

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Prepared by the City of Bozeman Finance Department

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2011

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

Letter of Transmittal	1-14
Governmental Financial Officers' Association Certificate of Achievement	15
Organizational Chart.....	16
City Elected Officials and Officers.....	17-18

II. FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	19-20
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A. MANAGEMENT'S DISCUSSION AND ANALYSIS	21-30
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B. BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements	
Statement of Net Assets	31
Statement of Activities	32

Fund Financial Statements

Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	33-34
Reconciliation of the Balance Sheet to the Statement of Net Assets – Governmental Funds	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities – Governmental Funds	37
Proprietary Fund Financial Statements	
Statement of Net Assets – Proprietary Funds	38-39
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds.....	40
Statement of Cash Flows – Proprietary Funds.....	41-42
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Assets – Fiduciary Funds.....	43

Notes to Financial Statements.....	44-90
------------------------------------	-------

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2011

TABLE OF CONTENTS (CONTINUED)

C. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

Schedule of Funding Progress – Other Post-Employment Health Care Benefits	91
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual – General and Special Revenue Major Funds	
General Fund	92
Street and Fire Impact Fees Fund.....	93
Notes to Required Supplementary Information Other Than Management Discussion and Analysis	94

D. SUPPLEMENTAL INFORMATION

Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Non-Major Governmental Funds.....	95-100
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	101-105
Budget-to-Actual Schedules – Other Major Funds	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - Other Major Funds	
SID Sinking Fund.....	106
Capital Projects Fund	107
Note to Budget-to-Actual Statements – Other Major Funds	108
Budget-to-Actual Schedules- Nonmajor Funds	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual – Nonmajor Governmental Funds	
Non-Major Governmental Funds	109-122
Internal Service Funds Statements	
Combining Statement of Net Assets – Internal Service Funds	123
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	124
Combining Statement of Cash Flows.....	125-126
Agency Funds	
Combining Statement of Fiduciary Net Assets	127
Combining Statement of Changes in Assets and Liabilities – Agency Funds	128

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2011

TABLE OF CONTENTS (CONTINUED)

III. STATISTICAL SECTION

Financial Trends Section

Net Assets by Component	129
Changes in Net Assets	130-131
Fund Balances of Governmental Funds	132
Changes in Fund Balances, Governmental Funds	133

Revenue Capacity Section

Assessed value of Taxable Property	134
Direct and Overlapping Property Tax Rates	135
Principal Property Tax Payers	136
Property Tax Levies and Collections	137
Water Sold by Type of Customer	138
Water and Sewer Rates	139

Debt Capacity Section

Ratios of Outstanding Debt by Type	140
Ratios of General Bonded Debt Outstanding	141
Direct and Overlapping General Bonded Debt Outstanding	142
Legal Debt Margin Information	143
Pledged Revenue Coverage	144

Demographics and Economic Section

Demographic and Economic Statistics	145
Principal Employers	146

Operating Section

Full-time Equivalent City Government Employees by Function/Program	147
Operating Indicators by Function/Program	148
Capital Assets Statistics by Function/Program	149

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2011

TABLE OF CONTENTS (CONTINUED)

IV. REPORTS OF INDEPENDENT PUBLIC ACCOUNTANTS AND SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AS REQUIRED BY OMB CIRCULAR A-133	
Schedule of Expenditures of Federal Awards.....	150-151
Notes to Schedule of Expenditures of Federal Awards	152
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 <i>Government Auditing Standards</i>	153-154
Independent Auditor’s Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	155-156
Schedule of Findings and Questioned Costs.....	157
Current Status of Prior Year Recommendations.....	158

PART I

INTRODUCTORY SECTION

CITY OF BOZEMAN, MONTANA



December 15, 2011

To the Citizens of the
City of Bozeman, Montana

The Comprehensive Annual Financial Report of the **CITY OF BOZEMAN, MONTANA** for the fiscal year ended June 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to the single audit, including the *Schedule of Expenditures of Federal Awards* and the *Auditor's Reports on Basic Financial Statements and Supplementary Schedule of Expenditures of Federal Awards, Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, and Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*, are included in the single audit section of this report.

Management's Discussion and Analysis (MD&A), starting on page 21, is a narrative introduction, overview and analysis written to accompany the basic financial statements and should be read in conjunction with the transmittal letter.

CITY OF BOZEMAN, MONTANA

CITY OF BOZEMAN PROFILE

The City of Bozeman was incorporated in April of 1883 with a city council form of government, and later in January 1922 transitioned to its current city manager/city commission form of government. Bozeman encompasses an area over 18 square miles and is located on the eastern slope of the Rocky Mountains. The 2010 census put Bozeman's population at 37,280 making it the fourth largest city in the state. Bozeman is the county seat of Gallatin County and is the home to Montana State University – Bozeman, and the fighting Bobcats. Bozeman was elected an All-America City in 2001 by the National Civic League.

The government provides a full range of services. These services include police and fire protection; sanitation services; water and waste water utilities; the construction and maintenance of streets and infrastructure; recreational activities; cultural events; planning and zoning; and general administrative services. The City, as a primary government, is supported or works closely with certain entities to provide these services to the citizens of the City of Bozeman. Of these entities, the Bozeman Public Library Board of Trustees, the City Planning Board, and Parking Commission are presented as blended component units. The Senior Advisory Council is excluded from presentation in these financial statements, since their relationship with the City is strictly advisory in nature at this time.

BUDGET DEVELOPMENT PROCESS

The City of Bozeman budget serves several purposes. For the *citizens of the City of Bozeman*, it presents a picture of the City government operations and intentions for the year. For the *City Commission*, it serves as a policy tool and as an expression of goals and objectives. For *City Management*, it is used as an operating guide and a control mechanism.

The City Manager's Recommended Budget serves as the preliminary budget and is normally adopted as such in June following six months of development and analysis by staff and the City Commission.

After submitting the City Manager's Recommended Budget to the City Commission, public work sessions may be held by the Commissioners at which time the City Manager, Finance Director, and department staff explain the budget recommendations and underlying justification for the re-quests. The Commission also reviews departmental requests which could not be funded, as an indication of un-met needs. During or following the work sessions, the Commissioners may make adjustments to the proposed budget. Following any adjustments to the City Manager's budget recommendation, a tentative appropriation ordinance is prepared and a public hearing is held. The Commission may again make adjustments to the budget following the public hearing, after which time, the Commission passes the appropriation ordinance in final form.

The overall goal of the City's financial policies is to establish and maintain effective management of the City's financial resources.

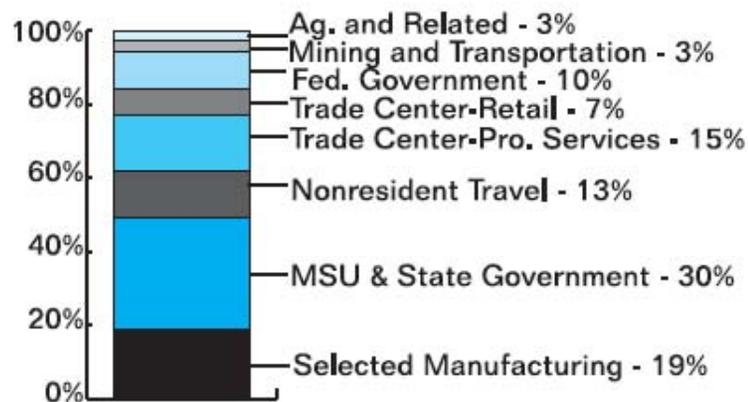
CITY OF BOZEMAN, MONTANA

ECONOMIC CONDITION AND OUTLOOK

The Bureau of Business and Economic Research (BBER) is the research and public service branch of the University of Montana's School of Business Administration. The Bureau is regularly involved in a wide variety of activities, including economic analysis and forecasting. Excerpts from the Bureau's forecasts contained in the spring 2011 issue of the Montana Business Quarterly relating to Gallatin County and City of Bozeman are stated below.

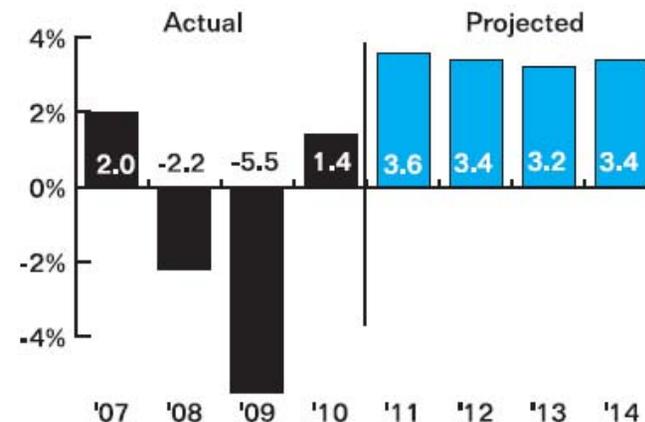
Despite the sharp declines in 2008 and 2009, the Bozeman area economy should emerge from the recession relatively unscathed. Construction and real estate plummeted and nonresident travel (which accounts for 13 percent of the local economic base) decreased sharply in response to the national recession. But Bozeman's high-tech industries (which suffered greatly during the 2001 recession) continue to expand. Employees of Montana State University will see their wages increase only slightly. The roughly 3.5 percent annual growth projected for 2010 to 2014 may appear buoyant compared to the recession years, but it is a full percentage point lower than the prerecession average of 4.4 percent per year.

**Figure 5
Labor Income in Basic Industries,
Gallatin County, 2008-2010
[Percent of Total]**



Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

**Figure 2
Actual and Projected Percent Change in
Nonfarm Labor Income, Gallatin County,
2007-2014**



Sources: Bureau of Business and Economic Research, The University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

CITY OF BOZEMAN, MONTANA

For the YearChanges, Initiatives & Priorities ongoing, undertaken or completed during the year include:

Building Activity: Local building activity has many impacts on the operations and finances of the City; from the workload and revenues in the Planning and Building Inspection Divisions to the amount of funding available for Impact Fee programs and increases in Property Tax dollars due to new construction.

As with the rest of the nation, credit and other economic factors began affecting the amount of subdivision and construction activity we were seeing come through the doors of our Planning and Building Inspection Divisions in early 2008. This trend continued through FY09. During FY10 & FY11, Planning and Building activities continued at levels below FY09; however, we continued to see moderate building activity in our City.

During FY11, the Kohl's and Safeway projects provided noticeable increases in planning and building activity. Building and planning activity related to the June 30, 2010 hail storm also boosted activity in these departments. However, we don't anticipate a number of similar projects or weather events in the coming year. For that reason, our FY12 estimates for Building and Planning revenues mirror the FY10 actual receipts. We continue to monitor the revenue and workload status of the Building Inspection and Planning Departments on a monthly basis, and report to the Commission on a quarterly basis.

Property Tax Revenues from New Construction: The City's certified taxable value for the previous year shows that our local tax base grew 3.2% from January 1, 2010 to December 30, 2010. This is the lowest increase in taxable value that the City has seen since 2001. It is markedly below the average of 6.9% we had seen each year over the past 5 years. For the coming year, we are estimating that the local tax base will grow by 2%. Actual certified taxable values will be received in early August from the Montana Department of Revenue.

State Entitlement Share: During the 2011 State Legislative session, which ended in early May, the State eliminated the statutory growth factor for our Entitlement Share dollars for FY12. Under the prior statute, the City would have seen approximately \$150,000 in increased revenue in the General Fund. Instead, FY12 will see no growth in Entitlement Share in the general fund, and a 10% decrease (-\$3,100) for the Downtown Tax Increment District.

2010 Census Information: The 2010 Census information for the City of Bozeman shows that we are now the 4th most populous city in the state; increasing from our rank of 5th in the 2000 census. Our actual 2010 census population of 37,280 is lower than the census estimate of 2009 by 5.1%, but shows a 32.7% increase over our 2000 census population.

Gallatin College Funding: In January 2011 the Commission committed to assist with funding the start-up of new Gallatin College programs at Montana State University. They committed the equivalent of 1.5 mills (estimated \$123,600) in each of FY11, FY12, and FY13. We have budgeted for this expenditure in the Economic Development section of our Community Development budget.

Economic Development & Public Relations Director: In concert with Commission Goals, the Economic Development & Public Relations position is now a director-level position, has been moved out of the City Manager's department, and moved to its own division in the Community Development department of the budget. This position is leading the City's Economic Development Team to "assist in diversifying our local economy by creating sustainable, high paying jobs without sacrificing Bozeman's quality of life."

Solvent Site Active Remediation: The City is awaiting the issuance of the Record of Decision from the Montana Department of Environmental Quality regarding the clean-up of the Bozeman Solvent Site. A decades-long effort, we anticipate the Decision being issued within the next few months. This budget contains approximately \$700,000 in planned expenditures in the Wastewater Fund for active remediation of the Site. This multi-year remediation project is being undertaken with CVS Pharmacy.

CITY OF BOZEMAN, MONTANA

Mandeville Farm Judgment: In December 2009, the Montana Supreme Court ruled against the City in our appeal of Delaney v. City of Bozeman. At issue was the City's purchase of the Mandeville Farm property in 2003. Delaney was awarded \$3 Million. The City and MMIA are working towards a judicial determination as to whether the City or the MMIA is responsible for the payment. Currently the MMIA has paid the judgment, subject to a non-waiver provision that could require the City to reimburse the MMIA, if a court finds the City is obligated. The costs associated with this legal process are estimated to be \$20,000 for FY12 and are included in the Attorney's Budget. We anticipate a judicial determination sometime during FY12.

Sewer Plant Construction: Substantial completion of this \$54 million project is estimated to occur in October 2011. During the past 3 years, we have fully budgeted for the plant construction, and will utilize carry-over budget authority to complete the project in FY12. (No additional budgeted expenditures in FY12.)

Water Plant Construction: The slowdown in community growth gave us a bit of headway in our existing water capacity. As a result, we delayed bid of the Water Plant project for approximately 12 months. We are set to open the bids on June 7, 2011. This budget includes \$15 million in construction spending on the project, which is expected to cost \$40.1 Million and span 3 fiscal years.

Additional Debt: We anticipate borrowing \$1.3 Million for the Reconstruction of South 8th Avenue, and approximately \$150,000 for the related Special Improvement District bonds for adjacent property owners. While the new Water Treatment Plant will require substantial borrowing through completion (estimated \$20M total), we don't anticipate needing to borrow funds in FY12. We will complete loan documents in FY12 and likely begin borrowing in FY13. This borrowing will be secured by water-system rate-payers.

For the Future

New Policy Initiatives & Planning Processes

The City plans for the long-term needs of our community through a number of efforts and studies. These documents are usually developed by consultants and staff, with numerous public hearings and advisory board meetings prior to their formal adoption by the Commission. Once adopted, we work diligently to implement the recommendations and changes outlined in the plans. Here is the status of our primary long-range planning documents:

Plans for Service Provision, Facility Expansion & Maintenance:

1. Bozeman Community Plan—Adopted 2010.
2. Bozeman Area Transportation Plan—Adopted 2010.
3. Police Services Facility & Staffing Plan—adopted 2007, implementing.
4. Fire Services Master Plan— adopted 2006, implementing.
5. Wastewater Facility Plan—adopted 2006, implementing.
6. Water Facility Plan—adopted 2006, implementing.
7. Storm water Facility Plan—presented February 2008, adoption pending.
8. Parks, Recreation, Open Space, and Trails Plan—Adopted 2007, implementing.
9. Municipal Climate Action Plan—Adopted 2008, implementing.
10. Economic Development Plan—Adopted 2010, implementing.
11. Downtown Improvement Plan—Adopted 2010, implementing.



Water Reclamation Facility & Bridger Mountains

CITY OF BOZEMAN, MONTANA

Plans for Facility Maintenance:

1. Aquatics Facility Survey for Swim Center & Bogert Park Pool—July 2008.
2. City Facility Assessments—2008.

Financial Plans:

1. Annual Budget—Adopted each August.
2. Capital Improvements Plan - Updated & adopted each year; most recently Jan. 2011
3. Water Rate Study (5 Years) – Updated for FY12-FY16, adoption pending.
4. Wastewater Rate Study (5 Years) – Updated for FY12-FY16, adoption pending.
5. Impact Fee Studies (Water, Sewer, Streets, Fire) - 2007, updates to be completed in FY12.
6. Solid Waste Rate Study – Underway, to be completed in FY12.

Develop a plan to address deferred infrastructure maintenance.

- **Water Distribution System** – the facility plan identifies 54,506 lineal feet (LF) of existing water mains that are undersized and need to be replaced at a cost of \$11,768,253 and 53,661 LF of undersized water mains that need to be upgraded to meet fire flows on a max day at a cost of \$11,659,652.
- **Sewer Collection System** - improvements were identified in the 1998 Facility Plan. The 2005 Plan recommended lines be TV inspected to determine the greatest need. The projects identified in the 1998 Plan continue to be completed, but as annual televising continues, other more urgent projects may be identified and completed.
- **Street System** - there are currently 27 miles of city streets which are in need of overlay treatments and 25 miles of streets which are in need of chip sealing. At our current rate of investment it would take us approximately 18 years to overlay the streets which need treatments if no further deterioration of the remaining streets took place. The street system includes the curbs and street related storm water.
- **Sidewalks.** §12.20.035 BMC requires abutting owners to repair sidewalks, which Engineering Dept oversees. §12.20.060 BMC provides City Commission can order a sidewalk or curb to be constructed.
- **Facilities.** Implement recommendations contained within Facility Condition Index Plans.
- **Police Station & Municipal Courts** - Develop a plan to replace our municipal courts and police station 1. Build a new police and municipal court facility: Select and purchase a site; Select architect and complete design; Educate the community on the need for bond approval; Award bids for the construction.

Other

- Develop a long term plan for the Streamline bus system.
- Impact Fee Studies (Water, Sewer, Streets, Fire) updates began this year.
- Reconstruct Kagy Boulevard (South 19th to Willson Avenue) and College Street from 11th Street west to Main Street: upgrade to urban arterials.
- Storm water Facility Plan—presented February 2008, adoption pending.
- Explore sources of funding for Park Maintenance and operations.

**Bogert Swimming Pool**

CITY OF BOZEMAN, MONTANA

FINANCIAL POLICIES

The overall goal of the City's financial policies is to establish and maintain effective management of the City's financial resources. Formal policy statements and major objectives provide the foundation for achieving this goal. Accordingly, this section outlines the policies used in guiding the preparation and management of the City's overall budget and the major objectives to be accomplished. In addition, the rationale which led to the establishment of the fiscal policy statements is also identified.

Budget Development & Administration**1. A comprehensive annual budget will be prepared for all funds expended by the City.**

State law provides that "no money shall be drawn from the treasury of the municipality nor shall any obligation for the expenditure of money be incurred except pursuant to the appropriation made by the commission." Inclusion of all funds in the budget enables the commission, the administration, and the public to consider all financial aspects of city government when preparing, modifying, and monitoring the budget, rather than deal with the City's finances on a "piece meal" basis.

2. The budget will be prepared in such a manner as to facilitate its understanding by citizens and elected officials.

One of the stated purposes of the budget is to present a picture of the City government operations and intentions for the year to the citizens of Bozeman. Presenting a budget document that is understandable to the citizens furthers the goal of effectively communicating local government finance issues to both elected officials and the public.

3. Budgetary emphasis will focus on providing those basic municipal services which provide the maximum level of services, to the most citizens, in the most cost effective manner, with due consideration being given to all costs--economic, fiscal, and social.

Adherence to this basic philosophy provides the citizens of Bozeman assurance that its government and elected officials are responsive to the basic needs of the citizens and that its government is operated in an economical and efficient manner.

4. The budget will provide for adequate maintenance of capital, plant, and equipment and for their orderly replacement.

All governments experience prosperous times as well as periods of economic decline. In periods of economic decline, proper maintenance and replacement of capital, plant, and equipment is generally postponed or eliminated as a first means of balancing the budget. Recognition of the need for adequate maintenance and replacement of capital, plant, and equipment, regardless of the economic conditions, will assist in maintaining the government's equipment and infrastructure in good operating condition.

5. The City will avoid budgetary practices that balance current expenditures at the expense of meeting future years' expenses.

Budgetary practices such as postponing capital expenditures, accruing future years' revenues, or rolling over short-term debt are budgetary practices which can solve short-term financial problems; however, they can create much larger financial problems for future administrations and commissions. Avoidance of these budgetary practices will assure citizens that current problems are not simply being delayed to a future year.

CITY OF BOZEMAN, MONTANA

6. The City will give highest priority in the use of one-time revenues to the funding of capital assets or other non-recurring expenditures.

Utilizing one-time revenues to fund on-going expenditures results in incurring annual expenditure obligations which may be unfunded in future years. Using one-time revenues to fund capital assets or other non-recurring expenditures better enables future administrations and commissions to cope with the financial problems when these revenue sources are discontinued, since these types of expenditures can more easily be eliminated.

7. The City will maintain a budgetary control system to help it adhere to the established budget.

The budget passed by the commission establishes the legal spending limits for the City. A budgetary control system is essential in order to insure legal compliance with the City's budget.

8. The City will exercise budgetary control (maximum spending authority) through City Commission approval of appropriation authority for each appropriated budget unit.

Exercising budgetary control for each appropriated budget unit satisfies requirements of state law. It also assists the commission in monitoring current year operations and acts as an early warning mechanism when departments deviate in any substantive way from the original budget.

9. Reports comparing actual revenues and expenditures to budgeted amounts will be prepared monthly.

The City's budget is ineffective without a system to regularly monitor actual spending and revenue collections with those anticipated at the beginning of the year. Monthly reports comparing actual revenues and expenditures to budget amounts provide the mechanism for the Commission and the administration to regularly monitor compliance with the adopted budget.

Revenue Collection**1. The City will seek to maintain a diversified and stable revenue base.**

A city dependent upon a few volatile revenue sources is frequently forced to suddenly adjust tax rates or alter expenditure levels to coincide with revenue collections. Establishment of a diversified and stable revenue base, however, serves to protect the City from short-term fluctuations in any one major revenue source.

2. The City will estimate revenues in a realistic and conservative manner.

Aggressive revenue estimates significantly increase the chances of budgetary shortfalls occurring during the year--resulting in either deficit spending or required spending reductions. Realistic and conservative revenue estimates, on the other hand, will serve to minimize the adverse impact of revenue shortfalls and will also reduce the need for mid-year spending reductions.

3. The City will pursue an aggressive policy of collecting revenues.

An aggressive policy of collecting revenues will help to insure the City's revenue estimates are met, all taxpayers are treated fairly and consistently, and delinquencies are kept to a minimum.

CITY OF BOZEMAN, MONTANA

4. The City will aggressively pursue opportunities for Federal or State grant funding.

An aggressive policy of pursuing opportunities for Federal or State grant funding provides citizens assurance that the City is striving to obtain all state and federal funds to which it is entitled--thereby reducing dependence upon local taxpayers for the support of local public services.

5. User fees and charges will be used, as opposed to general taxes, when distinct beneficiary populations or interest groups can be identified.

User fees and charges are preferable to general taxes because user charges can provide clear demand signals which assist in determining what services to offer, their quantity, and their quality. User charges are also more equitable, since only those who use the service must pay--thereby eliminating the subsidy provided by nonusers to users, which is inherent in general tax financing.

6. User fees will be collected only if it is cost-effective and administratively feasible to do so.

User fees are often times costly to administer. Prior to establishing user fees, the costs to establish and administer the fees will be considered in order to provide assurance that the City's collection mechanisms are being operated in an efficient manner.

Expenditures and Payments**1. On-going expenditures will be limited to levels which can be supported by current revenues.**

Utilization of reserves to fund on-going expenditures will produce a balanced budget, however, this practice will eventually cause severe financial problems. Once reserve levels are depleted, the City would face elimination of on-going costs in order to balance the budget. Therefore, the funding of on-going expenditures will be limited to current revenues.

2. Minor capital projects or recurring capital projects, which primarily benefit current residents, will be financed from current revenues.

Minor capital projects or recurring capital projects represent relatively small costs of an on-going nature, and therefore, should be financed with current revenues rather than utilizing debt financing. This policy also reflects the view that those who benefit from a capital project should pay for the project.

3. Major capital projects, which benefit future as well as current residents, will be financed with current revenues as well as other financing sources (e.g. debt financing).

This policy reflects the view that those who benefit from a capital project should pay for the project.

4. Major capital projects, which benefit future residents, will be financed with other financing sources (e.g. debt financing).

Major capital projects represent large expenditures of a non-recurring nature which primarily benefit future residents. Debt financing provides a means of generating sufficient funds to pay for the costs of major projects. Debt financing also enables the costs of the project to be supported by those who benefit from the project, since debt service payments will be funded through charges to future residents.

CITY OF BOZEMAN, MONTANA

5. Construction projects and capital purchases of \$10,000 or more will be included in the Capital Improvement Plan (CIP); minor capital outlays of less than \$10,000 will be included in the regular operating budget.

The Capital Improvement Plan (CIP) differentiates the financing of high cost long-lived physical improvements from low cost "consumable" equipment items contained in the operating budget. CIP items may be funded through debt financing or current revenues while operating budget items are annual or routine in nature and should only be financed from current revenues.

6. Spending Policy: The City will spend its resources in the following order. Resources will be categorized according to Generally Accepted Accounting Principles (GAAP) for state and local governments, with the following general definitions:

- Restricted -- Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.
- Committed -- Amounts constrained to specific purposes by the City Commission; to be reported as committed, amounts cannot be used for any other purpose unless the City Commission takes action to remove or change the constraint.
- Assigned -- Amounts the City intends to use for a specific purpose; intent can be expressed by the Commission or by an official or body to which the Commission delegates the authority. The City Commission delegates this authority to the City Manager.
- Unassigned -- Amounts that are available for any purpose; these amounts are reported only in the General Fund.

When both restricted and unrestricted resources are available, spending will occur in the following order for the identified fund types:

Fund Type	Order of Spending
General Fund	<ol style="list-style-type: none"> 1. Restricted 2. Committed 3. Assigned 4. Unassigned <p>The City Commission and the City Manager, individually, have the authority to express assignments in the General Fund.</p>
Special Revenue Funds	<ol style="list-style-type: none"> 1. Restricted 2. Committed 3. Assigned <p>The City Commission and the City Manager, individually, have the authority to express assignments in Special Revenue Funds.</p>
Debt Service Funds	<ol style="list-style-type: none"> 1. Assigned 2. Committed 3. Restricted <p>The City Commission and the City Manager, individually, have the authority to express assignments in Debt Service Funds.</p>

CITY OF BOZEMAN, MONTANA

Capital Project Funds	<ol style="list-style-type: none"> 1. Restricted 2. Committed 3. Assigned <p>The City Commission and the City Manager, individually, have the authority to express assignments in Capital Project Funds.</p>
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Debt Administration**1. The City will limit long-term debt to capital improvements which cannot be financed from current revenues.**

Incurring long-term debt serves to obligate future taxpayers. Excess reliance on long-term debt can cause debt levels to reach or exceed the government's ability to pay. Therefore, conscientious use of long-term debt will provide assurance that future residents will be able service the debt obligations left by former residents.

2. The City will repay borrowed funds, used for capital projects, within a period not to exceed the expected useful life of the project.

This policy reflects the view that those residents who benefit from a project should pay for the project. Adherence to this policy will also help prevent the government from over-extending itself with regard to the incurrence of future debt.

3. The City will not use long-term debt for financing current operations.

This policy reflects the view that those residents who benefit from a service should pay for the service. Utilization of long-term debt to support current operations would result in future residents supporting services provided to current residents.

4. The City of Bozeman will adhere to a policy of full public disclosure with regard to the issuance of debt.

Full public disclosure with regard to the issuance of debt provides assurance that the incurrence of debt, for which the public is responsible, is based upon a genuine need and is consistent with underwriters guidelines.

Reserves and Fund Balances**1. Reserves and Fund Balances will be properly designated into the following categories:**

- Nonspendable fund balance -- Amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund).
- Restricted fund balance -- Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation.
- Committed fund balance -- Amounts constrained to specific purposes by the City Commission; to be reported as committed, amounts cannot be used for any other purpose unless the City Commission takes action to remove or change the constraint.
- Assigned fund balance -- Amounts the City intends to use for a specific purpose; intent can be expressed by the Commission or by an official or body to which the Commission delegates the authority.
- Unassigned fund balance -- Amounts that are available for any purpose; these amounts are reported only in the General Fund.

CITY OF BOZEMAN, MONTANA

- 2 . A minimum level of general fund reserve equal to 16.67% of annual revenues will be maintained by the City. This reserve is committed to be used for: cash flow purposes, accrued employee payroll benefits which are not shown as a liability, unanticipated equipment acquisition and replacement, and to enable the City to meet unexpected expenditure demands or revenue shortfalls.**

Property taxes represent the City's primary source of general fund revenue. Property taxes are collected in November and May of each fiscal year. Since the City's fiscal year begins on July 1st, the City must maintain an adequate cash balance in order to meet its expenditure obligations between July 1st and the commencement of the collection of property taxes in November.

Accrued employee payroll benefits represent a bona fide obligation of the City. The City will maintain sufficient reserves to meet its annual expenditure obligations.

The City recognizes the need to maintain adequate equipment in order to carry out required public services. Equipment acquisition and replacement represent on-going costs of a relatively minor nature, as compared to major capital purchases. We plan for equipment replacement within our Capital Improvement Program. However, unforeseen equipment problems will arise. The reserve will provide resources for the immediate, unanticipated replacement of critical equipment. The City is subject to revenue shortfalls and unexpected expenditure demands during the fiscal year. An undesignated general fund reserve will be maintained to be able to offset these revenue shortfalls or meet unexpected demands occurring during the year, without suddenly adjusting tax rates or reducing expenditures. This year's ending General Fund balance of \$6,897,249 is 31.6% of revenues and therefore fully complies with the City's Financial Policy and with the Government Finance Officers' Association's recommended level of minimum fund balance.

Financial Reporting & Accounting

- 1. The City will manage and account for its financial activity in accordance with Generally Accepted Accounting Principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB).**

GASB is recognized as the authority with respect to governmental accounting. Managing the City's finances in accordance with GAAP and in accordance with the rules set forth by GASB, provides the Bozeman citizens assurance that their public funds are being accounted for in a proper manner.

- 2. The City will maintain its accounting records for general governmental operations on a modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when services or goods are received and liabilities incurred. Accounting records for proprietary fund types and similar trust funds will be maintained on an accrual basis, with all revenues recorded when earned and expenses recorded at the time liabilities are incurred, without regard to receipt or payment of cash.**

Adherence to this policy will enable the City to prepare its financial statements in accordance with Generally Accepted Accounting Principles as set forth by the Governmental Accounting Standards Board.

CITY OF BOZEMAN, MONTANA

- 3. The City of Bozeman will prepare a Comprehensive Annual Financial Report (CAFR) in conformity with Generally Accepted Accounting Principles (GAAP). The report will be made available to the general public. The CAFR shall be prepared in accordance with the standards established by the GFOA for the Certificate of Achievement for Excellence in Financial Reporting Program**

The Certificate of Achievement represents a significant accomplishment for a government and its financial management. The program encourages governments to prepare and publish an easily readable and understandable comprehensive annual financial report covering all funds and financial transactions of the government during the year. The CAFR provides users with a wide variety of information useful in evaluating the financial condition of a government. The program also encourages continued improvement in the City's financial reporting practices.

- 4. The City will ensure the conduct of timely, effective, and annual audit coverage of all financial records in compliance the Local, State, and Federal law.**

Audits of the City's financial records provide the public assurance that its funds are being expended in accordance with Local, State, and Federal law and in accordance with Generally Accepted Accounting Principles. Audits also provide management and the Commission with suggestions for improvement in its financial operations from independent experts in the accounting field.

- 5. The City of Bozeman will maintain a policy of full and open public disclosure of all financial activity.**

Full and open public disclosure of all financial activity provides the public with assurance that its elected officials and administrators communicate fully all financial matters affecting the public.

- 6. The modified accrual basis of accounting and budgeting is used for the Governmental Funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related liability is incurred. Employee compensated absences and principal and interest on long-term debt expenditures are recorded when due in the current period. The accrual basis of accounting is used for Proprietary Funds. Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred. For Budget preparation and presentation, the Proprietary Funds' expenses are converted to expenditures and follow the same budget format as the Government Fund types. Capital outlays in the Enterprise Funds are presented as expenses for budget basis, but are recorded as assets along with associated depreciation expense on the GAAP basis. Debt service principal payments in the Enterprise Funds are accounted for as expenses for budget purposes, but are reported as reduction of long-term debt liability on the GAAP basis.**

Recording capital outlays as expenditures and principal payments on long-term debt for budget purposes, presents a clearer picture of the City's financial operations, is easier to administer for cash flow purposes, and is easier for the lay person to understand.

CITY OF BOZEMAN, MONTANA

OTHER INFORMATIONIndependent Audit

The State of Montana requires a biannual audit of the books of accounts, financial records, and transactions of all administrative departments of the City by independent certified accountants selected by the City Commission. It is the belief of the City Commission and Executive staff that an annual audit assures a higher level of financial management and fiscal responsibility. This policy, along with the legal requirements, has been complied with and the auditors' opinion of Junkermier, Clark, Campanella, Stevens P.C., has been included in this report.

Awards

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bozeman for its comprehensive annual financial report for the fiscal year ended June 30, 2010. This was the 27th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department, with special appreciation extended to Assistant Controller Lieveka White. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the governing body of the City, preparation of this report would not have been possible.

