

CITY OF BOZEMAN, MONTANA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Prepared by the City of Bozeman Finance Department

CITY OF BOZEMAN, MONTANA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2013

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
------------------------------------	-------

A. MANAGEMENT'S DISCUSSION AND ANALYSIS .....	21-33
---	-------

B. BASIC FINANCIAL STATEMENTS

Government Wide Financial Statements	
Statement of Net Position.....	34
Statement of Activities .....	35

Fund Financial Statements

Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds .....	36-37
Reconciliation of the Balance Sheet – Governmental Funds to the Government-wide Statement of Net Position.....	38
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	39
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to The Government-wide Statement of Activities .....	40
Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds.....	41-42
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds .....	43
Statement of Cash Flows – Proprietary Funds.....	44-45
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position – Fiduciary Funds .....	46

Notes to Financial Statements.....	47-93
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CITY OF BOZEMAN, MONTANA  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 JUNE 30, 2013

TABLE OF CONTENTS (CONTINUED)

C. REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Funding Progress – Other Post-Employment Health Care Benefits .....	94
Statements of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual – General and Special Revenue Major Funds	
General Fund .....	95
Street Impact Fees Fund .....	96
Street Maintenance Special Revenue Fund .....	97
Building Inspection Special Revenue Fund .....	98
Notes to Required Supplementary Information.....	99

D. SUPPLEMENTAL INFORMATION

Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet – Nonmajor Governmental Funds.....	100-113
Combining Statement of Revenue, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds .....	114-120
 Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - Other Major Funds	
SID Sinking Fund .....	121
Note to Budget-to-Actual Statements – Other Major Funds .....	122
 Budget-to-Actual Statements- Nonmajor Funds	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual – Nonmajor Governmental Funds	
Nonmajor Governmental Funds.....	123-137
 Internal Service Funds Statements	
Combining Statements of Net Position – Internal Service Funds .....	138
Combining Statements of Revenues, Expenses, and Changes in Net Position – Internal Service Funds .....	139
Combining Statements of Cash Flows – Internal Service Funds .....	140-141
 Agency Funds	
Combining Statements of Fiduciary Net Position .....	142
Combining Statements of Changes in Assets and Liabilities – Agency Funds.....	143

CITY OF BOZEMAN, MONTANA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2013

TABLE OF CONTENTS (CONTINUED)

III. STATISTICAL SECTION

Financial Trends Section

Net Position by Component .....	144
Changes in Net Position .....	145-146
Fund Balances, Governmental Funds.....	147
Changes in Fund Balances, Governmental Funds.....	148

Revenue Capacity Section

Assessed Value of Taxable Property .....	149
City Taxable Market and Taxable Values.....	150
Tax Increment District Taxable Valuation Detail.....	151
Downtown Bozeman Improvement District and Comparison to City Taxable Value.....	152
Property Tax Levies in the Downtown Bozeman Improvement District.....	153
Direct and Overlapping Property Tax Rates .....	154
Principal Property Tax Payers .....	155
Principal Property Tax Payers in Downtown Bozeman Improvement District.....	156
Property Tax Levies and Collections .....	157
Water Sold by Type of Customer.....	158
Water and Sewer Rates.....	159

Debt Capacity Section

Ratios of Outstanding Debt by Type.....	160
Ratios of General Bonded Debt Outstanding.....	161
Direct and Overlapping Governmental Activities Debt .....	162
Legal Debt Margin Information .....	163
Pledged Revenue Coverage.....	164
Debt Service Requirements and Coverage for Downtown Tax Increment District.....	165
Summary of Outstanding SID's.....	166
Revolving Fund Balance and Bond Secured Thereby.....	167

CITY OF BOZEMAN, MONTANA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
JUNE 30, 2013

TABLE OF CONTENTS (CONTINUED)

Special Improvement District Assessment Billing and Collections..... 168

Demographic and Economic Section

    Demographic and Economic Statistics..... 169

    Principal Employers..... 170

Operating Section

    Full-time Equivalent City Government Employees by Function/Program ..... 171

    Operating Indicators by Function/Program..... 172

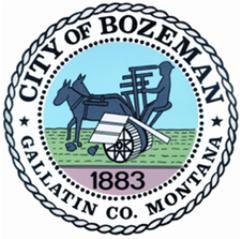
    Capital Assets Statistics by Function/Program ..... 173

IV. REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of  
Financial Statements Performed in Accordance with *Government Auditing Standards* ..... 174-175

**PART I**

**INTRODUCTORY SECTION**



December 19, 2013

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, 2013 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) 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 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 which is a total increase of 32.85% from 2000 to 2010 and making it the fifth largest city in the state. Bozeman is at the county seat of Gallatin County and is the home to Montana State University – Bozeman, and the fighting Bobcats.

The government provides a full range of services. These services include police and fire protection; sanitation services; water, waste water & storm 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, Bozeman Public Library Foundation, Inc. is considered a component unit subject to the requirements for inclusion as a discretely presented component unit. The City Planning Board is presented as a blended component unit. The Bozeman Public Library Board of Trustees, Senior Advisory Council and the Parking Commission are 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 is created and submitted to the City Commission. Public work sessions are then held by the Commissioners at which time the City Manager, Finance Director, and department staff explain the budget recommendations and underlying justification for the requests. The Commission also reviews departmental requests which could not be funded, as an indication of unmet 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.

Fiscal year 2013 marks the first year that the final budget was adopted before start of the year. It was completed in late April and presented in early May with an adoption of a final budget before June 30<sup>th</sup>. This revised budget calendar was done in an effort to improve understandability of our financial plans and to improve staff and commission efficiency. The overall goal of the City's financial policies is to establish and maintain effective management of the City's financial resources.

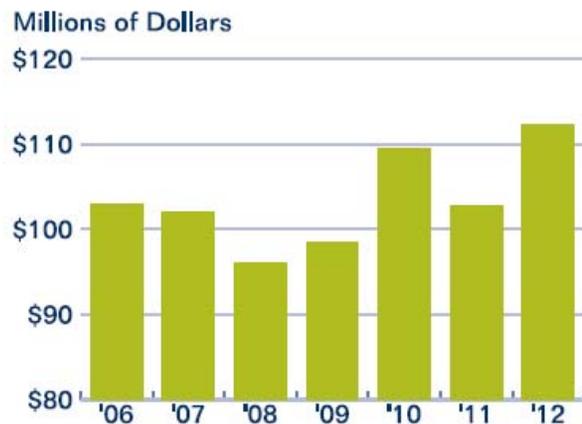
**ECONOMIC CONDITION AND OUTLOOK**

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 2013 issue of the Montana Business Quarterly relating to Gallatin County and City of Bozeman are stated below.

Is the Gallatin County economy regaining its pre-recession form? Judging from the most recent data you might be tempted to say it has. Inflation-adjusted wage and salary earnings rose by a heady 7.5 percent in the 12-month period ending in June 2012, compared to the previous period. Construction ended its deep slump, posting solid gains for the year as well. Even Bozeman airport has grown to come within a whisker of overtaking Billings as the busiest airport in the state.

Things are certainly improving in Gallatin County, but not quite as quickly as the latest data suggest. Almost 80 percent of the increase in wages and salaries in the total economy occurred in a single industry – Professional Business Services – and that gain was related to a one-time event, namely, the sale of RightNow

**Figure 1  
Montana State University  
–Bozeman, Research  
Expenditures by Fiscal Year**



Source: Montana Office of the Commissioner for Higher Education.

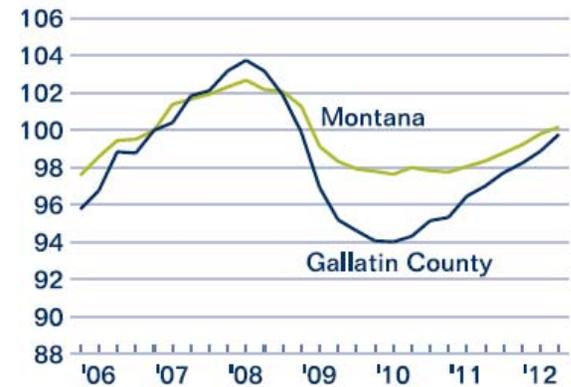
Technologies to Oracle. If this industry is dropped from the total, wage growth falls to a much less stratospheric 1.9 percent.

But faster growth does lie in the future. Steady growth in Montana State University, especially in its research activities (Figure 1), good prospects for high-tech manufacturing and services, and an improved outlook for real estate and construction have combined to make our forecast for overall growth in Gallatin County higher than any other major urban area in the state.

The area has needed that faster growth the last few years just to erase the deep declines suffered during the recession. Since the beginning of 2010, job growth has outpaced the state average, yet employment is only back to the levels achieved at the end of 2006 (Figure 2).

What is impressive about job and income growth in the recovery for Gallatin County to date is the fact that it was achieved largely without any contribution from the construction sector. That will change in the coming years, as residential construction finally begins to restart after four stagnant years.

**Figure 2  
Payroll Employment, Gallatin  
County and Montana,  
Seasonally Adjusted Index,  
2006Q4 = 100**



Sources: Quarterly Census of Employment and Wages. Seasonal Adjustment by Bureau of Business and Economic Research, The University of Montana.

## **Significant Changes During Fiscal Year 2013:**

**Increased Building Permit Activities:** Our Building Inspection division has seen strong permit issuance over the past 12 months. While never completely stopping, building construction significantly slowed during the recession. For fiscal year 2013, the total value of Building Permits for New Construction is approximately 140% of the previous year. Remodel and addition activity also continues to be strong. As vacant, buildable lots are consumed, we expect to see increased planning and subdivision activity.

**State Pension Law Changes:** Significant changes were made in Helena this spring that have increased the required Employer contribution to the Montana Public Employees Retirement System (PERS). Effective July 1, 2013, according to House Bill 454, the City's share of pension contributions increased by 1.27% points, plus an addition 0.1% each year for the next 10 years. With our current contributions of 6.8%, the new rate will be 8.07% of compensation. This is a 19% increase in the amount of pension contribution required from the employer and is expected to cost the General Fund an additional \$60,000 this coming year, and the City as a whole approximately \$150,000 this coming year.

**MMIA Declaratory Action:** 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 Montana Municipal Interlocal Authority (MMIA) sought judicial determination on the amounts owed by each party. In April 2012, a District Court in Helena determined that the City owed the full amount. The City filed an appeal with the Montana Supreme Court. Prior to a determination by the Court, the City and MMIA settled the case. Under the terms of the settlement, the City is to pay the MMIA a total of \$2 Million over a 3 year period, with the first payment of approximately \$670,000 being made in fiscal year 2013.

**State Entitlement Share Frozen:** During the 2011 State Legislative session, 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 in FY12 and further increases in FY13. Instead, both FY12 and FY13 will see ZERO growth in Entitlement Share over FY11's amounts in the general fund, and a 10% decrease (-\$3,100) for the Downtown Tax Increment District.

**Water Plant Construction:** Construction has been underway, and is near completion. This fiscal year included \$21 million in construction spending on the project, and \$13.5 million in borrowing. The new Water Treatment Plant will require substantial borrowing through completion (estimated \$20 million total). Loan documents were completed in FY12 and borrowing began at the very end of FY12. This borrowing is secured by water-system ratepayers, and is part of the need for rate increases over the coming years.

## CITY OF BOZEMAN, MONTANA

**New Stormwater Utility:** The stormwater department was created to better manage the City's ongoing State and Federal storm water permit requirements. Prior to creation of this department (in the years up-to Fiscal Year 2013), storm water issues have been addressed by a number of departments: Street Maintenance, Engineering, Public Services Administration, Water and Sewer Operations, Planning, Code Enforcement, and GIS/Information Technology. In the first few years of this department, we anticipate both a migration of duties from other departments, a sharing of expertise and equipment, as well as the initiation of new storm water system improvement efforts. Until more detailed mapping can be done, we will be using a simplified method of charging residents for service based on the size of existing water meters.

**For the Future**

**Police & Municipal Court Facility:** The City is looking to swap land with the Montana Department of Transportation for an 8-acre parcel of land on Rouse to build a new police and municipal court facility. After the location is confirmed and the land swap has taken place, the plan is to complete the design of the police station and municipal court and ask voters sometime in 2014 to approve a bond referendum to pay for the construction of the facility.

**Voter Approval of the Trails, Open Space, and Parks (TOP) Bond \$15 Million:** In November 2012, the voters approved the issuance of \$15 Million in General Obligation Bonds for the purpose of funding trail, open space, and park acquisitions. An advisory board has been formed. We anticipate the issuance of a portion of the bonds in December of 2013, so that land purchases can begin. We will be levying taxes for our first debt payment in the fall of 2014. Our estimated property tax amounts in this Budget include a debt service payment estimate and a 4.12 mill tax increase.



**Beall Park Ice Skating Rink**

**Develop an Integrated Water Resource Plan:** Complete the Integrated Water Resource Plan (IWRP) and develop solutions to achieve long term water sustainability. The City of Bozeman entered into a proactive water planning project in 2012 in order to prepare, evaluate, and recommend a strategy for forecasting and ensuring a sufficient water supply for the next 50 years. The IWRP evaluates water conservation opportunities, existing water rights management and future water rights purchasing, systems management and reclaimed wastewater re-use, as well as a slew of opportunities to develop new water resources. The City of Bozeman is eager to work with our community to establish the recommendations of this plan, and move forward with our residents in water conservation and education efforts to ensure our valley continues to enjoy our water supply for many years to come.

**Other**

- Finish construction of the Water Treatment Plant and start using new facility.
- Design and construct a community recreation/aquatics center. Determine the future of Bogert Pool and the next steps for aquatics and recreation.
- Reconstruct Story Street from Church Avenue to Tracy Avenue, including repairs to sidewalks, curbs, gutters and pedestrian ramps.
- Improve Durston Road from Fowler to Ferguson with completed sidewalks, bike lanes and additional driving and turn lanes.
- Water Pipe Replacement Program - approximately \$1M every year for the construction of necessary water system replacement work.
- Waste Water Pipe Replacement Program – approximately \$1M every year for the construction of necessary sewer system replacement work.
- Reconstruct Kagy Boulevard (South 19th to Willson Avenue): upgrade to urban arterials using gas tax money.
- Assist Gallatin College and secure regional funding.
- Develop a permanent plan for the Story Mansion.
- Enhance downtown development opportunities by collaborating with the Downtown Partnership, Montana Department of Transportation and Transportation Coordinating Committee to improve transportation downtown. And facilitate development of a downtown hotel as identified in the downtown development plan.
- Implement financial plans and asset management systems to properly maintain and replace the city's infrastructure and facilities.
- Continue implementation of the Climate Action Plans.



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.

**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.

**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.

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

	The City Commission and the City Manager, individually, have the authority to express assignments in Debt Service Funds.
<b>Capital Project Funds</b>	<ol style="list-style-type: none"> <li>1. Restricted</li> <li>2. Committed</li> <li>3. Assigned</li> </ol> <p>The City Commission and the City Manager, individually, have the authority to express assignments in Capital Project Funds.</p>

**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 underwriter's 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.

**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.

### **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.

**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.

**OTHER INFORMATION**Independent 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, 2012. This was the 29<sup>th</sup> 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  
Administrative Services Director



Brian LaMeres, CPA  
City Controller

GOVERNMENT FINANCE OFFICERS' ASSOCIATION CERTIFICATE



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Bozeman  
Montana**

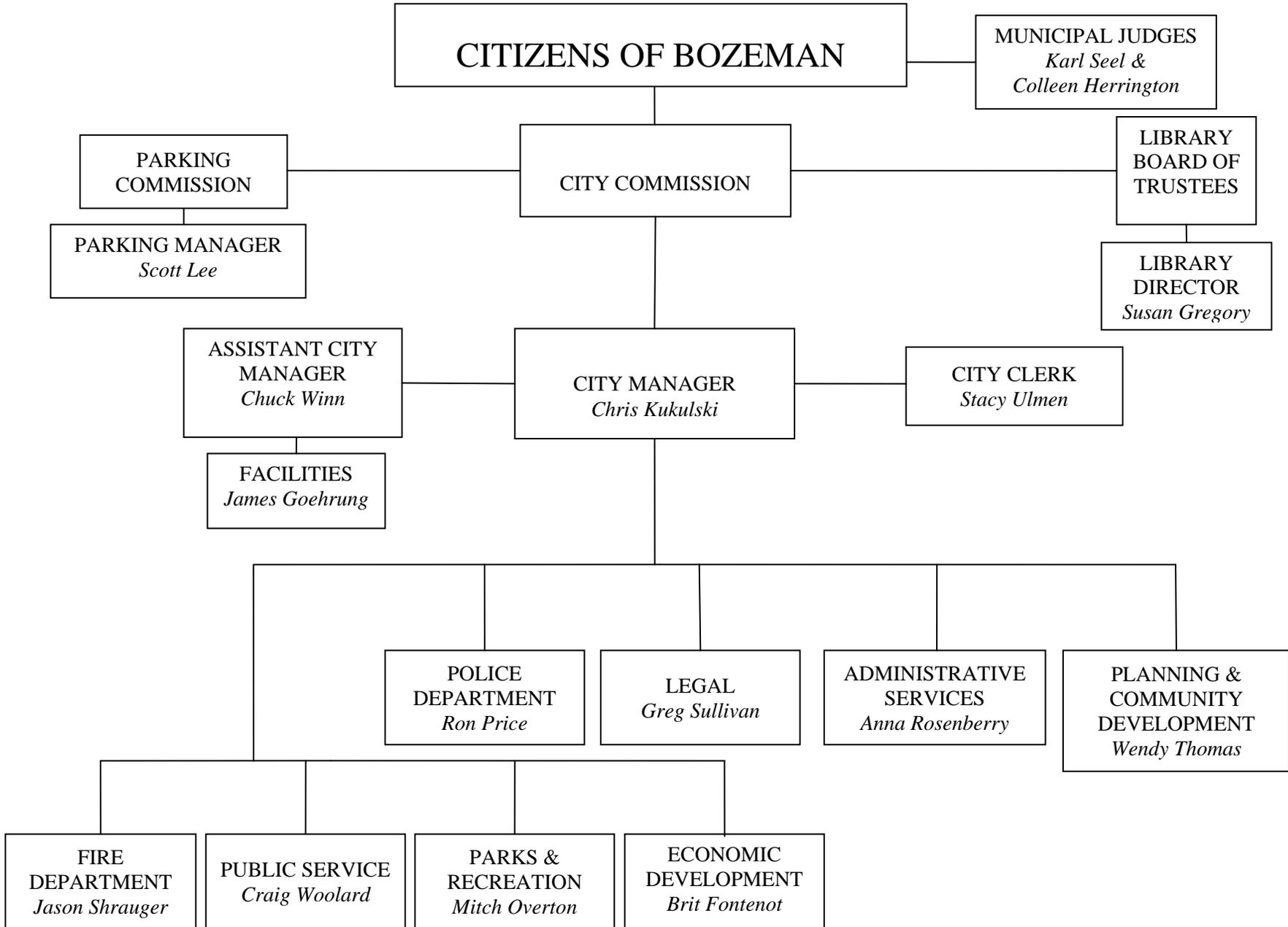
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

ORGANIZATIONAL CHART



CITY ELECTED OFFICIALS AND OFFICERS

ELECTED OFFICIALS

Legislative

Sean Becker  
Jeffrey Krauss  
Cynthia Andrus  
Christopher Mehl  
Carson Taylor

Mayor  
Deputy Mayor  
Commissioner  
Commissioner  
Commissioner

Judicial

Karl Seel  
Colleen Herrington

Municipal Judge  
Municipal Judge

OFFICERS

Executive

Chris Kukulski  
Chuck Winn  
Stacy Ulmen

City Manager  
Assistant City Manager  
City Clerk

Department of Law

Gregory Sullivan  
Cory Allen  
Timothy A. Cooper  
Kyla Murray  
Anna Saverud  
Ryan McCarty

City Attorney  
Assistant City Attorney

Department of Administrative Services

Anna Rosenberry, CPA  
Brian LaMeres, CPA  
Laurae Clark  
Scott McMahan  
Bethany Jorgenson

Director of Administrative Services  
Controller  
Treasurer  
Information Technology Manager  
Human Resources Manager

CITY OF BOZEMAN, MONTANA  
CITY ELECTED OFFICIALS AND OFFICERS (CONTINUED)

OFFICERS (CONTINUED)

Department of Economic Development  
Brit Fontenot

Director of Economic Development

Department of Public Safety  
Ronald Price  
Richard McLane  
Jason Shrauger  
Greg Megaard

Chief of Police  
Deputy Chief of Police  
Fire Chief  
Deputy Fire Chief of Operations

Department of Public Service  
Craig Woolard  
Rick Hixson  
John Alston  
John VanDelinder  
Kevin Handelin  
Rick Moroney  
Herb Bartle  
James Goehrung

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 Water Reclamation Facility  
Superintendent of Facilities

Department of Public Welfare  
Mitch Overton  
Thomas White  
Jamie Saitta  
Dan McCarthy  
Susan Gregory

Director of Parks & Recreation  
Superintendent of Parks & Cemetery  
Recreation Program Manager  
Aquatics Manager  
Director of Bozeman Public Library

Department of Planning and Community Development  
Wendy Thomas  
Chris Saunders  
Brian Krueger

Director of Planning and Community Development  
Community Development Manager  
Development Review Manager

**PART II**

**FINANCIAL SECTION**



**Junkermier • Clark  
Campanella • Stevens • P.C.**

Certified Public Accountants and Business Advisors

714 Stoneridge Dr, Ste 3A  
P. O. Box 1965  
Bozeman, MT 59771  
Phone (406) 587-1277  
FAX (406) 587-8794  
www.jccsca.com

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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Bozeman, Montana, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Actuarial Valuation of Post-Employment Benefits, and Budgetary Comparison Information, as listed on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Bozeman, Montana's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, 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* in considering the City of Bozeman's internal control over financial reporting and compliance.

*Junkermier Clark Campanella & Stevens P.C.*

Bozeman, Montana  
December 13, 2013

## 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, 2013. Please read it in conjunction with the transmittal letter on page 1 and the City's financial statements, which begin on page 34.

### USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 34 and 35) 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 36. 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 Position 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 Position 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 position* and *changes in net position*. You can think of the City's net position, 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 position 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 Position 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, storm water, 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 28. The fund financial statements begin on page 36 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 Position and the Statement of Activities) and governmental funds in reconciliation on pages 38 and 40 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 Position 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 Position on page 46 and in the Combining Statement of Changes in Assets and Liabilities-Agency Funds on page 143. 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 position increased by \$11.4 million this year as compared to a \$9.6 million decrease last year. The primary reason for this a \$5.6 million increase in revenues driven mainly by charges for services (assessments, fees, fines) combined with a \$15.4 million decrease in expenses caused primarily by a change in accounting estimate. The specific contributing factors are outlined in the following discussion. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The net position of the City's governmental activities increased by 4.06% (\$127.8 million this year compared to \$122.8 million last year). *Unrestricted* net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, decreased to \$11.5 million. The net position of the City's business-type activities increased by 3.1% (\$213.1 million compared to \$206.7 million in 2012). This net position 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 position of business-type activities to finance the continuing operations of the water, sewer, solid waste, storm water, and parking operations.

**Table 1**  
**Net Position**  
**(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Current and Other Assets	\$ 46.0	\$ 46.0	\$ 22.3	\$ 25.1	\$ 68.3	\$ 71.1
Capital Assets	99.7	99.8	235.6	216.5	335.4	316.3
Total Assets	<u>\$ 145.7</u>	<u>\$ 145.8</u>	<u>\$ 258.0</u>	<u>\$ 241.6</u>	<u>\$ 403.7</u>	<u>\$ 387.4</u>
Long-term Debt Outstanding	(12.3)	(13.5)	(38.2)	(27.2)	(50.5)	(40.7)
Other Liabilities	(5.5)	(9.6)	(6.7)	(7.7)	(12.2)	(17.2)
Total Liabilities	<u>\$ (17.8)</u>	<u>\$ (23.1)</u>	<u>\$ (44.9)</u>	<u>\$ (34.9)</u>	<u>\$ (62.7)</u>	<u>\$ (58.0)</u>
Net Position:						
Invested in Capital Assets, net of related debt	\$ 89.1	\$ 88.5	\$ 199.4	\$ 192.5	\$ 288.5	281.0
Restricted for impact capital projects	-	-	0.0	9.5	0.0	9.5
Restricted for debt service	3.8	4.1	2.8	1.8	6.6	5.9
Restricted for capital projects	-	-	0.3	0.1	0.3	0.1
Restricted for general government	1.0	0.9	-	-	1.0	0.9
Restricted for Public Safety	2.0	1.4	-	-	2.0	1.4
Restricted for Public Service	13.6	10.2	-	-	13.6	10.2
Restricted for Public Welfare	5.6	3.1	-	-	5.6	3.1
Restricted for other purposes	-	-	-	-	0.0	-
Nonspendable	1.2	1.1	-	-	1.2	1.1
Unrestricted	<u>11.5</u>	<u>13.5</u>	<u>10.6</u>	<u>2.8</u>	<u>22.1</u>	<u>16.3</u>
Total Net Position	<u>\$ 127.8</u>	<u>\$ 122.8</u>	<u>\$ 213.1</u>	<u>\$ 206.7</u>	<u>\$ 340.9</u>	<u>\$ 329.5</u>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The City's total revenues (excluding special items) increased by 10.5% (\$5.6 million), driven primarily by increases in charges for services and, to a much lesser degree, increased property tax revenues. The total cost of all programs and services decreased by \$15.4 million, or 24.2%. This large decrease was primarily due to a change in accounting estimate of the useful lives of depreciable assets, such as water, sewer and road infrastructure, buildings, machinery & equipment, and vehicles. These useful lives were updated to match the various facilities plans, engineering studies, and the research done in preparing the capital improvement program. As a result, the outdated estimates were replaced with useful lives that now more accurately reflect the modern day expected service life of these various assets. Our analysis below separately considers the operations of governmental and business-type activities.

**Table 2**  
**Changes in Net Position**  
**(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
<b>Revenues</b>						
Program revenues:						
Charges for Services	\$ 13.4	\$ 10.7	\$ 21.3	\$ 18.4	\$ 34.7	\$ 29.1
Restricted Operating Grants & Contributions	0.4	0.6	-	-	0.4	0.6
Restricted Capital Grants & Contributions	0.8	0.6	0.2	0.6	1.0	1.2
General Revenues						-
Property Taxes	16.4	15.7	-	-	16.4	15.7
Unrestricted Operating Grants & Contributions	6.3	6.9	0.5	0.0	6.8	6.9
Unrestricted Capital Grants & Contributions	-	-	-	-	-	-
Other General Revenues	0.2	0.4	-	-	0.2	0.4
<b>Total Revenues</b>	<b>37.5</b>	<b>34.9</b>	<b>22.0</b>	<b>19.0</b>	<b>59.5</b>	<b>53.9</b>
<b>Program Expenses</b>						
General Government	7.4	8.7	-	-	7.4	8.7
Public Safety	14.3	13.2	-	-	14.3	13.2
Public Service	3.9	8.2	-	-	3.9	8.2
Public Welfare	6.5	7.2	-	-	6.5	7.2
Interest and Fiscal Fees	0.4	0.7	-	-	0.4	0.7
Water	-	-	6.2	11.7	6.2	11.7
Waste Water	-	-	6.1	10.2	6.1	10.2
Solid Waste	-	-	2.5	2.6	2.5	2.6
Parking	-	-	0.8	1.0	0.8	1.0
Storm Water	-	-	0.1	-	0.1	-
<b>Total Expenses</b>	<b>32.5</b>	<b>38.0</b>	<b>15.7</b>	<b>25.6</b>	<b>48.2</b>	<b>63.6</b>
Excess (deficiency) before special items and transfers	5.0	(3.1)	6.3	(6.5)	11.3	(9.6)
Extraordinary items	-	-	-	-	-	-
Sale of Capital Assets	0.0	0.0	-	-	0.0	0.0
Transfers of capital assets	-	(0.0)	-	0.0	-	-
Transfers	(0.0)	(0.0)	0.0	0.0	-	-
<b>Increase (decrease) in net position</b>	<b>\$ 5.0</b>	<b>\$ (3.1)</b>	<b>\$ 6.3</b>	<b>\$ (6.5)</b>	<b>\$ 11.3</b>	<b>\$ (9.6)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Governmental Activities**

Revenues for the year from governmental activities increased by 7.4% (\$2.6 million) to \$37.5 million while total expenses decreased by \$5.5 million to \$32.5 million. This excess of revenues over expenses resulted in a \$5 increase million in the total net position for governmental activities. While revenue from charges for services and tax revenue did increase, the primary cause of this increase in net position was a substantial decrease in expenses due to the change in depreciation estimate explained on page 24. This and the other contributing factors listed below are primarily responsible for this year's increase in net position:

Charges for services increased by \$2.8 million, or 25.9%, from \$10.7 million last year to \$13.4 million this year. Street Impact Fees were the primary driver here, with revenues increasing by \$1.4 million, or 127%, from \$1.1 million last year to \$2.5 million this year. Another reason was the increase in Street Maintenance Assessment rates and revenues in response to the City Commission's policy direction to address deferred maintenance on street infrastructure and to build a reserve for curb and sidewalk replacement. Accordingly, revenue from Street Maintenance Assessments increased by \$225,479, or 8.4%, from \$2,692,020 last year to \$2,917,499 this year.

