

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
Fiscal Year Ended June 30, 2021

**AUDIT REPORT**

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

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
 Fiscal Year Ended June 30, 2021

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CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2021

John Muhlfeld

Mayor

**CITY COUNCIL**

Andy Feury  
Ryan Hennen  
Frank Sweeney  
Steve Qunell  
Rebecca Norton  
Ben Davis

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

**CITY OFFICIALS**

Dana Smith  
Ben Dahlman  
Angela Jacobs  
Michelle Howke

City Manager  
Finance Director  
City Attorney  
City Clerk

**CITY OF WHITEFISH  
ANNUAL FINANCIAL REPORT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FISCAL YEAR ENDED JUNE 30, 2021**

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, 2021. The City encourages readers to consider the information presented in conjunction with the City's financial statements and accompanying notes.

**FINANCIAL HIGHLIGHTS**

- The City's total assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources at June 30, 2021, by \$133,663,549 as reported in the statement of net position. This figure represents an increase of \$9,222,243 in net position from the prior year.
- The total fiscal year end governmental fund balance was \$16,330,371 as reported in the balance sheet for governmental funds. This figure represents a decrease of \$340,628 from the prior year which was primarily the result of the reduction of restricted fund balance in the Tax Increment Debt fund.
- The unassigned General Fund balance at fiscal year-end was \$2,941,753. This figure represents an increase of \$823,718 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, except for 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.

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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, 2021, totaled \$133,663,549, which is an increase of \$9,222,243 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 FY21 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, 2021, and June 30, 2020.

***City of Whitefish - Net Position***

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
Current and other assets	\$ 24,765,897	\$ 25,234,212	\$ (468,315)	\$ 16,258,820	\$ 11,566,085	\$ 4,692,735
Capital assets	79,619,309	76,989,617	2,629,692	62,971,444	43,476,474	19,494,970
Total assets	\$ 104,385,206	\$ 102,223,829	\$ 2,161,377	\$ 79,230,264	\$ 55,042,559	\$ 24,187,705
Long-term debt outstanding	\$ 11,204,770	\$ 13,145,206	\$ (1,940,436)	\$ 32,925,082	\$ 12,344,504	\$ 20,580,578
Other liabilities	4,990,271	5,277,294	(287,023)	831,798	2,058,078	(1,226,280)
Total liabilities	\$ 16,195,041	\$ 18,422,500	\$ (2,227,459)	\$ 33,756,880	\$ 14,402,582	\$ 19,354,298
Net investment in capital assets	\$ 78,180,738	\$ 71,716,384	\$ 6,464,354	\$ 33,056,168	\$ 33,490,448	\$ (434,280)
Restricted	14,918,012	17,243,112	(2,325,100)	5,724,772	3,804,124	1,920,648
Unrestricted (deficit)	(4,908,585)	(5,158,167)	249,582	6,692,444	3,345,405	3,347,039
Total net position	\$ 88,190,165	\$ 83,801,329	\$ 4,388,836	\$ 45,473,384	\$ 40,639,977	\$ 4,833,407

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The City's revenues totaled \$33,424,870 for the fiscal year ending June 30, 2021. The total cost of all programs and services for that same period was \$24,332,342. The overall result is an increase in net position totaling \$9,098,528 including restatements. The table below presents consolidated information on the City's change in net position for the fiscal years ending June 30, 2021, and June 30, 2020.

*City of Whitefish – Changes in Net Position*

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 7,080,747	\$ 7,124,258	\$ (43,511)	\$ 9,958,173	\$ 9,047,186	\$ 910,987
Operating grants and contributions	1,784,482	1,374,555	409,927	971	808	163
Capital grants and contributions	2,379,466	179,257	2,200,209	31,886	995,000	(963,114)
<i>General revenues (by major source):</i>						
Property taxes for general purposes	4,219,642	10,064,444	(5,844,802)	-	-	-
Resort tax	4,787,725	4,235,610	552,115	-	-	-
Miscellaneous	308,507	244,523	63,984	-	-	-
Interest/investment earnings	63,834	207,338	(143,504)	72,571	178,363	(105,792)
Franchise and utility fees	516,758	470,767	45,991	-	-	-
State entitlement	925,004	1,140,446	(215,442)	-	-	-
On-behalf payments to retirement	1,180,032	756,975	423,057	115,072	36,334	78,738
Total revenues	\$ 23,246,197	\$ 25,798,173	\$ (2,551,976)	\$ 10,178,673	\$ 10,257,691	\$ (79,018)
<b>Program expenses</b>						
General government	\$ 1,702,791	\$ 1,560,506	\$ 142,285	\$ -	\$ -	\$ -
Public safety	\$ 9,150,223	\$ 8,086,940	1,063,283	-	-	-
Public works	\$ 3,703,521	\$ 3,341,957	361,564	-	-	-
Social and economic services	\$ 1,500	\$ 1,500	-	-	-	-
Culture and recreation	\$ 2,464,672	\$ 2,360,952	103,720	-	-	-
Housing and community development	\$ 631,975	\$ 1,490,213	(858,238)	-	-	-
Debt service - interest	\$ 99,712	\$ 227,491	(127,779)	-	-	-
Miscellaneous	\$ 230,827	\$ 55,692	175,135	-	-	-
Water	-	-	-	2,727,370	2,504,845	222,525
Sewer	-	-	-	3,289,183	2,893,381	395,802
Solid Waste	-	-	-	330,568	17,974	312,594
Total expenses	\$ 17,985,221	\$ 17,125,251	\$ 859,970	\$ 6,347,121	\$ 5,416,200	\$ 930,921
Excess (deficiency) before special items and transfers	\$ 5,260,976	\$ 8,672,922	\$ (3,411,946)	\$ 3,831,552	\$ 4,841,491	\$ (1,009,939)
Gain (loss) on sale of capital assets	-	(99,240)	99,240	6,000	-	6,000
Transfers - net	(995,855)	(834,179)	(161,676)	995,855	834,179	161,676
<b>Increase (decrease) in net position</b>	<b>\$ 4,265,121</b>	<b>\$ 7,739,503</b>	<b>\$ (3,474,382)</b>	<b>\$ 4,833,407</b>	<b>\$ 5,675,670</b>	<b>\$ (842,263)</b>

**Governmental activities**

Revenues for the fiscal year ending June 30, 2021, from governmental activities were \$23,246,197 while expenses were \$17,985,221. Thus, with the \$995,855 in transfers-out, net position increased \$4,265,121. Total governmental revenues decreased from the prior year by \$2,551,976. The decrease in revenues was primarily due to lower Tax Increment Financing (TIF) related property taxes. The City's TIF expired at the end of FY21. The overall reduction in TIF revenues were partially offset by higher resort taxes, increased operating and capital grants and contributions and franchise and utility fees. 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 rebound from the prior year as tourists returned with the lifting of COVID-19 travel restrictions.

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Interest earnings continue to decline reflecting the decrease in the rates the City earns on idle cash. Overall, expenses increased by \$859,970. Increases in staffing, 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, 2021, from business-type activities was \$10,178,673. Expenses were \$6,347,121 and net transfers-in totaled \$995,855. The sum revenues and transfers less expenses plus the sale of capital assets totaling \$6,000 resulted in an increase in net position of \$4,833,407. Charges for services revenue increased by \$910,987 from the previous year due to increased water and sewer rates plus the addition of garbage service charges billed by the City. Total expenses also experienced an increase due to personnel costs including pension expenses and increased purchased services which was influenced by the addition of a garbage contract to provide services to customers that are now billed by the City. Overall net position for the business-type activities remains positive.

**Fund Balance – Governmental Funds Balance Sheet**

The City's governmental funds reported a total fund balance of \$16,330,371 as of June 30, 2021, which is a \$340,628 decrease compared to the fund balance of governmental funds as of June 30, 2020. The decrease in fund balance is primarily due to, the use of fund balance in the Tax Increment Revenue Bond Debt Fund. The debt in that fund was fully paid in FY21. The overall decrease was partially offset by increases in the General Fund, Resort Tax Fund, Street and Alley Fund and the Fire and Ambulance Fund due to strong revenues and managed spending. CARES Act funding was a contributing factor as was the timing of spending for capital projects. Of the fund balance at June 30, 2021, \$2,941,753 is unassigned in the General Fund. The remaining fund balance is restricted or committed based on the source of revenue.

**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 2021 two budget amendment items were approved by the City Council and are detailed in the following table:

To	From	Amount	Justification
Tax Increment Fund: 2310-470330-930	Tax Increment Tax Unbudgeted Revenue.	\$45,000.00	To provide for costs incurred during the fiscal year for the Baker Avenue Underpass Project in accordance with the City Council approved contract award executed before July 15, 2020. This project will continue into FY22.

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Solid Waste Fund: 5410-430800-390	Solid Waste Fund Unbudgeted Revenue.	\$250,000.00	To provide for costs not included in the FY21 Budget that are related to the transition of garbage billing back to the City. The City Council approved contract with Republic Services started in April 2021 and provides for the City to bill and collect fees from property owners for garbage services and then Republic Services directly bills the City for services provided in accordance with the contract.
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Overall, the General Fund tracked closely with the budget for both revenues and expenditures. However, higher zoning plan review fees were 179% of the budgeted amount due to strong real estate activity in the City. CARES Act funding also contributed to higher revenue than anticipated in the General Fund as well as in the Law Enforcement and Fire and Ambulance Funds. Business license fees were also higher. General Fund expenditures were 99% spent.

Licenses and Permits in the Building Codes Fund were much higher than budget due to building activity in the City.

The Law Enforcement and Fire and Ambulance and other 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, 2021, totals \$142,590,753. 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 FY21 totaled \$3,985,422 and \$1,360,184, respectively.

Major capital assets events during FY21:

- Completed the LED lighting upgrade project at the Emergency Services Center
- Completed the Armory Park Playground project
- Continued investment in the Wastewater Treatment Plant Upgrade project
- Continued investment in the State Park Road construction project
- Completed the Depot Park project
- Completed the Voerman Bike Path project near the intersection with Monegan Road
- Continued the Baker Avenue Underpass project

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- Continued investment in the Water Treatment Plant project
- Purchased vehicles for Building, Parks, Police, and Public Works
- Started the Edgewood and Texas Avenue Road Reconstruction project
- Continued making improvements to the Whitefish Trail

The City also recorded capital infrastructure donations from several developments in FY21.

**Long-term Debt**

The City's total long-term debt increased by \$18,640,142 compared to prior fiscal year. The City entered into a lease for Cisco equipment and took additional draws on State Revolving Fund loans for the Water and Waste Water Treatment Plant projects. The higher outstanding debt for FY21 was partially offset as the City paid off the 2015 and 2016 TIF bonds as well as a 2018 Intercap loan for some SCBA equipment purchased and financed in 2018. Below is a summary of the outstanding long-term debt of the City as of June 30, 2021, compared to June 30, 2020.

<b>Outstanding Long-term Debt</b>		
<b>Purpose/Type</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
<u>Revenue Bonds:</u>		
TIF 2015 Refunding (ESC)	\$ -	\$ 763,000
TIF 2016 (City Hall/Park Str.)	-	2,970,000
Water	12,481,620	5,671,000
Sewer	17,433,656	4,315,026
<u>Special Assessment Bonds:</u>		
SID 166	320,000	385,000
SID 167	685,911	715,043
<u>Intercap Loans:</u>		
Fire Pumper Type 1	72,914	93,285
Fire Pumper	101,854	130,302
Water Tender Fire Apparatus	31,084	61,781
Fire SCBA Units	-	47,241
Ambulance 2018	72,559	107,581
<u>Equipment Lease:</u>		
Cisco Equipment	154,249	-
<u>OPEB:</u>		
Governmental*	1,503,246	1,354,893
Business-type	458,614	415,153
<u>Compensated Absences:</u>		
Governmental	1,699,304	1,560,631
Business-type	317,863	299,920
<u>Net Pension Liability:</u>		
Governmental	6,563,649	4,956,449
Business-type	2,233,329	1,643,405
<b>TOTAL</b>	<b>\$44,129,852</b>	<b>\$25,489,710</b>

\*See notes to financial statements.

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**OTHER FINANCIAL INFORMATION**

The City is in the process of auditing building permits issued from July 1, 2019, through July 31, 2021, to recalculate the fixture counts used to determine water and wastewater impact fees. The City has completed the audit for building permits that were open and pending payment to ensure accuracy in the billing. It is estimated that the City may need to issue refunds of about \$83,929 in water impact fees and about \$112,771 in wastewater impacts fees. The City is able to refund those amounts without a financial impact to any ongoing projects. There is litigation pending regarding impact fees.

