to OPEB Expense
2020	\$	(24,812)
2021	\$	(24,812)
2022	\$	(24,812)
2023	\$	(24,812)
2024	\$	(24,812)
2025	\$	(24,812)
2026	\$	(24,564)
Total	\$	(173,436)

NOTE 9. NET PENSION LIABILITY

Summary of Significant Accounting Policies

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

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Plan Descriptions

PERS

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

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

MPORS

The Municipal Police Officers' Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1974 and governed by Title 19, chapters 2 & 9, MCA. This plan provides retirement benefits to all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries.

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

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FURS

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This plan provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature.

The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

PERS

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.
- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

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- 2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:
- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:
- a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service.

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

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Guaranteed Annual Benefit Adjustment (GABA)

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

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

MPORS

Service Retirement:

- 20 years of membership service, regardless of age.
- Age 50 with 5 years of membership service.
- 2.5% of FAC x years of service credit.

Second Retirement (applies to members re-employed in a MPORS position after July 1, 2017):

- 1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a.. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.

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3) A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service.

Member's Final Average Compensation (FAC)

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

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.

Minimum benefit adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA, the minimum benefit adjustment provided is equal to 50% of the current base compensation of a newly confirmed police officer of the employer that last employed the member as a police officer.

FURS

Service retirement

- Hired on or after July 1, 1981, or has elected to be covered by GABA:
 - 20 years of membership service
 - 2.5% of HAC x years of service credit
- Hired prior to July 1, 1981, and who had not elected to be covered by GABA, the greater of above, or:
 - If membership service is less than 20 years:
- 2% of the highest monthly compensation (HMC) x years of service credit and
 - If membership services is greater or equal to 20 years:
- 50% of HMC + 2% of HMC x years of service credit in excess of 20

Early retirement

- Age 50 with 5 years of membership service

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Second retirement

(applies to members re-employed in a FURS position after July 1, 2017):

- 1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 3) A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service.

Member's compensation period used in benefit calculation

- Hired prior to July 1, 1981 and not electing GABA: highest monthly compensation (HMC);
- Hired after June 30, 1981 and those electing GABA: highest average compensation (HAC) during any consecutive 36 months (or shorter period of total service).
- Part-time firefighter: 15% of regular compensation of a newly confirmed full-time firefighter.

Compensation Cap

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

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Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months – the member’s benefit increases by 3.0% each January.

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA - the minimum benefit adjustment is provided equal to 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.

Overview of Contributions

PERS

1. Rates are specified by state law and are a percentage of the member’s compensation.
 - a. Contributions are deducted from each member’s salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees’ compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members’ compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members’ compensation on behalf of school district entities.
 - iii. The State contributed a statutory appropriation from its General Fund of \$33,454,182.

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MPORS

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

Fiscal Year	Member					
	Hired <7/1/75	Hired ≥6/30/75	Hired ≥6/30/79	Hired>6/30/97 GABA	Employer	State
2000-2019	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%

FURS

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

Fiscal Year	Member			
	Non-GABA	GABA	Employer	State
1998-2019	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%

Stand-Alone Statements

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

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS), Municipal Police Officers' Retirement System (MPORS) and Firefighters' Unified' Retirement System (FURS) Statement 68 became effective June 30, 2016 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, the System has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS, MPORS, FURS that are used to provide pension benefits to the retired members.

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Due to the existence of a special funding situation, employers are also required to report the portion of the State of Montana’s proportionate share of the collective Net Pension Liability that is associated with the employer.

The following table displays the amounts and the percentages of Net Pension Liability for the fiscal years ended June 30, 2018 and June 30, 2019 (reporting dates).

	PERS NPL as of 6/30/2018	PERS NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2019	FURS NPL as of 6/30/18	FURS NPL as of 6/30/19	Percent of Collective NPL as of 6/30/2019	MPORS NPL as of 6/30/2019	Percent of Collective NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2019	Total Collective NPL as of 6/30/2019	Percent Totals as of 6/30/2019
Employer Proportionate Share	\$ 5,129,069	\$ 4,493,914	0.2153%	\$ 834,451	\$ 850,163	0.7382%	\$ 1,059,341	0.6190%	0.6186%	\$ 6,403,418	1.5721%
State of Montana Proportionate Share associated with Employer	68,528	1,504,721	0.2893%	1,894,948	1,943,937	2.4832%	2,165,490	1.8807%	1.8838%	\$ 5,614,148	4.6563%
Total	\$ 5,197,597	\$ 5,998,635	0.5046%	\$ 2,729,399	\$ 2,794,100	3.2214%	\$ 3,224,831	2.4997%	2.5024%	\$ 12,017,566	6.2284%