Property Tax collections also increased by approximately \$700,000, or 4.5%, from \$15.7 million last year to \$16.4 million this year due to a 1.4% increase in the mill value (the smallest increase in 6 years) and due to increased revenues in the Tax Increment Financing Districts for the Northeast Urban and North 7<sup>th</sup> Avenue Renewal Districts. No additional mills were levied this year over last, and this year's levy was 31.13 mills lower than the statutory maximum tax rate.

Unrestricted Grants and Contributions decreased by \$600,000 (or 8%), from \$6.9 million last year to \$6.7 million this year mainly due to a decrease in grant revenue and other intergovernmental revenues as these sources of revenue continued to tighten up. Furthermore, last year the City received some one-time revenues, such as a \$116,400 reimbursement from the Montana Department of Revenue as a backfill payment caused by the tax rate reduction and the timing of when certain Class 8 property pays their property taxes. The City didn't receive this same business equipment tax reimbursement in the current year.

Interest on Investments continued to decline, with this year's revenue decreasing by \$39,346, or 13.9%, from \$283,090 last year to \$243,744 this year. This represents a 64% decrease from the \$671,859 reported four years ago. This sustained decrease is attributable to low, stagnant interest rates. Rates on investment income have declined from 4.1% five years ago to .92% last year and to .82% by the end of this year.

The cost of all *governmental activities* this year was \$32.5 million compared to \$38 million last year. However, as shown in the Statement of Activities on page 35, the amount that our taxpayers ultimately financed for these activities through City taxes and other general revenues was only \$18,891,900 because some of the cost was paid by those who directly benefited from the programs (\$13,435,013) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$406,239 + \$844,935 = \$1,251,174).

Overall, the City's revenues from governmental activities – including intergovernmental revenues and charges for services – increased this year from \$34.9 to \$37.5 million. Charges for services increased by \$2,760,741, or 26%, from \$10,674,272 to \$13,435,013 mainly due to Street Impact Fees revenues increasing by \$1.4 million, or 127%, from \$1.1 million last year to \$2.5 million this year. Street Maintenance Assessments also increased by \$225,479, or 8.4%. Licenses and permits increased considerably by \$415,000, or 34%, from \$1,214,705 to \$1,629,744 mainly due to increased Building Permit construction activity.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Overall expenses decreased by \$5.5 million, or 14.5%, to \$32.5 million this year. As discussed on page 24, this was primarily due to a change in the accounting estimate used in calculating depreciation. For Governmental Activities, the impact of this change was most dramatic in the road system infrastructure reported under Public Service.

There were increases reported, however, such as in Public Safety, where Police, Fire and Building Inspection reported a combined \$1.1 million increase in expenses over last year, mostly due to increased personnel staffing costs. Over the past four years, spending on police and fire services has increased. Most significant this year was the continued funding of the voter-approved expenses for the addition of police officers and firefighters and associated equipment.

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.

	Total Cost of Services		Net Cost of Services	
	2013	2012	2013	2012
Police	\$ 7.7	\$ 7.1	\$ 6.0	\$ 5.5
Fire	5.6	5.1	4.7	4.3
Public Service	3.9	8.2	(1.0)	3.0
Library	1.5	1.4	0.9	0.8
Parks	1.2	1.1	1.2	1.1
Recreation	1.2	1.3	0.8	0.8
All Others	11.3	13.8	13.3	10.6
<b>Totals</b>	<b>\$ 32.5</b>	<b>\$ 38.0</b>	<b>\$ 26.0</b>	<b>\$ 26.1</b>

### Business-type Activities

Total revenues of the City's business-type activities (see Table 2) increased by 15.5% (\$22.0 million in 2013 compared to \$19.0 million in 2012) while expenses decreased significantly by 38.6% (\$15.7 million in 2013 compared to \$25.6 million in 2012). The increase in revenues was due to primarily to a 4.5% increase in water rates in order to fund plant construction and other scheduled operations and maintenance costs. For similar purposes, wastewater rates were also increased by 3%. Specific factors driving the other regular operating results include:

**Water** The City's water system operating revenue (charges for services) have steadily increased over the past decade as a result of both an increase in the customer base in past years and as a result of regular rate changes. The City's customer-base growth was 385 customers, or 4%, for this year. This growth rate is more closely in line with the 5% growth trend of 2005-2008. In updating the rate study for slower customer growth in recent years, decreased Water Impact Fee collections and new estimates of Water Plant costs, the City estimated needing water rate increases last year and this year in order to fund plant construction and other scheduled operations and maintenance costs. Accordingly, the City Commission adopted a two-year rate resolution of 4.5% increase for the past two years. As a result, the City was able to continue funding a concerted improvement in its water distribution pipe replacement program, replacing rehabilitation projects "every-two-years" with an annual program (doubling our efforts).

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Operating revenues this year increased by 14.6% from \$6,814,993 last year to \$7,806,922 this year due to a 10.6% increase in consumption coupled with the 4.5% rate increase. Water impact fee revenues increased by \$678,583, or 69.2%, while cash-in-lieu of water rights revenue increased by \$22,138. Operating expenses drastically decreased from \$11,667,818 last year to \$5,991,496 this year. This was due to changes in depreciation expense resulting from an updated and more accurate method of calculating useful lives on all capital assets. Major projects undertaken during the year include \$20,989,066 spent on continued design and construction of the new Water Treatment Plant and \$728,666 spent on the afore-mentioned water distribution pipe replacement and rehabilitation program.

**Wastewater** Revenues in the Wastewater system have, in general, been increasing over the past 10 years, and are estimated at \$7.1 million for upcoming year. Two years ago the City borrowed significantly to construct the new Water Reclamation Facility. This debt is being repaid by system users over the next 20 years. Accordingly, the City Commission adopted a two-year rate resolution of a 6% increase for the past 2 years (last year and this year) and 3% for 2014 and 2015. As a result of the rate increase, combined with the same increase seen in the water system of 385 customers, operating revenues for the year increased by 9%, from \$6,345,403 last year to \$6,916,226 this year. Wastewater operating expenses decreased by 36.2% from \$9,345,324 last year to \$5,964,995 this year. This also was due to changes in depreciation expense resulting from an updated and more accurate method of calculating useful lives on all capital assets. Major projects during the year included construction costs of \$650,172 spent towards the nearly-completed conversion of the existing Wastewater Treatment Plant into a state-of-the-art Water Reclamation Facility and \$219,628 for a new 2013 Freightliner Sewer Jetter Truck.

**Solid Waste** 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 2008. During fiscal year 2006, the Commission discussed how the City would continue solid waste disposal services as our landfill was nearing its capacity. In a measure to reserve the remaining cell space for residential use only, the Commission closed the landfill to tipping by commercial customers and non-city residents and to any construction and demolition waste. The Landfill officially closed in June 2008. The Solid Waste Collection Division continues to operate residential and commercial collection, and in FY09 the Division began to provide curb-side recycling collection services. Two years ago, the garbage rates were increased 5%, to cover fuel costs, employee salary and benefit increases, and the assumption of costs that were once shared with the Disposal division. The garbage rates will increase in FY14 by 2%. 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, from \$2,515,587 last year to \$2,494,892 this year which is a decrease of only \$22,695, or .8%. Operating expenses decreased by \$109,219, or 4.4% from \$2,584,899 last year to \$2,475,680 this year. This was due to changes in depreciation expense resulting from an updated and more accurate method of calculating useful lives on all capital assets.

**Parking** The City's parking revenues for the year increased modestly by \$31,559, or 8.7%, from \$363,991 last year to \$395,550 this year due to a combination of revenue changes. Parking Permit revenues accounted for roughly half of this, increasing by \$16,387 due mainly to increased usage of the Bridger Park Downtown Parking Garage. Parking Ticket Fines accounted for the other half of the revenue change, increasing by \$16,222, or 8.4%, from \$192,355 to \$208,577 driven by increased ticket volume. Parking operation expenses decreased from last year, but still exceeded current year's revenues, resulting in an operating loss. Operating expenses totaled \$756,390, which was a \$233,838, or 23.6%, decrease from last year's operating expenses of \$990,228. The primary reason behind this was a \$306,529 decrease in depreciation expense. This year the depreciable life of the parking garage was updated to more accurately reflect the true and longer useful life of the asset.

**Storm water** This year marks the first year of the City's Storm Water fund. This department was created to better manage the City's ongoing state and federal storm water permit requirements. Major objectives include: to better maintain the City's existing storm water infrastructure, to improve the quality of the City's mapped storm water data, to plan for and construct necessary storm water improvements, and to ensure compliance with State and Federal standards and permit requirements. Stormwater rates were instituted this year, with a 4% increase already adopted for next year. It is anticipated that FY15 will see a much revised fee structure for Storm Water services, with fees based on a more equitable approach than the current fee based on water meter size. Operating revenues for this year were \$233,577 and operating expenses were \$96,171 which resulted in net operating income of \$127,386.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**THE CITY'S FUNDS**

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 36-37) reported a *combined* fund balance of \$35,890,395. Included in this year's total change in fund balance is a positive General Fund balance of \$7,327,375, up \$320 from \$7,327,055. Five separate categories of fund balance are recognized, based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The total of the last three categories, which include only resources without a constraint on spending or for which the constraint on spending is imposed by the government itself, is termed *unrestricted fund balance*. The Government Finance Officers Association's recommends maintaining an *unrestricted general fund balance* of no less than two months of regular general fund operating revenues, or \$3,987,495 for this year. The City's ending general fund balance of \$7,327,375 exceeds this recommendation by \$3,339,881. However, as illustrated below, this apparent surplus is already assigned to be used for specific purposes. The primary reasons for the General Fund's surplus are explained below, along with an analysis of each major fund. The general fund balance of \$7,327,375 has been assigned as shown:

<b>FY13 ENDING GENERAL FUND BALANCE - TOTAL:</b>		<b>\$ 7,327,375</b>
<b><u>ASSIGNMENTS:</u></b>		
<b>1 CIP / CAPITAL CARRY-OVER BUDGETED IN FY13 BUT NOT SPENT UNTIL FY14:</b>		
CITY CLERK: AGENDA/MINUTE AUTOMATION SOFTWARE ESTIMATE	\$	14,000
FACILITIES MGMT: CIP GF103: CITY-WIDE ADA	\$	12,533
FACILITIES MGMT: CIP GF134 SENIOR CENTER FLOORING	\$	24,810
FACILITIES MGMT: CIP GF135: SHOPS COMPLEX SIDEWALKS	\$	15,647
FACILITIES MGMT: CIP GF158 PROFESSIONAL BUILDING MECHANICAL UPGRADES	\$	26,840
FACILITIES MGMT: CIP GF168 MASONRY REPAIR AT CITY HALL	\$	56,490
FACILITIES MGMT: GRAFFITI SPRAYER	\$	4,359
FACILITIES MGMT: SENIOR CENTER DOOR LOCK REPLACEMENTS	\$	2,496
FIRE DEPT: CIP GF159 FIRE STATION #2 WINDOW REPLACEMENT	\$	18,151
FIRE DEPT: CIP GF162: LIFE FIRE TRAINING PROP	\$	15,000
PARKS DEPT: CIP GF084: LINDLEY PARK RESTROOM UPGRADE/REPLACE	\$	134,356
POLICE DEPT: CIP GF050: FY13 SHARE DESIGN POLICE+COURT FACILITY	\$	664,137
RECREATION DEPT: CIP GF102 LINDLEY CENTER DECK	\$	33,725
<b>TOTAL CIP / CAPITAL-CARRY OVER ITEMS:</b>	<b>\$</b>	<b>1,022,544</b>
<b>2 16.67% MINIMUM RESERVE LEVEL REQUIRED BY CITY CHARTER (2 MONTHS OF REVENUES):</b>	<b>\$</b>	<b>3,987,495</b>
<b>3 FY14 BUDGET: FY13 YEAR-END FUND BALANCE NEEDED TO BALANCE FY14 BUDGET:</b>	<b>\$</b>	<b><u>2,317,336</u></b>
<b>TOTAL GENERAL FUND ASSIGNMENTS:</b>	<b>\$</b>	<b>7,327,375</b>
<b>UNASSIGNED GENERAL FUND BALANCE - FY13:</b>		<b>\$ 0</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**General fund** The City's general fund balance increased by \$320, or less than .1%, from \$7,327,055 in FY12 to \$7,327,375 this year. The City had budgeted for fund balance to actually decrease by \$1,016,478. However, primarily due to the Capital Improvement Program (CIP) capital outlay carryover items illustrated in the previous table, fund balance actually remained about the same because spending for these budgeted projects was delayed until the following year.

Property tax revenues did increase moderately in the General Fund by \$208,835, or 1.8%, from \$11,535,471 to \$11,744,306 mainly due to a 1.4% increase in the value of the property tax mill. The actual amount of mills levied in the General Fund did not increase this year. Intergovernmental revenues increased by \$138,447, or 2.25%, from \$6,139,548 last year to \$6,277,896 this year. However, most of this increase was driven by the State of Montana's share of City employee retirement, which increased by \$213,364 from \$1,903,969 last year to \$2,117,333 this year. This revenue amount is a non-cash book entry only on the City's general accounting ledger, and is offset by an expenditure totaling the same amount, most of which is reported under Public Safety for the police and fire employees – so the revenue and offsetting expenditure, which is reported result in no effect on ending fund balance. Other intergovernmental revenue activity included a \$25,053, or .7 .7%, increase in State Entitlement Share from \$3,536,106 to \$3,561,160 and a \$7,695, or 1.5%, increase in Gallatin County's support of the City Library. To partially offset these increases, however, federal grant revenue decreased by \$113,015, or 58.8%, from \$192,259 last year to \$79,224 this year.

While overall revenues did increase, expenditures also increased by nearly the same amount as revenues, leading to only a slight change in fund balance. Noticeable expenditure increases include Public Safety, where police salaries increased by \$598,473, or 13%, from \$4,582,706 last year to \$5,181,179 this year due to the department finally being fully staffed pursuant to the voter approval of the public safety property tax mill levy beginning in fiscal year 2009.

Also contributing to the stability of the 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 a primary focus of a recent bond rating in November of 2013 when Moody's assigned a debt rating of Aa3 for the issuance of Trails, Open Space and Parks general obligation bonds. This affirmed the rating assigned in May, 2012, also by Moody's Investors Service, who assigned an Aa3 rating to the City's General Obligation Refunding Bonds, Series 2012, issued in the amount of \$3.1 million. At the same time, Moody's also affirmed the Aa3 rating on the city's rated outstanding general obligation debt not being refunded by this issue, which included \$.6 million outstanding for the 2003 refinancing of the City's General Obligation Transportation Bonds and the remaining bonds issued in 2003 for the new Library. 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.

As shown on page 95, variances in the General Fund between the original budget and the final budget appropriations totaled \$852,128, which increased the original appropriation budget of \$24,188,970 up to \$25,041,098. Approximately \$400,000 of this increase was for the non-cash "book entry only" expenditure previously discussed for the Public Safety budget in order to record the additional amount of the State's share of Police and Firefighter retirement above and beyond the \$1.75 million that was initially budgeted. This entire expenditure is offset by intergovernmental revenue in the same amount. By design, \$1.75 million of this appropriation authority was initially budgeted under General Government and then later moved to the Public Safety budget at year-end, at which time the \$400,000 additional amount necessary to cover Police and Firefighter retirement was added as a true amendment to increase appropriation authority. This \$400,000 combined with the \$1.75 million shift from General Government accounts for \$2.1 million of the \$2.4 million overall increase to the Public Safety budget. The remaining \$.3 million included, among other items, various federal grants to fund police rifles, electronic fine ticketing, crime scene

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

software, and ballistic vests. The \$900,000 reduction in the Capital outlay budget relates to the \$1,022,544 in capital improvement plan (CIP) items budgeted for but not spent this year shown in the table on page 28. Most, but not all, CIP items are recorded as capital outlays. The Debt service budgeted increased by \$162,000 from \$150,000 to \$312,000 to capitalize on an opportunity to completely pay off the Fire Station #3 Intercap loan during the year. Transfers to other funds increased by \$195,000 from \$439,186 to \$634,186 for a one-time transfer of \$153,000 to the Medical Health Insurance Fund and for the \$42,000 in general tax support which is transferred to the Workforce Housing fund.

**Street Impact Fees Special Revenue** Fund balance increased by \$2,513,045, or 33%, from \$7,713,194 last year to \$10,226,239 this year. This increase was due to increased construction activity in the City, specifically activity that requires payment of impact fees. Larger receipts for the year include \$106,310 for the Meadowlark Elementary school; \$96,842 for the Olive Garden restaurant; \$90,609 for the Comfort Suites hotel; \$70,222 for the My Place hotel; \$65,996 for Starbucks's Coffee; and \$54,240 for the new Fuel Fitness facility.

**Street Maintenance Special Revenue** Fund balance increased by \$817,703, or 87%, from \$944,273 last year to \$1,761,977 this year due to an increase in revenues combined with a sizeable decrease in expenditures. Street Assessment revenues increased by \$225,479, or 8.4%, from \$2,692,020 last year to \$2,917,499 this year. Driving this was expansion last year of the City's Street Maintenance Assessment program to include major street reconstruction projects; the first being the reconstruction of South 8th Avenue. With the Commission's focused goal of addressing deferred street and curb maintenance, Street Maintenance Assessment rates were increased two years ago by 18%, with the 18% allocated as follows: Continued increase to Curb Replacement Fund (2%); Debt Service Payments for the Reconstruction of South 8th Avenue (7%); Establishment of a Street Reconstruction Fund (6%); and Increase in Operating Budget (3%). Continuing the City Commission's goal of addressing deferred street maintenance, this year rates were increased 6% for Year 2 of a 3-year phase-in to fund the Street Reconstruction Reserve to add \$324,000 for street reconstruction projects this year. Additionally there was a 2% Increase in Street Maintenance Assessments for Year 3 of a 5-year phase-in to fund the Curb Replacement Reserve. This amounts to \$150,000 for curb replacement projects this year. Most notable, however, was the decrease in expenditures this year compared to last. Expenditures decreased by \$491,656, or 18.5%, from \$2,658,941 to \$2,167,285. A large part of this was Debt service, which decreased by \$134,642, or 65.6%, from \$205,173 to \$70,531 due to leases ending on 3 of the 5 pieces of leased heavy machinery. The biggest driver of the expenditure decrease, however, was Capital outlay, which decreased by \$346,588, or 75.2%, from \$460,687 last year to \$114,099 this year. This is because several scheduled and budgeted CIP projects didn't occur this year as planned; the \$175,000 reconstruction of Baxter Lane from 19<sup>th</sup> to Buckrake and a new \$175,479 flex-fuel low-emission low-decibel loader to replace the existing 1978 loader.

**Building Inspection Special Revenue** Fund balance increased \$126,875, or 12.6%, from \$1,005,485 last year to \$1,132,359 this year. This increase was relatively modest in light of a \$397,055, or 42.4% increase in total revenues from \$935,993 last year to \$1,133,048 this year. This substantial increase in Building Permit activities and resulting revenues reflects the strong increasing trend in permit issuance over the year. While never completely stopping, building construction significantly slowed during the recession. However, this year the total value of Building Permits for New Construction, upon which most permit revenue calculation are based, was 160% of the previous year. As stated, however, Building Inspection also experienced an increased expenditure level. Total expenditures increased significantly by \$418,271, or 53.1%, from \$787,902 to \$1,206,173. Personnel costs increased by \$102,171, or 16.5%, from \$617,586 last year to \$719,757 this year. Most significant was the increase in Capital outlays for the purchase of technology and technology equipment, including hardware and software for electronic plan review, mobile field inspections, and an online permit portal.

**SID Sinking Debt Service** Fund balance increased by \$82,897, or 10.3%, from \$803,565 last year to \$886,462 this year. Revenues from Special Improvement District (SID) assessment collections along with fund interest income and other income amounted to \$837,069. This actually represented a \$43,986, or 5%, decrease in total revenues over last year due to the end of the 19-year billing cycle on some of the SID's this year and due to accelerated payoff activity last year that didn't occur this year. Total expenditures decreased dramatically by \$1,520,148, or 66.8%, from \$2,274,320 to \$754,173 mainly because last year saw an unusually high expenditure level due to roughly \$2.3 million in principal and interest being paid out as part of retiring over \$2 million in outstanding Special Improvement District Bonds, which were called and paid early to avoid future interest costs. This was funded primarily from accumulated excess capital project residual funds, which had been transferred from Capital Projects into the SID Sinking Debt Service Fund combined with existing accumulated resources in the SID Sinking funds.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets** As shown in Table 4, at the end of 2013 the City had \$335.4 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 \$19.1 million, or 6.03% over last year. Refer to capital assets disclosure Note 7 beginning on page 59 for more information.

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

	<b>Governmental</b>		<b>Business-type</b>		<b>Totals</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Land	\$ 10.5	\$ 10.5	\$ 4.9	\$ 4.9	\$ 15.4	\$ 15.4
Water Rights	-	-	2.1	2.1	2.1	2.1
Buildings	31.2	31.0	108.9	87.3	140.1	118.3
Other Structures and Improvements	1.2	1.2	30.8	31.6	32.0	32.8
Machinery & Equipment	9.7	9.3	6.7	5.9	16.4	15.2
Property under Capital Lease	0.3	0.3	-	-	0.3	0.3
Vehicle	3.1	3.1	1.9	1.7	5.0	4.8
Infrastructure	133.0	130.3	252.6	251.6	385.6	381.9
Subtotal	189.0	185.7	407.9	385.1	596.9	570.8
Accumulated Depreciation	(89.3)	(85.9)	(172.2)	(168.6)	(261.5)	(254.5)
<b>Total Capital Assets</b>	<b>\$ 99.7</b>	<b>\$ 99.8</b>	<b>\$ 235.7</b>	<b>\$ 216.5</b>	<b>\$ 335.4</b>	<b>\$ 316.3</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

This year's major additions and projects underway include:

Water Plant Design & Construction	\$ 20,989,066
South 8th Avenue Construction	\$ 887,889
Streets and other Street Infrastructure: Donated by Developers	\$ 811,930
Water Line Replacement and Rehabilitation	\$ 728,666
Water Reclamation Facility Construction: General	\$ 650,172
North 7th TIF Lighting	\$ 535,999
Street Improvements - Gas Tax	\$ 367,341
Flusher Truck: 2013 Freightliner Sewer Jetter Truck	\$ 219,628
Mobile Field Inspections and Electronic Plan Review Hardware and Software	\$ 187,407
Water Lines and other Water Infrastructure: Donated by Developers	\$ 156,123
Wastewater TV Van: Retrofit existing 2001 Ford TV van to video Storm Water lines	\$ 129,000
Police Patrol Car Fleet Renewal: 2 patrol cars and technology equipment for 3 patrol cars	\$ 102,348
Backhoe: 2012 Caterpillar Backhoe for Water Operations	\$ 92,393
Police Station and Municipal Court Shared Facility: Architecture Professional Services	\$ 85,863
Sewer Rehabilitation and Repair	\$ 84,446
Laurel Glen Shop Renovation	\$ 83,298
Hazmat Truck for Fire Department: Donated Capital	\$ 83,091
Excavator: Hitachi Mini Excavator and Trailer for water and sewer operations and streets	\$ 74,850
	<u>\$ 26,269,511</u>

### Debt

At year-end, the City had \$47 million in bonds and notes outstanding versus \$35.4 million last year – a significant increase of 33.02% - as shown on Table 5. This increase was primarily due to the \$14 million of new debt being issued for the construction of the new Water Treatment Facility which is reported under Business-Type Activities. General obligation debt, which is reported under Governmental Activities, consists of \$2,445,000 in Series 2012 Refunding Bonds issued to refinance the Series 2003A Transportation Refunding bonds and the Series 2001A and Series 2003B Library Construction Project bonds. Debt reported under Business-Type Activities includes \$13,751,878 of water revenue bonds and \$22,501,119 of wastewater revenue bonds issued to finance construction of the Water Treatment Facility and the Wastewater Reclamation Facility respectively.

In May of last year, Moody's Investors Service assigned an Aa3 rating to the City's General Obligation Refunding Bonds, Series 2012. At that time, Moody's also affirmed the Aa3 rating on the city's existing rated outstanding general obligation debt. Moody's affirmed this rating again in November 2013 with the recent issuance of the Bozeman Trails, Open Space and Parks Bonds. Moody's views the city's financial operations as sound, noting in their report that City officials have delivered operating surpluses in four of the last five audited financial years and that the City has a moderately-sized tax base that did not decline during the recession, in addition to a low debt burden.

As expressed in the fiscal year 2014 Approved Budget, City officials expect to end next fiscal year with general fund reserves totaling \$4.1 million, or 16.7% of operating revenues. This meets the minimum level of 16 2/3% required by City Charter, which in May of 2011 was amended to include adoption of GFOA's Best Practice for Unreserved Fund Balance in the General Fund into the City's Budget Administration Ordinance.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Property taxes are the City's primary general revenue source (69.8%), followed by unrestricted grants and contributions (29.1%), and investment earnings (1.04%) 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.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
General obligation bonds (backed by the City)	\$ 2.4	\$ 3.1	\$ -	\$ -	\$ 2.4	\$ 3.1
Tax Increment Financing District (TIFD) bonds	5.2	5.4	-	-	5.2	5.4
Special Improvement District Debt	1.8	2.3	-	-	1.8	2.3
Notes Payable	1.2	0.3	-	-	1.2	0.3
Lease Payable	0.1	0.2	-	-	0.1	0.2
Water Revenue Bonds (backed by specific fee revenues)	-	-	13.8	0.2	13.8	0.2
Wastewater Revenue Bonds (backed by specific fee revenues)	-	-	22.5	23.9	22.5	23.9
<b>Totals</b>	<u>\$ 10.7</u>	<u>\$ 11.3</u>	<u>\$ 36.3</u>	<u>\$ 24.1</u>	<u>\$ 47.0</u>	<u>\$ 35.4</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 2013-2014 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 almost 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 Administrative Services Director, Controller, or Assistant 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 POSITION  
June 30, 2013

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 24,252,019	\$ 17,172,879	\$ 41,424,898
Restricted cash and investments	11,392,240	3,717,036	15,109,276
Accrued interest	28,674	53,019	81,693
Receivables, net	8,368,782	1,457,929	9,826,711
Notes receivable	510,800	18,308	529,108
Due (to) from other City funds	22,079	(22,079)	-
Prepaid expenses	1,247,647	-	1,247,647
Deferred charges	153,037	-	153,037
Capital assets			
Non-depreciable land	10,483,143	6,999,716	17,482,859
Other capital assets, net of depreciation	89,240,627	228,647,832	317,888,459
Total capital assets	99,723,770	235,647,548	335,371,318
Total assets	145,699,048	258,044,640	403,743,688
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	2,712,896	4,648,712	7,361,608
Unearned revenue	111,965	-	111,965
Current portion of long-term liabilities			
Compensated absences payable	1,151,700	308,890	1,460,590
Capital leases	61,395	-	61,395
Closure and post-closure care costs	-	100,000	100,000
Litigation settlement payable	666,667	-	666,667
Bonds and notes	881,805	1,664,000	2,545,805
Long-term liabilities, due in more than one year			
Compensated absences	392,794	167,691	560,485
Capital leases	88,497	-	88,497
Closure and post-closure care costs	-	1,385,246	1,385,246
Pollution remediation obligations	16,874	1,682,753	1,699,627
Other post-employment health benefits - implicit rate subsidy	1,479,633	362,338	1,841,971
Litigation settlement payable	666,667	-	666,667
Bonds and notes	9,610,589	34,588,997	44,199,586
Total liabilities	17,841,482	44,908,627	62,750,109
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	89,081,484	199,394,551	288,476,035
Restricted:			
Restricted for impact capital projects	-	11,094	11,094
Restricted for debt service	3,836,927	2,829,145	6,666,072
Restricted for parking capital projects	-	257,886	257,886
Restricted for general government	1,021,830	-	1,021,830
Restricted for public safety	2,002,497	-	2,002,497
Restricted for public service	13,578,516	-	13,578,516
Restricted for public welfare	5,621,729	-	5,621,729
Nonspendable	1,193,530	-	1,193,530
Unrestricted	11,521,053	10,643,337	22,164,390
Total net position	\$ 127,857,566	\$ 213,136,013	\$ 340,993,579

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

CITY OF BOZEMAN, MONTANA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2013

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
<b>Primary Government:</b>							
Governmental activities:							
General government	\$ 7,373,368	\$ 1,966,966	\$ -	\$ -	\$ (5,406,402)		\$ (5,406,402)
Public safety	14,340,301	3,219,231	333,213	33,005	(10,754,852)		(10,754,852)
Public service	3,939,061	6,655,604	-	811,930	3,528,473		3,528,473
Public welfare	6,518,822	1,593,212	73,026	-	(4,852,584)		(4,852,584)
Interest and fiscal fees	433,766	-	-	-	(433,766)		(433,766)
Total governmental activities	<u>32,605,318</u>	<u>13,435,013</u>	<u>406,239</u>	<u>844,935</u>	<u>(17,919,131)</u>		<u>(17,919,131)</u>
Business-type activities:							
Water	6,154,746	9,585,939	-	156,123		\$ 3,587,316	3,587,316
Waste water	6,121,663	8,560,438	-	-		2,438,775	2,438,775
Solid waste	2,475,680	2,532,676	-	-		56,996	56,996
Parking	756,390	420,965	-	-		(335,425)	(335,425)
Stormwater	96,171	223,707	-	-		127,536	127,536
Total business-type activities	<u>15,604,650</u>	<u>21,323,725</u>	<u>-</u>	<u>156,123</u>		<u>5,875,198</u>	<u>5,875,198</u>
Total primary government	<u>\$ 48,209,968</u>	<u>\$ 34,758,738</u>	<u>\$ 406,239</u>	<u>\$ 1,001,058</u>	<u>(17,919,131)</u>	<u>5,875,198</u>	<u>(12,043,933)</u>
General revenues:							
Property taxes					16,429,959	-	16,429,959
Unrestricted grants and contributions					6,342,884	508,912	6,851,796
Investment earnings					243,744	-	243,744
Miscellaneous					-	-	-
Sale of capital assets					1,765	-	1,765
Transfers					(10,000)	10,000	-
Total general revenues and transfers					<u>23,008,352</u>	<u>518,912</u>	<u>23,527,264</u>
Change in net position					5,089,221	6,394,110	11,483,331
Net position, beginning of the year					<u>122,768,345</u>	<u>206,741,903</u>	<u>329,510,248</u>
Net position, end of the year					<u>\$ 127,857,566</u>	<u>\$ 213,136,013</u>	<u>\$ 340,993,579</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 Impact Fees Special Revenue Fund – this fund accounts for the collection and expenditures associated with the street impact fees.

