

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

AUDIT REPORT
(Reissued April 29, 2021)

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

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CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2020

John Muhlfeld

Mayor

CITY COUNCIL

Andy Feury

Council Member

Ryan Hennen

Council Member

Frank Sweeney

Council Member

Steve Qunell

Council Member

Rebecca Norton

Council Member

Ben Davis

Council Member

CITY OFFICIALS

Dana Smith

City Manager

Ben Dahlman

Finance Director

Angela Jacobs

City Attorney

Michelle Howke

City Clerk

**CITY OF WHITEFISH
ANNUAL FINANCIAL REPORT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2020**

The Management's Discussion and Analysis for the City of Whitefish, Montana offers readers a narrative of the City's performance and financial activities for the fiscal year ended June 30, 2020. 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, 2020 by \$124,441,306 as reported in the Statement of Net Position. This figure represents an increase of \$13,489,042 in net position from the prior year.
- The total fiscal year end governmental fund balance was \$16,670,999 as reported in the balance sheet for governmental funds. This figure represents an increase of \$1,157,946 from the prior year.
- The unassigned General Fund balance at fiscal year-end was \$2,118,035. This figure represents an increase of \$618,538 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).

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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
ANNUAL FINANCIAL REPORT
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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, 2020 totaled \$124,441,306, which is an increase of \$13,489,042 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 FY20 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. Other post-employment benefits (OPEB) is an additional contributor to the negative unrestricted net position.

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, 2020 and June 30, 2019.

City of Whitefish - Net Position

	Governmental Activities			Business-type Activities		
	<u>FY20</u>	<u>FY19</u>	<u>Change Inc (Dec)</u>	<u>FY20</u>	<u>FY19</u>	<u>Change Inc (Dec)</u>
Current and other assets	\$ 25,234,212	\$ 21,807,896	\$ 3,426,316	\$ 11,566,085	\$ 13,509,832	\$ (1,943,747)
Capital assets	76,989,617	74,480,442	2,509,175	43,476,474	34,505,699	8,970,775
Total assets	<u>\$ 102,223,829</u>	<u>\$ 96,288,338</u>	<u>\$ 5,935,491</u>	<u>\$ 55,042,559</u>	<u>\$ 48,015,531</u>	<u>\$ 7,027,028</u>
Long-term debt outstanding	\$ 11,790,313	\$ 15,481,964	\$ (3,691,651)	\$ 11,929,351	\$ 11,735,030	\$ 194,321
Other liabilities	6,632,187	4,771,279	1,860,908	2,473,231	1,363,332	1,109,899
Total liabilities	<u>\$ 18,422,500</u>	<u>\$ 20,253,243</u>	<u>\$ (1,830,743)</u>	<u>\$ 14,402,582</u>	<u>\$ 13,098,362</u>	<u>\$ 1,304,220</u>
Net investment in capital assets	\$ 71,716,384	\$ 65,097,025	\$ 6,619,359	\$ 33,490,448	\$ 24,664,136	\$ 8,826,312
Restricted	17,243,112	16,548,352	694,760	3,804,124	3,397,663	406,461
Unrestricted (deficit)	(5,158,167)	(5,610,282)	452,115	3,345,405	6,855,370	(3,509,965)
Total net position	<u>\$ 83,801,329</u>	<u>\$ 76,035,095</u>	<u>\$ 7,766,234</u>	<u>\$ 40,639,977</u>	<u>\$ 34,917,169</u>	<u>\$ 5,722,808</u>

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The City's revenues totaled \$36,055,864 for the fiscal year ending June 30, 2020. The total cost of all programs and services for that same period was \$22,541,451. The overall result is an increase in net position totaling \$13,415,173. The table below presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2020 and June 30, 2019.

City of Whitefish – Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY20</u>	<u>FY19</u>	<u>Change Inc (Dec)</u>	<u>FY20</u>	<u>FY19</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 7,124,258	\$ 6,850,888	\$ 273,370	\$ 9,047,186	\$ 8,134,707	\$ 912,479
Operating grants and contributions	1,374,555	519,676	854,879	808	35,639	(34,831)
Capital grants and contributions	179,257	136,371	42,886	995,000	-	995,000
<i>General revenues (by major source):</i>						
Property taxes for general purposes	10,064,444	9,411,422	653,022	-	-	-
Resort tax	4,235,610	4,260,456	(24,846)	-	-	-
Franchise/Utility Fees	470,767	472,457	(1,690)	-	-	-
Miscellaneous	244,523	230,549	13,974	-	-	-
Interest/investment earnings	207,338	254,086	(46,748)	178,363	195,432	(17,069)
State entitlement	1,140,446	1,107,226	33,220	-	-	-
On-behalf payments	756,975	754,558	2,417	36,334	-	36,334
Proceeds from cash in-lieu	-	137,051	(137,051)	-	-	-
Total revenues	<u>\$ 25,798,173</u>	<u>\$ 24,134,740</u>	<u>\$ 1,663,433</u>	<u>\$ 10,257,691</u>	<u>\$ 8,365,778</u>	<u>\$ 1,891,913</u>
Program expenses						
General government	\$ 1,799,428	\$ 1,616,124	\$ 183,304	\$ -	\$ -	\$ -
Public safety	7,967,435	7,664,938	302,497	-	-	-
Public works	3,321,863	3,144,751	177,112	-	-	-
Social and economic services	1,500	1,500	-	-	-	-
Culture and recreation	2,328,334	2,340,753	(12,419)	-	-	-
Housing and community development	1,481,932	1,496,798	(14,866)	-	-	-
Debt service - interest	227,491	330,452	(102,961)	-	-	-
Miscellaneous	55,692	54,521	1,171	-	-	-
Water	-	-	-	2,474,844	2,852,324	(377,480)
Sewer	-	-	-	2,865,282	3,032,723	(167,441)
Solid Waste	-	-	-	17,650	22,941	(5,291)
Total expenses	<u>\$ 17,183,675</u>	<u>\$ 16,649,837</u>	<u>\$ 533,838</u>	<u>\$ 5,357,776</u>	<u>\$ 5,907,988</u>	<u>\$ (550,212)</u>
Excess (deficiency) before special items and transfers	\$ 8,614,498	\$ 7,484,903	\$ 1,129,595	\$ 4,899,915	\$ 2,457,790	\$ 2,442,125
Gain (loss) on sale of capital assets	(99,240)	-	(99,240)	-	-	-
Transfers - net	(834,179)	(852,424)	18,245	834,179	852,424	(18,245)
Increase (decrease) in net position	<u>\$ 7,681,079</u>	<u>\$ 6,632,479</u>	<u>\$ 1,048,600</u>	<u>\$ 5,734,094</u>	<u>\$ 3,310,214</u>	<u>\$ 2,423,880</u>

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Governmental activities

Revenues for the fiscal year ending June 30, 2020 from governmental activities were \$25,798,173 while expenses were \$17,183,675. Thus, with the loss on the sale of capital assets of \$99,240 and \$834,179 in transfers-out, net position increased \$7,681,079. Total governmental revenues increased from the prior year by \$1,663,433. The increase in revenues was primarily due to increased property taxes and assessments, as well as increased operating grants and contributions and charges for services. Operating grants were related to the Coronavirus Aid, Relief and Economic Security Act (CARES) Act funding from the federal government passed through the State of Montana. Resort Tax collections experienced a strong first half of the fiscal year but, were slightly lower due to the economic slowdown caused by the COVID-19 pandemic for the last half of the year. Lower interest earnings reflect the decrease in the interest rate market the City earns on idle cash. Overall, expenses increased by \$533,838. Increases in wages and benefits, as well as the costs of post-employment benefits and pension costs contributed to the growth in personnel costs.

Business-type activities

Revenue for the fiscal year ending June 30, 2020 from business-type activities was \$10,257,691. Expenses were \$5,357,776 and net transfers-in totaled \$834,179, which resulted in an increase in net position of \$5,734,094. Charges for services revenue increased by \$912,479 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 and a water treatment plant project. Total expenses also experienced a decrease as pension expenses were lower in FY20 compared to FY19. Overall net position for the business-type activities were positive. However, the timing of investment in capital projects and State Revolving Fund loan draws resulted in a negative unrestricted net position.

Fund Balance – Governmental Funds Balance Sheet

The City's governmental funds reported a total fund balance of \$16,670,999 of June 30, 2020, which is a \$1,157,946 increase compared to the fund balance of governmental funds as of June 30, 2019. The significant increase in fund balance is primarily due to; stronger property taxes and assessments; intergovernmental revenues, including CARES Act funding; and building permits. The overall increase in governmental funds' fund balance due to revenues was partially offset by increased capital spending in the Resort Tax and Tax Increment Financing District funds. Of the fund balance at June 30, 2020, \$2,118,035 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.

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ANNUAL FINANCIAL REPORT
MANAGEMENT’S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2020**

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 2020 three budget amendment items were approved by the City Council and are detailed in the following table:

To	From	Amount	Justification
Resort Tax Fund: 2100-430230-932	Resort Tax Fund Balance Reserves	\$267,000.00	To provide for costs incurred during the fiscal year for the State Park Road Improvement Project in accordance with the City Council approved contract award. This project will continue into Fiscal Year 2021.
Residential Lighting District Fund: 2400-430263-930	Residential Lighting District Fund Balance Reserves.	\$11,250.00	To provide for expenditures not included in the FY 2020 Budget to complete the Residential LED Lighting Improvement Project.
Gas Tax – BaRSAA Fund: 2821-430230-932	Gas Tax – BaRSAA Fund Balance Reserves	\$75,000.00	To provide budget authority for the expenditures required to complete the Monegan Street Improvement Project. Original budget did not include budget authority for portion paid by Trailview Development.

Overall, the General Fund tracked closely with the budget for both revenues and expenditures. However, higher zoning plan review fees were received which were 202% of the budgeted amount due to strong real estate activity in the City. Court Fines & Forfeitures were also higher in FY20, which were attributed to the increased issuance of tickets and improved in-house prosecution. The CARES Act intergovernmental revenues were significant contributors to higher revenues than budgeted especially in the Law Enforcement and Fire and Ambulance Funds where first responder salaries qualified for reimbursement. Resort Tax Fund revenues collected were only slightly lower (0.6%) than budget or \$31,697 primarily due to the second half of the year slowdown due to COVID-19.

Licenses and Permits in the Building Codes Fund were much higher than budget due to building activity in the City. Resort Tax, Gas Tax – BaRSAA, and the Residential Lighting District funds were all within budget after amendments were approved.

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The Law Enforcement and Fire and Ambulance funds tracked above budget appropriation at year-end due to entries to account for the State of Montana's on-behalf pension payments in accordance with GASB 85. These items are not budgeted at the City. 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.

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, 2020 total \$120,466,091. 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 2020 totaled \$3,376,129 and \$1,289,044, respectively.

Major capital assets events during fiscal year 2020:

- Completed the Central Avenue project
- Continued investment in the Wastewater Treatment Plant Upgrade project
- Continued investment in the State Park Road construction project
- Continued work for Depot Park project
- Completed the Monegan Road project
- Started the Baker Avenue Underpass project
- Continued investment in the Water Treatment Plant project
- Purchased vehicles for Building, Police, and Public Works
- Continued making improvements to the Whitefish Trail

Long-term Debt

The City's total long-term debt decreased by \$3,863,618 compared to prior fiscal year. Below is a summary of the outstanding long-term debt of the City as of June 30, 2020 compared to June 30, 2019.