At June 30, 2019, the employer recorded a liability of \$6,403,418 for its proportionate share of the net pension liability of 1.5721 percent. The net pension liability of PERS, MPORS, FURS reported was determined by taking the results of the June 30, 2017 actuarial valuation and applying roll forward procedures to the June 30, 2018 measurement date. The employer’s proportion of the net pension liability was based on the employer’s contributions received by PERS, MPORS, FURS during the measurement period July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERS, MPORS, FURS participating employers.

Changes in actuarial assumptions and methods:

PERS, MPORS, FURS

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms:

PERS, MPORS, FURS

There were no changes in benefit terms since the previous measurement date.

Changes in proportionate share:

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

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Pension Expense as of 6/30/19

	PERS	FURS	MPORS	Total
Employer Proportionate Share	\$ 479,149	\$ 110,091	\$ 126,508	\$ 715,748
State of Montana Proportionate Share associated with the Employer	100,424	391,257	298,517	790,198
Total	\$ 579,573	\$ 501,348	\$ 425,025	\$ 1,505,946

At June 30, 2019, the employer recognized a Pension Expense of \$715,748 for its proportionate share of the pension expense. The employer also recognized grant revenue of \$790,198 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer. Additionally, the employer recognized grant revenue of \$0 from the State Statutory Appropriation from the General Fund.

Recognition of Beginning Deferred Outflow

At June 30, 2019, the employer recognized a beginning deferred outflow of resources for the employers fiscal year 2018 contributions of \$641,143.

Deferred Inflows and Outflows

At June 30, 2019, the employer reported its proportionate share of PERS, MPORS, FURS deferred outflows of resources and deferred inflows of resources related to PERS, MPORS, FURS from the following sources:

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	PERS Deferred Outflows of Resources	PERS Deferred Inflows of Resources	FURS Deferred Outflows of Resources	FURS Deferred Inflows of Resources	MPORS Deferred Outflows of Resources	MPORS Deferred Inflows of Resources	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 341,732	\$ -	\$ 95,431	\$ 4,683	\$ 2,969	\$ 21,128	\$ 440,132	\$ 25,811
Actual vs. Expected Investment Earnings	-	69,790	-	10,312	-	8,032	-	88,134
Changes in Assumptions	382,140	-	83,244	-	49,521	-	514,905	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	566,038	-	56,971	-	28,064	-	651,073
Employer contributions subsequent to the measurement date - FY19	149,677	-	176,246	-	150,413	-	476,336	-
Total	<u>\$ 873,549</u>	<u>\$ 635,828</u>	<u>\$ 354,921</u>	<u>\$ 71,966</u>	<u>\$ 202,903</u>	<u>\$ 57,224</u>	<u>\$ 1,431,373</u>	<u>\$ 765,018</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Deferred Inflows and Outflows

PERS: Year ended June 30,	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2020	\$ 257,443
2021	83,583
2022	(224,305)
2023	(28,676)
2024	-
Thereafter	-

FURS: Year ended June 30,	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2020	\$ 39,658
2021	24,231
2022	345
2023	24,277
Thereafter	\$ 18,197

MPORS: Year ended June 30,	Amount of Deferred Outflows and Deferred Inflows recognized in future years as an increase or (decrease) to Pension Expense
2020	\$ 25,807
2021	(5,668)
2022	(20,149)
2023	(4,724)
2024	-
Thereafter	\$ -

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Actuarial Assumptions

PERS

The Total Pension Liability (TPL) used to calculate the NPL was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

MPORS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.24%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.60%

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- Postretirement Benefit Increases
 - i. **Guaranteed Annual Benefit Adjustment (GABA)**
Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.
 - ii. **Minimum benefit adjustment (non-GABA)**
If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city that the member was last employed.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with Scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Mortality Tables.