In November 2021, Whitefish voters overwhelmingly approved the extension of the City's 3% Resort Tax for an additional 20 years through January 31, 2045. In addition, the use of funds collected was approved to change starting February 1, 2025, after the Haskill Basin Conservation Easement bonds are paid in full in January 2025. Additional funding will go to streets, bike paths and parks, and the Whitefish Trail. Property tax relief will remain the same at 25% of collections.

**FISCAL YEAR 2022 BUDGET**

The FY22 Budget is balanced, with some anticipated reductions in fund balances by year-end.

Total revenues and other financing sources for all funds are budgeted at \$37,534,011 for FY22 which is \$14,805,520 or 28.3% lower than the FY21 budget of \$52,339,531. Most of the decrease in FY22 is attributed to the reduction in loan proceeds that were used to finance the Wastewater Treatment Plant Upgrade and the Water Treatment Plant Expansion projects through the State Revolving Fund Loan Program in FY21. The FY22 budget continued to limit increases on taxpayers despite a 17.49% increase in taxable value compared to the prior year. The adopted budget included a net mill levy of 93.472 mills, which continues the 10.0 mill decrease that was provided for in FY21. A reduction of 14.165 mills was also budgeted to account for additional property tax relief from Resort Tax collections and the transition of the funding for the Flathead Emergency Communications Center from each individual jurisdictions' property tax levy to the voter approved county-wide district. All maintenance assessments were held at prior year rates.

The FY22 budget totals \$42,453,290 in expenditures and \$7,427,741 in interfund transfers for a total appropriated budget of \$49,881,032. Compared to the prior fiscal year, FY22 expenditures are decreasing \$16,248,437, or 27.7%, and interfund transfers are increasing \$618,136, or 9.1%. The decrease in expenditures is mostly due to the \$15.1 million decrease in capital expenditures described below and the City no longer having debt service payments for the Tax Increment Bonds that were paid in full at the beginning of FY21. The increase in transfers is mostly due to the increased property tax relief provided by higher Resort Tax collections in FY21 compared to FY20. Total appropriations for property tax supported funds have increased by \$815,107, which is primarily due to increased capital outlay and personnel costs.

Resort Tax collections last year of nearly \$4.8 million exceeded the FY21 budgeted revenue of \$4.25 million. As required by the voters, collections in excess of the budget must be returned to taxpayers as additional property tax relief in the following year. Total property tax relief for FY22 is \$1,677,019 and reduces mills levied by 35.278 mills.

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Capital spending in FY22 is projected to decrease \$15.1 million compared to the prior year as the City finishes the Wastewater Treatment Plant Upgrade Project (decrease of \$11.6 million) and the Water Treatment Plant Expansion Project (decrease of \$8.8 million). The City also budgeted a Type 3 Fire Engine with requested funding through an Assistance to Firefighters Grant (\$350,000) and matched by a contribution from the Whitefish Fire Service Area (\$100,000). The budget also includes the purchase of a brush truck (\$50,000) and an ambulance (\$248,780) that were budgeted in FY21 but are carried forward to FY22.

Personnel budgets included a pay increase of 3.5%, comprised of a 1.5% cost of living adjustment plus a 2% STEP (longevity) on the City's pay matrix for most employees. Below are some exceptions based on collective bargaining agreements:

- Police officers' salaries and wages were budgeted to receive a one-time pay adjustment of 5% based on a market rate analysis of comparable law enforcement agencies in addition to the normal pay increase detailed above.
- With a schedule change that saves scheduled overtime costs, firefighters were budgeted to receive an additional 0.5% for a total increase of 4%.
- Beginning in FY22, a cap has been placed on holiday pay (personal time) accruals for both police and fire. Therefore, the budget includes anticipated payouts equaling one year's worth of annual holiday pay per police officer and firefighter.

The FY22 personnel budget also includes the following staffing increases, an administrative assistant in the Planning and Building Department to keep up with demand, increased staffing from 2.875 full-time equivalents (FTE) to 3.0 FTE in Utility Billing, two 40-hour work week firefighters for the Fire Department, an additional 10 hours per week for part-time Library staff and a new position has been budgeted in Public Works for the Wastewater Treatment Plant.

#### **OTHER ECONOMIC FACTORS**

The City will be receiving over \$2 million as a direct allocation from the American Rescue Plan (ARP). While there is guidance on the use of the funds, City Council shall decide the use of funds through a public process during FY22. Recommended uses currently include funding low to moderate income housing projects and maintaining a portion as reserves to support our response to the ongoing pandemic.

The City will continue to monitor its operations and finances should the economy shift and react to the uncertain COVID-19 pandemic and other events. Despite the negative impacts from COVID-19, the City has seen strong resort tax collections, continued collectability of property taxes, and growth in building activity. All of these show the City continues to be a desirable place to visit and live.

#### **REQUESTS FOR INFORMATION**

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

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

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

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**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2021, 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, 2021, 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 2021, the City adopted new accounting guidance, GASB Statement No. 84 Fiduciary Activities. As a result, funds formerly known as agency funds were reclassified as Custodial Funds. Custodial Funds recognize net position whereas agency funds did not. This created restatement in the Fiduciary Activities of \$81,646. 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 10, and 82 through 89 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 25, 2022, 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 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 25, 2022

**City of Whitefish, Flathead County, Montana**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 17,592,815	\$ 9,088,519	\$ 26,681,334
Taxes and assessments receivable, net	857,943	-	857,943
Accounts receivable - net	483,286	798,059	1,281,345
Contracts receivable	3,375	-	3,375
Due from other governments	96,267	-	96,267
Other receivables	32,270	12,522	44,792
Total current assets	<u>\$ 19,065,956</u>	<u>\$ 9,899,100</u>	<u>\$ 28,965,056</u>
Noncurrent assets			
Restricted cash and investments	\$ 2,189,736	\$ 5,724,772	\$ 7,914,508
Special assessments receivable - deferred	1,127,747	-	1,127,747
Capital assets - land	8,840,793	8,333,031	17,173,824
Capital assets - construction in progress	3,480,925	33,012,116	36,493,041
Capital assets - depreciable, net	67,297,591	21,626,297	88,923,888
Total noncurrent assets	<u>\$ 82,936,792</u>	<u>\$ 68,696,216</u>	<u>\$ 151,633,008</u>
Total assets	<u>\$ 102,002,748</u>	<u>\$ 78,595,316</u>	<u>\$ 180,598,064</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources - pensions	\$ 2,024,987	\$ 525,890	\$ 2,550,877
Deferred outflows of resources - OPEB	357,471	109,058	466,529
Total deferred outflows of resources	<u>\$ 2,382,458</u>	<u>\$ 634,948</u>	<u>\$ 3,017,406</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 104,385,206</u>	<u>\$ 79,230,264</u>	<u>\$ 183,615,470</u>
<b>LIABILITIES</b>			
Current liabilities			
Warrants payable	\$ 2,452,543	\$ -	\$ 2,452,543
Accounts payable	105,972	196,577	302,549
Impact fess payable	-	196,700	196,700
Accrued payroll	435,723	113,753	549,476
Accrued flex spending	13,706	-	13,706
Revenues collected in advance	1,059,434	21,456	1,080,890
Current portion of long-term capital liabilities	249,514	2,594,000	2,843,514
Current portion of compensated absences payable	1,396,617	223,670	1,620,287
Total current liabilities	<u>\$ 5,713,509</u>	<u>\$ 3,346,156</u>	<u>\$ 9,059,665</u>
Noncurrent liabilities			
Noncurrent portion of OPEB	\$ 1,503,246	\$ 458,614	\$ 1,961,860
Noncurrent portion of long-term capital liabilities	1,189,057	27,321,276	28,510,333
Noncurrent portion of compensated absences	302,687	94,193	396,880
Net pension liability	6,563,649	2,233,329	8,796,978
Total noncurrent liabilities	<u>\$ 9,558,639</u>	<u>\$ 30,107,412</u>	<u>\$ 39,666,051</u>
Total liabilities	<u>\$ 15,272,148</u>	<u>\$ 33,453,568</u>	<u>\$ 48,725,716</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources - pensions	\$ 150,302	\$ 67,609	\$ 217,911
Deferred inflows of resources - OPEB	772,591	235,703	1,008,294
Total deferred inflows of resources	<u>\$ 922,893</u>	<u>\$ 303,312</u>	<u>\$ 1,226,205</u>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 78,180,738	\$ 33,056,168	\$ 111,236,906
Restricted for capital projects	(3,057)	3,730,262	3,727,205
Restricted for debt service	1,459,393	1,994,510	3,453,903
Restricted for special projects	13,461,676	-	13,461,676
Unrestricted	(4,908,585)	6,692,444	1,783,859
Total net position	<u>\$ 88,190,165</u>	<u>\$ 45,473,384</u>	<u>\$ 133,663,549</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 104,385,206</u>	<u>\$ 79,230,264</u>	<u>\$ 183,615,470</u>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		Total
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 1,986,249	\$ (283,458)	\$ 557,410	\$ 152,532	\$ -	\$ (992,849)	\$ -	\$ (992,849)
Public safety	9,003,992	146,231	3,600,179	1,415,325	11,628	(4,123,091)	-	(4,123,091)
Public works	3,678,633	24,888	2,574,590	161,565	2,113,267	1,145,901	-	1,145,901
Social and economic services	1,500	-	-	-	-	(1,500)	-	(1,500)
Culture and recreation	2,422,873	41,799	348,218	55,060	-	(2,061,394)	-	(2,061,394)
Housing and community development	631,975	-	350	-	254,571	(377,054)	-	(377,054)
Debt service - interest	99,712	-	-	-	-	(99,712)	-	(99,712)
Miscellaneous	230,827	-	-	-	-	(230,827)	-	(230,827)
Total governmental activities	\$ 18,055,761	\$ (70,540)	\$ 7,080,747	\$ 1,784,482	\$ 2,379,466	\$ (6,740,526)	\$ -	\$ (6,740,526)
Business-type activities:								
Water	\$ 2,692,025	\$ 35,345	\$ 4,636,622	\$ 636	\$ 31,886	\$ -	\$ 1,941,774	\$ 1,941,774
Sewer	3,255,276	33,907	5,034,220	335	-	-	1,745,372	1,745,372
Sewer Construction	-	-	-	-	-	-	-	-
Solid Waste	329,280	1,288	287,331	-	-	-	(43,237)	(43,237)
Total business-type activities	\$ 6,276,581	\$ 70,540	\$ 9,958,173	\$ 971	\$ 31,886	\$ -	\$ 3,643,909	\$ 3,643,909
Total primary government	\$ 24,332,342	\$ -	\$ 17,038,920	\$ 1,785,453	\$ 2,411,352	\$ (6,740,526)	\$ 3,643,909	\$ (3,096,617)
General Revenues:								
Property taxes for general purposes						\$ 4,219,642	\$ -	\$ 4,219,642
Resort tax						4,787,725	-	4,787,725
Miscellaneous						308,507	-	308,507
Interest/investment earnings						63,834	72,571	136,405
Franchise and utility fees						516,758	-	516,758
State entitlement						925,004	-	925,004
On-behalf payments to retirement						1,180,032	115,072	1,295,104
Gain (loss) on sale of capital assets						-	6,000	6,000
Transfers - net						(995,855)	995,855	-
Total general revenues, special items and transfers						\$ 11,005,647	\$ 1,189,498	\$ 12,195,145
Change in net position						\$ 4,265,121	\$ 4,833,407	\$ 9,098,528
Net position - beginning						\$ 83,801,329	\$ 40,639,977	\$ 124,441,306
Restatements						123,715	-	123,715
Net position - beginning - restated						\$ 83,925,044	\$ 40,639,977	\$ 124,565,021
Net position - end						\$ 88,190,165	\$ 45,473,384	\$ 133,663,549

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana  
 Balance Sheet  
 Governmental Funds  
 June 30, 2021