**CITY OF WHITEFISH
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Outstanding Long-term Debt		
Purpose/Type	June 30, 2020	June 30, 2019
<u>Revenue Bonds:</u>		
TIF 2015 Refunding (ESC)	\$ 763,000	\$ 2,261,000
TIF 2016 (City Hall/Park Str.)	2,970,000	5,330,000
Water	5,671,000	6,630,000
Sewer	4,315,026	3,205,799
<u>Special Assessment Bonds:</u>		
SID 166	385,000	450,000
SID 167	715,043	742,946
<u>Intercap Loans:</u>		
Fire Pumper Type 1	93,285	113,526
Fire Pumper	130,302	158,560
Water Tender Fire Apparatus	61,781	92,220
Fire SCBA Units	47,241	93,904
Ambulance 2018	107,581	141,703
<u>OPEB:</u>		
Governmental*	1,354,893	1,667,154
Business-type	415,153	474,502
<u>Compensated Absences:</u>		
Governmental	1,560,631	1,290,008
Business-type	299,920	298,588
<u>Net Pension Liability:</u>		
Governmental	4,956,449	4,808,539
Business-type	<u>1,643,405</u>	<u>1,594,879</u>
TOTAL	<u>\$25,489,710</u>	<u>\$29,353,328</u>

*See notes to financial statements.

FISCAL YEAR 2021 BUDGET AND ECONOMIC FACTORS

With the economic impacts to our community from the COVID-19 pandemic, the FY21 budget kept property tax levies and assessments the same as the prior year with no budgeted increase.

The budget includes a levy totaling 117.636 mills, which is the same as FY20. As a non-reappraisal year, the growth of property tax revenue is limited to half the rate of inflation plus newly taxable property. Generally, growth in a non-reappraisal year is about two to three percent, but with Tax Increment District expiration on July 15, 2020 the City will recognize a significant increase in newly taxable property. The value of one mill increased from \$26,877.17 to approximately \$39,366.00. Without an increase to our taxpayers, property tax revenue in the General Fund, Library Fund, Fire Pension Fund, and Fire and Ambulance Fund will increase by 46.47% or \$1,469,125 in total. However, the offset to the increase of property tax revenue in those funds is a much larger decrease of about \$7.55 million in property tax revenue in our Tax Increment Fund that was restricted for certain purposes during the life of the district. To keep the number of mills levied flat, the City's general property tax mill levy was decreased from the maximum allowed by State law to accommodate the decrease in the number of mills from Resort Tax property tax relief.

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In a typical year the City would consider increasing assessments by the Consumer Price Index (CPI) of 2.8% for FY21 to account for the increased costs to provide maintenance services. However, due to the financial hardships many are facing, the proposed FY21 budget kept the Street Maintenance District, Street Lighting Districts, Parks and Greenway, and the Stormwater assessments the same as FY20.

Resort tax is an area of the City's finances that experienced a decline comparing FY20 with FY19. The reduction in resort tax was the result of a slowdown in the economy due to the COVID-19 pandemic as the community and its visitors responded to various closures, orders and directives from governmental leaders at all levels. The FY21 budget for resort tax is flat from collections in FY20. The City will continue to monitor Resort Tax as it is an indicator of the economic activity occurring in our local businesses and a significant source of revenue to fund capital projects.

During an emergency like the COVID-19 pandemic, an economic downturn, or a recession cash reserves are essential to maintaining expected levels of services for our citizens. While a possible delay in collections of property taxes and other charges for services can be expected due to uncertain economic times, cash reserves will help the City manage any cash flow issues that arise. Budgeted cash reserves at the end of FY21 are expected to increase from \$1,553,033 to \$1,882,489 in property tax supported funds. Cash as a percentage of the budget has increased from 15.29% in FY20 to 17.13% in FY21.

Budgeted capital spending increased \$10.5 million compared to FY20. This significant increase is expected as construction continues on the Wastewater Treatment Plant Upgrade Project (an increase of \$5.6 million from FY20) and construction of the Water Treatment Plant Expansion Project (an increase of \$8.6 million from FY20). Both of these large capital project includes financing with debt from the State's Revolving Funds. Additionally, the Parks and Recreation Department has budgeted \$250,000 for the Armory Park Improvement Project that is expected to start in FY21. This project is funded by a Land & Water Conservation Fund grant with matching funds in the Resort Tax Fund, Stormwater Fund, and Impact Fee Fund.

The City budgeted a 4% salary plan made up of a 2% CPI/cost of living adjustment and a 2% step adjustment. Medical premiums increased 8.0% for the FY21 budget. The City added approximately \$40,000 to fund a police officer for a full year which was only budgeted for six months in FY20. The City added support in the Customer Service and Fire Department operations by upgrading two part time positions to full time. The City also budgeted for 10 more hours a week among library staff to provide increased service to patrons.

The City will continue to monitor its operations and finances should the economy shift and react to the uncertain COVID-19 pandemic. The City received and expects to receive additional CARES Act resources to help address the impacts to the organization and community. Despite the negative impacts COVID-19 has inflicted on the community, strong building activity continues to buoy up some parts of the local economy and may show some future long-term benefits.

**CITY OF WHITEFISH
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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, 2020, 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, 2020, 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 2020, the City of Whitefish adopted new accounting guidance, GASB statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. 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 11, and 80 through 87 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, 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 the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Whitefish, Flathead County, Montana's internal control over financial reporting and compliance.

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

March 23, 2021

City of Whitefish, Flathead County, Montana
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 15,906,841	\$ 6,476,083	\$ 22,382,924
Taxes and assessments receivable, net	1,876,001	-	1,876,001
Accounts receivable - net	320,019	618,402	938,421
Contracts receivable	3,374	-	3,374
Due from other governments	1,035,898	270,808	1,306,706
Other receivable	32,404	-	32,404
Total current assets	<u>\$ 19,174,537</u>	<u>\$ 7,365,293</u>	<u>\$ 26,539,830</u>
Noncurrent assets			
Restricted cash and investments	\$ 3,325,008	\$ 3,804,124	\$ 7,129,132
Special assessments receivable - deferred	1,234,116	-	1,234,116
Capital assets - land	8,840,793	8,333,031	17,173,824
Capital assets - construction in progress	7,787,754	12,416,763	20,204,517
Capital assets - depreciable, net	60,361,070	22,726,680	83,087,750
Total noncurrent assets	<u>\$ 81,548,741</u>	<u>\$ 47,280,598</u>	<u>\$ 128,829,339</u>
Total assets	<u>\$ 100,723,278</u>	<u>\$ 54,645,891</u>	<u>\$ 155,369,169</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 1,196,250	\$ 303,428	\$ 1,499,678
Deferred outflows of resources - OPEB	304,301	93,240	397,541
Total deferred outflows of resources	<u>\$ 1,500,551</u>	<u>\$ 396,668</u>	<u>\$ 1,897,219</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 102,223,829</u>	<u>\$ 55,042,559</u>	<u>\$ 157,266,388</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 2,878,210	\$ -	\$ 2,878,210
Accounts payable	643,630	1,164,331	1,807,961
Accrued payroll	415,796	103,359	519,155
Other payroll liabilities	174	-	174
Current portion of long-term capital liabilities	3,989,083	1,689,000	5,678,083
Current portion of compensated absences payable	1,286,676	208,379	1,495,055
Total current liabilities	<u>\$ 9,213,569</u>	<u>\$ 3,165,069</u>	<u>\$ 12,378,638</u>
Noncurrent liabilities			
Deposits payable	\$ -	\$ 335,953	\$ 335,953
Noncurrent portion of OPEB	1,354,893	415,153	1,770,046
Noncurrent portion of long-term capital liabilities	1,284,150	8,297,026	9,581,176
Noncurrent portion of compensated absences	273,955	91,541	365,496
Net pension liability	4,956,449	1,643,405	6,599,854
Total noncurrent liabilities	<u>\$ 7,869,447</u>	<u>\$ 10,783,078</u>	<u>\$ 18,652,525</u>
Total liabilities	<u>\$ 17,083,016</u>	<u>\$ 13,948,147</u>	<u>\$ 31,031,163</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 520,733	\$ 208,077	\$ 728,810
Deferred inflows of resources - OPEB	804,016	246,358	1,050,374
Deferred inflows of resources - grants	14,735	-	14,735
Total deferred inflows of resources	<u>\$ 1,339,484</u>	<u>\$ 454,435</u>	<u>\$ 1,793,919</u>
NET POSITION			
Net investment in capital assets	\$ 71,716,384	\$ 33,490,448	\$ 105,206,832
Restricted for capital projects	-	2,919,366	2,919,366
Restricted for debt service	5,317,453	884,758	6,202,211
Restricted for special projects	11,925,659	-	11,925,659
Unrestricted	(5,158,167)	3,345,405	(1,812,762)
Total net position	<u>\$ 83,801,329</u>	<u>\$ 40,639,977</u>	<u>\$ 124,441,306</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 102,223,829</u>	<u>\$ 55,042,559</u>	<u>\$ 157,266,388</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
						Governmental Activities	Business-type Activities	
Primary government:								
Governmental activities:								
General government	\$ 1,799,428	\$ (238,922)	\$ 586,282	\$ 8,537	\$ -	\$ (965,687)	\$ -	\$ (965,687)
Public safety	7,967,435	119,505	3,574,597	828,988	101,263	(3,582,092)	-	(3,582,092)
Public works	3,321,863	20,094	1,910,694	419,529	77,994	(933,740)	-	(933,740)
Social and economic services	1,500	-	-	-	-	(1,500)	-	(1,500)
Culture and recreation	2,328,334	32,618	803,360	117,501	-	(1,440,091)	-	(1,440,091)
Housing and community development	1,481,932	8,281	249,325	-	-	(1,240,888)	-	(1,240,888)
Debt service - interest	227,491	-	-	-	-	(227,491)	-	(227,491)
Miscellaneous	55,692	-	-	-	-	(55,692)	-	(55,692)
Total governmental activities	\$ 17,183,675	\$ (58,424)	\$ 7,124,258	\$ 1,374,555	\$ 179,257	\$ (8,447,181)	\$ -	\$ (8,447,181)
Business-type activities:								
Water	\$ 2,474,844	\$ 30,001	\$ 4,291,936	\$ 415	\$ -	\$ -	\$ 1,787,506	\$ 1,787,506
Sewer	2,865,282	28,099	4,755,250	393	995,000	-	2,857,262	2,857,262
Solid Waste	17,650	324	-	-	-	-	(17,974)	(17,974)
Total business-type activities	\$ 5,357,776	\$ 58,424	\$ 9,047,186	\$ 808	\$ 995,000	\$ -	\$ 4,626,794	\$ 4,626,794
Total primary government	\$ 22,541,451	\$ -	\$ 16,171,444	\$ 1,375,363	\$ 1,174,257	\$ (8,447,181)	\$ 4,626,794	\$ (3,820,387)
General Revenues:								
Property taxes for general purposes						\$ 10,064,444	\$ -	\$ 10,064,444
Resort tax						4,235,610	-	4,235,610
Franchise/Utility Fees						470,767	-	470,767
Miscellaneous						244,523	-	244,523
Interest/investment earnings						207,338	178,363	385,701
State entitlement						1,140,446	-	1,140,446
On-behalf payments						756,975	36,334	793,309
Gain (loss) on sale of capital assets						(99,240)	-	(99,240)
Transfers - net						(834,179)	834,179	-
Total general revenues, special items and transfers						\$ 16,186,684	\$ 1,048,876	\$ 17,235,560
Change in net position						\$ 7,739,503	\$ 5,675,670	\$ 13,415,173
Net position - beginning						\$ 76,035,095	\$ 34,917,169	\$ 110,952,264
Restatements						26,731	47,138	73,869
Net position - beginning - restated						\$ 76,061,826	\$ 34,964,307	\$ 111,026,133
Net position - end						\$ 83,801,329	\$ 40,639,977	\$ 124,441,306

