

# BOZEMAN<sup>MT</sup>

CITY OF BOZEMAN, MONTANA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

Prepared by the City of Bozeman Finance Department



CITY OF BOZEMAN, MONTANA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2015

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**PART I**

**INTRODUCTORY SECTION**



# BOZEMAN MT

December 29, 2015

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, 2015 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, MONTANA

**CITY OF BOZEMAN PROFILE**

The City of Bozeman was incorporated in April of 1883 with a city council form of government, and later in January 1922 transitioned to its current city manager/city commission form of government. Bozeman encompasses an area over 18 square miles and is located on the eastern slope of the Rocky Mountains. The 2012 census put Bozeman's population at 38,695 which is a total increase of 37.90% from 2000 to 2012 and making it the fourth 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**

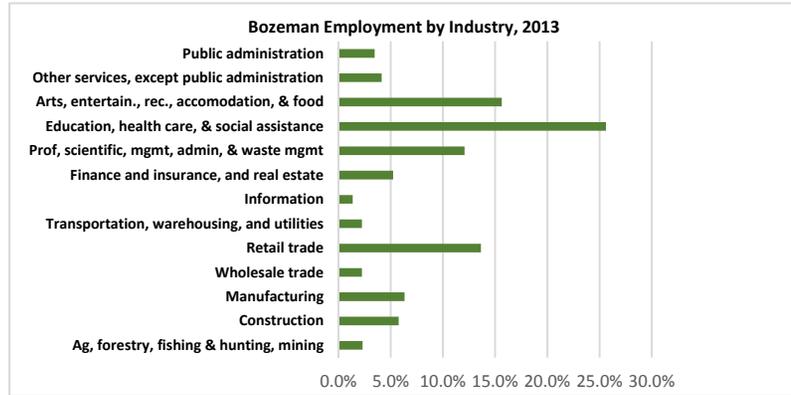
The City of Bozeman budget serves several purposes. For the *citizens of the City of Bozeman*, it presents a picture of the city government operations and intentions for the year. For the *City Commission*, it serves as a policy tool and as an expression of goals and objectives. For *City Management*, 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, Administrative Services 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 2015 marked the third year in a row where 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 developed in Fiscal Year 2013 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 charts contained on this page were developed from information obtained by using the Economic Profile System (EPS), for the City of Bozeman, made

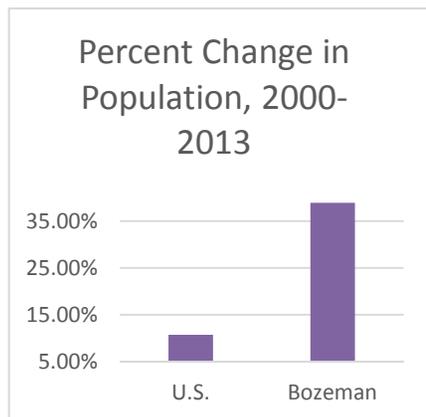


available from Headwaters Economics, an independent, nonprofit research group. The statistics are from multiple federal sources – Bureau of Economic Analysis and Bureau of the Census, U.S. Department of Commerce, and Bureau of Labor Statistics, as well as the U.S. Department of Labor. The other source of this information is the Bureau of Business and Economic Research (BBER) a 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 economic forecasts contained in the spring 2015 issue of the Montana Business

Quarterly relating to Gallatin County and City of Bozeman are stated below.

While the economy in the Bozeman area experienced a significant contraction in during the “Great Recession” of 2008, the turnaround began in 2010 and continues to be strong. Gallatin County along with Yellowstone County are the only two major urban areas in Montana to exceed the statewide growth rates by a significant amount. Short-term economic can be attributed to double-digit growth in all sectors of construction in 2013, increase in the non-residential travel industry, and finally the sale of RightNow Technologies to Oracle and the associated impact of the U.S. Bureau of Labor Statistics categorizing the employees stock options as wages and salaries in 2011 and 2012.

Longer term, the positive trend for Gallatin County will be a result of continued expansion of the high-tech sector (both manufacturing and software), as well as Bozeman’s increasing role as a regional trade and service center. Associated is the fact that Montana State University is the largest basic industry in



Gallatin County, accounting for about 30 percent of total basic earnings. The projections for long-term continued growth in enrollment suggest that in addition to the significant contribution to Gallatin County’s economic base in the form of wages and salaries, there are and will be additional positive influences on the local economy that are not reflected in the earnings data.

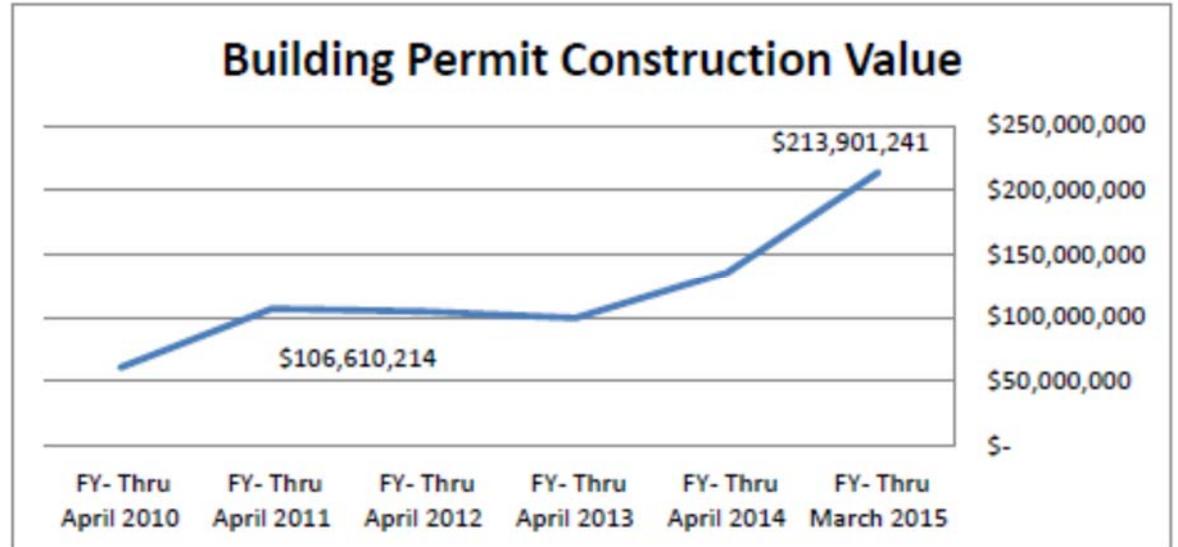
The forecasts call for increases to be 5 percent or greater between 2015 and 2018 and Gallatin County continues to be projected to be the fastest growing urban area in the state.