	<u>General</u>	<u>Resort Tax</u>	<u>Street and Alley</u>	<u>Fire and Ambulance</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 5,511,462	\$ -	\$ 2,803,410	\$ 1,443,294	\$ 7,834,649	\$ 17,592,815
Taxes and assessments receivable, net	438,515	-	114,530	130,455	174,443	857,943
Accounts receivable - net	-	-	3,300	354,895	125,091	483,286
Contracts receivable	-	-	-	-	3,375	3,375
Due from other governments	60,530	-	-	35,309	428	96,267
Other receivables	26,420	-	-	5,850	-	32,270
Total current assets	<u>\$ 6,036,927</u>	<u>\$ -</u>	<u>\$ 2,921,240</u>	<u>\$ 1,969,803</u>	<u>\$ 8,137,986</u>	<u>\$ 19,065,956</u>
Noncurrent assets:						
Restricted cash and investments	\$ 11,667	\$ 2,178,069	\$ -	\$ -	\$ -	\$ 2,189,736
Advances to other funds	-	-	-	-	58,699	58,699
Special assessments receivable - deferred	-	-	-	-	1,127,747	1,127,747
Total noncurrent assets	<u>\$ 11,667</u>	<u>\$ 2,178,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,186,446</u>	<u>\$ 3,376,182</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 6,048,594</u></u>	<u><u>\$ 2,178,069</u></u>	<u><u>\$ 2,921,240</u></u>	<u><u>\$ 1,969,803</u></u>	<u><u>\$ 9,324,432</u></u>	<u><u>\$ 22,442,138</u></u>
<b>LIABILITIES</b>						
Current liabilities:						
Warrants payable	\$ 2,452,543	\$ -	\$ -	\$ -	\$ -	\$ 2,452,543
Accounts payable	10,867	21,693	2,835	12,028	58,549	105,972
Accrued payroll	179,543	-	28,620	112,289	115,271	435,723
Accrued flex spending	13,706	-	-	-	-	13,706
Revenues collected in advance	-	-	-	-	1,059,434	1,059,434
Total current liabilities	<u>\$ 2,656,659</u>	<u>\$ 21,693</u>	<u>\$ 31,455</u>	<u>\$ 124,317</u>	<u>\$ 1,233,254</u>	<u>\$ 4,067,378</u>
Noncurrent liabilities:						
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ 58,699	\$ 58,699
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 58,699</u>	<u>\$ 58,699</u>
Total liabilities	<u><u>\$ 2,656,659</u></u>	<u><u>\$ 21,693</u></u>	<u><u>\$ 31,455</u></u>	<u><u>\$ 124,317</u></u>	<u><u>\$ 1,291,953</u></u>	<u><u>\$ 4,126,077</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources - taxes and assessments	\$ 438,515	\$ -	\$ 114,530	\$ 130,455	\$ 1,302,190	\$ 1,985,690
Total deferred inflows of resources	<u>\$ 438,515</u>	<u>\$ -</u>	<u>\$ 114,530</u>	<u>\$ 130,455</u>	<u>\$ 1,302,190</u>	<u>\$ 1,985,690</u>
<b>FUND BALANCES</b>						
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 58,699	\$ 58,699
Restricted	11,667	2,156,376	2,775,255	1,715,031	6,671,590	13,329,919
Unassigned fund balance	2,941,753	-	-	-	-	2,941,753
Total fund balance	<u>\$ 2,953,420</u>	<u>\$ 2,156,376</u>	<u>\$ 2,775,255</u>	<u>\$ 1,715,031</u>	<u>\$ 6,730,289</u>	<u>\$ 16,330,371</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u><u>\$ 6,048,594</u></u>	<u><u>\$ 2,178,069</u></u>	<u><u>\$ 2,921,240</u></u>	<u><u>\$ 1,969,803</u></u>	<u><u>\$ 9,324,432</u></u>	<u><u>\$ 22,442,138</u></u>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Position**  
**June 30, 2021**

<b>Total fund balances - governmental funds</b>	\$ 16,330,371
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,619,309
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.	1,985,690
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,137,875)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(6,563,649)
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.	2,024,987
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.	(150,302)
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.	357,471
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.	(772,591)
Total OPEB liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(1,503,246)
<b>Total net position - governmental activities</b>	<b>\$ <u><u>88,190,165</u></u></b>

See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2021

	General	Resort Tax	Street and Alley	Fire and Ambulance	Tax Increment Revenue Bond Debt	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes and assessments	\$ 3,094,945	\$ 4,787,725	\$ 1,117,693	\$ 939,977	\$ -	\$ 2,687,379	\$ 12,627,719
Licenses and permits	176,626	-	520,403	208,415	-	910,120	1,815,564
Intergovernmental	2,385,014	-	193,015	1,350,724	-	119,723	4,048,476
Charges for services	367,377	-	-	1,773,090	-	597,966	2,738,433
Fines and forfeitures	346,738	-	-	-	-	-	346,738
Miscellaneous	179,727	8,916	1,975,461	77,635	-	152,941	2,394,680
Investment earnings	46,703	-	-	-	-	8,565	55,268
Total revenues	<u>\$ 6,597,130</u>	<u>\$ 4,796,641</u>	<u>\$ 3,806,572</u>	<u>\$ 4,349,841</u>	<u>\$ -</u>	<u>\$ 4,476,694</u>	<u>\$ 24,026,878</u>
<b>EXPENDITURES</b>							
General government	\$ 1,010,707	\$ -	\$ -	\$ -	\$ -	\$ 6,791	\$ 1,017,498
Public safety	3,912,781	-	-	3,913,765	-	470,652	8,297,198
Public works	25,093	-	1,021,237	-	-	419,135	1,465,465
Social and economic services	1,500	-	-	-	-	-	1,500
Culture and recreation	18,641	-	-	-	-	1,783,689	1,802,330
Housing and community development	12,481	-	-	-	-	462,325	474,806
Debt service - principal	38,562	-	-	161,490	3,732,999	94,132	4,027,183
Debt service - interest	-	-	-	9,842	40,376	49,494	99,712
Miscellaneous	164,025	-	-	-	-	66,802	230,827
Capital outlay	321,631	1,926,980	2,017,440	105,109	-	2,259,133	6,630,293
Total expenditures	<u>\$ 5,505,421</u>	<u>\$ 1,926,980</u>	<u>\$ 3,038,677</u>	<u>\$ 4,190,206</u>	<u>\$ 3,773,375</u>	<u>\$ 5,612,153</u>	<u>\$ 24,046,812</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 1,091,709</u>	<u>\$ 2,869,661</u>	<u>\$ 767,895</u>	<u>\$ 159,635</u>	<u>\$ (3,773,375)</u>	<u>\$ (1,135,459)</u>	<u>\$ (19,934)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds of general long term debt	\$ 192,811	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 192,811
Proceeds from the sale of general capital asset disposition	9,000	-	6,300	-	-	-	15,300
Proceeds from cash in-lieu	-	-	-	-	-	343,625	343,625
Transfers in	1,401,026	-	-	953,092	-	967,099	3,321,217
Transfers out	(1,870,890)	(2,300,175)	(18,924)	(65,127)	-	(61,956)	(4,317,072)
Total other financing sources (uses)	<u>\$ (268,053)</u>	<u>\$ (2,300,175)</u>	<u>\$ (12,624)</u>	<u>\$ 887,965</u>	<u>\$ -</u>	<u>\$ 1,248,768</u>	<u>\$ (444,119)</u>
Net Change in Fund Balance	<u>\$ 823,656</u>	<u>\$ 569,486</u>	<u>\$ 755,271</u>	<u>\$ 1,047,600</u>	<u>\$ (3,773,375)</u>	<u>\$ 113,309</u>	<u>\$ (464,053)</u>
Fund balances - beginning	\$ 2,129,764	\$ 1,586,890	\$ 2,019,984	\$ 649,681	\$ 3,773,375	\$ 6,511,305	\$ 16,670,999
Restatements	-	-	-	17,750	-	105,675	123,425
Fund balances - beginning, restated	<u>\$ 2,129,764</u>	<u>\$ 1,586,890</u>	<u>\$ 2,019,984</u>	<u>\$ 667,431</u>	<u>\$ 3,773,375</u>	<u>\$ 6,616,980</u>	<u>\$ 16,794,424</u>
Fund balance - ending	<u>\$ 2,953,420</u>	<u>\$ 2,156,376</u>	<u>\$ 2,775,255</u>	<u>\$ 1,715,031</u>	<u>\$ -</u>	<u>\$ 6,730,289</u>	<u>\$ 16,330,371</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, 2021**

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

**Net change in fund balances - total governmental funds** \$ (464,053)

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	6,630,293
- Depreciation expense	(3,985,422)

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	(15,179)
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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)	(1,124,427)
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The change in compensated absences is shown as an expense in the Statement of Activities	(138,673)
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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	4,027,183
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Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt	(192,811)
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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	(63,758)
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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

(1,004,795)
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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.

596,763
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<b>Change in net position - Statement of Activities</b>	<b>\$ 4,265,121</b>
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See accompanying Notes to the Financial Statements

City of Whitefish, Flathead County, Montana  
Statement of Net Position  
Proprietary Funds  
June 30, 2021

	<b>Business-Type Activities - Enterprise Funds</b>			
	<u>Water</u>	<u>Sewer</u>	<u>Non-Major Funds</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 5,776,163	\$ 3,238,671	\$ 73,685	\$ 9,088,519
Accounts receivable - net	355,238	345,390	97,431	798,059
Other receivables	12,522	-	-	12,522
Total current assets	<u>\$ 6,143,923</u>	<u>\$ 3,584,061</u>	<u>\$ 171,116</u>	<u>\$ 9,899,100</u>
Noncurrent assets:				
Restricted cash and investments	\$ 3,596,128	\$ 2,128,644	\$ -	\$ 5,724,772
Capital assets - land	8,065,531	267,500	-	8,333,031
Capital assets - construction in progress	11,694,868	21,317,248	-	33,012,116
Capital assets - depreciable, net	9,163,464	12,462,833	-	21,626,297
Total noncurrent assets	<u>\$ 32,519,991</u>	<u>\$ 36,176,225</u>	<u>\$ -</u>	<u>\$ 68,696,216</u>
Total assets	<u>\$ 38,663,914</u>	<u>\$ 39,760,286</u>	<u>\$ 171,116</u>	<u>\$ 78,595,316</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pensions	\$ 259,472	\$ 256,486	\$ 9,932	\$ 525,890
Deferred outflows of resources - OPEB	53,200	53,716	2,142	109,058
Total deferred outflows of resources	<u>\$ 312,672</u>	<u>\$ 310,202</u>	<u>\$ 12,074</u>	<u>\$ 634,948</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 38,976,586</u>	<u>\$ 40,070,488</u>	<u>\$ 183,190</u>	<u>\$ 79,230,264</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 34,051	\$ 78,526	\$ 84,000	\$ 196,577
Impact fess payable	83,929	112,771	-	196,700
Accrued payroll	56,940	54,964	1,849	113,753
Revenues collected in advance	21,445	-	11	21,456
Current portion of long-term capital liabilities	1,541,000	1,053,000	-	2,594,000
Current portion of compensated absences payable	99,409	119,829	4,432	223,670
Total current liabilities	<u>\$ 1,836,774</u>	<u>\$ 1,419,090</u>	<u>\$ 90,292</u>	<u>\$ 3,346,156</u>
Noncurrent liabilities:				
Noncurrent portion of OPEB	\$ 223,717	\$ 225,889	\$ 9,008	\$ 458,614
Noncurrent portion of long-term capital liabilities	10,590,620	16,730,656	-	27,321,276
Noncurrent portion of compensated absences	46,286	46,909	998	94,193
Net pension liability	1,101,915	1,089,237	42,177	2,233,329
Total noncurrent liabilities	<u>\$ 11,962,538</u>	<u>\$ 18,092,691</u>	<u>\$ 52,183</u>	<u>\$ 30,107,412</u>
Total liabilities	<u>\$ 13,799,312</u>	<u>\$ 19,511,781</u>	<u>\$ 142,475</u>	<u>\$ 33,453,568</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pensions	\$ 33,358	\$ 32,974	\$ 1,277	\$ 67,609
Deferred inflows of resources - OPEB	114,979	116,095	4,629	235,703
Total deferred inflows of resources	<u>\$ 148,337</u>	<u>\$ 149,069</u>	<u>\$ 5,906</u>	<u>\$ 303,312</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 16,792,243	\$ 16,263,925	\$ -	\$ 33,056,168
Restricted for capital projects	2,396,017	1,334,245	-	3,730,262
Restricted for debt service	1,200,111	794,399	-	1,994,510
Unrestricted	4,640,566	2,017,069	34,809	6,692,444
Total net position	<u>\$ 25,028,937</u>	<u>\$ 20,409,638</u>	<u>\$ 34,809</u>	<u>\$ 45,473,384</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION</b>	<u>\$ 38,976,586</u>	<u>\$ 40,070,488</u>	<u>\$ 183,190</u>	<u>\$ 79,230,264</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, 2021**