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Balance Sheet
Governmental Funds
June 30, 2020

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and 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	\$ 4,686,166	\$ -	\$ 2,894,317	\$ 112,547	\$ 2,075,075	\$ 6,138,736	\$ 15,906,841
Taxes and assessments receivable, net	418,105	-	966,617	116,857	-	374,422	1,876,001
Accounts receivable - net	-	-	-	306,239	-	13,780	320,019
Contracts receivable	-	-	-	-	-	3,374	3,374
Due from other funds	48,601	-	-	-	-	-	48,601
Due from other governments	409,327	-	76,043	360,960	-	189,568	1,035,898
Other receivable	26,781	-	-	5,623	-	-	32,404
Total current assets	<u>\$ 5,588,980</u>	<u>\$ -</u>	<u>\$ 3,936,977</u>	<u>\$ 902,226</u>	<u>\$ 2,075,075</u>	<u>\$ 6,719,880</u>	<u>\$ 19,223,138</u>
Noncurrent assets:							
Restricted cash and investments	\$ 11,729	\$ 1,614,979	\$ -	\$ -	\$ 1,698,300	\$ -	\$ 3,325,008
Advances to other funds	-	-	-	-	-	58,699	58,699
Special assessments receivable - deferred	-	-	-	-	-	1,234,116	1,234,116
Total noncurrent assets	<u>\$ 11,729</u>	<u>\$ 1,614,979</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,698,300</u>	<u>\$ 1,292,815</u>	<u>\$ 4,617,823</u>
TOTAL ASSETS	<u>\$ 5,600,709</u>	<u>\$ 1,614,979</u>	<u>\$ 3,936,977</u>	<u>\$ 902,226</u>	<u>\$ 3,773,375</u>	<u>\$ 8,012,695</u>	<u>\$ 23,840,961</u>
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 2,878,210	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,878,210
Accounts payable	11,368	28,089	581,402	7,628	-	15,143	643,630
Accrued payroll	163,088	-	7,204	113,325	-	132,179	415,796
Due to other funds	-	-	-	-	-	48,601	48,601
Other payroll liabilities	174	-	-	-	-	-	174
Total current liabilities	<u>\$ 3,052,840</u>	<u>\$ 28,089</u>	<u>\$ 588,606</u>	<u>\$ 120,953</u>	<u>\$ -</u>	<u>\$ 195,923</u>	<u>\$ 3,986,411</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>\$ 3,052,840</u>	<u>\$ 28,089</u>	<u>\$ 588,606</u>	<u>\$ 120,953</u>	<u>\$ -</u>	<u>\$ 254,622</u>	<u>\$ 4,045,110</u>
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - taxes and assessments	\$ 418,105	\$ -	\$ 966,617	\$ 116,857	\$ -	\$ 1,608,538	\$ 3,110,117
Deferred inflows of resources - grants	-	-	-	14,735	-	-	14,735
Total deferred inflows of resources	<u>\$ 418,105</u>	<u>\$ -</u>	<u>\$ 966,617</u>	<u>\$ 131,592</u>	<u>\$ -</u>	<u>\$ 1,608,538</u>	<u>\$ 3,124,852</u>
FUND BALANCES							
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 58,699	\$ 58,699
Restricted	11,729	1,586,890	2,381,754	649,681	3,773,375	6,090,836	14,494,265
Unassigned fund balance	2,118,035	-	-	-	-	-	2,118,035
Total fund balance	<u>\$ 2,129,764</u>	<u>\$ 1,586,890</u>	<u>\$ 2,381,754</u>	<u>\$ 649,681</u>	<u>\$ 3,773,375</u>	<u>\$ 6,149,535</u>	<u>\$ 16,670,999</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 5,600,709</u>	<u>\$ 1,614,979</u>	<u>\$ 3,936,977</u>	<u>\$ 902,226</u>	<u>\$ 3,773,375</u>	<u>\$ 8,012,695</u>	<u>\$ 23,840,961</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, 2020

Total fund balances - governmental funds	\$ 16,670,999
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	76,989,617
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	3,110,117
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(8,188,757)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(4,956,449)
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.	1,196,250
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, there for are not reported in the funds.	(520,733)
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 outflows of resources and are not payable in the current period, therefore are not reported in the funds.	304,301
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.	(804,016)
Total net position - governmental activities	\$ <u><u>83,801,329</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, 2020

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 2,220,528	\$ 4,235,610	\$ 6,821,829	\$ 620,753	\$ -	\$ 2,493,794	\$ 16,392,514
Licenses and permits	149,274	-	-	195,393	-	1,383,663	1,728,330
Intergovernmental	1,844,875	-	253,195	779,870	-	436,084	3,314,024
Charges for services	359,895	-	-	1,806,059	-	611,565	2,777,519
Fines and forfeitures	395,060	-	-	-	-	10,850	405,910
Miscellaneous	95,864	-	41,971	40,373	-	483,517	661,725
Investment earnings	119,682	34,719	-	-	44,657	16,143	215,201
Total revenues	<u>\$ 5,185,178</u>	<u>\$ 4,270,329</u>	<u>\$ 7,116,995</u>	<u>\$ 3,442,448</u>	<u>\$ 44,657</u>	<u>\$ 5,435,616</u>	<u>\$ 25,495,223</u>
EXPENDITURES							
General government	\$ 861,087	\$ -	\$ -	\$ -	\$ -	\$ 10,850	\$ 871,937
Public safety	3,419,804	-	-	3,772,350	-	473,178	7,665,332
Public works	27,465	-	-	-	-	1,475,922	1,503,387
Social and economic services	1,500	-	-	-	-	-	1,500
Culture and recreation	10,178	-	-	-	-	1,691,882	1,702,060
Housing and community development	12,000	-	1,473,696	-	-	-	1,485,696
Debt service - principal	-	-	-	159,723	3,848,000	92,903	4,100,626
Debt service - interest	-	-	-	18,865	154,909	53,717	227,491
Miscellaneous	-	-	-	-	-	55,692	55,692
Capital outlay	132,367	3,379,026	2,308,757	42,426	-	637,025	6,499,601
Total expenditures	<u>\$ 4,464,401</u>	<u>\$ 3,379,026</u>	<u>\$ 3,782,453</u>	<u>\$ 3,993,364</u>	<u>\$ 4,002,909</u>	<u>\$ 4,491,169</u>	<u>\$ 24,113,322</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 720,777</u>	<u>\$ 891,303</u>	<u>\$ 3,334,542</u>	<u>\$ (550,916)</u>	<u>\$ (3,958,252)</u>	<u>\$ 944,447</u>	<u>\$ 1,381,901</u>
OTHER FINANCING SOURCES (USES)							
Proceeds from the sale of general capital asset disposition	\$ 18,414	\$ -	\$ 481,148	\$ -	\$ -	\$ 15,495	\$ 515,057
Proceeds from cash in-lieu	-	-	-	-	-	77,994	77,994
Transfers in	1,579,969	-	-	853,092	2,096,922	908,822	5,438,805
Transfers out	(1,706,066)	(2,336,390)	(2,105,203)	(54,059)	-	(71,266)	(6,272,984)
Total other financing sources (uses)	<u>\$ (107,683)</u>	<u>\$ (2,336,390)</u>	<u>\$ (1,624,055)</u>	<u>\$ 799,033</u>	<u>\$ 2,096,922</u>	<u>\$ 931,045</u>	<u>\$ (241,128)</u>
Net Change in Fund Balance	<u>\$ 613,094</u>	<u>\$ (1,445,087)</u>	<u>\$ 1,710,487</u>	<u>\$ 248,117</u>	<u>\$ (1,861,330)</u>	<u>\$ 1,875,492</u>	<u>\$ 1,140,773</u>
Fund balances - beginning	\$ 1,499,497	\$ 3,031,977	\$ 671,267	\$ 401,564	\$ 5,634,705	\$ 4,274,043	\$ 15,513,053
Restatements	17,173	-	-	-	-	-	17,173
Fund balances - beginning, restated	<u>\$ 1,516,670</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>\$ 15,530,226</u>
Fund balance - ending	<u>\$ 2,129,764</u>	<u>\$ 1,586,890</u>	<u>\$ 2,381,754</u>	<u>\$ 649,681</u>	<u>\$ 3,773,375</u>	<u>\$ 6,149,535</u>	<u>\$ 16,670,999</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, 2020

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

Net change in fund balances - total governmental funds \$ 1,140,773

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 6,499,601
- Depreciation expense (3,376,129)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Proceeds from the sale of capital assets (515,057)
- Gain on the sale of capital assets (99,240)

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) 224,956

The change in compensated absences is shown as an expense in the Statement of Activities (270,623)

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 4,100,626

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 88,977

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 (641,141)

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. 586,760

Change in net position - Statement of Activities \$ 7,739,503

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-major Enterprise	Totals
ASSETS				
Current assets:				
Cash and investments	\$ 6,230,676	\$ 149,866	\$ 95,541	\$ 6,476,083
Accounts receivable - net	299,582	318,820	-	618,402
Due from other governments	415	270,393	-	270,808
Total current assets	<u>\$ 6,530,673</u>	<u>\$ 739,079</u>	<u>\$ 95,541</u>	<u>\$ 7,365,293</u>
Noncurrent assets:				
Restricted cash and investments	\$ 2,411,239	\$ 1,392,885	\$ -	\$ 3,804,124
Capital assets - land	8,065,531	267,500	-	8,333,031
Capital assets - construction in progress	2,629,301	9,787,462	-	12,416,763
Capital assets - depreciable, net	9,565,315	13,161,365	-	22,726,680
Total noncurrent assets	<u>\$ 22,671,386</u>	<u>\$ 24,609,212</u>	<u>\$ -</u>	<u>\$ 47,280,598</u>
Total assets	<u>\$ 29,202,059</u>	<u>\$ 25,348,291</u>	<u>\$ 95,541</u>	<u>\$ 54,645,891</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	\$ 153,197	\$ 148,424	\$ 1,807	\$ 303,428
Deferred outflows of resources - OPEB	45,961	46,536	743	93,240
Total deferred outflows of resources	<u>\$ 199,158</u>	<u>\$ 194,960</u>	<u>\$ 2,550</u>	<u>\$ 396,668</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 29,401,217</u>	<u>\$ 25,543,251</u>	<u>\$ 98,091</u>	<u>\$ 55,042,559</u>
LIABILITIES				
Current liabilities:				
Accounts payable	\$ 111	\$ 1,164,220	\$ -	\$ 1,164,331
Accrued payroll	52,686	49,732	941	103,359
Current portion of long-term capital liabilities	1,037,000	652,000	-	1,689,000
Current portion of compensated absences payable	92,735	112,394	3,250	208,379
Total current liabilities	<u>\$ 1,182,532</u>	<u>\$ 1,978,346</u>	<u>\$ 4,191</u>	<u>\$ 3,165,069</u>
Noncurrent liabilities:				
Deposits payable	\$ 328,864	\$ 7,089	\$ -	\$ 335,953
Noncurrent portion of OPEB	204,641	207,202	3,310	415,153
Noncurrent portion of long-term capital liabilities	4,634,000	3,663,026	-	8,297,026
Noncurrent portion of compensated absences	45,622	45,069	850	91,541
Net pension liability	829,731	803,884	9,790	1,643,405
Total noncurrent liabilities	<u>\$ 6,042,858</u>	<u>\$ 4,726,270</u>	<u>\$ 13,950</u>	<u>\$ 10,783,078</u>
Total liabilities	<u>\$ 7,225,390</u>	<u>\$ 6,704,616</u>	<u>\$ 18,141</u>	<u>\$ 13,948,147</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources - pensions	\$ 105,055	\$ 101,783	\$ 1,239	\$ 208,077
Deferred inflows of resources - OPEB	121,437	122,957	1,964	246,358
Total deferred inflows of resources	<u>\$ 226,492</u>	<u>\$ 224,740</u>	<u>\$ 3,203</u>	<u>\$ 454,435</u>
NET POSITION				
Net investment in capital assets	\$ 14,589,147	\$ 18,901,301	\$ -	\$ 33,490,448
Restricted for capital projects	1,736,073	1,183,293	-	2,919,366
Restricted for debt service	675,166	209,592	-	884,758
Unrestricted	4,948,949	(1,680,291)	76,747	3,345,405
Total net position	<u>\$ 21,949,335</u>	<u>\$ 18,613,895</u>	<u>\$ 76,747</u>	<u>\$ 40,639,977</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION	<u>\$ 29,401,217</u>	<u>\$ 25,543,251</u>	<u>\$ 98,091</u>	<u>\$ 55,042,559</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, 2020