FURS

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2017, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2018. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- | | |
|--|------------|
| • Investment Return (net of admin expense) | 7.65% |
| • Admin Expense as % of Payroll | 0.23% |
| • General Wage Growth* | 3.50% |
| *includes Inflation at | 2.75% |
| • Merit Increases | 0% to 6.3% |
| • Postretirement Benefit Increases: | |

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

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

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- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using Scale BB, males set back 1 year.
- Mortality assumptions among Disabled Members were based on RP 2000 Combined Mortality Tables.

Discount Rate

PERS, MPORS, FURS

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated.

For PERS the State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

For MPORS the State contributes 29.37% of salaries paid by employers. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2132. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

For FURS the State contributes 32.61% of salaries paid by employers. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2134. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

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Target Allocations

PERS, MPORS, FURS

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.60%	4.00%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.35%
Fixed Income	23.40%	1.00%
Private Equity	12.00%	7.75%
Real Estate	<u>8.00%</u>	4.00%
Total	<u>100.00%</u>	

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The most recent analysis, performed for the period of July 1, 2010 to June 30, 2016, is outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The above table outlines the best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018.

Sensitivity Analysis

		Current		
		<u>1.0% Decrease</u>	<u>Discount Rate</u>	<u>1.0% Increase</u>
PERS	\$	6,499,241	\$ 4,493,914	\$ 2,847,222
FURS	\$	1,457,133	\$ 850,163	\$ 361,237
MPORS	\$	1,608,777	\$ 1,059,341	\$ 619,940

PERS, MPORS, FURS

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

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NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2019, was as follows:

Due to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	General – Major	WF Trail Constructions –	
Deficit Cash	Governmental	Nonmajor Governmental	\$ <u>23,570</u>

Advances to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Half of annual assessment	SID Revolving-Nonmajor Governmental	SID 166- Nonmajor Governmental	\$ <u>58,699</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2019:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Operating	Parks, Recreation, & Community Service – Nonmajor Governmental	General – Major Governmental	\$ 793,990
Operating	Fire and Ambulance – Major Governmental	General– Major Governmental	700,380
Operating	Library – Nonmajor Governmental	General– Major Governmental	34,371
Indirect Cost Allocation Transfer	General– Major Governmental	Street & Alley– Nonmajor Governmental	12,299
Indirect Cost Allocation Transfer	General– Major Governmental	Parks, Recreation, & Community Service – Nonmajor Governmental	23,114
Indirect Cost Allocation Transfer	General– Major Governmental	Library– Nonmajor Governmental	4,151
Indirect Cost Allocation Transfer	General– Major Governmental	Tax Increment – Major Governmental	6,286
Indirect Cost Allocation Transfer	General– Major Governmental	Fire and Ambulance– Nonmajor Governmental	43,362
Indirect Cost Allocation Transfer	General– Major Governmental	Building Codes– Nonmajor Governmental	9,274

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Indirect Cost Allocation Transfer	General– Major Governmental	Light District #1– Nonmajor Governmental	645
Indirect Cost Allocation Transfer	General– Major Governmental	Light District #4– Nonmajor Governmental	645
Indirect Cost Allocation Transfer	General– Major Governmental	Storm Water– Nonmajor Governmental	3,211
Indirect Cost Allocation Transfer	General– Major Governmental	Water– Nonmajor Governmental	26,131
Indirect Cost Allocation Transfer	General– Major Governmental	Sewer– Nonmajor Governmental	24,444
Indirect Cost Allocation Transfer	General– Major Governmental	Solid Waste– Nonmajor Governmental	274
Property Tax Relief	General – Major Governmental	Resort Tax – Major Governmental	1,277,625
Resort Tax Transfer	Water– Nonmajor Governmental	Resort Tax – Major Governmental	1,046,280
Operating	Gas Tax– Nonmajor Governmental	Street and Alley – Non Major Governmental	9,013
TIF Debt Service	Tax Increment Revenue Bond Debt – Major Governmental	Tax Increment – Major Governmental	3,984,728
Impact Fees Transfer	Tax Increment – Major Governmental	Impact Fees– Nonmajor Governmental	197,994
Operating	Parks, Recreation, & Community Service– Nonmajor Governmental	Water– Nonmajor Governmental	50,511
Property Tax Relief	General – Major Governmental	Water– Nonmajor Governmental	92,496
		Total	<u>\$ 8,341,224</u>