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

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.

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.

CITY OF BOZEMAN, MONTANA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2013

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 7,497,436	\$ -	\$ 1,831,300	\$ 1,402,927	\$ 865,960	\$ 12,134,973	\$ 23,732,596
Receivables:							
Property taxes	961,660	-	-	-	-	369,076	1,330,736
Accrued interest	8,016	11,315	2,010	-	-	7,333	28,674
Customers, net	1,828,549	-	2,984	843	-	17,938	1,850,314
Special assessments	333	-	200,729	-	4,210,639	54,727	4,466,428
Other governments	2,443	-	-	-	-	66,146	68,589
Others	-	-	-	-	-	638,559	638,559
Due from other City funds	36,167	-	-	-	-	-	36,167
Prepaid expenditures	189	-	-	-	-	1,247,458	1,247,647
Notes receivable	-	-	-	-	-	510,800	510,800
Restricted cash and investments	-	10,216,099	-	-	-	1,176,141	11,392,240
<b>Total assets</b>	<b>\$ 10,334,793</b>	<b>\$ 10,227,414</b>	<b>\$ 2,037,023</b>	<b>\$ 1,403,770</b>	<b>\$ 5,076,599</b>	<b>\$ 16,223,151</b>	<b>\$ 45,302,750</b>

(continued)

CITY OF BOZEMAN, MONTANA  
BALANCE SHEET  
GOVERNMENTAL FUNDS (CONTINUED)  
June 30, 2013

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accounts payable	\$ 924,450	\$ 1,174	\$ 95,603	\$ 261,417	\$ 678	\$ 1,040,783	\$ 2,324,105
Escheat property payable	41,359	-	-	-	-	35,379	76,738
Accrued employee benefits	242,619	-	13,281	9,994	-	20,753	286,647
Due to other City funds	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>1,208,428</b>	<b>1,174</b>	<b>108,884</b>	<b>271,411</b>	<b>678</b>	<b>1,096,915</b>	<b>2,687,490</b>
Deferred inflows of resources:							
Unavailable revenue-property taxes	116,154	-	-	-	-	41,213	157,367
Unavailable revenue-special assessments	130	-	166,163	-	4,189,459	18,240	4,373,992
Unavailable revenue-deferred loans	-	-	-	-	-	510,800	510,800
Unavailable revenue-court fines	1,682,706	-	-	-	-	-	1,682,706
<b>Total deferred inflows of resources</b>	<b>1,798,990</b>	<b>-</b>	<b>166,163</b>	<b>-</b>	<b>4,189,459</b>	<b>570,253</b>	<b>6,724,865</b>
Fund balances:							
Nonspendable	-	-	-	-	-	1,193,530	1,193,530
Restricted	-	10,226,240	1,761,976	1,132,359	886,462	12,054,462	26,061,499
Committed	-	-	-	-	-	851,322	851,322
Assigned	7,327,375	-	-	-	-	-	7,327,375
Unassigned	-	-	-	-	-	456,669	456,669
<b>Total fund balances</b>	<b>7,327,375</b>	<b>10,226,240</b>	<b>1,761,976</b>	<b>1,132,359</b>	<b>886,462</b>	<b>14,555,983</b>	<b>35,890,395</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,334,793</b>	<b>\$ 10,227,414</b>	<b>\$ 2,037,023</b>	<b>\$ 1,403,770</b>	<b>\$ 5,076,599</b>	<b>\$ 16,223,151</b>	<b>\$ 45,302,750</b>

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

CITY OF BOZEMAN, MONTANA  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
As of June 30, 2013

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

Fund balances - total governmental funds		\$ 35,890,395
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.		
Governmental capital assets	\$ 189,001,888	
Less: accumulated depreciation	<u>(89,278,117)</u>	99,723,771
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 are included in governmental activities in the statement of net position.		
		494,089
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		6,724,865
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.		
		153,036
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.		
		(89,014)
Impact fee credits do not affect current financial resources and therefore are not reported in the governmental funds.		
		(111,965)
Capital lease obligations not recorded in the governmental funds are reported in the entity-wide statements.		
		(149,892)
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	(10,403,380)	
Pollution remediation obligations	(16,874)	
Post-employment health benefits	(1,479,637)	
Legal settlement	(1,333,334)	
Compensated absences	<u>(1,544,494)</u>	<u>(14,777,719)</u>
Net position of governmental activities		<u>\$ 127,857,566</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, 2013

	General	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 11,744,306	\$ -	\$ -	\$ -	\$ -	\$ 4,796,666	\$ 16,540,972
Special assessments	7,041	-	33,839	-	820,090	891,645	1,752,615
Licenses and permits	301,817	-	12,294	1,315,633	-	-	1,629,744
Intergovernmental	6,277,896	-	972	6,142	-	1,300,997	7,586,007
Charges for services	2,139,772	2,480,577	2,917,499	557	5,215	1,263,349	8,806,969
Fines and forfeitures	1,259,382	-	-	-	-	135,270	1,394,652
Interest on investments	48,582	68,580	12,556	7,131	7,068	95,861	239,778
Loan repayment	-	-	-	-	-	157,069	157,069
Other	10,627	100	5,153	3,585	4,697	370,515	394,677
Total revenues	<u>21,789,423</u>	<u>2,549,257</u>	<u>2,982,313</u>	<u>1,333,048</u>	<u>837,070</u>	<u>9,011,372</u>	<u>38,502,483</u>
<b>EXPENDITURES</b>							
Current							
General government	6,467,478	-	-	-	-	809,361	7,276,839
Public safety	12,253,503	-	-	979,385	-	589,803	13,822,691
Public service	167,537	36,211	1,982,657	-	-	619,207	2,805,612
Public welfare	4,624,364	-	-	-	-	1,592,023	6,216,387
Other	-	-	-	-	-	15,776	15,776
Capital outlay	487,316	-	114,099	226,788	-	1,954,232	2,782,435
Debt service							
Principal payments	306,727	-	58,424	-	650,975	810,000	1,826,126
Interest and fiscal fees	5,160	-	12,107	-	103,198	325,271	445,736
Total expenditures	<u>24,312,085</u>	<u>36,211</u>	<u>2,167,287</u>	<u>1,206,173</u>	<u>754,173</u>	<u>6,715,673</u>	<u>35,191,602</u>
Revenues over (under) expenditures	<u>(2,522,662)</u>	<u>2,513,046</u>	<u>815,026</u>	<u>126,875</u>	<u>82,897</u>	<u>2,295,699</u>	<u>3,310,881</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	3,174,742	-	-	-	-	1,116,675	4,291,417
Transfers out	(651,759)	-	-	-	-	(3,802,746)	(4,454,505)
Long-term debt issued	-	-	-	-	-	1,203,279	1,203,279
Sale of capital assets	-	-	2,675	-	-	100	2,775
Total other financing sources (uses)	<u>2,522,983</u>	<u>-</u>	<u>2,675</u>	<u>-</u>	<u>-</u>	<u>(1,482,692)</u>	<u>1,042,966</u>
Net change in fund balances	321	2,513,046	817,701	126,875	82,897	813,007	4,353,847
FUND BALANCE, beginning of year	<u>7,327,054</u>	<u>7,713,194</u>	<u>944,275</u>	<u>1,005,484</u>	<u>803,565</u>	<u>13,742,976</u>	<u>31,536,548</u>
FUND BALANCE, end of year	<u>\$ 7,327,375</u>	<u>\$ 10,226,240</u>	<u>\$ 1,761,976</u>	<u>\$ 1,132,359</u>	<u>\$ 886,462</u>	<u>\$ 14,555,983</u>	<u>\$ 35,890,395</u>

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

Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ 4,353,847
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(1,034,532)
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.	(1,010)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	619,858
Some revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues in governmental funds.	352,547
Governmental funds do not report a liability for compensated absences. The change in the liability is a current period expense.	(46,892)
Governmental funds do not report a liability for other post-employment health benefits.	(86,356)
Governmental funds do not recognize a liability for long-term legal settlements. The current year payment was recorded as an expenditure in the governmental funds. The liability and expense was previously accrued in the governmental activities.	666,666
Governmental funds do not report an expenditure for making loans.	388,017
Governmental funds do not report impact fee credits. The change in these credits during the year are charged to the statement of activities.	124,722
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported in the governmental activities.	<u>(247,646)</u>
Change in net position of governmental activities	<u>\$ 5,089,221</u>

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

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.

Storm Water Fund - Accounts for the City’s storm water management system.

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 POSITION  
PROPRIETARY FUNDS  
June 30, 2013

	Business-type Activities Enterprise Funds					Governmental Activities	
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	Stormwater Fund	Total	Internal Service Funds
<b>ASSETS</b>							
Current assets							
Cash and investments	\$ 11,895,911	\$ 2,377,814	\$ 2,899,154	\$ -	\$ -	\$ 17,172,879	\$ 519,423
Receivables							
Accrued interest	31,990	18,712	2,317	-	-	53,019	-
Customers, net	603,047	573,144	236,648	23,038	21,548	1,457,425	\$ 14,156
Special assessments	39	-	465	-	-	504	-
Total current assets	<u>12,530,987</u>	<u>2,969,670</u>	<u>3,138,584</u>	<u>23,038</u>	<u>21,548</u>	<u>18,683,827</u>	<u>533,579</u>
Non current assets							
Other assets							
Notes receivable	-	-	-	18,308	-	18,308	-
Restricted cash and investments	1,545,425	1,913,725	-	257,886	-	3,717,036	-
Total other assets	<u>1,545,425</u>	<u>1,913,725</u>	<u>-</u>	<u>276,194</u>	<u>-</u>	<u>3,735,344</u>	<u>-</u>
Property, plant and equipment							
Nondepreciable:							
Land	162,518	754,043	3,714,577	303,436	-	4,934,574	-
Water rights	2,065,142	-	-	-	-	2,065,142	-
Depreciable:							
Buildings	36,984,135	59,376,791	868,302	11,629,361	-	108,858,589	1,388,583
Other structures and improvements	13,920,661	14,745,401	2,155,300	-	-	30,821,362	-
Machinery and equipment	1,323,023	2,533,470	2,613,695	98,918	142,961	6,712,067	151,521
Vehicles	427,326	711,682	529,231	82,551	95,828	1,846,618	83,812
Infrastructure	155,509,665	97,054,247	78,531	-	-	252,642,443	-
Accumulated depreciation and amortization	<u>(98,146,262)</u>	<u>(65,824,124)</u>	<u>(5,402,331)</u>	<u>(2,750,406)</u>	<u>(110,124)</u>	<u>(172,233,247)</u>	<u>(365,750)</u>
Net property, plant and equipment	<u>112,246,208</u>	<u>109,351,510</u>	<u>4,557,305</u>	<u>9,363,860</u>	<u>128,665</u>	<u>235,647,548</u>	<u>1,258,166</u>
Total non current assets	<u>113,791,633</u>	<u>111,265,235</u>	<u>4,557,305</u>	<u>9,640,054</u>	<u>128,665</u>	<u>239,382,892</u>	<u>1,258,166</u>
Total assets	<u>\$ 126,322,620</u>	<u>\$ 114,234,905</u>	<u>\$ 7,695,889</u>	<u>\$ 9,663,092</u>	<u>\$ 150,213</u>	<u>\$ 258,066,719</u>	<u>\$ 1,791,745</u>

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

CITY OF BOZEMAN, MONTANA  
STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
June 30, 2013

	Business-type Activities Enterprise Funds					Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	Stormwater Fund		Internal Service Funds
<b>LIABILITIES</b>							
Current liabilities:							
Accounts payable and accrued expenses	\$ 3,536,002	\$ 981,048	\$ 106,135	\$ 24,329	\$ 1,198	\$ 4,648,712	\$ 25,402
Compensated absences payable	139,561	99,063	61,154	7,903	1,209	308,890	-
Due to other City funds	-	-	-	18,019	4,060	22,079	14,088
Closure and post-closure care costs, current portion	-	-	100,000	-	-	100,000	-
Bonds, notes, and loans payable	697,000	967,000	-	-	-	1,664,000	-
Total current liabilities	<u>4,372,563</u>	<u>2,047,111</u>	<u>267,289</u>	<u>50,251</u>	<u>6,467</u>	<u>6,743,681</u>	<u>39,490</u>
Noncurrent liabilities							
Closure and post-closure care costs	-	-	1,385,246	-	-	1,385,246	-
Revenue bonds due after one year	13,054,878	21,534,119	-	-	-	34,588,997	-
Compensated absences payable	89,542	36,949	40,278	922	-	167,691	17,928
Other post-employment health benefits - implicit rate subsidy	156,149	101,778	77,838	25,392	1,181	362,338	22,568
Solvent site remediation liability	-	1,682,753	-	-	-	1,682,753	-
Total noncurrent liabilities	<u>13,300,569</u>	<u>23,355,599</u>	<u>1,503,362</u>	<u>26,314</u>	<u>1,181</u>	<u>38,187,025</u>	<u>40,496</u>
Total liabilities	<u>17,673,132</u>	<u>25,402,710</u>	<u>1,770,651</u>	<u>76,565</u>	<u>7,648</u>	<u>44,930,706</u>	<u>79,986</u>
<b>NET POSITION</b>							
Invested in capital assets, net of related debt	98,494,330	86,850,391	4,557,305	9,363,860	128,665	199,394,551	1,258,166
Restricted for impact capital projects	11,094	-	-	-	-	11,094	-
Restricted for parking capital projects	-	-	-	257,886	-	257,886	-
Restricted for debt service	1,040,553	1,788,592	-	-	-	2,829,145	-
Unrestricted	9,103,511	193,212	1,367,933	(35,219)	13,900	10,643,337	453,593
Total net position	<u>108,649,488</u>	<u>88,832,195</u>	<u>5,925,238</u>	<u>9,586,527</u>	<u>142,565</u>	<u>213,136,013</u>	<u>1,711,759</u>
Total liabilities and net position	<u>\$ 126,322,620</u>	<u>\$ 114,234,905</u>	<u>\$ 7,695,889</u>	<u>\$ 9,663,092</u>	<u>\$ 150,213</u>	<u>\$ 258,066,719</u>	<u>\$ 1,791,745</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 POSITION - PROPRIETARY FUNDS  
 Year Ended June 30, 2013

	Business-type Activities Enterprise Funds					Governmental Activities	
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	Stormwater Fund	Totals	Internal Service Funds
<b>OPERATING REVENUES</b>							
Charges for services	\$ 7,806,922	\$ 6,916,226	\$ 2,494,892	\$ 395,550	\$ 223,557	\$ 17,837,147	\$ 4,723,555
<b>OPERATING EXPENSES</b>							
Salaries and benefits	2,195,356	1,549,261	1,046,020	200,783	50,225	5,041,645	304,795
Materials and supplies	665,962	238,347	270,355	23,623	17,458	1,215,745	469,811
Repairs and maintenance	93,979	172,918	168,541	56,861	-	492,299	14,006
Utilities	164,911	440,943	359,144	31,683	99	996,780	4,505
Administrative charges	666,182	542,403	251,682	57,379	-	1,517,646	47,409
Insurance claims	-	-	-	-	-	-	4,210,837
Other expenses	578,116	312,829	187,830	93,936	14,093	1,186,804	77,331
Depreciation and amortization	1,626,990	2,017,174	192,108	292,125	14,296	4,142,693	57,484
Changes in estimated closure and post-closure care costs	-	-	-	-	-	-	-
Total operating expenses	<u>5,991,496</u>	<u>5,273,875</u>	<u>2,475,680</u>	<u>756,390</u>	<u>96,171</u>	<u>14,593,612</u>	<u>5,186,178</u>
Operating income (loss)	<u>1,815,426</u>	<u>1,642,351</u>	<u>19,212</u>	<u>(360,840)</u>	<u>127,386</u>	<u>3,243,535</u>	<u>(462,623)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>							
Interest income	87,336	26,465	20,470	225	150	134,646	3,966
Interest expense	(163,250)	(847,788)	-	-	-	(1,011,038)	(261)
Other income	50,088	157,411	17,314	20,214	-	245,027	8,052
Intergovernmental income	1,690	491,225	805	163	15,029	508,912	-
Impact fees	1,659,674	1,460,336	-	-	-	3,120,010	-
Gain (loss) on disposal of assets	(18,081)	-	-	4,976	-	(13,105)	-
Total non-operating revenues (expenses)	<u>1,617,457</u>	<u>1,287,649</u>	<u>38,589</u>	<u>25,578</u>	<u>15,179</u>	<u>2,984,452</u>	<u>11,757</u>
Income (loss) before contributions and transfers	3,432,883	2,930,000	57,801	(335,262)	142,565	6,227,987	(450,866)
Contributions of infrastructure - developers	156,123	-	-	-	-	156,123	-
Transfers in	-	-	-	10,000	-	10,000	153,088
Transfers out	-	-	-	-	-	-	-
Change in net position	3,589,006	2,930,000	57,801	(325,262)	142,565	6,394,110	(297,778)
NET POSITION, beginning of year	<u>105,060,482</u>	<u>85,902,195</u>	<u>5,867,437</u>	<u>9,911,789</u>	<u>-</u>	<u>206,741,903</u>	<u>2,009,537</u>
NET POSITION, end of year	<u>\$ 108,649,488</u>	<u>\$ 88,832,195</u>	<u>\$ 5,925,238</u>	<u>\$ 9,586,527</u>	<u>\$ 142,565</u>	<u>\$ 213,136,013</u>	<u>\$ 1,711,759</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, 2013

	Business-type Activities Enterprise Funds					Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	Stormwater Fund		Internal Service Funds
Cash Flows from Operating Activities							
Receipts from customers	\$ 7,696,673	\$ 6,837,050	\$ 2,480,613	\$ 400,987	\$ 202,009	\$ 17,617,332	\$ 4,709,399
Receipts from others	50,088	157,411	17,314	20,214	-	245,027	8,052
Operating loans from other funds	-	-	-	18,019	4,060	22,079	167,176
Payments to suppliers	(2,086,838)	(2,759,736)	(1,075,824)	(123,428)	(31,153)	(6,076,979)	(596,095)
Payments to employees	(2,170,031)	(1,531,061)	(1,027,240)	(166,566)	(47,133)	(4,942,031)	(4,495,507)
Payments to internal service funds and administrative fees	(666,182)	(542,403)	(251,682)	(57,379)	-	(1,517,646)	(47,409)
Net Cash Flows From Operating Activities	<u>2,823,710</u>	<u>2,161,261</u>	<u>143,181</u>	<u>91,847</u>	<u>127,783</u>	<u>5,347,782</u>	<u>(254,384)</u>
Cash Flows from Noncapital Financing Activities:							
Transfers in	-	-	-	10,000	-	10,000	-
Transfers out	-	-	-	-	-	-	-
Receipts from grants and intergovernmental sources	1,690	491,225	805	162	15,029	508,911	-
Net Cash Flows from Noncapital Financing Activities	<u>1,690</u>	<u>491,225</u>	<u>805</u>	<u>10,162</u>	<u>15,029</u>	<u>518,911</u>	<u>-</u>
Cash Flows from Capital and Related Financing Activities							
Acquisition of capital assets	(22,042,404)	(1,053,853)	5,150	-	(142,961)	(23,234,068)	(16,354)
Principal paid on bonds, interfund loans, loans and leases	(502,000)	(1,465,227)	-	-	-	(1,967,227)	-
Interest paid on bonds, interfund loans, loans and leases	(163,250)	(847,788)	-	-	-	(1,011,038)	(261)
Proceeds from issuance of long-term debt	14,071,301	112,919	-	-	-	14,184,220	-
Impact fees received	1,659,674	1,460,336	-	-	-	3,120,010	-
Proceeds from sale of property, plant and equipment	(18,081)	-	-	4,976	-	(13,106)	-
Net Cash Flows from Capital and Related Financing Activities	<u>(6,994,761)</u>	<u>(1,793,613)</u>	<u>5,150</u>	<u>4,976</u>	<u>(142,961)</u>	<u>(8,921,209)</u>	<u>(16,615)</u>
Cash Flows from Investing Activities							
Collections on notes	-	-	-	3,822	-	3,822	-
Interest on investments	95,727	30,821	22,345	225	150	149,268	3,966
Net Cash Flows from Investing Activities	<u>95,727</u>	<u>30,821</u>	<u>22,345</u>	<u>4,047</u>	<u>150</u>	<u>153,090</u>	<u>3,966</u>
Net Increase (Decrease) in Cash and investments	(4,073,634)	889,694	171,481	111,032	0	(2,901,426)	(267,033)
Cash and investments, beginning of year	<u>17,514,970</u>	<u>3,401,845</u>	<u>2,727,673</u>	<u>146,853</u>	<u>-</u>	<u>23,791,341</u>	<u>459,251</u>
Cash and investments, end of year	<u>\$ 13,441,336</u>	<u>\$ 4,291,539</u>	<u>\$ 2,899,154</u>	<u>\$ 257,885</u>	<u>\$ 0</u>	<u>\$ 20,889,915</u>	<u>\$ 192,218</u>
Classified as:							
Cash and investments	\$ 11,895,911	\$ 2,377,814	\$ 2,899,154	\$ -	\$ -	\$ 17,172,879	\$ 519,423
Restricted cash and investments	1,545,425	1,913,725	-	257,886	-	3,717,036	-
Totals	<u>\$ 13,441,336</u>	<u>\$ 4,291,539</u>	<u>\$ 2,899,154</u>	<u>\$ 257,886</u>	<u>\$ -</u>	<u>\$ 20,889,915</u>	<u>\$ 519,423</u>
Noncash transactions: donated infrastructure	<u>\$ 156,123</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 156,123</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, 2013

	Business-type Activities Enterprise Funds					Governmental Activities	
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	Stormwater Fund	Total	Internal Service Funds
Operating income (loss)	\$ 1,815,426	\$ 1,642,351	\$ 19,212	\$ (360,840)	\$ 127,386	\$ 3,243,535	\$ (462,623)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities							
Depreciation and amortization	1,626,990	2,017,174	192,108	292,125	14,296	4,142,693	57,484
Change in estimated closure and post-closure care costs	-	-	(78,110)	-	-	(78,110)	-
Change in solvent site remediation obligation	-	(691,120)	-	-	-	(691,120)	-
Other income	50,088	157,411	17,314	20,214		245,027	8,052
Change in Assets and Liabilities:							
(Increase) Decrease in:							
Accounts receivable	(110,249)	(79,176)	(14,279)	5,437	(21,548)	(219,815)	(14,156)
Other governments receivable	-	-	-	-	-	-	-
Other City funds	-	-	-	-	-	-	-
Increase (Decrease) in:							
Accounts payable	(583,870)	(919,779)	(11,844)	110,297	497	(1,404,699)	(18,124)
Accrued employee benefits payable	25,325	34,400	18,780	6,595	3,092	88,192	
Interfund Borrowings	-	-	-	18,019	4,060	22,079	7,808
Total adjustments	1,008,284	518,910	123,969	452,687	397	2,104,247	208,240
Net cash provided (used) by operating activities	\$ 2,823,710	\$ 2,161,261	\$ 143,181	\$ 91,847	\$ 127,783	\$ 5,347,782	\$ (254,383)

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 POSITION  
FIDUCIARY FUNDS  
June 30, 2013

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 311,368
Customer receivables	<u>335</u>
Total assets	<u><u>\$ 311,703</u></u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 311,703</u>
Total liabilities	<u><u>\$ 311,703</u></u>

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

NOTES TO FINANCIAL STATEMENTS

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 June 3, 2013. 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 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.

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 GASB has issued Statement 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." This Statement establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and also requires related disclosures. The requirements of this Statement were implemented for the fiscal year ended June 30, 2013.

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, 2013, 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Reporting Entity (Continued)**

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 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 Position 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 Position. The City has retroactively included infrastructure in its assets.

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

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.

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 position and changes in net position 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 position. 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 Position, a Statement of Revenues, Expenses and Changes in Net Position, 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 Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. 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.

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 Position. 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 welfare, and general government.

Street 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 street impact fees.

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 impact fees.

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

Building Inspection Special Revenue Fund – 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Funds (Continued)**

Governmental Funds (continued)

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

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.

Storm Water Fund – Accounts for the City's storm water management system.

**Use of Restricted/Unrestricted Net Position**

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 Position 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.

**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 Position, 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 to 10 years
Machinery and equipment	5 to 30 years
Buildings	20 to 80 years
Other structures and improvements	10 to 100 years
Infrastructure	25 to 100 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, comprised of roads, sidewalks, curbs, and street lights; the water purification and distribution system; the sewer collection and treatment system; park and recreation lands and related improvements; storm water conveyance system; and buildings and site amenities, including parking and landscaped areas.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**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 Position.

**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 expenditure 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.

In the past, the City Manager's Recommended Budget served as the preliminary budget and was normally adopted as such in June following six months of development and analysis by staff and the City Commission. In fiscal year 2013, the City developed a revised budget calendar which departed from the historic pattern of adopting a preliminary budget in June and then a final budget in August. Instead, the City adopted a final budget in June and will only amend the budget in August if the initial taxable value estimates were significantly different from the final Certified Values received from the State. The Approved Budget document will be issued after Taxable Values are received in August, and the final tax levy is then set.

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 level.

The City Commission may amend the budget during the course of the fiscal year. Montana state statute provides a number of different ways to amend the budget. The first involves a reallocation of existing appropriations among the line items within a specific fund. The second defines a series of scenarios where the governing body has authority to amend the budget without a hearing for donations, land sales, and fee-based budgets. All other increases in appropriation authority that are not specifically permitted by statute must be approved through a public hearing process.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Budgets (Continued)**

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.

In its annual appropriation resolution, the City Commission delegated 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 department is not exceeded.

Spending control is established by the total amount of expenditures budgeted for the fund, 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 of fund balance now used for governmental funds 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.

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 Commission. The City Commission needs to formally adopt a Resolution in order to establish, modify, or rescind a fund balance commitment.

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.

Policy used by the governing body to authorize the assignment of fund balance: The intent to Assign Fund Balances 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. On December 2, 2013, the City Commission accepted the City Manager's recommendation for Assignments in the General Fund to be reported in the Comprehensive Annual Financial Report for fiscal year 2013.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Fund Balance (Continued)**

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%, or 2 months’ worth of revenues.

**Net Position**

In funds other than governmental, net position represent the difference between assets and liabilities. Net position 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 position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

NOTE 2. CASH AND INVESTMENTS

At June 30, 2013, the carrying amount of the City's deposits in local banks and investments is \$56,845,542. Interest bearing account balances are covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. In additional, all noninterest bearing transaction account balances are fully insured by FDIC coverage. The remaining balances are 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	\$ 24,252,019	\$ 11,392,240	\$ 35,644,259
Business-type activities	17,172,879	3,717,036	20,889,915
Fiduciary funds	311,368	-	311,368
	<u>\$ 41,736,266</u>	<u>\$ 15,109,276</u>	<u>\$ 56,845,542</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

NOTE 2. CASH AND INVESTMENTS (Continued)

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 104 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.

On June 30, 2013, 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 2013 - Jun 2014	S&P AA+	\$ 5,176,617
U.S. Government bonds	Jul 2014 - Jun 2015	S&P AA+	2,113,144
U.S. Government bonds	Jul 2016 - Jun 2018	S&P AA+	37,746,251
U.S. Bank Municipal Investor Account	N/A	N/A	7,868,688
Demand deposits	N/A	N/A	3,934,945
Petty cash	N/A	N/A	5,897
			\$ 56,845,542

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 and no formal policy relating to credit risk.