**Business-Type Activities - Enterprise Funds**

	<u>Water</u>	<u>Sewer</u>	<u>Non-Major Funds</u>	<u>Totals</u>
<b>OPERATING REVENUES</b>				
Charges for services	\$ 4,636,622	\$ 5,034,218	\$ 287,331	\$ 9,958,171
Total operating revenues	<u>\$ 4,636,622</u>	<u>\$ 5,034,218</u>	<u>\$ 287,331</u>	<u>\$ 9,958,171</u>
<b>OPERATING EXPENSES</b>				
Personal services	\$ 1,324,390	\$ 1,313,446	\$ 77,155	\$ 2,714,991
Supplies	187,563	301,178	303	489,044
Purchased services	217,919	282,465	252,860	753,244
Fixed charges	244,386	236,753	250	481,389
Depreciation	532,545	827,639	-	1,360,184
Total operating expenses	<u>\$ 2,506,803</u>	<u>\$ 2,961,481</u>	<u>\$ 330,568</u>	<u>\$ 5,798,852</u>
Operating income (loss)	<u>\$ 2,129,819</u>	<u>\$ 2,072,737</u>	<u>\$ (43,237)</u>	<u>\$ 4,159,319</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Intergovernmental revenue	\$ 89,298	\$ 56,458	\$ 2,173	\$ 147,929
Interest revenue	47,002	25,157	414	72,573
Debt service interest expense	(206,900)	(321,035)	-	(527,935)
Grants to other institutions	(13,667)	(6,667)	-	(20,334)
Total non-operating revenues (expenses)	<u>\$ (84,267)</u>	<u>\$ (246,087)</u>	<u>\$ 2,587</u>	<u>\$ (327,767)</u>
Income (loss) before contributions and transfers	\$ 2,045,552	\$ 1,826,650	\$ (40,650)	\$ 3,831,552
Transfers in	1,175,865	-	-	1,175,865
Transfers out	(144,815)	(33,907)	(1,288)	(180,010)
<b>SPECIAL AND EXTRAORDINARY ITEMS</b>				
Gain (loss) on sale of capital assets	\$ 3,000	\$ 3,000	\$ -	\$ 6,000
Change in net position	<u>\$ 3,079,602</u>	<u>\$ 1,795,743</u>	<u>\$ (41,938)</u>	<u>\$ 4,833,407</u>
Net Position - Beginning of the year	\$ 21,949,335	\$ 18,613,895	\$ 76,747	\$ 40,639,977
Net Position - End of the year	<u>\$ 25,028,937</u>	<u>\$ 20,409,638</u>	<u>\$ 34,809</u>	<u>\$ 45,473,384</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, 2021**

	<b>Business - Type Activities</b>			<b>Totals</b>
	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	
<b>Cash flows from operating activities:</b>				
Cash received from providing services	\$ 4,344,954	\$ 5,113,330	\$ 189,900	\$ 9,648,184
Cash payments to suppliers	(420,273)	(301,178)	(303)	(721,754)
Cash payments for professional services	(217,919)	(519,218)	(169,110)	(906,247)
Cash payments to employees	(1,156,431)	(1,129,354)	(41,480)	(2,327,265)
Net cash provided (used) by operating activities	<u>\$ 2,550,331</u>	<u>\$ 3,163,580</u>	<u>\$ (20,982)</u>	<u>\$ 5,692,929</u>
<b>Cash flows from capital and related financing activities:</b>				
Acquisition and construction of capital assets	\$ (9,173,997)	\$ (12,744,587)	-	\$ (21,918,584)
Principal paid on debt	(1,369,000)	(1,026,000)	-	(2,395,000)
Interest paid on debt	(206,900)	(321,035)	-	(527,935)
Proceeds from bonds and capital grants	7,861,506	14,494,630	-	22,356,136
Net cash provided (used) by capital and related financing activities	<u>\$ (2,885,391)</u>	<u>\$ 676,008</u>	<u>\$ -</u>	<u>\$ (2,209,383)</u>
<b>Cash flows from non-capital financing activities:</b>				
Cash payments to other institutions	\$ (13,667)	\$ (6,667)	-	\$ (20,334)
Transfers between funds, net	1,031,050	(33,907)	(1,288)	995,855
Cash received from other governments	1,051	393	-	1,444
Net cash provided (used) from non-capital financing activities	<u>\$ 1,018,434</u>	<u>\$ (40,181)</u>	<u>\$ (1,288)</u>	<u>\$ 976,965</u>
<b>Cash flows from investing activities:</b>				
Interest on investments	\$ 47,002	\$ 25,157	\$ 414	\$ 72,573
Net cash provided (used) by investing activities	<u>\$ 47,002</u>	<u>\$ 25,157</u>	<u>\$ 414</u>	<u>\$ 72,573</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 730,376</b>	<b>\$ 3,824,564</b>	<b>\$ (21,856)</b>	<b>\$ 4,533,084</b>
<b>Cash and cash equivalents at beginning</b>	<b>8,641,915</b>	<b>1,542,751</b>	<b>95,541</b>	<b>10,280,207</b>
<b>Cash and cash equivalents at end</b>	<b><u>\$ 9,372,291</u></b>	<b><u>\$ 5,367,315</u></b>	<b><u>\$ 73,685</u></b>	<b><u>\$ 14,813,291</u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 2,129,819	\$ 2,072,737	\$ (43,237)	\$ 4,159,319
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation	532,545	827,639	-	1,360,184
Changes in assets and liabilities:				
Accounts receivables	28,273	86,201	(97,431)	17,043
Deposits payable	(307,419)	(7,089)	11	(314,497)
Accounts payables	11,676	-	84,000	95,676
Compensated absence liabilities	7,338	9,275	1,330	17,943
Accrued payroll	4,254	5,232	908	10,394
OPEB liability and related deferred inflows and outflows	5,379	4,645	6,964	16,988
Net pension liability and related derred inflows and outflows	150,988	164,940	26,473	342,401
Other receivables	(12,522)			(12,522)
Net cash provided (used) by operating activities	<u>\$ 2,550,331</u>	<u>\$ 3,163,580</u>	<u>\$ (20,982)</u>	<u>\$ 5,692,929</u>

See accompanying notes to the financial statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

		<b>Custodial Funds</b>
<b>ASSETS</b>		
Cash and short-term investments	\$	66,028
Taxes receivable		5,464
Total receivables		5,464
Total assets	\$	71,492
 <b>LIABILITIES</b>		
Due to others	\$	4,302
Total liabilities	\$	4,302
 <b>NET POSITION</b>		
Restricted for:		
Individuals, organizations, and other governments	\$	67,190
Total net position	\$	67,190
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$</b>	<b>71,492</b>

See accompanying Notes to the Financial Statements

**City of Whitefish, Flathead County, Montana**  
**Statement of Changes in Net Position**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2021**

		<u>Custodial Funds</u>
<b>ADDITIONS</b>		
Taxes, licenses, and fees collected for other governments	\$	67,973
Miscellaneous		14,512
Total additions	\$	<u>82,485</u>
<b>DEDUCTIONS</b>		
Other expenditures	\$	<u>96,941</u>
Total deductions	\$	<u>96,941</u>
Change in net position	\$	<u>(14,456)</u>
Net Position - Beginning of the year	\$	-
Restatements		81,646
Net Position - Beginning of the year - Restated	\$	<u>81,646</u>
Net Position - End of the year	\$	<u><u>67,190</u></u>

See accompanying Notes to the Financial Statements

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**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.

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

GASB No. 84 Fiduciary Activities is effective for years beginning after December 15, 2020. The Statement establishes accounting and financial reporting standards for fiduciary activities though defining specific criteria on the types of fiduciary activities that includes fiduciary component units and fiduciary activities. The criteria specifically defined in the statement determine the reporting of the fiduciary activities that include pension trust funds, private purpose trust funds, investment trust funds, and custodial funds (previously reported as agency funds). At Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position required for all of the fiduciary activities previously mentioned above. The City has implemented this pronouncement in the current fiscal year.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**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.

**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.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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.

**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.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*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.

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.

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

*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.

*Street and Alley* – A special revenue funds used to account for the activities of the City's Street maintenance, repairs, and improvements.

*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. Debt was paid in full during fiscal year 2021.

***Proprietary Funds:***

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

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

CITY OF WHITEFISH  
 FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
 June 30, 2021

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:

*Custodial Funds* – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the City in a custodial capacity. This fund primarily consist reporting of resources held by the City as an agent for individuals, private organizations, other local governmental entities. The external portion of the investment pools that are not held in a trust are also reported here.

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

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2021, 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	16,853,899
Savings deposits	696,480
Time deposits	6,358,321
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	10,752,120
Total	\$ <u><u>34,661,870</u></u>

CITY OF WHITEFISH  
FLATHEAD COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**Cash equivalents**

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

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

**Fair Value Measurements**

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

**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.

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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.

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, 2021, (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	\$ 789,021	A-1+	99
Agency or Government Related Corporate:	724,008	A-1+	87
Commercial Paper	913,481	A-1+	153
Notes	250,494	A-1	111
Certificates of Deposit	<u>405,071</u>	A-1	142
Total Investments	\$ <u>3,082,075</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3<sup>rd</sup> 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, 2021, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2021 <u>Balance</u>
Insured	\$ 5,660,604
- Collateral held by the pledging bank's trust department but not in the County's name	18,174,025
- Uninsured and Uncollateralized Deposits	<u>51,215</u>
Total deposits and investments	\$ <u><u>23,885,844</u></u>

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Deposit Security

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

(a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or

(b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for City deposits at June 30, 2021, 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, 2021. 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	\$ 635,513
Resort Tax Fund	Resort Tax - Parks	273,543
Resort Tax Fund	Resort Tax - Tax Relief	1,269,013
Water Fund	Debt Service - Future	1,095,733
Water Fund	Debt Service - Replacement & Depreciation	104,378
Water Fund	Impact Fees-Construction	2,396,017
Sewer Fund	Debt Service - Future	692,373
Sewer Fund	Debt Service - Replacement & Depreciation	102,026
Sewer Fund	Impact Fees-Construction	1,334,245
General Fund	Flex Spending Account	<u>11,667</u>
		<u>\$7,914,508</u>

**NOTE 4. RESORT TAX**

In November 2004, the City's tax payers voted and approved to extend the 2% resort tax until 2025. The tax was originally voted in by the tax payers in 1995. In 2015, the City voters approved increasing the tax from 2% to 3%. The 3% resort tax that is imposed on hotels, motels and other lodging or camping facilities; restaurants, fast food stores and other food establishments; taverns, bars nightclubs, lounges and other public establishments that serve beer, wine, liquor or other alcoholic beverages by the drink; destination ski resorts and other destination recreational facilities; and establishments that sell luxuries shall collect a tax on such luxuries.

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The use of the tax monies derived from the resort tax may be appropriated by the City Council only for those activities in those proportions as set forth below:

A. Property tax reduction for taxpayers residing in the city in an amount equal to twenty five percent (25%) of the three percent (3%) resort tax revenues derived during the preceding fiscal year;

B. Provision for the repair and improvement of existing streets, storm sewers, all underground utilities, sidewalks, curbs and gutters, in an amount equal to sixty five percent (65%) of the two percent (2%) resort tax revenues derived during the preceding fiscal year;

C. Bicycle paths and other park capital improvements in an amount equal to five percent (5%) of the two percent (2%) resort tax revenues derived during the preceding fiscal year;

D. Repayment of a loan or a bond to finance a portion of the costs of, or to otherwise pay for, the acquisition of the conservation easement or other interests, in and around Haskill Basin in order to protect and preserve water quality and quantity, including the source drinking water supply for the municipal water system of the city of Whitefish, in an amount equal to seventy percent (70%) of the one percent (1%) resort tax revenues to be received in a fiscal year, except that if such portion of resort tax revenues received in a fiscal year is more than is needed in that fiscal year for such loan or bond, the excess will be applied to additional property tax relief in the next fiscal year;

E. Cost of administering the resort tax in an amount equal to five percent (5%) of the three percent (3%) resort tax per year (as provided in subsection 335C of the resort tax ordinance).

	<u>Parks</u>	<u>Streets</u>	<u>Tax Relief</u>	<u>Total Resort Tax Fund</u>
Cash Balance 6/30/2020	\$ 192,552	\$ 293,635	\$ 1,128,792	\$ 1,614,979
Fiscal year 2021 allocation of revenues	168,303	2,187,942	2,440,396	4,796,641
Fiscal year 2021 expenditures	(87,312)	(1,839,668)	-	(1,926,980)
Fiscal Year Tax Relief to General Fund	-	-	(1,124,310)	(1,124,310)
Debt Transfer for Haskill Basin	-	-	(1,175,865)	(1,175,865)
Less the prior year payables	-	(28,089)	-	(28,089)
Add the current year payables	-	<u>21,693</u>	-	<u>21,693</u>
Cash Balance 6/30/2021	<u>\$ 273,543</u>	<u>\$ 635,513</u>	<u>\$ 1,269,013</u>	<u>\$ 2,178,069</u>

The amounts paid for from the Resort Tax Fund were determined to be in compliance with the resort tax ordinance as stated above. Also, the amounts showing as restricted cash as noted above were determined to be in compliance with the resort tax ordinance.