## CITY OF BOZEMAN, MONTANA

## FOR THE YEAR

**Significant Developments during the year include:****Continued Growth in Construction Sector:**

The City's Building Inspection division continued to experience strong permit issuance over the past 12 months. While never completely stopping, building construction significantly slowed during the recession. In a continued trend of recovery, the total value of Building Permits for New Construction in fiscal year 2015 was approximately 110% of the previous year. Building permit values are more than double what they were for the same period ending April 2011. With this continued growth, additional staff was added to the building team mid-year in FY15. This additional staff included 2.0 FTE Building Inspectors, 1.0 FTE Permit Technician and a 1.0 FTE Senior Plans Examiner; all of these positions are funded with building permit revenues.

**Continued Citizen Participation with Online City Hall Budget Forum:**

Online City Hall is a new interactive tool for citizens to provide feedback to the City on a variety of topics. The forum was installed two years ago as a way to utilize social media features to “welcome citizen involvement”, furthering our core value of Teamwork. We specifically asked for citizens to rank responses to: “How would you prioritize the City Manager’s recommended budget?” Approximately 130 people viewed the forum, with 40 making priority lists. This equates to roughly 2 hours of public comment, if it were to have been made during a public meeting. Considering that we rarely have more than 3-5 people commenting at a budget hearing, the forum provided significantly more input on the budget than we have received during past years.

Bozeman Online City Hall is one of many ways for citizens to have their voices heard. City officials and staff are listening and will consider what is said during policy development and decision processes. To participate and to be heard, visit [www.bozeman.net/City-Government/City-Clerk](http://www.bozeman.net/City-Government/City-Clerk).

## CITY OF BOZEMAN, MONTANA

The City's goal is to provide integrity and leadership while working unselfishly for its community and its citizens. Welcoming citizen involvement and respectfully working together to achieve the best result is an important core value at the city of Bozeman. The Mayor, City Commission and staff want to work with citizens to achieve the best results

**Continued Implementation of Energy Saving Projects:** An in-depth audit of City buildings and facilities for potential energy savings was conducted two years ago, with the firm McKinstry being selected as the energy performance contractor for this assessment. McKinstry delivered a preliminary report that outlined a number of energy-saving projects and identified estimated "payback" periods, where energy savings will ultimately cover the costs of the improvements. Based on McKinstry's reports, this year's budget included approximately \$516,000 in spending on the following Energy Saving Projects:

- |   |   |
|---|---|
| 1. Street Lighting LED retro-fit Project (\$226,000)              | 2. Parking Garage LED Lighting Project (up to \$200,000)  |
| 3. Senior Center Facility and Hot Water System Project (\$22,000) | 4. Water Reclamation Facility Lighting Project (\$18,000) |

**Last Year for MMIA Settlement payments:** In December 2009, the Montana Supreme Court ruled against the City in our appeal of Delaney v. City of Bozeman. At issue was the City's purchase of the Mandeville Farm property in 2003. Delaney was awarded \$3 Million. The City and MMIA 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 needed to pay the MMIA a total of \$2 Million. The third and final payment of \$673,334 to MMIA was made in fiscal year 2015.

### FOR THE FUTURE

**Family Aquatics Center:** Previous studies have identified the limited life-span of Bogert Pool, the City's only public outdoor swimming pool. There is money set aside for the design of a replacement facility for Bogert Pool so that a voter-approved bond measure can be considered in the future.

**Storm Water Utility:** In 2012 the City created its Storm Water Utility. During the last two years, the City has been working to identify assessment methodologies, infrastructure locations and conditions, and develop a funding plan for future storm water improvements. It has been decided that citizens will be assessed based on an "impervious surface" method rather than the current "meter-sized" method. The impervious surface method of assessment is expected to begin in the second half of the next fiscal year. .



## CITY OF BOZEMAN, MONTANA

**Transportation System Improvements:** Over the past 12 months, numerous policy discussions have taken place surrounding the plans and funding structure for street expansions, reconstruction, and maintenance. Transportation issues were cited as the number one concern by citizens responding to last year's Online City Hall budget priorities question. Next fiscal year's budget substantially increases funding for transportation projects by adding a new Street Arterial and Collector Assessment fund and increasing the dollars for pavement maintenance in the current Street Maintenance Fund. In addition, numerous other projects and efforts that enhance pedestrian and vehicle transportation are included in the budget.