	Business-Type Activities - Enterprise Funds			
	Water	Sewer	Non-major Enterprise	Totals
OPERATING REVENUES				
Charges for services	\$ 4,291,937	\$ 4,755,250	\$ -	\$ 9,047,187
Total operating revenues	<u>\$ 4,291,937</u>	<u>\$ 4,755,250</u>	<u>\$ -</u>	<u>\$ 9,047,187</u>
OPERATING EXPENSES				
Personal services	\$ 1,191,900	\$ 1,189,623	\$ 17,729	\$ 2,399,252
Supplies	174,559	301,538	-	476,097
Purchased services	212,931	315,537	-	528,468
Fixed charges	239,278	223,224	245	462,747
Depreciation	514,589	774,455	-	1,289,044
Total operating expenses	<u>\$ 2,333,257</u>	<u>\$ 2,804,377</u>	<u>\$ 17,974</u>	<u>\$ 5,155,608</u>
Operating income (loss)	<u>\$ 1,958,680</u>	<u>\$ 1,950,873</u>	<u>\$ (17,974)</u>	<u>\$ 3,891,579</u>
NON-OPERATING REVENUES (EXPENSES)				
Intergovernmental revenue	\$ 18,760	\$ 1,013,167	\$ 216	\$ 1,032,143
Interest revenue	113,497	63,530	1,334	178,361
Debt service interest expense	(156,921)	(82,339)	-	(239,260)
Grants to other institutions	(14,667)	(6,665)	-	(21,332)
Total non-operating revenues (expenses)	<u>\$ (39,331)</u>	<u>\$ 987,693</u>	<u>\$ 1,550</u>	<u>\$ 949,912</u>
Income (loss) before contributions and transfers	\$ 1,919,349	\$ 2,938,566	\$ (16,424)	\$ 4,841,491
Transfers in	1,048,793	-	-	1,048,793
Transfers out	(186,191)	(28,099)	(324)	(214,614)
Change in net position	<u>\$ 2,781,951</u>	<u>\$ 2,910,467</u>	<u>\$ (16,748)</u>	<u>\$ 5,675,670</u>
Net Position - Beginning of the year	\$ 19,123,809	\$ 15,699,865	\$ 93,495	\$ 34,917,169
Restatements	43,575	3,563	-	47,138
Net Position - Beginning of the year - Restated	<u>\$ 19,167,384</u>	<u>\$ 15,703,428</u>	<u>\$ 93,495</u>	<u>\$ 34,964,307</u>
Net Position - End of the year	<u>\$ 21,949,335</u>	<u>\$ 18,613,895</u>	<u>\$ 76,747</u>	<u>\$ 40,639,977</u>

See accompanying Notes to the Financial Statements

City of Whitfish, Flathead County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2020

	Business - Type Activities			Totals
	Water	Sewer	Solid Waste	
Cash flows from operating activities:				
Cash received from providing services	\$ 4,327,666	\$ 4,744,038	\$ -	\$ 9,071,704
Cash payments to suppliers	(216,852)	(301,538)	-	(518,390)
Cash payments for professional services	(452,209)	(538,761)	(245)	(991,215)
Cash payments to employees	(1,176,843)	(1,137,516)	(12,981)	(2,327,340)
Net cash provided (used) by operating activities	<u>\$ 2,481,762</u>	<u>\$ 2,766,223</u>	<u>\$ (13,226)</u>	<u>\$ 5,234,759</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	\$ (1,189,091)	\$ (7,189,995)	\$ -	\$ (8,379,086)
Principal paid on debt	(959,000)	(447,000)	-	(1,406,000)
Interest paid on debt	(156,921)	(82,339)	-	(239,260)
Proceeds from bonds, loans and advances	-	1,555,026	-	1,555,026
Net cash provided (used) by capital and related financing activities	<u>\$ (2,305,012)</u>	<u>\$ (6,164,308)</u>	<u>\$ -</u>	<u>\$ (8,469,320)</u>
Cash flows from non-capital financing activities:				
Cash payments to other institutions	\$ (14,667)	\$ (6,665)	\$ -	\$ (21,332)
Transfers between funds, net	862,602	(28,099)	(324)	834,179
Cash received from other governments	18,345	17,772	216	36,333
Net cash provided (used) from non-capital financing activities	<u>\$ 866,280</u>	<u>\$ (16,992)</u>	<u>\$ (108)</u>	<u>\$ 849,180</u>
Cash flows from investing activities:				
Interest on investments	\$ 113,497	\$ 63,530	\$ 1,334	\$ 178,361
Net cash provided (used) by investing activities	<u>\$ 113,497</u>	<u>\$ 63,530</u>	<u>\$ 1,334</u>	<u>\$ 178,361</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 1,156,527</u>	<u>\$ (3,351,547)</u>	<u>\$ (12,000)</u>	<u>\$ (2,207,020)</u>
Cash and cash equivalents at beginning	<u>7,485,388</u>	<u>4,894,298</u>	<u>107,541</u>	<u>12,487,227</u>
Cash and cash equivalents at end	<u>\$ 8,641,915</u>	<u>\$ 1,542,751</u>	<u>\$ 95,541</u>	<u>\$ 10,280,207</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 1,958,680	\$ 1,950,873	\$ (17,974)	\$ 3,891,579
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	514,589	774,455	-	1,289,044
Changes in assets and liabilities:				
Accounts receivables	14,556	(16,042)	-	(1,486)
Deposits payable	21,173	4,830	-	26,003
Accounts payables	(42,293)	-	-	(42,293)
Compensated absence liabilities	(9,963)	8,310	2,985	1,332
Accrued payroll	8,675	8,809	460	17,944
OPEB liability and related deferred inflows and outflows	(775)	14,575	1,294	15,094
Net pension liability and related derved inflows and outflows	17,120	20,413	9	37,542
Net cash provided (used) by operating activities	<u>\$ 2,481,762</u>	<u>\$ 2,766,223</u>	<u>\$ (13,226)</u>	<u>\$ 5,234,759</u>

See accompanying notes to the financial statements

City of Whitefish, Flathead County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2020

		<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$	80,484
Taxes receivable		9,738
Total assets	\$	<u>90,222</u>
LIABILITIES		
Due to others	\$	90,222
Total liabilities	\$	<u>90,222</u>

NET POSITION

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

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 unit's board; the City is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the City complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the City.

Primary Government

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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, 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. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

Measurement Focus and Basis of Accounting

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

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Fund Financial Statements

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the 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 as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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.

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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 principal 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.

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:

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consists 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, 2020, are as follows:

	<u>Primary Government</u>
<u>Cash on hand and deposits:</u>	
Cash on hand	
Petty Cash	\$ 1,050
Cash in banks:	
Demand deposits	11,979,586
Savings deposits	442,418
Time deposits	6,440,778
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	10,728,708
Total	\$ <u>29,592,540</u>

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 fund considers 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.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 Treasury Bills and U.S Government Securities 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 Montana Code Annotated (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;
- (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 authorized in Section 7-6-202, MCA, may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-213, MCA.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

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, 2020, (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	\$ 430,142	A-1+	56
Agency or Government Related	1,182,828	A-1+	52
Corporate:			
Commercial Paper	398,071	A-1+	72
Notes	115,311	A-1+	57
Certificates of Deposit	<u>300,206</u>	A-1	56
Total Investments	\$ <u>2,426,558</u>		

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

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2020, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2020 <u>Balance</u>
Insured	\$ 5,518,551
- Collateral held by the pledging bank's trust department but not in the City's name	13,086,454
- Uninsured and uncollateralized	<u>268,042</u>
Total deposits and investments	<u>\$ 18,873,047</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%.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

The amount of collateral held for City deposits at June 30, 2020, equaled or exceeded the amount required by State statutes.

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the City as of June 30, 2020. 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 Fund	Resort Tax - Streets	\$ 293,635
Resort Tax Fund	Resort Tax - Parks	192,552
Resort Tax Fund	Resort Tax - Tax Relief	1,128,792
Tax Increment Fund	Debt Service - Future	1,698,300
Water Fund	Debt Service - Future	675,166
Water Fund	Debt Service - Replacement & Depreciation	104,378
Water Fund	Impact Fees-Construction	1,631,695
Sewer Fund	Debt Service - Future	209,592
Sewer Fund	Debt Service - Replacement & Depreciation	102,027
Sewer Fund	Impact Fees-Construction	1,081,266
General Fund	Flex Spending Account	<u>11,729</u>
Total		<u>\$7,129,132</u>

NOTE 4. RECEIVABLES

Tax Receivables

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

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

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

NOTE 5. INVENTORIES AND PREPAIDS

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 2020 Basic Financial Statements.