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<sup>st</sup> installment and June 1 for the 2<sup>nd</sup> installment
- Levy Date: November 1
- Due Dates: November 30th for the 1<sup>st</sup> installment and May 31 for the 2<sup>nd</sup> installment

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

NOTE 3. PROPERTY TAX CALENDAR (Continued)

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, 2013. 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, 2013, rent expenditure was \$19,125 regarding this lease.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

NOTE 6. NOTES RECEIVABLE

The City had the following loans in funds:

<u>Special Revenue Funds:</u>	
Housing Revolving Loan Fund	\$ 21,479
Economic Development Loan Fund	\$ 238,601
Departmental Special Revenues	\$ 39,692
Community Housing Fund	\$ 67,499
Special Improvement District Revolving Loan Fund	\$ 143,529
 <u>Enterprise Funds</u>	
Parking Fund	\$ 18,308

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 Position. The assets are reported whereby accumulated depreciation and depreciation expense have been recorded. For the year ended June 30, 2013, depreciation expense on capital assets was charged to the functions and programs as follows:

<u>Governmental Activities:</u>	
General Government	\$ 304,037
Public Safety	456,570
Public Services	2,380,006
Public Welfare	<u>676,353</u>
Total depreciation expense - governmental activities	<u>\$ 3,816,966</u>
 <u>Business-type Activities:</u>	
Parking	292,125
Storm Water	14,296
Water	1,626,990
Waste Water	2,017,174
Solid Waste	<u>192,108</u>
Total depreciation expense - business-type activities	<u>\$ 4,142,693</u>

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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, 2013, consisted of the following:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2013</u>
<b>Governmental Activities:</b>					
Non-depreciable					
Land	\$ 10,483,143	\$ -	\$ -	\$ -	\$ 10,483,143
Depreciable					
Buildings	31,032,562	172,709	-	-	31,205,271
Other structures and improvements	1,210,726	-	-	-	1,210,726
Machinery and equipment	9,321,966	619,031	(117,276)	(180,624)	9,643,097
Property under capital lease	329,435	-	-	-	329,435
Vehicles	3,113,446	162,581	(80,041)	(99,681)	3,096,305
Infrastructure	<u>130,277,239</u>	<u>2,756,671</u>	<u>-</u>	<u>-</u>	<u>133,033,910</u>
Total	185,768,517	3,710,992	(197,317)	(280,305)	189,001,887
Accumulated depreciation	<u>(85,937,008)</u>	<u>(3,816,966)</u>	<u>195,552</u>	<u>280,305</u>	<u>(89,278,117)</u>
Total governmental activities	<u>\$ 99,831,509</u>	<u>\$ (105,974)</u>	<u>\$ (1,765)</u>	<u>\$ -</u>	<u>\$ 99,723,770</u>
<b>Business-type Activities:</b>					
Non-depreciable					
Land	\$ 4,934,574	\$ -	\$ -	\$ -	\$ 4,934,574
Water rights	2,065,142	-	-	-	2,065,142
Depreciable					
Buildings	87,317,488	21,653,932	(112,829)	-	108,858,591
Other structures and improvements	31,579,974	-	(758,612)	-	30,821,362
Machinery and equipment	5,944,369	627,446	(40,376)	180,624	6,712,063
Vehicles	1,675,396	71,541	-	99,681	1,846,618
Infrastructure	<u>251,594,875</u>	<u>1,047,567</u>	<u>-</u>	<u>-</u>	<u>252,642,442</u>
Total	385,111,818	23,400,486	(911,817)	280,305	407,880,792
Accumulated depreciation	<u>(168,590,354)</u>	<u>(4,142,693)</u>	<u>780,108</u>	<u>(280,305)</u>	<u>(172,233,244)</u>
Total business-type activities	<u>\$ 216,521,464</u>	<u>\$ 19,257,793</u>	<u>\$ (131,709)</u>	<u>\$ -</u>	<u>\$ 235,647,548</u>
Total capital assets	<u>\$ 316,352,973</u>	<u>\$ 19,151,819</u>	<u>\$ (133,474)</u>	<u>\$ -</u>	<u>\$ 335,371,318</u>

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

NOTE 7. CAPITAL ASSETS (Continued)

Changes in accumulated depreciation are as follows for the year ended June 30, 2013:

	<u>June 30, 2012</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2013</u>
<b>Governmental Activities:</b>					
Buildings	\$ (11,850,839)	\$ (806,552)	\$ -		\$ (12,657,391)
Other structures and improvements	(975,172)	(28,717)	-		\$ (1,003,889)
Machinery and equipment	(7,393,037)	(590,703)	115,511	180,624	\$ (7,687,605)
Property under capital lease	(100,734)	(15,918)	-		\$ (116,652)
Vehicles	(2,755,856)	(130,578)	80,041	99,681	\$ (2,706,712)
Infrastructure	<u>(62,861,370)</u>	<u>(2,244,498)</u>	<u>-</u>	<u>-</u>	<u>\$ (65,105,868)</u>
Total governmental activities	<u>\$ (85,937,008)</u>	<u>\$ (3,816,966)</u>	<u>\$ 195,552</u>	<u>\$ 280,305</u>	<u>\$ (89,278,117)</u>
<b>Business-type Activities:</b>					
Buildings	(9,335,236)	(1,167,746)	-	-	\$ (10,502,982)
Other structures and improvements	(26,571,760)	(525,221)	739,732	-	\$ (26,357,249)
Machinery and equipment	(5,274,042)	(291,787)	40,376	(180,624)	\$ (5,706,077)
Vehicles	(1,535,145)	(79,230)	-	(99,681)	\$ (1,714,056)
Infrastructure	<u>(125,874,171)</u>	<u>(2,078,709)</u>	<u>-</u>	<u>-</u>	<u>\$ (127,952,880)</u>
Total business-type activities	<u>\$ (168,590,354)</u>	<u>\$ (4,142,693)</u>	<u>\$ 780,108</u>	<u>\$ (280,305)</u>	<u>\$ (172,233,244)</u>
Total accumulated depreciation	<u>\$ (254,527,362)</u>	<u>\$ (7,959,659)</u>	<u>\$ 975,660</u>	<u>\$ -</u>	<u>\$ (261,511,361)</u>

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

**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 \$392,794 for governmental activities and \$167,691 for business-type activities at June 30, 2013, 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, 2013, were \$1,544,494 for governmental activities and \$476,581 for business-type activities.

	<u>Balance</u> <u>June 30, 2012</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance</u> <u>June 30, 2013</u>
Compensated absences				
Governmental Activities	\$ 1,491,725	\$ 1,204,436	\$ (1,151,667)	\$ 1,544,494
Business-type Activities	461,560	324,520	(309,499)	476,581
Total compensated absences	<u>\$ 1,953,285</u>	<u>\$ 1,528,956</u>	<u>\$ (1,461,166)</u>	<u>\$ 2,021,075</u>

	<u>Due within one</u> <u>year</u>	<u>Due after one</u> <u>year</u>	<u>Total</u>
Compensated absences			
Governmental Activities	\$ 1,151,700	\$ 392,794	\$ 1,544,494
Business-type Activities	308,890	167,691	476,581
Total compensated absences	<u>\$ 1,460,590</u>	<u>\$ 560,485</u>	<u>\$ 2,021,075</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, 2013:

	<u>Balance</u> <u>June 30, 2012</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2013</u>
General obligation bonds	\$ 3,080,000	\$ -	\$ (635,000)	\$ 2,445,000
Tax increment financing bonds	5,370,000	-	(175,000)	5,195,000
Special assessment debt	2,269,500	184,504	(650,975)	1,803,029
Intercap notes payable	306,727	1,203,279	(311,183)	1,198,823
Totals	<u>\$ 11,026,227</u>	<u>\$ 1,387,783</u>	<u>\$ (1,772,158)</u>	<u>\$ 10,641,852</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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 Position as follows:

	Current Portion (Due within one year)	Long-term Portion (Due after one year)	Total Long Term Debt
General obligation bonds	\$ 660,000	\$ 1,785,000	\$ 2,445,000
Tax increment financing bonds	180,000	5,015,000	5,195,000
Special assessment debt	31,748	1,771,281	1,803,029
Intercap notes payable	10,057	1,188,766	1,198,823
	\$ 881,805	\$ 9,760,047	\$ 10,641,852

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
General Obligation Refunding Bonds, series 2012 serial maturities through 2021	2.00%	\$ 2,445,000	\$ 660,000

Last fiscal year, the City issued \$3,080,000 of General Obligation Refunding Bonds for an advance refunding of \$810,000 of General Obligation Bonds – Transportation, Series 2003b, \$1,320,000 General Obligation Bonds – Library, Series 2002, and \$990,000 of General Obligation Bonds, Series 2003a. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of \$370,321 and a reduction of \$394,636 in future debt service payments.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 660,000	\$ 46,475	\$ 706,475
2015	240,000	33,275	273,275
2016	245,000	29,675	274,675
2017	250,000	26,000	276,000
2018-2022	<u>1,050,000</u>	<u>53,000</u>	<u>1,103,000</u>
	<u>\$ 2,445,000</u>	<u>\$ 188,425</u>	<u>\$ 2,663,425</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,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	180,000	243,088	423,088
2015	190,000	235,088	425,088
2016	195,000	228,288	423,288
2017	205,000	220,488	425,488
2018-2022	1,150,000	967,486	2,117,486
2023-2027	1,440,000	676,972	2,116,972
2028-2032	1,835,000	284,334	2,119,334
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 5,195,000</u>	<u>\$ 2,855,744</u>	<u>\$ 8,050,744</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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, 2012	Issuances	Repayments	Balance June 30, 2013
Special assessment bonds	\$ 1,910,000	\$ 184,504	\$ (625,975)	\$ 1,468,529
Note Payable to Department of Natural Resources and Conservation, #WRF-05067	68,500	-	(5,000)	63,500
Note Payable to Department of Natural Resources and Conservation, #SRF-05132	291,000	-	(20,000)	271,000
	\$ 2,269,500	\$ 184,504	\$ (650,975)	\$ 1,803,029

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

	Principal	Notes Payable Interest	Total
2014	24,000	12,319	36,319
2015	25,000	11,400	36,400
2016	28,000	10,444	38,444
2017	26,500	9,412	35,912
2018-2022	157,500	30,420	187,920
2023-2027	73,500	3,534	77,034
	\$ 334,500	\$ 77,529	\$ 412,029

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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>
2013	\$ -
2014	-
2015	-
2016	60,000
2017	60,000
2018-2022	545,000
2023-2027	660,000
	<u>\$ 1,325,000</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 partially finance the reconstruction of South Eight Avenue. This intercap loan payable had a balance outstanding at June 30, 2013 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 August 2022	<u>\$ 107,649</u>	<u>\$ 1,091,174</u>	<u>\$ 1,198,823</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

NOTE 9. LONG-TERM DEBT (Continued)

**Governmental Activities Long Term Debt (Continued)**

The debt service requirements for the South 8<sup>th</sup> Avenue reconstruction intercap loan at June 30, 2013 are as follows:

Year ending June 30,	Principal	Interest	Total
2014	111,347	1,204	112,541
2015	122,275	2,066	124,341
2016	123,759	1,688	125,547
2017	125,259	1,591	126,850
2018-2022	716,193	3,440	719,632
	\$ 1,198,823	\$ 9,989	\$ 1,208,812

**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, 2013 are as follows:

	Balance June 30, 2012	Issuances	Repayments	Balance June 30, 2013	Due in One Year
State Revolving Fund - 12247	\$ 182,577	\$ 14,071,301	\$ (502,000)	\$ 13,751,878	\$ 697,000

The revenue bond ordinances 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, 2013.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

NOTE 9. LONG-TERM DEBT (Continued)

**Business-type Activities Long Term Debt (continued)**

Water revenue bond debt service requirements to maturity are as follows:

	Principal	Interest	Total
Year ending June 30,			
2014	\$ 697,000	\$ 236,080	\$ 933,080
2015	724,000	257,508	981,508
2016	753,000	242,888	995,888
2017	780,000	227,698	1,007,698
2018	810,000	211,948	1,021,948
2019-2032	9,987,878	886,475	10,874,353
	\$ 13,751,878	\$ 2,062,595	\$ 15,814,473

Water revenue bonds consist of the following as of June 30, 2013:

	Interest Rate	Amount
State Revolving Fund Revenue Bond backed loans - 12247 Series 2011A, serial maturities through 2032	3.75%	\$ 13,751,878

Water revenue bond debt service requirements to maturity are as follows:

Revenue bonds due within one year	\$ 697,000
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CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

NOTE 9. LONG-TERM DEBT (Continued)

**Business-type Activities Long Term Debt (continued)**

Waste Water revenue bonds outstanding at June 30, 2013 are as follows:

	Balance June 30, 2012	Issuances	Repayments	Balance June 30, 2013	Due in One Year
State Revolving Fund - 10252 2010-B EPA	\$ 320,000	\$ -	\$ (16,000)	\$ 304,000	\$ 16,000
State Revolving Fund - 10230	8,666,000	-	(358,000)	8,308,000	371,000
State Revolving Fund - 10262 2010-F EPA	759,000	-	(30,000)	729,000	32,000
State Revolving Fund - 10251 2010-A ARRA A	390,700	-	-	390,700	-
State Revolving Fund - 10261 2010-E ARRA A	384,000	-	-	384,000	-
State Revolving Fund - 11291	816,162	112,919	(44,000)	885,081	46,000
State Revolving Fund - 11292 2010-G	3,402,565	-	(676,227)	2,726,338	147,000
State Revolving Fund - 11281 2010-H	9,115,000	-	(341,000)	8,774,000	355,000
	<u>\$ 23,853,427</u>	<u>\$ 112,999</u>	<u>\$ (1,465,227)</u>	<u>\$ 22,501,119</u>	<u>\$ 967,000</u>

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

Year ending June 30,	Principal	Interest	Total
2014	967,000	839,269	1,806,269
2015	1,003,000	803,311	1,806,311
2016	1,040,000	765,458	1,805,458
2017	1,081,000	726,603	1,807,603
2018-2022	6,024,000	2,994,532	9,018,532
2023-2027	7,195,162	1,774,160	8,969,322
2028-2031	5,190,957	663,363	6,275,628
	<u>\$ 22,501,119</u>	<u>\$ 8,566,696</u>	<u>\$ 31,067,815</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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, 2013:

	<u>Interest Rate</u>	<u>Amount</u>
Waste Water State Revolving -10252 ARRA B Series 2010B, serial maturities through 2030	1.75%	\$ 304,000
Waste Water Reclamation Facility Revenue Bonds - 10230, Series 2010D, serial maturities through 2030	3.75%	8,308,000
Waste Water Reclamation Facility Revenue Bonds - 10262, Series 2010F, serial maturities through 2030	3.75%	729,000
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%	885,081
Waste Water Reclamation Facility Revenue Bonds - 11292, Series 2010G, serial maturities through 2031	3.75%	2,726,338
Waste Water Reclamation Facility Revenue Bonds - 11281 Series 2010H, serial maturities through 2031	3.75%	<u>8,874,000</u>
Total revenue bonds		<u><u>\$ 22,501,119</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	\$ 967,000
Revenue bonds due after one year	<u>21,534,119</u>
	<u><u>\$ 22,501,119</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 bondholder 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, 2013.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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, 2013, the Revenue Bond outstanding had an aggregate principal amount payable of \$322,650.

NOTE 10. CAPITAL LEASE OBLIGATIONS

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 April 30, 2012, the City entered into a lease for an Elgin Street Sweeper. The lease term is five years payable in annual installments of \$33,495 at 3.3%. The total amount capitalized of \$185,530 represents the present value of the future lease payments. The payments for this obligation are being recorded in the street maintenance fund.

The capital lease balance outstanding for governmental activities at June 30, 2013 is as follows:

	Balance June 30, 2012	Issuances	Repayments	Balance June 30, 2013
		-		
		-		
Street Sweeper	51,825	-	(25,510)	26,315
2012 Street Sweeper	152,035	-	(28,458)	123,577
	\$ 203,860	-	\$ (53,968)	\$ 149,892

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

NOTE 10. CAPITAL LEASE OBLIGATIONS (Continued)

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, 2013:

Year ending June 30,	<u>Governmental Activities</u>
2014	61,395
2015	33,495
2016	33,495
2017	33,495
Less amount representing interest	<u>(11,988)</u>
Present value of future minimum lease payments	<u><u>\$ 149,892</u></u>

The property under capital lease for governmental activities and the corresponding accumulated depreciation at June 30, 2013, is as follows:

	<u>Governmental Activities</u>
Machinery and equipment	\$ 329,435
Less: accumulated depreciation	<u>(116,652)</u>
	<u><u>\$ 212,783</u></u>

NOTE 11. CLASSIFICATION OF NET POSITION

In the Government-Wide Financial Statements, net position 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 position. 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 Position – 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 Position is presented as restricted by major purpose.

Unrestricted Net Position – This category represents the net position 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 Commission and Management and can be increased, reduced or eliminated by similar actions.

NOTE 12. DEFICIT FUND BALANCES

At June 30, 2013, no funds had 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, 2013

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 2013 and 2012 total payroll and covered payroll for all retirement plans were \$18,551,066 and \$17,417,713, 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.

In accordance with GASB Statement 24, on-behalf payments of fringe benefits and salaries for the City of Bozeman are recognized as revenues and expenditures in the fund financial statements during the period.

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 7.9% of their compensation (6.9% if hired prior to July 1, 2011). 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, 2013 and the two previous years is presented in the following table:

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2013	\$ 11,471,294	\$ 793,196	\$ 811,021	\$ 11,471
2012	11,066,629	768,957	782,411	11,067
2011	11,003,546	759,245	777,951	11,004

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, 2013 is 231.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

NOTE 14. EMPLOYEE BENEFIT PLANS (Continued)

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. On-behalf payments of fringe benefits for the government's employees were recognized as revenues and expenditures/expenses during the period. 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, 2013 and the two previous years is presented in the following table:

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2013	\$ 2,862,805	\$ 306,320	\$ 411,099	\$ 933,561
2012	2,876,756	307,596	413,102	938,110
2011	2,884,700	308,663	414,243	940,701

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, 2013 is 41.

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, 2013 and the two previous years is presented in the following table:

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2013	\$ 4,216,967	\$ 379,527	\$ 607,665	\$ 1,238,523
2012	3,474,328	312,047	500,651	1,020,410
2011	3,531,629	317,847	777,951	1,037,239

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, 2013 is 63.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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 31, 2013, the City has 30 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	\$ 252,049
Interest on net OPEB obligation	69,178
Adjustment to annual required contribution	<u>(100,015)</u>
Annual OPEB cost (expense)	221,212
Contributions made	<u>(108,703)</u>
Increase in net OPEB obligation	112,509
Net OPEB obligation - beginning of year	<u>1,729,462</u>
Net OPEB obligation - end of year	<u><u>\$1,841,971</u></u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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, 2013 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, 2011	\$ 236,826	42.45%	\$ 1,608,338
June 30, 2012	\$ 234,397	48.33%	\$ 1,729,462
June 30, 2013	\$ 221,212	49.14%	\$ 1,841,971

The June 30, 2013 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	\$ 17,570
Public safety	36,765
Public service	6,963
Public welfare	26,533
Total governmental activities	<u>87,831</u>
Business-type activities:	
Water	8,440
Waste water	8,812
Solid waste	4,474
Parking	1,772
Storm water	1,181
Total business-type activities	<u>24,678</u>
Total primary government	<u>\$ 112,509</u>

*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,

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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

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.

SCHEDULE OF FUNDING PROGRESS

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	0.0%	Not available	Not available
7/1/2010	\$ -	\$ 2,203,253	\$ 2,203,253	0.0%	\$ 12,788,780	17.2%
7/1/2012	\$ -	\$ 2,002,345	\$ 2,002,345	0.0%	Not available	Not available

*Actuarial Methods and Assumptions.* The City’s actuarial valuation is completed on a biennial frequency, provided no significant events have occurred warranting new measurement. The City completed the valuation for fiscal year 2011, with an estimate provided for fiscal year 2012. For fiscal year 2012, an estimated valuation was derived based on the 2011 actual costs and participants. As a result of this biennial valuation, we have marked the fields as “n/a” where actual financial data was not used to generate the estimate. As of July 1, 2012, the most recent valuation date, the City’s actuarially accrued liability (AAL) for benefits was \$2,202,345. The AAL by status breakdown is shown below:

	Fiscal 2011	Fiscal 2012	Fiscal 2013
Actives	\$ 1,459,180	N/A	\$ 1,223,031
Retirees, Dependents and Surviving Spouses	744,073	N/A	779,314
Total AAL	<u>\$ 2,203,253</u>	<u>N/A</u>	<u>\$ 2,002,345</u>
Normal Cost	\$ 130,444	N/A	\$ 131,013
Impact on Statement of Activities			
Annual OPEB Cost	\$ 236,826	\$ 234,397	\$ 221,212
Impact on Statement of Net Position			
Assumed Contributions	\$ 100,543	\$ 113,273	\$ 108,703
Net OPEB Obligation at June 30	\$ 1,608,338	\$ 1,729,462	\$ 1,841,971
<u>Participant Information</u>			
Actives	266	N/A	309
Retirees, Dependents and Surviving Spouses	68	N/A	73
Total	<u>334</u>	<u>N/A</u>	<u>382</u>

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

The following key assumptions were chosen by the City:

1. Discount Rate: 4.0%
2. Inflation Rate: 3.0%
3. Expected Long Term Rate of Return on Assets: 4.0%
4. Health Care Claim and Contribution Trend Rates: 7.5% for 2012, 7.0% for 2013, 6.5% for 2014, 6.0% for 2015, 5.5% for 2016, 5.0% for 2017, 5.0% for 2018 and thereafter.
5. Average Salary Increase: 4.0%
6. Retirement Rates: Based upon the separate rates used to value the pension obligations for Police Officers, Firefighters, and all other employees, respectively.
7. Retiree Participation Rate: 30%
8. 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. Historically, the net other post employment benefit obligation has been liquidated primarily by the general fund and the proprietary funds.

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.

**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, 2013, 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.

**Montana Municipal Interlocal Authority**

The City and Montana Municipal Interlocal Authority (MMIA) have entered into a 20-year agreement in December 2012 to share up to \$1 million in profits from the sale of city-owned property known as the Mandeville Farm. The agreement came about as part of a settlement on legal claims from the City of Bozeman vs. MMIA litigation. A "profit" shall occur only when the City has recovered its total investment in the property, which includes the original purchase price together with all "costs of development" as defined in the settlement agreement.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

NOTE 17. RESTRICTED ASSETS

At June 30, 2013, the balances of restricted asset accounts for business-type activities are as follows:

	Business-Type Activities				Total
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	
Restricted by revenue bond covenants					
For debt service	\$ -	\$ -	\$ -	\$ -	\$ -
For bond reserve	1,040,553	1,788,592	-	-	2,829,145
For operations	-	-	-	-	-
Restricted by ordinance					
Cash in lieu of parking	-	-	-	257,886	257,886
Impact fees	11,094	-	-	-	11,094
	<u>\$ 1,051,647</u>	<u>\$ 1,788,592</u>	<u>\$ -</u>	<u>\$ 257,886</u>	<u>\$ 3,098,125</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, 2013 follows:

	Transfers From						Total
	Governmental Funds			Proprietary Funds			
	General Fund	Impact Fees	Street Maintenance	Nonmajor Governmental	Water	Waste Water	
General Fund	\$ -	\$ -	\$ -	\$ 3,174,742	\$ -	\$ -	\$ 3,174,742
Impact Fees	-	-	-	-	-	-	-
Building Inspection	-	-	-	-	-	-	-
Street Maintenance	-	-	-	-	-	-	-
Nonmajor Governmental	498,671	-	-	618,004	-	-	1,116,675
Water Enterprise	-	-	-	-	-	-	-
Wastewater Enterprise	-	-	-	-	-	-	-
Solid Waste Enterprise	-	-	-	-	-	-	-
Parking Enterprise	-	-	-	10,000	-	-	10,000
Vehicle Internal Service	-	-	-	-	-	-	-
Health Insurance Internal Service	153,088	-	-	-	-	-	153,088
Total	<u>\$ 651,759</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,802,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,454,505</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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, 2013, is as follows:

	Due From	Due To
Major Funds:		
General Fund	\$ 36,167	\$ -
Proprietary Funds:		
Parking Fund	-	18,019
Storm Water Fund	-	4,060
Internal Service Funds:		
Medical Health Insurance	-	14,088
	\$ 36,167	\$ 36,167

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.

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, 2013, 2012, and 2011.

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, 2013

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:

	June 30, 2013	June 30, 2012
Claims payable, beginning of year	\$ 468	\$ 55
Claims incurred during year	4,210,836	3,628,512
Claims paid during year	(4,211,236)	(3,628,099)
Claims payable, end of year	\$ 68	\$ 468

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

Apollo Inc. v. City of Bozeman

Apollo, Inc. is the general contractor on the Hyalite/Sourdough Water Treatment Plant Replacement Project. Knife River is one of their subcontractors. Construction commenced in the fall of 2011. In March 2012, Gallatin County observed damage to Nash Road resulting from heavy truck traffic and ordered it repaired. On March 13, 2012, the County imposed load limits/weight restrictions on Nash Road effectively proscribing hauling of construction loads. The City asserted the damage was caused by Knife River and ordered the repair. The general contractor disputed responsibility. Eventually the road was repaired and the County lifted its load limits.

The contractor asserted a claim for the costs of repair and a delay claim seeking additional days to complete the contract and an adjustment in the contract price. The City's consulting engineer granted additional days but denied an adjustment in price. The City Manager agreed to provide Apollo additional days to complete the contract but did not agree to an adjustment of the contract price.

In September 2012, the contractor requested a formal dispute resolution with a mediator. The City Manager, in consultation with the City Attorney's office, declined the offer based on the initial agreement to conduct discussions without involvement of an independent mediator, as allowed by the contract. There has been no further communication from the contractor regarding their claims. They may still exercise such rights or remedies they may otherwise have under the contract in respect of the dispute that was not agreed upon during the information mediation. As of the date of the financial statements, the City believes it is not possible to determine whether there exists the potential for an unfavorable outcome or to estimate the potential range of loss.

Plaintiff v. City of Bozeman

On December 1, 2011, the City received a Notice of Claim pursuant to §2-9-301, MCA, from Lucas Foust, an attorney representing Plaintiff. The Notice of Claim informs the City the claim resulted from Plaintiff's arrest on August 14, 2010. The City is aware that Plaintiff entered a plea of negligent endangerment resulting from that arrest. The Notice of Claim does not provide any additional information of the nature of the claim or of a claimed dollar amount. At this time, it is not possible to determine whether there exists the potential for an unfavorable outcome or to estimate the potential range of loss. No action has occurred on this claim since the notice was filed over two years ago.

Plaintiff v. City of Bozeman

On August 17, 2012, Plaintiff allegedly fell in the Bridger Park Downtown parking facility. A personal injury claim was submitted to the MMIA for investigation. On November 27, 2013, the MMIA tendered the claim to Western States Insurance of Bozeman, Montana, for forwarding to St. Paul Travelers as carrier for Martel Construction, the contractor for construction of the Bridger Park. As of the date of this letter it is not possible to determine whether there exists the potential for an unfavorable outcome or to estimate the potential range of loss.

Gallatin Valley Licensed Beverage Association v. City of Bozeman

On May 6<sup>th</sup>, 2013, the Bozeman City Commission approved a conditional use permit for a distillery and tasting room on Main Street in Downtown Bozeman. The Bozeman City Attorney has knowledge that the Gallatin Valley Licensed Beverage Association has filed a lawsuit in the Eighteenth Judicial District

NOTE 20. CONTINGENCIES (Continued)

Court challenging the Commission's approval of the permit. As of the date of this letter, the lawsuit has not been served and it is not possible to determine whether there exists the potential for an unfavorable outcome or to estimate the potential range of loss.

Plaintiff v. City of Bozeman

Plaintiff has sued the City of Bozeman alleging negligence resulting in his slip, fall, and injury. The case is progressing in accordance with the Scheduling Order issued by the Court. The City of Bozeman is aggressively defending this claim. The likelihood of an unfavorable outcome is approximately 50%. The range of potential loss is between \$200,000 and \$300,000.

Southwest Montana Building Industry Association, et al v. City of Bozeman

Presently before the Court is a motion of the City of Bozeman requesting that the remaining undistributed settlement funds be turned over to the City of Bozeman. The City would then hold these funds and annually advertise or publish a notice that the unclaimed funds are available to members of the Class who have yet to receive settlement funds. Upon submission of a claim, the City may use these funds to pay the claim. If any funds remain unpaid after three (3) years, the City of Bozeman proposes to deliver the funds to the Montana Department of Revenue pursuant to the Uniform Unclaimed Property Act.