**Affordable Housing:** In November 2014, the City hired a consultant to perform an Affordable Housing Survey. The work will assist in determining alternatives for the City to consider when drafting an updated Affordable Housing Ordinance. The previous ordinance was suspended during the recession, and has not been readopted. In February 2015, the consultant presented their study and recommended regulatory changes. After discussing the study, the City Commission asked staff to draft a revised ordinance, taking into account the recommendations and Commission concerns. Next year's budget contains an increase in the amount of tax revenues that will be deposited to the Community Housing fund; increasing from 1.0 mills to 3.0 mills. (increasing from \$87,894 to \$259,692.)

### **Other**

- Design and construction of a landfill soil gas remediation system.
- Pursue building a Bozeman convention center.
- Develop a plan for the City to get broadband for growing local businesses.
- 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.
- Intersection Control - approximately \$750,000 every year for improved traffic flow and safety at various intersections.
- Continue implementation of financial plans and asset management systems to properly maintain and replace the City's infrastructure and facilities.



## CITY OF BOZEMAN, MONTANA

**FINANCIAL POLICIES**

The overall goal of the City's financial policies is to establish and maintain effective management of the city's financial resources. Formal policy statements and major objectives provide the foundation for achieving this goal.

The City avoids budgetary practices that balance current expenditures at the expense of meeting future years' expenses and seeks to maintain a diversified and stable revenue base that is estimated in a realistic and conservative manner. For one-time revenues, highest priority is given to the funding of capital assets or other non-recurring expenditures.

On-going expenditures are limited to levels which can be supported by current revenues. Construction projects and capital purchases of \$10,000 or more are included in the Capital Improvement Plan (CIP). Minor capital outlays of less than \$10,000 are included in the regular operating budget.

Spending of resources happen in the following order (they are 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.

Long-term debt is limited to capital improvements which cannot be financed from current revenues and repays borrowed funds within a period that does not exceed the expected useful life of the project. The City does not use long-term debt for financing current operations and adheres to a policy of full public disclosure with regard to the issuance of debt.

A minimum level of general fund reserve equal to 16.67% of annual revenues is maintained. 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.

## CITY OF BOZEMAN, MONTANA

The City manages and accounts for its financial activity in accordance with Generally Accepted Accounting Principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB).

The city maintains 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 are 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.

**Internal Controls**

Internal accounting controls are designed to provide reasonable (but not absolute) assurance of the safeguarding of assets against loss, theft or misuse. They are also designed to aid in the reliability of financial records. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

In developing and evaluating the City's accounting system, great consideration is given to the adequacy of internal accounting controls. We believe that the City of Bozeman's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

**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 Anderson, ZurMuehlen & Co. 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, 2014. This was the 31<sup>st</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.

## CITY OF BOZEMAN, MONTANA

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

Acknowledgements

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

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

Sincerely,



Chris Kukulski  
City Manager



Anna Rosenberry, CPA  
Director of Finance



Brian LaMeres, CPA  
City Controller

CITY OF BOZEMAN, MONTANA  
GOVERNMENT FINANCE OFFICERS' ASSOCIATION CERTIFICATE



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Bozeman**  
**Montana**

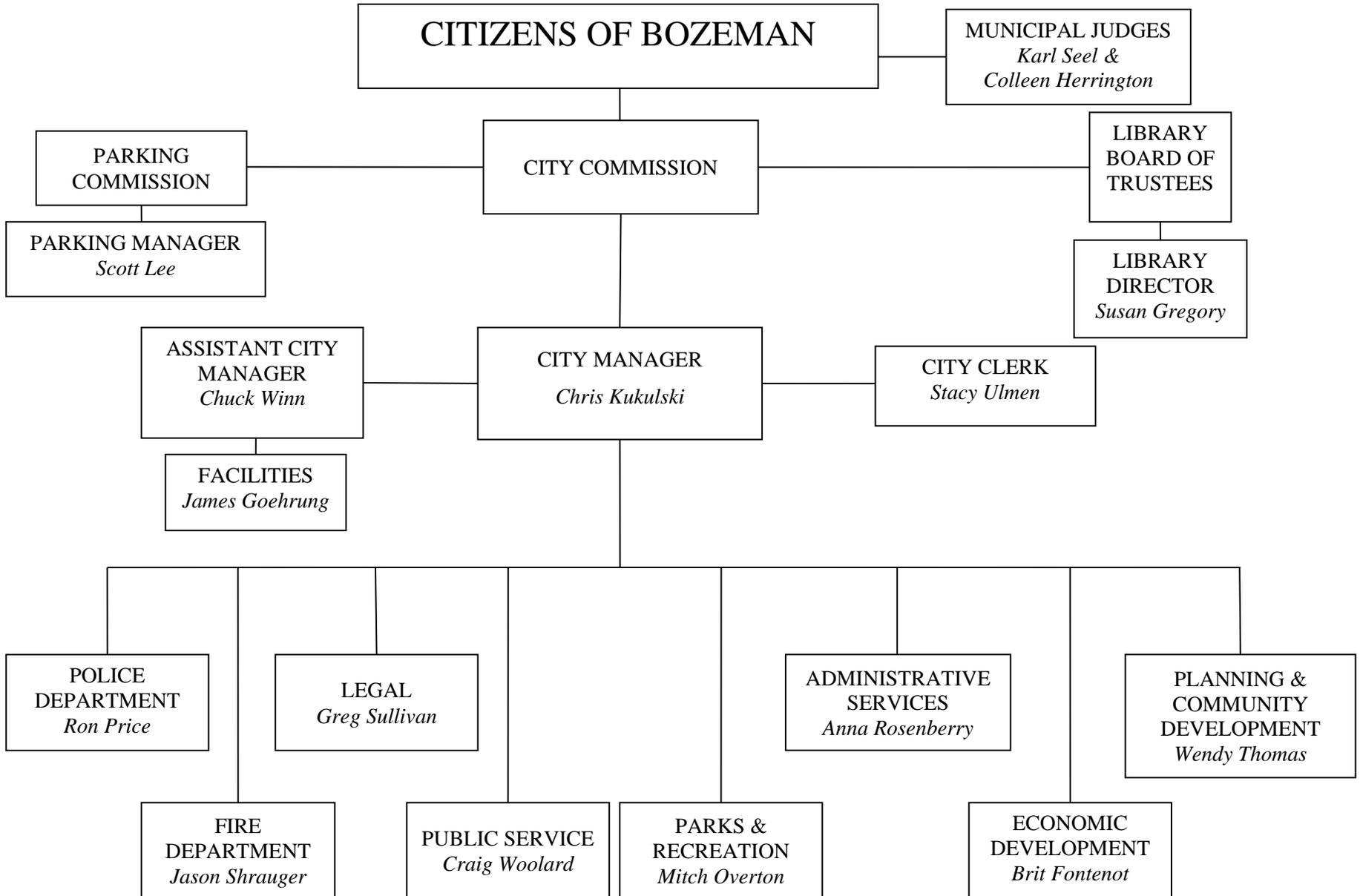
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