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2019

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

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

Fire Department Relief Association Disability and Pension

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

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

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

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

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

The City 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 City 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.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Resort Tax	\$ 3,031,977	Street and park improvements and tax relief
Tax Increment	671,267	Urban development
Fire & Ambulance	401,564	Emergency services
Tax Increment Revenue Bond Debt	5,634,705	Debt service
All Other Aggregate	1,602,445	Maintenance
	142,034	Culture and recreation services and improvements
	534,457	Construction inspections
	824,749	Improvements
	90,492	Utility services
	841,628	Storm drainage
	3,217	Miscellaneous
	<u>246,175</u>	Debt service
Total	<u>\$ 14,024,710</u>	

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>
SID Bond Debt	\$ (7,350)	Insufficient cash to pay interfund advance	Increased cash from receivable collection and future assessment revenues
WF Trail Construction	<u>(3,804)</u>	Insufficient cash to pay current liabilities	Future grant revenues and donations which will increase cash
Total	<u>\$ (11,154)</u>		

NOTE 14. INTERLOCAL AGREEMENT

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

NOTE 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, 2019

Flathead County 911 Emergency Coordination Center

911 Dispatch Center is operated under an interlocal agreement between Flathead County, the City of Columbia Falls, the City of Whitefish and the City of Kalispell. The Center operates under the supervision and control of the Flathead Emergency Communications Center Board. The Board consists of six members, the Flathead County Sheriff, a County Commissioner chosen by the Board of County Commissioners, the County Attorney or other elected County officer, and an elected official or designee from each of the cities of Kalispell, Whitefish, and Columbia Falls. The Department is financed by funds received by all member from the State (9-1-1 fees) pursuant to Section 10-4-302, M.C. A. Any additional operating funds needed will be shared proportionally by all members. Under the supervision of the Board, the Director shall hire and direct staff to carry out the responsibilities of the County's Office of Emergency Services and the Flathead County Fire Service Area.

We would suggest that the 911 Dispatch Center be called the Flathead Emergency Communications Center, FECC, as it is noted in the Flathead County's financial statements. It is a Discretely Presented Component Unit in the Flathead County's CAFR.

Big Mountain County Sewer District

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

NOTE 16. SERVICES PROVIDED BY OTHER GOVERNMENTS

County Provided Services

The City is provided various financial services by Flathead County. The County also serves as cashier and treasurer for the City for tax and assessment collections and other revenues received by the County which are subject to distribution to the various taxing jurisdictions located in the County. The collections made by the County on behalf of the 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 County faces a 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 Pools:

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

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
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 June 30, 2019

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 18. RESORT TAX

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

Administration	5%
Parks Improvements	5%
Street Improvements	65%
Tax Relief	25%

In April 2015, it was voted and approved to increase the resort tax 1% starting July 1, 2015. The 1% tax proceeds are restricted as follows:

Tax Relief	25%
Debt Service	70%
Administration fee to business owners	5%

On June 30, 2019 the Resort Tax Fund had a cash balance of \$3,052,843. This balance was restricted as follows:

Park Improvements	\$ 67,990
Street Improvements	\$ 1,697,321
Tax Relief	\$ 1,287,532

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019

NOTE 19. WHITEFISH LAKE GOLF COURSE

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

NOTE 20. PENDING LITIGATION

The following is a list of litigation pending against the City and the amount of damages claimed by the Plaintiff. The City Attorneys have made no evaluations 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>James Hartshorne and Angelo Queirolo v. City of Whitefish, DV-18-987A</i>	None	None
<i>Edward Moffatt and Chris Clouse v. City of Whitefish, DV-19-264A</i>	Unknown	Unknown
<i>CommUnity Consulting, LLC v. City of Whitefish, DV-15-19-566C</i>	Unknown	Unknown
<i>Michael Goguen v. City of Whitefish</i>	Unknown	Unknown
<i>South Whitefish Neighborhood Association v. City of Whitefish, DV-15-19-1016-DK</i>	Unknown	Unknown

NOTE 21. SUBSEQUENT EVENTS

In December 2019, The City awarded the Wastewater Treatment Plant construction for \$20,307,000. To date, \$3.9 million has been spent on the project.

In August 2019, The City closed on the sale of the 530 Edgewood Place property to the Whitefish Housing Authority for \$111,236. The City also closed on the sale of the 524 and 534 Edgewood Place properties for \$370,764 in August 2019. The City purchased these properties in December 2018, with the intention of selling them for a low income housing development.

The City, like all governments in the United States is dealing with the effects of the COVID-19 virus. Possible City operational changes or even shutdowns may occur. Additionally, the financial effects to the City are equally as uncertain.