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**NOTE 5. RECEIVABLES**

**Tax Receivables**

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

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

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

**NOTE 6. INVENTORIES AND PREPAIDS**

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

**NOTE 7. 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
Improvements	5 – 20 years
Equipment	3 – 40 years
Infrastructure	10 – 40 years

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

Governmental activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Balance <u>June 30, 2021</u>
Capital assets not being depreciated:					
Land	\$ 8,840,793	\$ -	\$ -	\$ -	\$ 8,840,793
Construction in progress	<u>7,787,754</u>	<u>3,798,158</u>	<u>-</u>	<u>(8,104,987)</u>	<u>3,480,925</u>
Total capital assets not being depreciated	<u>\$ 16,628,547</u>	<u>\$ 3,798,158</u>	<u>\$ -</u>	<u>\$ (8,104,987)</u>	<u>\$ 12,321,718</u>
Other capital assets:					
Buildings	\$ 37,279,486	\$ 18,014	\$ -	\$ 69,228	\$ 37,366,728
Improvements other than buildings	3,301,556	133,188	-	-	3,434,744
Machinery and equipment	8,940,536	591,690	(117,513)	-	9,414,713
Infrastructure	<u>46,281,592</u>	<u>2,089,243</u>	<u>-</u>	<u>8,035,759</u>	<u>56,406,594</u>
Total other capital assets at historical cost	<u>\$ 95,803,170</u>	<u>\$ 2,832,135</u>	<u>\$ (117,513)</u>	<u>\$ 8,104,987</u>	<u>\$ 106,622,779</u>
Less: accumulated depreciation	<u>(35,442,100)</u>	<u>(3,985,422)</u>	<u>102,334</u>	<u>-</u>	<u>(39,325,188)</u>
Total	<u>\$ 76,989,617</u>	<u>\$ 2,644,871</u>	<u>\$ (15,179)</u>	<u>\$ -</u>	<u>\$ 79,619,309</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 475,214
Public safety	452,641
Public works	2,238,056
Culture and recreation	662,342
Housing and community development	<u>157,169</u>
Total governmental activities depreciation expense	<u>\$ 3,985,422</u>

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

Business-type activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Transfers</u>	Balance <u>June 30, 2021</u>
Capital assets not being depreciated:				
Land	\$ 602,783	\$ -	\$ -	\$ 602,783
Haskill Basin Conversation Easement	7,730,248	-	-	7,730,248
Construction in progress	<u>12,416,762</u>	<u>20,691,068</u>	<u>(95,714)</u>	<u>33,012,116</u>
Total capital assets not being depreciated	<u>\$ 20,749,793</u>	<u>\$ 20,691,068</u>	<u>\$ (95,714)</u>	<u>\$ 41,345,147</u>
Other capital assets:				
Machinery and equipment	\$ 134	\$ -	\$ -	\$ 134
Buildings	834,865	-	8,434	843,299
Pumping plant	3,170,905	-	-	3,170,905
Treatment plant	16,515,158	-	-	16,515,158
Transmission distribution	22,435,465	-	78,570	22,514,035
General Plant	<u>2,881,365</u>	<u>164,086</u>	<u>8,710</u>	<u>3,054,161</u>
Total other capital assets at historical cost	<u>\$ 45,837,892</u>	<u>\$ 164,086</u>	<u>\$ 95,714</u>	<u>\$ 46,097,692</u>
Less: accumulated depreciation	<u>(23,111,211)</u>	<u>(1,360,184)</u>	<u>-</u>	<u>(24,471,395)</u>
Total	<u>\$ 43,476,474</u>	<u>\$ 19,494,970</u>	<u>\$ -</u>	<u>\$ 62,971,444</u>

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**NOTE 8. LONG TERM DEBT OBLIGATIONS**

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

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

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2021, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Restatements</u>	Balance <u>June 30, 2021</u>	Due Within <u>One Year</u>
Special assessment bond	\$ 1,100,043	\$ -	\$ (94,132)	\$ -	\$ 1,005,911	\$ 95,416
Revenue bonds	3,733,000	-	(3,733,000)	-	-	-
Compensated absences	1,560,631	138,673	-	-	1,699,304	1,396,617
Intercap loans from direct borrowings	440,190	-	(161,489)	(290)	278,411	115,536
Capital leases	-	192,811	(38,562)	-	154,249	38,562
Total	<u>\$ 6,833,864</u>	<u>\$ 331,484</u>	<u>\$ (4,027,183)</u>	<u>\$ (290)</u>	<u>\$ 3,137,875</u>	<u>\$ 1,646,131</u>

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

Business-type Activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>	Due Within <u>One Year</u>
Revenue bonds	\$ 9,986,026	\$ 22,324,250	\$ (2,395,000)	\$ 29,915,276	\$ 2,594,000
Compensated absences	299,920	17,943	-	317,863	223,670
Total	<u>\$ 10,285,946</u>	<u>\$ 22,342,193</u>	<u>\$ (2,395,000)</u>	<u>\$ 30,233,139</u>	<u>\$ 2,817,670</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.

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Special assessment bonds outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
SID #166 - JP Road Project	7/6/06	3.65-4.80%	20yrs	7/1/26	\$1,360,000	Varies	\$ 320,000
SID #167 (Glacier Bank)	1/5/17	4.36%	20yrs	7/1/37	389,500	Varies	342,956
SID #167 (First Interstate Bank)	1/5/17	4.36%	20yrs	7/1/37	389,500	Varies	342,955
					<u>\$ 2,139,000</u>		<u>\$ 1,005,911</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
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>\$ 1,005,911</u>	<u>\$ 319,462</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 Date</u>	<u>Interest Rate</u>	<u>Bond Term</u>	<u>Maturity Date</u>	<u>Bonds Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
Water WRF #08110 - 2007 – Refunding	11/27/12	2.25%	20yrs	1/1/27	668,000	Varies	279,000
Water DWSRF #06098 2006 – Refunding	11/27/12	2.25%	20yrs	7/1/26	693,000	Varies	273,000
Water SRF (2009B)	10/21/09	0.75%	20yrs	7/1/29	120,100	Varies	48,000

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Water System Revenue Bond, Taxable Series 2016 (Haskill Basin)	1/1/16	2.50%	8yrs	1/1/25	8,219,500	Varies	3,940,000
Water DNRC Series 2015	12/7/15	2.50%	30yrs	1/1/36	120,000	Varies	94,000
WRF Series 2020 A – 21466	9/23/20	2.50%	20yrs	7/1/40	6,000,000	Varies	5,765,000
WRF Series 2020 B – 21478	4/7/21	2.50%	20yrs	1/1/41	5,000,000	Varies	1,732,620
Sewer SRF 2002 Series – Refunding	11/27/12	2.00%	20yrs	7/1/22	107,000	Varies	12,000
Sewer DNRC (2008A) – Refunding	11/27/12	2.25%	20yrs	1/1/27	372,000	Varies	155,000
Sewer DNRC (2008B) – Refunding	1/16/09	2.25%	20yrs	1/1/27	1,262,000	Varies	528,000
Sewer DNRC (2010B)	2/4/10	0.75%	20yrs	1/1/30	48,211	Varies	26,000
Sewer 2011B	8/1/11	3.00%	20yrs	7/1/31	340,000	Varies	195,000
Sewer 2011C	8/1/11	3.00%	20yrs	7/1/31	350,000	Varies	209,000
Sewer - 2014A - River Lakes	11/20/14	2.50%	20yrs	1/1/35	249,799	Varies	171,000
Sewer 2014	3/6/14	3.00%	20yrs	1/1/34	452,300	Varies	312,000
Sewer DNRC 2015	12/17/15	2.50%	20yrs	7/1/36	960,000	Varies	741,000
Sewer I & I	7/21/16	2.50%	20yrs	1/1/36	439,085	Varies	349,000
SRF Series 2020 B – 20485	5/6/20	2.50%	20yrs	1/1/40	10,000,000	Varies	9,410,000
SRF Series 2020 A – 20484	5/6/20	2.50%	20yrs	1/1/40	350,000	Varies	350,000
SRF Series 2020 C – 21498	11/19/20	2.50%	20yrs	7/1/40	<u>9,575,000</u>	Varies	<u>5,325,656</u>
					<u>\$62,308,995</u>		<u>\$ 29,915,276</u>

Reported in Business-type activities

**Revenue Bond Requirements**

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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**Water Fund:**

Per the bond resolutions, the Water Fund was to restrict cash as of the date of the calculation, in the amount equal to one-half of the sum of the highest amount of principal and interest payable on all outstanding water bonds in any one future fiscal year. The maximum principal and interest due on all outstanding water bonds in any one future fiscal year was \$2,106,171. The City was to restrict at least \$1,053,086 in the Water Fund and the City had restricted \$1,095,733. The City was in compliance with this revenue bond requirement.

The City was also required to have net revenues in the Water Fund at least equal to 1.25 times the maximum debt payment equaling \$1,687,914. The net revenues of the Water Fund equaled \$2,882,593. The City was in compliance with this requirement.

Also, per the original bond resolutions, the City was to establish a replacement and depreciation account, and credit to the account surplus net revenues of the system, as the governing body of the City determines to be required for the reasonable allowance for the depreciation of the system and for replacement or renewal of worn out, obsolete, or damaged properties and equipment. The City has established this account and has credited to the account \$104,378 as of June 30, 2021.

**Sewer Fund:**

Per the bond resolutions, the Sewer Fund was to restrict cash as of the date of the calculation, in the amount equal to one-half of the sum of the highest amount of principal and interest payable on all outstanding sewer bonds in any one future fiscal year. The maximum principal and interest due on all outstanding sewer bonds in any one future fiscal year was \$1,384,745. The City was to restrict at least \$692,373 in the Sewer Fund and the City had restricted \$692,373. The City was in compliance with this revenue bond requirement.

The City was also required to have net revenues in their Sewer Fund of at least equal to 1.25 times the maximum debt payment equaling \$1,384,745. The net revenues of the water fund equaled \$1,947,583. The City was in compliance with this requirement.

Also, per the original bond resolutions, the City was to establish a replacement and depreciation account, and credit to the account surplus net revenues of the system, as the governing body of the City determines to be required for the reasonable allowance for the depreciation of the system and for replacement or renewal of worn out, obsolete, or damaged properties and equipment. The City has established this account and has credited to the account \$102,027 as of June 30, 2021.

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Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 2,594,000	\$ 647,035
2023	2,728,500	663,837
2024	2,883,500	583,801
2025	2,397,500	518,241
2026	1,775,500	470,115
2027	1,664,500	427,832
2028	1,609,500	386,520
2029	1,648,500	346,218
2030	1,445,120	306,591
2031	1,476,500	270,493
2032	1,464,500	233,986
2033	1,503,500	197,296
2034	1,038,156	162,560
2035	1,010,500	137,373
2036	993,500	110,397
2037	955,500	86,116
2038	979,500	61,898
2039	1,003,500	37,440
2040	708,500	12,207
2041	17,500	766
2042	17,500	329
Total	<u>\$ 29,915,276</u>	<u>\$ 5,661,051</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 16<sup>th</sup> of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

Intercap loans from direct borrowings outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2021</u>
Fire Pumper Type 1	6/20/2014	1.00-1.55%	10yrs	8/15/2024	\$ 202,453	\$ 72,914
Fire Pumper	10/3/2014	1.00-1.55%	10 yrs	8/15/2024	282,659	101,854
Water Tender Fire Apparatus	2/13/2015	1.00-1.55%	7 yrs	2/15/2022	211,000	31,084
Ambulance 2018	2/16/2018	3.15%	5 yrs	2/15/2023	175,000	72,559
Total					<u>\$ 871,112</u>	<u>\$ 278,411</u>

Reported in the governmental activities.

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Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 115,536	\$ 16,881
2023	86,437	10,061
2024	49,905	4,823
2025	26,533	1,137
Total	<u>\$ 278,411</u>	<u>\$ 32,902</u>

**Capital Leases**

The City has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2021, were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2021</u>
Cisco Equipment Lease	7/20/20	0.00%	5 years	7/20/25	\$ <u>192,811</u>	\$ <u>154,249</u>
Reported in the governmental activities.						