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

Executive Director/CEO

CITY OF BOZEMAN, MONTANA  
ORGANIZATIONAL CHART  
Fiscal Year 2015



CITY OF BOZEMAN, MONTANA  
CITY ELECTED OFFICIALS AND OFFICERS  
Fiscal Year 2015

ELECTED OFFICIALS

Legislative

Jeffrey Krauss  
Carson Taylor  
Cynthia Andrus  
Christopher Mehl  
I-Ho Pomeroy

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  
Timothy A. Cooper  
Cory Allen  
Ryan McCarty  
Kyla Murray  
Anna Saverud  
Karen Stambaugh

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 Goehring

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

Department of Public Welfare  
Mitch Overton  
Thomas White  
Jamie Saitta  
Vacant  
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**



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

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 City of Bozeman, Montana (the City), as of and for the year ended June 30, 2015 and related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bozeman, Montana, as of June 30, 2015 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, budgetary comparison information – General Fund and Special Revenue Major Funds, Schedule of Funding Progress - Other Postemployment Benefits (OPEB), and Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions 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 City of Bozeman's basic financial statements. The introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as listed in the table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

The introductory section and statistical section 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 29, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Anderson Zurmuehlen & Co., P.C.*

Bozeman, Montana  
December 29, 2015



## **A. MANAGEMENT'S DISCUSSION AND ANALYSIS**

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
June 30, 2015

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, 2015. Please read it in conjunction with the transmittal letter on page 1 and the City's financial statements, which begin on page 44.

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

### **Reporting the City as a Whole**

#### **The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 19. 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, waste water, storm water, solid waste, and parking systems are reported here.

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

## Reporting the City's Most Significant Funds

### Fund Financial Statements

Our analysis of the City's funds begins on page 24. 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 Office of Violence Against Women). 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, the Montana Arts Council Fund (Montana Ballet, Bozeman Symphony Orchestra, and Big Sky Association for the Arts), and the CMC Bozeman Asbestos Site Remediation Fund. 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.

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

## THE CITY AS A WHOLE

The City's *combined* net position decreased by \$1.6 million this year as compared to a \$13.6 million increase last year due to a prior period adjustment booked per newly-implemented GASB Statement 68 "Accounting and Financial Reporting for Pensions" (see page 100) which resulted in a \$21.1 million decrease in the City's beginning net position for the year. This restatement was netted against what would have otherwise been a \$19.6 million increase in net position for the year, due mainly to a continuing trend of increased revenues coupled with a slight decline in total expenses. Increases in Charges for Services and Property Taxes were the primary drivers of the increase in revenues, while Restricted Capital Grants & Contributions (mainly infrastructure provided by private developers) was again substantial. 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.

Also due to the implementation of GASB 68, the net position of the City's governmental activities decreased by 5.1% (\$130 million this year compared to \$137 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 actually decreased by \$17.3 million, or 142%, from \$8.6 million to negative (\$5.1) million.

The net position of the City's business-type activities actually increased by \$5.5 million, or 2.5%, from \$217.6 million last year to \$223 million this year, in spite of a \$4.9 million decrease in the beginning net position due to GASB 68. Revenues did increase by \$900,000, but the primary reason for this increase was a substantial decrease in expenses compared to last year. Expenses decreased \$4.4 million, or 18.6%, from \$23.8 million to \$19.3 million this year because of two substantial expenses that were booked last year but did not recur this year, namely an increase in the estimate for the Landfill post-closure costs and an increase in the remediation liability for the Bozeman Solvent Site. This net position cannot be used to make up for deficits reported by governmental activities in the event any such deficits are reported. The City generally can only use the net position of business-type activities to finance the continuing operations of the water, waste water, solid waste, storm water, and parking operations.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 61.1	\$ 56.2	\$ 25.0	\$ 23.1	\$ 86.1	\$ 79.3
Capital Assets	116.5	108.3	249.1	244.7	365.6	353.0
Total Assets	<u>\$ 177.5</u>	<u>\$ 164.5</u>	<u>\$ 274.1</u>	<u>\$ 267.8</u>	<u>\$ 451.7</u>	<u>\$ 432.3</u>
Deferred Outflows of Resources	1.7	-	0.4	-	2.1	-
Long-term Debt Outstanding	(39.4)	(20.3)	(46.9)	(44.9)	(86.3)	(65.2)
Other Liabilities	(6.6)	(7.2)	(3.5)	(5.3)	(10.2)	(12.5)
Total Liabilities	<u>\$ (46.0)</u>	<u>\$ (27.5)</u>	<u>\$ (50.4)</u>	<u>\$ (50.2)</u>	<u>\$ (96.5)</u>	<u>\$ (77.7)</u>
Deferred Inflows of Resources	(3.2)	-	(1.1)	-	(4.3)	-
Net Position:						
Invested in Capital Assets, net of related debt	\$ 93.4	\$ 89.3	\$ 211.4	\$ 196.3	\$ 304.8	285.6
Restricted for parking capital projects	-	-	0.3	0.3	0.3	0.3
Restricted for debt service	7.2	4.0	3.1	-	10.3	4.0
Restricted for capital projects	10.0	9.4	1.6	-	11.6	9.4
Restricted for general government	0.5	1.0	-	-	0.5	1.0
Restricted for Public Safety	2.4	2.7	-	-	2.4	2.7
Restricted for Public Service	15.3	13.2	-	-	15.3	13.2
Restricted for Public Welfare	6.4	5.3	-	-	6.4	5.3
Unrestricted	(5.1)	12.1	6.6	21.0	1.5	33.1
Total Net Position	<u>\$ 130.0</u>	<u>\$ 137.0</u>	<u>\$ 223.0</u>	<u>\$ 217.6</u>	<u>\$ 353.0</u>	<u>\$ 354.6</u>