Sincerely,

Chris Kukulski
City Manager

Anna Rosenberry, CPA
Director of Finance

Brian LaMeres, CPA
City Controller

CITY OF BOZEMAN, MONTANA

GOVERNMENT FINANCE OFFICERS' ASSOCIATION CERTIFICATE

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Bozeman
Montana

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Linda C. Danison

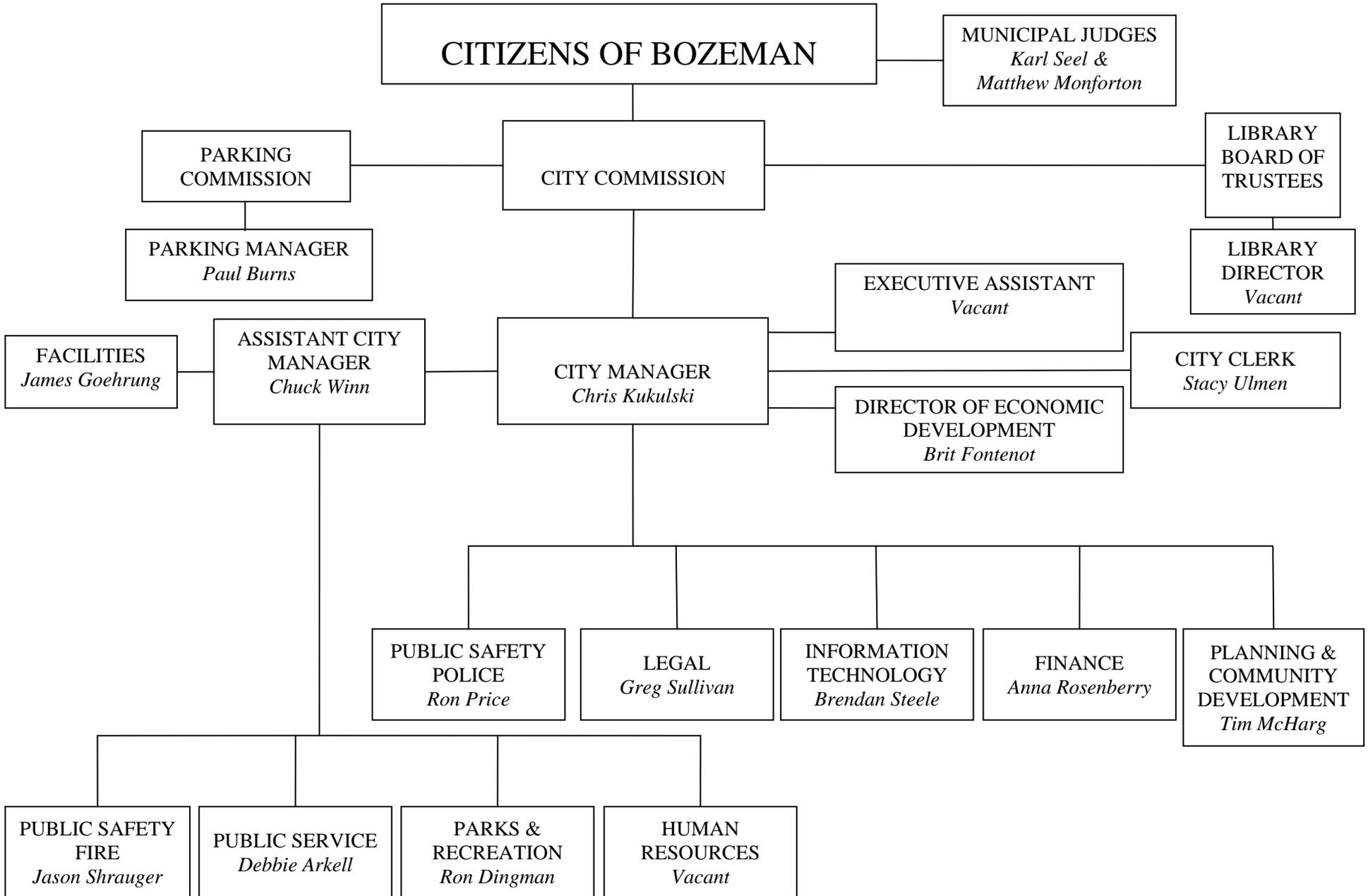
President

Jeffrey R. Emer

Executive Director

CITY OF BOZEMAN, MONTANA

ORGANIZATIONAL CHART



CITY OF BOZEMAN, MONTANA
CITY ELECTED OFFICIALS AND OFFICERS

ELECTED OFFICIALS

Legislative

Jeffrey Krauss
Sean Becker
Christopher Mehl
Cynthia Andrus
Carson Taylor

Mayor
Deputy Mayor
Commissioner
Commissioner
Commissioner

Judicial

Karl Seel
Matthew Monforton

Municipal Judge
Municipal Judge

OFFICERS

Executive

Chris Kukulski
Chuck Winn
Stacey Ulmen

City Manager
Assistant City Manager
City Clerk

Department of Law

Gregory Sullivan
Susan Wordal
Timothy A. Cooper
Kyla Murray

City Attorney
Assistant City Attorney
Assistant City Attorney
Assistant City Attorney

Department of Finance

Anna Rosenberry, CPA
Brian LaMeres, CPA
Laurae Clark

Director of Finance
Controller
Treasurer

CITY OF BOZEMAN, MONTANA

CITY ELECTED OFFICIALS AND OFFICERS (CONTINUED)

OFFICERS (CONTINUED)

Department of Public Safety

Ronald Price
 Marty Kent
 Jason Shrauger
 Greg Megaard

Director of Public Safety - Police
 Assistant Director of Public Safety-Police Patrol
 Director of Public Safety-Fire
 Assistant Director of Public Safety-Fire Inspections

Department of Public Service

Debra H. Arkell
 Rick Hixson
 John Alston
 John Van Delinder
 Vacant
 Rick Moroney
 Thomas Adams
 James Goehring

Director of Public Service
 City Engineer
 Superintendent of Water and Waste Water Operations
 Superintendent of Street Operations
 Superintendent of Sanitation Operations
 Superintendent of Water Treatment Plant
 Superintendent of Waste Water Plant
 Superintendent of Facilities

Department of Public Welfare

Ron Dingman
 Thomas White
 Vacant
 Timothy McHarg
 Vacant

Director of Parks & Recreation
 Superintendent of Parks & Cemetery
 Superintendent of Recreation Operations
 Director of Planning & Community Development
 Director of Library

PART II

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor, City Commissioners, and City Manager of the
City of Bozeman, Montana:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bozeman, Montana (the City), as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Bozeman's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 the City of Bozeman, Montana, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2011 on our consideration of the City of Bozeman's internal control over financial reporting and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Audit Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis, Actuarial Valuation of Post-Employment Benefits, and Budgetary Comparison Information, as listed on the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bozeman, Montana's basic financial statements. The combining and individual non-major fund financial statements and other schedules, listed in the table of contents as supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget *Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying introductory and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Junkermier Clark Campanella & Stevens P.C.

Bozeman, Montana
December 15, 2011

A. MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Bozeman's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with the transmittal letter on page 1 and the City's financial statements, which begin on page 31.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities (on pages 31 and 32) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 33. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Assets and the Statement of Activities

Our analysis of the City as a whole begins on page 23. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net assets* and changes in them. You can think of the City's net assets, the difference between assets, what the citizens own, and liabilities, what the citizens owe, as one way to measure the City's financial health, or financial position. Over time, *increases or decreases* in the City's net assets are one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the City's property tax base, income tax base, and the condition of the City's capital assets (roads, buildings, water and sewer lines) to assess the *overall health* of the City.

In the Statement of Net Assets and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities—Most of the City's basic services are reported here, including police, fire, public works, parks, and general administration. Property taxes, state shared revenues, court fines, and recreation fees finance most of these activities.
- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer, solid waste, and parking systems are reported here.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Reporting the City's Most Significant Funds Fund Financial Statements

Our analysis of the City's funds begins on page 27. The fund financial statements begin on page 33 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes (like Street Maintenance District Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Environmental Protection Agency). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds--Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation on pages 35 and 37 of the fund financial statements.

Proprietary funds--When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of the proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as the Vehicle Maintenance Fund and Health Insurance Fund. Internal service fund activity is reported as governmental activity in the government-wide statements since this activity, the financing of goods and services for other funds of the government, is more governmental than business-type in nature.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for other funds, including the Municipal Court Fund and the Montana Arts Council funds for the Montana Ballet, the Bozeman Symphony Orchestra and the Big Sky Association for the Arts. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The guidelines for the administration of these funds are contained in applicable financial agreements and/or City ordinances. These documents contain the rules governing the receipt, expenditure, and management of the City's fiduciary funds. All of the City's fiduciary activities are reported in the Statement of Fiduciary Net Assets on page 43 and in the Combining Statement of Changes in Assets and Liabilities-Agency Funds on page 128. As the statements reflect, the financial activity during the year for these funds is nominal. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

THE CITY AS A WHOLE

The City's *combined* net assets increased by \$6.8 million this year as compared to a \$300 thousand increase last year. The primary reason for this is a substantial increase in revenues (primarily developer-contributed infrastructure) yet no significant change in expenses. The specific contributing factors are outlined in the following discussion. Our analysis focuses on the net assets (Table 1) and changes in net assets (Table 2) of the City's governmental and business-type activities.

Net assets of the City's governmental activities actually increased by 7.3% (\$125.8 million compared to \$117.2 million). *Unrestricted* net assets of governmental activities, the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased to \$16.5 million. Similarly, the net assets of the City's business-type activities decreased slightly by .9% (\$213.3 million compared to \$215.2 million in 2010). These net assets cannot be used to make up for deficits reported by governmental activities in the event any such deficits were reported. The City generally can only use the net assets of business-type activities to finance the continuing operations of the water, sewer solid waste, and parking operations.

Table 1
Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Current and Other Assets	\$ 42.6	\$ 38.1	\$ 31.5	\$ 31.4	\$ 74.1	\$ 69.5
Capital Assets	103.2	100.1	212.2	197.9	315.4	298.0
Total Assets	\$ 145.8	\$ 138.2	\$ 243.7	\$ 229.3	\$ 389.5	\$ 367.5
Long-term Debt Outstanding	(14.8)	\$ (16.4)	(27.5)	\$ (11.5)	(42.3)	(27.9)
Other Liabilities	(5.1)	(4.5)	(3.0)	(2.7)	(8.1)	(7.2)
Total Liabilities	\$ (19.9)	\$ (20.9)	\$ (30.5)	\$ (14.2)	\$ (50.4)	\$ (35.0)
Net Assets:						
Invested in Capital Assets, net of related debt	\$ 88.8	\$ 84.1	\$ 188.2	\$ 190.0	\$ 277.0	274.1
Restricted for impact capital projects	1.2	7.5	10.9	8.1	12.1	15.6
Restricted for debt service	5.4	-	1.7	0.9	7.2	0.9
Restricted for capital projects	0.3	-	0.1	0.1	0.4	0.1
Restricted for other purposes	13.0	-	-	-	13.0	-
Nonspendable	1.0	0.5	-	-	1.0	0.5
Unrestricted	16.0	25.1	12.4	16.1	28.4	41.1
Total Net Assets	\$ 125.8	\$ 117.2	\$ 213.3	\$ 215.2	\$ 339.1	\$ 332.3

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The City's total revenues (excluding special items) increased by 13.6% (\$8.2 million), driven primarily by a significant increase in developer-contributed infrastructure, which is reported as revenue. The total cost of all programs and services increased by \$1 million, or 1.6%. The increase in revenues overshadowed the increase in costs, and once again the City was again able to cover the year's costs in both governmental activities and business-type activities. Our analysis below separately considers the operations of governmental and business-type activities.

Table 2
Changes in Net Assets
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenues						
Program revenues:						
Charges for Services	\$ 10.5	\$ 9.3	\$ 17.0	\$ 16.5	\$ 27.4	\$ 25.9
Restricted Grants & Contributions	9.0	6.0	6.6	3.6	15.6	9.6
General Revenues						
Property Taxes	16.3	15.5	-	-	16.3	15.5
Unrestricted Grants & Contributions	6.8	6.3	0.4	0.3	7.2	6.6
Other General Revenues	1.9	2.6	-	-	1.9	2.6
Total Revenues	<u>44.4</u>	<u>39.7</u>	<u>24.0</u>	<u>20.4</u>	<u>68.4</u>	<u>60.2</u>
Program Expenses						
General Government	6.1	6.3	-	-	6.1	6.3
Public Safety	12.9	12.4	-	-	12.9	12.4
Public Service	9.2	9.7	-	-	9.2	9.7
Public Welfare	7.5	6.9	-	-	7.5	6.9
Interest and Fiscal Fees	0.7	0.7	-	-	0.7	0.7
Water	-	-	11.6	12.0	11.6	12.0
Waste Water	-	-	10.1	9.1	10.1	9.1
Solid Waste	-	-	2.6	2.6	2.6	2.6
Parking	-	-	1.0	1.0	1.0	1.0
Total Expenses	36.4	36.0	25.3	24.7	61.7	60.7
Excess (deficiency) before special items and transfers	8.1	3.7	(1.3)	(4.3)	6.7	(0.5)
Extraordinary items	-	-	-	-	-	-
Sale of Capital Assets	(0.0)	0.8	-	-	(0.0)	0.8
Transfers	0.5	0.5	(0.5)	(0.5)	-	-
Increase (decrease) in net assets	<u>\$ 8.6</u>	<u>\$ 5.0</u>	<u>\$ (1.9)</u>	<u>\$ (4.8)</u>	<u>\$ 6.7</u>	<u>\$ 0.3</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Governmental Activities

Revenues for the year from governmental activities increased by 11.8% (\$4.7 million), and total expenses increased by .9% (\$400 thousand). Since the increase in revenues significantly exceeded the slight increase in expenses, the total net assets for governmental activities increased by \$3.6 million. It is important to emphasize that the primary driver for this significant increase in revenues was not increased taxes or increased City fees, but instead developer-provided street infrastructure. This and the other revenue categories contributing to the increase in net assets are explained below:

Restricted Grants and Contributions increased by \$3 million, or 50%, from \$6 million last year to \$9 million this year. This was mainly due to developer-contributed street infrastructure - recorded as revenue – increased by \$3.2 million, or 78%, from \$4.1 million last year to \$7.3 million this year.

Property Tax collections increased by \$840,737, or 5.4%, from \$15,501,316 last year to \$16,342,053 this year. This is due to additional collections from the Public Safety mill levy plus a slight increase in the City's taxable value. The City's certified taxable value for the previous year shows that our local tax base grew 3.2% over the past year. This is the lowest increase in taxable value that the city has seen since 2001. It is markedly below the average of 6.9% we had seen each year over the past 5 years. Yet it was still an increase, not a decrease, and there was a slight increase in revenues due to some new construction and also due to the last property value reappraisal conducted by the State of Montana. But, similar to last year, the positive revenue trend this year was mainly due to the Public Safety Mill Levy and to the City's mill value increasing by a modest 2% from \$78,290 last year to \$80,783 this year.

Intergovernmental revenues increased by \$399,627 (or 5%), from \$7,900,176 last year to \$8,299,803 this year. This increase was due primarily to new grant revenues this year for the Fire Department Opticom traffic signal controllers, the College Street to Huffine pathway, and the F&H Building erected on the downtown natural gas explosion site.

Interest on Investments decreased by \$50,954, or 14.5%, from \$352,378 last year to \$301,424 this year. This represents a 55% decrease from the \$671,859 reported two years ago. This sustained decrease is attributable to a substantial decrease in interest rates; interest rates on investment income have declined from 4.1% three years ago to less than 1% by the end of this year.

The cost of all *governmental activities* this year was \$36.4 million compared to \$36.0 million last year. However, as shown in the Statement of Activities on page 32, the amount that our taxpayers ultimately financed for these activities through City taxes was only \$16,909,239 because some of the cost was paid by those who directly benefited from the programs (\$10,461,619) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$1,114,835 + \$7,867,093 = \$8,981,928). Overall, the City's revenues from governmental activities, including intergovernmental revenues and charges for services increased in 2011 from \$39.7 to \$44.4 million. Charges for services increased by \$1.13 million, or 12%, from \$9.33 to \$10.46 million, due to increases in street impact fee revenue and street and tree maintenance assessment revenue. Overall expenses increased by \$400,000 to \$36.4 million this year. General government and Public service expenses actually decreased by \$178,000 and \$513,000, respectively, for a combined total decrease of \$691,000 or 4.3%. Conversely, Public Safety and Public Welfare expenses increased by \$478,000 and \$585,000 respectively, for a combined total increase of \$1.1 million, or 5.5%. These increases were due to increased Police personnel costs with the hiring of more patrol officers under the Public Safety mill levy and increased expenditures on repair & maintenance of the Recreation facilities. However, as stated, overall revenues increased substantially, and the excess of revenues over expenses resulted in net assets for governmental activities showing an overall increase of \$8.6 million.

Table 3 presents the cost of each of the City's six largest programs—Police, Fire, Public Service, Library, Parks and Recreation—as well as each program's *net cost* (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City's taxpayers by each of these functions.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Police	\$ 6.9	\$ 6.5	\$ 5.3	\$ 4.7
Fire	5.7	4.9	4.5	4.2
Public Service	9.2	9.7	5.9	5.8
Library	2.4	2.1	1.8	1.5
Parks	1.2	1.4	1.2	1.3
Recreation	1.3	1.0	0.9	0.6
All Others	9.7	10.4	(2.8)	2.5
Totals	<u>\$ 36.4</u>	<u>\$ 36.0</u>	<u>\$ 16.9</u>	<u>\$ 20.6</u>

Business-type Activities

Revenues of the City's business-type activities (see Table 2) increased 18% (\$24 million in 2011 compared to \$20.4 million in 2010) and expenses increased by 2.7% (\$25.3 million in 2011 compared to \$24.7 million in 2010). The specific factors driving these results include:

- The City's water system operating revenues (charges for services) have steadily increased over the past decade as a result of an increase in the customer base and as a result of regular rate changes, including a 3.2% increase in each of the past two years. However, due to declining construction activity around the City, our customer-base growth is estimated at 0% for upcoming year. This rate is markedly lower than the 5% trend of 2005-2008. In updating our rate study for slower customer growth, decreased Impact Fee collections and new estimates of Water Plant costs, we estimate needing a 3.2% water rate increase for each of the next three years in order to fund plant construction and other scheduled operations and maintenance costs. An update of that study has been done, suggesting a 3% increase in each of the next 5 years. Nonetheless, despite the stagnant growth in customer base, operating revenues this year increased modestly by 2.6% from \$5,860,144 last year to \$6,013,211 this year. Water impact fee revenues declined by \$31,170, or 4.2% while cash-in-lieu of water rights revenue increase by \$64,500. Operating expenses decreased this year by \$365,140 to \$11,648,569 this year compared to \$12,013,709 last year. Major projects undertaken during the year include \$2,715,450 spent on design and construction of the new Water Treatment Plant and \$40,000 in Capital Improvement Program water line repairs on Lamme Street. Furthermore, the City acquired an additional \$502,000 in water rights.
- Revenues in the Wastewater system have, in general, been increasing over the past 10 years, and are estimated at \$6.2 Million for upcoming year. As with the Water system, we estimate our customer-base to grow by 0% next year due to the significant decline in new construction in town, down from 5% over the past 5 years. An update of our existing rate study has been done, suggesting a 5% increase in each of the next 5 years. The City's wastewater system revenues have been increasing due to rate increases established to fund remediation the Solvent Site groundwater contamination. Accordingly, a 10.2% rate increase was implemented in each of the past two years. As a result, operating revenues for the year increased as expected by 10.2% from \$5,389,070 last year to \$5,939,996 this year. Wastewater operating expenses increased by 7.8% from \$8,804,538 last year to \$9,488,693 this year.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

This significant increase was mainly attributable to a \$557,000 million expense recorded as an adjustment to better reflect the most recent analysis of the Solvent Site remediation liability. Major projects during the year included construction costs of \$17.8 million spent towards the nearly-completed conversion of the existing Wastewater Treatment Plant into a state-of-the-art Water Reclamation Facility.

- The City's solid waste collection and disposal system revenues had been declining steadily over the past few years due to the closure of the landfill in 2007. The Solid Waste Collection Division continues to operate residential and commercial collection, and in FY09 we began to provide curb-side recycling collection services. This year rates increased 5%, to cover fuel costs, employee salary and benefit increases, and the assumption of costs that were once shared with the Landfill division. The slowdown in local construction activity has continued to decrease demand for "roll-off" containers and the associated hauling and tipping services. Operating revenues continued to decline this year, decreasing by \$131,000, or 5.2%, from \$2,661,553 last year to \$2,530,562 this year. Operating expenses increased slightly by \$16,985, or .7% from \$2,561,124 last year to \$2,578,109 this year.
- The City's parking revenues for the year increased substantially by \$105,604 from \$305,195 last year to \$410,799 this year due to a combination of increasing the fine amount of parking tickets, stepped-up enforcement and collection processes, and increasing the rates for using the City Parking Garage. Despite the sizeable increase in revenues, operating expenses only increased by 3.7% from \$955,759 last year to \$991,276 this year.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 33-34) reported a *combined* fund balance of \$31,196,129. Included in this year's total change in fund balance is a positive General Fund balance of \$6,897,250. This represents 31.6% of revenues and therefore fully complies with the City's Financial Policy and with the Government Finance Officers' Association's recommended level of minimum fund balance. The primary reasons for the General Fund's surplus are highlighted below, along with an analysis of each major fund.

General fund The City's general fund balance increased substantially from \$5,119,400 in fiscal year 2010 to \$6,897,250 this year. This represents a \$1,784,020 or 34.7%, increase in fund balance. While property tax revenues did contribute to this increase - mainly due to the Public Safety Mill Levy and to the City's mill value increasing by 3.2% from \$78,290 last year to \$80,783 this year - there were also some other significant factors resulting in the large ending fund balance. These include \$821,588 assigned for carryover capital projects (budgeted this year but not yet completed by year-end), \$638,000 in Police vacancy savings which will help fund a tax cut next year, \$325,722 assigned for future general fund capital improvement items, \$382,000 assigned for Bogert Swimming Pool rehabilitation, and \$3.8 million maintained as the reserve level required by ordinance under the Bozeman City Charter. Also contributing to the increased General Fund balance is the utilization of conservative budgetary practices. Conservative, yet realistic, revenue estimates, combined with departments operating within their original budgets, naturally has a favorable effect on the bottom line. Maintaining adequate reserves has several internal and external benefits. Internally, reserves can provide for cash flow needs until property tax revenues are received, reducing or eliminating the need for cash flow borrowing; provide funds to leverage state or federal grants; and provide for the unexpected. Externally, reserves tend to be viewed favorably by investors, rating agencies, and local banks with which we do business, thus benefiting rating and the potential need for lines of credit. The City's General Fund balance was the primary focus during the bond rating for the 2003 refinancing of the City's General Obligation Transportation Bonds and the remaining bonds issued in 2003 for the new Library. It was also the focus of the pooled 2005 Special Improvement District (SID) bonds for Valley Center Road and North 19th Avenue. In each of these instances, bond analysts looked favorably on the amount and trend of the City's General Fund balance in determining the City's bond rating. Variances in the General Fund between the original budget and the final budget appropriations amounted to \$1,540,604. The Public Safety budget was amended by \$141,150 for the State's share of Police and Firefighter retirement. The Debt Service budget was amended by \$208,000 to provide for an accelerated repayment of the Fire Station #3 Intercap loan (taking advantage of an opportunity to reduce future interest costs), and the Transfers budget was amended by \$257,000 mainly to provide for a transfer from the Library budget into a Library Depreciation Capital Fund provided for under State law.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Street and Fire Impact Fees Special Revenue Fund balance increased 6.5% from \$7,556,287 last year to \$8,049,347 this year. Increased revenues and a constant expenditure level were the reason for this increase; revenues increased by \$423,849 from \$1,073,895 last year to \$1,497,744 this year.

SID Sinking Debt Service Fund balance increased 4.8% from \$2,096,424 last year to \$2,196,830 this year. This was simply due to debt service assessment revenues being greater than principal and interest expenditures. This is due to a substantial amount of Special Improvement District Bonds being called and paid in prior years with money borrowed from the SID Revolving Fund. Therefore there are much fewer bonds to be repaid now, so expenditures have decreased. Once all the SID assessment revenues have been collected from properties within the district and the SID has been closed out, the Revolving fund will be repaid by closing out the SID funds and transferring all residual balances to the Revolving Fund. This practice benefits the City by reducing the overall amount of interest paid on these bonds. Transfers-in and Transfers-out were significant, but by coincidence they almost offset each other, thus having a negligible effect on fund balance. Transfers-out were old residual fund balances being closed into the SID Revolving Fund. Transfers-in are explained next.

Capital Projects Fund balance decreased substantially by over 83% from \$1,793,287 last year to \$302,191 this year due to transfers-out to the SID Sinking Debt Service Fund. Three large SID construction projects ended with positive fund balances and therefore the residual amounts totaling \$1,919,827 were transferred to the respective SID Sinking Debt Service funds to accelerate repayment of the SID Bonds outstanding, thus reducing future interest costs to the property owners inside each District. Capital outlays only amounted to \$110,347 this year in the General Government Capital Projects Fund. However these smaller projects are listed on page 29, along with the City's other larger Enterprise Fund projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets As shown in Table 4, at the end of 2011 the City had \$315.4 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, and water and sewer lines. This amount represents a net increase (including additions and deductions) of roughly \$17.6 million, or 5.9% over last year. Refer to capital assets disclosure Note 7 beginning on page 56 for more detailed information on capital asset activity.

Table 4
Capital Assets at Year-end
(in Millions)

	Governmental		Business-type		Totals	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Land	\$ 10.5	\$ 10.3	\$ 4.9	\$ 4.9	\$ 15.4	\$ 15.2
Water Rights	-	-	2.1	1.6	2.1	1.6
Buildings	30.5	29.7	70.8	50.2	101.3	79.9
Other Structures and Improvements	1.2	1.2	31.7	31.6	32.9	32.9
Machinery & Equipment	9.2	8.7	6.2	6.0	15.4	14.7
Property under Capital Lease	0.6	0.6	-	-	0.6	0.6
Vehicle	3.2	2.9	1.8	2.1	5.0	4.9
Infrastructure	127.2	118.1	250.0	243.1	377.2	361.2
Subtotal	182.4	171.5	367.5	339.5	549.9	511.0
Accumulated Depreciation	(79.2)	(71.4)	(155.3)	(141.8)	(234.5)	(213.2)
Total Capital Assets	\$ 103.2	\$ 100.1	\$ 212.2	\$ 197.7	\$ 315.4	\$ 297.8

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

This year's major additions and projects underway include:

Waste Water Treatment Plant (WWTP) upgrade/conversion to Water Reclamation Facility (WRF)	\$ 17,318,028
Streets & other Street Infrastructure - contributed by Developers	4,116,333
Water Lines & other Water Infrastructure - contributed by Developers	2,365,634
CMC Asbestos Bozeman CERCLA Facility voluntary cleanup under CALA (see Footnote 20)	1,183,332
Wastewater Lines & other Wastewater Infrastructure - contributed by Developers	1,152,686
Water Distribution Line Rehabilitation and Upgrades	739,069
Water Plant Upgrade and Rehabilitation - Design & Engineering	554,493
Impact Fee credits cash payment to Town & Country Foods Inc. for S. 11th & Kagy Intersection	496,220
Jewel/ State of MT v. City of Bozeman: Solvent Site Superfund cleanup (see Footnote 20)	437,331
Lyman Creek Water supply infrastructure improvements	400,427
Gas Tax Street Improvements	388,322
Solid Waste Division Office Building expansion and remodel	327,544
Waste Water Main Line Rehabilitation and Upgrades	289,390
Fire Station #3 construction	200,122
Fire Truck/ Fire Engine #3 for use at Station #3 - final payment of \$539,651 total cost	172,211
TOTAL	<u><u>\$ 30,141,142</u></u>

Debt

At year-end, the City had \$38.3 million in bonds and notes outstanding versus \$23.9 million last year – a substantial increase of 60.4% – as shown in Table 5. This was due to \$16 million of new debt being issued for the construction of the new Waste Water Reclamation Facility which is reported under Business-Type Activities. General obligation debt, which is reported under Governmental Activities, consists of \$1,195,000 in refinanced 1995 Transportation Project bonds and \$2,515,000 in Library Project bonds for a total of \$4.3 million.

The City's general obligation bonds continue to maintain a rating of A2 from Moody's Investor Service. According to Moody's, the A2 rating reflects the City's stable tax base and local economy, healthy financial operations, and manageable debt burden. Moody's expects the City to maintain a healthy financial position, given the City's historical performance and management's commitment to maintaining satisfactory reserve levels. As expressed in the fiscal year 2012 budget document, City officials expect to end next fiscal year with general fund reserves totaling \$3.9 million, or 16.67% of operating revenues. This level meets the minimum recommendations of GFOA. Property taxes are the City's primary general revenue source (43.5%), followed by intergovernmental revenues (21.7%), charges for services (17.3%), and special assessments (4.9%). Moody's expects the City to maintain a moderate debt position given current moderate debt burdens, above average principal payout, and expected tax base growth. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Table 5
Outstanding Debt, at Year-end
(in Millions)

	Governmental Activities		Business-type Activities		Totals	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds (backed by the City)	\$ 3.7	\$ 4.3	\$ -	\$ -	\$ 3.7	\$ 4.3
Tax Increment Financing District (TIFD) bonds	5.5	5.7	-	-	5.5	5.7
Special Improvement District Debt	4.4	4.8	-	-	4.4	4.8
Notes Payable	0.5	0.9	-	-	0.5	0.9
Lease Payable	0.2	0.3	-	-	0.2	0.3
Water Revenue Bonds (backed by specific fee revenues)	-	-	24.0	7.9	24.0	7.9
Totals	<u>\$ 14.3</u>	<u>\$ 16.0</u>	<u>\$ 24.0</u>	<u>\$ 7.9</u>	<u>\$ 38.3</u>	<u>\$ 23.9</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2011-2012 budget, tax rates, and fees that will be charged for the business-type activities. Some of these factors includes: capital improvements identified in the City's Capital Improvement Program; inflation rates, the City's collective bargaining units, the local economy, and the citizen's ability to pay.

For the year, inflation rates continued to remain at relatively low yet increasing levels. The Bureau of Labor Statistics of the U.S. Department of Labor reported that over the year, the index for all items less food and energy increased 2.0 percent. This continuing trend could adversely impact the cost of future City capital projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the City's Finance Director or Controller, at the City of Bozeman, 121 North Rouse Avenue, Bozeman, Montana 59715.

B. BASIC FINANCIAL STATEMENTS

GOVERNMENT - WIDE FINANCIAL STATEMENTS

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET ASSETS
June 30, 2011

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 20,971,828	\$ 16,807,482	\$ 37,779,310
Restricted cash and investments	8,894,569	13,302,201	22,196,770
Accrued interest	40,232	95,020	135,252
Receivables, net	11,571,137	1,210,200	12,781,337
Notes receivable	551,162	67,882	619,044
Prepaid expenses	446,250	-	446,250
Deferred charges	150,141	-	150,141
Capital assets			
Non-depreciable land	10,489,902	4,934,794	15,424,696
Other capital assets, net of depreciation	92,683,875	207,263,175	299,947,050
Total capital assets	<u>103,173,777</u>	<u>212,197,969</u>	<u>315,371,746</u>
Total assets	<u>\$ 145,799,096</u>	<u>\$ 243,680,754</u>	<u>\$ 389,479,850</u>
LIABILITIES			
Accounts payable and accrued expenses	\$ 2,011,751	\$ 1,700,453	\$ 3,712,204
Internal balances	-	-	-
Unearned revenue	859,696	-	859,696
Current portion of long-term liabilities			
Compensated absences payable	1,080,000	297,300	1,377,300
Capital leases	162,819	-	162,819
Closure and post-closure care costs	-	80,000	80,000
Bonds and notes	991,285	883,000	1,874,285
Long-term liabilities, due in more than one year			
Compensated absences	352,248	123,957	476,205
Capital leases	51,197	-	51,197
Closure and post-closure care costs	-	1,580,877	1,580,877
Pollution remediation obligations	16,874	2,343,044	2,359,918
Other post-employment health benefits - implicit rate subsi	1,293,668	314,670	1,608,338
Bonds and notes	13,124,072	23,134,080	36,258,152
Total liabilities	<u>\$ 19,943,610</u>	<u>\$ 30,457,381</u>	<u>\$ 50,400,991</u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 88,844,404	\$ 188,180,889	\$ 277,025,293
Restricted:			
Restricted for impact capital projects	1,246,799	10,860,148	12,106,947
Restricted for debt service	5,437,698	1,727,351	7,165,049
Restricted for capital projects	302,191	72,967	375,158
Restricted for other purposes	12,975,886	-	12,975,886
Nonspendable	999,464	-	999,464
Unrestricted	16,049,044	12,382,018	28,431,062
Total net assets	<u>\$ 125,855,486</u>	<u>\$ 213,223,373</u>	<u>\$ 339,078,859</u>

The Notes to Financial Statements are an integral part of the financial statements.

CITY OF BOZEMAN, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary Government:							
Governmental activities:							
General government	\$ 6,122,190	\$ 2,870,443	\$ -	\$ -	\$ (3,251,747)		\$ (3,251,747)
Public safety	12,859,702	2,684,724	341,522	193,206	(9,640,250)		(9,640,250)
Public service	9,190,515	4,454,492	-	7,638,693	2,902,670		2,902,670
Public welfare	7,500,727	451,960	773,313	35,194	(6,240,260)		(6,240,260)
Interest and fiscal fees	679,652	-	-	-	(679,652)		(679,652)
Total governmental activities	<u>36,352,786</u>	<u>10,461,619</u>	<u>1,114,835</u>	<u>7,867,093</u>	<u>(16,909,239)</u>		<u>(16,909,239)</u>
Business-type activities:							
Water	11,649,639	7,064,571	-	3,021,326		\$ (1,563,742)	(1,563,742)
Waste water	10,128,397	6,930,036	-	3,568,128		369,767	369,767
Solid waste	2,578,109	2,569,607	-	-		(8,502)	(8,502)
Parking	991,712	417,114	-	158		(574,440)	(574,440)
Total business-type activities	<u>25,347,857</u>	<u>16,981,328</u>	<u>-</u>	<u>6,589,612</u>		<u>(1,776,917)</u>	<u>(1,776,917)</u>
Total primary government	<u>\$ 61,700,643</u>	<u>\$ 27,442,947</u>	<u>\$ 1,114,835</u>	<u>\$ 14,456,705</u>	<u>(16,909,239)</u>	<u>(1,776,917)</u>	<u>(18,686,156)</u>
General revenues:							
Property taxes					16,342,053	-	16,342,053
Unrestricted grants and contributions					6,782,383	438,475	7,220,858
Investment earnings					301,424	-	301,424
Miscellaneous					1,556,790	-	1,556,790
Sale of capital assets					(8,168)	-	(8,168)
Transfers					517,250	(517,251)	(1)
Total general revenues and transfers					<u>25,491,732</u>	<u>(78,776)</u>	<u>25,412,956</u>
Change in net assets					8,582,493	(1,855,693)	6,726,800
Net assets, beginning of the year					117,272,993	215,079,066	332,352,059
Net assets, end of the year					<u>\$ 125,855,486</u>	<u>\$ 213,223,373</u>	<u>\$ 339,078,859</u>

The Notes to Financial Statements are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

General Fund – this fund accounts for the financial operations of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, state and local shared revenues, licenses and permits, and charges for services provided to other funds. Principal expenditures in the general fund are made for police and fire protection, public works, and general government.