Annual requirement to amortize debt:

For Fiscal <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 38,562	\$ -
2023	38,562	-
2024	38,562	-
2025	38,563	-
Total	<u>\$ 154,249</u>	<u>\$ -</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 9. POSTEMPLOYMENT HEALTHCARE PLAN**

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

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

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

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

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

	<u>PPO Plan</u>	<u>HDHP</u>
Medical Deductible (Individual/Family)	\$500/\$1000	\$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

*Premium Rates.* Retirees pay 100% of the active premium. The City does not make an explicit contribution for retiree coverage. Premiums for the plan year ending 6/30/2020 are shown in the following table:

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<b>Coverage Category</b>	<b>Bridger Plan</b>	<b>HDHP</b>	<b>Dental</b>	<b>Vision</b>
EE Only	\$675	\$444	\$33	\$8.15
EE + Spouse	\$1,264	\$832	\$66	\$13.00
EE + Child	\$1,181	\$777	\$58	\$13.25
Family	\$1,777	\$1,169	\$92	\$21.35

*Employees covered by benefit terms.* At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	19
Active employees	91
Total employees	<u>110</u>

**Total OPEB Liability**

The City's total OPEB liability of \$1,961,860 at June 30, 2021, was determined by the application of roll forward procedures to the actuarial valuation as of June 30, 2020.

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

Measurement Date	June 30, 2020
Valuation Date	June 30, 2021
Discount Rate (average anticipated rate)	2.18%
Payroll Growth Rate	3.50%
General Inflation	3.00% per year

**Mortality Rate:**

<b>Age</b>	<b>Male</b>	<b>Female</b>
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:

<b>Service</b>	<b>PERS</b>	<b>FURS</b>	<b>MPORS</b>
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 20 Year High Grade Rate Index as of June 30, 2021, and decreased from 2.66% to 2.18% per the roll forward.

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 June 30, 2019.

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

Retirement Rate as Follows:

	<b>PERS</b>		<b>FURS</b>	<b>MPORS</b>
	<b>&lt;30 Years</b>	<b>30+ Years</b>		
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%	
64	15%	15%		
65-66	30%	30%		
67-69	25%	25%		
70	100%	100%		

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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 I used where available; otherwise, husbands are assumed to be 3 years older than their wives.

Medical Trend Rate:

<b>Effective July 1</b>	<b>Trend Rate</b>
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 6/30/2020	\$ <u>1,770,046</u>
Changes for the year:	
Service Cost	\$ 153,182
Interest	38,587
Differences in experience	(164,207)
Change in assumptions	<u>164,252</u>
Net Changes	\$ <u>191,814</u>
Balance at 6/30/2021	\$ <u><u>1,961,860</u></u>

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

	1% Decrease (1.18%)	Discount Rate (2.18%)	1% Increase (3.18%)
Total OPEB Liability \$	2,373,859	\$ 1,961,860	\$ 1,639,798

*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 \$	1,537,314	\$ 1,961,860	\$ 2,548,775

*\*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, 2021, the District recognized an OPEB expense of \$191,814.

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At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Inflows</u>	<u>Deferred Outflows</u>
Balance at 6/30/2020	\$ <u>1,050,375</u>	\$ <u>397,542</u>
Changes for the year:		
Service Cost	-	-
Interest	-	-
Differences in experience	164,207	-
Current year amortization of experience differences	(128,296)	5,336
Change in assumptions	-	(164,251)
Current year amortization of assumption changes	(77,992)	89,928
Changes of benefit terms	<u>-</u>	<u>-</u>
Net Changes	\$ <u>(42,081)</u>	\$ <u>(68,987)</u>
Balance at 6/30/2021	\$ <u>(1,008,294)</u>	\$ <u>466,529</u>

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

<u>OPEB: Year ended June 30:</u>	<u>Amount recognized in OPEB Expense as an increase or (decrease) to OPEB Expense</u>
2021	\$ (67,721)
2022	\$ (67,721)
2023	\$ (67,721)
2024	\$ (67,721)
2025	\$ (67,721)
2026	\$ (67,721)
2027	\$ (67,721)
2028	<u>\$ (67,718)</u>

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**NOTE 10. NET PENSION LIABILITY**

As of June 30, 2021, the City/Town reported the following balances as its proportionate share of PERS, MPORS, and FURS pension amounts:

City's/Town's Proportionate Share Associated With:

	<u>PERS</u>	<u>MPORS</u>	<u>FURS</u>	<u>Pension Totals</u>
Net Pension Liability	\$ 6,136,059	\$ 1,526,943	\$ 1,133,976	\$ 8,796,978
Deferred outflows of resources*	\$ 1,444,879	\$ 492,534	\$ 613,464	\$ 2,550,877
Deferred inflows of resources	\$ 185,754	\$ 4,820	\$ 27,337	\$ 217,911
Pension expense	\$ 1,195,390	\$ 764,557	\$ 670,533	\$ 2,630,480

\*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 \$389,603 and \$159,703, and \$189,260, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2021.

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

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**Plan Descriptions**

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

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

**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 2.02% effective July 1, 2018).

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- b. No service credit for second employment;
  - c. Start the same benefit amount the month following termination; and
  - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 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.

<u>Fiscal Year</u>	<u>Member</u>		<u>Local Government</u>	
	<u>Hired&lt;07/01/11</u>	<u>Hired&gt;07/01/11</u>	<u>Employer</u>	<u>State</u>
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		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.
  - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
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 \$33,951,150.

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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, 2020, was determined by taking the results of the June 30, 2019, 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's NPL for reporting periods June 30, 2021, and 2020, 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 \$6,136,059 and the City's proportionate share was 0.232584 percent.

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 6,136,059	\$ 4,615,578	0.232584%	0.220808%	0.011776%
State of Montana Proportionate Share associated with Employer	1,933,198	1,503,159	0.073277%	0.071911%	0.001366%
<b>Total</b>	<b>\$ 8,069,257</b>	<b>\$ 6,118,737</b>	<b>0.305861%</b>	<b>0.292719%</b>	<b>0.013142%</b>

*Changes in actuarial assumptions and methods:*

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.75% to 2.40%

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*Changes in benefit terms:*

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

*Changes in proportionate share:*

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

*Pension Expense:*

At June 30, 2021, the City recognized a Pension Expense of \$879,231 for its proportionate share of the pension expense. The City also recognized grant revenue of \$316,159 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 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 879,231	\$ 636,684
State of Montana Proportionate Share associated with the Employer	316,159	102,049
Total	\$ 1,195,390	\$ 738,733

*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2020 contributions of \$381,426.

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*Recognition of Deferred Inflows and Outflows:*

At June 30, 2021, the City reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 99,049	\$ 175,439
Actual vs. Expected Investment Earnings	531,328	-
Changes in Assumptions	424,899	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	10,315
Employer contributions subsequent to the measurement date - FY21*	389,603	-
<b>Total</b>	<u>\$ 1,444,879</u>	<u>\$ 185,754</u>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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
2021	\$	136,988
2022	\$	414,138
2023	\$	185,650
2024	\$	132,746
Thereafter	\$	-

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**Actuarial Assumptions**

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.30%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- 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, 2013
- 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. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2020 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the following table.

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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	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. 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 2123. 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.

<u>1.0% Decrease</u>	<u>Current</u>	<u>1.0% Increase</u>
<u>(6.34%)</u>	<u>Discount Rate</u>	<u>(8.34%)</u>
\$ 8,445,922	\$ 6,136,059	\$ 4,195,790

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 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) than the current rate.

**PERS Disclosure for the defined contribution plan**

The City of Whitefish 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.

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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.

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, 2020, 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 329 employers that have participants in the PERS-DCRP totaled \$775,195.

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**

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

**Service Retirement**

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

**Second Retirement**

Re-calculated using specific criteria for members who return to covered MPORS employment prior to July 1, 2017:

- Less than 20 years of membership service, upon re-employment, repay benefits and subsequent retirement is based on total MPORS service.
- More than 20 years of membership service, upon re-employment, receives initial benefit and a new retirement benefit based on additional service credit and FAC after re-employment.

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Applies to members re-employed in a MPORS position after July 1, 2017:

- 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:
  - Is not awarded service credit for the period of reemployment;
  - Is refunded the accumulated contributions associated with the period of reemployment;
  - Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
  - 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.
- 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:
  - Is awarded service credit for the period of reemployment;
  - Starting the first month following termination of service, receives:
    - The same retirement benefit previously paid to the member, and
    - A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
  - Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
  - On the initial retirement benefit in January immediately following second retirement, and
  - On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 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%.

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Minimum benefit adjustment (non-GABA)

- The minimum benefit adjustment provided may not be less than 50% of the compensation paid to a newly confirmed police officer of the employer that last employed the member as a police officer in the current fiscal year.

**Contributions**

The State Legislature has the authority to establish and amend contribution rates to the plan. 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.

Fiscal <u>Year</u>	Member				<u>Employer</u>	<u>State</u>
	<u>Hired &lt;7/1/75</u>	<u>Hired &gt;6/30/75</u>	<u>Hired &gt;6/30/79</u>	<u>Hired &gt;6/30/97 GABA</u>		
2000-2021	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, 2020, was determined by taking the results of the June 30, 2019, 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 reporting periods June 30, 2021, and 2020, 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 \$1,526,943 and the City’s proportionate share was 0.6243 percent.

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	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,526,943	\$ 1,215,267	0.62430%	0.6106%	0.0137%
State of Montana Proportionate Share associated with Employer	3,079,695	2,474,698	1.2591%	1.2433%	0.0158%
Total	<u>\$ 4,606,638</u>	<u>\$ 3,689,965</u>	<u>1.8834%</u>	<u>1.8539%</u>	<u>0.0295%</u>

*Changes in actuarial assumptions and methods:*

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.75% to 2.40%

*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. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

*Pension Expense:*

At June 30, 2021, the City recognized a Pension Expense of \$250,351 for its proportionate share of the pension expense. The City also recognized grant revenue of \$514,206 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 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 250,351	\$ 185,895
State of Montana Proportionate Share associated with the Employer	514,206	296,448
Total	<u>\$ 764,557</u>	<u>\$ 482,343</u>

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*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2020 contributions of \$154,105.

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2021, 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	\$ 73,190	\$ 4,820
Actual vs. Expected Investment Earnings	118,745	-
Changes in Assumptions	129,760	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	11,136	-
Employer contributions subsequent to the measurement date - FY21*	159,703	-
<b>Total</b>	<b>\$ 492,534</b>	<b>\$ 4,820</b>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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
2021	\$ 99,138
2022	\$ 114,704
2023	\$ 86,732
2024	\$ 27,437
Thereafter	\$ -

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**Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.15%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.40%
- Merit Increases 0% to 6.60%
- Postretirement Benefit Increases
- Guaranteed Annual Benefit Adjustment (GABA)  
Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.
- Minimum benefit adjustment (non-GABA)  
If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city that the member was last employed.
- 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. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the following table.

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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	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign Equity	16.00%	6.92%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. 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 2134. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
\$ 2,176,753	\$ 1,526,943	\$ 1,008,543

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 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) 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>.

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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 – Normal retirement benefit calculated using HAC and service credit

**Second retirement**

Applies to members re-employed in a FURS position after July 1, 2017:

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

**Vesting**

5 years of membership service.

**Member's compensation period used in benefit calculation**

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

**Compensation Cap**

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

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**Guaranteed Annual Benefit Adjustment (GABA)**

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

**Minimum Benefit Adjustment (non-GABA)**

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

**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		Employer	State
	Non-GABA	GABA		
1998-2021	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, 2020, was determined by taking the results of the June 30, 2019, 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 reporting periods June 30, 2021 and 2020, 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 \$1,133,976 and the City’s proportionate share was 0.7247 percent.

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	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,133,976	\$ 769,008	0.72470%	0.6704%	0.0543%
State of Montana Proportionate Share associated with Employer	2,556,358	1,859,848	1.6337%	1.6213%	0.0124%
<b>Total</b>	<b>\$ 3,690,334</b>	<b>\$ 2,628,856</b>	<b>2.3584%</b>	<b>2.2917%</b>	<b>0.0667%</b>

*Changes in actuarial assumptions and methods:*

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.75% to 2.40%

*Changes in benefit terms:*

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

*Changes in proportionate share:*

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

*Pension Expense:*

At June 30, 2021, the City recognized a Pension Expense of \$205,360 for its proportionate share of the pension expense. The City also recognized grant revenue of \$465,173 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 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 205,360	\$ 134,706
State of Montana Proportionate Share associated with the Employer	465,173	387,454
<b>Total</b>	<b>\$ 670,533</b>	<b>\$ 522,160</b>

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*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the City recognized a beginning deferred outflow of resources for the City's fiscal year 2020 contributions of \$187,038.