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:

Possible Adverse Verdict

<u>Verdi (Segal) v. City of Bozeman</u>	\$150,000 - \$250,000
<u>Hansen v. City of Bozeman</u>	\$2,500 - \$5,000

City of Bozeman v. Montana Municipal Interlocal Authority

This litigation was 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*. This case was settled in December 2012. At June 30, 2012 a liability of \$2 million was accrued in the entity-wide financials. Under the terms of the settlement, payment is to be made in three equal annual installments the first of which was made in the year ending June 30, 2013.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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 \$1,485,246 reported as landfill closure and post-closure care liability at June 30, 2013, represents the cumulative amount reported to date based on the use of 95% of the total capacity of the landfill. This amount represents a \$78,110 decrease from the \$1,563,356 liability reported in 2012 due to 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 2013, the City budgeted for, and funded, landfill closure and post-closure care liability through normal operations and is in compliance with EPA requirements.

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 Position</u>	
Current assets	\$ 14,065,318
Capital assets	111,364,480
Other assets	-
Total assets	<u>\$ 125,429,798</u>
Current liabilities	\$ 3,870,533
Noncurrent liabilities	-
Total liabilities	<u>3,870,533</u>
Invested in capital assets, net of related debt	97,612,602
Restricted for debt service	1,040,553
Unrestricted	22,906,110
Total net position	<u>121,559,265</u>
Total liabilities and net position	<u>\$ 125,429,798</u>

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
JUNE 30, 2013

NOTE 22. SEGMENT INFORMATION FOR ENTERPRISE FUND (Continued)

OPERATING REVENUES AND EXPENSES	
Operating revenues	\$ 6,814,990
Operating expenses	
Depreciation	1,580,037
Other operating	4,191,370
Total operating expenses	<u>5,771,407</u>
Operating Income (loss)	<u>1,043,583</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	126,651
Interest expense	-
Grant income	1,690
Gain on sale of assets	(18,081)
Contributions of infrastructure	156,123
Other income	50,143
Transfers	-
Total nonoperating revenues	<u>316,526</u>
Change in net Position	1,360,109
NET POSITION, beginning of year	<u>100,056,066</u>
NET POSITION, end of year	<u>\$ 101,416,175</u>
<u>Condensed Statement of Cash Flows</u>	
Net cash provided by operating activities	\$ 2,935,813
Net cash flows from capital and related financing activities	(8,487,671)
Net cash flows from noncapital and financing activities	-
Net cash flows from investing activities	<u>2,617,626</u>
Net increase (decrease) in cash flows	(2,934,233)
Beginning cash and equivalents	<u>16,375,569</u>
Ending cash and equivalents	<u>\$ 13,441,336</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 JUNE 30, 2013

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:

	<u>Original, as of March 23, 1996</u>	<u>Change as of May 10, 1998</u>	<u>Change as of January 15, 1999</u>	<u>Change as of July 15, 1999</u>	<u>Change as of January 1, 2013</u>	<u>Change as of March 30, 2013</u>
Fire impact fee	90%	90%	90%	90%	100%	100%
Water impact fee	35%	50%	90%	90%	100%	100%
Waste water impact fee	35%	50%	90%	90%	100%	100%
Street impact fee	10%	10%	75%	90%	90%	100%

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, \$111,965, and \$135,751, respectively, as of June 30, 2013. The Fire Impact Fee Fund does not have any outstanding credits. The following impact fee revenues were collected and expensed/expended during fiscal year 2013:

	<u>Beginning balances</u>	<u>Impact fees</u>	<u>Other income</u>	<u>Expenses, expenditures and transfers</u>	<u>Ending balances</u>
Fire	\$ 205,949	\$ 403,903	\$ 2,411	\$ (444,322)	\$ 167,941
Water	10,370,428	1,659,678	67,240	(11,255,243)	842,103
Waste water	229,099	1,460,336	5,485	(1,420,676)	274,244
Streets	7,713,193	2,480,576	68,680	(36,211)	10,226,239
Total	<u>\$ 18,518,669</u>	<u>\$ 6,004,494</u>	<u>\$ 143,816</u>	<u>\$ (13,156,452)</u>	<u>\$ 11,510,527</u>

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 (BSS) in August 2011. The Administrative Order of Consent (AOC) was finalized in January 2012. The ROD and AOC specifically delineate the remediation to be completed for the BSS. The AOC serves as the legal mechanism for the implementation of the selected remedies identified in the ROD. Though remediation may be completed relatively quickly, monitoring of the site will continue for a period of up to 30 years. ATC and Associates, Inc. serves as the Project Engineer for the potentially liable parties (the City of Bozeman and CVS Pharmacy, Inc.). Based on the selected remedies identified in the ROD, ATC has completed a long-term cost projection for the project. The long-term cost projection for the City is \$2,110,000. Reduced by its insurer's reimbursement, the amount is \$1,682,752. This liability is recorded in the Waste Water Fund.

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.

On December 21, 2006, the City agreed to act as lead person to conduct remaining remedial activities at the CMC Facility. In 2008, the City submitted and the Montana Department of Environmental Quality (DEQ) approved an addendum to the 2002 Voluntary Cleanup Plan (VCP). The remaining remedial activities at the Facility were completed in 2009. On October 25, 2010, the DEQ issued a "no further action" letter for the work completed under the VCP. The DEQ determined that all the requirements of CECRA were fully met, including the requirement that "conditions at the facility assure present and long term protection of public health, safety and welfare, and the environment." Certain inaccessible areas within the Facility were suspected to contain asbestos ore. Various institutional controls and restrictions were put in place on specific properties within the Facility to mitigate the risk posed to the public health, safety, and welfare and the environment. Although DEQ has issued "no further action" letters for certain properties, the ongoing presence of contamination of City property as well as the nature of the institutional controls prohibit delisting of the Facility, and it will remain on the CECRA Priority List until the contamination is addressed or the institutional controls are otherwise no longer necessary to ensure protection of human health or the environment.

NOTE 24. POLLUTION REMEDIATION OBLIGATIONS (Continued)

CMC Asbestos Bozeman CECRA Facility (Continued)

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.

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. Two years ago 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, 2013, 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, 2013

**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.

	<u>General Fund</u>	<u>Street Impact Fees Special Revenue</u>	<u>Street Maintenance Special Revenue</u>	<u>Building Inspection Special Revenue</u>	<u>SID Sinking Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>							
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 408,000	\$ 408,000
Cemetery perpetual care	-	-	-	-	-	785,530	785,530
Total nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,193,530</u>	<u>1,193,530</u>
<b>Restricted</b>							
General government	-	-	-	-	-	5,046,254	5,046,254
Public safety	-	-	-	1,132,359	-	2,398,093	3,530,452
Public service	-	10,226,240	1,761,976	-	-	1,444,061	13,432,277
Public welfare	-	-	-	-	-	596,376	596,376
Debt service	-	-	-	-	886,462	2,569,678	3,456,140
Total restricted	<u>-</u>	<u>10,226,240</u>	<u>1,761,976</u>	<u>1,132,359</u>	<u>886,462</u>	<u>12,054,462</u>	<u>26,061,499</u>
<b>Committed</b>							
General government	-	-	-	-	-	305,864	305,864
Public safety	-	-	-	-	-	415,322	415,322
Public welfare	-	-	-	-	-	130,136	130,136
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>851,322</u>	<u>851,322</u>
<b>Assigned</b>							
General government	2,317,336	-	-	-	-	-	2,317,336
Capital projects	1,022,544	-	-	-	-	-	1,022,544
Budget ordinance minimum 16.67%	3,987,495	-	-	-	-	-	3,987,495
Total assigned	<u>7,327,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,327,375</u>
<b>Unassigned</b>							
Total fund balances	<u>\$ 7,327,375</u>	<u>\$ 10,226,240</u>	<u>\$ 1,761,976</u>	<u>\$ 1,132,359</u>	<u>\$ 886,462</u>	<u>\$ 14,555,983</u>	<u>\$ 35,890,395</u>

NOTE 26. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 13, 2013, the date on which the financial statements were available to be issued. In October of 2012, the City began an investigation into the existence of volatile organic compounds on and adjacent to the City's closed Story Mill landfill. That investigation is ongoing. As of October 18, 2013, the City is actively mitigating adjacent properties and developing long term remediation plans for the landfill. To date, the City has not received any formally filed or asserted claims or litigation regarding this investigation or the mitigation steps it is currently taking. Several consultants and staff of the City have been told legal action is being considered by owners of property adjacent to the landfill. At this time, however, any legal action is uncertain as to the nature of and the extent to which such claims could impact City operations. The contents of Note 21 regarding the closure and post-closure care costs for the Story Mill landfill have not changed. However, as indicated, the City is involved in an investigation, mitigation, and remediation at the Story Mill landfill. No liability amount has been accrued on the entity-wide financials at June 30, 2013.

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, 2013

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2013 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
	6/30/2011	\$ 236,826	42.45%	\$ 1,608,338
	6/30/2012	\$ 234,397	48.33%	\$ 1,729,462
	6/30/2013	\$ 221,212	49.14%	\$ 1,841,971

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 2,002,345
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 2,002,345</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%
	7/1/2012	\$ -	\$ 2,002,345	\$ 2,002,345	0%	Not available	Not available

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 GENERAL FUND  
 For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 7,327,054	\$ 7,327,054	\$ 7,327,054	\$ -
Resources (inflows):				
Taxes	12,346,855	12,346,855	11,744,306	(602,549)
Special assessments	-	-	7,041	7,041
Licenses and permits	285,250	285,250	301,817	16,567
Intergovernmental	5,658,618	5,658,618	6,277,896	619,278
Charges for services	2,145,095	2,145,095	2,139,772	(5,323)
Fines and forfeitures	1,241,500	1,241,500	1,259,382	17,882
Sale of assets	-	-	-	-
Interest on investments	30,000	30,000	48,582	18,582
Transfers from other funds	2,171,149	2,171,149	3,174,742	1,003,593
Other	46,500	46,500	10,627	(35,873)
Amounts available for appropriation	<u>31,252,021</u>	<u>31,252,021</u>	<u>32,291,219</u>	<u>1,039,198</u>
Charges to appropriations (outflows):				
Current				
General government	7,533,447	6,487,947	6,467,478	20,469
Public safety	9,841,356	12,253,630	12,253,503	127
Public service	138,878	167,878	167,537	341
Public welfare	4,651,283	4,667,783	4,624,364	43,419
Capital outlay	1,434,820	517,674	487,316	30,358
Debt service	150,000	312,000	311,887	113
Transfers to other funds	439,186	634,186	651,759	(17,573)
Total charges to appropriations	<u>24,188,970</u>	<u>25,041,098</u>	<u>24,963,844</u>	<u>77,254</u>
Budgetary fund balance, June 30	<u>\$ 7,063,051</u>	<u>\$ 6,210,923</u>	<u>\$ 7,327,375</u>	<u>\$ 1,116,452</u>

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

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET TO ACTUAL  
 STREET IMPACT FEES SPECIAL REVENUE FUND  
 Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 7,919,144	\$ 7,919,144	\$ 7,713,194	\$ (205,950)
Resources (inflows):				
Charges for services	921,000	921,000	2,480,577	1,559,577
Interest on investments	85,000	85,000	68,580	(16,420)
Other	-	-	100	100
Proceeds from long-term debt	-	-	-	-
Amounts available for appropriation	<u>8,925,144</u>	<u>8,925,144</u>	<u>10,262,451</u>	<u>1,337,307</u>
Charges to appropriations (outflows):				
Current				
Public safety	-	-	-	-
Public service	-	36,500	36,211	289
Capital outlay	4,790,500	4,754,000	-	4,754,000
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>4,790,500</u>	<u>4,790,500</u>	<u>36,211</u>	<u>4,754,289</u>
Budgetary fund balance, June 30	<u><u>\$ 4,134,644</u></u>	<u><u>\$ 4,134,644</u></u>	<u><u>\$ 10,226,240</u></u>	<u><u>\$ 6,091,596</u></u>

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET TO ACTUAL  
 STREET MAINTENANCE SPECIAL REVENUE FUND  
 Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 944,275	\$ 944,275	\$ 944,275	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	33,839	33,839
Licenses and permits	15,000	15,000	12,294	(2,706)
Intergovernmental	-	-	972	972
Charges for services	2,741,676	2,741,676	2,917,499	175,823
Fines and forfeitures	-	-	-	-
Sale of Assets	-	-	2,675	2,675
Interest on investments	7,500	7,500	12,556	5,056
Other	-	-	5,153	5,153
Proceeds from long-term debt	-	-	-	-
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>3,708,451</u>	<u>3,708,451</u>	<u>3,929,263</u>	<u>220,812</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	2,178,982	2,178,982	1,982,657	196,325
Public welfare	-	-	-	-
Other	-	-	-	-
Capital outlay	537,723	537,723	114,099	423,624
Debt service	270,197	270,197	70,531	199,666
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>2,986,902</u>	<u>2,986,902</u>	<u>2,167,287</u>	<u>819,615</u>
Budgetary fund balance, June 30	<u>\$ 721,549</u>	<u>\$ 721,549</u>	<u>\$ 1,761,976</u>	<u>\$ 1,040,427</u>

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

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES- BUDGET TO ACTUAL  
 BUILDING INSPECTION SPECIAL REVENUE FUND  
 Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,005,484	\$ 1,005,494	\$ 1,005,484	\$ (10)
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	957,525	957,525	1,315,633	358,108
Intergovernmental	-	-	6,142	6,142
Charges for services	1,000	1,000	557	(443)
Fines and forfeitures	-	-	-	-
Sale of Assets	-	-	-	-
Interest on investments	7,000	7,000	7,131	131
Other	-	-	3,585	3,585
Proceeds from long-term debt	-	-	-	-
Transfers from other funds	-	-	-	-
Amounts available for appropriation	<u>1,971,009</u>	<u>1,971,019</u>	<u>2,338,532</u>	<u>367,513</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	886,616	979,616	979,385	231
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	100,000	227,000	226,788	212
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>986,616</u>	<u>1,206,616</u>	<u>1,206,173</u>	<u>443</u>
Budgetary fund balance, June 30	<u>\$ 984,393</u>	<u>\$ 764,403</u>	<u>\$ 1,132,359</u>	<u>\$ 367,956</u>

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

CITY OF BOZEMAN, MONTANA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 Year Ended June 30, 2012

	General Fund	Street Impact Fees	Street Maintenance	Building Inspection
<b>Sources/inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 32,291,219	\$ 10,262,451	\$ 3,929,263	\$ 2,338,532
<b>Differences - budget to GAAP:</b>				
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(7,327,054)	(7,713,194)	(944,275)	(1,005,484)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(3,174,742)	-	-	-
The proceeds from the issuance of long-term debt are a budgetary resource but are a other financing source for financial reporting purposes	-	-	-	-
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	-	-	(2,675)	-
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b>\$ 21,789,423</b>	<b>\$ 2,549,257</b>	<b>\$ 2,982,313</b>	<b>\$ 1,333,048</b>
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 24,963,844	\$ 36,211	2,167,287	1,206,173
<b>Differences - budget to GAAP:</b>				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(651,759)	-	-	-
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b>\$ 24,312,085</b>	<b>\$ 36,211</b>	<b>\$ 2,167,287</b>	<b>\$ 1,206,173</b>

## 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.

Fire Impact Fees Special Revenues - Accounts for the collection and expenditures associated with the fire impact fees.

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.

Health-Medical Insurance – Accounts for property tax revenues received and transferred to the general fund for premiums and deductibles on group insurance coverage for City employees.

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.

Victim/Witness Advocate - Accounts for monies collected through the Court system to assist with Victim and Witness Advocate Program.

Tree Maintenance – Accounts for special assessment revenues levied, received, and expended for 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.

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.

Fire Department Equipment– Accounts for Public Safety mill levy tax revenues for fire department capital and equipment.

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.

Tourism Business Improvement District – Accounts for program income derived from hotels within the district to enhance the economic vitality of Bozeman by promoting tourism through sales and marketing strategies.

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.

TIF N.E. Urban Renewal – In August of 2005, the City created an Urban Renewal Plan for the Northeast Urban section of Bozeman. This fund accounts for the revenue and expenditures associated with the district.

TIF N 7<sup>th</sup> Corridor - In August of 2005, the City created a Renewal Plan for the North 7<sup>th</sup> Avenue business district. This fund accounts for the revenue and expenditures associated with the district.

## 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.

## CAPITAL PROJECTS FUNDS

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

## 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, 2013

	Special Revenue Funds				
	Departmental Special Revenues	Fire Impact Fees Special Revenues	City Planning Board	Health-Medical Insurance	Gas Tax Apportionment
ASSETS					
Cash and cash equivalents	\$ 1,986,639	\$ -	\$ 384,057	\$ 346,075	\$ 653,772
Receivables					
Property taxes	5,378	-	11,117	124,511	-
Accrued interest	-	-	-	-	-
Customers, net	-	-	-	-	-
Special assessments	-	-	-	-	-
Other governments	66,146	-	-	-	-
Others	-	-	-	-	-
Due from other City funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Notes receivable	39,692	-	-	-	-
Restricted cash and cash equivalents	25,000	168,026	206,441	-	-
	<u>2,122,855</u>	<u>168,026</u>	<u>601,615</u>	<u>470,586</u>	<u>653,772</u>
Total assets	<u>\$ 2,122,855</u>	<u>\$ 168,026</u>	<u>\$ 601,615</u>	<u>\$ 470,586</u>	<u>\$ 653,772</u>

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds				
	Departmental Special Revenues	Fire Impact Fees Special Revenues	City Planning Board	Health-Medical Insurance	Gas Tax Apportionment
Liabilities:					
Accounts payable	119,336	83	15,359	-	9,209
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	1,922	-	11,941	-	-
Due to other City funds	-	-	-	-	-
Total liabilities	<u>121,258</u>	<u>83</u>	<u>27,300</u>	<u>-</u>	<u>9,209</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	906	-	1,827	21,244	-
Unavailable revenue-special assessments	-	-	-	-	-
Unavailable revenue-deferred loans	39,692	-	-	-	-
Unavailable revenue-court fines	-	-	-	-	-
Total deferred inflows of resources	<u>40,598</u>	<u>-</u>	<u>1,827</u>	<u>21,244</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	1,960,999	167,943	572,488	449,342	644,563
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>1,960,999</u>	<u>167,943</u>	<u>572,488</u>	<u>449,342</u>	<u>644,563</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,122,855</u>	<u>\$ 168,026</u>	<u>\$ 601,615</u>	<u>\$ 470,586</u>	<u>\$ 653,772</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds				
	Drug Forfeitures	City-County Drug Forfeitures	Victim/Witness Advocate	Tree Maintenance	Law and Justice Center
ASSETS					
Cash and cash equivalents	\$ 69,315	\$ 153,405	\$ 375,843	\$ 257,925	\$ -
Receivables					
Property taxes	-	-	-	-	-
Accrued interest	-	-	-	-	-
Customers, net	3,375	-	4,943	-	-
Special assessments	-	-	-	23,213	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Due from other City funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	408,000
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
	<u>\$ 72,690</u>	<u>\$ 153,405</u>	<u>\$ 380,786</u>	<u>\$ 281,138</u>	<u>\$ 408,000</u>
Total assets					

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds				
	Drug Forfeitures	City-County Drug Forfeitures	Victim/Witness Advocate	Tree Maintenance	Law and Justice Center
Liabilities:					
Accounts payable	424	-	-	6,765	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	2,970	-	-	3,920	-
Due to other City funds	-	-	-	-	-
Total liabilities	<u>3,394</u>	<u>-</u>	<u>-</u>	<u>10,685</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	-	-	-	-
Unavailable revenue-special assessments	-	-	-	18,240	-
Unavailable revenue-deferred loans	-	-	-	-	-
Unavailable revenue-security agreement	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,240</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	408,000
Restricted	-	-	380,786	252,213	-
Committed	69,296	153,405	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>69,296</u>	<u>153,405</u>	<u>380,786</u>	<u>252,213</u>	<u>408,000</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 72,690</u>	<u>\$ 153,405</u>	<u>\$ 380,786</u>	<u>\$ 281,138</u>	<u>\$ 408,000</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds			
	Community Transportation	Fire Department Equipment	Economic Development Revolving Loan	Housing Revolving Loan Fund
ASSETS				
Cash and cash equivalents	\$ 96,598	\$ 14,366	\$ -	\$ 14,462
Receivables				
Property taxes	-	21,417	-	-
Accrued interest	-	-	-	-
Customers, net	-	-	-	-
Special assessments	-	-	-	-
Other governments	-	-	-	-
Others	-	-	638,559	-
Due from other City funds	-	-	-	-
Prepaid expenditures	-	839,458	-	-
Notes receivable	-	-	238,601	21,479
Restricted cash and cash equivalents	-	-	-	-
	<u>\$ 96,598</u>	<u>\$ 875,241</u>	<u>\$ 877,160</u>	<u>\$ 35,941</u>
Total assets	<u>\$ 96,598</u>	<u>\$ 875,241</u>	<u>\$ 877,160</u>	<u>\$ 35,941</u>

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds			
	Community Transportation	Fire Department Equipment	Economic Development Revolving Loan	Housing Revolving Loan Fund
<b>Liabilities:</b>				
Accounts payable	-	1,500	-	-
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	-	-	-
Due to other City funds	-	-	-	-
Total liabilities	<u>-</u>	<u>1,500</u>	<u>-</u>	<u>-</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue-property taxes	-	3,603	-	-
Unavailable revenue-special assessments	-	-	-	-
Unavailable revenue-deferred loans	-	-	238,601	21,479
Unavailable revenue-security agreement	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>3,603</u>	<u>238,601</u>	<u>21,479</u>
<b>Fund balances:</b>				
Nonspendable	-	-	-	-
Restricted	96,598	870,138	638,559	14,462
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>96,598</u>	<u>870,138</u>	<u>638,559</u>	<u>14,462</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 96,598</u>	<u>\$ 875,241</u>	<u>\$ 877,160</u>	<u>\$ 35,941</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds			
	Community Housing	Downtown Improvement District	Tourism Business Improvement District	Street Lighting
ASSETS				
Cash and cash equivalents	\$ 337,394	\$ 2,047,215	\$ 177,324	\$ 697,530
Receivables				
Property taxes	-	87,540	-	-
Accrued interest	-	1,930	-	-
Customers, net	-	-	-	-
Special assessments	-	2,148	12,380	16,986
Other governments	-	-	-	-
Others	-	-	-	-
Due from other City funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	67,499	-	-	-
Restricted cash and cash equivalents	-	-	-	-
	<u>\$ 404,893</u>	<u>\$ 2,138,833</u>	<u>\$ 189,704</u>	<u>\$ 714,516</u>
Total assets				

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds			
	Community Housing	Downtown Improvement District	Tourism Business Improvement District	Street Lighting
Liabilities:				
Accounts payable	-	634,701	177,324	33,320
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	-	-	-
Due to other City funds	-	-	-	-
Total liabilities	<u>-</u>	<u>634,701</u>	<u>177,324</u>	<u>33,320</u>
Deferred inflows of resources:				
Unavailable revenue-property taxes	-	390	4,885	-
Unavailable revenue-special assessments	-	-	-	-
Unavailable revenue-deferred loans	67,499	-	-	-
Unavailable revenue-security agreement	-	-	-	-
Total deferred inflows of resources	<u>67,499</u>	<u>390</u>	<u>4,885</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	-	1,503,742	7,495	681,196
Committed	337,394	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>337,394</u>	<u>1,503,742</u>	<u>7,495</u>	<u>681,196</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 404,893</u>	<u>\$ 2,138,833</u>	<u>\$ 189,704</u>	<u>\$ 714,516</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds				Total
	Park Land	Municipal Court Restitution	TIF N.E. Urban Renewal	TIF N 7th Corridor	
ASSETS					
Cash and cash equivalents	\$ 291,227	\$ 36,483	\$ 258,375	\$ 942,781	\$ 9,140,786
Receivables					
Property taxes	-	-	9,644	63,936	323,543
Accrued interest	-	-	-	1,639	3,569
Customers, net	-	-	-	-	8,318
Special assessments	-	-	-	-	54,727
Other governments	-	-	-	-	66,146
Others	-	-	-	-	638,559
Due from other City funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	1,247,458
Notes receivable	-	-	-	-	367,271
Restricted cash and cash equivalents	-	-	-	-	399,467
	<u>\$ 291,227</u>	<u>\$ 36,483</u>	<u>\$ 268,019</u>	<u>\$ 1,008,356</u>	<u>\$ 12,249,844</u>
Total assets					

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Special Revenue Funds				Total
	Park Land	Municipal Court Restitution	TIF N.E. Urban Renewal	TIF N 7th Corridor	
<b>Liabilities:</b>					
Accounts payable	-	1,000	5,541	26,679	1,031,241
Escheat property payable	-	35,379	-	-	35,379
Accrued employee benefits payable	-	-	-	-	20,753
Due to other City funds	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>36,379</b>	<b>5,541</b>	<b>26,679</b>	<b>1,087,373</b>
<b>Deferred inflows of resources:</b>					
Unavailable revenue-property taxes	-	-	-	-	32,855
Unavailable revenue-special assessments	-	-	-	-	18,240
Unavailable revenue-deferred loans	-	-	-	-	367,271
Unavailable revenue-security agreement	-	-	-	-	-
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>418,366</b>
<b>Fund balances:</b>					
Nonspendable	-	-	-	-	408,000
Restricted	-	104	262,478	981,677	9,484,783
Committed	291,227	-	-	-	851,322
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
<b>Total fund balances</b>	<b>291,227</b>	<b>104</b>	<b>262,478</b>	<b>981,677</b>	<b>10,744,105</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 291,227</b>	<b>\$ 36,483</b>	<b>\$ 268,019</b>	<b>\$ 1,008,356</b>	<b>\$ 12,249,844</b>

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

Debt Service Funds				
	SID Revolving	G.O. Bonds	TIF Bonds	Total
ASSETS				
Cash and cash equivalents	\$ 2,443,769	\$ 84,971	\$ -	\$ 2,528,740
Receivables				
Property taxes	-	45,533	-	45,533
Accrued interest	3,764	-	-	3,764
Customers, net	-	-	-	-
Special assessments	-	-	-	-
Other governments	-	-	-	-
Others	-	-	-	-
Due from other City funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	143,529	-	-	143,529
Restricted cash and cash equivalents	-	-	-	-
	-	-	-	-
Total assets	\$ 2,591,062	\$ 130,504	\$ -	\$ 2,721,566

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Total
Liabilities:				
Accounts payable	-	-	-	-
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	-	-	-
Due to other City funds	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenue-property taxes	-	8,358	-	8,358
Unavailable revenue-special assessments	-	-	-	-
Unavailable revenue-deferred loans	143,529	-	-	143,529
Unavailable revenue-security agreement	-	-	-	-
Total deferred inflows of resources	143,529	8,358	-	151,887
Fund balances:				
Nonspendable	-	-	-	-
Restricted	2,447,533	122,146	-	2,569,679
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	2,447,533	122,146	-	2,569,679
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,591,062	\$ 130,504	\$ -	\$ 2,721,566

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	General Improvements	Perpetual Cemetery Care	
ASSETS			
Cash and cash equivalents	\$ 465,447	\$ -	\$ 12,134,973
Receivables			
Property taxes	-	-	369,076
Accrued interest	-	-	7,333
Customers, net	-	9,620	17,938
Special assessments	-	-	54,727
Other governments	-	-	66,146
Others	-	-	638,559
Due from other City funds	-	-	-
Prepaid expenditures	-	-	1,247,458
Notes receivable	-	-	510,800
Restricted cash and cash equivalents	-	776,674	1,176,141
Total assets	<u>\$ 465,447</u>	<u>\$ 786,294</u>	<u>\$ 16,223,151</u>

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

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2013

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	General Improvements	Perpetual Cemetery Care	
Liabilities:			
Accounts payable	8,778	764	1,040,783
Escheat property payable	-	-	35,379
Accrued employee benefits payable	-	-	20,753
Due to other City funds	-	-	-
Total liabilities	<u>8,778</u>	<u>764</u>	<u>1,096,915</u>
Deferred inflows of resources:			
Unavailable revenue-property taxes	-	-	41,213
Unavailable revenue-special assessments	-	-	18,240
Unavailable revenue-deferred loans	-	-	510,800
Unavailable revenue-security agreement	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>570,253</u>
Fund balances:			
Nonspendable	-	785,530	1,193,530
Restricted	-	-	12,054,462
Committed	-	-	851,322
Assigned	-	-	-
Unassigned	456,669	-	456,669
Total fund balances	<u>456,669</u>	<u>785,530</u>	<u>14,555,983</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 465,447</u>	<u>\$ 786,294</u>	<u>\$ 16,223,151</u>