Street and Fire Impact Fees Special Revenue Fund – this fund accounts for the collection and expenditures associated with the fire and street impact fees.

SID Sinking Debt Service Fund – this fund accounts for the accumulation of resources and payment of special assessment bond principal and interest related to general improvement, sidewalk, and curb construction projects.

General Improvements Capital Projects Fund – this fund accounts for the construction of general improvement projects financed by special assessments other than those financed by proprietary funds.

CITY OF BOZEMAN, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General Fund	Street and Fire Impact Fees Special Revenue	SID Sinking Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 5,539,953	\$ -	\$ 2,172,467	\$ 339,888	\$ 12,460,269	\$ 20,512,577
Receivables:						
Property taxes	2,101,526	-	-	-	637,868	2,739,394
Accrued interest	7,690	19,904	-	3,348	9,290	40,232
Customers, net	1,989,101	-	-	-	8,712	1,997,813
Special assessments	520	-	5,352,934	-	419,483	5,772,937
Other governments	214,729	-	-	-	356,869	571,598
Others	-	-	-	-	475,035	475,035
Prepaid expenditures	-	-	-	-	446,250	446,250
Due from other City funds	566,288	-	-	-	-	566,288
Notes receivable	-	-	-	-	551,162	551,162
Restricted cash and investments	-	8,210,205	54	-	684,310	8,894,569
Total assets	\$ 10,419,807	\$ 8,230,109	\$ 7,525,455	\$ 343,236	\$ 16,049,248	\$ 42,567,855

(continued)

CITY OF BOZEMAN, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS (CONTINUED)
June 30, 2011

	General Fund	Street and Fire Impact Fees Special Revenue	SID Sinking Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 859,164	\$ 180,762	\$ 26,897	\$ 41,045	\$ 551,694	\$ 1,659,562
Accrued employee benefits	220,212	-	-	-	36,897	257,109
Deferred revenue	2,410,629	-	5,301,728	-	1,105,529	8,817,886
Escheat property payable	32,552	-	-	-	38,329	70,881
Due to other City funds	-	-	-	-	566,288	566,288
Total liabilities	<u>3,522,557</u>	<u>180,762</u>	<u>5,328,625</u>	<u>41,045</u>	<u>2,298,737</u>	<u>11,371,726</u>
Fund balances:						
Nonspendable	-	-	-	-	999,464	999,464
Restricted	-	8,049,347	2,196,830	243,772	9,472,625	19,962,574
Committed	-	-	-	-	3,278,422	3,278,422
Assigned	5,991,388	-	-	58,419	-	6,049,807
Unassigned	905,862	-	-	-	-	905,862
Total fund balances	<u>6,897,250</u>	<u>8,049,347</u>	<u>2,196,830</u>	<u>302,191</u>	<u>13,750,511</u>	<u>31,196,129</u>
Total liabilities and fund balances	<u>\$ 10,419,807</u>	<u>\$ 8,230,109</u>	<u>\$ 7,525,455</u>	<u>\$ 343,236</u>	<u>\$ 16,049,248</u>	<u>\$ 42,567,855</u>

The Notes to Financial Statements are an integral part of the financial statements.

CITY OF BOZEMAN, MONTANA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS - GOVERNMENTAL FUNDS
As of June 30, 2011

Fund balances - total governmental funds		\$ 31,196,129
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 182,403,269	
Less: accumulated depreciation	<u>(79,229,492)</u>	103,173,777
Internal service funds are used by management to charge the costs of certain activities to individual funds.		
The assets and liabilities of the internal service funds that are reported in the governmental activities:		
Net assets	1,731,965	
Less: capital assets included in governmental activities	(1,521,095)	
Plus: accumulated depreciation included in governmental activities	215,573	
Plus: other post-employment benefits included in governmental activities	10,115	
Plus: compensated absences included in governmental activities	<u>12,854</u>	449,412
Deferred revenue in the governmental funds are reported on the full accrual method in the government-wide financial statements.		
		8,263,389
Bond issuance costs are expensed in the governmental funds. They are deferred charges for the government-wide financial statements and amortized over the life of the issuance.		
Bond issuance costs	219,314	
Less: amortization	<u>(69,173)</u>	150,141
Bond premiums are other financing source revenue in the governmental funds. They are a liability for the government-wide financial statements and amortized over the life of the issuance.		
Bond premium	(10,460)	
Less: amortization	<u>1,308</u>	(9,152)
Impact fee credits do not affect current financial resources and therefore are not reported in the governmental funds.		
		(305,199)
Capital lease obligations not recorded in the governmental funds are reported in the entity-wide statements.		
		(214,016)
Long-term liabilities, are not due and payable in the current period and therefore are not reported in the governmental funds.		
Bonds and notes payable	(14,106,205)	
Pollution remediation obligations	(16,874)	
Post-employment health benefits	(1,293,668)	
Compensated absences	<u>(1,432,248)</u>	(16,848,995)
Net assets of governmental activities		<u>\$ 125,855,486</u>

The Notes to Financial Statements are an integral part of the financial statements.

CITY OF BOZEMAN, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	General	Street and Fire Impact Fees Special Revenue	SID Sinking Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 11,764,146	\$ -	\$ -	\$ -	\$ 4,870,778	\$ 16,634,924
Special assessments	38	-	1,134,049	-	732,185	1,866,272
Licenses and permits	300,571	-	-	-	1,007,807	1,308,378
Intergovernmental	6,046,956	-	-	-	2,252,847	8,299,803
Charges for services	2,382,714	1,398,428	-	-	2,848,365	6,629,507
Fines and forfeitures	1,305,490	-	-	-	135,893	1,441,383
Interest on investments	33,399	99,316	16,090	22,547	129,164	300,516
Loan repayment	-	-	-	-	193,302	193,302
Other	17,757	-	-	27,962	1,511,071	1,556,790
Total revenues	21,851,071	1,497,744	1,150,139	50,509	13,681,412	38,230,875
EXPENDITURES						
Current						
General government	5,169,311	-	-	-	770,460	5,939,771
Public safety	11,022,971	-	-	-	1,114,645	12,137,616
Public service	415,396	-	-	-	2,586,625	3,002,021
Public welfare	4,007,511	-	-	-	2,428,405	6,435,916
Capital outlay	536,457	657,958	-	110,347	1,994,255	3,299,017
Debt service						
Principal payments	341,800	-	467,500	-	801,787	1,611,087
Interest and fiscal fees	15,781	-	211,204	-	453,103	680,088
Total expenditures	21,509,227	657,958	678,704	110,347	10,149,280	33,105,516
Revenues over (under) expenditures	341,844	839,786	471,435	(59,838)	3,532,132	5,125,359
OTHER FINANCING SOURCES (USES)						
Transfers in	2,256,965	-	1,548,798	243,722	2,936,249	6,985,734
Transfers out	(818,956)	(346,726)	(1,919,827)	(1,674,980)	(2,495,016)	(7,255,505)
Sale of capital assets	4,167	-	-	-	6,388	10,555
Total other financing sources (uses)	1,442,176	(346,726)	(371,029)	(1,431,258)	447,621	(259,216)
Net change in fund balances	1,784,020	493,060	100,406	(1,491,096)	3,979,753	4,866,143
FUND BALANCE, beginning of year	5,113,230	7,556,287	2,096,424	1,793,287	9,770,758	26,329,986
FUND BALANCE, end of year	\$ 6,897,250	\$ 8,049,347	\$ 2,196,830	\$ 302,191	\$ 13,750,511	\$ 31,196,129

The Notes to Financial Statements are an integral part of the financial statements.

CITY OF BOZEMAN, MONTANA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - GOVERNMENTAL FUNDS
Year Ended June 30, 2011

Net change in fund balances - total governmental funds		\$ 4,866,143
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of these assets is depreciated over the assets' useful lives.		
Expenditures for capital assets	\$ 3,299,017	
Less: current year depreciation	<u>(8,195,862)</u>	(4,896,845)
Governmental funds report asset disposals as sale of fixed assets for the cash received. In the statement of activities, those gains and losses must be adjusted by the assets basis, net of any depreciation.		
		(18,723)
Bond proceeds provide current financial resources in the governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of principal is an expenditure in the governmental funds, but this repayment reduces long-term liabilities in the statement of activities.		
Amortization of bond issuance costs	(11,313)	
Amortization of bond premium	436	
Principal payments on bonds and notes	1,533,866	
Principal payments on capital leases	<u>77,221</u>	1,600,210
Deferred revenue in the governmental funds are reported on the full accrual method in the government-wide financial statements.		
Property taxes	(292,871)	
Notes receivable	(150,039)	
Special assessments	(831,300)	
Fines	<u>47,379</u>	(1,226,831)
Governmental funds do not report a liability for compensated absences. The change in the liability is a current period expense.		
		(77,909)
Governmental funds do not report a liability for other post-employment health benefits.		
		(108,624)
Governmental funds do not report impact fee credits. The change in these credits during the year are charged to the statement of activities.		
		(98,301)
Governmental funds do not report donated assets which are reported as assets and revenue in the statements of activities and net assets.		
		7,334,113
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported in the governmental activities.		
Net revenue	1,159,954	
Current year depreciation expense included in governmental activities	46,544	
Change in compensated absences included in governmental activities	<u>2,762</u>	<u>1,209,260</u>
Change in net assets of governmental activities		<u>\$ 8,582,493</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

PROPRIETARY FUNDS

These funds are used to account for the financing, acquisition, operation and maintenance of water, sewer, and solid waste facilities, which are supported by user charges.

Enterprise Funds –

Water Fund – Accounts for the City’s water utility operations and to collect and administer water impact fees.

Waste Water Fund – Accounts for the City’s sewer utility operations and to collect and administer waste water impact fees.

Solid Waste Fund – Accounts for the City’s garbage service operations.

Parking Fund – Accounts for the City’s parking garage and services.

Internal Service Funds – used to account for the goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	Total	Internal Service Funds
ASSETS						
Current assets						
Cash and investments	\$ 10,750,645	\$ 5,074,478	\$ 966,385	\$ 15,974	\$ 16,807,482	\$ 459,251
Receivables						
Accrued interest	51,321	37,305	6,394	-	95,020	-
Customers, net	451,856	500,344	217,968	38,262	1,208,430	14,360
Special assessments	179	80	1,511	-	1,770	-
Total current assets	<u>11,254,001</u>	<u>5,612,207</u>	<u>1,192,258</u>	<u>54,236</u>	<u>18,112,702</u>	<u>473,611</u>
Non current assets						
Other assets						
Notes receivable	-	-	-	67,882	67,882	-
Restricted cash and investments	9,038,472	2,529,885	1,660,877	72,967	13,302,201	-
Total other assets	<u>9,038,472</u>	<u>2,529,885</u>	<u>1,660,877</u>	<u>140,849</u>	<u>13,370,083</u>	<u>-</u>
Property, plant and equipment						
Nondepreciable:						
Land	162,518	754,263	3,714,577	303,436	4,934,794	-
Depreciable:						
Water rights	2,065,142	-	-	-	2,065,142	-
Buildings	7,014,300	51,217,548	854,159	11,742,190	70,828,197	-
Other structures and improvements	14,779,796	14,763,061	2,155,300	-	31,698,157	1,315,617
Machinery and equipment	1,129,798	2,156,765	2,771,745	91,958	6,150,266	135,166
Vehicles	478,919	647,068	684,197	16,857	1,827,041	70,312
Infrastructure	152,985,004	96,921,749	78,531	-	249,985,284	-
Accumulated depreciation and amortization	(89,931,632)	(58,294,714)	(5,275,506)	(1,789,060)	(155,290,912)	(215,573)
Net property, plant and equipment	<u>88,683,845</u>	<u>108,165,740</u>	<u>4,983,003</u>	<u>10,365,381</u>	<u>212,197,969</u>	<u>1,305,522</u>
Total non current assets	<u>97,722,317</u>	<u>110,695,625</u>	<u>6,643,880</u>	<u>10,506,230</u>	<u>225,568,052</u>	<u>1,305,522</u>
Total assets	<u>\$ 108,976,318</u>	<u>\$ 116,307,832</u>	<u>\$ 7,836,138</u>	<u>\$ 10,560,466</u>	<u>\$ 243,680,754</u>	<u>\$ 1,779,133</u>

The Notes to Financial Statements are an integral part of the financial statements.

(continued)

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET ASSETS (CONTINUED)
PROPRIETARY FUNDS
June 30, 2011

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund		Internal Service Funds
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund		Total
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 415,789	\$ 1,123,766	\$ 134,155	\$ 26,743	\$ 1,700,453	\$ 24,199
Compensated absences payable	113,200	114,800	64,000	5,300	297,300	12,854
Closure and post-closure care costs, current portion	-	-	80,000	-	80,000	-
Bonds, notes, and loans payable	-	883,000	-	-	883,000	-
Total current liabilities	<u>528,989</u>	<u>2,121,566</u>	<u>278,155</u>	<u>32,043</u>	<u>2,960,753</u>	<u>37,053</u>
Noncurrent liabilities						
Closure and post-closure care costs	-	-	1,580,877	-	1,580,877	-
Revenue bonds due after one year	-	23,134,080	-	-	23,134,080	-
Compensated absences payable	77,266	18,000	28,274	417	123,957	-
Other post-employment health benefits - implicit rate subsidy	137,759	86,790	68,216	21,905	314,670	10,115
Solvent site remediation liability	-	2,343,044	-	-	2,343,044	-
Total noncurrent liabilities	<u>215,025</u>	<u>25,581,914</u>	<u>1,677,367</u>	<u>22,322</u>	<u>27,496,628</u>	<u>10,115</u>
Total liabilities	<u>744,014</u>	<u>27,703,480</u>	<u>1,955,522</u>	<u>54,365</u>	<u>30,457,381</u>	<u>47,168</u>
NET ASSETS						
Invested in capital assets, net of related debt	88,683,845	84,148,660	4,983,003	10,365,381	188,180,889	1,305,522
Restricted for impact capital projects	8,521,870	677,401	1,660,877	-	10,860,148	-
Restricted for parking capital projects	-	-	-	72,967	72,967	-
Restricted for debt service	-	1,727,351	-	-	1,727,351	-
Unrestricted	11,026,589	2,050,940	(763,264)	67,753	12,382,018	426,443
Total net assets	<u>108,232,304</u>	<u>88,604,352</u>	<u>5,880,616</u>	<u>10,506,101</u>	<u>213,223,373</u>	<u>1,731,965</u>
Total liabilities and net assets	<u>\$ 108,976,318</u>	<u>\$ 116,307,832</u>	<u>\$ 7,836,138</u>	<u>\$ 10,560,466</u>	<u>\$ 243,680,754</u>	<u>\$ 1,779,133</u>

The Notes to Financial Statements are an integral part of the financial statements.

CITY OF BOZEMAN, MONTANA
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - PROPRIETARY FUNDS
 Year Ended June 30, 2011

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund		Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 6,013,211	\$ 5,939,996	\$ 2,530,562	\$ 410,799	\$ 14,894,568	\$ 4,220,949
OPERATING EXPENSES						
Salaries and benefits	1,828,903	1,534,638	1,022,495	194,484	4,580,520	246,082
Materials and supplies	601,989	217,858	218,055	23,110	1,061,012	425,243
Repairs and maintenance	84,737	87,707	126,190	19,774	318,408	4,284
Utilities	174,887	329,741	424,488	33,588	962,704	4,628
Administrative charges	727,244	635,906	250,346	42,552	1,656,048	34,271
Insurance claims	-	-	-	-	-	3,133,905
Other expenses	451,288	1,377,746	174,244	79,115	2,082,393	77,825
Depreciation and amortization	7,779,521	5,305,097	362,291	598,653	14,045,562	46,544
Total operating expenses	<u>11,648,569</u>	<u>9,488,693</u>	<u>2,578,109</u>	<u>991,276</u>	<u>24,706,647</u>	<u>3,972,782</u>
Operating income (loss)	<u>(5,635,358)</u>	<u>(3,548,697)</u>	<u>(47,547)</u>	<u>(580,477)</u>	<u>(9,812,079)</u>	<u>248,167</u>
NONOPERATING REVENUES (EXPENSES)						
Interest income	244,687	177,861	30,569	-	453,117	908
Interest expense	(1,070)	(639,704)	-	(436)	(641,210)	(6,537)
Other income	92,742	176,462	16,416	6,315	291,935	130,395
Grant income	1,466	437,725	750	158	440,099	-
Impact fees	713,388	636,878	-	-	1,350,266	-
Gain (loss) on disposal of assets	543	(1,161)	(7,940)	-	(8,558)	-
Total nonoperating revenues (expenses)	<u>1,051,756</u>	<u>788,061</u>	<u>39,795</u>	<u>6,037</u>	<u>1,885,649</u>	<u>124,766</u>
Income (loss) before contributions and transfers	<u>(4,583,602)</u>	<u>(2,760,636)</u>	<u>(7,752)</u>	<u>(574,440)</u>	<u>(7,926,430)</u>	<u>372,933</u>
Contributions of infrastructure - developers	3,019,860	3,568,128	-	-	6,587,988	-
Transfers in	86,590	86,590	-	10,000	183,180	787,021
Transfers out	<u>(350,215)</u>	<u>(350,216)</u>	<u>-</u>	<u>-</u>	<u>(700,431)</u>	<u>-</u>
Change in net assets	<u>(1,827,367)</u>	<u>543,866</u>	<u>(7,752)</u>	<u>(564,440)</u>	<u>(1,855,693)</u>	<u>1,159,954</u>
NET ASSETS, beginning of year	<u>110,059,671</u>	<u>88,060,486</u>	<u>5,888,368</u>	<u>11,070,541</u>	<u>215,079,066</u>	<u>572,011</u>
NET ASSETS, end of year	<u>\$ 108,232,304</u>	<u>\$ 88,604,352</u>	<u>\$ 5,880,616</u>	<u>\$ 10,506,101</u>	<u>\$ 213,223,373</u>	<u>\$ 1,731,965</u>

The Notes to Financial Statements are an integral part of the financial statements.

CITY OF BOZEMAN, MONTANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
Year Ended June 30, 2011

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund		Internal Service Funds
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund		Total
Cash Flows from Operating Activities						
Receipts from customers	\$ 6,018,406	\$ 5,907,720	\$ 2,511,211	\$ 406,372	\$ 14,843,709	\$ 4,228,320
Receipts from others	92,742	176,462	16,416	6,315	291,935	130,395
Operating loans from other funds	-	-	-	-	-	768,966
Payments to suppliers	(1,109,647)	(1,979,895)	(1,017,359)	(148,754)	(4,255,655)	(589,716)
Payments to employees	(1,802,579)	(1,517,990)	(1,016,114)	(193,792)	(4,530,475)	(3,375,622)
Payments to internal service funds and administrative fees	(727,244)	(635,906)	(250,346)	(65,191)	(1,678,687)	(34,271)
Net Cash Flows From Operating Activities	<u>2,471,678</u>	<u>1,950,391</u>	<u>243,808</u>	<u>4,950</u>	<u>4,670,827</u>	<u>1,128,072</u>
Cash Flows from Noncapital Financing Activities:						
Transfers in	86,590	86,590	-	10,000	183,180	-
Transfers out	(350,215)	(350,216)	-	-	(700,431)	-
Net Cash Flows from Noncapital Financing Activities	<u>(263,625)</u>	<u>(263,626)</u>	<u>-</u>	<u>10,000</u>	<u>(517,251)</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities						
Acquisition of capital assets	(3,375,572)	(18,239,429)	(153,334)	-	(21,768,335)	(700,432)
Principal paid on bonds, interfund loans, loans and leases	(28,992)	(606,000)	-	-	(634,992)	-
Receipts from grants	1,466	437,725	750	158	440,099	-
Interest paid on bonds, interfund loans, loans and leases	(1,070)	(639,704)	-	(436)	(641,210)	(6,537)
Proceeds from issuance of long-term debt	-	16,720,953	-	-	16,720,953	-
Impact fees received	713,388	636,878	-	-	1,350,266	-
Proceeds from sale of property, plant and equipment	543	-	-	-	543	-
Net Cash Flows from Capital and Related Financing Activities	<u>(2,690,237)</u>	<u>(1,689,577)</u>	<u>(152,584)</u>	<u>(278)</u>	<u>(4,532,676)</u>	<u>(706,969)</u>
Cash Flows from Investing Activities						
Collections on notes	-	-	-	7,702	7,702	-
Interest on investments	243,796	197,223	29,769	-	470,788	908
Net Cash Flows from Investing Activities	<u>243,796</u>	<u>197,223</u>	<u>29,769</u>	<u>7,702</u>	<u>478,490</u>	<u>908</u>
Net Increase (Decrease) in Cash and investments	(238,388)	194,411	120,993	22,374	99,390	422,011
Cash and investments, beginning of year	<u>20,027,505</u>	<u>7,409,952</u>	<u>2,506,269</u>	<u>66,567</u>	<u>30,010,293</u>	<u>37,240</u>
Cash and investments, end of year	<u>\$ 19,789,117</u>	<u>\$ 7,604,363</u>	<u>\$ 2,627,262</u>	<u>\$ 88,941</u>	<u>\$ 30,109,683</u>	<u>\$ 459,251</u>
Classified as:						
Cash and investments	\$ 10,750,645	\$ 5,074,478	\$ 966,385	\$ 15,974	\$ 16,807,482	\$ 459,251
Restricted cash and investments	9,038,472	2,529,885	1,660,877	72,967	13,302,201	-
Totals	<u>\$ 19,789,117</u>	<u>\$ 7,604,363</u>	<u>\$ 2,627,262</u>	<u>\$ 88,941</u>	<u>\$ 30,109,683</u>	<u>\$ 459,251</u>
Noncash transactions: donated infrastructure	<u>\$ 3,019,860</u>	<u>\$ 3,568,128</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,587,988</u>	

The Notes to Financial Statements are an integral part of the financial statements.

CITY OF BOZEMAN, MONTANA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2011

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	Total	Internal Service Funds
Operating income (loss)	\$ (5,635,358)	\$ (3,548,697)	\$ (47,547)	\$ (580,477)	\$ (9,812,079)	\$ 248,167
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	7,779,521	5,305,097	362,291	598,653	14,045,562	46,544
Change in estimated closure and post-closure care costs	-	-	(92,891)	-	(92,891)	-
Change in solvent site remediation obligation	-	557,044	-	-	557,044	-
Other income	92,742	176,462	16,416	6,315	291,935	130,395
Change in Assets and Liabilities:						
(Increase) Decrease in:						
Accounts receivable	5,195	(32,276)	(19,351)	(4,427)	(50,859)	7,371
Other governments receivable	-	-	-	-	-	-
Other City funds	-	-	-	(22,639)	(22,639)	-
Increase (Decrease) in:						
Accounts payable	203,254	(523,887)	18,509	6,833	(295,291)	(77,736)
Accrued employee benefits payable	26,324	16,648	6,381	692	50,045	4,365
Total adjustments	8,107,036	5,499,088	291,355	585,427	14,482,906	879,905
Net cash provided (used) by operating activities	<u>\$ 2,471,678</u>	<u>\$ 1,950,391</u>	<u>\$ 243,808</u>	<u>\$ 4,950</u>	<u>\$ 4,670,827</u>	<u>\$ 1,128,072</u>

The Notes to Financial Statements are an integral part of the financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

FIDUCIARY FUNDS

AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

Montana Arts Council – Accounts for pass-through grant monies given for use by the Montana Arts Council for various programs.

Municipal Court – Accounts for monies held for appearance bonds and restitution.

CITY OF BOZEMAN, MONTANA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 218,595
Customer receivables	<u>1,725</u>
Total assets	<u><u>220,320</u></u>
LIABILITIES	
Accounts payable	<u>220,320</u>
Total liabilities	<u><u>\$ 220,320</u></u>

The Notes to Financial Statements are an integral part of the financial statements.

NOTES TO FINANCIAL STATEMENTS

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Bozeman of Gallatin County, Montana (the City) was incorporated as a municipal corporation in 1883. The present City Code of Ordinances was adopted November 22, 1982. Under the charter, the City is governed by a mayor and commission members who comprise the City Commission. The day-to-day affairs of the City are conducted under the supervision of the City Manager, who is appointed by and serves at the pleasure of a majority of the City Commission.

The accompanying financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB), the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999 the GASB issued Statement 34 *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments* (GASB 34). This Statement establishes new financial reporting requirements for state and local governments throughout the United States. It requires new information and restructures much of the information that governments have presented in the past. Comparability with reports issued in prior years is affected.

The City adopted the provisions of GASB 34 for its fiscal year ended June 30, 2002. With the implementation of GASB 34, the City has prepared required supplementary information titled Management's Discussion and Analysis which precedes the basic financial statements.

Other GASB statements are required to be implemented in conjunction with GASB Statement 34. Therefore, the City implemented the following GASB statements in the year ended June 30, 2002: Statement 33 *Accounting and Financial Reporting for Nonexchange Transactions*, Statement 36 *Recipient Reporting for Certain Shared Nonexchange Revenues*, Statement 37 *Basic Financials Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*, and Statement 38 *Certain Financial Statement Note Disclosures*.

The City adopted the provisions of GASB Statement 45 *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for its fiscal year ended June 30, 2009. In addition to pensions, many state and local governmental employers provide other postemployment benefits (OPEB) as part of the total compensation offered to attract and retain the services of qualified employees. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

The City adopted the provisions of GASB Statement 49 *Accounting and Financial Reporting for Pollution Remediation Obligations* for its fiscal year ended June 30, 2009. This Statement will enhance comparability of financial statements among governments by requiring all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported.

The GASB has issued Statement 51 *Accounting and Financial Reporting for Intangible Assets* effective for periods beginning after June 15, 2009. This Statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

The GASB has issued Statement No 53 *Accounting and Financial Reporting for Derivative Instruments* effective for periods beginning after June 15, 2009. This Statement establishes accounting and financial reporting requirements for derivative instruments entered into by state and local governments. This statement did not have a material impact on the City's financial statements.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

For the year ended June 30, 2011, the City implemented the provisions GASB Statement 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of Statement 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is found to observe constraints imposed upon the use of resources reported in governmental funds. The clarifications of the governmental fund type definitions should reduce uncertainty about which resources can or should be reported in the respective fund types. These new classifications include nonspendable and spendable, which is further reported as restricted, committed, assigned and unassigned. The new fund balance classifications and the minimum fund balance disclosure provided in Statement 54 are discussed in further detail later in Note 1.

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2011, and for the year then ended.

The more significant accounting policies of the City are described below.

Reporting Entity

The City has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability in Statement 14 *The Financial Reporting Entity* and Statement 39, *Determining Whether Certain Organizations are Component Units*, an amendment to Statement 14. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

Although the following entities meet the requirements of Statement 14 and Statement 39, they are strictly advisory in nature. Therefore, the government-wide financial statements do not include the financial information of the following entities and their omission does not cause the City's financial statements to be misleading or incomplete. Should there develop a financial element at some point in the future, the City shall include these entities on its government-wide financial statements.

Senior Center Advisory Council - This council is advisory in nature on senior issues and on how to run the City-owned Senior Center building. The City is responsible for the maintenance and operation of the building.

Blended Component Units

The following have been presented as blended component units since their governing bodies are substantially the same as the primary government's government body and because their services are provided entirely or almost entirely to the primary government.

Parking Commission - The City Commission appoints the governing board of the Parking Commission, which was created by ordinance. The City owns the parking lots, collects the rents and assigns the lots to the individuals. .

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting Entity (Continued)

Library Board of Trustees - The City Commission appoints all five trustees of the Library Board of Trustees. The Library is not a legally separate entity.

City Planning Board - The agreement forming the City Planning Board holds that it will submit its budget to the City Commission for approval and the City provides all accounting functions and is responsible for the issuance of debt. It is presented with the Special Revenue Funds.

Basis of Accounting/Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The Government-Wide Financial Statements (the Statement of Net Assets and the Statement of Activities) present information of all the non-fiduciary activities of the primary government and its component units. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets and liabilities, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Assets. The City has retroactively included infrastructure in its assets.

The Statement of Activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

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 Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

The City applies all applicable GASB pronouncements (including all National Council on Governmental Accounting Statements and Interpretations currently in effect) as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB) of the Committee on Accounting Procedure. In addition, the City applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements to its business-type activities.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus (Continued)

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net assets and changes in net assets presented in the Government-Wide Financial Statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures, and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources which have been treated as susceptible to accrual by the City are property taxes, intergovernmental revenues, and other taxes.

Expenditures are recorded in the accounting period in which the related fund liability is incurred. The City has elected to apply the early recognition option of recognizing debt services expenditures provided by GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. Under this option, an expenditure and a liability are recorded in debt service funds in the current year for amounts due early in the following year, for which resources have been provided during the current year.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Net Assets, and a Statement of Cash Flows for each major proprietary fund. The City has no nonmajor proprietary funds. A column representing internal service funds is also presented with the Proprietary Fund Financial Statements. Internal service balances and activities, however, have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Net Assets present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting/Measurement Focus (Continued)

Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City's Fiduciary Funds represent Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Therefore, Agency Funds do not have a measurement focus. These funds are accounted for using the accrual basis of accounting. The following Agency Funds are included in the Fiduciary Fund financial statements:

Montana Arts Council – Accounts for pass-through monies received from the State of Montana to fund local chapters of cultural enhancement activities such as the Bozeman Symphony Orchestra, Montana Ballet, Mandolin Society, Intermountain Opera Association, and the Emerson Cultural Center.

Municipal Court – Accounts for monies held for appearance bonds and restitution related to criminal arrests and reimbursement for damage caused.

Internal Service Funds

Internal Service Funds are used to account for goods and services provided by one department to other departments of the City on a cost-reimbursement basis. These direct costs and certain indirect costs are included as part of the program expense reported for the individual functions and activities of these other departments. The following Internal Service Funds are included in the Proprietary Fund Financial Statements:

Vehicle Maintenance Shop – Accounts for the maintenance and repair of vehicles used in the operation of City services.

Medical Health Insurance – Accounts for insurance premium revenues received from the various City departments and retirees, and the related costs of health, vision, and dental claims incurred by City employees and retirees which are in-turn paid to the City's insurance program coordinator.

Funds

As mentioned, the Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. The following major funds are presented in separate columns on the Governmental Funds Financial Statements, and the Proprietary Funds Financial Statements, respectively:

Governmental Funds

General Fund – this fund accounts for the financial operations of the City which are not accounted for in any other fund. Principal sources of revenue are property taxes, state and local shared revenues, licenses and permits, and charges for services provided to other funds. Principal expenditures in the General Fund are made for police and fire protection, public works, and general government.

Street and Fire Impact Fees Special Revenue Fund – on January 22, 1996, the City Commission adopted fire, street, water, and waste impact fees in Ordinance Number 1414. This fund accounts for the collection and expenditures associated with the fire and street impact fees.

SID Sinking Debt Service Fund – Accounts for the accumulation of resources and payment of special assessment bond principal and interest related to general improvement, sidewalk, and curb construction projects.

General Improvements Capital Projects Fund – Accounts for the construction of general improvement projects financed by special assessments other than those financed by proprietary funds.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Funds (Continued)

Proprietary Funds

Water Fund - Accounts for the City's water utility operations and to collect and administer water impact fees.

Waste Water Fund - Accounts for the City's sewer utility operations and to collect and administer waste water impact fees.

Solid Waste Fund - Accounts for the City's garbage service operations.

Parking Fund - Accounts for the City's parking garage and services.

Use of Restricted/Unrestricted Net Assets

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Cash and Investments

Cash and investments are under the management of the City's Treasurer and consist primarily of investments in U.S. Government Bonds. Interest income earned as a result of pooling of City deposits is distributed to the appropriate funds utilizing a formula based on the average balance of cash and investments of each fund.

Montana State statutes authorize the City to invest in interest-bearing savings accounts, certificates of deposits, and time deposits insured up to \$250,000 by the Federal Deposit Insurance Corporation or fully collateralized, U.S. government and U.S. agency obligations and repurchase agreements where there is a master repurchase agreement and collateral held by a third party.

For the year ended June 30, 2005, the City implemented a new accounting standard issued by GASB, Statement No. 40, *Deposit and Investment Risk Disclosures*. Statement No. 40 amends Statement No. 3, *Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*. Statement No. 40 revises the existing requirements regarding disclosure regarding credit risk, concentration of credit risk, interest rate risk, and foreign currency risk.

Restricted Cash and Investments

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Impact fees collected and line-oversizing fees are restricted for applicable use. Payments in lieu of parking are restricted by code for future parking related capital projects.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Eliminations and Reclassifications

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as inter-fund activity and balances in the funds have been eliminated or reclassified. Internal service fund activity has also been eliminated in the Statement of Activities to remove the "doubling-up" effect.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Depreciable capital assets are reported on the Statement of Net Assets, net of applicable accumulated depreciation. Capital assets which are not depreciable, such as land, and construction in progress are reported separately. Depreciation expense is reported in Statement of Activities and is calculated using the straight-line method based on the assets estimated useful life.

Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Vehicles	5 years
Machinery and equipment	5 to 30 years
Buildings	20 to 50 years
Other structures and improvements	10 to 25 years
Infrastructure	25 to 50 years

In June 1999, GASB issued Statement No. 34 (GASB 34) which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. According to GASB 34, the City must record infrastructure assets prospectively from the date of implementation and has included infrastructure acquired prior to implementation within the four-year required period.

The City defines infrastructure as the basic physical assets that allow the City to function. The assets to be recorded will include the street system, water purification and distribution system, sewer collection treatment system; park and recreation lands and improvement system, storm water conveyance system, and buildings combined with the site amenities such as parking and landscaped areas; and streets, sidewalks, curbs, and street lights.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Compensated Absences Payable

Earned but unpaid vacation and sick pay is included as a liability in the proprietary fund types and Government-Wide Financial Statements. The portion relating to the governmental fund types not expected to be paid with expendable and available resources is not reported in the governmental fund statements unless the liability has matured (i.e., unused reimbursable leave still outstanding following an employee's resignation or retirement).

Inter-fund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those short-term loans related to goods and services type transactions are classified as "due to and from other funds". Long-term inter-fund loans (noncurrent portion) are reported as "advances to and from other funds". Inter-fund receivables and payables between funds are eliminated in the Statement of Net Assets.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-Behalf Payments for Fringe Benefits

On-behalf payments for fringe benefits are direct payments made by one entity to a third-party recipient for the employees of another legally separate entity. On-behalf payments include pension plan contributions. The State's pension contribution is recorded as intergovernmental revenue with an offsetting public safety or general government expenditures in the Pension Special Revenue Fund. (See Note 14)

Budgets

Each year, the City Manager must submit to the City Commission a proposed operating budget for all budget units within the City for the fiscal year commencing July 1. This operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments on the proposed budget. The budget is then legally adopted through passage of the appropriation resolution by the City Commission, but not before the second Monday in August.