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2021, 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	\$ 77,180	\$ 5,903
Actual vs. Expected Investment Earnings	145,580	-
Changes in Assumptions	201,444	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	21,434
Employer contributions subsequent to the measurement date - FY21*	189,260	-
<b>Total</b>	<b>\$ 613,464</b>	<b>\$ 27,337</b>

\*Amounts reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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
2021	\$ 73,614
2022	\$ 97,157
2023	\$ 91,373
2024	\$ 59,581
2024	\$ -
Thereafter	\$ 75,142

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**Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2020 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. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published in the *Survey of Capital Market Assumptions 2020 Edition* by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the *2020 OASDI Trustees Report* by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation (78c & 78f) as of June 30, 2020, are summarized in the following table.

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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	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign Equity	16.00%	6.92%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. 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. 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 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	Current	1.0% Increase
<u>(6.34%)</u>	<u>Discount Rate</u>	<u>(8.34%)</u>
\$ 1,834,021	\$ 1,133,976	\$ 571,486

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 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) 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>.

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**NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2021, was as follows:

**Advances to/from other funds**

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

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2021:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Property Tax Relief	General – Major Governmental	Resort Tax – Major Governmental	\$1,124,310
Property Tax Relief	General – Major Governmental	Water – Major Governmental	60,168
Operating	Parks, Recreation and Community Services – Nonmajor Governmental	General – Major Governmental	883,427
Operating	Parks, Recreation and Community Services – Nonmajor Governmental	Water – Major Governmental	49,302
Operating	Library – Nonmajor Governmental	General – Major Governmental	34,371
Operating	Fire & Ambulance – Nonmajor Governmental	General – Major Governmental	953,092
Resort Tax Transfer for Haskill Basin Debt Service	Water – Major Governmental	Resort Tax – Major Governmental	1,175,865
Indirect Cost Allocation	General – Major Governmental	Steet and Alley – Major Governmental	18,924
Indirect Cost Allocation	General – Major Governmental	Parks, Recreation and Community Services – Nonmajor Governmental	35,507
Indirect Cost Allocation	General – Major Governmental	Library – Nonmajor Governmental	6,292

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Indirect Cost Allocation	General – Major Governmental	Fire & Ambulance – Major Governmental	65,127
Indirect Cost Allocation	General – Major Governmental	Building Codes – Nonmajor Governmental	14,193
Indirect Cost Allocation	General – Major Governmental	Lighting District #1 – Nonmajor Governmental	757
Indirect Cost Allocation	General – Major Governmental	Lighting District #4 – Nonmajor Governmental	757
Indirect Cost Allocation	General – Major Governmental	Storm Water – Nonmajor Governmental	4,450
Indirect Cost Allocation	General – Major Governmental	Water – Major Governmental	35,345
Indirect Cost Allocation	General – Major Governmental	Sewer – Major Governmental	33,907
Indirect Cost Allocation	General – Major Governmental	Solid Waste – Nonmajor Governmental	<u>1,288</u>
			<u>\$4,497,082</u>

**NOTE 12. COST ALLOCATION PLAN**

The City uses an indirect cost allocation plan to allocate the administrative costs. These costs are allocated based on budgeted salaries in each fund. The City completed transfers from the other governmental and proprietary funds to the General Fund to reimburse for there allocated portion of the administrative costs. The allocation can then be seen on the face of the Statement of Activities.

**NOTE 13. LOCAL RETIREMENT PLANS**

**Deferred Compensation Plan**

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

**Fire Department Relief Association Disability and Pension Fund**

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

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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 14. 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 principle portion of permanent funds.

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

Committed – includes constraint for specific purposes which are internally imposed by the formal action of council. This is the government's highest level of decision-making authority, Council, and a formal action is required to establish, modify, or rescind the fund balance commitment.

Assigned – includes constraint for specific purpose which are internally imposed by the body or official authorized to assign amounts for a specific purpose.

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	\$ 11,667	Flex spending
Resort Tax	2,156,376	Street and park improvements
Street & Alley	2,775,255	Urban development
Fire & Ambulance	1,715,031	Emergency services
All Other Aggregate	259,640	Debt service
	132,285	Maintenance

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506,706	Culture and recreation
1,370,513	Construction inspections
1,373,676	Improvements
253,145	Utility services
2,892	Miscellaneous
1,218,569	Storm drainage
1,551,069	Housing and community development
<u>38</u>	Covid-19 aid
<u>\$13,329,919</u>	

**NOTE 15. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Fire & Ambulance	\$ 17,750	To correct for the understated accrued payroll
Library	105,675	To correct prior year cash for the library savings account that was not on the City's books
Governmental – Government Wide	290	To correct the prior year loan balance
Custodial Funds	\$ <u>81,646</u>	Implementation of GASB 84 which reclassified funds formerly known as agency funds, which did not have net position, to custodial funds which do show net position
Total	\$ <u>205,361</u>	

**NOTE 16. 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.

CITY OF WHITEFISH  
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**NOTE 17. JOINT VENTURES**

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

**Flathead County 911 Emergency Coordination Center**

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 18. 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 19. 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.

CITY OF WHITEFISH  
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Insurance Pools:

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

In 1986, the City joined together with other Montana cities to form the Montana Municipal Insurance Authority which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments. The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence with a \$3.750 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays an annual premium for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums.

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

**NOTE 20. IMPACT FEES AND PENDING COMPLAINT**

The City currently assess seven different impact fees on new developments in Whitefish, including certain renovations and remodels that expand square footage or the number of fixture units. In 2021, the City discovered the misapplication of the Uniform Plumbing Code when determining fixture counts used for water and wastewater impact fees related to stand-alone showers. The misapplication resulted in the City overcharging certain building permits. The City is in the process of completing an internal audit of the building permits affected by this error from January 1, 2019, through July 31, 2021.

It is estimated that about \$83,929 in water impact fees and about \$112,771 in wastewater impacts fees are due to property owners impacted by the fixture count error and has been recorded as a liability. Those funds can be refunded without a financial impact to any ongoing projects.

A class action complaint and demand for jury trial has been filed with the United State District Court of the District of Montana, Missoula Division. The City is in process of responding to the complaint.

**NOTE 21. SUBSEQUENT EVENTS**

- 1) In response to the COVID- 19 pandemic, Congress passed the CARE Act, Coronavirus Aid, Relief, and Economic Security Act. With the CARES Act there was several funding sources that were created to support state and local governments. These funding sources include the Coronavirus Relief Fund (CRF)). The State of Montana received \$1.25 billion from the Coronavirus Relief Fund. The City was eligible to receive assistance through reimbursement requests. The City has received and spent \$2,157,077 in Coronavirus Relief Funding under the CARES Act.

CITY OF WHITEFISH  
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In response to the COVID-19 pandemic, Congress also passed the American Rescue Plan Act of 2021. The State received \$542 million in funding. The City was allocated \$1,059,435 which was received in fiscal year 2021 and deferred into fiscal year 2022 as it had not been spent at year end. The City anticipates receiving a second payment of \$1,059,435 in fiscal year 2022.

COVID-19 continues to impact local communities, and it is unknown the potential future impacts on the government.

- 2) The Resort Tax Fund completed street and sidewalk improvements as of March 2022 in the amount of \$1.7M. The Tax increment Fund also completed improvements of \$999,647 as of March 2022.
- 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. During fiscal year 2021, \$9,129,094 had been spent. Subsequent to year end, the City had incurred an additional \$2,111,743. The project will be completed in 2022.

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 Treatment Plan Project. On September 23, 2020, the City issued the first bond in the amount for \$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. The full \$6,000,000 was drawn down in fiscal year 2021. The City closed on the \$5,000,000 Water System Revenue Bond (DNRC Drinking Water State Revolving Loan Program), Series 2020 during fiscal year 2021. Through the end of fiscal year 2021, the City had drawn down \$1,829,620. Subsequent to year end, the City had drawn down an additional \$1,041,152 as of March 2022.

- 4) The City continued their waste water treatment plant upgrade project in fiscal year 2022. On November 19, 2020, the City issued \$9,575,000 in Sewer System Revenue Bonds (DNRC Drinking Water State Revolving Loan Program), Series 2020C, with a 2.5% interest rate and a 20 year term. During fiscal year 2021, the City had drawn down \$5,699,656. The City had drawn down an additional \$561,137 and had spent an additional \$796,189 as of March 2022. The project is expected to be completed in 2022.
- 5) In November 2021, the voters passed extending the resort tax with a new allocation to year 2045. The new allocation will take effect in February 2025. The new allocation will be 25% for property tax relief, 58% for street improvements and public works, 10% to improve and maintain parks and bike paths, 2% to help maintain City-owned Whitefish Trail, and 5% to the businesses who collect the taxes.

CITY OF WHITEFISH  
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**NOTE 22. PENDING LITIGATION**

The following is a list of litigation pending against the City and the amount of damages claimed by the Plaintiff. The City’s Attorney has made no evaluation as to the outcome of each case. The City’s 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>South Whitefish Neighborhood Association v. City of Whitefish DV-15-19-1016DK</i>	Unknown	Unknown
<i>Whitefish 57 Commercial, LLC and Rimrock Companies, LLC v. City of Whitefish</i>	Attorney’s fees – amount unknown	Unknown
<i>Beck, et al. v. City of Whitefish, CV-212-44-M-DLC-KLD</i>	Unknown	Unknown
<i>McIntyre v. City of Whitefish</i>	Unknown	Unknown

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**City of Whitefish, Flathead County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 3,110,016	\$ 3,110,016	\$ 3,094,945	\$ (15,071)
Licenses and permits	148,650	148,650	176,626	27,976
Intergovernmental	955,032	955,032	1,155,871	200,839
Charges for services	274,075	274,075	367,377	93,302
Fines and forfeitures	343,600	343,600	346,738	3,138
Miscellaneous	139,448	139,448	164,377	24,929
Investment earnings	25,500	25,500	46,703	21,203
Amounts available for appropriation	\$ 4,996,321	\$ 4,996,321	\$ 5,352,637	\$ 356,316
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ 753,673	\$ 753,673	\$ 1,010,707	\$ (257,034)
Public safety	810,128	810,128	656,723	153,405
Public works	30,086	30,086	25,093	4,993
Social and economic services	1,500	1,500	1,500	-
Culture and recreation	28,642	28,642	18,641	10,001
Housing and community development	13,500	13,500	12,481	1,019
Debt service - principal	26,647	26,647	38,562	(11,915)
Miscellaneous	25,000	25,000	164,025	(139,025)
Capital outlay	233,512	233,512	200,055	33,457
Total charges to appropriations	\$ 1,922,688	\$ 1,922,688	\$ 2,127,787	\$ (205,099)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long term debt	\$ 192,812	\$ 192,812	\$ 192,811	\$ (1)
Transfers in	1,184,478	1,184,478	1,467,936	283,458
Transfers out	(4,528,391)	(4,528,391)	(4,528,392)	(1)
Total other financing sources (uses)	\$ (3,151,101)	\$ (3,151,101)	\$ (2,867,645)	\$ 283,456
Net change in fund balance			\$ 357,205	
Fund balance - beginning of the year			\$ 1,694,278	
Fund balance - end of the year			\$ 2,051,483	

City of Whitefish, Flathead County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2021

Resort Tax				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 4,235,610	\$ 4,235,610	\$ 4,787,725	\$ 552,115
Miscellaneous	-	-	8,916	8,916
Investment earnings	12,579	12,579	-	(12,579)
Amounts available for appropriation	\$ 4,248,189	\$ 4,248,189	\$ 4,796,641	\$ 548,452
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Capital outlay	\$ 2,270,000	\$ 2,270,000	\$ 1,926,980	\$ 343,020
Total charges to appropriations	\$ 2,270,000	\$ 2,270,000	\$ 1,926,980	\$ 343,020
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	\$ (2,167,223)	\$ (2,167,223)	\$ (2,300,175)	\$ (132,952)
Total other financing sources (uses)	\$ (2,167,223)	\$ (2,167,223)	\$ (2,300,175)	\$ (132,952)
Net change in fund balance			\$ 569,486	
Fund balance - beginning of the year			\$ 1,586,890	
Fund balance - end of the year			\$ 2,156,376	

City of Whitefish, Flathead County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2021