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

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2013

	Special Revenue Funds				
	Departmental Special Revenues	Fire Impact Fees Special Revenue	City Planning Board	Health-Medical Insurance	Gas Tax Apportionment
REVENUES					
Taxes	\$ 96,214	\$ -	\$ 168,102	\$ 1,941,383	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	380,911	-	99,493	-	649,387
Charges for services	24,370	403,903	317,580	-	-
Fines and forfeitures	-	-	-	-	-
Interest on investments	13,343	2,411	2,392	1,074	3,902
Loan repayment	5,167	-	-	-	-
Other	263,781	-	18,328	-	-
Total revenues	<u>783,786</u>	<u>406,314</u>	<u>605,895</u>	<u>1,942,457</u>	<u>653,289</u>
EXPENDITURES					
Current					
General government	-	-	743,534	-	-
Public safety	357,196	6,329	-	-	-
Public service	1,740	-	-	-	242,463
Public welfare	191,342	-	-	-	-
Other	-	-	-	-	-
Capital outlay	109,684	-	-	-	364,875
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>659,962</u>	<u>6,329</u>	<u>743,534</u>	<u>-</u>	<u>607,338</u>
Revenues over (under) expenditures	<u>123,824</u>	<u>399,985</u>	<u>(137,639)</u>	<u>1,942,457</u>	<u>45,951</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	75,000	-	346,936	-	-
Transfers out	(121,208)	(437,993)	-	(2,002,541)	-
Long-term debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>(46,208)</u>	<u>(437,993)</u>	<u>346,936</u>	<u>(2,002,541)</u>	<u>-</u>
Net change in fund balance	77,616	(38,008)	209,297	(60,084)	45,951
FUND BALANCES, beginning of year	<u>1,883,383</u>	<u>205,951</u>	<u>363,191</u>	<u>509,426</u>	<u>598,612</u>
FUND BALANCES, end of year	<u>\$ 1,960,999</u>	<u>\$ 167,943</u>	<u>\$ 572,488</u>	<u>\$ 449,342</u>	<u>\$ 644,563</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Special Revenue Funds				
	Drug Forfeitures	City-County Drug Forfeitures	Victim/Witness Advocate	Tree Maintenance	Law and Justice Center
<b>REVENUES</b>					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	3,382	-
Intergovernmental	89,485	-	-	12,016	-
Charges for services	-	-	-	423,878	-
Fines and forfeitures	59,863	-	75,407	-	-
Interest on investments	865	1,163	3,003	1,734	-
Loan repayment	-	-	-	-	-
Other	-	-	-	5,350	-
Total revenues	<u>150,213</u>	<u>1,163</u>	<u>78,410</u>	<u>446,360</u>	<u>-</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	65,827	-	-
Public safety	207,153	-	-	-	19,125
Public service	-	-	-	-	-
Public welfare	-	-	-	435,411	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>207,153</u>	<u>-</u>	<u>65,827</u>	<u>435,411</u>	<u>19,125</u>
Revenues over (under) expenditures	<u>(56,940)</u>	<u>1,163</u>	<u>12,583</u>	<u>10,949</u>	<u>(19,125)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Long-term debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	100	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>100</u>	<u>-</u>
Net change in fund balances	(56,940)	1,163	12,583	11,049	(19,125)
FUND BALANCES, beginning of year	<u>126,236</u>	<u>152,242</u>	<u>368,203</u>	<u>241,164</u>	<u>427,125</u>
FUND BALANCES, end of year	<u>\$ 69,296</u>	<u>\$ 153,405</u>	<u>\$ 380,786</u>	<u>\$ 252,213</u>	<u>\$ 408,000</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Special Revenue Funds			
	Community Transportation	Fire Department Equipment	Economic Development Revolving Loan	Housing Revolving Loan Fund
REVENUES				
Taxes	\$ -	\$ 334,893	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	619	4,223	-	156
Loan repayment	-	-	99,203	5,193
Other	-	-	-	-
Total revenues	<u>619</u>	<u>339,116</u>	<u>99,203</u>	<u>5,349</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	166,842	14,400
Other	-	-	-	-
Capital outlay	-	46,506	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>-</u>	<u>46,506</u>	<u>166,842</u>	<u>14,400</u>
Revenues over (under) expenditures	<u>619</u>	<u>292,610</u>	<u>(67,639)</u>	<u>(9,051)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	30,150	-	-	-
Transfers out	-	-	-	-
Long-term debt issued	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>30,150</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	30,769	292,610	(67,639)	(9,051)
FUND BALANCES, beginning of year	<u>65,829</u>	<u>577,528</u>	<u>706,198</u>	<u>23,513</u>
FUND BALANCES, end of year	<u>\$ 96,598</u>	<u>\$ 870,138</u>	<u>\$ 638,559</u>	<u>\$ 14,462</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Special Revenue Funds			
	Community Housing	Downtown Improvement District	Tourism Business Improvement District	Street Lighting
REVENUES				
Taxes	\$ -	\$ 806,435	\$ -	\$ -
Special assessments	-	114,640	410,914	362,709
Intergovernmental	-	45,437	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	2,595	11,695	391	5,116
Loan repayment	5,000	-	-	-
Other	-	-	-	-
Total revenues	<u>7,595</u>	<u>978,207</u>	<u>411,305</u>	<u>367,825</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	375,004
Public welfare	40,000	305,199	407,599	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>40,000</u>	<u>305,199</u>	<u>407,599</u>	<u>375,004</u>
Revenues over (under) expenditures	<u>(32,405)</u>	<u>673,008</u>	<u>3,706</u>	<u>(7,179)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	41,885	-	-	-
Transfers out	-	(430,600)	-	-
Long-term debt issued	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>41,885</u>	<u>(430,600)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	9,480	242,408	3,706	(7,179)
FUND BALANCES, beginning of year	<u>327,914</u>	<u>1,261,334</u>	<u>3,789</u>	<u>688,375</u>
FUND BALANCES, end of year	<u>\$ 337,394</u>	<u>\$ 1,503,742</u>	<u>\$ 7,495</u>	<u>\$ 681,196</u>

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

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Special Revenue Funds				Totals
	Park Land	Municipal Court Restitution	TIF N.E. Urban Renewal	TIF N 7th Corridor	
REVENUES					
Taxes	\$ -	\$ -	\$ 96,088	\$ 650,989	\$ 4,094,104
Special assessments	-	-	-	-	891,645
Intergovernmental	-	-	5,201	19,067	1,300,997
Charges for services	-	-	-	-	1,169,731
Fines and forfeitures	-	-	-	-	135,270
Interest on investments	1,783	4	1,556	9,931	67,956
Loan repayment	-	-	-	-	114,563
Other	83,056	-	-	-	370,515
Total revenues	<u>84,839</u>	<u>4</u>	<u>102,845</u>	<u>679,987</u>	<u>8,144,781</u>
EXPENDITURES					
Current					
General government	-	-	-	-	809,361
Public safety	-	-	-	-	589,803
Public service	-	-	-	-	619,207
Public welfare	-	-	19,278	11,952	1,592,023
Other	-	-	-	-	-
Capital outlay	-	-	-	536,499	1,057,564
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>19,278</u>	<u>548,451</u>	<u>4,667,958</u>
Revenues over (under) expenditures	<u>84,839</u>	<u>4</u>	<u>83,567</u>	<u>131,536</u>	<u>3,476,823</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	493,971
Transfers out	-	-	(2,900)	(10,000)	(3,005,242)
Long-term debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	100
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(2,900)</u>	<u>(10,000)</u>	<u>(2,511,171)</u>
Net change in fund balance	84,839	4	80,667	121,536	965,652
FUND BALANCES, beginning of year	<u>206,388</u>	<u>100</u>	<u>181,811</u>	<u>860,141</u>	<u>9,778,453</u>
FUND BALANCES, end of year	<u>\$ 291,227</u>	<u>\$ 104</u>	<u>\$ 262,478</u>	<u>\$ 981,677</u>	<u>\$ 10,744,105</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Totals
<b>REVENUES</b>				
Taxes	\$ -	\$ 702,562	\$ -	\$ 702,562
Special assessments	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	22,812	-	-	22,812
Loan repayment	42,506	-	-	42,506
Other	-	-	-	-
Total revenues	<u>65,318</u>	<u>702,562</u>	<u>-</u>	<u>767,880</u>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Other	15,776	-	-	15,776
Capital outlay	-	-	-	-
Debt service				
Principal	-	635,000	175,000	810,000
Interest and fiscal fees	-	74,883	250,388	325,271
Total expenditures	<u>15,776</u>	<u>709,883</u>	<u>425,388</u>	<u>1,151,047</u>
Revenues over (under) expenditures	<u>49,542</u>	<u>(7,321)</u>	<u>(425,388)</u>	<u>(383,167)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	420,600	420,600
Transfers out	(797,504)	-	-	(797,504)
Long-term debt issued	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(797,504)</u>	<u>-</u>	<u>420,600</u>	<u>(376,904)</u>
Net change in fund balance	(747,962)	(7,321)	(4,788)	(760,071)
FUND BALANCES, beginning of year	<u>3,195,495</u>	<u>129,467</u>	<u>4,788</u>	<u>3,329,750</u>
FUND BALANCES, end of year	<u>\$ 2,447,533</u>	<u>\$ 122,146</u>	<u>\$ -</u>	<u>\$ 2,569,679</u>

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

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	General Improvements	Cemetery Perpetual Care	
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ 4,796,666
Special assessments	-	-	891,645
Intergovernmental	-	-	1,300,997
Charges for services	-	93,618	1,263,349
Fines and forfeitures	-	-	135,270
Interest on investments	(460)	5,553	95,861
Loan repayment	-	-	157,069
Other	-	-	370,515
Total revenues	<u>(460)</u>	<u>99,171</u>	<u>9,011,372</u>
<b>EXPENDITURES</b>			
Current			
General government	-	-	809,361
Public safety	-	-	589,803
Public service	-	-	619,207
Public welfare	-	-	1,592,023
Other	-	-	15,776
Capital outlay	896,668	-	1,954,232
Debt service			
Principal	-	-	810,000
Interest and fiscal fees	-	-	325,271
Total expenditures	<u>896,668</u>	<u>-</u>	<u>6,715,673</u>
Revenues over (under) expenditures	<u>(897,128)</u>	<u>99,171</u>	<u>2,295,699</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	202,104	-	1,116,675
Transfers out	-	-	(3,802,746)
Long-term debt issued	1,203,279	-	1,203,279
Sale of capital assets	-	-	100
Total other financing sources (uses)	<u>1,405,383</u>	<u>-</u>	<u>(1,482,692)</u>
Net change in fund balance	508,255	99,171	813,007
FUND BALANCES, beginning of year	<u>(51,586)</u>	<u>686,359</u>	<u>13,742,976</u>
FUND BALANCES, end of year	<u>\$ 456,669</u>	<u>\$ 785,530</u>	<u>\$ 14,555,983</u>

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

**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, 2013

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 803,565	\$ 803,565	\$ 803,565	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	1,500,000	1,500,000	820,090	(679,910)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	5,215	5,215
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	7,068	7,068
Transfers from other funds	-	-	-	-
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-
Other	-	-	4,697	4,697
Amounts available for appropriation	<u>2,303,565</u>	<u>2,303,565</u>	<u>1,640,635</u>	<u>(662,930)</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	1,500,000	1,500,000	754,173	745,827
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>1,500,000</u>	<u>1,500,000</u>	<u>754,173</u>	<u>745,827</u>
Budgetary fund balance, June 30	<u>\$ 803,565</u>	<u>\$ 803,565</u>	<u>\$ 886,462</u>	<u>\$ 82,897</u>

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

CITY OF BOZEMAN, MONTANA  
 NOTE TO BUDGET TO ACTUAL STATEMENT - OTHER MAJOR FUNDS  
 Year Ended June 30, 2012

	<u>SID Sinking</u>
<b>Sources/inflows of resources</b>	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,640,635
<b>Differences - budget to GAAP:</b>	
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(803,565)
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.	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - Other nonmajor governmental funds	<u>\$ 837,070</u>
<b>Uses/outflows of resources</b>	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 754,173
<b>Differences - budget to GAAP:</b>	
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.	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - Other nonmajor governmental funds	<u>\$ 754,173</u>

BUDGET TO ACTUAL SCHEDULES – NONMAJOR FUNDS

CITY OF BOZEMAN, MONTANA  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended June 30, 2013

	Special Revenue Funds					
	Departmental Special Revenues			Fire Impact Fees Special Revenue		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 88,769	\$ 96,214	\$ 7,445	\$ -	\$ -	-
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	255,000	380,911	125,911	-	-	-
Charges for services	-	24,370	24,370	190,000	403,903	213,903
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	20,100	13,343	(6,757)	-	2,411	2,411
Loan repayment	-	5,167	5,167	-	-	-
Other	7,000	263,781	256,781	-	-	-
Total revenues	370,869	783,786	412,917	190,000	406,314	216,314
EXPENDITURES - BUDGET						
UNIT	1,236,209	659,962	576,247	6,500	6,329	171
Revenues over (under) expenditures	(865,340)	123,824	989,164	183,500	399,985	216,485
OTHER FINANCING SOURCES (USES)						
Transfers in	175,000	75,000	(100,000)	-	-	-
Transfers out	(121,208)	(121,208)	-	(438,000)	(437,993)	7
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	53,792	(46,208)	(100,000)	(438,000)	(437,993)	7
Revenues and other sources over (under) expenditures	<u>\$ (811,548)</u>	77,616	<u>\$ 889,164</u>	<u>\$ (254,500)</u>	(38,008)	<u>\$ 216,492</u>
FUND BALANCES, beginning of year		<u>1,883,383</u>			<u>205,951</u>	
FUND BALANCES, end of year		<u>\$ 1,960,999</u>			<u>\$ 167,943</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, 2013

	Special Revenue Funds		
	City Planning Board		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 167,538	\$ 168,102	\$ 564
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental	76,500	99,493	22,993
Charges for services	112,000	317,580	205,580
Fines and forfeitures	-	-	-
Interest on investments	-	2,392	2,392
Loan repayment	-	-	-
Other	18,000	18,328	328
Total revenues	374,038	605,895	231,857
EXPENDITURES - BUDGET UNIT	743,729	743,534	195
Revenues over (under) expenditures	(369,691)	(137,639)	232,052
OTHER FINANCING SOURCES (USES)			
Transfers in	349,036	346,936	(2,100)
Transfers out	-	-	-
Long-term debt issued	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	349,036	346,936	(2,100)
Revenues and other sources over (under) expenditures	<u>\$ (20,655)</u>	209,297	<u>\$ 229,952</u>
FUND BALANCES, beginning of year		363,191	
FUND BALANCES, end of year		<u>\$ 572,488</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, 2013

	Special Revenue Funds					
	Health-Medical Insurance			Gas Tax Apportionment		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 1,932,530	\$ 1,941,383	\$ 8,853	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	650,400	649,387	(1,013)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	1,074	1,074	4,000	3,902	(98)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	1,932,530	1,942,457	9,927	654,400	653,289	(1,111)
EXPENDITURES - BUDGET						
UNIT	-	-	-	659,500	607,338	52,162
Revenues over (under) expenditures	1,932,530	1,942,457	9,927	(5,100)	45,951	51,051
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(2,021,149)	(2,002,541)	18,608	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	(2,021,149)	(2,002,541)	18,608	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ (88,619)</u>	(60,084)	<u>\$ 28,535</u>	<u>\$ (5,100)</u>	45,951	<u>\$ 51,051</u>
FUND BALANCES, beginning of year		509,426			598,612	
FUND BALANCES, end of year		<u>\$ 449,342</u>			<u>\$ 644,563</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, 2013

	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	56,000	89,485	33,485	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	40,000	59,863	19,863	5,000	-	(5,000)
Interest on investments	-	865	865	2,000	1,163	(837)
Loan repayment	-	-	-	-	-	-
Other	5,000	-	(5,000)	-	-	-
Total revenues	101,000	150,213	49,213	7,000	1,163	(5,837)
EXPENDITURES - BUDGET UNIT	<u>207,369</u>	<u>207,153</u>	<u>216</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(106,369)</u>	<u>(56,940)</u>	<u>49,429</u>	<u>7,000</u>	<u>1,163</u>	<u>(5,837)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	90,000	-	(90,000)	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (16,369)</u>	<u>(56,940)</u>	<u>\$ (40,571)</u>	<u>\$ 7,000</u>	<u>1,163</u>	<u>\$ (5,837)</u>
FUND BALANCES, beginning of year		<u>126,236</u>			<u>152,242</u>	
FUND BALANCES, end of year		<u>\$ 69,296</u>			<u>\$ 153,405</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, 2013

	Special Revenue Funds					
	Victim/Witness Advocate			Tree Maintenance		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	2,000	3,382	1,382
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	12,016	12,016
Charges for services	-	-	-	422,129	423,878	1,749
Fines and forfeitures	75,000	75,407	407	-	-	-
Interest on investments	4,500	3,003	(1,497)	2,000	1,734	(266)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	10,000	5,350	(4,650)
Total revenues	79,500	78,410	(1,090)	436,129	446,360	10,231
EXPENDITURES - BUDGET UNIT	122,000	65,827	56,173	461,215	435,411	25,804
Revenues over (under) expenditures	(42,500)	12,583	55,083	(25,086)	10,949	36,035
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	100	100
Total other financing sources (uses)	-	-	-	-	100	100
Revenues and other sources over (under) expenditures	<u>\$ (42,500)</u>	12,583	<u>\$ 55,083</u>	<u>\$ (25,086)</u>	11,049	<u>\$ 36,135</u>
FUND BALANCES, beginning of year		368,203			241,164	
FUND BALANCES, end of year		<u>\$ 380,786</u>			<u>\$ 252,213</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, 2013

	Special Revenue Funds					
	Fire Impact Fees Special Revenue			Community Transportation		
	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	-	-	-	-	619	619
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>619</u>	<u>619</u>
EXPENDITURES - BUDGET						
UNIT	<u>20,000</u>	<u>19,125</u>	<u>875</u>	<u>30,515</u>	<u>-</u>	<u>30,515</u>
Revenues over (under) expenditures	<u>(20,000)</u>	<u>(19,125)</u>	<u>875</u>	<u>(30,515)</u>	<u>619</u>	<u>31,134</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	30,150	30,150	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,150</u>	<u>30,150</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (20,000)</u>	<u>(19,125)</u>	<u>\$ 875</u>	<u>\$ (365)</u>	<u>30,769</u>	<u>\$ 31,134</u>
FUND BALANCES, beginning of year		<u>427,125</u>			<u>65,829</u>	
FUND BALANCES, end of year		<u>\$ 408,000</u>			<u>\$ 96,598</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, 2013

	Special Revenue Funds					
	Fire Department Equipment			Economic Development Revolving Loan Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 335,076	\$ 334,893	\$ (183)	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	4,500	4,223	(277)	-	-	-
Loan repayment	-	-	-	-	99,203	99,203
Other	-	-	-	-	-	-
Total revenues	<u>339,576</u>	<u>339,116</u>	<u>(460)</u>	<u>-</u>	<u>99,203</u>	<u>99,203</u>
EXPENDITURES - BUDGET						
UNIT	<u>77,864</u>	<u>46,506</u>	<u>31,358</u>	<u>167,000</u>	<u>166,842</u>	<u>158</u>
Revenues over (under) expenditures	<u>261,712</u>	<u>292,610</u>	<u>30,898</u>	<u>(167,000)</u>	<u>(67,639)</u>	<u>99,361</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>\$ 261,712</u>	<u>292,610</u>	<u>\$ 30,898</u>	<u>\$ (167,000)</u>	<u>(67,639)</u>	<u>\$ 99,361</u>
FUND BALANCES, beginning of year		<u>577,528</u>			<u>706,198</u>	
FUND BALANCES, end of year		<u>\$ 870,138</u>			<u>\$ 638,559</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, 2013

	Special Revenue Funds					
	Housing Revolving Loan Fund			Community Housing		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 41,885	\$ -	\$ (41,885)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	750	156	(594)	5,000	2,595	(2,405)
Loan repayment	4,950	5,193	243	5,000	5,000	-
Other	-	-	-	-	-	-
Total revenues	<u>5,700</u>	<u>5,349</u>	<u>(351)</u>	<u>51,885</u>	<u>7,595</u>	<u>(44,290)</u>
EXPENDITURES - BUDGET						
UNIT	<u>14,400</u>	<u>14,400</u>	<u>-</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
Revenues over (under) expenditures	<u>(8,700)</u>	<u>(9,051)</u>	<u>(351)</u>	<u>11,885</u>	<u>(32,405)</u>	<u>(44,290)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	41,885	41,885
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,885</u>	<u>41,885</u>
Revenues and other sources over (under) expenditures	<u>\$ (8,700)</u>	<u>(9,051)</u>	<u>\$ (351)</u>	<u>\$ 11,885</u>	<u>9,480</u>	<u>\$ (2,405)</u>
FUND BALANCES, beginning of year		<u>23,513</u>			<u>327,914</u>	
FUND BALANCES, end of year		<u>\$ 14,462</u>			<u>\$ 337,394</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, 2013

	Special Revenue Funds					
	Downtown Improvement District			Tourism Business Improvement District		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 1,339,000	\$ 806,435	\$ (532,565)	\$ -	\$ -	\$ -
Special assessments	114,000	114,640	640	410,000	410,914	914
Licenses and permits	-	-	-	-	-	-
Intergovernmental	31,158	45,437	14,279	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	11,000	11,695	695	-	391	391
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>1,495,158</u>	<u>978,207</u>	<u>(516,951)</u>	<u>410,000</u>	<u>411,305</u>	<u>1,305</u>
EXPENDITURES - BUDGET						
UNIT	<u>1,672,600</u>	<u>305,199</u>	<u>1,367,401</u>	<u>410,000</u>	<u>407,599</u>	<u>2,401</u>
Revenues over (under) expenditures	<u>(177,442)</u>	<u>673,008</u>	<u>850,450</u>	<u>-</u>	<u>3,706</u>	<u>3,706</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(438,388)	(430,600)	7,788	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(438,388)</u>	<u>(430,600)</u>	<u>7,788</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (615,830)</u>	242,408	<u>\$ 858,238</u>	<u>\$ -</u>	3,706	<u>\$ 3,706</u>
FUND BALANCES, beginning of year		<u>1,261,334</u>			<u>3,789</u>	
FUND BALANCES, end of year		<u>\$ 1,503,742</u>			<u>\$ 7,495</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, 2013

	Special Revenue Funds					
	Street Lighting			Park Land		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	315,000	362,709	47,709	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	5,116	5,116	-	1,783	1,783
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	83,056	83,056
Total revenues	<u>315,000</u>	<u>367,825</u>	<u>52,825</u>	<u>-</u>	<u>84,839</u>	<u>84,839</u>
EXPENDITURES - BUDGET UNIT	<u>375,500</u>	<u>375,004</u>	<u>496</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(60,500)</u>	<u>(7,179)</u>	<u>53,321</u>	<u>-</u>	<u>84,839</u>	<u>84,839</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>\$ (60,500)</u>	<u>(7,179)</u>	<u>\$ 53,321</u>	<u>\$ -</u>	<u>84,839</u>	<u>\$ 84,839</u>
FUND BALANCES, beginning of year		<u>688,375</u>			<u>206,388</u>	
FUND BALANCES, end of year		<u>\$ 681,196</u>			<u>\$ 291,227</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, 2013

	Special Revenue Funds					
	Municipal Court Restitution			TIF N.E. Urban Renewal		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 79,000	\$ 96,088	\$ 17,088
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	5,201	5,201
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	4	4	1,500	1,556	56
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>4</u>	<u>4</u>	<u>80,500</u>	<u>102,845</u>	<u>22,345</u>
EXPENDITURES - BUDGET						
UNIT	<u>-</u>	<u>-</u>	<u>-</u>	<u>201,312</u>	<u>19,278</u>	<u>182,034</u>
Revenues over (under) expenditures	<u>-</u>	<u>4</u>	<u>4</u>	<u>(120,812)</u>	<u>83,567</u>	<u>204,379</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(5,000)	(2,900)	2,100
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,000)</u>	<u>(2,900)</u>	<u>2,100</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>4</u>	<u>\$ 4</u>	<u>\$ (125,812)</u>	<u>80,667</u>	<u>\$ 206,479</u>
FUND BALANCES, beginning of year		<u>100</u>			<u>181,811</u>	
FUND BALANCES, end of year		<u>\$ 104</u>			<u>\$ 262,478</u>	

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

CITY OF BOZEMAN, MONTANA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Special Revenue Funds					
	TIF N 7th Corridor			Total		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 500,000	\$ 650,989	\$ 150,989	4,483,798	4,094,104	\$ (389,694)
Special assessments	-	-	-	841,000	891,645	50,645
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	19,067	19,067	1,069,058	1,300,997	231,939
Charges for services	-	-	-	724,129	1,169,731	445,602
Fines and forfeitures	-	-	-	120,000	135,270	15,270
Interest on investments	5,000	9,931	4,931	61,100	67,956	6,856
Loan repayment	-	-	-	14,900	114,563	99,663
Other	-	-	-	40,000	370,515	330,515
Total revenues	<u>505,000</u>	<u>679,987</u>	<u>174,987</u>	<u>7,353,985</u>	<u>8,144,781</u>	<u>790,796</u>
EXPENDITURES - BUDGET UNIT	<u>856,849</u>	<u>548,451</u>	<u>308,398</u>	<u>7,316,962</u>	<u>4,667,958</u>	<u>2,649,004</u>
Revenues over (under) expenditures	<u>(351,849)</u>	<u>131,536</u>	<u>483,385</u>	<u>37,023</u>	<u>3,476,823</u>	<u>3,439,800</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	644,186	493,971	(150,215)
Transfers out	(10,000)	(10,000)	-	(3,033,745)	(3,005,242)	28,503
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	100	100
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>(2,389,559)</u>	<u>(2,511,171)</u>	<u>(121,612)</u>
Revenues and other sources over (under) expenditures	<u>\$ (361,849)</u>	<u>121,536</u>	<u>\$ 483,385</u>	<u>\$ (2,352,536)</u>	<u>965,652</u>	<u>\$ 3,318,188</u>
FUND BALANCES, beginning of year		<u>860,141</u>			<u>9,778,453</u>	
FUND BALANCES, end of year		<u>\$ 981,677</u>			<u>\$ 10,744,105</u>	

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

CITY OF BOZEMAN, MONTANA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Debt Service Funds					
	SID Revolving			G.O. Bonds		
	Budget	Actual	Variance Positive (Negative)	re Impact Fees Budget	Special Revenue Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 696,937	\$ 702,562	\$ 5,625
Interest on investments	20,000	22,812	2,812	-	-	-
Loan repayment	-	42,506	42,506	-	-	-
Other	11,240	-	-	-	-	-
Total revenue	<u>31,240</u>	<u>65,318</u>	<u>45,318</u>	<u>696,937</u>	<u>702,562</u>	<u>5,625</u>
EXPENDITURES						
Other	16,000	15,776	224	-	-	-
Debt service						
Principal	-	-	-	635,000	635,000	-
Interest and fiscal fees	-	-	-	68,937	74,883	(5,946)
Total expenditures	<u>16,000</u>	<u>15,776</u>	<u>224</u>	<u>703,937</u>	<u>709,883</u>	<u>(5,946)</u>
Revenues over (under) expenditures	<u>15,240</u>	<u>49,542</u>	<u>34,302</u>	<u>(7,000)</u>	<u>(7,321)</u>	<u>(321)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(798,000)	(797,504)	496	-	-	-
Total other financing sources (uses)	<u>(798,000)</u>	<u>(797,504)</u>	<u>496</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (782,760)</u>	<u>(747,962)</u>	<u>\$ 34,798</u>	<u>\$ (7,000)</u>	<u>(7,321)</u>	<u>\$ (321)</u>
FUND BALANCES, beginning of year		<u>3,195,495</u>			<u>129,467</u>	
FUND BALANCES, end of year		<u>\$ 2,447,533</u>			<u>\$ 122,146</u>	

(continued)

CITY OF BOZEMAN, MONTANA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2013

	Debt Service Funds					
	TIF Bonds			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>						
Taxes	\$ -	\$ -	\$ -	\$ 696,937	\$ 702,562	\$ 5,625
Interest on investments	-	-	-	20,000	22,812	2,812
Loan repayment	-	-	-	-	42,506	42,506
Other	-	-	-	11,240	-	(11,240)
<b>Total revenue</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>728,177</b>	<b>767,880</b>	<b>39,703</b>
<b>EXPENDITURES</b>						
Other	-	-	-	16,000	15,776	224
Debt service						
Principal	175,000	175,000	-	810,000	810,000	-
Interest and fiscal fees	253,388	250,388	3,000	322,325	325,271	(2,946)
<b>Total expenditures</b>	<b>428,388</b>	<b>425,388</b>	<b>3,000</b>	<b>1,148,325</b>	<b>1,151,047</b>	<b>(2,722)</b>
Revenues over (under) expenditures	(428,388)	(425,388)	3,000	(420,148)	(383,167)	36,981
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	428,388	420,600	(7,788)	428,388	420,600	(7,788)
Transfers out	-	-	-	(798,000)	(797,504)	496
<b>Total other financing sources (uses)</b>	<b>428,388</b>	<b>420,600</b>	<b>(7,788)</b>	<b>(369,612)</b>	<b>(376,904)</b>	<b>(7,292)</b>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>(4,788)</u>	<u>\$ (4,788)</u>	<u>\$ (789,760)</u>	<u>\$ (760,071)</u>	<u>\$ 29,689</u>
FUND BALANCES, beginning of year		4,788			3,329,750	
FUND BALANCES, end of year		<u>\$ -</u>			<u>\$ 2,569,679</u>	