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

Governmental activities:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2020</u>
Capital assets not being depreciated:					
Land	\$ 9,447,065	\$ -	\$ (606,272)	\$ -	\$ 8,840,793
Construction in progress	5,476,954	6,020,590	-	(3,709,790)	7,787,754
Total capital assets not being depreciated	<u>\$ 14,924,019</u>	<u>\$ 6,020,590</u>	<u>\$ (606,272)</u>	<u>\$ (3,709,790)</u>	<u>\$ 16,628,547</u>
Other capital assets:					
Buildings	\$ 37,279,486	\$ -	\$ -	\$ -	\$ 37,279,486
Improvements other than buildings	2,974,562	17,066	-	309,928	3,301,556
Machinery and equipment	8,586,316	417,770	(63,550)	-	8,940,536
Infrastructure	42,837,555	44,175	-	3,399,862	46,281,592
Total other capital assets at historical cost	\$ 91,677,919	\$ 479,011	\$ (63,550)	\$ 3,709,790	\$ 95,803,170
Less: accumulated depreciation	(32,121,496)	(3,376,129)	55,525	-	(35,442,100)
Total	<u>\$ 74,480,442</u>	<u>\$ 3,123,472</u>	<u>\$ (614,297)</u>	<u>\$ -</u>	<u>\$ 76,989,617</u>

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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 454,493
Public safety	419,657
Public works	1,838,570
Culture and recreation	658,892
Housing and community development	<u>4,517</u>
Total governmental activities depreciation expense	<u>\$3,376,129</u>

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

Business-type activities:

	Balance July 1, 2019	Additions	Deletions	Transfers	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 602,783	\$ -	\$ -	\$ -	\$ 602,783
Haskill Basin Conservation Easement	7,730,248	-	-	-	7,730,248
Construction in progress	3,017,682	9,670,983	-	(271,902)	12,416,763
Total capital assets not being depreciated	<u>\$ 11,350,713</u>	<u>\$ 9,670,983</u>	<u>\$ -</u>	<u>\$ (271,902)</u>	<u>\$ 20,749,794</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	22,163,562	-	-	271,902	22,435,464
General plant	2,311,737	588,836	(19,208)	-	2,881,365
Total other capital assets at historical cost	\$ 44,996,361	\$ 588,836	\$ (19,208)	\$ 271,902	\$ 45,837,891
Less: accumulated depreciation	(21,841,375)	(1,289,044)	19,208	-	(23,111,211)
Total	<u>\$ 34,505,699</u>	<u>\$ 8,970,775</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,476,474</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.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2020, the following changes occurred in liabilities reported in long-term debt:

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Governmental Activities:

	Balance				Balance	Due Within
	July 1, 2019	Additions	Deletions	Adjustment	June 30, 2020	One Year
Revenue bonds	\$ 7,590,558	\$ -	\$ (3,848,000)	\$ (9,558)	\$ 3,733,000	\$ 3,733,000
Special assessment bonds	1,192,946	-	(92,903)	-	1,100,043	94,132
Intercap loans	599,913	-	(159,723)	-	440,190	161,951
Compensated absences	1,290,008	270,623	-	-	1,560,631	1,286,676
Total	<u>\$ 10,673,425</u>	<u>\$ 270,623</u>	<u>\$ (4,100,626)</u>	<u>\$ (9,558)</u>	<u>\$ 6,833,864</u>	<u>\$ 5,275,759</u>

In prior years the General Fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance				Balance	Due Within
	July 1, 2019	Additions	Deletions	Restatements	June 30, 2020	One Year
Revenue bonds	\$ 9,841,563	\$ 1,555,026	\$ (1,406,000)	\$ (4,563)	\$ 9,986,026	\$ 1,689,000
Compensated absences	298,588	1,332	-	-	299,920	208,379
Total	<u>\$ 10,140,151</u>	<u>\$ 1,556,358</u>	<u>\$ (1,406,000)</u>	<u>\$ (4,563)</u>	<u>\$ 10,285,946</u>	<u>\$ 1,897,379</u>

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, 2020, were as follows:

Purpose	Origination Date	Interest Rate	Bond Term	Maturity Date	Bonds Amount	Annual Payment	Balance June 30, 2020
SID #166 - JP Road Project	7/6/06	3.65-4.80%	20yrs	7/1/26	\$1,360,000	varies	\$ 385,000
SID #167 (Glacier Bank)	1/5/17	4.36%	20yrs	7/1/37	\$389,500	varies	357,522
SID #167 (First Interstate Bank)	1/5/17	4.36%	20yrs	7/1/37	389,500	varies	357,521
					<u>\$2,139,000</u>		<u>\$ 1,100,043</u>

Reported in the governmental activities.

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Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 1,100,043</u>	<u>\$ 368,609</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 at year-end were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Bond</u> <u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Bonds</u> <u>Amount</u>	<u>Annual</u> <u>Payment</u>	<u>Balance</u> <u>June 30, 2020</u>
2016A Tax Increment Urban renewal Bond (Glacier Bank) (1)	3/1/16	2.21%	4yrs	7/15/20	\$ 4,900,000	Varies	\$ 1,485,000
2016B Tax Increment Urban Renewal Bond (First Interstate Bank) (1)	3/1/16	2.21%	4yrs	7/15/20	4,900,000	Varies	1,485,000
2015A Tax Increment Urban Renewal Refunding Bonds 2015A (Glacier Bank) (1)	6/10/15	2.62%	5yrs	7/15/20	3,591,500	Varies	381,500
2015B Tax Increment Urban Renewal Refunding Bonds 2015B (First Interstate) (1)	6/10/15	2.62%	5yrs	7/15/20	3,591,500	Varies	381,500
Water WRF #08110 - 2007 – Refunding (2)	11/27/12	2.25%	20yrs	1/1/27	668,000	Varies	326,000

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Water DWSRF #06098 2006 – Refunding (2)	11/27/12	2.25%	20yrs	7/1/26	693,000	Varies	324,000
Water SRF (2009B) (2)	10/21/09	0.75%	20yrs	7/1/29	120,100	Varies	54,000
Water System Revenue Bond, Taxable Series 2016 (Haskill Basin) (2)	1/1/16	2.50%	8yrs	1/1/25	8,219,500	Varies	4,867,000
Water DNRC Series 2015 (2)	12/7/15	2.50%	30yrs	1/1/36	120,000	Varies	100,000
Sewer SRF 2002 Series – Refunding (2)	11/27/12	2.00%	20yrs	7/1/22	107,000	Varies	24,000
Sewer DNRC (2008A) – Refunding (2)	11/27/12	2.25%	20yrs	1/1/27	372,000	Varies	181,000
Sewer DNRC (2008B) – Refunding (2)	1/16/09	2.25%	20yrs	1/1/27	1,262,000	Varies	617,000
Sewer DNRC (2010B) (2)	2/4/10	0.75%	20yrs	1/1/30	48,211	Varies	28,000
Sewer 2011B (2)	8/1/11	3.00%	20yrs	7/1/31	340,000	Varies	211,000
Sewer 2011C (2)	8/1/11	3.00%	20yrs	7/1/31	350,000	Varies	227,000
Sewer - 2014A - River Lakes (2)	11/20/14	2.50%	20yrs	1/1/35	249,799	Varies	183,000
Sewer 2014 (2)	3/6/14	3.00%	20yrs	1/1/34	452,300	Varies	332,000
Sewer DNRC 2015 (2)	12/17/15	2.50%	20yrs	7/1/36	960,000	Varies	783,000
Sewer I & I (2)	7/21/16	2.50%	20yrs	1/1/36	439,085	Varies	368,000
SRF Series 2020 B – 20485 (2)	5/6/20	2.50%	20yrs	1/1/40	10,000,000	Varies	1,011,026
SRF Series 2020 A – 20484 (2)	5/6/20	2.50%	20yrs	1/1/40	<u>350,000</u>	Varies	<u>350,000</u>
					<u>\$41,733,995</u>		<u>\$ 13,719,026</u>

(1) Reported in the governmental activities.

(2) Reported in business-type activities.

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and the registrar. The most significant covenants are summarized in detail below:

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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 principal 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 1.10 times the maximum annual debt service on the bonds.

As of June 30, 2020, the City was in compliance with these requirements.

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 5,422,000	\$ 273,383
2022	1,789,500	178,203
2023	1,679,526	129,867
2024	1,592,500	97,281
2025	1,075,500	64,576
2026	418,500	49,726
2027	274,500	41,555
2028	184,500	35,011
2029	187,500	30,762
2030	185,500	26,443
2031	190,500	21,977
2032	145,500	17,765
2033	149,500	14,329
2034	138,500	10,824
2035	118,500	7,899
2036	79,500	3,358
2037	17,500	2,079
2038	17,500	1,641
2039	17,500	1,204
2040	17,500	768
2041	17,500	329
Total	<u>\$ 13,719,026</u>	<u>\$ 1,008,980</u>

Intercap Loans

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

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Interacap loans outstanding as of June 30, 2020, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2020</u>
Fire Pumper Type 1	6/20/2014	1.00-1.55%	10yrs	8/15/2024	\$ 202,453	Varies	\$ 93,285
Fire Pumper	10/3/2014	1.00-1.55%	10yrs	8/15/2024	282,659	Varies	130,302
Water Tender Fire Apparatus	2/13/2015	1.00-1.25%	7yrs	2/15/2022	211,000	Varies	61,781
Fire SCBAs	12/4/2015	2.5%	5yrs	2/15/2021	230,453	Varies	47,241
Ambulance 2018	2/16/2018	3.15%	5yrs	2/15/2023	<u>175,000</u>	Varies	<u>107,581</u>
Total					<u>\$1,384,224</u>		<u>\$ 440,190</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 161,951	\$ 27,555
2022	116,373	16,881
2023	86,714	10,061
2024	50,473	4,823
2025	24,679	1,137
Total	<u>\$ 440,190</u>	<u>\$ 60,457</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 the excess cannot be carried forward 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’ 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 Statement 75.

Benefits Provided. Retirees enrolling in the plan may choose medical, dental, and vision benefits. All benefits are provided through the Montana Municipal Interlocal Authority. Those who retired prior to 2017 may also have life insurance but it is not available to later retirees. The table below presents a high-level summary of the medical benefits offered in the plan year beginning July 1, 2020.

	Bridger Plan	HDHP
Medical Deductible (Individual/Family)	\$500/\$1,000	\$2,800/\$5,600
Out-of-Pocket Maximum (Individual/Family)	\$1,500/\$3,000	\$5,250/\$10,500
Coinsurance (In Network/Out of Network)	20%/40%	20%/40%
Prescription Copays:		
Generic	\$4	Deductible
Brand Formulary	\$20	applies, 20%
Brand Non-Formulary	\$50	coinsurance

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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	91
Total employees	110

Total OPEB Liability

The City's total OPEB liability is \$1,770,046 as of June 30, 2020 and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2020 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Measurement date and Validation date	June 30, 2020
Discount rate (average anticipated rate)	2.66%
Average salary increase (Consumer Price Index)	3.50%
General inflation	3.00%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<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 Retirement:

Service	PERS	FURS	MPORS
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%	2.00%	5.0%
10	6.0%	2.00%	2.0%
11 - 14	4.0%	1.00%	2.0%
15+	2.0%	1.00%	2.0%

The discount rate was based on the S & P Municipal Bond 20Year High Grade Rate Index as of June 30, 2020.

Payroll Growth Rate was determined by the Pension Actuarial Valuations June 30, 2019.

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 6/30/2019.

Termination rates were set based on PERS, FURS, and MPORS Pension Actuarial Valuations June 30, 2019.

Retirement Rate:

Age	<u>PERS</u>		<u>FURS</u>	<u>MPORS</u>
	<u><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%
62	25%	25%	50%	100%
63	15%	15%	100%	

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

Participation Rate – Current active employees: 50% of active employees are assumed to elect the City healthcare coverage in retirement. 0% are assumed to continue the medical plan after age 65. Based on a study of current retirees.

Current retirees: Current retirees are assumed to continue their existing election until age 65; however, 0% of the retirees currently under age 65 are assumed to continue their existing medical plan election beyond age 65. Based on a study of current retirees.

Participation Rate Life Insurance – Current active employees: No life insurance benefit is available in retirement.

Current retirees: Only those who retired prior to 2017 have the benefit. They are assumed to continue their existing election for their remaining lifetime.

Spousal Coverage – Current active employees: 95% of those assumed to elect coverage in retirement are assumed to be married and 60% of the married participants are assumed to elect coverage for their spouse in retirement. Based on a study of current retirees. Husbands are assumed to be 3 years older than their wives.