Street and Alley				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 1,086,590	\$ 1,086,590	\$ 1,117,693	\$ 31,103
Licenses and permits	497,347	497,347	520,403	23,056
Intergovernmental	161,565	161,565	193,015	31,450
Charges for services	1,400	1,400	-	(1,400)
Miscellaneous	-	-	1,975,461	1,975,461
Amounts available for appropriation	<u>\$ 1,746,902</u>	<u>\$ 1,746,902</u>	<u>\$ 3,806,572</u>	<u>\$ 2,059,670</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	\$ 1,511,958	\$ 1,511,958	\$ 1,021,237	\$ 490,721
Capital outlay	212,130	212,130	2,017,440	(1,805,310)
Total charges to appropriations	<u>\$ 1,724,088</u>	<u>\$ 1,724,088</u>	<u>\$ 3,038,677</u>	<u>\$ (1,314,589)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 6,300	\$ 6,300
Transfers out	(4,522)	(4,522)	(18,924)	(14,402)
Total other financing sources (uses)	<u>\$ (4,522)</u>	<u>\$ (4,522)</u>	<u>\$ (12,624)</u>	<u>\$ (8,102)</u>
Net change in fund balance			<u>\$ 755,271</u>	
Fund balance - beginning of the year			<u>\$ 2,019,984</u>	
Fund balance - end of the year			<u><u>\$ 2,775,255</u></u>	

City of Whitefish, Flathead County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2021

Fire and Ambulance				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 965,266	\$ 965,266	\$ 939,977	\$ (25,289)
Licenses and permits	150,100	150,100	208,415	58,315
Intergovernmental	465,080	465,080	1,350,724	885,644
Charges for services	1,888,290	1,888,290	1,773,090	(115,200)
Miscellaneous	20,000	20,000	77,635	57,635
Amounts available for appropriation	\$ 3,488,736	\$ 3,488,736	\$ 4,349,841	\$ 861,105
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public safety	\$ 3,680,180	\$ 3,680,180	\$ 3,913,765	\$ (233,585)
Debt service - principal	161,952	161,952	161,490	462
Debt service - interest	9,990	9,990	9,842	148
Capital outlay	322,200	322,200	105,109	217,091
Total charges to appropriations	\$ 4,174,322	\$ 4,174,322	\$ 4,190,206	\$ (15,884)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	\$ 953,092	\$ 953,092	\$ 953,092	\$ -
Transfers out	-	-	(65,127)	(65,127)
Total other financing sources (uses)	\$ 953,092	\$ 953,092	\$ 887,965	\$ (65,127)
Net change in fund balance			\$ 1,047,600	
Fund balance - beginning of the year			\$ 649,681	
Restatements			17,750	
Fund balance - beginning of the year - restated			\$ 667,431	
Fund balance - end of the year			\$ 1,715,031	

**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>Street and Alley</u>	<u>Fire and Ambulance</u>	<u>Tax Increment Revenue Bond Debt</u>
<b>Sources/Inflows of resources</b>					
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 5,352,637	\$ 4,796,641	\$ 3,806,572	\$ 4,349,841	\$ -
Combined funds (GASBS 54) revenues	<u>1,244,493</u>				
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 6,597,130</u>	<u>\$ 4,796,641</u>	<u>\$ 3,806,572</u>	<u>\$ 4,349,841</u>	<u>\$ -</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,127,787	\$ 1,926,980	\$ 3,038,677	\$ 4,190,206	\$ 3,773,375
Combined funds (GASBS 54) expenditures	<u>3,377,634</u>				
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,505,421</u>	<u>\$ 1,926,980</u>	<u>\$ 3,038,677</u>	<u>\$ 4,190,206</u>	<u>\$ 3,773,375</u>

**Note B**

The General Fund appeared to exceed its budget authority, however, it was because for financial reporting purposes, the expenditures relating to the cost allocation plan were put back in the General Fund and a transfer in was shown instead in the amount of \$283,458 so that the cost allocation could be shown on the face of the Statement of Activities. The Street and Alley Fund exceeded its budget authority because of the non-cash transaction relating to the donated assets. The Fire and Ambulance exceeded its budget authority due to the non-cash transactions relating to the State On-Behalf Payments for pensions. Because the budget overdrafts were due to the cost allocation plan changes for financial statement reporting and non-cash transactions, no audit findings were issued.

**City of Whitefish, Flathead County, Montana**  
**Schedules of Required Supplementary Information**  
**SCHEDULE OF CHANGES IN THE**  
**TOTAL OPEB LIABILITY AND RELATED RATIOS**  
**For Fiscal Year Ended June 30, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service Cost	\$ 153,182	\$ 138,474	\$ 146,887	\$ 171,915
Interest	38,587	56,968	71,290	65,767
Differences in experience	(164,207)	37,406	(83,630)	(801,946)
Change in assumptions and inputs	164,252	(446,159)	(114,618)	564,459
Benefit payments	<u>-</u>	<u>(158,299)</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	191,814	(371,610)	19,929	195
Total OPEB Liability - beginning	<u>1,770,046</u>	<u>2,141,656</u>	<u>2,121,727</u>	<u>2,121,532</u>
Total OPEB Liability - ending	\$ <u>1,961,860</u>	\$ <u>1,770,046</u>	\$ <u>2,141,656</u>	\$ <u>2,121,727</u>
Covered-employee payroll	\$ 5,878,397	\$ 5,679,611	\$ 5,317,189	\$ 6,452,129
 Total OPEB liability as a percentage of covered -employee payroll	 33.4%	 31.2%	 40.3%	 32.9%

*\*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, 2021**

	<u>PERS 2021</u>	<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	0.232584%	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	\$ 6,136,059	\$ 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	\$ 1,933,198	\$ 1,503,159	\$ 1,504,721	\$ 68,528	\$ 56,780	\$ 42,302	\$ 36,588
Total	<u>\$ 8,069,257</u>	<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	\$ 3,901,909	\$ 3,645,911	\$ 3,540,966	\$ 3,266,903	\$ 3,267,805	\$ 2,875,089	\$ 2,757,858
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	157.26%	126.60%	126.91%	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>MPORS 2021</u>	<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	0.6243%	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	\$ 1,526,943	\$ 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	\$ 3,079,695	\$ 2,474,698	\$ 2,165,490	\$ 2,244,725	\$ 2,426,881	\$ 2,088,934	\$ 1,912,300
Total	<u>\$ 4,606,638</u>	<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	\$ 1,069,433	\$ 1,006,256	\$ 976,361	\$ 925,719	\$ 958,753	\$ 862,615	\$ 808,297
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	142.78%	120.77%	108.50%	118.97%	127.52%	119.52%	117.11%
Plan fiduciary net position as a percentage of the total pension liability	64.84%	68.84%	70.95%	68.34%	65.62%	66.90%	67.01%
	<u>FURS 2021</u>	<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	0.7247%	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	\$ 1,133,976	\$ 769,008	\$ 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	\$ 2,556,358	\$ 1,859,484	\$ 1,943,937	\$ 1,894,948	\$ 2,063,421	\$ 1,849,371	\$ 1,836,432
Total	<u>\$ 3,690,334</u>	<u>\$ 2,628,492</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	\$ 1,302,493	\$ 1,162,484	\$ 1,162,570	\$ 1,103,598	\$ 1,122,869	\$ 1,091,002	\$ 1,083,229
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	87.60%	66.15%	73.13%	75.61%	81.11%	76.11%	75.15%
Plan fiduciary net position as a percentage of the total pension liability	75.34%	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, 2021**

	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Contractually required contributions	\$ 389,603	\$ 341,900	\$ 313,349	\$ 299,919	\$ 273,442	\$ 282,462	\$ 253,208
Contributions in relation to the contractually required contributions	\$ 389,603	\$ 341,900	\$ 313,349	\$ 299,919	\$ 273,442	\$ 282,462	\$ 253,208
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 4,442,452	\$ 3,901,909	\$ 3,645,911	\$ 3,540,966	\$ 3,266,903	\$ 3,267,805	\$ 2,875,089
Contributions as a percentage of covered payroll	8.77%	8.76%	8.59%	8.47%	8.37%	8.64%	8.81%
	<u>MPORS</u> <u>2021</u>	<u>MPORS</u> <u>2020</u>	<u>MPORS</u> <u>2019</u>	<u>MPORS</u> <u>2018</u>	<u>MPORS</u> <u>2017</u>	<u>MPORS</u> <u>2016</u>	<u>MPORS</u> <u>2015</u>
Contractually required contributions	\$ 159,703	\$ 155,811	\$ 145,579	\$ 146,032	\$ 133,396	\$ 140,445	\$ 125,045
Contributions in relation to the contractually required contributions	\$ 159,703	\$ 155,811	\$ 145,579	\$ 146,032	\$ 133,396	\$ 140,445	\$ 125,045
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,108,279	\$ 1,069,433	\$ 1,006,256	\$ 976,361	\$ 925,719	\$ 958,753	\$ 862,615
Contributions as a percentage of covered payroll	14.41%	14.57%	14.47%	14.96%	14.41%	14.65%	14.50%
	<u>FURS</u> <u>2021</u>	<u>FURS</u> <u>2020</u>	<u>FURS</u> <u>2019</u>	<u>FURS</u> <u>2018</u>	<u>FURS</u> <u>2017</u>	<u>FURS</u> <u>2016</u>	<u>FURS</u> <u>2015</u>
Contractually required contributions	\$ 189,260	\$ 186,208	\$ 160,204	\$ 171,113	\$ 158,477	\$ 160,540	\$ 159,717
Contributions in relation to the contractually required contributions	\$ 189,260	\$ 186,208	\$ 160,204	\$ 171,113	\$ 158,477	\$ 160,540	\$ 159,717
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,317,967	\$ 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%	14.30%	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, 2021**

**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, 2021**

- 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, 2021**

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%
-------------------------------	-------

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, 2021**

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

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

**Montana Firefighters' Unified Retirement System of Montana (FURS)**

**Changes of Benefit Terms**

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

**2013 Legislative Changes**

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

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

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

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

**2015 Legislative Changes**

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

**Changes in Actuarial Assumptions and Methods**

Method and assumptions used in calculations of actuarially determined contributions

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

Admin Expense as % of Payroll	0.19%
-------------------------------	-------

**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, 2021**

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, 2021

<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>
<b>Highway Safety Cluster</b>			
<b><u>Department of Transportation</u></b>			
<i>Montana Department of Transportation</i>			
State and Community Highway Safety	20.600	N/A	\$ 4,877
National Priority Safety Programs	20.616	N/A	\$ 9,778
<b>Total Department of Transportation</b>			<b>\$ 14,655</b>
<b>Total Highway Safety Cluster</b>			<b>\$ 14,655</b>
<b>Other Programs</b>			
<b><u>Default Agency</u></b>			
<i>Passed through Flathead County</i>			
High Intensity Drug Trafficking Areas Program	95.001	N/A	\$ 12,249
<b>Total Default Agency</b>			<b>\$ 12,249</b>
<b><u>Department of Homeland Security</u></b>			
<i>Passed through Flathead County</i>			
Homeland Security Grant Program	97.067	18-OPSGFLT	\$ 11,628
<b>Total Department of Homeland Security</b>			<b>\$ 11,628</b>
<b><u>United States Department of Justice</u></b>			
<i>Passed through Flathead County</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	19-G01-92640	\$ 74,469
<b>Total United States Department of Justice</b>			<b>\$ 74,469</b>
<b><u>Department of Health and Human Services</u></b>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Provider Relief Fund	93.498	N/A	\$ 15,656
<b>Total Department of Health and Human Services</b>			<b>\$ 15,656</b>
<b><u>Department of the Treasury</u></b>			
<i>Passed through Montana Office of Governor</i>			
Coronavirus Relief Fund	21.019	N/A	\$ 2,157,077
<b>Total Department of the Treasury</b>			<b>\$ 2,157,077</b>
<b>Total Other Programs</b>			<b>\$ 2,271,079</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 2,285,734</b>

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, 2021

*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

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Whitefish, Flathead County, Montana, as of and for the year ended June 30, 2021, 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 25, 2022.

**Internal Control Over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

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

March 25, 2022

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

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

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
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, 2021. 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*. 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, 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, 2021.

## **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.

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

March 25, 2022

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

Fiscal Year Ended June 30, 2021

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

**Financial Statements**

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

**Federal Awards**

Internal control over major 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>
21.019	Coronavirus Relief Fund

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

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**REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS**

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

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

<u>Recommendation</u>	<u>Action Taken</u>
Accrued Payroll	Implemented

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

March 25, 2022