**REQUIRED SUPPLEMENTAL
INFORMATION**

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	General				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY	VARIANCE WITH FINAL	
	ORIGINAL	FINAL	BASIS) See Note A	BUDGET	
RESOURCES (INFLOWS):					
Taxes and assessments	\$ 2,241,019	\$ 2,241,019	\$ 2,211,759	\$	(29,260)
Licenses and permits	120,083	120,083	145,297		25,214
Intergovernmental	887,861	887,861	875,886		(11,975)
Charges for services	262,100	262,100	391,570		129,470
Fines and forfeitures	351,250	351,250	372,983		21,733
Miscellaneous	89,084	89,084	89,575		491
Investment earnings	45,000	45,000	118,168		73,168
Amounts available for appropriation	\$ 3,996,397	\$ 3,996,397	\$ 4,205,238	\$	208,841
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
General government	\$ 622,921	\$ 622,921	\$ 626,327	\$	(3,406)
Public safety	577,479	577,479	530,257		47,222
Public works	13,581	13,581	25,166		(11,585)
Social and economic services	-	-	1,500		(1,500)
Culture and recreation	-	-	9,493		(9,493)
Miscellaneous	15,520	15,520	-		15,520
Capital outlay	25,000	25,000	1,622		23,378
Total charges to appropriations	\$ 1,254,501	\$ 1,254,501	\$ 1,194,365	\$	60,136
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 1,370,121	\$ 1,370,121	\$ 1,569,769	\$	199,648
Transfers out	(3,895,603)	(3,895,603)	(3,895,603)		-
Total other financing sources (uses)	\$ (2,525,482)	\$ (2,525,482)	\$ (2,325,834)	\$	199,648
Net change in fund balance			\$ 685,039		
Fund balance - beginning of the year			\$ 1,021,467		
Fund balance - end of the year			\$ 1,706,506		

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

Resort Tax				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	
			(BUDGETARY	WITH FINAL
			BASEIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 3,987,447	\$ 3,987,447	\$ 4,260,456	\$ 273,009
Investment earnings	23,749	23,749	41,930	18,181
Amounts available for appropriation	<u>\$ 4,011,196</u>	<u>\$ 4,011,196</u>	<u>\$ 4,302,386</u>	<u>\$ 291,190</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ -	\$ -	\$ 50	\$ (50)
Capital outlay	1,567,100	1,651,075	1,589,895	61,180
Total charges to appropriations	<u>\$ 1,567,100</u>	<u>\$ 1,651,075</u>	<u>\$ 1,589,945</u>	<u>\$ 61,130</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,262,775)	\$ (2,262,775)	\$ (2,323,905)	\$ (61,130)
Total other financing sources (uses)	<u>\$ (2,262,775)</u>	<u>\$ (2,262,775)</u>	<u>\$ (2,323,905)</u>	<u>\$ (61,130)</u>
Net change in fund balance			<u>\$ 388,536</u>	
Fund balance - beginning of the year			\$ 2,643,441	
Fund balance - end of the year			<u>\$ 3,031,977</u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Tax Increment			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 6,560,765	\$ 6,560,765	\$ 6,773,289	\$ 212,524
Intergovernmental	248,865	248,865	248,865	-
Miscellaneous	748,460	748,460	78,087	(670,373)
Amounts available for appropriation	<u>\$ 7,558,090</u>	<u>\$ 7,558,090</u>	<u>\$ 7,100,241</u>	<u>\$ (457,849)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	\$ 1,660,063	\$ 1,660,063	\$ 1,501,692	\$ 158,371
Capital outlay	2,063,310	2,063,310	1,464,313	598,997
Total charges to appropriations	<u>\$ 3,723,373</u>	<u>\$ 3,723,373</u>	<u>\$ 2,966,005</u>	<u>\$ 757,368</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 2,366,862	\$ 2,366,862	\$ 197,994	\$ (2,168,868)
Transfers out	(4,016,359)	(4,016,359)	(3,991,014)	25,345
Total other financing sources (uses)	<u>\$ (1,649,497)</u>	<u>\$ (1,649,497)</u>	<u>\$ (3,793,020)</u>	<u>\$ (2,143,523)</u>
Net change in fund balance			<u>\$ 341,216</u>	
Fund balance - beginning of the year			\$ 330,051	
Fund balance - end of the year			<u>\$ 671,267</u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2019