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

The City's total revenues (excluding special items) increased by 7.1% (\$5.6 million), driven primarily by a \$2.6 million increase in Property Taxes and a \$1.6 million increase in Charges for Services.

The total cost of all programs and services actually decreased by \$1.1 million, or 1.7% from \$59.7 million last year to \$58.6 million this year. While Public Safety expenses did increase (Police, Fire, Building Inspection, Parking), there were significant decreases in business-type activity expenses, especially in Solid Waste, where expenses decreased by \$3.6 million, or 52.5%, due to a \$2.8 adjustment to the Landfill Post-Closure cost estimate expensed last year but which did not occur again this year.

Our analysis on the following pages separately considers the operations of governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues</b>						
Program revenues:						
Charges for Services	\$ 15.0	\$ 14.0	\$ 22.8	\$ 21.9	\$ 37.9	\$ 35.9
Restricted Operating Grants & Contributions	2.2	0.5	0.1	0.0	2.3	0.5
Restricted Capital Grants & Contributions	3.0	4.8	6.4	5.9	9.3	10.7
General Revenues						
Property Taxes	20.2	17.6	-	-	20.2	17.6
Unrestricted Operating Grants & Contributions	7.8	7.4	-	-	7.8	7.4
Unrestricted Capital Grants & Contributions	-	-	-	-	-	-
Other General Revenues	0.8	0.6	-	-	0.8	0.6
Total Revenues	<u>48.9</u>	<u>44.8</u>	<u>29.3</u>	<u>27.8</u>	<u>78.3</u>	<u>72.7</u>
<b>Program Expenses</b>						
General Government	7.4	7.0	-	-	7.4	7.0
Public Safety	17.0	15.3	-	-	17.0	15.3
Public Service	6.5	6.0	-	-	6.5	6.0
Public Welfare	7.6	7.4	-	-	7.6	7.4
Interest and Fiscal Fees	0.8	0.2	-	-	0.8	0.2
Water	-	-	8.0	6.9	8.0	6.9
Waste Water	-	-	6.9	9.0	6.9	9.0
Solid Waste	-	-	3.3	7.0	3.3	7.0
Non-major activities	-	-	1.1	1.0	1.1	1.0
Total Expenses	<u>39.3</u>	<u>35.9</u>	<u>19.3</u>	<u>23.8</u>	<u>58.6</u>	<u>59.7</u>
Excess (deficiency) before special items and transfers	9.6	8.9	10.0	4.1	19.6	13.0
Extraordinary items	-	-	-	0.4	-	0.4
Sale of Capital Assets	-	0.2	-	-	-	0.2
Transfers of capital assets	-	-	-	-	-	-
Transfers	(0.4)	(0.0)	0.4	0.0	-	-
<b>Increase (decrease) in net position</b>	<u>\$ 9.2</u>	<u>\$ 9.2</u>	<u>\$ 10.4</u>	<u>\$ 4.5</u>	<u>\$ 19.6</u>	<u>\$ 13.6</u>
Net position - beginning, as originally reported	137.0	127.8	217.6	213.1	354.6	340.9
Prior period adjustment	-16.2	0.0	-4.9	-	-21.2	-
Net position - beginning, as restated	120.8	127.8	212.6	213.1	333.5	340.9
<b>Net position - ending</b>	<u>\$ 130.0</u>	<u>\$ 137.0</u>	<u>\$ 223.0</u>	<u>\$ 217.6</u>	<u>\$ 353.1</u>	<u>\$ 354.6</u>

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

**Governmental Activities**

Revenues for the year from governmental activities increased by 9.1%, or \$4.1 million, to \$48.9 million while total expenses increased by 9.4%, or \$3.4 million, \$39.3 million. Property Tax revenues increased by \$2.6 million, or 15%, from \$17.6 million to \$20.2 million. Charges for services, which include Fire and Street Impact Fees, realized a net increase of \$1 million, or 7.6%, from \$14 million to \$15 million. Restricted Operating Grants and Contributions (reported under Program Revenues) increased significantly by \$1.7 million, or 370%, to 2.2 million this year because this is where the State of Montana's contribution towards the GASB 68 pension liability is reported. This excess of revenues over expenses would have resulted in a \$9.2 million increase in the total net position for governmental activities if not for the \$16.2 million prior period GASB 68 adjustment. This restatement of net position at the beginning of the year resulted in ending net position actually decreasing by \$7 million, or 5.1% from \$137 million last year to \$130 million this year.