Current retirees: Existing elections for spouse coverage are assumed to be maintained until death. Actual spouse information is used where 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>
2020	6.1%
2021	5.9%
2022	5.8%
2023	5.6%
2024	5.4%
2025	5.2%
2026+	5.0%

The Medical Trend Rates above were from the PriceWaterhouseCoopers 2019 Assumption and Disclosure Survey.

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Changes in the Total OPEB Liability

Balance at 6/30/2019	\$ 2,141,656
Changes for the year:	
Service Cost	\$ 138,474
Interest	56,968
Differences in experience	37,406
Change in assumptions	(446,159)
Benefit payments	<u>(158,299)</u>
Net Changes	\$ <u>371,610</u>
Balance at 6/30/2020	\$ <u>1,770,046</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 (1.66%)	Discount Rate (2.66%)	1% Increase (3.66%)
Total OPEB Liability	\$ 2,161,869	\$ 1,770,046	\$ 1,486,310

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	\$ 1,405,293	\$ 1,770,046	\$ 2,270,568

**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, 2020, the City recognized an OPEB expense of \$371,610.

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At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Beginning balance June 30, 2019	\$ 431,800	\$ 786,910
Differences between expected and actual economic experience	37,406	-
Current year amortization of experience differences	(5,336)	(104,703)
Changes in assumptions	-	446,159
Current year amortization of assumption changes	(66,329)	(77,992)
Total	\$ 397,541	\$ 1,050,374

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:		Actual to Expected Experience (Outflows)		Changes in Assumptions (Inflow)		Combined
2020	\$	5,336	\$	(63,646)	\$	(58,310)
2021	\$	5,336	\$	(63,646)	\$	(58,310)
2022	\$	5,336	\$	(63,646)	\$	(58,310)
2023	\$	5,336	\$	(63,646)	\$	(58,310)
2024	\$	5,336	\$	(63,646)	\$	(58,310)
2025	\$	5,336	\$	(63,646)	\$	(58,310)
2026	\$	5,336	\$	(63,646)	\$	(58,310)
Thereafter	\$	54	\$	(637)	\$	(583)

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NOTE 9. NET PENSION LIABILITY

As of June 30, 2020, the City reported the following balances as its proportionate share of PERS, MPORS, and FURS pension amounts:

City's Proportionate Share Associated With:	PERS	MPORS	FURS	Pension Totals
Net Pension Liability	\$ 4,615,578	\$ 1,215,267	\$ 769,009	\$ 6,599,854
Deferred outflows of resources*	\$ 852,193	\$ 308,990	\$ 338,495	\$ 1,499,678
Deferred inflows of resources	\$ 584,395	\$ 44,010	\$ 100,405	\$ 728,810
Pension expense	\$ 636,684	\$ 185,895	\$ 134,706	\$ 957,285

*Deferred outflows for PERS, MPORS, and FURS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$381,426 and \$154,105, and \$187,038, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2019.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (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

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.

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.

Summary of Benefits

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;

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- 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.
- 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.

Contributions

The state Legislature has the authority to establish and amend contributions rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member’s compensation. Contributions are deducted from each member’s salary and remitted by participating employers

Special Funding: The State of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired < 07/01/11	Hired > 07/01/11	Employer	Employer	State	Employer	State
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010 – 2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008 – 2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000 - 2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

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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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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer’s and the state of Montana NPLS for June 30, 2020, and 2019, are displayed below. The City proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The City recorded a liability of \$4,615,578 and the City’s proportionate share was 0.220808 percent.

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 4,615,578	\$ 4,493,914	0.220808%	0.215314%	0.005494%
State of Montana Proportionate Share associated with Employer	1,503,159	1,504,721	0.071911%	0.072095%	-0.000184%
Total	\$ 6,118,737	\$ 5,998,635	0.292719%	0.287409%	0.005310%

Changes in actuarial assumptions and methods:

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

Changes in benefit terms:

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

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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.

Pension Expense:

At June 30, 2020, the City recognized a Pension Expense of \$636,684 for its proportionate share of the pension expense. The City also recognized grant revenue of \$3,844 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the City. Additionally, the City recognized grant revenue of \$98,205 from the State Statutory Appropriation from the General Fund.

	Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 636,684	\$ 479,149
State of Montana Proportionate Share associated with the Employer	3,844	100,424
State of Montana State Appropriation for the Employer	98,205	-
Total	\$ 738,733	\$ 579,573

Recognition of Beginning Deferred Outflow

At June 30, 2020, the City recognized a beginning deferred outflow of resources for the employer’s fiscal year 2019 contributions of \$149,677.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2020, the City reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 218,860	\$ 217,181
Actual vs. Expected Investment Earnings	55,963	-
Changes in Assumptions	195,944	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	367,214
Employer contributions subsequent to the measurement date - FY20*	381,426	-
Total	\$ 852,193	\$ 584,395

*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$ 66,001
2021	\$ (2,506,723)
2022	\$ 20,818
2023	\$ 50,226
Thereafter	\$ -

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Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2018 actuarial valuation, and was determined using the following actuarial assumptions.

- 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.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. 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 inflations) 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

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<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%</u>	

Discount Rate

The discount rate used to measure the TPL 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 would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by 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.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 6,631,271	\$ 4,615,578	\$ 2,921,643

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.

PERS Disclosure for the defined contribution plan

Flathead County contributed to the state of Montana Public employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS 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 benefit and defined contribution retirement plans.

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Member and employer contributions rates are specified by state law 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.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2018, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$746,144.

Pension plan fiduciary net position: The stand-alone financial statements (76d) 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 both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

Municipal Police Officers' Retirement System

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (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

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.

Summary of Benefits

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.

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- 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 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.

Contributions

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.

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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%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the City's and the state of Montana NPLS for June 30, 2020, and 2019, are displayed below. The City proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The City recorded a liability of \$1,215,267 and the City's proportionate share was 0.6106 percent.

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,215,267	\$ 1,059,341	0.6106%	0.6186%	-0.0080%
State of Montana Proportionate Share associated with Employer	2,474,698	2,165,490	1.2433%	1.2645%	-0.0212%
Total	\$ 3,689,965	\$ 3,224,831	1.8539%	1.8831%	-0.0292%

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Changes in actuarial assumptions and methods:

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

Changes in benefit terms:

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.

Pension Expense:

At June 30, 2020, the City recognized a Pension Expense of \$185,895 for its proportionate share of the pension expense. The City also recognized grant revenue of \$296,448 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer.

	Pension Expense as of 6/30/20		Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 185,895	\$	126,508
State of Montana Proportionate Share associated with the Employer	296,448		298,517
Total	\$ 482,343	\$	425,025

Recognition of Beginning Deferred Outflow

At June 30, 2020, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2019 contributions of \$150,413.

CITY OF WHITEFISH
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Recognition of Deferred Inflows and Outflows:

At June 30, 2020, the City reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 107,856	\$ 7,720
Actual vs. Expected Investment Earnings	22,589	-
Changes in Assumptions	24,440	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	36,290
Employer contributions subsequent to the measurement date - FY20*	154,105	-
Total	\$ 308,990	\$ 44,010

*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense	
For the Measurement Year ended June 30:		
2020	\$	37,395
2021	\$	23,436
2022	\$	38,664
2023	\$	11,381
Thereafter	\$	-

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
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Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation, and was determined using the following actuarial assumptions.

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%

- 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.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. 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 inflations) 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

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<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%</u>	

Discount Rate

The discount rate used to measure the TPL 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 would be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 29.37% of the salaries paid by employers. 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 2133. 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.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 1,786,646	\$ 1,215,267	\$ 757,882

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.

Pension plan fiduciary net position: The stand-alone financial statements (76d) 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 both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

CITY OF WHITEFISH
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Firefighters' Unified Retirement System

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (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).

Plan Descriptions

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 provide 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

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

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Early retirement

- Age 50 with 5 years of membership service

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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 FLATHEAD COUNTY, MONTANA
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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.

Contributions

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%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the City’s and the state of Montana NPLS for June 30, 2020, and 2019, are displayed below. The City proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The City recorded a liability of \$769,009 and the City’s proportionate share was 0.6704 percent.

CITY OF WHITEFISH
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	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 769,009	\$ 850,163	0.6704%	0.7382%	-0.0678%
State of Montana Proportionate Share associated with Employer	1,859,848	1,943,937	1.6213%	1.6879%	-0.0666%
Total	\$ 2,628,857	\$ 2,794,100	2.2917%	2.4261%	-0.1344%

Changes in actuarial assumptions and methods:

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

Changes in benefit terms:

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.

Pension Expense:

At June 30, 2020, the City recognized a Pension Expense of \$134,706 for its proportionate share of the pension expense. The City also recognized grant revenue of \$387,454 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the City.

	Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 134,706	\$ 110,091
State of Montana Proportionate Share associated with the Employer	387,454	391,257
Total	\$ 522,160	\$ 501,348

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

Recognition of Beginning Deferred Outflow

At June 30, 2020, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2019 contributions of \$176,246.

Recognition of Deferred Inflows and Outflows:

At June 30, 2020, the City reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 69,133	\$ 7,978
Actual vs. Expected Investment Earnings	25,626	-
Changes in Assumptions	56,698	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	92,427
Employer contributions subsequent to the measurement date - FY20*	187,038	-
Total	\$ 338,495	\$ 100,405

*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2020.

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

For the Measurement Year ended June 30:		Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$	21,782
2021	\$	485
2022	\$	22,459
2023	\$	17,867
Thereafter	\$	(11,541)

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FLATHEAD COUNTY, MONTANA
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Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation, and was determined using the following actuarial assumptions.

- 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).

- 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.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. 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 inflations) 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. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

CITY OF WHITEFISH
 FLATHEAD COUNTY, MONTANA
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 June 30, 2020

<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%</u>	

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 2124. 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.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 1,343,089	\$ 769,009	\$ 306,121

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.

Pension plan fiduciary net position: The stand-alone financial statements (76d) 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 both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Clear Deficit Cash Balance	Gas Tax – Non-major Governmental	General – Major Governmental	<u>\$48,601</u>

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 FLATHEAD COUNTY, MONTANA
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Advances to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
	SID 166 – Non-major	SID Revolving – Non-major	
Half of Annual Assessment	Governmental	Governmental	<u>\$58,699</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2020:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Property Tax Relief	General – Major Governmental	Resort Tax – Major Governmental	\$1,287,597
Property Tax Relief	General – Major Governmental	Water – Non-major Governmental	53,450
Operating	Parks, Recreation and Community Services – Non-major Governmental	General – Major Governmental	818,603
Operating	Parks, Recreation and Community Services – Non-major Governmental	Water – Non-major Governmental	48,498
Operating	Library – Non-major Governmental	General – Major Governmental	34,371
Operating	Fire and Ambulance – Non-major Governmental	General – Major Governmental	853,092
Operating	Gas Tax – Special – Non-major Governmental	Street and Alley – Non-major Governmental	7,350
TIF Debt Service	Tax Increment Revenue Bond Debt – Major Governmental	Tax Increment – Major Governmental	2,096,922
Resort Tax Transfer	Water – Non-major Governmental	Resort Tax – Major Governmental	1,048,793
Indirect Cost Allocation Transfer	General – Major Governmental	Street and Alley – Non-major Governmental	15,121
Indirect Cost Allocation Transfer	General – Major Governmental	Parks and Recreation – Non-major Governmental	27,718
Indirect Cost Allocation Transfer	General – Major Governmental	Library Fund – Non-major Governmental	4,900

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Indirect Cost Allocation Transfer	General – Major Governmental	Law Enforcement – Non-major Governmental	54,242
Indirect Cost Allocation Transfer	General – Major Governmental	Tax Increment – Major Governmental	8,281
Indirect Cost Allocation Transfer	General – Major Governmental	Fire and Rescue – Non-major Governmental	21,056
Indirect Cost Allocation Transfer	General – Major Governmental	Ambulance Fund – Non-major Governmental	33,003
Indirect Cost Allocation Transfer	General – Major Governmental	Building Codes – Non-major Governmental	11,204
Indirect Cost Allocation Transfer	General – Major Governmental	Light #1 – Non-major Governmental	625
Indirect Cost Allocation Transfer	General – Major Governmental	Light #2 – Non-major Governmental	625
Indirect Cost Allocation Transfer	General – Major Governmental	Stormwater Fund – Non-major Governmental	3,723
Indirect Cost Allocation Transfer	General – Major Governmental	Water Fund – Non-major Governmental	30,001
Indirect Cost Allocation Transfer	General – Major Governmental	Wastewater Fund – Non-major Governmental	28,099
Indirect Cost Allocation Transfer	General – Major Governmental	Solid Waste Fund – Non-major Governmental	<u>324</u>
			<u>\$6,487,598</u>

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.