Budgets are legally required for all governmental fund types. These budgets are prepared on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds and all appropriations lapse at year end. The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund type level. The City Commission may amend the budget during the course of the fiscal year, within each fund type.

Any accruing revenue of the municipality not appropriated and any balance at any time remaining after the purpose of an appropriation has been satisfied or abandoned may from time to time be appropriated to other uses that do not conflict with any uses for which specifically the revenue was accrued. A public hearing is required for an overall increase in appropriation authority, except in the case of an emergency.

The City Commission delegated in its annual appropriation resolution, budget amendment authority to the City Manager, for the expenditure of funds from any or all of the following: debt service funds, enterprise funds, internal service funds, trust funds, federal and state grants accepted and approved by the governing body, special assessments, and donations. In all other funds, the City Manager may, without approval from the City Commission, make budget amendments as long as the total appropriation for the fund group is not exceeded.

Spending control is established by the total amount of expenditures budgeted for the fund type, but management may exercise control at budgetary line items.

Fund Balance

As discussed above in Note 1, the City has implemented Governmental Accounting Standards Board Statement 54. As a result, the classifications for fund balance now used for governmental fund are reported in two general classifications, nonspendable and spendable.

Nonspendable represents the portion of fund balance that is not in spendable form such as inventories, and, in the general fund, long term notes and loans receivable. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category contains balances that can be spent only for the specific purposes stipulated by external parties or through enabling legislation. External parties include grantors, debt covenants, votes, and laws and regulations of other governments.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance (Continued)

The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the City Council.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assignments of fund balance are created by an official who the governing body has delegated the authority to assign amounts to be used for specific purposes. The City Commission and the City Manager individually have the authority to express assignments. In governmental funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed. Also included in the assigned fund balance for the general fund are assignments for the portion of the current general fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows in the next fiscal year.

Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification should be used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

When both restricted and unrestricted resources are available, spending will occur in the following order, for the identified fund types:

General Fund: Restricted, Committed, Assigned, Unassigned

Special Revenue Funds: Restricted, Committed, Assigned

Debt Service Funds: Assigned, Committed, Restricted

Capital Projects Funds: Restricted, Committed, Assigned

Minimum General Fund – Fund Balance

The City does not maintain a stabilization fund. However, the City's Charter requires an established minimum level of General Fund Unreserved Fund Balance, in accordance with the Government Finance Officers' Association (GFOA) Best Practices. The GFOA significantly changed their Best Practice Recommendation in October 2009. As a result, in May 2010, the Commission increased the required minimum from 12% to 16 2/3%.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

In funds other than governmental, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

NOTE 2. CASH AND INVESTMENTS

At June 30, 2011, the carrying amount of the City's deposits in local banks and investments is \$60,194,675 and the bank balance is \$60,953,424. Beginning December 31, 2010, the balances of all non-interest bearing accounts were fully insured by the FDIC. Of the remaining balances, \$250,000 was covered by federal depository insurance and up to \$32,606,663 was covered by collateral held by the pledging bank's agent in the City's name.

The City's cash and investments are reported as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Governmental activities	\$ 20,971,828	\$ 8,894,569	\$ 29,866,397
Business-type activities	16,807,482	13,302,201	30,109,683
Fiduciary funds	218,595	-	218,595
	<u>\$ 37,997,905</u>	<u>\$ 22,196,770</u>	<u>\$ 60,194,675</u>

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned or the City will not be able to recover the collateral securities in the possession of the outside party. The City minimizes custodial credit risk by restrictions set forth in City policy and state law. The City's policy requires deposits to be 102 percent secured by collateral valued at market value. The City Treasurer maintains a listing of financial institutions, which are approved for investment purposes. Types of securities that may be pledged as collateral are detailed in Section 17-6-103 of the Montana Code Annotated (MCA). City policy requires that specific safeguards against risk of loss be evidenced when the City does not physically hold the securities.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 2. CASH AND INVESTMENTS (Continued)

On June 30, 2011, the book value approximated the fair value of the investments, therefore no unrealized gain or loss was recorded for the year. The following table provides information about the interest rate risks associated with the City's deposits and investments.

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk Rating</u>	<u>Fair Value</u>
U.S. Government bonds	Jul 2011 - Jun 2012	AAA	\$ 5,181,031
U.S. Government bonds	Jul 2012 - Jun 2013	AAA	-
U.S. Government bonds	Jul 2013 - Jun 2014	AAA	6,000,000
U.S. Government bonds	Jul 2014 - Jun 2015	AAA	8,000,000
U.S. Government bonds	Jul 2015 - Jun 2016	AAA	22,998,000
U.S. Bank Municipal Investor Account	N/A	N/A	14,152,582
Non-negotiable repurchase agreements	N/A	N/A	-
Demand deposits	N/A	N/A	3,856,265
Petty cash	N/A	N/A	6,797
			<u>\$ 60,194,675</u>

Credit risk is defined as the risk that an issuer or other counterpart to an investments will not fulfill its obligation. The above credit risk rating indicates the probability that the issuer may default in making timely principal and interest payments. The credit ratings presented in the previous tables are provided by Standard and Poor's Corporation (S&P). The City's investment policy is to hold investments to maturity with the contractual understanding that these investments are low risk, locked in to a guaranteed rate of return, are therefore not impacted significantly by changes in short term interest rates. The City has no formal policy relating to interest risk.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 3. PROPERTY TAX CALENDAR

Real property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien Date	December 1 for the 1 st installment and June 1 for the 2 nd installment
Levy Date	November 1
Due Dates	November 30 for the 1 st installment and May 31 for the 2 nd installment

Personal property taxes are assessed on January 1 of each year and billed in May and November, with payment due within thirty days.

Gallatin County collects all property taxes on behalf of the City and remits collections, including penalties and interest, on a monthly basis. The County assesses a delinquency penalty of 2%. If taxes become delinquent the County tax collector may sell the property to collect taxes due plus .83% per month interest.

In the fund financial statements, the City accrues as receivable all property taxes received during the first sixty (60) days of the new fiscal year from Gallatin County, in accordance with the modified accrual basis. In the government-wide financial statements, all taxes billed, but not yet collected are accrued in accordance with the full accrual basis of accounting, as described in Note 1.

NOTE 4. SPECIAL ASSESSMENTS RECEIVABLE/DEFERRED REVENUES

Special assessments receivable represent the uncollected amounts levied against benefited property for the cost of local improvements. Assessments are payable over a period of 18 to 20 years and bear interest of 2.5% to 5.75% per annum. Recognition of the revenues from these assessments has been deferred until both measurable and available in governmental funds. In the Government-Wide Financial Statements, however, these amounts are reported as revenues in the period they are levied. Once received, the monies will be used to meet the annual debt service requirements on related bonds. Deferred revenues in the General Fund represent outstanding general property taxes at June 30, 2011. Again, these amounts are reported as revenue in the Government-Wide Financial Statements in the period in which they are levied. Deferred revenues in Special Revenue Funds represent either revenues received but not considered earned or amounts to be received in the future that are recorded as receivables but not yet earned. The deferred revenues in Debt Service Funds represent future assessments to be received to meet the related debt obligation.

NOTE 5. PREPAID RENT (OPERATING LEASE)

On October 22, 1992, the City signed a memorandum of understanding with Gallatin County, Montana, in which the City agreed to lease space from the County's Law and Justice Center for the City Police Department and Municipal Court. The City paid to the County \$765,000 during the renovation of the building which started 1993. The \$765,000 constitutes rent for four rental terms of ten years each. During the term of the lease and renewal of the lease, the principal balance of \$765,000 will be decreased by equal annual rental payments in the amount of \$19,125. If the City and County mutually agree to terminate the lease after the second ten year term, the County will refund \$382,500, to the City for the unused portion of the rent. The lease began when renovations were complete on November 1, 1994. For the year ended June 30, 2011, rent expenditure was \$19,125 regarding this lease.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 6. NOTES RECEIVABLE

The City had the following loans in funds:

<u>Special Revenue Funds:</u>	
Housing Revolving Loan Fund	\$ 30,985
Economic Development Loan Fund	\$ 442,678
Community Housing Fund	\$ 77,499
 <u>Enterprise Funds</u>	
Parking Fund	\$ 67,882

NOTE 7. CAPITAL ASSETS

In accordance with GASB 34, the City has reported all capital assets, with the exception of pre-July 1, 2001 infrastructure in the Government-Wide Statement of Net Assets. The assets are reported whereby accumulated depreciation and depreciation expense have been recorded. For the year ended June 30, 2011, depreciation expense on capital assets was charged to the functions and programs as follows:

<u>Governmental Activities:</u>	
General Government	\$ 415,489
Public Safety	622,014
Public Services	6,096,641
Public Welfare	1,061,718
Total depreciation expense - governmental activities	<u>\$ 8,195,862</u>
 <u>Business-type Activities:</u>	
Water	\$ 7,779,521
Waste Water	5,305,097
Solid Waste	362,291
Parking	598,653
Total depreciation expense - business-type activities	<u>\$ 14,045,562</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 7. CAPITAL ASSETS (Continued)

All capital assets of the City are depreciable with the exception of land. Capital assets activity of the City for the year ended June 30, 2011, consisted of the following:

	June 30, 2010	Additions	Disposals	Transfers	June 30, 2011
Governmental Activities:					
Non-depreciable					
Land	\$ 10,314,825	\$ 175,077	\$ -	\$ -	\$ 10,489,902
Depreciable					
Buildings	29,675,537	924,027	(134,102)	-	30,465,462
Other structures and improvements	1,230,912	-	-	-	1,230,912
Machinery and equipment	8,694,401	989,306	(613,731)	134,471	9,204,447
Property under capital lease	616,504	-	-	-	616,504
Vehicles	2,857,931	106,820	(69,154)	268,923	3,164,520
Infrastructure	118,093,190	9,138,332	-	-	127,231,522
Total	171,483,300	11,333,562	(816,987)	403,394	182,403,269
Accumulated depreciation	(71,428,500)	(8,195,862)	798,264	(403,394)	(79,229,492)
Total governmental activities	<u>\$ 100,054,800</u>	<u>\$ 3,137,700</u>	<u>\$ (18,723)</u>	<u>\$ -</u>	<u>\$ 103,173,777</u>
Business-type Activities:					
Non-depreciable					
Land	\$ 4,934,794	\$ -	\$ -	\$ -	\$ 4,934,794
Water rights	1,563,494	501,648	-	-	2,065,142
Depreciable					
Buildings	50,243,610	20,584,587	-	-	70,828,197
Other structures and improvements	31,641,348	56,809	-	-	31,698,157
Machinery and equipment	6,049,485	317,206	(81,954)	(134,471)	6,150,266
Vehicles	2,083,598	45,453	(33,087)	(268,923)	1,827,041
Infrastructure	243,134,664	6,850,620	-	-	249,985,284
Total	339,650,993	28,356,323	(115,041)	(403,394)	367,488,881
Accumulated depreciation	(141,754,685)	(14,045,562)	105,941	403,394	(155,290,912)
Total business-type activities	<u>\$ 197,896,308</u>	<u>\$ 14,310,761</u>	<u>\$ (9,100)</u>	<u>\$ -</u>	<u>\$ 212,197,969</u>
Total capital assets	<u>\$ 297,951,108</u>	<u>\$ 17,448,461</u>	<u>\$ (27,823)</u>	<u>\$ -</u>	<u>\$ 315,371,746</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 7. CAPITAL ASSETS (Continued)

Changes in accumulated depreciation are as follows for the year ended June 30, 2011:

	June 30, 2010	Additions	Disposals	Transfers	June 30, 2011
Governmental Activities:					
Buildings	\$ (9,507,044)	\$ (1,230,335)	\$ 128,552	\$ -	\$ (10,608,827)
Other structures and improvements	(899,308)	(62,303)	-	-	(961,611)
Machinery and equipment	(6,476,886)	(769,925)	600,558	(134,471)	(6,780,724)
Property under capital lease	(353,468)	(91,027)	-	-	(444,495)
Vehicles	(2,515,485)	(163,293)	69,154	(268,923)	(2,878,547)
Infrastructure	(51,676,309)	(5,878,979)	-	-	(57,555,288)
Total governmental activities	(71,428,500)	(8,195,862)	798,264	(403,394)	(79,229,492)
Business-type Activities:					
Buildings	(7,386,738)	(943,735)	-	-	(8,330,473)
Other structures and improvements	(25,552,508)	(542,487)	-	-	(26,094,995)
Machinery and equipment	(4,946,984)	(497,549)	74,015	134,471	(5,236,047)
Vehicles	(1,785,978)	(127,482)	31,926	268,923	(1,612,611)
Infrastructure	(102,082,477)	(11,934,309)	-	-	(114,016,786)
Total business-type activities	(141,754,685)	(14,045,562)	105,941	403,394	(155,290,912)
Total accumulated depreciation	\$ (213,183,185)	\$ (22,241,424)	\$ 904,205	\$ -	\$ (234,520,404)

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 8. COMPENSATED ABSENCES

The City's policy relating to compensated absences is described in Note 1. As shown in the table below, the long-term portion of the debt, amounting to \$352,248 for governmental activities and \$123,957 for business-type activities at June 30, 2011, is expected to be paid in future years from future resources. Historically, compensated absences have been liquidated primarily by the general fund and the proprietary funds. The total amounts outstanding at June 30, 2011, were \$1,432,248 for governmental activities and \$421,257 for business-type activities.

	Balance June 30, 2010	Incurred	Satisfied	Balance June 30, 2011
Compensated absences				
Governmental Activities	\$ 1,354,339	\$ 1,167,367	\$ (1,089,458)	\$ 1,432,248
Business-type Activities	397,266	328,319	(304,328)	421,257
Total compensated absences	<u>\$ 1,751,605</u>	<u>\$ 1,495,686</u>	<u>\$ (1,393,786)</u>	<u>\$ 1,853,505</u>

	Due within one year	Due after one year	Total
Compensated absences			
Governmental Activities	\$ 1,080,000	\$ 352,248	\$ 1,432,248
Business-type Activities	297,300	123,957	421,257
Total compensated absences	<u>\$ 1,377,300</u>	<u>\$ 476,205</u>	<u>\$ 1,853,505</u>

NOTE 9. LONG-TERM DEBT

Governmental Activities Long Term Debt

The following is a summary of long-term debt transactions of the City's governmental activities for the year ended June 30, 2011:

	Balance June 30, 2010	Issuances	Repayments	Balance June 30, 2011
General obligation bonds	\$ 4,275,000	\$ -	\$ (565,000)	\$ 3,710,000
Tax increment financing bonds	5,695,000	-	(160,000)	5,535,000
Special assessment debt	4,819,000	-	(467,500)	4,351,500
Intercap notes payable	851,071	-	(341,366)	509,705
Totals	<u>\$ 15,640,071</u>	<u>\$ -</u>	<u>\$ (1,533,866)</u>	<u>\$ 14,106,205</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 9. LONG-TERM DEBT (Continued)

Governmental Activities Long Term Debt (Continued)

The above long-term debt of the City's governmental activities is presented in the accompanying Statement of Net Assets as follows:

	Current Portion (Due within one year)	Long-term Portion (Due after one year)	Total Long Term Debt
General obligation bonds	\$ 590,000	\$ 3,120,000	\$ 3,710,000
Tax increment financing bonds	165,000	5,370,000	5,535,000
Special assessment debt	182,000	4,169,500	4,351,500
Intercap notes payable	54,285	455,420	509,705
	<u>\$ 991,285</u>	<u>\$ 13,114,920</u>	<u>\$ 14,106,205</u>

The long-term portion on page 31 Statement of Net Assets includes \$9,152 unamortized bond premium.

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations of the City and are backed by the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

	Interest Rate	Amount	Due within one year
Transportation Project Refunding Bonds, Series 2003b serial maturities through 2014	1.30% -3.75%	\$ 1,195,000	\$ 385,000
Library Project Bonds, Series 2002 serial maturities through 2022	3.50% -5.00%	1,435,000	115,000
Library Project Bonds, Series 2003a serial maturities through 2021	1.25% -4.40%	<u>1,080,000</u>	<u>90,000</u>
Total general obligations bonds		<u>\$ 3,710,000</u>	<u>\$ 590,000</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 9. LONG-TERM DEBT (Continued)

Governmental Activities Long Term Debt (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 590,000	\$ 154,198	\$ 744,198
2013	610,000	132,876	742,876
2014	640,000	110,028	750,028
2015	230,000	85,216	315,216
2016	245,000	75,340	320,340
2017-2021	1,395,000	201,576	1,596,576
	<u>\$ 3,710,000</u>	<u>\$ 759,234</u>	<u>\$ 4,469,234</u>

Tax Increment Financing Bonds - Tax Increment Financing (TIF) Bonds are not general obligations, but are special limited obligations of the City. The Series 2007 Bonds, the premium, and the interest thereon are not a charge against the general credit or taxing powers of the City. The bonds are payable solely, and equally and ratably with additional bonds if and when issued from the tax increment received by the City from its Downtown Bozeman Improvement District. If the incremental revenues are insufficient to pay the principal and interest due on the TIF bonds when due, such payment shortfall shall not constitute a default under the TIF agreement. If and when the incremental revenues are sufficient, the City shall pay the amount of any shortfall to the paying agent and registrar without any penalty interest or premium thereon. Due to the uncertainty of the future tax increment receipts, future payments on the TIF bonds may vary from the summary of debt service requirements. Annual debt services requirements to maturity for the TIF bonds are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 165,000	\$ 256,688	\$ 421,688
2013	175,000	250,088	425,088
2014	180,000	243,088	423,088
2015	190,000	235,088	425,088
2016	195,000	228,288	423,288
2017-2021	1,105,000	1,014,672	2,119,672
2022-2026	1,375,000	743,099	2,118,099
2027-2031	1,745,000	371,262	2,116,262
Thereafter	405,000	20,250	425,250
	<u>\$ 5,535,000</u>	<u>\$ 3,362,523</u>	<u>\$ 8,897,523</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 9. LONG-TERM DEBT (Continued)

Governmental Activities Long Term Debt (Continued)

Special Assessment Debt - Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within the special improvement district. To the extent that such special assessment collections are not sufficient to make the required debt service payments, the City is 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 SID Revolving Fund must equal at least 5% of the principal amount of bonds outstanding. If the cash balance is less than 5%, a levy is required to bring the cash balance to the required minimum.

The City has issued various special assessment bonds with various maturities through 2025 at interest rates ranging from 2.5% to 5.75%. In addition, the City has issued three notes payable to finance special assessment projects. The following is a schedule of changes in special assessment debt:

	Balance June 30, 2010	Issuances	Repayments	Balance June 30, 2011
Special assessment bonds	\$ 4,415,000	\$ -	\$ (445,000)	\$ 3,970,000
Note Payable to Department of Natural Resources and Conservation, #WRF-05067	77,000	-	(4,500)	72,500
Note Payable to Department of Natural Resources and Conservation, #SRF-05132	327,000	-	(18,000)	309,000
	\$ 4,819,000	\$ -	\$ (467,500)	\$ 4,351,500

Annual debt service requirements to maturity for special assessment notes payable are as follows:

	Notes Payable		
Year ending June 30,	Principal	Interest	Total
2012	\$ 22,000	\$ 14,100	\$ 36,100
2013	25,000	13,246	38,246
2014	24,000	12,319	36,319
2015	25,000	11,400	36,400
2016	28,000	10,444	38,444
2017-2021	150,000	36,120	186,120
2022-2026	107,500	7,246	114,746
	\$ 381,500	\$ 104,875	\$ 486,375

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 9. LONG-TERM DEBT (Continued)

Governmental Activities Long Term Debt (Continued)

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year ending June 30,	<u>Bonds</u>
2012	\$ 160,000
2013	370,000
2014	370,000
2015	370,000
2016	365,000
2017-2021	1,675,000
2022-2026	<u>660,000</u>
	<u>\$ 3,970,000</u>

Substantially all special assessment bonds mature eighteen to twenty years after the date of issuance but are redeemable at the option of the City whenever cash is available in the respective funds for each issue. The City follows the policy of early redemption on these bonds. Accordingly, a schedule of future interest payments through maturity of the bonds is deemed to be not meaningful and has been excluded.

The net revenues of the water fund have been pledged as collateral to secure the debt service related to SID 665. This collateral is subordinate to commitments made prior to July 12, 1993 to pledge this collateral as a guarantee of the payment of other debt. In the event that the resources available to service debt related to SID 665 are insufficient, the City shall transfer amounts from the water fund to satisfy this obligation. The District will be under no obligation to reimburse the water fund for any such transfer. At this time, the City does not anticipate the need to make any such transfers.

InterCap Loans – The City entered in a loan agreement with the Montana Board of Investments to finance the construction of a new fire station. The intercap loans payable had a balance outstanding at June 30, 2011 as follows:

	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
Note payable to Montana Board of Investments in uneven semi-annual installments including interest at variable rates through July 2019	<u>\$ 54,285</u>	<u>\$ 455,420</u>	<u>\$ 509,705</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 9. LONG-TERM DEBT (Continued)

Governmental Activities Long Term Debt (Continued)

The debt service requirements for the fire station intercap loan at June 30, 2011 are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 54,285	\$ 9,715	\$ 64,000
2013	55,353	8,647	64,000
2014	56,442	7,558	64,000
2015	57,552	6,448	64,000
2016	58,685	5,315	64,000
2017-2021	<u>227,388</u>	<u>9,361</u>	<u>236,749</u>
	<u>\$ 509,705</u>	<u>\$ 47,044</u>	<u>\$ 556,749</u>

Business-type Activities Long Term Debt

Revenue Bonds - The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service.

Water revenue bonds outstanding at June 30, 2011 are as follows:

	<u>Balance</u>		<u>Balance</u>
	<u>June 30, 2010</u>	<u>Issuances</u>	<u>June 30, 2011</u>
		<u>Repayments</u>	
1991 Water Revenue bonds	<u>\$ 28,992</u>	<u>\$ -</u>	<u>\$ (28,992)</u>
			<u>\$ -</u>

The revenue bond ordinance specifies that the City shall establish various restricted asset accounts and distribute the net revenues for the water fund to the restricted asset accounts and set user rates at levels which will generate minimum net revenues, as defined. The revenue bond ordinances specify that City management and/or the City Commission shall take corrective actions to bring the City into compliance with the revenue bond ordinances, if necessary, and that bondholders shall have the right to institute proceedings, judicial or otherwise, to enforce the covenants of the revenue bond ordinances. The City is in compliance with applicable covenants and the balance of the outstanding debt was paid off as of June 30, 2011.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 9. LONG-TERM DEBT (Continued)

Business-type Activities Long Term Debt (continued)

Waste Water revenue bonds outstanding at June 30, 2011 are as follows:

	Balance June 30, 2010	Issuances	Repayments	Balance June 30, 2011	Due in One Year
State Revolving Fund - 10252 2010-B EPA	\$ 55,033	\$ 296,967	\$ (16,000)	\$ 336,000	\$ 16,000
State Revolving Fund - 10230	7,745,521	1,595,479	(330,000)	9,011,000	345,000
State Revolving Fund - 10262 2010-F EPA	53,973	762,027	(28,000)	788,000	29,000
State Revolving Fund - 10251 2010-A ARRA A	1,000	389,700	-	390,700	-
State Revolving Fund - 10261 2010-E ARRA A	46,600	337,400	-	384,000	-
State Revolving Fund - 11291	-	880,162	(21,000)	859,162	43,000
State Revolving Fund - 11292 2010-G	-	2,886,218	(66,000)	2,820,218	137,000
State Revolving Fund - 11281 2010-H	-	9,573,000	(145,000)	9,428,000	313,000
	<u>\$ 7,902,127</u>	<u>\$ 16,720,953</u>	<u>\$ (606,000)</u>	<u>\$ 24,017,080</u>	<u>\$ 883,000</u>

Waste water revenue bond debt service requirements to maturity are as follows:

Year ending June 30,	Principal	Interest	Total
2012	\$ 883,000	\$ 907,926	\$ 1,790,926
2013	931,000	874,407	1,805,407
2014	967,000	839,369	1,806,369
2015	1,003,000	862,120	1,865,120
2016	1,040,000	765,458	1,805,458
2017-2021	5,813,000	3,214,487	9,027,487
2022-2026	6,986,000	2,022,679	9,008,679
2027-2031	5,619,380	517,569	6,136,949
Thereafter	774,700	-	774,700
	<u>\$ 24,017,080</u>	<u>\$ 10,004,015</u>	<u>\$ 34,021,095</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 9. LONG-TERM DEBT (Continued)

Business-type Activities Long Term Debt (continued)

Waste Water revenue bonds consist of the following as of June 30, 2011:

	<u>Interest Rate</u>	<u>Amount</u>
Waste Water State Revolving -10252 ARRA B		
Series 2010B, serial maturities through 2030	1.75%	\$ 336,000
Waste Water Reclamation Facility Revenue Bonds - 10230,		
Series 2010D, serial maturities through 2030	3.75%	9,011,000
Waste Water Reclamation Facility Revenue Bonds - 10262,		
Series 2010F, serial maturities through 2030	3.75%	788,000
Waste Water Reclamation Facility Revenue Bonds - 10251,		
Series 2010A, serial maturities through 2030	0.00%	390,700
Waste Water Reclamation Facility Revenue Bonds - 10261,		
Series 2010E, serial maturities through 2030	0.00%	384,000
Waste Water Reclamation Facility Revenue Bonds - 11291,		
Series 2010C, serial maturities through 2031	3.75%	859,162
Waste Water Reclamation Facility Revenue Bonds - 11292,		
Series 2010G, serial maturities through 2031	3.75%	2,820,218
Waste Water Reclamation Facility Revenue Bonds,		
Series 2010H, serial maturities through 2031	3.75%	<u>9,428,000</u>
Total revenue bonds		<u><u>\$ 24,017,080</u></u>

Waste water revenue bond debt service requirements to maturity are as follows:

Shown on the accompanying financial statements as:

Revenue bonds due within one year	\$ 883,000
Revenue bonds due after one year	<u>23,134,080</u>
	<u><u>\$ 24,017,080</u></u>

The revenue bond ordinance specifies that the City shall establish various restricted asset accounts and distribute the net revenues for the water fund to the restricted asset accounts and set user rates at levels which will generate minimum net revenues, as defined. The revenue bond ordinances specify that City management and/or the City Commission shall take corrective actions to bring the City into compliance with the revenue bond ordinances, if necessary, and that bondholders shall have the right to institute proceedings, judicial or otherwise, to enforce the covenants of the revenue bond ordinances. The City is in compliance with applicable covenants as of June 30, 2011.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 9. LONG-TERM DEBT (Continued)

Industrial Revenue and Private Activity Bonds

The City issues tax exempt industrial revenue and private activity bonds to finance construction of facilities within the City which it sells on installment contracts to the facilities' users. The bonds and the interest payable thereon are not obligations of the City and do not constitute or give rise to a pecuniary liability or contingent liability of the City or a charge against the general credit or taxing power of the City. The bonds are issued under and collateralized by the indentures and are payable solely from the payments to be made pursuant to the loan agreements between the City and the facilities users. The bonds are not a lien on any of the City's properties or revenues, other than the facilities for which they were issued.

To provide financial assistance for the acquisition and improvements of the building occupied by a private elementary school, the City has issued a Private Activity Revenue Bond. This bond is secured by the property financed and is payable solely from payments received on the underlying mortgage loan. Upon repayment of the bond, ownership of the acquired facility transfer to the private-sector entity served by the bond issuance. Neither the City nor any political subdivision thereof is obligated in any manner for repayment of the bond. Accordingly, the bond is not reported as a liability in the accompanying financial statements. As of June 30, 2011, the Revenue Bond outstanding had an aggregate principal amount payable of \$353,760.

NOTE 10. CAPITAL LEASE OBLIGATIONS

On November 14, 2007, the City entered into a lease for a Volvo Grader. The lease term is four years payable in annual installments of \$24,999 with a balloon payment of \$100,811 at maturity including interest at 4.715%. The total amount capitalized of \$198,078 represents the present value of the future lease payments. The payments of this obligation are being recorded in the street maintenance fund.

On May 6, 2008, the City entered into a lease for a Caterpillar Grader. The lease term is four years payable in monthly installments of \$1,984 at 5.25%. The total amount capitalized of \$86,088 represents the present value of the future lease payments. The payments for this obligation are being recorded in the street maintenance fund.

On February 24, 2009, the City entered into a lease for an Elgin Street Sweeper. The lease term is five years payable in annual installments of \$27,900 at 6.3%. The total amount capitalized of \$143,905 represents the present value of the future lease payments. The payments for this obligation are being recorded in the street maintenance fund.

On December 15, 2008, the City entered into a lease for a GMC Truck. The lease term is three years payable in annual installments of \$10,000 and one of \$3,441 at 12.0%. The total amount capitalized of \$32,791 represents the present value of the future lease payments. The payments for this obligation are being recorded in the street maintenance fund.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 10. CAPITAL LEASE OBLIGATIONS (Continued)

The capital lease balance outstanding for governmental activities at June 30, 2011 is as follows:

	Balance June 30, 2010	Issuances	Repayments	Balance June 30, 2011
Caterpillar Grader	\$ 41,653	-	\$ (24,534)	\$ 17,119
Volvo Grader	140,377	-	(19,284)	121,093
Street Sweeper	97,535	-	(21,731)	75,804
GMC Truck	11,672	-	(11,672)	-
	<u>\$ 291,237</u>	<u>-</u>	<u>\$ (77,221)</u>	<u>\$ 214,016</u>

The following is a schedule, by year, of future minimum lease payments under capital lease, together with the present value of minimum lease payments at June 30, 2011:

Year ending June 30,	Governmental Activities
2012	\$ 171,236
2013	27,900
2014	27,900
Less amount representing interest	<u>(13,020)</u>
Present value of future minimum lease payments	<u>\$ 214,016</u>

The property under capital lease for governmental activities and the corresponding accumulated depreciation at June 30, 2011, is as follows:

	Governmental Activities
Machinery and equipment	\$ 616,504
Less: accumulated depreciation	<u>(444,495)</u>
	<u>\$ 172,009</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 11. CLASSIFICATION OF NET ASSETS

In the Government-Wide Financial Statements, net assets are classified in the following categories:

Invested in Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure in future years, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Assets – This category represents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provision or enabling legislation. Net assets are presented restricted by major purpose.

Unrestricted Net Assets – This category represents the net assets of the City which are not restricted for any project or other purpose.

In the Fund Financial Statements, commitments and assignments segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various commitments and assignments are established by actions of the City Council and Management and can be increased, reduced or eliminated by similar actions.

NOTE 12. DEFICIT FUND BALANCES

At June 30, 2011, there were no funds with deficit fund balances.

NOTE 13. DEFERRED COMPENSATION PLAN

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

In accordance with Governmental Accounting Standards Board Statements No. 32, the City has removed the balances related to the deferred compensation plan as of June 30, 1998, as these amounts represent neither assets nor liabilities to the City, and the plan is administered by an independent third party.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 14. EMPLOYEE BENEFIT PLANS

Plan Description and Provisions - All City of Bozeman full-time employees participate in one of three statewide cost-sharing multiple-employer retirement benefit plans administered by the Public Employees Retirement Division (PERD). Contributions to the three plans are as required by State statute. Fiscal years 2011 and 2010 total payroll and covered payroll for all retirement plans were \$17,419,875 and \$17,305,572, respectively. Financial information for all three plans is reported in the Public Employees' Retirement Board's published *Comprehensive Annual Financial Report* for the fiscal year end. It is available from the PERD at 100 North Park Avenue, Suite 220, P.O. Box 200131, Helena, MT 59620-0131. The authority to establish, amend and provide cost of living adjustments to all three plans is assigned to the State legislature. The authority to establish and amend contribution rates to all three plans is also assigned to the State legislature.

Public Employees' Retirement System (PERS)

All City employees, except firefighters and police officers, are provided pension benefits by this multi-employer plan. Funding is provided by participating units of government and their covered employees. Plan members are required to contribute 6.9% of their compensation. The City contributes 7.07% and the State of Montana contributes 0.1% (on behalf of the City), of members' compensation. One hundred percent of required contributions were made for all three years. Total covered payroll for the City and total contributions to the plan by the employees and by the City for the year ended June 30, 2011 and the two previous years is presented in the following table:

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	Total Contributions
2011	\$ 11,003,546	\$ 759,245	\$ 777,951	\$ 1,537,196
2010	11,435,097	789,022	808,792	1,597,814
2009	11,430,913	788,733	792,386	1,581,119

Defined Benefit Retirement Plan (DBRP) - Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 years of service regardless of age. Rights become vested after 5 years of service.

Defined Contribution Retirement Plan (DCRP) – Participants may elect the defined contribution plan, in which the contributions into the plan are known, but the benefit is not. The retirement benefit received is based upon account balance, which is determined by contributions made plus investment earnings, or losses, less administrative costs.

The total number of participating employees in both the defined benefit and defined contribution plans at the City at June 30, 2011 is 224.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 14. EMPLOYEE BENEFIT PLANS

Firefighters' Unified Retirement System (FURS)

Funding is provided by units of local government, their covered employees and the State of Montana. Plan members are required to contribute 10.7% of monthly compensation, since all employees have elected to be covered under the guaranteed annual benefit adjustment (GABA). The City contributes 14.36% and the State of Montana contributes 32.61% of members' compensation. One hundred percent of required contributions were made for all three years. Total covered payroll for the City and total contributions to the plan by the employees and by the City for the year ended June 30, 2011 and the two previous years is presented in the following table:

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	Total Contributions
2011	\$ 2,884,700	\$ 308,663	\$ 414,243	\$ 722,906
2010	2,747,949	294,031	394,606	688,637
2009	2,441,975	261,291	350,668	611,959

Participants are eligible for benefits after 5 years of service and age 50. The benefit for participants hired prior to July 1, 1981 who have attained 50 years of age and 20 years of service is 50% of the monthly salary last received by the participant. Also, an additional 1% for each year of service in excess of 20 years, not to exceed a maximum of 60% of the recipient's latest monthly salary. A participant hired on or after July 1, 1981, or who retires prior to completion of 20 years of service, receives a benefit equal to 2.5% of average salary for each year of service, not to exceed 60%. Salary is averaged over the last 36 months for those hired on or after July 1, 1981. Rights become vested after 5 years of service. The total number of participating employees at the City of Bozeman at June 30, 2011 is 40.