These and the other contributing factors listed below are primarily responsible for this year's change in net position:

Charges for services increased by \$1 million, or 7.6%, from \$14 million last year to \$15 million this year. Impact Fees were the biggest driver here, with Street Impact Fee revenues increasing by \$1 million, or 35.6%, from \$2.8 million last year to \$3.8 million year, and Fire Impact Fee revenues increasing by \$128,000, or 43.2%, from \$296,261 to \$424,190. Street Assessment revenues already increased notably by \$298,450, or 9.4%, from \$3.1 million to \$3.4 million due to the continued increase in Street Maintenance Assessment rates in response to the City Commission's policy direction to address deferred street infrastructure maintenance and to build a reserve for curb and sidewalk replacement.

Property Tax collections increased by approximately \$2.6 million, or 15%, from \$17.6 million last year to \$20.2 million this year due to a 2.6% increase in the mill value (from \$85,637 to \$87,994) and a 9.4% increase in the number of property tax mills levied (from 173.08 to 188.76). \$713,000 of this increase was due to this being the first year of the tax levy to repay the Trails & Open Space (TOP) Bond. Other increases include the Tax Increment Financing (TIF) Districts, where revenues the North 7<sup>th</sup>/Midtown, Northeast Urban Renewal, and Mandeville Farm Districts continuing to increase, in addition to a \$221,735 increase in property tax revenues for the Downtown TIF District driven by a 5.1% increase in incremental taxable value. While property tax revenues did increase City-wide, it is important to note that this year's tax levy was still 12.15 mills, or \$1,067,941, below the statutory maximum allowable tax rate.

Restricted Operating Grants and Contributions (reported under Program Revenues) increased by \$1.7 million, or 370%, from \$.5 million last year to \$2.2 million this year due to the required recording of the State of Montana's share of City employee retirement under GASB 68. The amounts reported for General government, Public safety, Public service, and Public welfare all reflect the State's share of retirement for those respective City employees. Public safety is notably more substantial due to the much higher State contribution rates for Police Officers and Firefighters, 29.37% and 32.61% respectively, compared to .1% for employees covered by the Public Employee Retirement System. The amount reported for Public service reflects the employees of the City's Vehicle Maintenance Internal Service Fund, with all other Public service employees being reported under Business-type activities.

Program Expenses increased significantly by \$3.4 million, or 9.4%, from \$35.9 million to \$39.3 million. Primary contributing factors include an additional \$1.3 million reported under public safety for the full retirement cost of police officers and firefighters per the newly-implemented GASB 68. Public service expenses increased by \$500,000 mainly due to an additional \$356,000 recorded this year for capital asset depreciation, including new developer-provided street infrastructure booked at the end of last year which realized its first full year of depreciation this year. Interest and Fiscal Fees increased by \$600,000 due mainly to the first-year interest expense on the TOP GO Bond amounting to \$489,280.

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

The cost of all *governmental activities* this year was \$39.3 million compared to \$35.9 million last year. However, as shown in the Statement of Activities on page 35 under Net(Expense) Revenue for Total governmental activities, the amount that our taxpayers ultimately financed for these activities through City taxes and other general revenues was only \$19,132,501 because some of the cost was paid by those who directly benefited from the programs (\$15,041,648) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$2,169,871 + \$2,960,051 = \$5,129,922).

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.

### Business-type Activities

Total revenues of the City's business-type activities (see Table 2) increased by \$1.5 million, or 5.2% (\$29.3 million in 2015 compared to \$27.8 million in 2014) while expenses actually decreased substantially by \$4.5 million, or 18.6% (\$19.3 million in 2015 compared to \$23.8 million in 2014). The increase in revenues was driven by a \$1.1 million overall increase in charges for services and a \$500,000 in Restricted Capital Grants & Contributions, which consisted primarily of privately-constructed infrastructure that was contributed to the City by developers. The large decrease in expenses this year was due in large part to two adjustments made last year which didn't recur this year: a \$2.8 million adjustment in the Landfill post-closure estimate and a net \$163,000 adjustment to the Wastewater Solvent Site estimate, both of which were booked as expenses last year. Specific factors driving these and other regular operating results include:

	<b>Total Cost of Services</b>		<b>Net Cost of Services</b>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Police	\$ 8.2	\$ 7.9	\$ 6.7	\$ 6.3
Fire	6.0	5.6	5.0	5.0
Public Service	6.5	6.0	(5.3)	(6.1)
Library	2.1	1.6	1.4	0.9
Parks	1.6	1.3	1.6	1.2
Recreation	1.3	1.3	0.9	0.8
All Others	13.6	12.3	8.9	8.5
<b>Totals</b>	<b>\$ 39.3</b>	<b>\$ 35.9</b>	<b>\$ 19.1</b>	<b>\$ 16.7</b>

**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, although the Commission voted to hold water rates steady for this year and last year. Beginning this year, the Public Works Department budget was charged to the Water Fund instead of the General Fund, and this department's administrative overhead is charged out to the departments that use their services, which resulted in a transfer-in amounting to \$70,000. The City's customer-base growth grew by 383 customers, 3.4%, from 11,264 average active customer accounts to 11,646. This level of growth rate is trending more closely 5% growth experienced between 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 implemented water rate increases of 4.5% each year in fiscal years 2011, 2012, and 2013 in order to fund plant construction and other scheduled operations and maintenance costs. Accordingly the City was able to revitalize its water distribution pipe replacement program and replace or rehabilitate aging infrastructure every year instead of every two years. For last year and this year, the Commission voted to hold rates steady and not to implement a water rate increase in light of the other tax and rate increases imposed upon City residents this year.