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Fire Department Relief Association Disability and Pension Fund

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

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

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

Non-spendable – Includes resources not in spendable form, such as inventory, or those legally required to be maintained intact, such as principal portion of permanent funds.

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.

Nonspendable Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Reason Nonspendable</u>
All Other Aggregate	\$ <u>58,699</u>	Advances to other funds

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
General Fund	\$ 11,729	Street and park improvements
Resort Tax	1,586,890	Urban development
Tax Increment	2,381,754	Emergency services
Fire and Ambulance	649,681	Debt service
Tax Increment Revenue Bond Debt	3,773,375	Street and park improvements
All Other Aggregate	226,850	Debt service
	2,152,269	Maintenance
	222,116	Culture and recreation

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988,920	Construction inspections
1,092,949	Improvements
155,662	Utility services
2,542	Miscellaneous
987,664	Storm drainage
260,000	Housing and community development
<u>1,864</u>	Construction
<u>\$14,494,265</u>	

NOTE 13. RESTATEMENTS

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Public Safety*	\$ 17,173	Understated PY due from other governments
Water	1,000	Understated PY Long Term Capital Liabilities
Water	42,575	Understated PY deferred inflows
Sewer	3,563	Understated PY Long Term Capital Liabilities
Governmental government wide adjustment	<u>9,558</u>	Understated PY Long Term Capital Liabilities
	<u>\$ 73,869</u>	

*Reported with the General Fund under GASB #54.

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, 2020

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.

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 FROM 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 received 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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In 1986, the Town 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 Town 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. PENDING LITIGATION

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

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>James Hartshorne and Angelo Queirolo v. City of Whitefish, DV-18-987A</i>	Unknown	Unknown
<i>Edward Moffatt and Chris Clouse v. City of Whitefish, DV-19-264A</i>	Unknown	Unknown
<i>Quatman v. City of Whitefish, DV 18-693A</i>	Unknown	Unknown
<i>CommUnity Consulting, LLC, v. City of Whitefish, DV-15-19-566C</i>	Unknown	Unknown
<i>South Whitefish Neighborhood Association v. City of Whitefish, DV-15-19-1016-DK</i>	Unknown	Unknown

NOTE 19. SUBSEQUENT EVENTS

- 1) In March 2020, Congress passed the CARES Act, which included \$150 billion for local governments. The State of Montana received an allocation of \$1.25 billion. The State then passed a portion of these fund through to the local governments on a reimbursement basis for direct costs associated with COVID-19. As of the date of the audit, the City of Whitefish had received \$1,083,098. This included the \$698,392 that pertained to expenditures incurred from March – June 2020.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
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June 30, 2020

In March 2021, Congress Passed the American Rescue Plan. This plan allocates \$350 billion in new Coronavirus Relief Funds for States, Localities, the U.S. Territories, and Tribal Governments. These funds are to be spent by December 31, 2024. Out of these funds, the City of Whitefish will receive \$2,008,372.

The City, like all governments in the United States is dealing with the effects of the COVID-19 pandemic. Encouraging developments with vaccines provide hope that the negative impacts the community is experiencing will end. However, until a substantial amount of the population has been inoculated, the City could experience operational changes, shutdowns or financial impacts that the City will continue to monitor and may need to address.

- 2) The Resort tax fund completed street and sidewalk improvements as of March 2021 in the amount of \$1,520,156. The Tax Increment Fund also completed street improvements as of March 2021 in the amount of \$1,382,831.
- 3) On July 21, 2020, the City entered into a contract for the construction of the Water Treatment Plant project. The contract award was made to Swank Enterprises for \$9,327,000. To date, \$4,844,867.25 has been spent under the contract.

On August 3, 2020, the City Council approved the issuance of \$11,000,000 in bonds in two series of \$6,000,000 and \$5,000,000 respectively to fund the Water Treatment Plant Project. On September 23, 2020, the City issued the first bond which was a \$6,000,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2020. The interest rate on the bonds is 2.5% with a 20- year term. Through March 2021, the City has drawn down \$5,255,170 of the first \$6,000,000 and is anticipating a closing of the \$5,000,000 on April 7, 2021.

- 4) The City continues work on their wastewater treatment plant upgrade project in fiscal year 2021. On November 19, 2020, the City issued a \$9,575,000 Sewer System Revenue Bond (DNRC Water Pollution Control State Revolving Loan Program), Series 2020C with a 2.5% interest rate and a 20-year term. The amount advanced at the date of closing was \$353,414. The City has drawn \$4,445,302 of the bond to date. The City had incurred expenditures subsequent to year end in the amount of \$9,068,917.
- 5) On July 20, 2020, the City entered into a \$192,811.27 lease contract with De Lage Landed Public Finance LLC for network, firewall, switches and related equipment. The term of the lease is 5 years at 0% interest with annual payments of approximately \$38,562.

CITY OF WHITEFISH
FLATHEAD COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

- 6) On November 3rd, Flathead County voters approved the creation of the Flathead County Emergency Communications Center Special District (FECC). The funding for the City's participation in the FECC was is funded though the City's budget in accordance with an Interlocal Agreement between the Flathead County, the City of Columbia Falls, the City of Kalispell and the City of Whitefish and will remain funded by each participating entity. The Interlocal Agreement expired on December 31, 2020 and management and the employees of the new district will be a part of Flathead County's organization. Beginning for FY22, the FECC Special District will be funded with assessments on each lot or parcel of land, including improvements for its taxable valuation bears to the total taxable valuation of the property in the District instead of being funded from the City's budget.

**REQUIRED SUPPLEMENTARY
INFORMATION**

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,300,127	\$ 2,300,127	\$ 2,220,528	\$ (79,599)
Licenses and permits	146,425	146,425	149,274	2,849
Intergovernmental	921,081	921,081	936,001	14,920
Charges for services	258,925	258,925	359,895	100,970
Fines and forfeitures	359,600	359,600	395,060	35,460
Miscellaneous	89,084	89,084	82,197	(6,887)
Investment earnings	85,000	85,000	119,682	34,682
Amounts available for appropriation	\$ 4,160,242	\$ 4,160,242	\$ 4,262,637	\$ 102,395
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 670,719	\$ 670,719	\$ 861,087	\$ (190,368)
Public safety	567,494	567,494	509,051	58,443
Public works	30,703	30,703	27,465	3,238
Social and economic services	1,500	1,500	1,500	-
Culture and recreation	19,512	19,512	10,178	9,334
Housing and community development	13,500	13,500	12,000	1,500
Capital outlay	62,500	62,500	36,846	25,654
Total charges to appropriations	\$ 1,365,928	\$ 1,365,928	\$ 1,458,127	\$ (92,199)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,395,289	\$ 1,395,289	\$ 1,634,211	\$ 238,922
Transfers out	(4,251,301)	(4,251,301)	(4,251,301)	-
Total other financing sources (uses)	\$ (2,856,012)	\$ (2,856,012)	\$ (2,617,090)	\$ 238,922
Net change in fund balance			\$ 187,420	
Fund balance - beginning of the year			\$ 1,506,858	
Fund balance - end of the year			\$ 1,694,278	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

Resort Tax				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 4,260,096	\$ 4,260,096	\$ 4,235,610	\$ (24,486)
Investment earnings	41,930	41,930	34,719	(7,211)
Amounts available for appropriation	\$ 4,302,026	\$ 4,302,026	\$ 4,270,329	\$ (31,697)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Capital outlay	\$ 3,110,000	\$ 3,377,000	\$ 3,379,026	\$ (2,026)
Total charges to appropriations	\$ 3,110,000	\$ 3,377,000	\$ 3,379,026	\$ (2,026)
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ (2,344,175)	\$ (2,344,175)	\$ (2,336,390)	\$ 7,785
Total other financing sources (uses)	\$ (2,344,175)	\$ (2,344,175)	\$ (2,336,390)	\$ 7,785
Net change in fund balance			\$ (1,445,087)	
Fund balance - beginning of the year			\$ 3,031,977	
Fund balance - end of the year			\$ 1,586,890	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

Tax Increment

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>(BUDGETARY</u>	
			<u>BASIS) See Note A</u>	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 7,553,288	\$ 7,553,288	\$ 6,821,829	\$ (731,459)
Intergovernmental	248,865	248,865	253,195	4,330
Miscellaneous	50,364	50,364	41,971	(8,393)
Amounts available for appropriation	<u>\$ 7,852,517</u>	<u>\$ 7,852,517</u>	<u>\$ 7,116,995</u>	<u>\$ (735,522)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Housing and community development	\$ 1,864,250	\$ 1,864,250	\$ 1,473,696	\$ 390,554
Capital outlay	5,009,175	5,009,175	2,308,757	2,700,418
Total charges to appropriations	<u>\$ 6,873,425</u>	<u>\$ 6,873,425</u>	<u>\$ 3,782,453</u>	<u>\$ 3,090,972</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from the sale of general capital asset disposition	\$ 482,275	\$ 482,275	\$ 481,148	\$ (1,127)
Transfers in	-	-	-	-
Transfers out	(2,084,878)	(2,084,878)	(2,105,203)	(20,325)
Total other financing sources (uses)	<u>\$ (1,602,603)</u>	<u>\$ (1,602,603)</u>	<u>\$ (1,624,055)</u>	<u>\$ (21,452)</u>
Net change in fund balance			<u>\$ 1,710,487</u>	
Fund balance - beginning of the year			\$ 671,267	
Fund balance - end of the year			<u>\$ 2,381,754</u>	

City of Whitefish, Flathead County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

Fire and Ambulance				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 649,052	\$ -	\$ 620,753	\$ 620,753
Licenses and permits	125,100	-	195,393	195,393
Intergovernmental	109,250	-	779,870	779,870
Charges for services	1,882,680	-	1,806,059	1,806,059
Miscellaneous	20,000	-	40,373	40,373
Amounts available for appropriation	\$ 2,786,082	\$ -	\$ 3,442,448	\$ 3,442,448
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 3,446,580	\$ 3,446,580	\$ 3,772,350	\$ (325,770)
Debt service - principal	159,724	159,724	159,723	1
Debt service - interest	18,864	18,864	18,865	(1)
Capital outlay	75,000	75,000	42,426	32,574
Total charges to appropriations	\$ 3,700,168	\$ 3,700,168	\$ 3,993,364	\$ (293,196)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 853,092	\$ -	\$ 853,092	\$ 853,092
Transfers out	-	-	(54,059)	(54,059)
Total other financing sources (uses)	\$ 853,092	\$ -	\$ 799,033	\$ 799,033
Net change in fund balance			\$ 248,117	
Fund balance - beginning of the year			\$ 401,564	
Fund balance - end of the year			\$ 649,681	

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

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

	<u>General</u>	<u>Resort Tax</u>	<u>Tax Increment</u>	<u>Fire and Ambulance</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,262,637	\$ 4,270,329	\$ 7,116,995	\$ 3,442,448
Combined funds (GASBS 54) revenues	<u>922,541</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>\$ 5,185,178</u>	<u>\$ 4,270,329</u>	<u>\$ 7,116,995</u>	<u>\$ 3,442,448</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,458,127	\$ 3,379,026	\$ 3,782,453	\$ 3,993,364
Combined funds (GASBS 54) expenditures	<u>3,006,274</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>\$ 4,464,401</u>	<u>\$ 3,379,026</u>	<u>\$ 3,782,453</u>	<u>\$ 3,993,364</u>

Note B

The General Fund budget overage was due to the Indirect Cost Allocation Plan. The City budgeted for those expenditures in the other funds, however, they were presented as transfers in and out instead of expenditures in the other funds to show the allocation on the Statement of Activities.