	Fire & Ambulance			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 608,313	\$ 608,313	\$ 603,729	\$ (4,584)
Licenses and permits	110,300	110,300	151,175	40,875
Intergovernmental	45,000	45,000	52,448	7,448
Charges for services	1,811,635	1,811,635	1,955,540	143,905
Miscellaneous	15,000	15,000	35,548	20,548
Amounts available for appropriation	<u>\$ 2,590,248</u>	<u>\$ 2,590,248</u>	<u>\$ 2,798,440</u>	<u>\$ 208,192</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 3,062,622	\$ 3,346,352	\$ 3,302,991	\$ 43,361
Debt service - principal	188,789	188,789	188,789	-
Debt service - interest	23,333	23,333	23,333	-
Total charges to appropriations	<u>\$ 3,274,744</u>	<u>\$ 3,558,474</u>	<u>\$ 3,515,113</u>	<u>\$ 43,361</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 700,380	\$ 700,380	\$ 700,380	\$ -
Transfers out	-	-	(43,362)	(43,362)
Total other financing sources (uses)	<u>\$ 700,380</u>	<u>\$ 700,380</u>	<u>\$ 657,018</u>	<u>\$ (43,362)</u>
Net change in fund balance			<u>\$ (59,655)</u>	
Fund balance - beginning of the year			<u>\$ 461,219</u>	
Fund balance - end of the year			<u><u>\$ 401,564</u></u>	

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

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

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire & Ambulance</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,205,238	\$ 4,302,386	\$ 7,100,241	\$ 2,798,440
Combined funds (GASBS 54) revenues	<u>146,921</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 4,352,159</u>	<u>\$ 4,302,386</u>	<u>\$ 7,100,241</u>	<u>\$ 2,798,440</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,194,365	\$ 1,589,945	\$ 2,966,005	\$ 3,515,113
Combined funds (GASBS 54) expenditures	2,529,155	-	-	-
Indirect cost allocation plan transfers (ICAP) shown on Statement of Activities.	<u>199,648</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,923,168</u>	<u>\$ 1,589,945</u>	<u>\$ 2,966,005</u>	<u>\$ 3,515,113</u>

City of Whitefish, Flathead County, Montana
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service Cost	\$ 146,887	\$ 171,915
Total OPEB Liability - beginning	2,121,727	2,121,532
Interest (3%)	71,290	65,767
Difference between expected and actual experience	(83,630)	(801,946)
Change in assumptions or other inputs	(114,618)	564,459
Total OPEB Liability - ending	<u>\$ 2,141,656</u>	<u>\$ 2,121,727</u>
Covered-employee payroll	\$ 5,363,904	\$ 5,137,380
Total OPEB liability as a percentage of covered -employee payroll	39.9%	41.3%

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be reported as it becomes available.*

City of Whitefish, Flathead County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2019

	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.2153%	0.2633%	0.2728%	0.2464%	0.2405%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 4,493,914	\$ 5,129,069	\$ 4,646,925	\$ 3,443,819	\$ 2,996,189
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 1,504,721	\$ 68,528	\$ 56,780	\$ 42,302	\$ 36,588
Total	<u>\$ 5,998,635</u>	<u>\$ 5,197,598</u>	<u>\$ 4,703,705</u>	<u>\$ 3,486,121</u>	<u>\$ 3,032,777</u>
Employer's covered payroll	\$ 3,540,966	\$ 3,266,903	\$ 3,267,805	\$ 2,875,089	\$ 2,757,858
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.91%	157.00%	14.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.47%	73.75%	74.71%	78.40%	79.87%

	<u>FURS 2019</u>	<u>FURS 2018</u>	<u>FURS 2017</u>	<u>FURS 2016</u>	<u>FURS 2015</u>
Employer's proportion of the net pension liability	0.8382%	7.3820%	0.7974%	0.8118%	0.8339%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 850,163	\$ 834,451	\$ 910,727	\$ 830,332	\$ 814,039
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 1,943,937	\$ 1,894,948	\$ 2,063,421	\$ 1,849,371	\$ 1,836,432
Total	<u>\$ 2,794,100</u>	<u>\$ 2,729,399</u>	<u>\$ 2,974,148</u>	<u>\$ 2,679,704</u>	<u>\$ 2,650,471</u>
Employer's covered payroll	\$ 1,162,570	\$ 1,103,598	\$ 1,122,869	\$ 1,091,002	\$ 1,083,229
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	73.13%	75.61%	81.11%	76.11%	75.15%
Plan fiduciary net position as a percentage of the total pension liability	79.03%	77.77%	75.48%	76.90%	76.71%