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

CITY OF BOZEMAN, MONTANA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2013

	Capital Projects Fund			Permanent Fund		
	General Improvements			Cemetery Perpetual Care		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Charges for services	-	-	-	25,000	93,618	68,618
Interest on investments	-	(460)	(460)	8,000	5,553	(2,447)
Total revenues	-	(460)	(460)	33,000	99,171	66,171
EXPENDITURES - BUDGET UNIT	897,000	896,668	332	-	-	-
Revenues over (under) expenditures	(897,000)	(897,128)	(128)	33,000	99,171	66,171
OTHER FINANCING SOURCES (USES)						
Transfers in	-	202,104	202,104	-	-	-
Long-term debt issued	-	1,203,279	-	-	-	-
Total other financing sources (uses)	-	1,405,383	202,104	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ (897,000)</u>	508,255	<u>\$ 1,405,255</u>	<u>\$ 33,000</u>	99,171	<u>\$ 66,171</u>
FUND BALANCES, beginning of year		(51,586)			686,359	
FUND BALANCES, end of year		<u>\$ 456,669</u>			<u>\$ 785,530</u>	

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

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 POSITION  
 INTERNAL SERVICE FUNDS  
 June 30, 2013

	Vehicle Maintenance Shop	Medical Health Insurance	Total
<b>ASSETS</b>			
Current assets			
Cash and equivalents	\$ 519,423	\$ -	\$ 519,423
Customer receivables, net	-	14,156	14,156
Total current assets	519,423	14,156	533,579
Machinery and equipment	151,521	-	151,521
Vehicles	83,812	-	83,812
Buildings	1,388,583	-	1,388,583
Less: accumulated depreciation	(365,750)	-	(365,750)
Net property, plant, and equipment	1,258,166	-	1,258,166
Total assets	1,777,589	14,156	1,791,745
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 25,334	\$ 68	\$ 25,402
Compensated absences payable	17,928	-	17,928
Due to other City funds	-	14,088	14,088
Other post-employment health benefits - implicit rate subsidy	22,568	-	22,568
Total current liabilities	65,830	14,156	79,986
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	1,258,166	-	1,258,166
Unrestricted	453,593	-	453,593
Total net position	\$ 1,711,759	\$ -	\$ 1,711,759

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

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2013

	Vehicle Maintenance Shop	Medical Health Insurance	Total
<b>OPERATING REVENUES</b>			
Charges for services	\$ 866,512	\$ 3,857,043	\$ 4,723,555
<b>OPERATING EXPENSES</b>			
Salaries and benefits	304,795	-	304,795
Materials and supplies	469,845	(34)	469,811
Repairs and maintenance	14,006	-	14,006
Utilities	4,505	-	4,505
Administrative charges	47,409	-	47,409
Insurance claims	-	4,210,837	4,210,837
Other expenses	16,378	60,953	77,331
Depreciation	57,484	-	57,484
Total operating expenses	914,422	4,271,756	5,186,178
Operating income (loss)	(47,910)	(414,713)	(462,623)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Interest income	3,966	-	3,966
Interest expense	-	(261)	(261)
Other income	3,219	4,833	8,052
Total non-operating revenue (expenses)	7,185	4,572	11,757
Income (loss) before transfers	(40,725)	(410,141)	(450,866)
Transfers in	-	153,088	153,088
Change in net position	(40,725)	(257,053)	(297,778)
NET POSITION, beginning of year	1,752,484	257,053	2,009,537
NET POSITION, end of year	\$ 1,711,759	\$ -	\$ 1,711,759

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

CITY OF BOZEMAN, MONTANA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended June 30, 2013

	Vehicle Maintenance Shop	Medical Health Insurance	Total
<b>CASH FLOWS FROM OPERATIONS:</b>			
Receipts from customers	\$ 866,512	\$ 3,842,887	\$ 4,709,399
Receipts from others	3,219	4,833	8,052
Operating loans from other City funds	-	167,176	167,176
Payments to suppliers	(535,244)	(60,851)	(596,095)
Payments to employees	(284,670)	(4,210,837)	(4,495,507)
Payments to Internal Service Funds and administrative fees	(47,409)	-	(47,409)
	<u>2,408</u>	<u>(256,792)</u>	<u>(254,384)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Additions to property, plant and equipment	(16,354)	-	(16,354)
Interest paid on bonds, interfund loans, loans and leases	-	(261)	(261)
	<u>(16,354)</u>	<u>(261)</u>	<u>(16,615)</u>
Net Cash Flows Used by Capital and Related Financing Activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	3,966	-	3,966
	<u>3,966</u>	<u>-</u>	<u>3,966</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(9,980)	(257,053)	(267,033)
CASH AND EQUIVALENTS, beginning of year	529,403	257,053	786,456
	<u>529,403</u>	<u>257,053</u>	<u>786,456</u>
CASH AND EQUIVALENTS, end of year	\$ 519,423	\$ -	\$ 519,423
	<u>\$ 519,423</u>	<u>\$ -</u>	<u>\$ 519,423</u>

(continued)

CITY OF BOZEMAN, MONTANA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended June 30, 2013

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

	<u>Vehicle Maintenance Shop</u>	<u>Medical Health Insurance</u>	<u>Total</u>
OPERATING INCOME (LOSS)	\$ (47,910)	\$ (414,713)	\$ (462,623)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	57,484	-	57,484
Other income	3,219	4,833	8,052
Changes in assets and liabilities:			
(Increase) Decrease in:			
Customer receivables	-	(14,156)	(14,156)
Prepaid expenses	-	-	-
Increase (Decrease) in:			
Accounts payable	(18,193)	68	(18,125)
Compensated absences payable	7,808	-	7,808
Interfund borrowings	-	167,176	167,176
Total adjustments	<u>50,318</u>	<u>157,921</u>	<u>208,239</u>
Net cash provided (used) by operating activities	<u>\$ 2,408</u>	<u>\$ (256,792)</u>	<u>\$ (254,384)</u>

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 POSITION  
 June 30, 2013

	<u>Montana Arts Council</u>	<u>Municipal Court</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 9,812	\$ 301,556	\$ 311,368
Customer receivables	<u>-</u>	<u>335</u>	<u>335</u>
Total assets	<u>\$ 9,812</u>	<u>\$ 301,891</u>	<u>\$ 311,703</u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 9,812</u>	<u>\$ 301,891</u>	<u>\$ 311,703</u>
Total liabilities	<u>\$ 9,812</u>	<u>\$ 301,891</u>	<u>\$ 311,703</u>

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

CITY OF BOZEMAN, MONTANA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 Year ended June 30, 2013

		Montana Arts Council			
		Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>ASSETS</b>					
Cash and cash equivalents		\$ -	\$ 9,812	\$ -	\$ 9,812
Total assets		\$ -	\$ 9,812	\$ -	\$ 9,812
<b>LIABILITIES</b>					
Accounts payable		\$ -	\$ 9,812	\$ -	\$ 9,812
Total liabilities		\$ -	\$ 9,812	\$ -	\$ 9,812
		Municipal Court			
		Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
<b>ASSETS</b>					
Cash and cash equivalents		\$ 111,575	\$ 189,981	\$ -	\$ 301,556
Customer receivables		560	-	(225)	335
Total assets		\$ 112,135	\$ 189,981	\$ (225)	\$ 301,891
<b>LIABILITIES</b>					
Accounts payable		\$ 112,135	\$ 189,756	\$ -	\$ 301,891
Total liabilities		\$ 112,135	\$ 189,756	\$ -	\$ 301,891

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

**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.

<b>Contents</b>	<b>Page</b>
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	144
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	149
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.	160
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.	169
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.	171

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 POSITION BY COMPONENT**  
**Past Ten Fiscal Years**

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities										
Invested in capital assets, net of related debt	5,197,117	8,409,053	22,987,166	77,734,584	80,873,924	83,707,824	84,113,904	88,844,404	88,500,437	89,081,484
Restricted	10,615,720	12,343,248	5,242,903	546,916	9,254,307	7,699,511	8,082,181	20,962,038	20,797,365	27,255,029
Unrestricted	17,345,961	21,077,779	25,537,959	28,481,673	23,443,921	20,871,106	25,076,908	16,049,044	15,470,543	11,521,053
<b>Total governmental activities</b>	<b>\$ 33,158,798</b>	<b>\$ 41,830,080</b>	<b>\$ 53,768,028</b>	<b>\$ 106,763,173</b>	<b>\$ 113,572,152</b>	<b>\$ 112,278,441</b>	<b>\$ 117,272,993</b>	<b>\$ 125,855,486</b>	<b>\$ 124,768,345</b>	<b>\$ 127,857,566</b>
Business-type activities										
Invested in capital assets, net of related debt	25,174,352	28,124,307	28,416,015	154,227,534	177,379,168	188,077,778	189,965,189	188,180,889	192,485,459	199,394,551
Restricted	13,357,348	11,041,147	13,462,443	17,099,866	18,322,089	19,775,588	9,044,280	12,660,466	11,446,886	3,098,125
Unrestricted	9,174,747	12,284,379	12,899,363	16,550,235	17,547,218	11,936,119	16,069,597	12,382,018	2,809,558	10,643,337
<b>Total business-type activities</b>	<b>\$ 47,706,447</b>	<b>\$ 51,449,833</b>	<b>\$ 54,777,821</b>	<b>\$ 187,877,635</b>	<b>\$ 213,248,475</b>	<b>\$ 219,789,485</b>	<b>\$ 215,079,066</b>	<b>\$ 213,223,373</b>	<b>\$ 206,741,903</b>	<b>\$ 213,136,013</b>
Primary government										
Invested in capital assets, net of related debt	30,371,469	36,533,360	51,403,181	231,962,118	258,253,092	271,785,602	274,079,093	277,025,293	280,985,896	288,476,035
Restricted	23,973,068	23,384,395	18,705,346	17,646,782	27,576,396	27,475,099	17,126,461	33,622,504	32,244,251	30,353,154
Unrestricted	26,520,708	33,362,158	38,437,322	45,031,908	40,991,139	32,807,225	41,146,505	28,431,062	18,280,101	22,164,390
<b>Total primary government net position</b>	<b>\$ 80,865,245</b>	<b>\$ 93,279,913</b>	<b>\$ 108,545,849</b>	<b>\$ 294,640,808</b>	<b>\$ 326,820,627</b>	<b>\$ 332,067,926</b>	<b>\$ 332,352,059</b>	<b>\$ 339,078,859</b>	<b>\$ 331,510,248</b>	<b>\$ 340,993,579</b>

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Expenses</b>										
Governmental Activities:										
General government	4,427,676	4,986,413	5,666,069	5,733,371	6,969,181	6,629,783	6,299,831	6,122,190	8,706,665	7,373,368
Public Safety	8,078,120	8,834,875	9,858,055	10,488,873	11,183,637	11,556,016	12,382,157	12,859,702	13,215,680	14,340,301
Public Service	3,096,273	3,475,067	4,163,644	8,511,308	8,979,085	10,130,184	9,703,594	9,190,515	8,174,461	3,939,061
Public Welfare	4,017,654	4,372,959	5,477,065	5,536,741	5,412,192	6,465,940	6,915,557	7,500,727	7,249,008	6,518,822
Interest and fiscal fees	667,118	709,178	550,296	549,667	649,226	737,762	714,714	679,652	636,478	433,766
Total governmental activities expenses	\$ 20,286,841	\$ 22,378,492	\$ 25,715,129	\$ 30,819,960	\$ 33,193,321	\$ 35,519,685	\$ 36,015,853	\$ 36,352,786	\$ 37,982,292	\$ 32,605,318
Business-type activities:										
Water	3,782,726	4,292,503	4,824,505	10,490,811	11,150,266	11,872,984	12,016,149	11,649,639	11,674,222	6,154,746
Wastewater	3,353,567	4,246,156	4,586,959	7,376,348	8,061,412	10,293,894	9,143,077	10,128,397	10,203,165	6,121,663
Solid waste	2,462,291	2,720,738	3,547,902	3,283,135	2,574,651	2,687,590	2,561,124	2,578,109	2,584,899	2,475,680
Parking						766,454	967,077	991,712	990,229	756,390
Storm Water										96,171
Total business-type activities expenses	9,598,584	11,259,397	12,959,366	21,150,294	21,786,329	25,620,922	24,687,427	25,347,857	25,452,515	15,604,650
Total primary government expenses	\$ 29,885,425	\$ 33,637,889	\$ 38,674,495	\$ 51,970,254	\$ 54,979,650	\$ 61,140,607	\$ 60,703,280	\$ 61,700,643	\$ 63,434,807	\$ 48,209,968
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	793,529	1,261,652	1,496,818	2,023,362	2,237,962	1,795,469	2,774,869	2,870,443	1,949,125	1,966,966
Public Safety	2,390,179	1,898,531	1,984,642	3,712,280	3,575,133	3,500,929	2,414,893	2,684,724	2,638,811	3,219,231
Public Service	3,934,801	10,302,583	9,217,198	5,361,852	4,858,444	4,790,460	3,742,856	4,454,492	4,983,420	6,655,604
Public Welfare	865,910	567,471	718,162	704,790	713,342	779,841	399,280	451,960	1,102,896	1,593,212
Operating grants and contributions	878,713	360,980	502,198	409,263	502,863	439,131	693,342	1,114,835	566,586	406,239
Capital grants and contributions	37,538	513,034	1,380,553	18,694,375	7,153,103	8,219,791	5,307,118	7,867,093	635,758	844,935
Total governmental activities program revenues	\$ 8,900,670	\$ 14,904,251	\$ 15,299,571	\$ 30,905,922	\$ 19,040,847	\$ 19,525,621	\$ 15,332,358	\$ 19,443,547	\$ 11,876,596	\$ 14,686,187
Business-type activities										
Charges for services:										
Water	5,842,122	6,547,228	7,434,574	8,604,498	8,222,724	7,221,378	6,986,247	7,064,571	7,921,483	9,585,939
Wastewater	5,765,594	6,074,615	6,430,206	7,052,987	6,918,132	6,052,668	6,505,119	6,930,036	7,488,473	8,560,438
Solid waste	3,884,723	3,648,930	2,582,437	2,428,230	2,608,662	2,391,641	2,716,981	2,569,607	2,570,644	2,532,676
Parking	-	-	-	-	-	467,607	326,820	417,114	382,968	420,965
Storm Water										223,707
Operating grants and contributions	35,396	36,129	-	-	-	-	-	-	-	-
Capital grants and contributions:	1,585,544	1,595,805	1,624,237	26,464,222	29,405,599	6,465,230	3,621,051	6,589,612	566,138	156,123
Total business-type activities program revenues	17,113,379	17,902,707	18,071,454	44,549,937	47,155,117	22,598,524	20,156,218	23,570,940	18,929,706	21,479,848
Total primary government program revenues	\$ 26,014,049	\$ 32,806,958	\$ 33,371,025	\$ 75,455,859	\$ 66,195,964	\$ 42,124,145	\$ 35,488,576	\$ 43,014,487	\$ 30,806,302	\$ 36,166,035

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Net (Expense) / Revenue</b>										
Governmental activities	(11,386,171)	(7,474,241)	(10,415,558)	85,962	(14,152,474)	(15,994,064)	(20,683,495)	(16,909,239)	(26,105,696)	(17,919,131)
Business-type activities	7,514,795	6,643,310	5,112,088	23,399,643	25,368,788	(3,022,398)	(4,531,209)	(1,776,917)	(6,522,809)	5,875,198
Total primary government net expense	<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>	<u>\$ (32,628,505)</u>	<u>\$ (12,043,933)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Property taxes	9,104,945	10,437,702	11,137,006	11,836,748	12,070,765	14,629,230	15,501,316	16,342,053	15,716,055	16,429,959
Unrestricted grants and contributions	4,327,489	4,910,306	5,163,288	5,375,807	5,617,243	6,125,789	6,284,467	6,782,383	6,898,717	6,342,884
Investment earnings	344,013	606,120	852,222	1,093,115	1,362,790	671,859	352,378	301,424	283,090	243,744
Miscellaneous	979,820	2,422,805	3,416,890	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790	155,484	-
Sale of capital assets	-	-	-	490,637	51,342	68,057	761,952	(8,168)	4,414	1,765
Transfers of capital assets	-	-	-	-	-	(6,311,324)	-	-	(2,088)	-
Transfers	150,000	-	1,784,100	489,780	-	(3,249,929)	521,863	517,250	(37,136)	(10,000)
Extraordinary items	-	(2,231,410)	-	-	-	-	-	-	-	-
Total governmental activities	<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>	<u>\$ 23,018,536</u>	<u>\$ 23,008,352</u>
Business-type activities:										
Unrestricted grants and contributions	-	-	-	3,182	2,052	2,155	342,653	438,475	2,115	508,912
Transfers of capital assets	-	-	-	-	-	6,311,324	-	-	2,088	-
Transfers	(150,000)	-	(1,784,100)	(489,780)	-	3,249,929	(521,863)	(517,251)	37,136	10,000
Extraordinary items	-	(2,899,924)	-	-	-	-	-	-	-	-
Total business-type activities	<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>	<u>41,339</u>	<u>518,912</u>
Total primary government	<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>	<u>\$ 23,059,875</u>	<u>\$ 23,527,264</u>
<b>Change in Net Position</b>										
Governmental activities	3,520,096	8,671,282	11,937,948	21,312,205	6,808,979	(1,293,711)	4,994,552	8,582,493	(3,087,160)	5,089,221
Business-type activities	7,364,795	3,743,386	3,327,988	22,913,045	25,370,840	6,541,010	(4,710,419)	(1,855,693)	(6,481,470)	6,394,110
Total primary government	<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>	<u>\$ (9,568,630)</u>	<u>\$ 11,483,331</u>

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

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund										
Reserved	-	11,687	5,725	3,000	3,000	63,000	-			
Unreserved	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	7,062,964	7,327,375
Unassigned								905,862	264,091	-
Total general fund	3,345,541	4,008,287	3,179,099	4,370,538	4,519,814	5,364,397	5,119,400	6,897,250	7,327,055	7,327,375
All Other Governmental										
Reserved	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	14,362,029	16,296,309	9,776,823	13,205,328	13,723,846	12,516,240	14,916,152			
Capital projects funds	2,037,255	4,545,867	6,598,235	-	2,884,553	-	1,793,287			
Debt service funds	-	-	-	-	-	-	-			
Nonspendable								999,464	1,113,484	1,193,530
Restricted								19,962,574	19,683,881	26,061,499
Committed								3,278,422	3,463,714	851,322
Assigned								58,419	-	-
Unassigned								-	(51,586)	456,669
Total all other governmental funds	23,714,559	22,449,080	18,539,756	16,202,160	19,653,630	15,177,158	23,307,008	24,298,879	24,209,493	28,563,020

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)*

	<b>Fiscal Year</b>									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Revenues</b>										
Taxes	9,274,923	10,480,668	11,222,034	11,853,872	12,004,946	14,451,954	15,055,844	16,634,924	16,057,318	16,540,972
Special assessments	1,164,151	2,478,024	1,931,261	1,866,717	1,793,813	1,633,896	1,643,500	1,866,272	1,898,007	1,752,615
Licenses and permits	1,120,864	1,566,812	1,653,546	1,762,086	1,351,887	1,140,831	958,590	1,308,378	1,214,705	1,629,744
Intergovernmental	5,243,740	5,784,320	7,046,039	6,115,697	9,642,918	7,102,049	7,900,176	8,299,803	7,697,637	7,586,007
Charges for service	5,246,608	5,818,566	6,347,087	7,403,739	6,748,891	6,468,006	5,790,382	6,629,507	6,891,594	8,806,969
Fines and forfeitures	1,188,706	1,443,468	1,461,398	1,746,213	1,644,767	1,597,236	1,518,481	1,441,383	1,364,617	1,394,652
Interest on investments	342,979	545,805	848,909	1,068,802	1,360,914	671,859	352,378	300,516	281,239	239,778
loan repayment	183,987	426,076	291,338	10,193	19,849	9,985	10,401	193,302	306,385	157,069
Other	901,696	2,421,201	3,412,410	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790	155,484	394,677
Total revenues	24,667,654	30,964,940	34,214,022	33,767,475	36,427,298	35,842,487	35,485,823	38,230,875	35,866,986	38,502,483
<b>Expenditures</b>										
General government	4,406,577	5,006,986	5,309,637	5,577,810	6,153,838	5,946,355	5,690,488	5,939,771	6,266,566	7,276,839
Public safety	7,661,421	8,535,646	9,494,622	10,160,291	10,778,917	11,056,742	11,709,170	12,137,616	12,513,270	13,822,691
Public service	2,115,856	2,363,585	2,276,802	3,060,672	3,020,855	2,976,711	2,702,510	3,002,021	2,738,066	2,805,612
Public welfare	4,154,228	4,320,299	5,099,873	4,315,086	4,819,758	5,161,997	4,916,828	6,435,916	6,184,073	6,216,387
Other	-	-	-	-	-	-	-	-	-	15,776
Capital outlay	4,824,965	6,417,671	18,374,651	11,397,365	12,205,040	9,380,742	4,248,758	3,299,017	3,881,388	2,782,435
Debt service										
Principal	1,448,320	6,788,969	989,041	833,158	2,013,232	1,138,051	1,194,819	1,611,087	3,235,664	1,826,126
Interest & Fiscal Fees	667,118	709,178	570,360	549,667	649,662	738,198	715,150	680,888	666,082	445,736
Total expenditures	25,278,485	34,142,334	42,135,050	35,894,049	39,641,302	36,398,796	31,177,723	33,105,516	35,485,109	35,191,602
Excess of revenues over (under) expenditures	(610,831)	(3,177,394)	(7,921,028)	(2,126,574)	(3,214,004)	(556,309)	4,308,100	5,125,359	381,877	3,310,881
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	-	4,804,467	1,376,869	-	-	-	-	-	-	-
Transfers in	3,137,517	5,497,553	17,619,744	4,565,896	4,604,100	8,394,126	10,857,332	6,985,734	3,482,550	4,291,417
Transfers out	(2,987,517)	(5,497,553)	(15,835,644)	(4,076,116)	(4,604,100)	(11,733,378)	(11,033,925)	(7,255,505)	(3,821,010)	(4,454,505)
Issuance of debt					6,554,166	177,346	890,000	-	3,357,798	1,203,279
Premium on Bonds Issued					10,896	-	-	-	-	-
Payments to Refunded Bond Escrow Agent									(3,120,000)	-
Sales of capital assets	820,849	1,604	1,483	490,637	249,688	86,326	766,922	10,555	59,204	2,775
Total other financing sources (uses)	970,849	4,806,071	3,162,452	980,417	6,814,750	(3,075,580)	1,480,329	(259,216)	(41,458)	1,042,966
<b>Extraordinary items</b>										
Net change in fund balances	\$ 360,018	\$ 1,628,677	\$ (4,758,576)	\$ (1,146,157)	\$ 3,600,746	\$ (3,631,889)	\$ 5,788,429	\$ 4,866,143	\$ 340,419	\$ 4,353,847
Debt service as a percentage of noncapital expenditures	10.3%	27.0%	6.6%	5.6%	9.7%	6.9%	7.1%	7.7%	12.3%	7.0%

Unaudited statistical section

REVENUE CAPACITY SECTION

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

<u>Fiscal Year Ended June 30,</u>	<u>Residential Property</u>	<u>Commercial &amp; Industrial Property</u>	<u>Other Property</u>	<u>Total Taxable Assessed Value **</u>	<u>Total Direct Tax Rate</u>	<u>Total Market Value *</u>	<u>Assessed Taxable Value ** as a Percentage of Total Market Value</u>
2004	27,753,040	18,832,420	2,973,540	49,559,000	163.31	1,407,043,700	3.522%
2005	29,671,600	20,134,300	3,179,100	52,985,000	171.99	1,571,989,123	3.371%
2006	32,515,280	22,063,940	3,483,780	58,063,000	168.26	1,758,938,187	3.301%
2007	35,419,440	24,034,620	3,794,940	63,249,000	163.42	1,959,659,877	3.228%
2008	38,629,360	26,212,780	4,138,860	68,981,000	154.18	2,192,163,035	3.147%
2009	41,539,680	28,187,640	4,450,680	74,178,000	171.16	2,407,420,224	3.081%
2010	43,842,400	29,750,200	4,697,400	78,290,000	170.19	2,655,766,251	2.948%
2011	45,023,440	30,551,620	4,823,940	80,399,000	168.75	2,827,548,097	2.843%
2012	45,954,720	31,183,560	4,923,720	82,062,000	166.75	2,994,740,226	2.740%
2013	46,606,560	31,625,880	4,993,560	83,226,000	166.75	3,176,282,865	2.620%

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

Note: Property in Gallatin County is reassessed by the State Department of Revenue every six years.

\* Sales price of property is not public record in the State of Montana, so the Total Market Value was used instead

\*\* Includes tax-exempt property

**CITY OF BOZEMAN, MONTANA**  
**CITY TAXABLE MARKET AND TAXABLE VALUES**  
**Past Seven Fiscal Years**

Fiscal Year Ended <u>June 30.</u>	<u>Taxable Market Value</u>	<u>Full Taxable Value</u>	<u>Incremental Value for All Tax Increment Districts</u>	<u>Net Taxable Value (excludes Tax Increment Districts Incremental Values)</u>	<u>Taxable Value for Open Space Purposes</u>
2007	1,959,659,877	64,133,892	884,321	63,249,571	n/a *
2008	2,192,163,035	70,016,605	1,035,352	68,981,253	n/a *
2009	2,407,420,224	75,458,468	1,280,371	74,178,097	n/a *
2010	2,655,766,251	80,850,582	2,560,601	78,289,981	n/a *
2011	2,827,058,097	83,309,165	2,910,650	80,398,515	n/a *
2012	2,994,740,226	85,345,227	3,282,766	82,062,461	n/a *
2013	3,176,282,865	86,934,533	3,708,138	83,226,395	n/a *

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

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

\* No certified value available, first certification available for FY2014

**CITY OF BOZEMAN, MONTANA**  
**TAX INCREMENT DISTRICT TAXABLE VALUATION DETAIL**  
**Past Seven Fiscal Years**

Fiscal Year Ended June 30,	<u>BOZEMAN DOWNTOWN</u>			<u>NORTHEAST URBAN RENEWAL DISTRICT</u>			<u>NORTH 7TH CORRIDOR</u>		
	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>
2007	1,833,875	884,321	2,718,196	-	-	-	-	-	-
2008	1,858,491	931,030	2,789,521	423,054	48,790	471,844	2,886,997	55,532	2,942,529
2009	1,858,491	1,115,768	2,974,259	423,054	71,287	494,341	2,886,997	93,316	2,980,313
2010	1,328,695	1,947,249	3,275,944	423,054	104,987	528,041	2,886,997	450,625	3,337,622
2011	1,328,695	2,060,807	3,389,502	423,054	135,162	558,216	2,886,997	664,127	3,551,124
2012	1,328,695	2,251,286	3,579,981	423,054	133,197	556,251	2,886,997	840,137	3,727,134
2013	1,328,695	2,396,293	3,724,988	423,054	150,217	573,271	2,886,997	1,084,216	3,971,213

Fiscal Year Ended June 30,	<u>MANDEVILLE FARM INDUSTRIAL</u>			<u>BOZEMAN TECHNOLOGY</u>			<u>TOTAL</u>		
	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>
2007	-	-	-	-	-	-	1,833,875	884,321	2,718,196
2008	-	-	-	-	-	-	5,168,542	1,035,352	6,203,894
2009	-	-	-	-	-	-	5,168,542	1,280,371	6,448,913
2010	12,059	57,740	69,799	-	-	-	4,650,805	2,560,601	7,211,406
2011	12,059	50,554	62,613	-	-	-	4,650,805	2,910,650	7,561,455
2012	12,059	58,146	70,205	-	-	-	4,650,805	3,282,766	7,933,571
2013	12,059	77,412	89,471	-	-	-	4,650,805	3,708,138	8,358,943

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

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

**CITY OF BOZEMAN, MONTANA**  
**DOWNTOWN BOZEMAN IMPROVEMENT DISTRICT & COMPARISON TO CITY TAXABLE VALUE**  
**Past Seven Fiscal Years**

Fiscal Year Ended <u>June 30,</u>	Downtown Bozeman Improvement District			City Taxable Value (Excluding ALL tax increment district <u>valuations)</u>	The District's Incremental Taxable Value as Percentage of <u>City's Taxable Value</u>
	Taxable Market Value of Property in <u>the District</u>	Taxable Value of Property in the <u>District</u>	Incremental Taxable <u>Value</u>		
2007	88,480,413	2,718,196	884,321	63,249,571	1.40%
2008	94,996,536	2,789,521	931,030	68,981,253	1.35%
2009	98,234,423	2,974,259	1,115,768	74,178,097	1.50%
2010	110,487,369	3,275,944	1,947,249	78,289,981	2.49%
2011	119,431,550	3,389,502	2,060,807	80,398,515	2.56%
2012	129,285,686	3,579,981	2,251,286	82,062,461	2.74%
2013	142,099,662	3,724,988	2,396,293	83,226,395	2.88%