The Fire and Amubalance Fund went over budget due to the on behalf of State Contributions for FURS. This non-cash item shows both revenues and expenditures in the fund and is adjusted at year end to comply with GASB #85. Since it was a non-cash item, a budget amendment was not required.

City of Whitefish, Flathead County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service Cost	\$ 138,474	\$ 146,887	\$ 171,915
Interest	56,968	71,290	65,767
Differences in experience	37,406	(83,630)	(801,946)
Change in assumptions and inputs	(446,159)	(114,618)	564,459
Benefit payments	<u>(158,299)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	(371,610)	19,929	195
Total OPEB Liability - beginning	2,141,656	2,121,727	2,121,532
Restatement	<u>-</u>	<u>-</u>	<u>-</u>
Total OPEB Liability - ending	<u>\$ 1,770,046</u>	<u>\$ 2,141,656</u>	<u>\$ 2,121,727</u>
Covered-employee payroll	\$ 5,679,611	\$ 5,317,189	\$ 6,452,129
 Total OPEB liability as a percentage of covered -employee payroll	 31%	 40%	 33%

**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 provided 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, 2020

	<u>PERS 2020</u>	<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	0.220808%	0.215314%	0.263350%	0.272812%	0.246362%	0.240463%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 4,615,578	\$ 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	\$ 1,503,159	\$ 1,504,721	\$ 68,528	\$ 56,780	\$ 42,302	\$ 36,588
Total	<u>\$ 6,118,737</u>	<u>\$ 5,998,635</u>	<u>\$ 5,197,597</u>	<u>\$ 4,703,705</u>	<u>\$ 3,486,121</u>	<u>\$ 3,032,777</u>
Employer's covered payroll	<u>\$3,645,911</u>	<u>\$3,540,966</u>	<u>\$3,266,903</u>	<u>\$3,267,805</u>	<u>\$2,875,089</u>	<u>\$2,757,858</u>
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.60%	126.91%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>MPORS 2020</u>	<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	0.6106%	0.6186%	0.6190%	0.6792%	0.6233%	0.6024%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,215,267	\$ 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	\$ 2,474,698	\$ 2,165,490	\$ 2,244,725	\$ 2,426,881	\$ 2,088,934	\$ 1,912,300
Total	<u>\$ 3,689,965</u>	<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	<u>\$1,006,256</u>	<u>\$ 976,361</u>	<u>\$ 925,719</u>	<u>\$ 958,753</u>	<u>\$ 862,615</u>	<u>\$ 808,297</u>
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	120.77%	108.50%	118.97%	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of the total pension liability	68.84%	70.95%	68.34%	65.62%	66.90%	67.01%
	<u>FURS 2020</u>	<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	0.6704%	0.7382%	0.7382%	0.7974%	0.8118%	0.8339%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 769,009	\$ 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	\$ 1,859,848	\$ 1,943,937	\$ 1,894,948	\$ 2,063,421	\$ 1,849,371	\$ 1,836,432
Total	<u>\$ 2,628,857</u>	<u>\$ 2,794,100</u>	<u>\$ 2,729,399</u>	<u>\$ 2,974,148</u>	<u>\$ 2,679,703</u>	<u>\$ 2,650,471</u>
Employer's covered payroll	<u>\$1,162,484</u>	<u>\$1,162,570</u>	<u>\$1,103,598</u>	<u>\$1,122,869</u>	<u>\$1,091,002</u>	<u>\$1,083,229</u>
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	66.15%	73.13%	75.61%	81.11%	76.11%	75.15%
Plan fiduciary net position as a percentage of the total pension liability	80.08%	79.03%	77.77%	75.48%	76.90%	76.71%

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, 2020

	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 381,426	\$ 313,349	\$ 299,919	\$ 273,442	\$ 273,141	\$ 236,919
Contributions in relation to the contractually required contributions	\$ 381,426	\$ 313,349	\$ 299,919	\$ 272,442	\$ 282,462	\$ 253,208
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 4,399,388	\$ 3,645,911	\$ 3,540,966	\$ 3,266,903	\$ 3,267,805	\$ 2,875,089
Contributions as a percentage of covered payroll	8.67%	8.59%	8.47%	8.37%	8.64%	8.81%

	MPORS 2020	MPORS 2019	MPORS 2018	MPORS 2017	MPORS 2016	MPORS 2015
Contractually required contributions	\$ 154,105	\$ 145,579	\$ 146,032	\$ 133,396	\$ 140,445	\$ 125,045
Contributions in relation to the contractually required contributions	\$ 154,105	\$ 145,579	\$ 146,032	\$ 133,396	\$ 140,445	\$ 125,045
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,069,433	\$ 1,006,256	\$ 976,361	\$ 925,719	\$ 958,753	\$ 862,615
Contributions as a percentage of covered payroll	14.41%	14.47%	14.96%	14.41%	14.65%	14.50%

	FURS 2020	FURS 2019	FURS 2018	FURS 2017	FURS 2016	FURS 2015
Contractually required contributions	\$ 187,038	\$ 160,204	\$ 171,113	\$ 158,477	\$ 160,540	\$ 159,717
Contributions in relation to the contractually required contributions	\$ 187,038	\$ 160,204	\$ 171,113	\$ 158,477	\$ 160,540	\$ 159,717
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,302,493	\$ 1,162,484	\$ 1,162,570	\$ 1,103,598	\$ 1,122,869	\$ 1,091,002
Contributions as a percentage of covered payroll	14.36%	13.78%	14.72%	14.36%	14.30%	14.64%

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, 2020

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, 2020

- 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, 2020

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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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, 2020

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

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.

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, 2020

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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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

SINGLE AUDIT SECTION

City of Whitefish
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<i>Clean Water State Revolving Fund Cluster</i>			
<u>United States Environmental Protection Agency</u>			
<i>Montana Department of Natural Resources and Conservation</i>			
Capitalization Grants for Clean Water State Revolving Funds	66.458	SRF-20484	\$ 350,000
Total United States Environmental Protection Agency			\$ 350,000
Total Clean Water State Revolving Fund Cluster			\$ 350,000
<i>Highway Planning and Construction Cluster</i>			
<u>Department of Transportation</u>			
<i>Montana Fish Wildlife and Parks</i>			
Recreational Trails Program	20.219	30RTP1849M94E	\$ 27,097
Total Department of Transportation			\$ 27,097
Total Highway Planning and Construction Cluster			\$ 27,097
<i>Highway Safety Cluster</i>			
<u>Department of Transportation</u>			
<i>Montana Department of Transportation</i>			
State and Community Highway Safety	20.600	110786	\$ 4,965
National Priority Safety Programs	20.616	110786	9,693
Total Department of Transportation			\$ 14,658
Total Highway Safety Cluster			\$ 14,658
<i>Other Programs</i>			
<u>Default Agency</u>			
<i>N/A</i>			
High Intensity Drug Trafficking Areas Program	95.001	N/A	\$ 5,205
Total Default Agency			\$ 5,205
<u>Department of Homeland Security</u>			
<i>Flathead County</i>			
Homeland Security Grant Program	97.067	19-SPWSPW-12-008	\$ 77,655
Homeland Security Grant Program	97.067	20-SPWSPE-10-011	38,691
Total Department of Homeland Security			\$ 116,346
<u>Department of Defense</u>			
<i>N/A</i>			
<i>Montana, Nevada, New Mexico, Utah, Idaho, & Wyoming</i>			
Environmental Infrastructure (Section 595) - ARRA	12.121	N/A	\$ 270,000
Total Department of Defense			\$ 270,000
<u>United States Department of Justice</u>			
<i>Montana Bureau of Justice Assistance</i>			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 4,183
<i>Northwest Montana Drug Task Force Grant</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-G01-92484	77,460
Total United States Department of Justice			\$ 81,643
<u>United States Department of Agriculture</u>			
<i>Montana Department of Natural Resources</i>			
Cooperative Forestry Assistance	10.664	18-DG-11010000-017	\$ 6,500
Total United States Department of Agriculture			\$ 6,500
Total Other Programs			\$ 479,694
Total Federal Financial Assistance			\$ 871,449

The accompanying notes are an integral part of this schedule

CITY OF WHITEFISH

FLATHEAD COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2020

Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of City of Whitefish, Flathead County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the City of Whitefish, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of Whitefish. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The City of Whitefish has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

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

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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Whitefish’s basic financial statements and have issued our report thereon dated March 23, 2021.

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 the City of Whitefish’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses listed as item(s) 2020-001.

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*.

City of Whitefish's Response to Findings

City of Whitefish's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. City of Whitefish's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

March 23, 2021

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited City of Whitefish, Flathead County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of City of Whitefish's major federal programs for the year ended June 30, 2020. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Whitefish, Flathead County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S., *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Whitefish, Flathead County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

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

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

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

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

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

March 23, 2021

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

Fiscal Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

Financial Statements

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

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor’s report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2020-001 Accrued Payroll

Condition:

Accrued Payroll was Understated.

Context:

As part of the audit, we calculate accrued payroll and compare it to what was recorded by the City.

Criteria:

Under modified accrual and accrual basis of accounting, accruals at year end should be made for all expenditures that occur prior to year-end.

Effect:

We found that payroll was understated in the General Fund by \$94,708, Tax Increment Fund \$3,819, Fire and Ambulance Fund \$60,764, Water Fund \$33,270, Sewer Fund \$31,512 and All Other Aggregate Funds \$84,996. This was corrected for financial reporting purposes.

Cause:

Accrued payroll was not calculated correctly at year end by the City resulting in an understatement of accrued payroll.

Recommendation:

We recommend that the City properly accrue payroll at year end for all payroll expenditures/expenses that occurred prior to year-end.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.



Contact Person:

Benjamin Dahlman – Finance Director

Expected Completion Date of Corrective Action Plan:

July 31, 2021

CORRECTIVE ACTION PLAN

FINDING 2020-001: Accrued Payroll

Response:

As part of the City’s year-end accounting procedures, the City will evaluate each payroll at the end of June each year and for July of each year to determine a reasonable amount of payroll days to accrue into each period for each fiscal year. An analytical evaluation will additionally be performed to verify reasonability of the payroll amounts posted to each period.

STATUS OF PRIOR AUDIT FINDINGS

There were no prior year audit findings