Municipal Police Officers' Retirement System (MPORS)

Funding is provided by local units of government, their covered employees, and the State of Montana. Plan members are required to contribute 9% of their compensation. The City contributes 14.41% and the State of Montana contributes 29.37% of members' compensation. One hundred percent of required contributions were made for all three years. Total covered payroll for the City and total contributions to the plan by the employees and by the City for the year ended June 30, 2011 and the two previous years is presented in the following table:

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	Total Contributions
2011	\$ 3,531,629	\$ 317,847	\$ 777,951	\$ 1,095,798
2010	3,122,526	281,027	808,792	1,089,819
2009	2,941,231	264,711	792,386	1,057,097

Participants are eligible for retirement benefits after 20 years of service and age 50. The minimum age requirement does not apply to participants first employed prior to July 1, 1975. The benefit is 1/2 of average monthly salary during the highest 36 consecutive months of earnings plus 1% of average monthly salary for each additional year of service in excess of 20 years, to a maximum of 60%. Benefits are paid as a modified cash refund annuity. Rights become vested after 5 years of service. The total number of participating employees at the City at June 30, 2011 is 60.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

In addition to providing a deferred compensation plan, the City provides other post-employment benefits (OPEB) allowing its retired employees to continue their medical, dental and vision care coverage through the City's group health plan until death (Retiree Health Plan). The plan allows retirees to participate, as a group, at a rate that does not cover all of the related costs. This results in the reporting of an implied rate subsidy in the financial statements and footnotes. The City's contract with Allegiance Benefits details the plan eligibility. MMIA is the administrator of the benefit plan which covers both active and retired members. In accordance with MCA 2-18-704, the City's retirees may continue coverage for themselves and their covered eligible dependents if they are eligible for public employees' retirement by virtue of their employment with the City of Bozeman. The City's current labor contracts do not include any obligations for payments to retirees. The City also allows terminated employees to continue their health care coverage for 18 months past the date of termination as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

OPEB is recorded on an accrual basis for all enterprise and internal service funds. OPEB is recorded on a modified accrual basis for the governmental funds. Plan contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Funding Policy. The plan is unfunded by the City and plan members receiving benefits contribute 100 percent of their cost of the benefits on a pay-as-you-go basis. The City plan's administratively established retiree medical, dental and vision premiums vary between \$37 and \$912 per month depending on the medical plan selected, family coverage, and Medicare eligibility. The plan provides different coinsurance amounts depending on whether members use preferred, non-preferred, or other hospitals. For a single individual, after an annual deductible of \$300 for most non-Medicare-eligible retirees, the plan reimburses 70% for the first \$500 medical claims and 100% thereafter. For a family, after an annual deductible of \$600 for most non-Medicare-eligible retirees, the plan reimburses 70% for the first \$1,000 medical claims and 100% thereafter. For fiscal year ended June 30, 2011, the City has 38 retired members receiving benefits.

Annual OPEB Cost and Net OPEB Obligation. The City's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer (ARC)*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a closed amortization period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 263,074
Interest on net OPEB obligation	58,882
Adjustment to annual required contribution	<u>(85,130)</u>
Annual OPEB cost (expense)	236,826
Contributions made	<u>(100,543)</u>
Increase in net OPEB obligation	136,283
Net OPEB obligation - beginning of year	1,472,055
Net OPEB obligation - end of year	<u><u>\$ 1,608,338</u></u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year ended June 30, 2011 and the two preceding fiscal years were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 808,096	6.32%	\$ 757,020
June 30, 2010	\$ 794,598	10.01%	\$ 1,472,055
June 30, 2011	\$ 236,826	42.45%	\$ 1,608,338

The June 30, 2011 year end OPEB obligation is reported in the City's funds as follows:

<u>Functions/Programs</u>	<u>Expenses</u>
Primary Government:	
Governmental activities:	
General government	\$ 268,020
Public safety	528,260
Public service	149,976
Public welfare	347,412
Total governmental activities	<u>1,293,668</u>
Business-type activities:	
Water	137,759
Waste water	86,789
Solid waste	68,217
Parking	21,905
Total business-type activities	<u>314,670</u>
Total primary government	<u>\$ 1,608,338</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

Funded Status and Funding Progress. The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The City has elected not to fund this liability.

Actuarial Methods and Assumptions. As of July 1, 2010, the most recent valuation date, the City's actuarially accrued liability (AAL) for benefits was \$2,203,253. The AAL by status breakdown is shown below:

Actives	\$ 1,459,180
Retirees, Dependents and Surviving Spouses	<u>744,073</u>
Total AAL	<u><u>\$ 2,203,253</u></u>
Normal Cost	\$ 130,444
Impact on Statement of Activities	
Annual OPEB Cost	\$ 236,826
Impact on Statement of Net Assets	
Assumed Contributions	\$ 100,543
Net OPEB Obligation at June 30	\$ 1,608,338
Participant Information	
Actives	266
Retirees, Dependents and Surviving Spouses	<u>68</u>
Total	<u><u>334</u></u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (Continued)

The following key assumptions were chosen by the City:

1. Discount Rate: 4.0%
2. Expected Long Term Rate of Return on Assets: 4.0%
3. Healthcare Cost Increases: 8.5% for 2012, 8.0% for 2013, 7.5% for 2014, 7.0% for 2015, 6.5% for 2016, 6.0% for 2017, 5.5% for 2018, 5.0% for 2019 and thereafter.
4. Average Salary Increase: 4.0%
5. Retirement Rates: Based upon the separate rates used to value the pension obligations for Police Officers, Firefighters, and all other employees, respectively.
6. Retiree Participation Rate: 30%
7. Marital Assumption: For future retirees, 60% of participants are assumed to be married, with husbands 3 years older than wives.

The Projected Unit Credit Actuarial Cost Method was used to determine the annual required contribution. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples, as detailed above, include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations, and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

This report constitutes the only analysis and presentation of the City's post-employment benefit plan. There is no separate, audited GAAP-basis post-employment benefit plan report.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 16. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement, and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility.

Joint ventures are legal entities or other organizations that result in a contractual arrangement, and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility. As of June 30, 2011, the City has entered into joint venture contractual arrangements, as described below.

911 Communication Center

The City and Gallatin County, Montana (the County) have entered into an inter-local agreement for the purposes of establishment of the operation and financing of a 911 communication services division (the Division) for dispatch and records services, to define the relationship of the Administrative Board with the City and County, and to establish the line of authority for personnel furnishing the communication services to the City and County and others who may contract for the services.

Though the City has no equity interest in the Division, the City has indirect access to the joint venture's resources, as the Division's purpose is of direct interest to the City, and the City has the ability to influence the management of the Division. In addition, the City and County have agreed to pay 45% and 55% of the Division expenditures, respectively. The agreement expired December 19, 2005, and automatically renewed until terminated by either party. Financial information regarding the Division can be obtained by contacting Shelley Vance, Gallatin County, Clerk and Records Office, 311 West Main, Bozeman, MT 59715.

City-County Drug Forfeitures

The City and Gallatin County, Montana (the County) have entered into an inter-local agreement for the purposes of establishment of a joint drug forfeiture account funded from drug related forfeitures, seizures and prosecutions of City and County law enforcement cases and to establish an equitable means of distributing those funds to continue drug interdiction activities. The goal of the agreement is to make the City and County Drug Enforcement operations less reliant on the general and public safety fund monies of the City and County. The original term of the agreement was for a period of one year, beginning September 20, 2004 and automatically renews for a period of one year until terminated by either party with written notice of intent to terminate. Financial information regarding the joint drug forfeiture account can be obtained by contacting the City of Bozeman Department of Finance, 411 East Main Street, Bozeman, MT 59715.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 17. RESTRICTED ASSETS

At June 30, 2011, the balances of restricted asset accounts for business-type activities are as follows:

	Business-Type Activities				
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	Total
Restricted by revenue bond covenants					
For debt service	\$ -	\$ -	\$ -	\$ -	\$ -
For bond reserve	-	1,727,351	-	-	1,727,351
For operations	-	-	-	-	-
Restricted by ordinance					
Cash in lieu of parking	-	-	-	72,967	72,967
Impact fees	8,521,870	677,401	1,660,877	-	10,860,148
	<u>\$ 8,521,870</u>	<u>\$ 2,404,752</u>	<u>\$ 1,660,877</u>	<u>\$ 72,967</u>	<u>\$ 12,660,466</u>

NOTE 18. INTERFUND TRANSFERS AND ASSETS/LIABILITIES

A summary of interfund transfers reported in the fund financial statements for the year ended June 30, 2011 follows:

	Transfers From							Total
	Governmental Funds				Proprietary Funds			
	General Fund	Impact Fees	SID Sinking	Capital Projects	Nonmajor Governmental	Water	Waste Water	
General Fund	\$ -	\$ 346,726	\$ -	\$ 126,182	\$ 1,784,057	\$ -	\$ -	\$ 2,256,965
Impact Fees	-	-	-	-	-	-	-	-
SID Sinking	-	-	-	1,548,798	-	-	-	1,548,798
Capital Projects	243,722	-	-	-	-	-	-	243,722
Nonmajor Governmental	575,234	-	1,919,827	-	441,188	-	-	2,936,249
Water Enterprise	-	-	-	-	86,590	-	-	86,590
Wastewater Enterprise	-	-	-	-	86,590	-	-	86,590
Parking Enterprise	-	-	-	-	10,000	-	-	10,000
Vehicle Internal Service	-	-	-	-	86,590	350,215	350,216	787,021
Health Insurance Internal Service	-	-	-	-	-	-	-	-
Total	<u>\$ 818,956</u>	<u>\$ 346,726</u>	<u>\$ 1,919,827</u>	<u>\$ 1,674,980</u>	<u>\$ 2,495,015</u>	<u>\$ 350,215</u>	<u>\$ 350,216</u>	<u>\$ 7,955,935</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 18. INTERFUND TRANSFERS AND ASSETS/LIABILITIES (Continued)

Transfers are used to (1) move revenues from the fund that statute or budgets requires to collect them to the fund that statute or budgets require to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) to transfer non-restricted interest income from the permanent fund to the general fund.

A summary of due from/to other funds at June 30, 2011, is as follows:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General Fund	\$ 566,288	\$ -
Nonmajor Funds:		
Special Revenue Funds		
Departmental Special Revenues	-	509,676
Street Lighting	-	33,924
Debt Service Funds		
GO Bonds	-	22,688
	<u>\$ 566,288</u>	<u>\$ 566,288</u>

Interfund balances reported as due from or due to other funds are a result of transfers for reporting purposes to cover negative cash balances within a fund. These transfers are reversed as cash becomes available in a fund where cash previously had been in a deficit.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 19. RISK MANAGEMENT

The City 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 cost of employees. A variety of methods are used to provide insurance for these risks. Commercial policies, transferring all risks of loss except for small deductible amounts, are purchased for property and content damage and professional liabilities. The City participates in two state-wide public risk pools operated by the Montana Municipal Interlocal Authority, for workers' compensation and for tort liability. Employee medical insurance is provided through a privately-administered, partially self-insured plan. Given the lack of coverage available, the City has no coverage for potential losses from environmental damages.

Commercial Policies

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the City's Enterprise Funds and the General Fund. Premiums are subsidized through a special purpose property tax levy, based on total appropriations. Settled claims resulting from these risks did not exceed commercial insurance coverage during the three years ended June 30, 2011, 2010, and 2009.

Public Entity Risk Pools

In 1986, the City joined together with other Montana cities to form the Montana Municipal Interlocal 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, and \$12.5 million per occurrence for any claim that is not subject to the limitations on governmental liability, as described in Montana Code Annotated Section 2-9-108 (the Statute) or any successor statute, either as matter of law, by operation of the Statute, or by a judicial determination that the Statute is inapplicable or is otherwise invalid, with \$11,250 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays premiums 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. The tort liability plan and workers' compensation program issued debt of \$4.41 million and \$6.155 million, respectively, to immediately finance the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenues were insufficient to cover the debt service; the debt was retired in 2011.

The City also owns a policy with MMIA for loss or damage to property. This is an all risk policy, essentially all property owned by the City being insured for 100% of replacement cost, subject to a \$5,000 deductible per occurrence. MMIA reinsures their property insurance with a national municipal pool, Public Entities' Property Insurance.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 19. RISK MANAGEMENT (Continued)

Self- Insurance

Starting in 1992, the City has provided medical insurance coverage for its employees via a partially self-insured plan administered by Blue Cross/Blue Shield. It provides medical, dental, and vision benefits and is operated as an Internal Service Fund. Rates are determined in consultation with Blue Cross/Blue Shield based on past claim experience for the coming year plus an administrative fee. The rates include a premium for a commercial "stop-loss" policy for when individual claim exceeds \$75,000 in covered charges during a year. A reconciliation of claims payable follows:

	<u>June 30, 2011</u>	<u>June 30, 2010</u>
Claims payable, beginning of year	\$ -	\$ -
Claims incurred during year	3,133,905	3,227,963
Claims paid during year	<u>(3,133,850)</u>	<u>(3,227,963)</u>
Claims payable, end of year	<u>\$ 55</u>	<u>\$ -</u>

On July 1, 2006 the City began purchasing employee health insurance from the Montana Municipal Interlocal Authority's Employee Health Benefits program; as of that date the City was no longer self-funded for health insurance claims. The fiscal year ending June 30, 2006 was the last year that the City was self-funded for employee health insurance claims. Over the course of the next months, the City paid claims that had been incurred but not reported as of June 30, 2006. On May 22, 2007, the City's self-funded program administrator informed the City that they were closing out administration of Bozeman's FY06 Self-Insured Health Benefits fund. The fund was closed because all incurred claims under the self-funded plan had been reported and paid. Going forward, as a purchaser of health insurance coverage, the City will have not "incurred but not reported" liabilities.

NOTE 20. CONTINGENCIES

Delaney & Company v. City of Bozeman

On December 23, 2009, the Montana Supreme Court upheld a jury verdict in *Delaney and Co. v. City of Bozeman* in favor of the plaintiff for \$3,000,000. As the named defendant, this judgment is a legal obligation of the City of Bozeman. The City asserts coverage exists under the Memorandum of Liability Coverage with the MMIA; however, the MMIA disputes coverage for the judgment. Nevertheless, following the decision by the Montana Supreme Court, the MMIA and the City agreed the MMIA would pay the judgment. The agreement conditioned the MMIA's payment that should a court of record finally determine the MMIA is obligated to provide coverage for all or a portion of the judgment the City would be obligated to reimburse the MMIA for only that portion of the judgment for which a court determines no coverage exists.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 20. CONTINGENCIES (Continued)

City of Bozeman v. Montana Municipal Interlocal Authority

This litigation is a civil claim asserted by the City of Bozeman for the purposes of determining insurance coverage for a \$3 million judgment in *Delaney v. City of Bozeman*. At this time, issues which are central to determining the obligation of MMIA and its reinsurer to indemnify the City of Bozeman for the judgment have been briefed, argued and await ruling by Judge Seeley in the First Judicial District Court for the State of Montana, County of Lewis & Clark. The City is litigating the claim aggressively, but pursuit of an out-of-court settlement has been discussed and may be a possibility in the future. The likelihood of an unfavorable outcome is difficult to measure in the context of a claim for insurance coverage, given the complexity of the issues involved; however, there is a possibility that MMIA could succeed in its coverage defenses. The range of potential loss is \$1 million to \$3 million.

City of Bozeman v. Moore, O'Connel & Refling

This litigation is a civil claim asserted by the City of Bozeman for the purposes of preserving the City's claims against its former counsel in the *Delaney v. City of Bozeman* litigation. This case has only been filed and has not yet been served. Depending on the outcome in the *City of Bozeman v. Montana Municipal Interlocal Authority*, this claim may or may not be pursued at some undetermined point in the future. As such, there has been no activity with reference to the case and the likelihood of an unfavorable outcome cannot be projected.

Baxter Meadows Development v. City of Bozeman (Baxter I)

Baxter Meadows started as a subdivision of approximately 460 acres in northwest Bozeman. In September of 2002, the developer sold 100 acres to Gallatin County for a regional park. The sales price was \$200,000 less than the appraised value at the time, and Baxter Meadows sought to have the City of Bozeman ("City") give it credit toward parkland requirements for the subdivision, based on the reduction in the sales price, improvements Baxter Meadows is constructing in the regional park, and the proposed transfer of five acres in Baxter Meadows to the YMCA. The City declined to do that, and Baxter Meadows filed a lawsuit asking the court to order the City to grant the credit. Because the lawsuit is what is referred to as a mandamus action, if the plaintiff prevails it could recover its costs and attorney's fees from the City. Baxter Meadows has also asked the court to award it money damages from the City. In the spring of 2010, we were advised by the plaintiff's attorney that the real estate in question was being placed for sale by the developer, and both parties agreed to suspend progress of the lawsuit until a later date. Although the court had established deadlines for certain activity in the case, the parties agreed to vacate those deadlines. In late 2010, the City was advised that the property in question had been transferred to a creditor of the developer. The City recently confirmed that much, if not all, of the land in question is now owned by First Interstate Bank of Bozeman.

On or about November 10, 2011, the court set a status conference in this case for January 10, 2012. First Interstate Bank applied to the City of Bozeman for final plat approval of a portion of the property which is the subject of this litigation. The final plan was approved on consent by the Commission on December 12, 2011. The City intends to pursue whether the change in ownership of the property will provide a basis to have this lawsuit dismissed by the court. The likelihood of an unfavorable outcome in this case is low. However, in the event the plaintiff prevails in this case, the potential loss for the City of Bozeman would almost certainly be in excess of \$10,000, and could exceed \$300,000.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 20. CONTINGENCIES (Continued)

Baxter Meadows Development v. City of Bozeman (Baxter II)

The Baxter Meadows project was most recently being developed in phases, with several phases having reached final plat approval. Three phases of the project had reached preliminary plat approval. Those three phases are the subject of this litigation, and the preliminary plat approval was granted on February 2, 2004. That approval was for the maximum time allowed by law, three years. In early 2007, Baxter Meadows sought a one-year extension of that preliminary plat approval, and the City granted that extension on February 2, 2007. Baxter then sought a second one-year extension, which the City granted, with conditions, in January of 2008. Baxter objected to some of the conditions imposed by the City, and filed this lawsuit. As with the case mentioned above, Baxter is asking for a writ of mandamus, requiring the City to grant further extension of the preliminary plat approval. As with the first Baxter Meadows case, the parties have agreed to vacate scheduling deadlines set by the court, and suspend this litigation for an indefinite period. Our comments above, with respect to new ownership of the property, possible final plat approval of one phase of the project, and a possible motion to dismiss the case, all apply to this litigation. Additionally, as mentioned above, a status conference for this case will be held on January 10, 2012. If we are unable to have the case dismissed, and the case is reactivated, we will vigorously defend the City's position. We feel there is ample evidence that the City acted fairly and appropriately, and in conformance with state and local law. We do not see a strong need for an out-of-court settlement of this case. We believe that the likelihood of an unfavorable outcome in this case is low. However, if the plaintiff were to prevail at trial, damages for lost property value, delay in developing the subdivision, and attorney's fees, could be substantial. Such an award of damages would certainly exceed \$10,000, and could exceed \$500,000.

Red Mountain Retail Group, Inc., and Bozeman Shopping Center, LLC v. City of Bozeman

The plaintiffs in this case own and operate what is commonly known as the Hastings Shopping Center on Main Street in Bozeman. This lawsuit arose from a dispute over an improvements agreement entered into between Bozeman Shopping Center and the City of Bozeman, in October of 2005. In May of this year, the plaintiffs filed a complaint in the Gallatin County District Court, claiming that in August of 2008, the City had wrongly issued a notice of violation against Bozeman Shopping Center, and that the notice of violation interfered with the plaintiffs' ability to operate the shopping center. The complaint also claims that the plaintiffs had a prospective tenant for one portion of the shopping center, and that city staff had told the prospective tenant that it could not make improvements to or occupy the shopping center until the plaintiffs made certain improvements to the exterior of the structure. The complaint requests that the court declare the City's actions to be unlawful and void, to award money damages to the plaintiffs and to further award the plaintiffs their attorney's fees and costs. In July, the City filed an answer to the complaint, and in early November, the court issued a scheduling order setting deadlines in the case. The parties are presently in the process of obtaining information about each other's claims and defenses. The City of Bozeman will defend this case on its merits. Over the last four years, the City has attempted to work with the developer to meet the needs of both parties. We believe that the City has acted fairly and reasonably, and in full compliance with state law and the City's Unified Development Ordinance. In 2011, this case proceeded through the discovery process, depositions were taken, and the parties agreed to non-binding mediation. Mediation was held on August 9, 2011, and the parties reached agreement for settlement of the case. The settlement required that the City withdraw a notice of violation that had been recorded against the real estate in question, and the developer agreed to dismiss this litigation and comply with all city ordinances and regulations for further improvements or redevelopment. Each party paid its own costs and attorney's fees, and no additional consideration was exchanged. On September 29, 2011, the litigation was dismissed with prejudice.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 20. CONTINGENCIES (Continued)

Cascade Development, Inc. v. City of Bozeman

This litigation arises from a dispute between the developer, Cascade Development, Inc. (“Cascade”) and the City of Bozeman over a proposed real estate development in Bozeman. The dispute involves roads in a neighboring subdivision, as well as conditions imposed by the City involving affordable housing requirements and other matters. Cascade filed its complaint against the City on December 7, 2007. A summons was issued at that time, but Cascade did not attempt service upon the City until December of 2010. On December 2, the summons and complaint were served upon an Assistant City Attorney. The City objected to the manner of service by Cascade, since an Assistant City Attorney is not a person specifically authorized to accept service on behalf of a municipality. Furthermore, the City asked that the case be dismissed, since Montana law requires that a summons be properly served within three years after it is issued. On July 29, 2011, the District Court issued an order granting the City’s motions and dismissing the case. Thereafter, Cascade filed a notice of appeal with the Montana Supreme Court, and the matter is now proceeding through the appellate process. The City of Bozeman will defend this case vigorously. The City believes that the District Court’s decision to dismiss the case is based upon solid legal reasoning, and that there is a very good chance that the Montana Supreme Court will affirm the District Court’s decision. The City does not intend to seek an out-of-court settlement. We do not believe that an unfavorable outcome is likely in this case. If the plaintiff succeeds in having the District Court’s decision reversed, and ultimately prevails on its claims, the potential loss would certainly exceed \$10,000 and could exceed \$100,000.

The City is involved with numerous other lawsuits which arise out of the normal course of operations by the City. Management of the City intends to vigorously defend each claim and believes no material losses will be incurred on such claims. The following is list of pending litigation where an unfavorable outcome is possible but not likely:

	<u>Possible Adverse Verdict</u>
<u>Josephs v. City of Bozeman</u>	\$100,000 - \$200,000
<u>Verdi v. City of Bozeman</u>	\$150,000 - \$200,000
<u>Montana Fair Housing v. City of Bozeman</u>	\$ 50,000 - \$100,000
<u>Hanson v. City of Bozeman</u>	\$ 0 - \$ 5,000
<u>Semerau v. City of Bozeman</u>	\$ 60,000 - \$ 90,000

NOTE 21. SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after final closure. The \$1,660,877 reported as landfill closure and post-closure care liability at June 30, 2011, represents the cumulative amount reported to date based on the use of 95% of the total capacity of the landfill. This amount represents a \$92,891 decrease from the \$1,753,768 liability reported in 2010 due actual closure and post-closure costs incurred during the year. The City stopped accepting waste effective June 30, 2008. The final capping of the cells is still pending. In 2011, the City budgeted for, and funded, landfill closure and post-closure care liability through normal operations and is in compliance with EPA requirements.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 22. SEGMENT INFORMATION FOR WATER ENTERPRISE FUND

The City's Water Fund accounts for the City's water utility operations and collection and administration of water impact fees. Segment information for the utility operations, excluding impact fees, is as follows:

<u>Condensed Statement of Net Assets</u>	
Current assets	\$ 11,663,341
Capital assets	87,728,056
Other assets	-
Total assets	<u>\$ 99,391,397</u>
Current liabilities	\$ 695,440
Noncurrent liabilities	-
Total liabilities	<u>695,440</u>
Invested in capital assets, net of related debt	87,728,056
Restricted for debt service	-
Unrestricted	<u>10,967,901</u>
Total net assets	<u>98,695,957</u>
Total liabilities and net assets	<u>\$ 99,391,397</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 22. SEGMENT INFORMATION FOR ENTERPRISE FUND (Continued)

Condensed Statement of Revenues, Expenses and Changes in Net Assets	
OPERATING REVENUES AND EXPENSES	
Operating revenues	\$ 6,013,211
Operating expenses	
Depreciation	7,721,446
Other operating	3,830,779
Total operating expenses	<u>11,552,225</u>
Operating loss	<u>(5,539,014)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	146,133
Interest expense	(1,070)
Grant income	1,466
Gain on sale of assets	543
Contributions of infrastructure	3,019,860
Other income	92,743
Transfers	<u>(350,215)</u>
Total nonoperating revenues	<u>2,909,460</u>
Change in net assets	(2,629,554)
NET ASSETS, beginning of year	<u>101,325,511</u>
NET ASSETS, end of year	<u>\$ 98,695,957</u>
<u>Condensed Statement of Cash Flows</u>	
Net cash provided by operating activities	\$ 2,404,139
Net cash flows from capital and related financing activities	(30,062)
Net cash flows from noncapital and financing activities	(256,006)
Net cash flows from investing activities	<u>(3,173,172)</u>
Net increase (decrease) in cash flows	(1,055,101)
Beginning cash and equivalents	<u>12,235,758</u>
Ending cash and equivalents	<u>\$ 11,180,657</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 JUNE 30, 2011

NOTE 23. IMPACT FEES

On January 22, 1996, the City Commission adopted fire, water, waste water and street impact fees in Ordinance number 1414. The impact fees were first effective on March 23, 1996. Impact fees were set at a percentage of the cost of the impact, as follows:

	Original, as of March 23, 1996	Change as of May 10, 1998	Change as of January 15, 1999	Change as of July 15, 1999
Fire impact fee	90%	90%	90%	90%
Water impact fee	35%	50%	90%	90%
Waste water impact fee	35%	50%	90%	90%
Street impact fee	10%	10%	75%	90%

An applicant may obtain an Impact Fee Credit by dedication of non-site-related land or construction of non-site-related improvements. Credits must be made before the beginning of improvement construction, must comply with the City's Capital Improvements Program, and must be approved by the City Commission. Credits may be used only for like-type impact fees. The full provisions for impact fee credits are contained in Chapter 3.24 of the Bozeman Municipal Code. For proprietary type funds, the City records a liability for the impact fee credit and capitalizes the underlying asset. For governmental type funds the credits are only disclosed in the footnotes. For government-wide financial reporting the outstanding credits are reported as unearned revenue. The Water Impact Fee Fund, Street Impact Fee Fund, and Wastewater Impact Fee Fund have recorded impact fee credits amounting to \$33,232, \$305,200, and \$208,454, respectively, as of June 30, 2011. The Fire Impact Fee Fund does not have any outstanding credits. The following impact fee revenues were collected and expensed/expended during fiscal year 2011:

	Beginning balances	Impact fees	Other income	Expenses, expenditures and transfers	Ending balances
Fire	\$ 298,089	\$ 190,293	\$ 4,432	\$ (346,726)	\$ 146,088
Water	8,734,160	713,388	98,554	(85,120)	9,460,982
Waste water	287,471	636,878	31,844	(25,234)	930,959
Streets	7,258,195	1,208,135	94,886	(657,958)	7,903,258
Total	<u>\$ 16,577,915</u>	<u>\$ 2,748,694</u>	<u>\$ 229,716</u>	<u>\$ (1,115,038)</u>	<u>\$ 18,441,287</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 24. POLLUTION REMEDIATION OBLIGATIONS

Jewel v. City of Bozeman / State of Montana v. City of Bozeman

This action was filed in the United States District Court for the District of Montana. The multi-count complaint reduced itself to a cost recovery action under the Federal Superfund (CERCLA) and State Superfund (CECRA). On July 8, 1999, the City, Jewel Food Stores, Inc. and the other parties reached a final settlement agreement in this action. The settlement, in part, required Jewel Food Stores, Inc. to pay the City of Bozeman \$1,200,000, the City and Jewel to extend alternative water supply to businesses and residents in the North 19th Avenue area of the City; and Jewel and the City to share specified remediation costs on an equal basis (50% each) up to a cumulative amount of \$4,000,000, and for eligible costs in excess of that amount, to be shared 70% by Jewel and 30% by the City. The City is reimbursed by insurers for 23% of the City's expenditures for these purposes.

The Montana Department of Environmental Quality (MDEQ) issued the Record of Decision (ROD) for the Bozeman Solvent Site in August 2011. The City is now in the process of approving and executing the Administrative Order of Consent (AOC) along with CVS Pharmacy and MDEQ. The AOC serves as the legal mechanism for the implementation of the selected remedies identified in the ROD. The City Commission approved the AOC on December 5, 2011. Following the execution of the AOC by all parties, final remediation may begin at the Bozeman Solvent Site. Though remediation may be completed relatively quickly, monitoring of the site will continue for a period of up to 30 years. The present worth value of the selected remedy as estimated in the ROD is \$5,876,259. Using the expected cash flow technique, the liability is recorded at current value in the Waste Water Fund at \$2,343,044 (City's share is 40%).

CMC Asbestos Bozeman CECRA Facility

In 2001, the City purchased the former CMC Heartland Partners property, the main portion of the CMC Asbestos Bozeman CECRA Facility ("Facility"), in order to build a new public library. The City submitted a *Voluntary Cleanup Plan* ("VCP") pursuant to Montana statutes, to the Department of Environmental Quality ("DEQ") in order to remediate contamination within the Facility. The DEQ approved the City's VCP on December 20, 2002. The City implemented the VCP and its addendums and submitted a *Voluntary Cleanup Completion Report for the CMC East Main Depot Site* in August 2004. In 2003, at the commencement of the remedial activity, the City of Bozeman petitioned the DEQ for an allocation of liability at the facility. Montana statutes provide a voluntary process (CALA) that allows potentially liable parties to petition for an allocation of liability as an alternative to the strict, joint and several liability scheme included in state law. CALA involves negotiations designed to allocate liability among persons involved at the facility, including bankrupt or defunct persons, referred to as the "orphan shares." CALA also provides the funding for the orphan share of the cost of remediation. An agreement was reached that allocates 79% liability to the orphan shares.

The allocation agreement requires the City to complete remedial actions at the facility. The City retained the services of an environmental engineering firm, Tetra Tech, to prepare a Supplemental Investigation (SI) Work Plan. The plan was approved by the DEQ and implemented from December 2007 through June 2008. Tetra Tech's Final SI Report was submitted to DEQ on June 20, 2008. This report describes the contaminated soils remaining at the Facility and provides recommendations for corrective actions. The recommendation for corrective action involves a DEQ-approved Addendum to the City's original Voluntary Cleanup Plan.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 24. POLLUTION REMEDIATION OBLIGATIONS (Continued)

CMC Asbestos Bozeman CECRA Facility (Continued)

At the City's request, the DEQ made a hardship determination for the City on August 8, 2007, pursuant to state statute. This hardship determination means that the City is eligible to have all of its ongoing actual documented remedial action costs reimbursed, subject to eligibility, as soon as the City expends the money.

In the first phase of remediation the City spent approximately \$2.4 million. State statute limits reimbursement from the orphan share fund to "eligible" remedial action costs incurred after the date of the CALA petition. DEQ determined that \$2.1 million of the City's costs were eligible. The 79% proportional share that the City may be reimbursed is approximately \$1,663,718.

The statute also provides that costs may not be reimbursed until all remedial actions are complete. However, DEQ agreed to reimburse a portion of the past cleanup costs in recognition of the City's commitment and good faith efforts to keep moving forward with completion of the cleanup. Last year the DEQ paid the City \$831,859.

The City submitted its construction completion report/petition for closure in September 2009. DEQ is reviewing the report and will provide comments. The DEQ is still reviewing various invoices and the documentation of certain remaining costs. The remaining reimbursement amount owed by DEQ to the City can be estimated by determining the appropriate allocation of that total amount to the orphan share. By the end of the cleanup project, the City expects to receive 79% of the estimated total eligible costs of \$4,449,092, which amounts to \$3,514,782. To date, all payments from DEQ have been received, leaving no estimated remaining reimbursement amount.

As of June 30, 2011, the City has accrued \$16,874 on the entity-wide financials for governmental activities, which is the potential remediation liability net of projected recoveries.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 25. MAJOR PURPOSE PRESENTATION

The table presented below displays the City's fund balances by major purpose as displayed on page 34 of the governmental funds balance sheet. Statement 54 requires the disclosure of the purpose of each Major Fund.

	General Fund	Street and Fire Impact Fees Special Revenue	SID Sinking Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Prepays	\$ -	\$ -	\$ -	\$ -	\$ 446,250	\$ 446,250
Cemetery perpetual care	-	-	-	-	553,214	553,214
Total nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>999,464</u>	<u>999,464</u>
Restricted						
General government	-	-	-	-	392,437	392,437
Public safety	-	-	-	-	378,908	378,908
Public service	-	8,049,347	-	-	4,471,026	12,520,373
Public welfare	-	-	-	-	989,386	989,386
Capital projects	-	-	-	243,772	-	243,772
Debt service	-	-	2,196,830	-	3,240,868	5,437,698
Total restricted	<u>-</u>	<u>8,049,347</u>	<u>2,196,830</u>	<u>243,772</u>	<u>9,472,625</u>	<u>19,962,574</u>
Committed						
Public safety	-	-	-	-	777,390	777,390
Public service	-	-	-	-	22,136	22,136
Public welfare	-	-	-	-	2,478,896	2,478,896
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,278,422</u>	<u>3,278,422</u>
Assigned						
Public safety	638,000	-	-	-	-	638,000
Culture and recreation	382,000	-	-	-	-	382,000
Capital projects	1,147,310	-	-	58,419	-	1,205,729
Budget ordinance minimum 16.67%	3,824,078	-	-	-	-	3,824,078
Total assigned	<u>5,991,388</u>	<u>-</u>	<u>-</u>	<u>58,419</u>	<u>-</u>	<u>6,049,807</u>
Unassigned						
Total fund balances	<u>\$6,897,250</u>	<u>\$8,049,347</u>	<u>\$2,196,830</u>	<u>\$ 302,191</u>	<u>\$ 13,750,511</u>	<u>\$ 31,196,129</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
JUNE 30, 2011

NOTE 26. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2011, the date on which the financial statements were available to be issued.

C. REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
 For the Year Ended June 30, 2011

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2011 for the Retiree Health Plan are as follows:

ANNUAL OPEB COST				
Retiree Health Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost	Net OPEB Obligation
	6/30/2009	\$ 808,096	6.32%	\$ 757,020
	6/30/2010	\$ 794,598	10.01%	\$ 1,472,055
	6/30/2011	\$ 236,826	42.45%	\$ 1,608,338

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 2,203,253
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 2,203,253</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	Not available
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c)	Not available

SCHEDULE OF FUNDING PROGRESS							
Retiree Medical Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
	7/1/2008	\$ -	\$ 4,899,179	\$ 4,899,179	0%	Not available	Not available
	7/1/2010	\$ -	\$ 2,203,253	\$ 2,203,253	0%	\$ 12,788,780	17.2%

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 GENERAL FUND
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 5,113,230	\$ 5,113,230	\$ 5,113,230	\$ -
Resources (inflows):				
Taxes	9,873,973	11,248,092	11,764,146	516,054
Special assessments	-	-	38	38
Licenses and permits	267,300	267,300	300,571	33,271
Intergovernmental	5,220,946	5,621,037	6,046,956	425,919
Charges for services	2,284,040	2,284,040	2,382,714	98,674
Fines and forfeitures	1,238,500	1,238,500	1,305,490	66,990
Sale of assets	-	-	4,167	4,167
Interest on investments	70,000	70,000	33,399	(36,601)
Transfers from other funds	4,009,399	2,209,399	2,256,965	47,566
Other	28,500	28,500	17,757	(10,743)
Amounts available for appropriation	<u>28,105,888</u>	<u>28,080,098</u>	<u>29,225,433</u>	<u>1,145,335</u>
Charges to appropriations (outflows):				
Current				
General government	5,490,414	5,503,620	5,169,311	334,309
Public safety	11,634,092	11,775,242	11,022,971	752,271
Public service	448,624	448,624	415,396	33,228
Public welfare	4,259,650	4,153,650	4,007,511	146,139
Capital outlay	799,800	810,280	536,457	273,823
Debt service	150,000	358,000	357,581	419
Transfers to other funds	562,371	819,371	818,956	415
Total charges to appropriations	<u>23,344,951</u>	<u>23,868,787</u>	<u>22,328,183</u>	<u>1,540,604</u>
Budgetary fund balance, June 30	<u>\$ 4,760,937</u>	<u>\$ 4,211,311</u>	<u>\$ 6,897,250</u>	<u>\$ 2,685,939</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET TO ACTUAL
 STREET AND FIRE IMPACT FEE SPECIAL REVENUE FUND
 Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 7,556,287	\$ 7,556,287	\$ 7,556,287	\$ -
Resources (inflows):				
Charges for services	750,000	750,000	1,398,428	648,428
Interest on investments	100,000	100,000	99,316	(684)
Other	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Amounts available for appropriation	<u>8,406,287</u>	<u>8,406,287</u>	<u>9,054,031</u>	<u>647,744</u>
Charges to appropriations (outflows):				
Current				
Public safety	17,500	-	-	-
Public service	-	-	-	-
Capital outlay	350,000	658,000	657,958	42
Transfers to other funds	<u>150,000</u>	<u>347,500</u>	<u>346,726</u>	<u>774</u>
Total charges to appropriations	<u>517,500</u>	<u>1,005,500</u>	<u>1,004,684</u>	<u>816</u>
Budgetary fund balance, June 30	<u>\$ 7,888,787</u>	<u>\$ 7,400,787</u>	<u>\$ 8,049,347</u>	<u>\$ 648,560</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS
 Year Ended June 30, 2011

	General Fund	Impact Fees
Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 29,225,433	\$ 9,054,031
Differences - budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(5,113,230)	(7,556,287)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,256,965)	-
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	(4,167)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 21,851,071	\$ 1,497,744
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 22,328,183	\$ 1,004,684
Differences - budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(818,956)	(346,726)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 21,509,227	\$ 657,958

D. SUPPLEMENTAL INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Departmental Special Revenues – Accounts for monies received and expended for projects relating to various City departments.

City Planning Board – Accounts for monies received from various sources including property taxes, fees, and County revenues. Expenditures are for short-term and long-term planning of City and adjacent County zones. Section 76-1-102 MCA provides that the purpose of City planning is to encourage local governments to improve the present health, safety, convenience, and welfare of the citizens.

Insurance – Accounts for property tax revenues received and transferred to the general fund for premiums and deductibles on group insurance coverage for City employees and City's property and liability insurance other than for proprietary funds. (The accounting for self insurance activities is captured in the Internal Service Funds.)

Gas Tax Apportionment – Accounts for revenues from State gasoline taxes apportioned from the State of Montana Department of Highways.

Drug Forfeitures – Accounts for monies received from fines and forfeitures of drug-related criminal prosecution, to be expended on drug law enforcement and education.

City-County Drug Forfeitures – Accounts for monies received from fines and forfeitures of drug-related criminal prosecution, from an inter-local agreement with Gallatin County, to be expended on drug law enforcement and education.

Beautification of Bozeman – Accounts for monies for special beautification projects throughout Bozeman.

Street and Tree Maintenance – Accounts for special assessment revenues levied, received, and expended for street and tree maintenance provided to specific property owners.

Law and Justice Center – Accounts for the receipt and expenditure of monies earmarked by the City Commission for the City's share of the Law and Justice Center renovation.

Special Projects – Accounts for the receipt and expenditure of Valley Unit Special Improvement District funds which are in excess of the amounts required to retire the outstanding SID indebtedness.

Community Transportation – Accounts for federal funding for highways, mass transit, and alternative transportation programs as defined by the Intermodal Surface Transportation Efficiency Act (ISTEA). Money is distributed on a per-capita basis.

Building Inspection – This fund was established to account for all activity of enforcing the building regulations adopted by the City. It includes all the money and staff associated with executing any aspect of the code enforcement program. Section 50-60-101 MCA established the code enforcement program requirement.

Highway Safety Improvement Projects – Accounts for grants, other revenues, and expenditure related to the U. S. Department of Transportation funded program to reduce number and severity of traffic accidents.

Economic Development Revolving Loan Fund – Accounts for revenues received and expended relative to loans made in accordance with the Community Development Block Grant Program, for economic development purposes.

Housing Revolving Loan Fund – Accounts for revenues received and expended relative to loans made in accordance with the Community Development Block Grant Program, for housing development purposes.

Community Housing – Accounts for money set aside by the City Commission and related expenditure for the establishment of safe, decent and affordable housing for low and moderate-income citizens.

Downtown Improvement District – In November 1995, the City adopted an Urban Renewal Plan for the downtown area. This fund accounts for the revenue and expenditures associated with the district.

Street Lighting – Accounts for special assessment revenues levied, received and expended for street and public highway lighting provided to specific property owners.

Park Land – Accounts for monies donated for the purpose of acquiring and developing City Parks.

Municipal Court Restitution – Accounts for checks that were canceled on the restitution checking account, per MCA 46-18-250.

DEBT SERVICE FUNDS

Special Improvement District (SID) Revolving – Accounts for property tax revenues received and expended for the payment of special improvement district bond principal and interest.

General Obligation Bonds Debt Service Fund – Accounts for the debt service payments associated with the Library and Transportation general obligation bonds.

Tax Increment Financing Bonds Debt Service Fund – Accounts for the debt service payments associated with the Tax Increment Urban Renewal Revenue Bonds issued as partial funding for the construction of a Downtown Intermodal Parking Facility.

PERMANENT FUNDS

Perpetual Cemetery Care- Accounts for 15% maintenance fee received from the sale of City cemetery plots which is to be used for perpetual care. The interest income from the trust is transferred to the general fund for use in maintaining the City's cemetery.

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2011

	Special Revenue Funds			
	Departmental Special Revenues	City Planning Board	Health-Medical Insurance	Gas Tax Apportionment
ASSETS				
Cash and cash equivalents	\$ 3,786,930	\$ 126,445	\$ 159,914	\$ 582,936
Receivables				
Property taxes	111,007	27,307	345,769	-
Accrued interest	-	-	-	-
Customers, net	4,881	-	-	-
Special assessments	12,490	-	-	-
Other governments	302,177	-	-	-
Others	-	-	-	-
Due from other City funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	25,000	106,476	-	-
Total assets	4,242,485	260,228	505,683	582,936
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	221,807	2,081	-	23,120
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	9,116	-	-
Deferred revenue	145,285	9,427	113,246	-
Due to other City funds	509,676	-	-	-
Total liabilities	876,768	20,624	113,246	23,120
Fund balances:				
Nonspendable	-	-	-	-
Restricted	830,183	239,604	392,437	559,816
Committed	2,535,534	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	3,365,717	239,604	392,437	559,816
Total liabilities and fund balances	\$ 4,242,485	\$ 260,228	\$ 505,683	\$ 582,936

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2011

	Special Revenue Funds				
	Drug Forfeitures	City-County Drug Forfeitures	Beauti- fication of Bozeman	Street and Tree Maintenance	Law and Justice Center
ASSETS					
Cash and cash equivalents	\$ 2,949	\$ 209,003	\$ 1,031	\$ 907,974	\$ -
Receivables					
Property taxes	-	-	-	-	-
Accrued interest	-	-	-	-	-
Customers, net	1,400	-	-	1,872	-
Special assessments	-	-	-	315,249	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Due from other City funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	446,250
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	70	-
	<u>4,349</u>	<u>209,003</u>	<u>1,031</u>	<u>1,225,165</u>	<u>446,250</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	1,533	-	-	158,615	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	2,816	-	-	18,106	-
Deferred revenue	-	-	-	239,515	-
Due to other City funds	-	-	-	-	-
	<u>4,349</u>	<u>-</u>	<u>-</u>	<u>416,236</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	446,250
Restricted	-	-	1,031	808,929	-
Committed	-	209,003	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
	<u>-</u>	<u>209,003</u>	<u>1,031</u>	<u>808,929</u>	<u>446,250</u>
Total fund balances	-	209,003	1,031	808,929	446,250
Total liabilities and fund balances	<u>\$ 4,349</u>	<u>\$ 209,003</u>	<u>\$ 1,031</u>	<u>\$ 1,225,165</u>	<u>\$ 446,250</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2011

Special Revenue Funds

	Special Projects	Community Transportation	Building Inspection	Highway Safety	Economic Development Revolving Loan	Housing Revolving Loan Fund
ASSETS						
Cash and cash equivalents	\$ 202,830	\$ 51,918	\$ 827,163	\$ 22,136	\$ -	\$ 61,912
Receivables						
Property taxes	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	-
Customers, net	-	-	-	-	-	109
Special assessments	-	-	-	-	-	-
Other governments	-	54,692	-	-	-	-
Others	-	-	-	-	475,035	-
Due from other City funds	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	-
Notes receivable	-	-	-	-	442,678	30,985
Restricted cash and cash equivalents	-	-	-	-	-	-
Total assets	202,830	106,610	827,163	22,136	917,713	93,006
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	51,918	5,322	-	-	73
Escheat property payable	-	-	-	-	-	-
Accrued employee benefits payable	-	-	6,859	-	-	-
Deferred revenue	-	-	-	-	442,678	30,985
Due to other City funds	-	-	-	-	-	-
Total liabilities	-	51,918	12,181	-	442,678	31,058
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	202,830	54,692	814,982	-	475,035	61,948
Committed	-	-	-	22,136	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	202,830	54,692	814,982	22,136	475,035	61,948
Total liabilities and fund balances	\$ 202,830	\$ 106,610	\$ 827,163	\$ 22,136	\$ 917,713	\$ 93,006

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2011

	Special Revenue Funds				
	Community Housing	Downtown Improvement District	Street Lighting	Park Land	Municipal Court Restitution
ASSETS					
Cash and cash equivalents	\$ 358,927	\$ 1,214,416	\$ 550,167	\$ 192,822	\$ 39,426
Receivables					
Property taxes	-	11,386	-	-	-
Accrued interest	-	3,034	-	-	-
Customers, net	-	-	-	-	-
Special assessments	-	1,279	90,465	-	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Due from other City funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Notes receivable	77,499	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Total assets	436,426	1,230,115	640,632	192,822	39,426
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable	40,000	19,889	26,336	-	1,000
Escheat property payable	-	-	-	-	38,329
Accrued employee benefits payable	-	-	-	-	-
Deferred revenue	77,499	425	-	-	-
Due to other City funds	-	-	33,924	-	-
Total liabilities	117,499	20,314	60,260	-	39,329
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	-	1,209,801	580,372	-	97
Committed	318,927	-	-	192,822	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	318,927	1,209,801	580,372	192,822	97
Total liabilities and fund balances	\$ 436,426	\$ 1,230,115	\$ 640,632	\$ 192,822	\$ 39,426

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2011

		Special Revenue Funds
		<u>Total</u>
ASSETS		
Cash and cash equivalents	\$	9,298,899
Receivables		
Property taxes		495,469
Accrued interest		3,034
Customers, net		8,262
Special assessments		419,483
Other governments		356,869
Others		475,035
Due from other City funds		-
Prepaid expenditures		446,250
Notes receivable		551,162
Restricted cash and cash equivalents		131,546
Total assets		<u>12,186,009</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable		551,694
Escheat property payable		38,329
Accrued employee benefits payable		36,897
Deferred revenue		1,059,060
Due to other City funds		543,600
Total liabilities		<u>2,229,580</u>
Fund balances:		
Nonspendable		446,250
Restricted		6,231,757
Committed		3,278,422
Assigned		-
Unassigned		-
Total fund balances		<u>9,956,429</u>
Total liabilities and fund balances	\$	<u>12,186,009</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2011

	Debt Service Fund				Permanent Fund	Total Nonmajor Governmental Funds
	SID Revolving	G.O. Bonds	TIF Bonds	Total	Perpetual Cemetery Care	
ASSETS						
Cash and cash equivalents	\$ 3,160,685	\$ -	\$ 685	\$ 3,161,370	\$ -	\$ 12,460,269
Receivables						
Property taxes	-	142,399	-	142,399	-	637,868
Accrued interest	6,256	-	-	6,256	-	9,290
Customers, net	-	-	-	-	450	8,712
Special assessments	-	-	-	-	-	419,483
Other governments	-	-	-	-	-	356,869
Others	-	-	-	-	-	475,035
Due from other City funds	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	446,250
Notes receivable	-	-	-	-	-	551,162
Restricted cash and cash equivalents	-	-	-	-	552,764	684,310
Total assets	<u>3,166,941</u>	<u>142,399</u>	<u>685</u>	<u>3,310,025</u>	<u>553,214</u>	<u>16,049,248</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	-	-	-	-	-	551,694
Escheat property payable	-	-	-	-	-	38,329
Accrued employee benefits payable	-	-	-	-	-	36,897
Deferred revenue	-	46,469	-	46,469	-	1,105,529
Due to other City funds	-	22,688	-	22,688	-	566,288
Total liabilities	<u>-</u>	<u>69,157</u>	<u>-</u>	<u>69,157</u>	<u>-</u>	<u>2,298,737</u>
Fund balances:						
Nonspendable	-	-	-	-	553,214	999,464
Restricted	3,166,941	73,242	685	3,240,868	-	9,472,625
Committed	-	-	-	-	-	3,278,422
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>3,166,941</u>	<u>73,242</u>	<u>685</u>	<u>3,240,868</u>	<u>553,214</u>	<u>13,750,511</u>
Total liabilities and fund balances	<u>\$ 3,166,941</u>	<u>\$ 142,399</u>	<u>\$ 685</u>	<u>\$ 3,310,025</u>	<u>\$ 553,214</u>	<u>\$ 16,049,248</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue Funds			
	Departmental Special Revenues	City Planning Board	Health-Medical Insurance	Gas Tax Apportionment
REVENUES				
Taxes	\$ 778,099	\$ 167,574	\$ 2,048,170	\$ -
Special assessments	201,390	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	1,009,211	96,259	-	660,960
Charges for services	26,151	187,120	-	-
Fines and forfeitures	76,095	-	-	-
Interest on investments	34,120	2,968	-	4,551
Loan repayment	-	-	-	-
Other	1,152,991	20,217	-	-
Total revenues	<u>3,278,057</u>	<u>474,138</u>	<u>2,048,170</u>	<u>665,511</u>
EXPENDITURES				
Current				
General government	79,319	691,141	-	-
Public safety	151,031	-	-	-
Public service	5,712	-	-	229,074
Public welfare	1,347,223	-	-	-
Capital outlay	860,334	-	-	409,306
Debt service				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>2,443,619</u>	<u>691,141</u>	<u>-</u>	<u>638,380</u>
Revenues over (under) expenditures	<u>834,438</u>	<u>(217,003)</u>	<u>2,048,170</u>	<u>27,131</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	217,768	257,182	-	-
Transfers out	(274,769)	-	(1,777,346)	-
Long-term debt issued	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources and uses	<u>(57,001)</u>	<u>257,182</u>	<u>(1,777,346)</u>	<u>-</u>
Net change in fund balance	777,437	40,179	270,824	27,131
FUND BALANCES, beginning of year	<u>2,588,280</u>	<u>199,425</u>	<u>121,613</u>	<u>532,685</u>
FUND BALANCES, end of year	<u>\$ 3,365,717</u>	<u>\$ 239,604</u>	<u>\$ 392,437</u>	<u>\$ 559,816</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds				
	Drug Forfeitures	City-County Drug Forfeitures	Beauti- fication of Bozeman	Street and Tree Maintenance	Law and Justice Center
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	18,484	-
Licenses and permits	-	-	-	5,250	-
Intergovernmental	123,349	-	-	6,661	-
Charges for services	-	-	-	2,624,436	-
Fines and forfeitures	45,813	13,985	-	-	-
Interest on investments	-	2,403	14	9,394	-
Loan repayment	-	-	-	-	-
Other	3,491	-	-	5,598	-
Total revenues	<u>172,653</u>	<u>16,388</u>	<u>14</u>	<u>2,669,823</u>	<u>-</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	210,141	-	-	-	19,125
Public service	-	-	-	2,024,185	-
Public welfare	-	-	372	408,795	-
Capital outlay	-	-	-	114,956	-
Debt service					
Principal	-	-	-	76,787	-
Interest and fiscal fees	-	-	-	15,340	-
Total expenditures	<u>210,141</u>	<u>-</u>	<u>372</u>	<u>2,640,063</u>	<u>19,125</u>
Revenues over (under) expenditures	<u>(37,488)</u>	<u>16,388</u>	<u>(358)</u>	<u>29,760</u>	<u>(19,125)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	37,487	-	-	-	-
Transfers out	-	-	-	-	-
Long-term debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	6,388	-
Total other financing sources and uses	<u>37,487</u>	<u>-</u>	<u>-</u>	<u>6,388</u>	<u>-</u>
Net change in fund balances	(1)	16,388	(358)	36,148	(19,125)
FUND BALANCES, beginning of year	<u>1</u>	<u>192,615</u>	<u>1,389</u>	<u>772,781</u>	<u>465,375</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ 209,003</u>	<u>\$ 1,031</u>	<u>\$ 808,929</u>	<u>\$ 446,250</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Special Projects	Community Transportation	Building Inspection	Highway Safety	Economic Development Revolving Loan	Housing Revolving Loan Fund
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	1,002,557	-	-	-
Intergovernmental	91,365	239,069	8,663	-	-	-
Charges for services	-	-	1,653	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	6,739	259	-	787
Loan repayment	-	-	-	-	183,360	4,942
Other	-	5,000	105	-	323,669	-
Total revenues	<u>91,365</u>	<u>244,069</u>	<u>1,019,717</u>	<u>259</u>	<u>507,029</u>	<u>5,729</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	-
Public safety	-	-	734,348	-	-	-
Public service	-	698	-	-	-	-
Public welfare	6,486	-	-	-	31,994	14,400
Capital outlay	320,056	276,125	13,478	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>326,542</u>	<u>276,823</u>	<u>747,826</u>	<u>-</u>	<u>31,994</u>	<u>14,400</u>
Revenues over (under) expenditures	<u>(235,177)</u>	<u>(32,754)</u>	<u>271,891</u>	<u>259</u>	<u>475,035</u>	<u>(8,671)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	37,797	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources and uses	<u>-</u>	<u>37,797</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(235,177)	5,043	271,891	259	475,035	(8,671)
FUND BALANCES, beginning of year	<u>438,007</u>	<u>49,649</u>	<u>543,091</u>	<u>21,877</u>	<u>-</u>	<u>70,619</u>
FUND BALANCES, end of year	<u>\$ 202,830</u>	<u>\$ 54,692</u>	<u>\$ 814,982</u>	<u>\$ 22,136</u>	<u>\$ 475,035</u>	<u>\$ 61,948</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					Totals
	Community Housing	Downtown Improvement District	Street Lighting	Park Land	Municipal Court Restitution	
REVENUES						
Taxes	\$ -	\$ 1,047,037	\$ -	\$ -	\$ -	\$ 4,040,880
Special assessments	-	114,096	398,215	-	-	732,185
Licenses and permits	-	-	-	-	-	1,007,807
Intergovernmental	-	17,310	-	-	-	2,252,847
Charges for services	-	-	-	-	-	2,839,360
Fines and forfeitures	-	-	-	-	-	135,893
Interest on investments	4,495	14,464	5,932	2,258	16	88,400
Loan repayment	5,000	-	-	-	-	193,302
Other	-	-	-	-	-	1,511,071
Total revenues	<u>9,495</u>	<u>1,192,907</u>	<u>404,147</u>	<u>2,258</u>	<u>16</u>	<u>12,801,745</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	770,460
Public safety	-	-	-	-	-	1,114,645
Public service	-	-	316,050	-	-	2,575,719
Public welfare	90,000	529,135	-	-	-	2,428,405
Capital outlay	-	-	-	-	-	1,994,255
Debt service						
Principal	-	-	-	-	-	76,787
Interest and fiscal fees	-	-	-	-	-	15,340
Total expenditures	<u>90,000</u>	<u>529,135</u>	<u>316,050</u>	<u>-</u>	<u>-</u>	<u>8,975,611</u>
Revenues over (under) expenditures	<u>(80,505)</u>	<u>663,772</u>	<u>88,097</u>	<u>2,258</u>	<u>16</u>	<u>3,826,134</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	40,000	-	-	-	-	590,234
Transfers out	-	(436,188)	-	-	-	(2,488,303)
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	6,388
Total other financing sources and uses	<u>40,000</u>	<u>(436,188)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,891,681)</u>
Net change in fund balance	(40,505)	227,584	88,097	2,258	16	1,934,453
FUND BALANCES, beginning of year	<u>359,432</u>	<u>982,217</u>	<u>492,275</u>	<u>190,564</u>	<u>81</u>	<u>8,021,976</u>
FUND BALANCES, end of year	<u>\$ 318,927</u>	<u>\$ 1,209,801</u>	<u>\$ 580,372</u>	<u>\$ 192,822</u>	<u>\$ 97</u>	<u>\$ 9,956,429</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Debt Service Funds			Totals	Permanent Fund	Total Nonmajor Governmental Funds
	SID Revolving	G.O. Bonds	TIF Bonds		Cemetery Perpetual Care	
REVENUES						
Taxes	\$ -	\$ 829,898	\$ -	\$ 829,898	\$ -	\$ 4,870,778
Special assessments	-	-	-	-	-	732,185
Licenses and permits	-	-	-	-	-	1,007,807
Intergovernmental	-	-	-	-	-	2,252,847
Charges for services	-	-	-	-	9,005	2,848,365
Fines and forfeitures	-	-	-	-	-	135,893
Interest on investments	29,823	2,959	1,269	34,051	6,713	129,164
Loan repayment	-	-	-	-	-	193,302
Other	-	-	-	-	-	1,511,071
Total revenues	<u>29,823</u>	<u>832,857</u>	<u>1,269</u>	<u>863,949</u>	<u>15,718</u>	<u>13,681,412</u>
EXPENDITURES						
Current						
General government	-	-	-	-	-	770,460
Public safety	-	-	-	-	-	1,114,645
Public service	10,906	-	-	10,906	-	2,586,625
Public welfare	-	-	-	-	-	2,428,405
Capital outlay	-	-	-	-	-	1,994,255
Debt service						
Principal	-	565,000	160,000	725,000	-	801,787
Interest and fiscal fees	-	174,375	263,388	437,763	-	453,103
Total expenditures	<u>10,906</u>	<u>739,375</u>	<u>423,388</u>	<u>1,173,669</u>	<u>-</u>	<u>10,149,280</u>
Revenues over (under) expenditures	<u>18,917</u>	<u>93,482</u>	<u>(422,119)</u>	<u>(309,720)</u>	<u>15,718</u>	<u>3,532,132</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,919,827	-	426,188	2,346,015	-	2,936,249
Transfers out	-	-	-	-	(6,713)	(2,495,016)
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	6,388
Total other financing sources and uses	<u>1,919,827</u>	<u>-</u>	<u>426,188</u>	<u>2,346,015</u>	<u>(6,713)</u>	<u>447,621</u>
Net change in fund balance	1,938,744	93,482	4,069	2,036,295	9,005	3,979,753
FUND BALANCES, beginning of year	<u>1,228,197</u>	<u>(20,240)</u>	<u>(3,384)</u>	<u>1,204,573</u>	<u>544,209</u>	<u>9,770,758</u>
FUND BALANCES, end of year	<u>\$ 3,166,941</u>	<u>\$ 73,242</u>	<u>\$ 685</u>	<u>\$ 3,240,868</u>	<u>\$ 553,214</u>	<u>\$ 13,750,511</u>

BUDGET TO ACTUAL SCHEDULES – OTHER MAJOR FUNDS

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS - SID SINKING FUND
 Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 2,096,424	\$ 2,096,424	\$ 2,096,424	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	1,500,000	1,500,000	1,134,049	(365,951)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	16,090	16,090
Transfers from other funds	-	-	1,548,798	1,548,798
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>3,596,424</u>	<u>3,596,424</u>	<u>4,795,361</u>	<u>1,198,937</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	2,600,000	1,500,000	678,704	821,296
Transfers to other funds	-	1,920,000	1,919,827	173
Total charges to appropriations	<u>2,600,000</u>	<u>3,420,000</u>	<u>2,598,531</u>	<u>821,469</u>
Budgetary fund balance, June 30	<u>\$ 996,424</u>	<u>\$ 176,424</u>	<u>\$ 2,196,830</u>	<u>\$ 2,020,406</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, REPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS - CAPITAL PROJECTS FUND
 Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,793,287	\$ 1,793,287	\$ 1,793,287	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	22,547	22,547
Transfers from other funds	1,704,000	1,704,000	243,722	(1,460,278)
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-
Other	-	-	27,962	27,962
Amounts available for appropriation	<u>3,497,287</u>	<u>3,497,287</u>	<u>2,087,518</u>	<u>(1,409,769)</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	-	111,500	110,347	1,153
Bond issuance costs	-	-	-	-
Transfers to other funds	-	1,681,000	1,674,980	6,020
Total charges to appropriations	<u>-</u>	<u>1,792,500</u>	<u>1,785,327</u>	<u>7,173</u>
Budgetary fund balance, June 30	<u>\$ 3,497,287</u>	<u>\$ 1,704,787</u>	<u>\$ 302,191</u>	<u>\$ (1,402,596)</u>

CITY OF BOZEMAN, MONTANA
 NOTE TO BUDGET TO ACTUAL STATEMENT - OTHER MAJOR FUNDS
 Year Ended June 30, 2011

	SID Sinking	Capital Projects
Sources/inflows of resources		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 4,795,361	\$ 2,087,518
Differences - budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(2,096,424)	(1,793,287)
Proceeds of long term debt are inflows for budgetary purposes, but are not revenues for financial reporting purposes.	-	-
Proceeds from the sale of fixed assets are a budgetary resource but are not a current-year revenue for financial reporting purposes.	-	-
Transfers from other funds are inflows of budgetary purposes, but are not revenues for financial reporting purposes.	(1,548,798)	(243,722)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - Other nonmajor governmental funds	\$ 1,150,139	\$ 50,509
Uses/outflows of resources		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,598,531	\$ 1,785,327
Differences - budget to GAAP:		
Bond issuance costs are outflows for budgetary purposes, but are not expenditures for financial reporting purposes.	-	-
Transfers to other funds are outflows of budgetary purposes, but are not expenditures for financial reporting purposes.	(1,919,827)	(1,674,980)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Other nonmajor governmental funds	\$ 678,704	\$ 110,347

BUDGET TO ACTUAL SCHEDULES – NONMAJOR FUNDS

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2011

	Special Revenue Funds					
	Departmental Special Revenues			City Planning Board		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 773,315	\$ 778,099	\$ 4,784	\$ 161,564	\$ 167,574	\$ 6,010
Special assessments	-	201,390	(201,390)	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	157,500	1,009,211	851,711	76,500	96,259	19,759
Charges for services	25,000	26,151	1,151	125,960	187,120	61,160
Fines and forfeitures	70,000	76,095	6,095	-	-	-
Interest on investments	33,700	34,120	420	-	2,968	2,968
Loan repayment	-	-	-	-	-	-
Other	14,500	1,152,991	1,138,491	33,000	20,217	(12,783)
Total revenues	1,074,015	3,278,057	2,204,042	397,024	474,138	77,114
EXPENDITURES - BUDGET UNIT	3,203,460	2,443,619	759,841	730,365	691,141	39,224
Revenues over (under) expenditures	(2,129,445)	834,438	2,963,883	(333,341)	(217,003)	116,338
OTHER FINANCING SOURCES (USES)						
Transfers in	145,000	217,768	72,768	352,000	257,182	(94,818)
Transfers out	(275,000)	(274,769)	231	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	(130,000)	(57,001)	72,999	352,000	257,182	(94,818)
Revenues and other sources over (under) expenditures	<u>\$ (2,259,445)</u>	777,437	<u>\$ 3,036,882</u>	<u>\$ 18,659</u>	40,179	<u>\$ 21,520</u>
FUND BALANCES, beginning of year		2,588,280			199,425	
FUND BALANCES, end of year		<u>\$ 3,365,717</u>			<u>\$ 239,604</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Insurance			Gas Tax Apportionment		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 1,962,219	\$ 2,048,170	\$ 85,951	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	660,960	660,960	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	7,500	4,551	(2,949)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	1,962,219	2,048,170	85,951	668,460	665,511	(2,949)
EXPENDITURES - BUDGET UNIT	-	-	-	638,500	638,380	120
Revenues over (under) expenditures	1,962,219	2,048,170	85,951	29,960	27,131	(2,829)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(1,962,219)	(1,777,346)	184,873	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	(1,962,219)	(1,777,346)	184,873	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>270,824</u>	<u>\$ 270,824</u>	<u>\$ 29,960</u>	<u>27,131</u>	<u>\$ (2,829)</u>
FUND BALANCES, beginning of year		<u>121,613</u>			<u>532,685</u>	
FUND BALANCES, end of year		<u>\$ 392,437</u>			<u>\$ 559,816</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Drug Forfeitures			City-County Drug Forfeitures		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	136,000	123,349	(12,651)	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	40,000	45,813	5,813	50,000	13,985	(36,015)
Interest on investments	-	-	-	5,000	2,403	(2,597)
Loan repayment	-	-	-	-	-	-
Other	10,000	3,491	(6,509)	-	-	-
Total revenues	186,000	172,653	(13,347)	55,000	16,388	(38,612)
EXPENDITURES - BUDGET						
UNIT	215,625	210,141	5,484	-	-	-
Revenues over (under) expenditures	(29,625)	(37,488)	(7,863)	55,000	16,388	(38,612)
OTHER FINANCING SOURCES (USES)						
Transfers in	38,000	37,487	(513)	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	38,000	37,487	(513)	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ 8,375</u>	(1)	<u>\$ (8,376)</u>	<u>\$ 55,000</u>	16,388	<u>\$ (38,612)</u>
FUND BALANCES, beginning of year		1			192,615	
FUND BALANCES, end of year		<u>\$ -</u>			<u>\$ 209,003</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Beautification of Bozeman			Street and Tree Maintenance		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	18,484	18,484
Licenses and permits	-	-	-	20,000	5,250	(14,750)
Intergovernmental	-	-	-	-	6,661	6,661
Charges for services	-	-	-	2,516,000	2,624,436	108,436
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	14	14	22,000	9,394	(12,606)
Loan repayment	-	-	-	-	-	-
Other	1,000	-	(1,000)	10,000	5,598	(4,402)
Total revenues	1,000	14	(986)	2,568,000	2,669,823	101,823
EXPENDITURES - BUDGET UNIT	500	372	128	2,969,730	2,640,063	329,667
Revenues over (under) expenditures	500	(358)	(858)	(401,730)	29,760	431,490
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	6,388	6,388
Total other financing sources (uses)	-	-	-	-	6,388	6,388
Revenues and other sources over (under) expenditures	<u>\$ 500</u>	<u>(358)</u>	<u>\$ (858)</u>	<u>\$ (401,730)</u>	36,148	<u>\$ 437,878</u>
FUND BALANCES, beginning of year		<u>1,389</u>			<u>772,781</u>	
FUND BALANCES, end of year		<u>\$ 1,031</u>			<u>\$ 808,929</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