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

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

**CITY OF BOZEMAN, MONTANA**  
**PROPERTY TAX LEVIES IN THE DOWNTOWN BOZEMAN IMPROVEMENT DISTRICT**  
**Past Six Fiscal Years**

<b>Taxing Entity</b>	Fiscal Year					
	2008	2009	2010	2011	2012	2013
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00	40.00
Gallatin County Operating and Bond	79.50	79.78	85.19	89.94	88.69	87.40
Open Space Bond	4.17	4.63	5.81	6.14	5.99	4.89
County-Wide School	97.05	100.26	94.02	95.74	95.61	96.47
Bozeman High School District	65.34	71.40	69.05	75.34	73.48	71.81
Bozeman Elementary School District	118.51	141.13	130.49	121.55	123.38	131.45
City of Bozeman	154.18	171.16	170.19	168.75	166.75	166.75
<b>TOTAL</b>	<b>558.75</b>	<b>608.36</b>	<b>594.75</b>	<b>597.46</b>	<b>593.90</b>	<b>598.77</b>
<b>Exempt from Tax Increment</b>						
University Millage	6.00	6.00	6.00	6.00	6.00	6.00
Gallatin Conservation District	1.06	1.04	1.01	0.99	1.00	0.98
County-Wide Planning	2.43	2.58	2.50	2.40	2.40	2.39

Source: Based on information provided by Gallatin County and Montana 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>	Basic <u>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>
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
2012	157.19	9.56	166.75	196.86	215.77	46.00
2013	158.38	8.37	166.75	203.26	215.10	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>2013</u>			<u>2004</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	3,476,581	1	4.18%	2,190,030	1	4.42%
Qwest Corporation	974,616	2	1.17%	1,286,347	2	2.60%
Bresnan Communications	973,911	3	1.17%			
Verizon Wireless	543,977	4	0.65%			
Harry Daum - Gallatin Mall	508,230	5	0.61%	502,557	3	1.01%
Stone Ridge Partners LLC	440,095	6	0.53%			
First Security Bank	342,184	7	0.41%	226,158	7	0.46%
Bridger Peaks Holding LLC	339,009	8	0.41%	303,380	4	0.61%
Highgate Bozeman LLC	321,938	9	0.39%			
BVI/HJSI Bozeman LLC	308,067	10	0.37%			
Bozeman Deaconess Foundation				261,358	5	0.53%
Costco Wholesale				231,096	6	0.47%
Bozeman Investors of Duluth, LP				214,026	8	0.43%
Arcadia Gardens Apartments LLC				205,239	9	0.41%
Dayton Hudson Corporation				193,686	10	0.39%
<b>Total</b>	<b>\$ 8,228,608</b>		<b>9.89%</b>	<b>\$ 5,613,877</b>		<b>11.33%</b>
<b>Total City Taxable Assessed Value</b>	<b>\$ 83,226,000</b>			<b>\$ 49,559,000</b>		

Source: Gallatin County Treasurer

Unaudited statistical section

**CITY OF BOZEMAN, MONTANA**  
**PRINCIPAL PROPERTY TAX PAYERS IN DOWNTOWN BOZEMAN IMPROVEMENT DISTRICT**  
**Current Year and Prior Year**

<u>Taxpayer</u>	<u>Business</u>	<u>2013</u>			<u>2012</u>		
		<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
First Security Bank	Bank	270,239	1	7.25%	220,030	1	6.15%
Moose Point LP	Commercial Property Developer	126,591	2	3.40%	125,728	2	3.51%
777 Building	Multi Tennant Office Retail Building	115,894	3	3.11%			
M & J Cowdrey LLC	Property Investor/Developer	103,658	4	2.78%	97,779	4	2.73%
Atlantic Financial Group Ltd.	Bank	89,124	5	2.39%	89,361	5	2.50%
Downtown Group LLC	Business Support Services	78,892	6	2.12%			
F&H, LLC	Property Investor/Developer	78,209	7	2.10%			
American Bank of MT Wells Fargo Bank	Bank	77,438	8	2.08%	69,977	7	1.95%
Martel Plaza Ltd.	Multi Story Office Building	65,392	9	1.76%	64,737	8	1.81%
Callender Street LLP	Design-Construction Oversight	65,358	10	1.75%			
Delaney, Michael W & Indreland, Ileana	Property Investor/Developer				118,799	3	3.32%
Caspac LLC & Russell Grant Inc.	Multi Tennant Office Retail Building				74,096	6	2.07%
Big Sky Western Bank	Bank				64,555	9	1.80%
Kenyon Noble Lumber Co.	Lumber Company				62,976	10	1.76%
<b>Total</b>		<b>\$ 1,070,795</b>		<b>28.75%</b>	<b>\$ 988,038</b>		<b>27.60%</b>
<b>Total Downtown BID Taxable Assessed Value</b>		<b>\$ 3,724,988</b>			<b>\$ 3,579,981</b>		

Source: Gallatin County Treasurer

Unaudited statistical section

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

<b>Fiscal Year Ended June 30,</b>	<b>Taxes Levied for the Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b><u>Amount</u></b>	<b><u>Percentage of Levy</u></b>		<b><u>Amount</u></b>	<b><u>Percentage of Levy</u></b>
2004	8,093,480	7,910,446	97.74%	181,643	8,092,088	99.98%
2005	9,112,890	8,825,662	96.85%	285,607	9,111,268	99.98%
2006	9,769,893	9,490,225	97.14%	197,226	9,687,452	99.16%
2007	10,336,467	10,227,386	98.94%	106,409	10,333,795	99.97%
2008	10,635,491	10,324,653	97.08%	233,449	10,558,102	99.27%
2009	12,696,306	12,493,145	98.40%	145,974	12,639,119	99.55%
2010	13,324,175	12,415,922	93.18%	885,930	13,301,852	99.83%
2011	13,567,611	13,001,537	95.83%	487,618	13,489,155	99.42%
2012	13,683,839	13,108,003	95.79%	227,950	13,335,953	97.46%
2013	13,878,293	13,633,347	98.24%	-	13,633,347	98.24%

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")*

	Fiscal Year									
	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>Type of Customer</b>										
Residential	1,255,288	1,286,670	1,318,837	1,437,114	1,379,115	1,516,359	1,224,164	1,181,195	1,323,816	1,513,986
Government	26,308	26,966	27,640	62,913	49,623	66,253	51,168	48,228	49,349	59,589
MSU	280,901	287,923	295,121	298,352	260,232	254,891	228,789	227,019	235,965	233,484
Commercial	677,576	694,515	711,878	659,831	626,846	670,961	571,223	568,474	602,352	638,337
<b>Total</b>	<b>2,240,072</b>	<b>2,296,074</b>	<b>2,353,476</b>	<b>2,458,209</b>	<b>2,315,816</b>	<b>2,508,464</b>	<b>2,075,343</b>	<b>2,024,916</b>	<b>2,211,481</b>	<b>2,445,396</b>
Total direct rate per 1,000 HCF	\$ 1,790.77	\$ 1,753.67	\$ 2,055.72	\$ 2,190.03	\$ 2,478.36	\$ 2,495.43	\$ 2,679.44	\$ 2,787.06	\$ 2,887.40	\$ 2,955.66

Source: City of Bozeman Finance Department

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

<b>Fiscal Year Ended June 30,</b>	<b>Water</b>		<b>Sewer</b>	
	<b>Monthly Base Rate</b>	<b>Rate per 1,000 Gallons</b>	<b>Monthly Base Rate</b>	<b>Rate per 1,000 Gallons</b>
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
2012	\$ 14.02	\$ 21.96	\$ 15.61	\$ 25.87
2013	\$ 14.65	\$ 22.95	\$ 16.55	\$ 27.42

\* 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**

<b>Fiscal Year Ended June 30,</b>	<b>Governmental Activities</b>				<b>Business-Type Activities</b>		<b>Total Primary Government</b>	<b>Percentage of Personal Income</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Notes Payable</b>	<b>Special Assessment Bonds</b>	<b>Tax Increment Financing Bonds</b>	<b>Water Revenue Bonds</b>	<b>Wastewater State of MT RLF Loans</b>			
2004	10,565,000	308,397	4,149,800	-	1,582,299	-	16,605,496	3.38%	\$ 538.95
2005	6,800,000	235,628	6,065,600	-	1,150,633	-	14,251,861	2.66%	\$ 446.40
2006	6,325,000	159,286	7,004,769	-	700,412	-	14,189,467	2.42%	\$ 426.37
2007	5,840,000	79,198	6,736,700	-	226,460	-	12,882,358	2.00%	\$ 369.84
2008	5,340,000	-	5,601,000	6,000,000	143,729	-	17,084,729	2.43%	\$ 475.32
2009	4,815,000	-	5,211,000	5,850,000	56,615	-	15,932,615	1.97%	\$ 431.39
2010	4,275,000	851,071	4,819,000	5,695,000	28,992	7,902,127	23,571,191	2.72%	\$ 632.27
2011	3,710,000	509,705	4,351,500	5,535,000	-	24,017,080	38,123,285	4.65%	\$1,021.61
2012	3,080,000	306,727	2,269,500	5,370,000	182,577	23,853,427	35,062,231	4.36%	\$ 920.34
2013	2,445,000	1,198,823	1,803,029	5,195,000	13,751,878	22,501,119	46,894,849	5.56%	\$1,211.91

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**

<b>Fiscal Year Ended June 30,</b>	<b>General Bonded Debt Outstanding</b>			<b>Percentage of</b>	
	<b>General Obligation Bonds</b>	<b>Special Assessment Bonds</b>	<b>Total</b>	<b>Actual Taxable Value of Property</b>	<b>Per Capita</b>
2004	10,565,000	-	14,714,800	29.7%	\$ 477.58
2005	6,800,000	-	12,865,600	24.3%	\$ 402.98
2006	6,325,000	-	13,329,769	23.0%	\$ 400.53
2007	5,840,000	-	12,576,700	19.9%	\$ 361.07
2008	5,340,000	6,000,000	11,340,000	16.4%	\$ 315.49
2009	4,815,000	5,850,000	10,665,000	14.4%	\$ 288.77
2010	4,275,000	5,695,000	9,970,000	12.7%	\$ 267.44
2011	3,710,000	5,535,000	9,245,000	11.5%	\$ 247.74
2012	3,080,000	5,370,000	8,450,000	10.3%	\$ 221.80
2013	2,445,000	5,195,000	7,640,000	9.2%	\$ 197.44

Source: City Manager's Final Adopted Budget

**CITY OF BOZEMAN, MONTANA**  
**DIRECT & OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**Past Two Fiscal Years**

	Debt Outstanding as of June 30, 2013	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<u>Overlapping Bonded Indebtedness</u>			
Gallatin County:			
Various issues outstanding	\$ 54,670,538	36%	\$ 19,544,448
Bozeman School District #7:			
Various issues outstanding	<u>85,651,791</u>	<u>68%</u>	<u>\$ 57,915,757</u>
Subtotal overlapping debt			\$ 77,460,204
<u>City of Bozeman, Montana</u>			
Direct Debt	<u>10,641,852</u>	<u>100%</u>	<u>\$ 10,641,852</u>
Total Direct & Overlapping Debt			<u>88,102,056.31</u>

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of Bozeman. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each entity's total taxable assessed value.

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>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Debt limit*	23,737,036	26,559,967	29,591,000	34,755,653	54,804,000	60,185,000	66,375,000	70,688,000	74,875,000	76,450,000
Total net debt applicable to limit	(7,588,181)	(3,750,411)	(6,568,569)	(5,595,558)	(5,423,128)	(4,842,905)	\$ (4,295,240)	\$ (3,638,239)	\$ (3,386,727)	\$ (3,643,823)
Legal debt margin	<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>\$ 67,049,761</u>	<u>\$ 71,488,273</u>	<u>\$ 72,806,177</u>
Total net debt applicable to the limit as a percentage of debt limit	32.0%	14.1%	22.2%	16.1%	9.9%	8.0%	6.5%	5.1%	4.5%	4.8%

\*2.5% of total market value of taxable property of \$3.058 Billion

Source: City Manager's Final Adopted Budget

**CITY OF BOZEMAN, MONTANA  
PLEGDED-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	
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	(467,500)	(211,204)	455,345
2012	6,814,990	(4,063,529)	(159,000)	(6,405)	2,586,056	858,699	(2,082,000)	(192,320)	(1,415,621)
2013	7,806,922	(4,364,506)	(502,000)	(163,250)	2,777,166	820,090	(650,975)	(103,198)	65,917

Fiscal Year Ended June 30,	Waste Water Revenue Bonds				
	Utility Service Charges	Less: Operating Expenses	Debt Service		Coverage
			Principal	Interest	
2004	3,929,029	(2,163,495)	-	-	1,765,534
2005	3,388,716	(2,608,972)	-	-	779,744
2006	3,839,157	(2,675,004)	-	-	1,164,153
2007	4,262,052	(2,792,274)	-	-	1,469,778
2008	4,739,702	(2,981,164)	-	-	1,758,538
2009	4,905,772	(4,843,180)	-	-	62,592
2010	5,389,070	(3,468,705)	(166,300)	(69,470)	1,684,594
2011	5,939,996	(4,183,596)	(606,000)	(494,298)	656,102
2012	6,385,404	(3,784,420)	(883,000)	(857,842)	860,141
2013	6,916,226	(3,947,821)	(1,465,227)	(847,778)	655,400

**CITY OF BOZEMAN, MONTANA**  
**DEBT SERVICE REQUIREMENTS AND COVERAGE FOR DOWNTOWN TAX INCREMENT DISTRICT**  
**Past Six Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Revenues Available for Debt Service</b>	<b>Annual Debt Service Payment</b>	<b>Coverage</b>
2008	585,839	416,223	1.41
2009	742,192	425,288	1.75
2010	1,147,962	424,288	2.71
2011	1,078,809	423,088	2.55
2012	773,724	421,688	1.83
2013	863,567	425,088	2.03

**CITY OF BOZEMAN, MONTANA  
SUMMARY OF OUTSTANDING SID's  
CURRENT FISCAL YEAR**

As of June 30, 2013

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Bonds Outstanding</u>	<u>Cash Balance</u>	<u>Assessments Outstanding</u>	<u>Delinquent Assessments</u>
SID 669	\$ 1,160,000	7/1/2020	315,000	18,870	353,743	4,479
SID 683	1,372,000	7/1/2024	420,000	1,514	649,379	2,561
SID 684	1,376,869	7/1/2025	280,000	55,202	732,554	1,437
SID 675, 676, 677, 678	3,001,000	7/1/2024	310,000	54,441	1,512,189	8,005
TOTAL	<u>\$ 6,909,869</u>		<u>\$ 1,325,000</u>	<u>\$ 130,027</u>	<u>\$ 3,247,865</u>	<u>\$ 16,482</u>

**CITY OF BOZEMAN, MONTANA**  
**REVOLVING FUND BALANCE AND BOND SECURED THEREBY**  
**Past Seven Fiscal Years**

<b>Fiscal Year Ended June 30,</b>	<b>Revolving Fund Cash Balance</b>	<b>Principal Amount of Bonds</b>
2007	\$ 569,446	\$ 6,271,200
2008	629,510	5,155,000
2009	647,235	4,785,000
2010	1,228,197	4,415,000
2011	3,160,685	3,970,000
2012	3,190,244	1,910,000
2013	2,443,769	1,466,998

**CITY OF BOZEMAN, MONTANA**  
**SPECIAL IMPROVEMENT DISTRICT ASSESSMENT BILLING AND COLLECTIONS**  
**Past Seven Fiscal Years**

<u>Fiscal Year</u>	<u>Assessment Billing</u>	<u>Total Annual Collections</u>
2007	\$ 1,040,977	1,428,085
2008	1,074,991	1,178,846
2009	951,885	1,022,641
2010	915,398	989,977
2011	871,180	1,134,049
2012	750,418	858,699
2013	741,886	820,090

Unaudited statistical section

DEMOGRAPHICS AND ECONOMIC SECTION

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

<b>Fiscal Year Ended June 30,</b>	<b>Population</b>	<b>Estimated Annual % Change in Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>Median Age (years)</b>	<b>Residents with Bachelors Degree or Higher Schooling</b>	<b>K-12 School Enrollment</b>	<b>Unemployment Rate</b>
2004	30,811	3.6%	\$ 491,986,201	\$ 18,642	25.9	49.3%	5,086	3.2%
2005	31,926	3.5%	\$ 535,279,901	\$ 19,575	26.1	49.4%	5,198	2.8%
2006	33,280	4.1%	\$ 585,880,500	\$ 20,553	26.3	49.5%	5,332	2.0%
2007	34,832	4.5%	\$ 643,862,953	\$ 21,581	26.5	49.5%	5,356	1.5%
2008	35,944	3.1%	\$ 703,013,220	\$ 23,387	27.2	53.7%	5,432	1.8%
2009	36,933	2.7%	\$ 808,624,803	\$ 26,313	27.0	52.7%	5,463	4.7%
2010	37,280	0.9%	\$ 866,396,960	\$ 25,909	26.0	50.6%	5,509	5.2%
2011	37,317	0.1%	\$ 819,014,169	\$ 25,611	27.2	50.1%	5,679	7.7%
2012	38,097	2.0%	\$ 803,487,262	\$ 24,709	27.2	53.9%	5,810	8.4%
2013	38,695	1.5%	\$ 843,399,480	\$ 25,608	27.1	55.4%	5,994	5.9%

## Sources:

Bozeman Area Chamber of Commerce

Bozeman Public Schools

U.S. Census Bureau

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

<b>June 2013</b>		<b>June 2004</b>	
<b>Private Employers By Class</b>	<b>Employer Class Size</b>	<b>Private Employers By Class</b>	<b>Employer Class Size</b>
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	8
Oracle America	7	Big R Ranch and Home Supply	7
Wal-Mart	7	Boyne Mountain Lodge	7
Albertson's	6	Home Care Services	7
Bridger Bowl	6	Wal Mart	7
Community Food Co-Op	6	Albertson's	6
Costco	6	Bozeman Daily Chronicle	6
First Security Bank	6	Bridger Bowl	6
First Student	6	Costco	6
Gibson Guitar	6	First Security Bank	6
Kenyon Noble Lumber & Hardware	6	JTL Group	6
Martel Construction	6	Kenyon Noble	6
McDonalds	6	Martel Construction	6
Murdoch's Ranch & Home Supply	6	McDonalds	6
Ressler Motor	6	Net Profit	6
Rosauers	6	Simkins Hallin	6
Target	6	Target	6
Town & Country Foods	6	The Home Depot	6
Town Pump Convenience Stores	6	Williams Plumbing & Heating	6
Zoot Enterprises	6	Yellowstone Mountain Club	6
<b>Public Employers By Class</b>	<b>Employer Class Size</b>	<b>Public Employers By Class</b>	<b>Employer Class Size</b>
Montana State University	9	Montana State University	9
School District #7	9	Bozeman School District	8
Belgrade School District	8	Gallatin School District #44	7
City of Bozeman	7	1st & 2nd Class Post Offices	5
Department of Agriculture	7	Department of Transportation	5
Gallatin County	7	Gallatin County	5

<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>

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,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Government</b>										
City Commission	4.00	4.00	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
City Manager	7.50	7.50	9.50	9.50	10.50	10.50	11.50	11.50	8.00	8.00
Municipal Court	6.00	6.00	6.00	6.00	7.00	7.00	7.50	8.50	8.50	8.50
City Attorney	6.00	6.00	6.00	6.00	7.00	6.00	11.50	7.00	7.00	7.00
Administrative Services	-	-	-	-	-	-	-	-	-	-
Finance	16.00	16.00	16.00	16.00	10.00	10.00	8.75	8.75	10.00	11.00
Information Technology	-	-	-	-	6.00	6.00	5.88	5.88	6.00	6.00
Community Development	12.70	12.70	12.70	12.70	15.20	13.70	12.20	12.20	8.75	9.00
Building Maintenance	1.55	2.55	2.55	2.55	3.05	3.55	3.55	3.55	3.00	3.50
<b>Total General Government</b>	<b>53.75</b>	<b>54.75</b>	<b>54.85</b>	<b>54.85</b>	<b>60.85</b>	<b>58.85</b>	<b>62.98</b>	<b>59.48</b>	<b>53.35</b>	<b>55.10</b>
<b>Public Safety</b>										
Police Department	48.25	49.75	52.75	54.75	57.75	62.75	71.75	71.75	71.25	72.75
Fire Department	29.75	29.25	29.25	31.25	34.25	45.25	41.75	41.75	41.75	43.75
Building Inspection	10.55	15.05	15.05	15.55	16.55	13.55	9.55	10.55	10.55	10.55
Parking	2.75	2.75	2.75	3.75	3.75	4.75	4.75	4.75	4.50	4.50
<b>Total Public Safety</b>	<b>91.30</b>	<b>96.80</b>	<b>99.80</b>	<b>105.30</b>	<b>112.30</b>	<b>126.30</b>	<b>127.80</b>	<b>128.80</b>	<b>128.05</b>	<b>131.55</b>
<b>Public Services</b>										
Public Services Administration / Engineering	7.15	7.15	7.15	7.15	8.15	8.15	8.15	8.15	10.00	10.00
Streets	13.62	13.62	13.62	15.62	15.62	17.62	17.62	17.62	17.62	17.62
Storm Water	-	-	-	-	-	-	-	-	-	1.00
Water Treatment Plant	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.77	9.77
Water Operations	14.12	14.12	14.62	14.62	15.62	16.62	15.62	15.62	15.62	15.62
Wastewater Operations	7.75	7.75	9.25	9.25	10.25	11.25	10.25	10.25	10.25	10.25
Wastewater Plant	14.87	14.87	14.87	14.87	14.87	15.87	15.87	15.87	15.87	16.37
Solid Waste Collection	10.74	11.74	11.74	12.74	14.74	14.74	14.74	14.74	14.74	14.74
Solid Waste Disposal	7.66	7.66	7.66	7.66	2.00	-	-	-	-	-
Solid Waste Recycling	-	-	-	-	1.00	1.00	1.00	1.00	1.00	1.00
Vehicle Maintenance	2.50	3.50	3.50	4.00	3.00	4.00	5.00	5.00	5.00	5.00
<b>Total Public Services</b>	<b>87.68</b>	<b>89.68</b>	<b>91.68</b>	<b>95.18</b>	<b>94.52</b>	<b>98.52</b>	<b>97.52</b>	<b>97.52</b>	<b>99.87</b>	<b>101.37</b>
<b>Public Welfare</b>										
Cemetery (numerous short terms)	5.25	5.25	5.25	5.25	5.75	5.75	5.75	5.75	3.33	3.33
Parks (numerous short terms)	11.95	11.95	11.95	12.95	13.45	13.45	13.45	13.45	11.77	11.77
Forestry	3.60	3.60	3.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
Library	19.66	19.66	19.66	19.66	20.66	21.66	21.66	21.66	21.66	21.56
Recreation (numerous short terms)	14.65	14.65	14.65	14.65	14.90	15.00	15.00	15.00	15.83	15.83
Community Services	1.00	1.00	1.00	1.00	2.00	1.00	2.00	2.00	2.00	2.00
<b>Total Public Welfare</b>	<b>56.11</b>	<b>56.11</b>	<b>56.11</b>	<b>58.11</b>	<b>61.36</b>	<b>61.46</b>	<b>62.46</b>	<b>62.46</b>	<b>59.19</b>	<b>59.09</b>
<b>Total of all Funds</b>	<b>288.84</b>	<b>297.34</b>	<b>302.44</b>	<b>313.44</b>	<b>329.03</b>	<b>345.13</b>	<b>350.76</b>	<b>348.26</b>	<b>340.46</b>	<b>347.11</b>

Source: City Manager's Final Adopted Budget

Unaudited statistical section

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

Fiscal Year Ended June 30,

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Finance</b>										
SID Statements	10,443	10,443	11,086	11,086	14,919	15,000	15,816	16,000	16,000	16,200
Utility Bills	105,720	111,463	111,463	112,775	134,460	134,000	135,000	135,000	135,000	138,000
Accounts Payable Checks Processed	10,113	11,216	13,211	11,387	13,301	12,218	12,076	12,122	11,962	12,519
Business Licenses	3,360	3,588	3,596	3,596	3,836	3,800	4,260	3,750	4,250	4,250
<b>Police</b>										
Number of Officers	40	42	47	45	51	52	55	56	60	63
Calls for Service	34,797	36,842	39,790	40,758	42,728	45,145	43,385	45,131	46,358	47,836
Arrests	2,400	2,106	2,299	2,524	2,581	2,853	2,338	2,325	2,152	2,128
Traffic Citation Issued **	n/a	n/a	n/a	n/a	n/a	n/a	3,311	4,504	5,234	5,580
Traffic Stops **	n/a	n/a	n/a	n/a	n/a	n/a	10,702	10,036	9,358	9,632
Traffic Crashes	1,644	1,521	1,666	1,780	1,519	1,302	1,194	1,486	1,264	1,354
<b>Fire</b>										
Fires, Hazardous Conditions & Rupture/Explosions	295	280	230	242	230	248	248	278	278	278
Emergency Medical Services/Rescue	1,398	1,270	1,373	1,454	1,658	1,441	1,441	1,483	1,483	1,483
Service Calls	50	55	96	118	148	145	145	187	187	187
<b>Building Inspection</b>										
Commercial Permits:										
Number	833	766	860	1,015	972	1,047	961	1,535	1,420	1,305
Value (Millions)	59.07	90.91	90.62	140.95	151.50	140.50	70.41	106.90	95.03	69.64
Residential Permits:										
Number	1,939	2,493	2,067	1,775	1,710	1,571	1,543	3,613	2,421	2,340
Value (Millions)	96.29	151.65	173.96	181.89	141.22	79.67	67.02	72.57	89.74	146.32
<b>Water</b>										
New Service Main Taps	30	39	76	79	15	39	16	3	20	15
Meter Replacement/Repair	100	120	844	663	878	368	650	467	279	550
Water Main Breaks	6	6	5	8	5	6	4	1	2	5
<b>Wastewater</b>										
Main Line Flushing (in Miles)	120	134	101	95	110	90	81	78.26	90	90
New Infrastructure TV (in Miles)	7	6	10	19	4.8	1	1	1	1	0
New Service Taps	20	41	29	37	22	15	5	4	4	7
<b>Solid Waste</b>										
Residential Customers	5,551	5,800	6,310	6,608	6,779	6,957	7,130	7,092	7,240	7,493
Commercial Customers	202	200	211	239	254	262	268	271	281	285
Recycling Customers	-	-	-	-	484	881	965	970	1,000	1,100
Yearly Tonnage Collected: Collections Program	8,499	9,000	11,171	11,953	11,879	10,397	10,657	10,920	11,248	11,000
<b>Vehicle Maintenance</b>										
Work Orders Processed	1,275	1,300	1,068	1,070	974	870	1,005	1,435	1,473	1,646
Gallons of Oil Disposed	13,500	14,500	11,384	10,000	9,350	9,350	9,175	9,445	8,751	8,640
<b>Parks</b>										
Park Reservations	330	330	340	340	360	221	280	319	320	350

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

\*\* Not used as an operating indicator until 2010

Unaudited statistical section

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

	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (Cars)	14	15	16	17	18	19	20	20	20	20
Patrol Units (Motorcycles)	4	4	4	4	4	4	4	4	4	4
Fire										
Stations	2	2	2	2	2	3	3	3	3	3
Fire Trucks	5	5	5	5	5	5	6	6	6	6
Streets										
Street & Alley Mileage	172.817	188.694	196.773	229.905	234.736	242.650	246.951	254.565	254.957	255.769
Lineal Feet of Curb Replaced	275	1,330	737	750	1,526	240	0	0	630	756
Number of Signs Installed/Repaired	370	649	756	652	652	732	750	722	1120	1150
Water										
Water Mains (Miles)	202.22	218.87	230.15	247.23	250.16	253.73	256.32	257.51	261.33	264.61
Fire Hydrants	1,888	1,973	2,045	2,206	2,238	2,274	2,308	2,324	2,351	2,388
Wastewater										
Sanitary Sewers (Miles)	161.69	171.29	179.45	198.17	200.01	201.37	205.00	205.00	207.56	210.22
Number of Manholes	3,345	3,397	3,571	3,888	3,946	3,988	4,034	4,080	4,084	4,154
Solid Waste										
Number of Collection Vehicles	4	4	5	7	6	7	7	7	7	7
Number of Roll-off Trucks	1	1	1	2	3	4	4	4	4	4
Number of Recycling Trucks	0	0	0	0	0	1	1	1	1	1
Parks										
Formal Turf Acres	250	250	258	258	265	120	120	125	125	125
Natural Parkland Acres	118	118	110	110	115	205	205	210	220	220
Miles of Trails	25	25	45	45	50	50	54	55	55	55

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

**PART IV**

**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS AS REQUIRED BY  
*GOVERNMENT AUDITING STANDARDS***



**Junkermier · Clark**  
**Campanella · Stevens · P.C.**

Certified Public Accountants and Business Advisors

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
 ON COMPLIANCE WITH 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 13, 2013.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Junkermier Clark Campanella & Stevens P.C.*

Bozeman, Montana  
December 13, 2013