	<u>MPORS 2019</u>	<u>MPORS 2018</u>	<u>MPORS 2017</u>	<u>MPORS 2016</u>	<u>MPORS 2015</u>
Employer's proportion of the net pension liability	0.6186%	0.6190%	67.9200%	0.6233%	0.6024%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,059,341	\$ 1,101,345	\$ 1,222,583	\$ 1,031,015	\$ 946,627
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 2,165,490	\$ 2,244,725	\$ 2,426,881	\$ 2,088,934	\$ 1,912,300
Total	<u>\$ 3,224,831</u>	<u>\$ 3,346,070</u>	<u>\$ 3,649,464</u>	<u>\$ 3,119,949</u>	<u>\$ 2,858,927</u>
Employer's covered payroll	\$ 976,361	\$ 925,719	\$ 958,753	\$ 862,615	\$ 808,297
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	108.50%	118.97%	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of the total pension liability	70.95%	68.34%	65.62%	66.90%	67.01%

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

City of Whitefish, Flathead County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2019

	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Contractually required contributions	\$ 149,677	\$ 299,199	\$ 273,442	\$ 282,462	\$ 253,208
Contributions in relation to the contractually required contributions	\$ 149,677	\$ 299,919	\$ 273,442	\$ 282,462	\$ 253,208
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,726,378	\$ 3,540,966	\$ 3,266,903	\$ 3,267,805	\$ 2,875,089
Contributions as a percentage of covered payroll	8.67%	8.47%	8.37%	8.64%	8.81%

	<u>FURS</u> <u>2019</u>	<u>FURS</u> <u>2018</u>	<u>FURS</u> <u>2017</u>	<u>FURS</u> <u>2016</u>	<u>FURS</u> <u>2015</u>
Contractually required contributions	\$ 176,246	\$ 171,113	\$ 158,477	\$ 160,540	\$ 159,717
Contributions in relation to the contractually required contributions	\$ 176,246	\$ 171,113	\$ 158,477	\$ 160,540	\$ 159,717
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,227,340	\$ 1,162,570	\$ 1,103,598	\$ 1,122,869	\$ 1,091,002
Contributions as a percentage of covered payroll	14.36%	14.72%	14.36%	14.30%	14.64%

	<u>MPORS</u> <u>2019</u>	<u>MPORS</u> <u>2018</u>	<u>MPORS</u> <u>2017</u>	<u>MPORS</u> <u>2016</u>	<u>MPORS</u> <u>2015</u>
Contractually required contributions	\$ 150,413	\$ 146,032	\$ 133,396	\$ 140,445	\$ 125,045
Contributions in relation to the contractually required contributions	\$ 150,413	\$ 146,032	\$ 133,396	\$ 140,445	\$ 125,045
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,043,810	\$ 976,361	\$ 925,719	\$ 958,753	\$ 862,615
Contributions as a percentage of covered payroll	14.41%	14.96%	14.41%	14.65%	14.50%

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

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2019

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

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

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

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

Second Retirement Benefit - for PERS

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2019

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member’s contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member’s account.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2019

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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

Changes of Benefit Terms

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

2013 Legislative Changes

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All MPORS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member’s highest or final average compensation.
- All bonuses paid to MPORS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

2015 Legislative Changes

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

- Allow statutory beneficiary (spouse or dependent child) of a deceased DROP participant to receive a DROP benefit and a survivorship benefit rather than accumulated contributions or a lump sum payment. 19-9- 1206(1), MCA.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.20%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2019

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Montana Firefighters’ Unified Retirement System of Montana (FURS)

Changes of Benefit Terms

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

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. SRS working retirees may still work up to 480 hours a year, without returning to active service.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All FURS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation, considered as part of a member’s highest or final average compensation.
- All bonuses paid to FURS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

2015 Legislative Changes

There were no legislative changes with regards to FURS in 2015.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.19%
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City of Whitefish, Flathead County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2019

The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City of Whitefish's basic financial statements and have issued our report thereon dated June 26, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

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

June 26, 2020