Special Revenue Funds

	Consolidated Parking Districts			Law and Justice Center		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	-	-	-	-	-	-
EXPENDITURES - BUDGET						
UNIT	-	-	-	20,000	19,125	875
Revenues over (under) expenditures	-	-	-	(20,000)	(19,125)	875
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	(132,800)	-	132,800	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	(132,800)	-	132,800	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ (132,800)</u>	-	<u>\$ 132,800</u>	<u>\$ (20,000)</u>	(19,125)	<u>\$ 875</u>
FUND BALANCES, beginning of year		-			465,375	
FUND BALANCES, end of year		<u>\$ -</u>			<u>\$ 446,250</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Special Projects			Community Transportation		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	25,000	91,365	66,365	240,000	239,069	(931)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	5,000	5,000
Total revenues	<u>25,000</u>	<u>91,365</u>	<u>66,365</u>	<u>240,000</u>	<u>244,069</u>	<u>4,069</u>
EXPENDITURES - BUDGET						
UNIT	<u>329,000</u>	<u>326,542</u>	<u>2,458</u>	<u>287,015</u>	<u>276,823</u>	<u>10,192</u>
Revenues over (under) expenditures	<u>(304,000)</u>	<u>(235,177)</u>	<u>68,823</u>	<u>(47,015)</u>	<u>(32,754)</u>	<u>14,261</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	37,515	37,797	282
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,515</u>	<u>37,797</u>	<u>282</u>
Revenues and other sources over (under) expenditures	<u>\$ (304,000)</u>	<u>(235,177)</u>	<u>\$ 68,823</u>	<u>\$ (9,500)</u>	<u>5,043</u>	<u>\$ 14,543</u>
FUND BALANCES, beginning of year		<u>438,007</u>			<u>49,649</u>	
FUND BALANCES, end of year		<u>\$ 202,830</u>			<u>\$ 54,692</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Building Inspection			Highway Safety		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	854,600	1,002,557	147,957	-	-	-
Intergovernmental	-	8,663	8,663	-	-	-
Charges for services	4,500	1,653	(2,847)	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	10,000	6,739	(3,261)	-	259	259
Loan repayment	-	-	-	-	-	-
Other	-	105	105	-	-	-
Total revenues	<u>869,100</u>	<u>1,019,717</u>	<u>150,617</u>	<u>-</u>	<u>259</u>	<u>259</u>
EXPENDITURES - BUDGET						
UNIT	<u>788,553</u>	<u>747,826</u>	<u>40,727</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>80,547</u>	<u>271,891</u>	<u>191,344</u>	<u>-</u>	<u>259</u>	<u>259</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 80,547</u>	<u>271,891</u>	<u>\$ 191,344</u>	<u>\$ -</u>	<u>259</u>	<u>\$ 259</u>
FUND BALANCES, beginning of year		<u>543,091</u>			<u>21,877</u>	
FUND BALANCES, end of year		<u>\$ 814,982</u>			<u>\$ 22,136</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Economic Development Revolving Loan Fund			Housing Revolving Loan Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	787	787
Loan repayment	215,000	183,360	(31,640)	8,000	4,942	(3,058)
Other	-	323,669	323,669	-	-	-
Total revenues	<u>215,000</u>	<u>507,029</u>	<u>292,029</u>	<u>8,000</u>	<u>5,729</u>	<u>(2,271)</u>
EXPENDITURES - BUDGET						
UNIT	<u>215,000</u>	<u>31,994</u>	<u>183,006</u>	<u>14,400</u>	<u>14,400</u>	<u>-</u>
Revenues over (under) expenditures	<u>-</u>	<u>475,035</u>	<u>475,035</u>	<u>(6,400)</u>	<u>(8,671)</u>	<u>(2,271)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>475,035</u>	<u>\$ 475,035</u>	<u>\$ (6,400)</u>	<u>(8,671)</u>	<u>\$ (2,271)</u>
FUND BALANCES, beginning of year		<u>-</u>			<u>70,619</u>	
FUND BALANCES, end of year		<u>\$ 475,035</u>			<u>\$ 61,948</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Community Housing			Downtown Improvement District		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ 1,059,000	1,047,037	(11,963)
Special assessments	-	-	-	114,000	114,096	96
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	34,620	17,310	(17,310)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	5,000	4,495	(505)	10,000	14,464	4,464
Loan repayment	5,000	5,000	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>10,000</u>	<u>9,495</u>	<u>(505)</u>	<u>1,217,620</u>	<u>1,192,907</u>	<u>(24,713)</u>
EXPENDITURES - BUDGET						
UNIT	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>1,114,000</u>	<u>529,135</u>	<u>584,865</u>
Revenues over (under) expenditures	<u>(80,000)</u>	<u>(80,505)</u>	<u>(505)</u>	<u>103,620</u>	<u>663,772</u>	<u>560,152</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	40,000	40,000	-	-	-	-
Transfers out	-	-	-	(436,188)	(436,188)	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>40,000</u>	<u>40,000</u>	<u>-</u>	<u>(436,188)</u>	<u>(436,188)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (40,000)</u>	<u>(40,505)</u>	<u>\$ (505)</u>	<u>\$ (332,568)</u>	<u>227,584</u>	<u>\$ 560,152</u>
FUND BALANCES, beginning of year		<u>359,432</u>			<u>982,217</u>	
FUND BALANCES, end of year		<u>\$ 318,927</u>			<u>\$ 1,209,801</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Street Lighting			Park Land		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ -	-	-
Special assessments	315,000	398,215	83,215	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	5,932	5,932	-	2,258	2,258
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>315,000</u>	<u>404,147</u>	<u>89,147</u>	<u>-</u>	<u>2,258</u>	<u>2,258</u>
EXPENDITURES - BUDGET						
UNIT	<u>316,500</u>	<u>316,050</u>	<u>450</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(1,500)</u>	<u>88,097</u>	<u>89,597</u>	<u>-</u>	<u>2,258</u>	<u>2,258</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (1,500)</u>	<u>88,097</u>	<u>\$ 89,597</u>	<u>\$ -</u>	<u>2,258</u>	<u>\$ 2,258</u>
FUND BALANCES, beginning of year		<u>492,275</u>			<u>190,564</u>	
FUND BALANCES, end of year		<u>\$ 580,372</u>			<u>\$ 192,822</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Special Revenue Funds					
	Municipal Court Restitution			Total		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	-	-	\$ 3,956,098	4,040,880	84,782
Special assessments	-	-	-	429,000	732,185	303,185
Licenses and permits	-	-	-	874,600	1,007,807	133,207
Intergovernmental	-	-	-	1,330,580	2,252,847	922,267
Charges for services	-	-	-	2,671,460	2,839,360	167,900
Fines and forfeitures	-	-	-	160,000	135,893	(24,107)
Interest on investments	-	16	16	93,200	88,400	(4,800)
Loan repayment	-	-	-	228,000	193,302	(34,698)
Other	-	-	-	68,500	1,511,071	1,442,571
Total revenues	-	16	16	9,811,438	12,801,745	2,990,307
EXPENDITURES - BUDGET UNIT	-	-	-	10,932,648	8,975,611	1,957,037
Revenues over (under) expenditures	-	16	16	(1,121,210)	3,826,134	4,947,344
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	612,515	590,234	(22,281)
Transfers out	-	-	-	(2,806,207)	(2,488,303)	317,904
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	6,388	6,388
Total other financing sources (uses)	-	-	-	(2,193,692)	(1,891,681)	302,011
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>16</u>	<u>\$ 16</u>	<u>\$ (3,314,902)</u>	<u>1,934,453</u>	<u>\$ 5,249,355</u>
FUND BALANCES, beginning of year		<u>81</u>			<u>8,021,976</u>	
FUND BALANCES, end of year		<u>\$ 97</u>			<u>\$ 9,956,429</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Debt Service Funds					
	SID Revolving			G.O. Bonds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 790,676	\$ 829,898	\$ 39,222
Intergovernmental	-	-	-	-	-	-
Interest on investments	20,000	29,823	9,823	-	2,959	2,959
Total revenue	<u>20,000</u>	<u>29,823</u>	<u>9,823</u>	<u>790,676</u>	<u>832,857</u>	<u>42,181</u>
EXPENDITURES						
Other	11,000	10,906	94	-	-	-
Debt service						
Principal	-	-	-	565,000	565,000	-
Interest and fiscal fees	-	-	-	174,376	174,375	1
Total expenditures	<u>11,000</u>	<u>10,906</u>	<u>94</u>	<u>739,376</u>	<u>739,375</u>	<u>1</u>
Revenues over (under) expenditures	<u>9,000</u>	<u>18,917</u>	<u>9,917</u>	<u>51,300</u>	<u>93,482</u>	<u>42,182</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	-	1,919,827	1,919,827	-	-	-
Operating transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>1,919,827</u>	<u>1,919,827</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 9,000</u>	1,938,744	<u>\$ 1,929,744</u>	<u>\$ 51,300</u>	93,482	<u>\$ 42,182</u>
FUND BALANCES, beginning of year		<u>1,228,197</u>			<u>(20,240)</u>	
FUND BALANCES, end of year		<u>\$ 3,166,941</u>			<u>\$ 73,242</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Debt Service Funds					
	TIF Bonds			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 790,676	\$ 829,898	\$ 39,222
Intergovernmental	-	-	-	-	-	-
Interest on investments	-	1,269	1,269	20,000	34,051	14,051
Total revenue	<u>-</u>	<u>1,269</u>	<u>1,269</u>	<u>810,676</u>	<u>863,949</u>	<u>53,273</u>
EXPENDITURES						
Other	-	-	-	11,000	10,906	94
Debt service						
Principal	160,000	160,000	-	725,000	725,000	-
Interest and fiscal fees	266,188	263,388	2,800	440,564	437,763	2,801
Total expenditures	<u>426,188</u>	<u>423,388</u>	<u>2,800</u>	<u>1,176,564</u>	<u>1,173,669</u>	<u>2,895</u>
Revenues over (under) expenditures	<u>(426,188)</u>	<u>(422,119)</u>	<u>4,069</u>	<u>(365,888)</u>	<u>(309,720)</u>	<u>56,168</u>
OTHER FINANCING SOURCES (USES)						
Operating transfers in	426,188	426,188	-	426,188	2,346,015	1,919,827
Operating transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>426,188</u>	<u>426,188</u>	<u>-</u>	<u>426,188</u>	<u>2,346,015</u>	<u>1,919,827</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	4,069	<u>\$ 4,069</u>	<u>\$ 60,300</u>	\$ 2,036,295	<u>\$ 1,975,995</u>
FUND BALANCES, beginning of year		<u>(3,384)</u>			<u>1,204,573</u>	
FUND BALANCES, end of year		<u>\$ 685</u>			<u>\$ 3,240,868</u>	

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2011

	Permanent Fund		
	Cemetery Perpetual Care		
	Budget	Actual	Variance Positive (Negative)
Taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Charges for services	4,000	9,005	5,005
Fines and forfeitures	-	-	-
Interest on investments	16,000	6,713	(9,287)
Loan repayment	-	-	-
Other	-	-	-
 Total revenues	 20,000	 15,718	 (4,282)
 EXPENDITURES - BUDGET UNIT	 -	 -	 -
 Revenues over (under) expenditures	 20,000	 15,718	 (4,282)
 OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	(16,000)	(6,713)	9,287
Long-term debt issued	-	-	-
Sale of capital assets	-	-	-
Total other financing sources	<u>(16,000)</u>	<u>(6,713)</u>	<u>9,287</u>
 Revenues and other sources over (under) expenditures	 <u>\$ 4,000</u>	 9,005	 <u>\$ 5,005</u>
 FUND BALANCES, beginning of year		 <u>544,209</u>	
 FUND BALANCES, end of year		 <u>\$ 553,214</u>	

INTERNAL SERVICE FUNDS STATEMENTS

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the goods or services provided by one department to other departments of the City on a cost-reimbursement basis.

Vehicle Maintenance Shop – Accounts for the maintenance and repair of vehicles used in the operation of City services.

Medical Health Insurance – Accounts for insurance premium revenues received from the various City departments and retirees, and the related costs of health and dental claims incurred by city employees and retirees which are in-turn paid to the City's insurance program coordinator.

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET ASSETS
 INTERNAL SERVICE FUNDS
 June 30, 2011

	Vehicle Maintenance Shop	Medical Health Insurance	Total
ASSETS			
Current assets			
Cash and equivalents	\$ 214,203	\$ 245,048	\$ 459,251
Customer receivables, net	-	14,360	14,360
Total current assets	214,203	259,408	473,611
Machinery and equipment	135,166	-	135,166
Vehicles	70,312	-	70,312
Buildings	1,315,617	-	1,315,617
Less: accumulated depreciation	(215,573)	-	(215,573)
Net property, plant, and equipment	1,305,522	-	1,305,522
Total assets	1,519,725	259,408	1,779,133
LIABILITIES			
Current liabilities			
Accounts payable	24,144	55	24,199
Accrued employee benefits	12,854	-	12,854
Other post-employment health benefits - implicit rate subsidy	10,115	-	10,115
Due to other City funds	-	-	-
Total current liabilities	47,113	55	47,168
NET ASSETS			
Invested in capital assets, net of related debt	1,305,522	-	1,305,522
Unrestricted	167,090	259,353	426,443
Total net assets	\$ 1,472,612	\$ 259,353	\$ 1,731,965

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2011

	Vehicle Maintenance Shop	Medical Health Insurance	Total
OPERATING REVENUES			
Charges for services	\$ 766,135	\$ 3,454,814	\$ 4,220,949
OPERATING EXPENSES			
Salaries and benefits	246,082	-	246,082
Materials and supplies	425,228	15	425,243
Repairs and maintenance	4,284	-	4,284
Utilities	4,628	-	4,628
Administrative charges	34,271	-	34,271
Insurance claims	-	3,133,905	3,133,905
Other expenses	15,029	62,796	77,825
Depreciation	46,544	-	46,544
Total operating expenses	776,066	3,196,716	3,972,782
Operating income (loss)	(9,931)	258,098	248,167
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	908	908
Interest expense	(6,537)	-	(6,537)
Other income	130,048	347	130,395
Total non-operating revenue (expenses)	123,511	1,255	124,766
Income (loss) before transfers	113,580	259,353	372,933
Transfers in	787,021	-	787,021
Transfers out	-	-	-
Change in net assets	900,601	259,353	1,159,954
NET ASSETS, beginning of year	572,011	-	572,011
NET ASSETS, end of year	\$ 1,472,612	\$ 259,353	\$ 1,731,965

CITY OF BOZEMAN, MONTANA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2011

	Vehicle Maintenance Shop	Medical Health Insurance	Total
CASH FLOWS FROM OPERATIONS:			
Receipts from customers	\$ 769,811	\$ 3,458,509	\$ 4,228,320
Receipts from others	130,048	347	130,395
Operating loans from other City funds	787,021	(18,055)	768,966
Payments to suppliers	(526,960)	(62,756)	(589,716)
Payments to employees	(241,717)	(3,133,905)	(3,375,622)
Payments to Internal Service Funds and administrative fees	(34,271)	-	(34,271)
	<u>883,932</u>	<u>244,140</u>	<u>1,128,072</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Additions to property, plant and equipment	(700,432)	-	(700,432)
Interest paid on bonds, interfund loans, loans and leases	(6,537)	-	(6,537)
	<u>(706,969)</u>	<u>-</u>	<u>(706,969)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	-	908	908
	<u>-</u>	<u>908</u>	<u>908</u>
Net Increase (Decrease) in Cash and Cash Equivalents	176,963	245,048	422,011
CASH AND EQUIVALENTS, beginning of year	<u>37,240</u>	<u>-</u>	<u>37,240</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 214,203</u>	<u>\$ 245,048</u>	<u>\$ 459,251</u>

(continued)

CITY OF BOZEMAN, MONTANA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2011

A reconciliation of operating loss to cash provided (used) by operating activities follows:

	Vehicle Maintenance Shop	Medical Health Insurance	Total
OPERATING INCOME (LOSS)	\$ (9,931)	\$ 258,098	\$ 248,167
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	46,544	-	46,544
Other income	130,048	347	130,395
Changes in assets and liabilities:			
(Increase) Decrease in:			
Customer receivables	3,676	3,695	7,371
Prepaid expenses	-	-	-
Increase (Decrease) in:			
Accounts payable	(77,791)	55	(77,736)
Accrued employee benefits payable	4,365	-	4,365
Interfund borrowings	787,021	(18,055)	768,966
Total adjustments	893,863	(13,958)	879,905
Net cash provided (used) by operating activities	\$ 883,932	\$ 244,140	\$ 1,128,072

AGENCY FUNDS STATEMENTS

AGENCY FUNDS

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, or other governments.

Montana Arts Council – Accounts for pass-through monies granted by the State of Montana for use by the Montana Ballet Company, Bozeman Symphony Orchestra, Intermountain Opera Association, Children’s Museum of Bozeman, Emerson Cultural Center, and the Equinox Theater Company.

Municipal Court – Accounts for monies held for court appearance bonds.

CITY OF BOZEMAN, MONTANA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 June 30, 2011

	<u>Montana Arts Council</u>	<u>Municipal Court</u>	<u>Total Agency Funds</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 218,595	\$ 218,595
Customer receivables	-	1,725	1,725
	<u>-</u>	<u>220,320</u>	<u>220,320</u>
Total assets	<u>-</u>	<u>220,320</u>	<u>220,320</u>
LIABILITIES			
Accounts payable	-	220,320	220,320
	<u>-</u>	<u>220,320</u>	<u>220,320</u>
Total liabilities	<u>\$ -</u>	<u>\$ 220,320</u>	<u>\$ 220,320</u>

CITY OF BOZEMAN, MONTANA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year ended June 30, 2011

Montana Arts Council				
	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS				
Cash and cash equivalents	\$ -	\$ 11,910	\$ (11,910)	\$ -
Total assets	-	11,910	(11,910)	-
LIABILITIES				
Accounts payable	-	11,910	(11,910)	-
Total liabilities	\$ -	\$ 11,910	\$ (11,910)	\$ -
Municipal Court				
	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
ASSETS				
Cash and cash equivalents	\$ 234,634	\$ -	\$ (16,039)	\$ 218,595
Customer receivables	1,115	610	-	1,725
Total assets	235,749	610	(16,039)	220,320
LIABILITIES				
Accounts payable	235,749	-	(15,429)	220,320
Total liabilities	\$ 235,749	\$ -	\$ (15,429)	\$ 220,320

PART III

STATISTICAL SECTION

Statistical Section

This part of the City of Bozeman's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time	129
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	134
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	140
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	145
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	147

Sources: Unless otherwise noted, the information in these schedules is derived from the City of Bozeman comprehensive annual financial reports for the relevant year.

Note: The City of Bozeman implemented GASB Statement 34 in Fiscal Year 2002, therefore the data for prior years are not shown; schedules presenting government-wide information include information beginning in that year.

FINANCIAL TRENDS SECTION

CITY OF BOZEMAN, MONTANA
NET ASSETS BY COMPONENT
Past Ten Fiscal Years

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental activities										
Invested in capital assets, net of related debt	13,675,868	(1,618,282)	5,197,117	8,409,053	22,987,166	77,734,584	80,873,924	83,707,824	84,113,904	88,844,404
Restricted	5,508,776	6,890,530	10,615,720	12,343,248	5,242,903	546,916	9,254,307	7,699,511	8,082,181	20,962,038
Unrestricted	7,495,002	24,396,920	17,345,961	21,077,779	25,537,959	28,481,673	23,443,921	20,871,106	25,076,908	16,049,044
Total governmental activities net assets	<u>\$ 26,679,646</u>	<u>\$ 29,669,168</u>	<u>\$ 33,158,798</u>	<u>\$ 41,830,080</u>	<u>\$ 53,768,028</u>	<u>\$ 106,763,173</u>	<u>\$ 113,572,152</u>	<u>\$ 112,278,441</u>	<u>\$ 117,272,993</u>	<u>\$ 125,855,486</u>
Business-type activities										
Invested in capital assets, net of related debt	13,008,835	19,960,910	25,174,352	28,124,307	28,416,015	154,227,534	177,379,168	188,077,778	189,965,189	188,180,889
Restricted	7,747,249	967,939	13,357,348	11,041,147	13,462,443	17,099,866	18,322,089	19,775,588	9,044,280	12,660,466
Unrestricted	10,725,406	19,412,803	9,174,747	12,284,379	12,899,363	16,550,235	17,547,218	11,936,119	16,069,597	12,382,018
Total business-type activities	<u>\$ 10,725,406</u>	<u>\$ 40,341,652</u>	<u>\$ 47,706,447</u>	<u>\$ 51,449,833</u>	<u>\$ 54,777,821</u>	<u>\$ 187,877,635</u>	<u>\$ 213,248,475</u>	<u>\$ 219,789,485</u>	<u>\$ 215,079,066</u>	<u>\$ 213,223,373</u>
Primary government										
Invested in capital assets, net of related debt	26,684,703	18,342,628	30,371,469	36,533,360	51,403,181	231,962,118	258,253,092	271,785,602	274,079,093	277,025,293
Restricted	13,256,025	7,858,469	23,973,068	23,384,395	18,705,346	17,646,782	27,576,396	27,475,099	17,126,461	33,622,504
Unrestricted	18,220,408	43,809,723	26,520,708	33,362,158	38,437,322	45,031,908	40,991,139	32,807,225	41,146,505	28,431,062
Total primary government net assets	<u>\$ 58,161,136</u>	<u>\$ 70,010,820</u>	<u>\$ 80,865,245</u>	<u>\$ 93,279,913</u>	<u>\$ 108,545,849</u>	<u>\$ 294,640,808</u>	<u>\$ 326,820,627</u>	<u>\$ 332,067,926</u>	<u>\$ 332,352,059</u>	<u>\$ 339,078,859</u>

CITY OF BOZEMAN, MONTANA
CHANGES IN NET ASSETS
Past Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Expenses										
Governmental Activities:										
General government	4,315,506	5,095,401	4,427,676	4,986,413	5,666,069	5,733,371	6,969,181	6,629,783	6,299,831	6,122,190
Public Safety	7,114,922	8,027,193	8,078,120	8,834,875	9,858,055	10,488,873	11,183,637	11,556,016	12,382,157	12,859,702
Public Service	2,847,989	3,182,445	3,096,273	3,475,067	4,163,644	8,511,308	8,979,085	10,130,184	9,703,594	9,190,515
Public Welfare	3,433,991	3,542,608	4,017,654	4,372,959	5,477,065	5,536,741	5,412,192	6,465,940	6,915,557	7,500,727
Interest and fiscal fees	696,303	672,243	667,118	709,178	550,296	549,667	649,226	737,762	714,714	679,652
Total governmental activities expenses	\$ 18,408,711	\$ 20,519,890	\$ 20,286,841	\$ 22,378,492	\$ 25,715,129	\$ 30,819,960	\$ 33,193,321	\$ 35,519,685	\$ 36,015,853	\$ 36,352,786
Business-type activities:										
Water	2,948,638	2,924,951	3,782,726	4,292,503	4,824,505	10,490,811	11,150,266	11,872,984	12,016,149	11,649,639
Wastewater	2,880,228	2,556,245	3,353,567	4,246,156	4,586,959	7,376,348	8,061,412	10,293,894	9,143,077	10,128,397
Solid waste	2,206,010	1,955,939	2,462,291	2,720,738	3,547,902	3,283,135	2,574,651	2,687,590	2,561,124	2,578,109
Parking	-	-	-	-	-	-	-	766,454	967,077	991,712
Total business-type activities expenses	8,034,876	7,437,135	9,598,584	11,259,397	12,959,366	21,150,294	21,786,329	25,620,922	24,687,427	25,347,857
Total primary government expenses	\$ 26,443,587	\$ 27,957,025	\$ 29,885,425	\$ 33,637,889	\$ 38,674,495	\$ 51,970,254	\$ 54,979,650	\$ 61,140,607	\$ 60,703,280	\$ 61,700,643
Program Revenues										
Governmental activities:										
Charges for services:										
General government	3,554,700	1,230,771	793,529	1,261,652	1,496,818	2,023,362	2,237,962	1,795,469	2,774,869	2,870,443
Public Safety	1,907,548	2,586,058	2,390,179	1,898,531	1,984,642	3,712,280	3,575,133	3,500,929	2,414,893	2,684,724
Public Service	3,070,566	4,084,641	3,934,801	10,302,583	9,217,198	5,361,852	4,858,444	4,790,460	3,742,856	4,454,492
Public Welfare	553,842	812,909	865,910	567,471	718,162	704,790	713,342	779,841	399,280	451,960
Operating grants and contributions	653,567	461,355	878,713	360,980	502,198	409,263	502,863	439,131	693,342	1,114,835
Capital grants and contributions	168,480	61,675	37,538	513,034	1,380,553	18,694,375	7,153,103	8,219,791	5,307,118	7,867,093
Total governmental activities program revenues	\$ 9,908,703	\$ 9,237,409	\$ 8,900,670	\$ 14,904,251	\$ 15,299,571	\$ 30,905,922	\$ 19,040,847	\$ 19,525,621	\$ 15,332,358	\$ 19,443,547
Business-type activities										
Charges for services:										
Water	4,621,617	5,503,363	5,842,122	6,547,228	7,434,574	8,604,498	8,222,724	7,221,378	6,986,247	7,064,571
Wastewater	5,067,571	5,626,790	5,765,594	6,074,615	6,430,206	7,052,987	6,918,132	6,052,668	6,505,119	6,930,036
Solid waste	3,282,979	3,632,183	3,884,723	3,648,930	2,582,437	2,428,230	2,608,662	2,391,641	2,716,981	2,569,607
Parking	-	-	-	-	-	-	-	467,607	326,820	417,114
Operating grants and contributions	155,033	14,643	35,396	36,129	-	-	-	-	-	-
Capital grants and contributions:	-	1,520,318	1,585,544	1,595,805	1,624,237	26,464,222	29,405,599	6,465,230	3,621,051	6,589,612
Total business-type activities program revenues	13,127,200	16,297,297	17,113,379	17,902,707	18,071,454	44,549,937	47,155,117	22,598,524	20,156,218	23,570,940
Total primary government program revenues	\$ 23,035,903	\$ 25,534,706	\$ 26,014,049	\$ 32,806,958	\$ 33,371,025	\$ 75,455,859	\$ 66,195,964	\$ 42,124,145	\$ 35,488,576	\$ 43,014,487

Unaudited statistical section

CITY OF BOZEMAN, MONTANA
CHANGES IN NET ASSETS
Past Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense) / Revenue										
Governmental activities	(8,500,008)	(11,282,481)	(11,386,171)	(7,474,241)	(10,415,558)	85,962	(14,152,474)	(15,994,064)	(20,683,495)	(16,909,239)
Business-type activities	5,092,324	8,860,162	7,514,795	6,643,310	5,112,088	23,399,643	25,368,788	(3,022,398)	(4,531,209)	(1,776,917)
Total primary government net expense	<u>\$ (3,407,684)</u>	<u>\$ (2,422,319)</u>	<u>\$ (3,871,376)</u>	<u>\$ (830,931)</u>	<u>\$ (5,303,470)</u>	<u>\$ 23,485,605</u>	<u>\$ 11,216,314</u>	<u>\$ (19,016,462)</u>	<u>\$ (25,214,704)</u>	<u>\$ (18,686,156)</u>
General Revenues and Other Changes in Net Assets										
Governmental activities:										
Taxes										
Property taxes	7,597,346	8,028,832	9,104,945	10,437,702	11,137,006	11,836,748	12,070,765	14,629,230	15,501,316	16,342,053
Unrestricted grants and contributions	4,382,091	4,732,127	4,327,489	4,910,306	5,163,288	5,375,807	5,617,243	6,125,789	6,284,467	6,782,383
Investment earnings	493,348	417,156	344,013	606,120	852,222	1,093,115	1,362,790	671,859	352,378	301,424
Miscellaneous	732,532	1,093,888	979,820	2,422,805	3,416,890	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790
Sale of capital assets	-	-	-	-	-	490,637	51,342	68,057	761,952	(8,168)
Transfers of capital assets	-	-	-	-	-	-	-	(6,311,324)	-	-
Transfers	-	-	150,000	-	1,784,100	489,780	-	(3,249,929)	521,863	517,250
Extraordinary items	-	-	-	(2,231,410)	-	-	-	-	-	-
Total governmental activities	<u>\$ 13,205,317</u>	<u>\$ 14,272,003</u>	<u>\$ 14,906,267</u>	<u>\$ 16,145,523</u>	<u>\$ 22,353,506</u>	<u>\$ 21,226,243</u>	<u>\$ 20,961,453</u>	<u>\$ 14,700,353</u>	<u>\$ 25,678,047</u>	<u>\$ 25,491,732</u>
Business-type activities:										
Unrestricted grants and contributions	-	-	-	-	-	3,182	2,052	2,155	342,653	438,475
Transfers of capital assets	-	-	-	-	-	-	-	6,311,324	-	-
Transfers	-	-	(150,000)	-	(1,784,100)	(489,780)	-	3,249,929	(521,863)	(517,251)
Extraordinary items	-	-	-	(2,899,924)	-	-	-	-	-	-
Total business-type activities	<u>-</u>	<u>-</u>	<u>(150,000)</u>	<u>(2,899,924)</u>	<u>(1,784,100)</u>	<u>(486,598)</u>	<u>2,052</u>	<u>9,563,408</u>	<u>(179,210)</u>	<u>(78,776)</u>
Total primary government	<u>\$ 13,205,317</u>	<u>\$ 14,272,003</u>	<u>\$ 14,756,267</u>	<u>\$ 13,245,599</u>	<u>\$ 20,569,406</u>	<u>\$ 20,739,645</u>	<u>\$ 20,963,505</u>	<u>\$ 24,263,761</u>	<u>\$ 25,498,837</u>	<u>\$ 25,412,956</u>
Change in Net Assets										
Governmental activities	4,705,309	2,989,522	3,520,096	8,671,282	11,937,948	21,312,205	6,808,979	(1,293,711)	4,994,552	8,582,493
Business-type activities	5,092,324	8,860,162	7,364,795	3,743,386	3,327,988	22,913,045	25,370,840	6,541,010	(4,710,419)	(1,855,693)
Total primary government	<u>\$ 9,797,633</u>	<u>\$ 11,849,684</u>	<u>\$ 10,884,891</u>	<u>\$ 12,414,668</u>	<u>\$ 15,265,936</u>	<u>\$ 44,225,250</u>	<u>\$ 32,179,819</u>	<u>\$ 5,247,299</u>	<u>\$ 284,133</u>	<u>\$ 6,726,800</u>

CITY OF BOZEMAN, MONTANA
FUND BALANCE, GOVERNMENTAL FUNDS
Past Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund										
Reserved	-	-	-	11,687	5,725	3,000	3,000	63,000	-	
Unreserved	3,600,359	3,083,832	3,345,541	3,996,600	3,173,374	4,367,538	4,516,814	5,301,397	5,119,400	
Nonspendable										-
Restricted										-
Committed										-
Assigned										5,991,388
Unassigned										905,862
Total general fund	<u>3,600,359</u>	<u>3,083,832</u>	<u>3,345,541</u>	<u>4,008,287</u>	<u>3,179,099</u>	<u>4,370,538</u>	<u>4,519,814</u>	<u>5,364,397</u>	<u>5,119,400</u>	<u>6,897,250</u>
All Other Governmental										
Reserved	2,247,538	7,965,826	7,315,275	1,606,904	2,164,698	2,996,832	3,045,231	2,660,918	6,597,569	
Unreserved, reported in:										
Special revenue funds	8,598,213	11,993,869	14,362,029	16,296,309	9,776,823	13,205,328	13,723,846	12,516,240	14,916,152	
Capital projects funds	2,505,735	3,656,555	2,037,255	4,545,867	6,598,235	-	2,884,553	-	1,793,287	
Debt service funds	1,899,540	-	-	-	-	-	-	-	-	
Nonspendable										999,464
Restricted										19,962,574
Committed										3,278,422
Assigned										58,419
Unassigned										-
Total all other governmental funds	<u>15,251,026</u>	<u>23,616,250</u>	<u>23,714,559</u>	<u>22,449,080</u>	<u>18,539,756</u>	<u>16,202,160</u>	<u>19,653,630</u>	<u>15,177,158</u>	<u>23,307,008</u>	<u>24,298,879</u>

Note: The City of Bozeman implemented the new standards for reporting fund balance GASB Statement 54 in fiscal year 2011

CITY OF BOZEMAN, MONTANA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
Past Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Revenues										
Taxes	7,164,366	7,940,777	9,274,923	10,480,668	11,222,034	11,853,872	12,004,946	14,451,954	15,055,844	16,634,924
Special assessments	1,168,813	1,234,119	1,164,151	2,478,024	1,931,261	1,866,717	1,793,813	1,633,896	1,643,500	1,866,272
Licenses and permits	817,263	1,138,801	1,120,864	1,566,812	1,653,546	1,762,086	1,351,887	1,140,831	958,590	1,308,378
Intergovernmental	5,204,138	5,255,157	5,243,740	5,784,320	7,046,039	6,115,697	9,642,918	7,102,049	7,900,176	8,299,803
Charges for service	4,756,114	5,637,618	5,246,608	5,818,566	6,347,087	7,403,739	6,748,891	6,468,006	5,790,382	6,629,507
Fines and forfeitures	1,080,546	1,305,536	1,188,706	1,443,468	1,461,398	1,746,213	1,644,767	1,597,236	1,518,481	1,441,383
Interest on investments	463,199	413,212	342,979	545,805	848,909	1,068,802	1,360,914	671,859	352,378	300,516
loan repayment	266,683	211,936	183,987	426,076	291,338	10,193	19,849	9,985	10,401	193,302
Other	709,203	1,037,347	901,696	2,421,201	3,412,410	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790
Total revenues	21,630,325	24,174,503	24,667,654	30,964,940	34,214,022	33,767,475	36,427,298	35,842,487	35,485,823	38,230,875
Expenditures										
General government	3,569,323	3,853,464	4,406,577	5,006,986	5,309,637	5,577,810	6,153,838	5,946,355	5,690,488	5,939,771
Public safety	6,723,263	7,232,374	7,661,421	8,535,646	9,494,622	10,160,291	10,778,917	11,056,742	11,709,170	12,137,616
Public service	2,094,552	2,028,864	2,115,856	2,363,585	2,276,802	3,060,672	3,020,855	2,976,711	2,702,510	3,002,021
Public welfare	3,538,748	3,430,983	4,154,228	4,320,299	5,099,873	4,315,086	4,819,758	5,161,997	4,916,828	6,435,916
Capital outlay	4,649,508	3,536,045	4,824,965	6,417,671	18,374,651	11,397,365	12,205,040	9,380,742	4,248,758	3,299,017
Debt service										
Principal	926,547	850,119	1,448,320	6,788,969	989,041	833,158	2,013,232	1,138,051	1,194,819	1,611,087
Interest	696,303	672,243	667,118	709,178	550,296	549,667	649,662	738,198	715,150	680,088
Bond Issuance Costs	-	-	-	-	20,064	-	-	-	-	-
Total expenditures	22,198,244	21,604,092	25,278,485	34,142,334	42,114,986	35,894,049	39,641,302	36,398,796	31,177,723	33,105,516
Excess of revenues over (under) expenditures	(567,919)	2,570,411	(610,831)	(3,177,394)	(7,900,964)	(2,126,574)	(3,214,004)	(556,309)	4,308,100	5,125,359
Other Financing Sources (Uses)										
Proceeds from borrowing	3,460,602	5,271,000	-	4,804,467	1,376,869	-	-	-	-	-
Transfers in	1,962,695	3,012,716	3,137,517	5,497,553	17,619,744	4,565,896	4,604,100	8,394,126	10,857,332	6,985,734
Transfers out	(1,962,695)	(3,013,286)	(2,987,517)	(5,497,553)	(15,835,644)	(4,076,116)	(4,604,100)	(11,733,378)	(11,033,925)	(7,255,505)
Issuance of debt							6,554,166	177,346	890,000	-
Premium on Bonds Issued							10,896	-	-	-
Sales of capital assets		7,856	820,849	1,604	1,483	490,637	249,688	86,326	766,922	10,555
Total other financing sources (uses)	3,460,602	5,278,286	970,849	4,806,071	3,162,452	980,417	6,814,750	(3,075,580)	1,480,329	(259,216)
Extraordinary items										
Net change in fund balances	\$ 2,892,683	\$ 7,848,697	\$ 360,018	\$ 1,628,677	\$ (4,738,512)	\$ (1,146,157)	\$ 3,600,746	\$ (3,631,889)	\$ 5,788,429	\$ 4,866,143
Debt service as a percentage of noncapital expenditures	9.2%	8.4%	10.3%	27.0%	6.5%	5.6%	9.7%	6.9%	7.1%	7.7%

Unaudited statistical section

REVENUE CAPACITY SECTION

CITY OF BOZEMAN, MONTANA
ASSESSED VALUE OF TAXABLE PROPERTY
Past Ten Fiscal Years

Fiscal Year Ended <u>June 30,</u>	<u>Residential Property</u>	<u>Commercial & Industrial Property</u>	<u>Agricultural Property</u>	Total Taxable Assessed <u>Value</u>	Total Direct Tax <u>Rate</u>
2002	23,772,000	16,131,000	2,547,000	42,450,000	145.21
2003	25,790,800	17,500,900	2,763,300	46,055,000	154.21
2004	27,753,040	18,832,420	2,973,540	49,559,000	163.31
2005	29,671,600	20,134,300	3,179,100	52,985,000	171.99
2006	32,515,280	22,063,940	3,483,780	58,063,000	168.26
2007	35,419,440	24,034,620	3,794,940	63,249,000	163.42
2008	38,629,360	26,212,780	4,138,860	68,981,000	154.18
2009	41,539,680	28,187,640	4,450,680	74,178,000	171.16
2010	43,842,400	29,750,200	4,697,400	78,290,000	170.19
2011	45,238,480	30,697,540	4,846,980	80,783,000	168.75

Source: Based on information provided by Gallatin County and Department of Revenue

Note: Property is assessed by the State Department of Revenue every six years.