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2015

**Water (Continued)** As would be expected with no rate increase, operating revenues remained steady compared to last year at \$7,748,913. Water impact fee revenues actually decreased by \$184,097, or 11.1%, and cash-in-lieu of water rights revenue also decreased slightly by \$17,355, or 5.1%, from \$357,206 to \$339,851. However, the contribution of infrastructure by private developers increased significantly by \$1.2 million, or 37.2%, from \$3,137,978 last year to \$4,305,327 this year due to a continued upturn in construction and development. Operating expenses increased by \$1,017,053, or 15.8%, from \$6,440,432 last year to \$7,457,485 this year due this year mainly due to increased personnel and operating costs. Major accomplishments and projects completed during the year include: \$850,000 spent on increased replacement of water distribution system pipes, which significantly enhances maintenance of the water distribution system; \$572,000 spent on final construction costs of the new Water Plant, and continued use of six fixed base water meter receivers at Kenyon Dr. Water Tank, City Shops, 911 center, Laurel Glen Annex, Solid Waste office, and Nelson Story Tower at MSU which greatly improves the efficiency of the monthly water meter reading process.

**Wastewater** Revenues in the Wastewater Fund have generally been increasing over the past 10 years and are estimated at \$7.9 million for the upcoming year. Four 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 fiscal years 2012 and 2013 and 3% for last year and this year. As a result of the rate increase, combined with the same customer growth experienced in the water system of 383 customers, operating revenues for the year increased by \$426,631, or 5.9% from \$7,204,486 last year to \$7,631,117 this year. Wastewater operating expenses actually decreased this year to \$6,308,846 because of a large expense recorded last year which didn't happen this year. Last year a \$1,256,304 increase in the cost estimate for the Bozeman Solvent Site was expensed based on updated information from legal counsel following the most recent engineering update. Contribution of infrastructure by private developers also decreased by \$680,854, or 32.7%, from \$2.8 million last year to \$2.1 million this year. Major projects during the year include \$369,300 spent on a new wastewater flusher vacuum truck and \$138,400 spent on updating the Wastewater Facility Plan.

**Solid Waste** 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. Since the closure the City's solid waste collection and disposal system revenues had been declining steadily up until last year when revenues actually increased, a trend which continued this year. 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. Four 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 Landfill / Disposal division. The garbage rates increased this, including adjusting the rate for 35 gallon totes to full cost-recovery. Overall solid waste revenues increased moderately due to a revival in local construction activity and corresponding demand for "roll-off" containers along with associated hauling and tipping services. Operating revenues increased by \$244,378, or 9.1%, from \$2,679,884 last year to \$2,924,262.

Operating expenses decreased substantially by \$3.6 million, or 52.5%, from \$6,958,209 to \$3,308,441 this year due a significant adjustment last year which didn't reoccur, namely the expensing of a \$ 2,762,647 net increase in the estimate for Landfill Post-Closure costs. Additional information is available in Footnote 21 on page 87. The other factor contributing to the decreased expense level was less being charged this year on additional engineering, legal, and remediation costs associated with the Landfill Soil Gas issue described in that same footnote; \$482,106 this year as compared to \$1,369,685 last year.

Accomplishments in the Solid Waste operation this year include: Accomplishments include: lowest worker injury rate in the state for solid waste operations; growth of 5.9% in refuse customer accounts; growth of 37% in recycling customer accounts; increase of 80% in weight of recyclables collected and single stream recycling continues to collect over 50 tons per month; and expanded recycling opportunities with MSU at sports games and campus housing.

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

**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 \$49,999,428. Included in this year's total change in fund balance is a positive General Fund balance of \$6,061,965, down \$522,329, or 9.1%, from \$6,614,294. The following 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 \$4,384,154 for this year. The City's ending general fund balance of \$6,061,968 exceeds this recommendation by \$1,677,814. Of this excess, \$503,498 has been assigned to be used for the specific purposes listed below, leaving an Unassigned General Fund Balance of \$1,174,316. The contributing factors to this year's ending General Fund balance are explained after the table below, followed by an analysis of each of the City's other Major Funds.

The general fund balance of \$6,061,968 has been assigned as shown:

<b>FY15 ENDING GENERAL FUND BALANCE - TOTAL:</b>		<b>\$ 6,061,965</b>
<b>ASSIGNMENTS:</b>		
<b>1 CIP / CAPITAL CARRY-OVER BUDGETED IN FY15 BUT NOT SPENT UNTIL FY16:</b>		
RECREATION DEPT: CIP GF056 POOL DESIGN	\$ 308,373	
PARKS DEPT: CIP GF207 CITYWORKS HARDWARE	\$ 45,000	
FACILITIES MGMT: VARIOUS FACILITIES MANAGEMENT CIP PROJECTS	\$ 150,125	
<b>TOTAL CIP / CAPITAL-CARRY OVER ITEMS:</b>		<b>\$ 503,498</b>
<b>2 16.67% MINIMUM RESERVE LEVEL REQUIRED BY CITY CHARTER (2 MONTHS OF REVENUES):</b>		<b>\$ 4,384,154</b>
<b>TOTAL GENERAL FUND ASSIGNMENTS:</b>		<b>\$ 4,887,652</b>
<b>UNASSIGNED GENERAL FUND BALANCE - FY15:</b>		<b>\$ 1,174,313</b>

**General Fund** The City's general fund balance decreased by \$522,329, or 9.1%, from \$6,614,294 last year to \$6,061,965 this year. The City had budgeted for fund balance to actually end up being \$4.7 million, but actual revenues ended up exceeding budgeted expectations, and not as much spending occurred during the year as expected, as indicated by the TOTAL CIP / CAPITAL CARRY-OVER ITEMS in the preceding table. Other savings were realized through careful and cautious budgetary management practices implemented throughout all City departments.