CITY OF BOZEMAN, MONTANA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Past Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended <u>June 30,</u>	<u>Basic Rate</u>	General Obligation Debt <u>Service</u>	Total Direct Tax <u>Rate</u>	Bozeman School <u>District</u>	Gallatin <u>County</u>	State of <u>Montana</u>
2002	136.21	9.00	145.21	248.06	177.65	46.00
2003	139.95	14.26	154.21	252.94	189.94	46.00
2004	154.09	9.22	163.31	266.43	200.59	46.00
2005	158.67	13.32	171.99	264.68	194.15	46.00
2006	155.89	12.37	168.26	265.55	196.74	46.00
2007	152.07	11.35	163.42	182.74	197.36	46.00
2008	142.98	11.20	154.18	183.85	205.40	46.00
2009	160.59	10.57	171.16	212.53	210.14	46.00
2010	160.18	10.01	170.19	199.54	210.25	46.00
2011	158.96	9.79	168.75	196.89	217.21	46.00

Source: Based on information provided by Gallatin County and Department of Revenue

**CITY OF BOZEMAN, MONTANA
PRINCIPAL PROPERTY TAX PAYERS
Current Year and Nine Years Ago**

<u>Taxpayer</u>	<u>2011</u>			<u>2002</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Northwestern Corp Transmission & Distribution	3,102,385	1	3.84%	2,633,735	1	6.20%
Qwest Corporation	1,117,377	2	1.38%			
Bresnan Communications	1,053,442	3	1.30%			
Cellco Partnership	582,609	4	0.72%			
Harry Daum - Gallatin Mall	515,630	5	0.64%	517,629	3	1.22%
Wal-Mart Stores	374,454	6	0.46%			
Stone Ridge Partners LLC	362,604	7	0.45%	277,986	4	0.65%
Bridger Peaks Holding LLC	328,509	8	0.41%			
Highgate Bozeman LLC	325,730	9	0.40%	174,933	10	0.41%
BVI/HJSI Bozeman LLC	319,807	10	0.40%			
U.S. West				1,134,686	2	2.67%
Costco Wholesale Corporation				272,815	5	0.64%
Dayton Hudson Corporation				220,029	6	0.52%
First Security Bank				210,106	7	0.49%
Arcadia Gardens Apartments				193,977	8	0.46%
TCIP Partnership				175,544	9	0.41%
Total	\$ 8,082,547		10.01%	\$ 5,811,440		13.69%
Total City Taxable Assessed Value	\$ 80,783,000			\$ 42,450,000		

Source: Gallatin County Treasurer

CITY OF BOZEMAN, MONTANA
PROPERTY TAX LEVIES AND COLLECTIONS
Past Ten Fiscal Years

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2002	6,164,165	6,115,656	99.21%	45,083	6,160,739	99.94%
2003	7,102,142	6,691,991	94.22%	399,942	7,091,934	99.86%
2004	8,093,480	7,910,446	97.74%	180,669	8,091,115	99.97%
2005	9,112,890	8,825,662	96.85%	280,788	9,106,450	99.93%
2006	9,769,893	9,490,225	97.14%	162,343	9,652,569	98.80%
2007	10,336,467	10,227,386	98.94%	104,456	10,331,842	99.96%
2008	10,635,491	10,324,653	97.08%	210,914	10,535,567	99.06%
2009	12,696,306	12,493,145	98.40%	128,391	12,621,536	99.41%
2010	13,324,175	12,415,922	93.18%	695,066	13,110,988	98.40%
2011	13,632,412	13,001,537	95.37%	-	13,001,537	95.37%

Source: Gallatin County
City Manager's Final Adopted Budget

CITY OF BOZEMAN, MONTANA
WATER SOLD BY TYPE OF CUSTOMER
Past Ten Fiscal Years
(in hundreds of cubic feet "HCF")

Type of Customer	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	1,194,801	1,224,671	1,255,288	1,286,670	1,318,837	1,437,114	1,379,115	1,516,359	1,224,164	1,181,195
Government	25,041	25,667	26,308	26,966	27,640	62,913	49,623	66,253	51,168	48,228
MSU	267,365	274,049	280,901	287,923	295,121	298,352	260,232	254,891	228,789	227,019
Commercial	644,926	661,049	677,576	694,515	711,878	659,831	626,846	670,961	571,223	568,474
Total	2,132,133	2,185,436	2,240,072	2,296,074	2,353,476	2,458,209	2,315,816	2,508,464	2,075,343	2,024,916
Total direct rate per 1,000 HCF	\$ 1,544.74	\$ 1,653.23	\$ 1,790.77	\$ 1,753.67	\$ 2,055.72	\$ 2,190.03	\$ 2,478.36	\$ 2,495.43	\$ 2,679.44	\$ 2,787.06

Source: City of Bozeman Finance Department

**CITY OF BOZEMAN, MONTANA
WATER AND SEWER RATES
Past Ten Fiscal Years**

Fiscal Year Ended June 30,	Water		Sewer	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
2002	\$ 9.36	\$ 15.15	\$ 10.74	\$ 17.80
2003	\$ 9.92	\$ 16.06	\$ 10.74	\$ 17.80
2004	\$ 9.92	\$ 17.24	\$ 10.74	\$ 17.80
2005	\$ 10.42	\$ 16.83	\$ 8.59	\$ 14.20
2006	\$ 11.46	\$ 18.53	\$ 9.88	\$ 16.30
2007	\$ 12.60	\$ 19.74	\$ 10.87	\$ 18.00
2008	\$ 12.60	\$ 19.74	\$ 11.17	\$ 18.50
2009	\$ 12.60	\$ 19.74	\$ 12.13	\$ 20.10
2010	\$ 13.00	\$ 20.37	\$ 13.37	\$ 22.15
2011	\$ 13.42	\$ 21.02	\$ 14.73	\$ 24.41

* For Residential Customers, using 5/8 inch meter size.

Sources: City of Bozeman, Montana Commission Resolution 3804
City of Bozeman, Montana Commission Resolution 3805
City of Bozeman, Montana Commission Resolution 3929
City of Bozeman, Montana Commission Resolution 3930
City of Bozeman, Montana Commission Resolution 4042
City of Bozeman, Montana Commission Resolution 4043
City of Bozeman, Montana Commission Resolution 4184
City of Bozeman, Montana Commission Resolution 4185
City of Bozeman, Montana Commission Resolution 4327
City of Bozeman, Montana Commission Resolution 4328

DEBT CAPACITY SECTION

CITY OF BOZEMAN, MONTANA
RATIO OF OUTSTANDING DEBT BY TYPE
Past Ten Fiscal Years

Fiscal Year Ended June 30,	Governmental Activities				Business-Type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Special Assessment Bonds	Tax Increment Financing Bonds	Water Revenue Bonds	Wastewater State of MT RLF Loans			
2002	6,110,000	443,880	5,515,000	-	2,390,631	-	14,459,511	2.96%	\$ 500.03
2003	10,960,000	377,761	5,152,000	-	1,995,578	-	18,485,339	3.47%	\$ 615.81
2004	10,565,000	308,397	4,149,800	-	1,582,299	-	16,605,496	2.82%	\$ 526.41
2005	6,800,000	235,628	6,065,600	-	1,150,633	-	14,251,861	2.19%	\$ 428.38
2006	6,325,000	159,286	7,004,769	-	700,412	-	14,189,467	1.99%	\$ 408.94
2007	5,840,000	79,198	6,736,700	-	226,460	-	12,882,358	1.63%	\$ 351.32
2008	5,340,000	-	5,601,000	6,000,000	143,729	-	17,084,729	2.00%	\$ 453.86
2009	4,815,000	-	5,211,000	5,850,000	56,615	-	15,932,615	1.72%	\$ 408.49
2010	4,275,000	851,071	4,819,000	5,695,000	28,992	7,902,127	23,571,191	2.40%	\$ 600.05
2011	3,710,000	509,705	4,351,500	5,535,000	-	24,017,080	38,123,285	4.16%	\$ 1,022.62

Sources: City Manager's Final Adopted Budget
City of Bozeman Finance Department

CITY OF BOZEMAN, MONTANA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Past Ten Fiscal Years

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Special Assessment Bonds	Total		
2002	6,110,000	-	11,625,000	27.4%	\$ 402.01
2003	10,960,000	-	16,112,000	35.0%	\$ 536.74
2004	10,565,000	-	14,714,800	29.7%	\$ 466.47
2005	6,800,000	-	12,865,600	24.3%	\$ 386.71
2006	6,325,000	-	13,329,769	23.0%	\$ 384.17
2007	5,840,000	-	12,576,700	19.9%	\$ 342.99
2008	5,340,000	6,000,000	11,340,000	16.4%	\$ 301.25
2009	4,815,000	5,850,000	10,665,000	14.4%	\$ 273.43
2010	4,275,000	5,695,000	9,970,000	12.7%	\$ 253.81
2011	3,710,000	5,535,000	9,245,000	11.4%	\$ 247.99

Source: City Manager's Final Adopted Budget

CITY OF BOZEMAN, MONTANA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Past Two Fiscal Years

	<u>As of</u> <u>June 30, 2011</u>	<u>Applicable</u> <u>to City of</u> <u>Bozeman</u>	<u>As of</u> <u>June 30, 2010</u>	<u>Applicable</u> <u>to City of</u> <u>Bozeman</u>
<u>City of Bozeman, Montana</u>				
General obligation debt	3,710,000		\$ 4,275,000	
Less: Debt Service Fund balance (deficit)	<u>71,761</u>		<u>(20,240)</u>	
Net general obligation debt	<u>\$ 3,638,239</u>	100%	<u>\$ 4,295,240</u>	100%
 <u>Overlapping Bonded Indebtedness</u>				
Gallatin County:				
Various issues	\$ 44,740,000	34%	\$ 46,485,000	34%
Bozeman School District #7:				
Various issues	67,885,000	70%	71,685,000	70%
 Total overlapping bond indebtedness	 <u>\$ 112,625,000</u>		 <u>\$ 118,170,000</u>	

Sources:

City of Bozeman Finance Department
Gallatin County Assessor's Office
Bozeman School District #7

CITY OF BOZEMAN, MONTANA
LEGAL DEBT MARGIN INFORMATION
Past Ten Fiscal Years

	Fiscal Year									
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Debt limit*	17,643,745	21,560,620	23,737,036	26,559,967	29,591,000	34,755,653	54,804,000	60,185,000	66,375,000	70,675,000
Total net debt applicable to limit	(6,424,838)	(7,747,833)	(7,588,181)	(3,750,411)	(6,568,569)	(5,595,558)	(5,423,128)	(4,842,905)	\$ (4,295,240)	\$ (3,638,239)
Legal debt margin	<u>\$ 11,218,907</u>	<u>\$ 13,812,787</u>	<u>\$ 16,148,855</u>	<u>\$ 22,809,556</u>	<u>\$ 23,022,431</u>	<u>\$ 29,160,095</u>	<u>\$ 49,380,872</u>	<u>\$ 55,342,095</u>	<u>\$ 62,079,760</u>	<u>\$ 67,036,761</u>
Total net debt applicable to the limit as a percentage of debt limit	36.4%	35.9%	32.0%	14.1%	22.2%	16.1%	9.9%	8.0%	6.5%	5.1%

*2.5% of total market value of taxable property of \$2.827 Billion

Source: City Manager's Final Adopted Budget

**CITY OF BOZEMAN, MONTANA
PLEDGED-REVENUE COVERAGE
Past Ten Fiscal Years**

Fiscal Year Ended June 30,	Water Revenue Bonds					Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
			Principal	Interest			Principal	Interest	
2002	3,556,447	(2,326,317)	(376,978)	(120,747)	732,405	979,283	(709,000)	(336,405)	(66,122)
2003	3,935,636	(2,271,120)	(395,052)	(103,613)	1,165,851	1,050,180	(479,000)	(270,202)	300,978
2004	4,359,299	(2,440,762)	(413,280)	(85,391)	1,419,866	932,771	(997,200)	(250,571)	(315,000)
2005	4,429,294	(2,647,507)	(431,666)	(65,963)	1,284,158	588,887	(2,951,200)	(364,814)	(2,727,127)
2006	5,401,069	(2,866,140)	(450,220)	(45,317)	2,039,392	1,472,058	(437,700)	(297,876)	736,482
2007	6,124,533	(3,114,053)	(473,952)	(23,391)	2,513,137	1,428,084	(268,069)	(309,119)	850,896
2008	6,163,883	(3,769,941)	(82,731)	(10,231)	2,300,981	1,178,846	(1,135,700)	(278,393)	(235,247)
2009	5,938,745	(3,770,800)	(87,009)	(5,978)	2,074,958	1,022,641	(390,000)	(241,395)	391,246
2010	5,860,144	(3,950,566)	(27,622)	(2,440)	1,879,516	989,977	(392,000)	(223,763)	374,214
2011	6,013,211	(3,869,048)	(28,992)	(1,070)	2,114,101	1,134,049	(468,500)	(211,204)	454,345

Unaudited statistical section

DEMOGRAPHICS AND ECONOMIC SECTION

CITY OF BOZEMAN, MONTANA
DEMOGRAPHIC AND ECONOMIC STATISTICS
Past Ten Fiscal Years

Fiscal Year Ended June 30,	Population	Estimated Annual % Change in Population	Personal Income	Per Capita Personal Income	Median Age (years)	Residents with Bachelors Degree or Higher Schooling	K-12 School Enrollment	Unemployment Rate
2002	28,917	n/a	\$ 488,963,336	\$ 16,909	25.6	49.1%	5,124	3.4%
2003	30,018	3.7%	\$ 532,959,384	\$ 17,755	25.8	49.2%	5,101	3.3%
2004	31,545	4.8%	\$ 588,074,287	\$ 18,642	25.9	49.3%	5,086	3.2%
2005	33,269	5.2%	\$ 651,224,461	\$ 19,575	26.1	49.4%	5,198	2.8%
2006	34,698	4.1%	\$ 713,156,262	\$ 20,553	26.3	49.5%	5,332	2.0%
2007	36,668	5.4%	\$ 791,328,448	\$ 21,581	26.5	49.5%	5,356	1.5%
2008	37,643	2.6%	\$ 852,988,317	\$ 22,660	26.7	49.6%	5,432	3.7%
2009	39,004	3.5%	\$ 928,019,928	\$ 23,793	26.9	49.7%	5,463	6.6%
2010	39,282	0.7%	\$ 981,366,084	\$ 24,983	27.0	49.8%	5,509	7.4%
2011	37,280	-5.4%	\$ 915,596,800	\$ 24,560	27.2	51.3%	5,679	7.3%

Sources:

Bozeman Area Chamber of Commerce
Bozeman Public Schools
U.S. Census Bureau

**CITY OF BOZEMAN, MONTANA
PRINCIPAL EMPLOYERS
Current Year and Ten Years Ago**

2011		2002	
Private Employers By Class	Employer Class Size	Private Employers By Class	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	8
RightNow Technologies	8	Capital Opportunities (Home Care Services)	8
Wal-Mart	7	Ranch & Home Supply (Murdoch's ?)	7
Albertson's	6	Wal-Mart	7
Community Food Co-Op	6	Albertson's	6
Costco	6	Bozeman Daily Chronicle	6
First Security Bank	6	Costco	6
Gibson Guitar	6	First Security Bank	6
GranTree Inn	6	Gibson Guitar	6
Kenyon Noble Lumber & Hardware	6	GranTree Inn	6
Lowe's	6	Kenyon Noble Lumber & Hardware	6
Martel Construction	6	Louisiana Pacific	6
McDonald's	6	Martel Construction	6
Murdoch's Ranch & Home Supply	6	Montana Conservation Corps	6
Ressler Chevrolet Cadillac & Toyota	6	Montana Furniture Industries	6
Rosauers Supermarket	6	Right Now Technologies	6
Simkins Hallin Lumber & Hardware	6	Simkins Hallin Lumber	6
Target	6	Target	6
Town & Country Foods	6	Video Lottery Consultants	6
Zoot Enterprises	6	Zoot Enterprises	6
Public Employers By Class	Employer Class Size	Public Employers By Class	Employer Class Size
Montana State University	9	Montana State University	9
School District #7	8	School District #7	8
City of Bozeman	7	Gallatin County	7
Gallatin County	7	City of Bozeman	7

<i>Class 6 - 100 to 249 Employees</i> <i>Class 7 - 250 to 499 Employees</i> <i>Class 8 - 500 to 999 Employees</i> <i>Class 9 - 1,000+ Employees</i>
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Unaudited statistical section
Source: Montana Department of Labor & Industry

OPERATING SECTION

CITY OF BOZEMAN, MONTANA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
 Past Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
City commission	4.00	4.00	4.00	4.00	2.10	2.10	2.10	2.10	2.10	2.10
City manager	5.50	6.50	7.50	7.50	9.50	9.50	10.50	10.50	11.50	11.50
Municipal court	5.00	5.00	6.00	6.00	6.00	6.00	7.00	7.00	7.50	8.50
City attorney	6.00	6.00	6.00	6.00	6.00	6.00	7.00	6.00	11.50	7.00
Finance	16.75	16.00	16.00	16.00	16.00	16.00	10.00	10.00	8.75	8.75
Information Technology (used to be in Finance)	-	-	-	-	-	-	6.00	6.00	5.88	5.88
Office of planning & community development	11.70	12.70	12.70	12.70	12.70	12.70	15.20	13.70	12.20	12.20
Zoning	-	-	-	-	-	-	-	-	-	-
Building maintenance	0.55	0.55	1.55	2.55	2.55	2.55	3.05	3.55	3.55	3.55
Total general government	<u>49.50</u>	<u>50.75</u>	<u>53.75</u>	<u>54.75</u>	<u>54.85</u>	<u>54.85</u>	<u>60.85</u>	<u>58.85</u>	<u>62.98</u>	<u>59.48</u>
Public Safety										
Police department	48.25	48.25	48.25	49.75	52.75	54.75	57.75	62.75	71.75	71.75
Fire department	28.75	29.75	29.75	29.25	29.25	31.25	34.25	45.25	41.75	41.75
Building inspection	10.05	10.55	10.55	15.05	15.05	15.55	16.55	13.55	9.55	10.55
Parking	1.75	2.75	2.75	2.75	2.75	3.75	3.75	4.75	4.75	4.75
9-1-1	-	-	-	-	-	-	-	-	-	-
Total public safety	<u>88.80</u>	<u>91.30</u>	<u>91.30</u>	<u>96.80</u>	<u>99.80</u>	<u>105.30</u>	<u>112.30</u>	<u>126.30</u>	<u>127.80</u>	<u>128.80</u>
Public Services										
Public services administration	7.15	7.15	7.15	7.15	7.15	7.15	8.15	8.15	8.15	8.15
Streets	13.62	13.62	13.62	13.62	13.62	15.62	15.62	17.62	17.62	17.62
Water plant	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27
Water operations	13.12	14.12	14.12	14.12	14.62	14.62	15.62	16.62	15.62	15.62
Wastewater operations	6.75	7.75	7.75	7.75	9.25	9.25	10.25	11.25	10.25	10.25
Wastewater plant	15.87	15.87	14.87	14.87	14.87	14.87	14.87	15.87	15.87	15.87
Solid waste collection	10.74	10.74	10.74	11.74	11.74	12.74	14.74	14.74	14.74	14.74
Solid waste disposal	7.66	7.66	7.66	7.66	7.66	7.66	2.00	-	-	-
Solid waste recycling	-	-	-	-	-	-	1.00	1.00	1.00	1.00
Vehicle maintenance	2.50	2.50	2.50	3.50	3.50	4.00	3.00	4.00	5.00	5.00
Total public services	<u>86.68</u>	<u>88.68</u>	<u>87.68</u>	<u>89.68</u>	<u>91.68</u>	<u>95.18</u>	<u>94.52</u>	<u>98.52</u>	<u>97.52</u>	<u>97.52</u>
Public Welfare										
Cemetery	5.25	5.25	5.25	5.25	5.25	5.25	5.75	5.75	5.75	5.75
Parks	11.95	11.95	11.95	11.95	11.95	12.95	13.45	13.45	13.45	13.45
Forestry	3.60	3.60	3.60	3.60	3.60	4.60	4.60	4.60	4.60	4.60
Library	19.66	19.66	19.66	19.66	19.66	19.66	20.66	21.66	21.66	21.66
Recreation	14.65	14.65	14.65	14.65	14.65	14.65	14.90	15.00	15.00	15.00
Community development	-	1.00	1.00	1.00	1.00	1.00	2.00	1.00	2.00	2.00
Total public welfare	<u>55.11</u>	<u>56.11</u>	<u>56.11</u>	<u>56.11</u>	<u>56.11</u>	<u>58.11</u>	<u>61.36</u>	<u>61.46</u>	<u>62.46</u>	<u>62.46</u>
Total all funds	<u>280.09</u>	<u>286.84</u>	<u>288.84</u>	<u>297.34</u>	<u>302.44</u>	<u>313.44</u>	<u>329.03</u>	<u>345.13</u>	<u>350.76</u>	<u>348.26</u>

Source: City Manager's Final Adopted Budget

CITY OF BOZEMAN, MONTANA
OPERATING INDICATORS BY FUNCTION/PROGRAM
Past Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Finance										
SID Statements	9,525	9,955	10,443	10,443	11,086	11,086	14,919	15,000	15,816	16,000
Utility Bills	97,627	101,303	105,720	111,463	111,463	112,775	134,460	134,000	135,000	135,000
Grants Recorded and Reported	19	23	25	26	25	26	13	30	30	35
Business Licenses	2,742	2,812	3,360	3,588	3,596	3,596	3,836	3,800	4,260	3,750
Police										
Number of Officers	44	39	40	42	47	45	51	52	52	
Calls for Service	33,514	34,000	34,797	36,842	39,790	40,758	42,728	45,145	43,385	41,490
Arrests	3,709	3,800	2,400	2,106	2,299	2,524	2,581	2,853	2,338	2,198
Traffic Citation Issued **	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	3,311	2,771
Traffic Stops **	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	10,702	9,191
Traffic Crashes	1,732	1,800	1,644	1,521	1,666	1,780	1,519	1,302	1,194	1,494
Fire										
Fires, Hazardous Conditions & Misc	220	265	295	280	230	242	230	248	278	278
Emergency Medical Services	1,103	1,300	1,398	1,270	1,373	1,454	1,658	1,441	1,483	1,483
Service Calls	43	50	50	55	96	118	148	145	187	187
Building Inspection										
Commercial Permits:										
Number	24	30	22	37	44	50	234	284	259	494
Value (Millions)	23.27	22.04	27.91	36.85	43.11	38.54	103.98	100.71	38.55	25.91
Residential Permits:										
Number	272	440	257	927	890	764	431	705	974	2,011
Value (Millions)	40.50	67.29	34.11	118.25	135.64	118.15	77.60	28.10	18	33
Water										
New Service Main Taps	21	28	30	39	76	79	15	39	16	20
Meter Replacement/Repair	0	0	100	120	844	663	878	368	650	650
Water Main Breaks	13	13	6	6	5	8	5	6	4	4
Wastewater										
Main Line Flushing (in Miles)	74	94	120	134	101	95	110	90	81	90
New Infrastructure TV (in Miles)	4.5	7	7	6	10	19	4.8	1	1	1
New Service Taps	27	33	20	41	29	37	22	15	5	8
Population Served	32,500	33,800	35,150	36,560	35,700	37,300	38,900	40,500	41,800	42,600
Solid Waste										
Residential Customers	5,239	5,549	5,551	5,800	6,310	6,608	6,779	6,957	7,092	7,130
Commercial Customers	168	202	202	200	211	239	254	262	271	268
Recycling Customers	-	-	-	-	-	-	484	881	965	970
Yearly Tonnage Collected	7,725	8,500	8,499	9,000	11,171	11,953	11,879	10,397	10,920	10,657
Vehicle Maintenance										
Work Orders Processed	1,156	1,261	1,275	1,300	1,068	1,070	974	870	1,005	1,435
Gallons of Oil Disposed	10,825	14,382	13,500	14,500	11,384	10,000	9,350	9,350	9,175	9,445
Parks										
Park Reservations	425	500	330	330	340	340	360	221	280	280

Sources: City Manager's Final Adopted Budget
City of Bozeman Finance Department

** Not used as an operating indicator until 2010

CITY OF BOZEMAN, MONTANA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Past Ten Fiscal Years

	Fiscal Year Ended June 30,									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (Cars)	12	13	14	15	16	17	18	19	20	20
Patrol Units (Motorcycles)	2	4	4	4	4	4	4	4	4	4
Fire										
Stations	2	2	2	2	2	2	2	3	3	3
Fire Trucks	5	5	5	5	5	5	5	5	6	6
Streets										
Street & Alley Mileage	145.364	145.364	172.817	188.694	196.773	229.905	234.736	242.650	246.951	254.565
Lineal Fee of Curb Replaced	160	562	275	1,330	737	750	1,526	240	0	0
Number of Signs Installed	309	310	370	649	756	652	652	732	750	220
Water										
Water Mains (Miles)	191.95	194.30	202.22	218.87	230.15	247.23	250.16	253.73	256.32	257.51
Fire Hydrants	1,704	1,730	1,888	1,973	2,045	2,206	2,238	2,274	2,308	2,324
Wastewater										
Sanitary Sewers (Miles)	147.62	150.31	161.69	171.29	179.45	198.17	200.01	201.37	205.00	205.00
Number of Manholes	3,298	3,321	3,345	3,397	3,571	3,888	3,946	3,988	4,034	4,034
Solid Waste										
Number of Collection Vehicles	3	3	4	4	5	7	6	7	7	7
Number of Roll-off Trucks	1	1	1	1	1	2	3	4	4	4
Number of Recycling Trucks	0	0	0	0	0	0	0	1	1	1
Parks										
Formal Turf Acres	218	228	250	250	258	258	265	120	120	120
Natural Parkland Acres	219	219	118	118	110	110	115	205	205	205
Miles of Trails	22	23	25	25	45	45	50	50	51	54

Sources: City Manager's Final Adopted Budget
City of Bozeman Finance Department
City of Bozeman GIS Department
City of Bozeman Police Department

PART IV

**REPORTS OF INDEPENDENT PUBLIC ACCOUNTANTS AND
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

AS REQUIRED BY U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133,
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

AUDITS OF STATE AND LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

<u>FEDERAL GRANTOR</u>	<u>CFDA</u>	<u>Grant Award</u>	<u>Balance June 30, 2010</u>	<u>Grant Revenue Received</u>	<u>Grant Revenue Accrued</u>	<u>Total Revenue</u>	<u>Federal Awards Expended</u>	<u>Balance June 30, 2011</u>
<u>U.S. Department of Justice</u>								
Rural Domestic Violence Assistance Program	16.589	\$ 63,786	\$ -	\$ 63,786	\$ -	\$ 63,786	\$ 63,786	\$ -
Passed through Gallatin County:								
Missouri River Drug Task Force	16.579	85,708	-	85,708	-	85,708	85,708	-
Automated Fingerprint ID System 2010-DJ-BX-1148	16.738	40,204	-	40,204	-	40,204	40,204	-
<u>U.S. Department of Transportation</u>								
Passed through MT Dept. of Transportation:								
Highway Traffic Safety								
STEP-Bozeman Occupant Protection: 00-03-09-02	20.600	5,621	-	5,621	-	5,621	5,621	-
CTEP Community Transportation Enhancement Projects								
STPE1299(22) - College Pathway	20.205	239,069	-	184,377	54,692	239,069	239,069	-
Safe Routes to Schools	20.205	7,253	-	7,253	-	7,253	7,253	-
<u>U.S. Department of Interior</u>								
Passed through the Historical Society:								
Historic Preservation	15.904	6,000	-	6,000	-	6,000	6,000	-
<u>Federal Emergency Management Agency</u>								
SAFER Firefighter Grant (Dept. of Homeland Security)	97.083	179,155	-	-	179,155	179,155	179,155	-
Fire FEMA Assistance to Firefighters Grant - Opticom	83.554	108,835	-	108,835	-	108,835	108,835	-
<u>U.S. Department of Agriculture</u>								
Passed through MT Department of Resources & Conservation Cooperative Forestry Assistance	10.664	5,000	-	5,000	-	5,000	5,000	-
<u>U.S. Department of Energy - National Energy Tech Laboratory</u>								
Energy Efficiency and Conservation Block Grant	81.128	54,759	-	54,759	-	54,759	54,759	-

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED JUNE 30, 2011

<u>FEDERAL GRANTOR</u>	<u>CFDA</u>	<u>Grant Award</u>	<u>Balance June 30, 2010</u>	<u>Grant Revenue Received</u>	<u>Grant Revenue Accrued</u>	<u>Total Revenue</u>	<u>Federal Awards Expended</u>	<u>Balance June 30, 2011</u>
<u>U.S. Environmental Protection Agency</u>								
STAG Grant - Water Reclamation Facility Digester #3	66.709	436,500	-	436,500	-	436,500	436,500	-
WRF A: Admin Bldg ARRA Forgiveness - Subordinate Lien Taxable Series 2010A Bond	66.458	390,700	-	390,700	-	390,700	390,700	-
WRF B: Admin Bldg ARRA Forgiveness - Series 2010B Bond	66.458	359,300	-	359,300	-	359,300	359,300	-
WRF E: Digester 2010 CAP Loan forgiveness: Subordinate Lien Taxable Series 2010E	66.458	384,000	-	384,000	-	384,000	384,000	-
WRF F: Digester 2010 CAP Loan forgiveness - Series 2010F Bond forgiveness	66.458	816,000	-	816,000	-	816,000	816,000	-
<u>U.S. Department of Housing & Urban Development</u>								
Passed through MT Department of Commerce: HUD EDI-SP #B-10-SP-MT-0075	14.251	714,849	-	412,672	302,177	714,849	714,849	-
Total Federal Financial Assistance		<u>\$ 3,896,738</u>	<u>\$ -</u>	<u>\$ 3,360,715</u>	<u>\$ 536,024</u>	<u>\$ 3,896,738</u>	<u>\$ 3,896,738</u>	<u>\$ -</u>

CITY OF BOZEMAN, MONTANA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2011

NOTE 1. REPORTING ENTITY

The City of Bozeman's reporting entity is defined in Note 1 of the City's financial statements. Expenditures of federal awards received directly from federal agencies as well as federal awards passed through other government agencies are included in the accompanying schedule.

NOTE 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the City's financial statements.

NOTE 3. NON-CASH TRANSACTIONS

The City had no non-cash transactions in the accompanying schedule of expenditures of federal awards.

INDEPENDENT AUDITORS' 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

Honorable Mayor, City Commissioners, and City Manager of the
City of Bozeman, Montana:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bozeman, Montana, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 15, 2011. 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Bozeman's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of the section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Bozeman'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 that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City of Bozeman's management, Board of Commissioners, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier, Clark, Campanella, Stevens, P.C.

Bozeman, Montana
December 15, 2011



Junkermier • Clark
Campanella • Stevens • P.C.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Honorable Mayor, City Commissioners, and City Manager of the
City of Bozeman, Montana:

Compliance

We have audited the City of Bozeman's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Bozeman's major federal programs for the year ended June 30, 2011. The City of Bozeman's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirement of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Bozeman's management. Our responsibility is to express an opinion on the City of Bozeman's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 of Bozeman'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. Our audit does not provide a legal determination of the City of Bozeman's compliance with those requirements.

In our opinion, the City of Bozeman complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of the City of Bozeman is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Bozeman's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 of Bozeman'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.

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 deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City of Bozeman's management, Board of Commissioners, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Junkermier Clark Campanella & Stevens, PC

Bozeman, Montana
December 15, 2011

CITY OF BOZEMAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

SUMMARY OF AUDIT RESULTS

Financial Statements

The auditor's report expresses an unqualified opinion.

No significant deficiencies or material weaknesses related to internal control over financial reporting were identified.

No instances of noncompliance material to the financial statements were noted.

Federal Awards

No significant deficiencies or material weaknesses related to the internal control over major programs were identified.

The auditor's report on compliance for the major federal awards programs expresses an unqualified opinion.

The audit did not disclose any audit findings that are required to be reported in accordance with section 510(a) of Circular A-133.

Major Programs

The major programs are: Economic Development Initiative CFDA 14.251, Water Treatment Facility Improvements 66.709, and Capitalization Grants for Clean Water 66.458.

The threshold for distinguishing Types A and B programs was \$300,000.

The City of Bozeman was determined to be a low-risk auditee.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT

None reported.

CITY OF BOZEMAN
CURRENT STATUS OF PRIOR YEAR RECOMMENDATIONS
Year Ended June 30, 2011

There were no prior year audit findings relative to federal award programs.