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

Property tax revenues increased noticeably in the General Fund by \$2,003,261, or 16%, from \$12,509,422 to \$14,512,683 mainly due to a 2.6% increase in the value of the property tax mill value (from \$85,637 to \$87,894) and a 7.4% increase in the number of general fund property tax mills levied (from 134.76 to 144.77). Intergovernmental revenues increased by \$236,777, or 3.6%, from \$6,570,978 last year to \$6,807,755. Entitlement Share revenue accounted for \$168,414 of this increase. Montana State Entitlement Share began 2001 as a replacement to the City's dedicated revenue sources from personal property tax reimbursements and taxes on motor vehicles, gaming, alcohol, and banking, among others. After several stagnant years of minimal or no change, Entitlement Share has increased over each of the past two years. The State of Montana's share of City employee retirement also showed a marginal increase of \$49,109, or 2.3%, from \$2,160,232 last year to \$2,209,341 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 in the exact same amount (most of which is reported under Public Safety for the police and fire employees), so it increases revenues and expenditures by the same amount, resulting in no change to ending fund balance.

Total general fund expenditures increased by \$981,036, or 3.8%, from \$25,834,293 to \$26,815,329. Payroll expenditures across all functions (General government, Public safety, Public service, Public welfare) increased by \$480,960 or 2.6% from \$18,437,330 to \$18,918,290. Capital outlay expenditures increased by \$337,106, with an increase of \$786,542 in spending on the proposed Rouse Justice Center this year compared to last; \$473,003 spent last year compared to \$1,259,545 this year, which included acquisition of the Rouse Avenue property. The largest expenditures continued to be in Public safety (Police and Fire). Notable expenditures in addition to the Rouse Justice Police/Court Facility included \$184,638 spent on new Police vehicles. Salary expenditures increased as positions continued to be filled pursuant to the public safety mill levy beginning in 2009. Police personnel costs (net of State Share of Retirement) increased slightly by \$72,899, or 1.3%, from \$5,470,577 last year to \$5,543,476. Fire Department personnel costs (net of State Share of Retirement) increased by \$62,280, or 1.6%, from \$3,983,096 last year to \$3,983,096.

Also contributing to the strength and relative 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 ratings when Moody's Investor Services assigned a debt rating of Aa3 in November of 2013 and a rating of Aa3 "Positive Outlook" in November of 2015 for the two issuances of Trails, Open Space and Parks general obligation bonds. This affirmed Moody's rating assigned in May, 2012 of 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 instance bond analysts looked favorably on the amount and trend of the 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 \$1,813,332, which increased the original appropriation budget of \$26,897,001 up to \$28,710,333. \$1,253,985 of this was for the Rouse Justice Police/Court Facility in the Capital outlay budget, and \$439,470 of this budget amendment was for Transfers to other funds of the revenue collected under the new 5-mill property tax levy for the local funding portion of street intersections into the Community Transportation Fund in addition to 14.32% local share of spending under the Community Transportation Enhancement Program. The \$2.1 million increase to the Public safety budget and the \$2.1 million decrease to the General government budget both relate to the same budget amendment made for the State of Montana's share of Police officer and Firefighter retirement. Approximately \$98,370 of this overall 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 in excess of the \$2 million that was initially budgeted. This book-only/non-cash expenditure, including

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

June 30, 2015

the amount requiring a budget amendment, is offset/"reimbursed" by intergovernmental revenue booked in the same amount. By design, the original \$2 million of appropriation authority was initially budgeted under General Government and then later shifted the Public Safety budget at year-end, at which time the additional \$98,370 necessary to cover Police and Firefighter retirement was added as an actual amendment to increase appropriation authority. This \$98,370 combined with the \$2 million shift from General Government accounts for the \$2.1 million overall increase to the Public Safety budget, and it also explains most of the \$2.1 million reduction in the budget reported under Other. The \$476,096 positive Variance with Final Budget in the Public safety budget was due primarily to vacancy savings derived from unfilled positions in the police and fire departments.

**Street Impact Fees Special Revenue** Fund balance increased by \$3,091,346, or 31.6%, from \$9,793,964 last year to \$12,885,310 this year due to \$3.9 million in revenues and only \$925,641 in expenditures. Revenues increased by \$1,002,692, or 34.2%, from \$2,934,549 to \$3,937,241 due to a continuing trend in increased construction and development. Construction activity for the year which required the payment of impact fees included: \$343,845 for expansion of Bozeman Deaconess Hospital/Bozeman Health, \$117,178 for expansion of the Barnard Construction headquarters, \$94,624 for the new Jake Jabs MSU College of Business building, and \$75,989 for the new Town Pump Convenience Store/Gas Station on East Main Street.

**Street Maintenance Special Revenue** Fund balance decreased by \$386,786, or 19.6%, from \$1,977,779 last year to \$1,590,993 this year due expenditures and transfers-out exceeding revenues for the year. Revenues did increase by \$292,599, or 9%, from \$3,240,916 last year to \$3,533,515 this year. Driving this was continued expansion of the City's Street Maintenance Assessment program to include major street reconstruction projects; the first being the reconstruction of South 8th Avenue completed last year.

With the Commission's focused goal of addressing deferred street and curb maintenance, Street Maintenance Assessment rates were increased four 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 10% this year for a general revenue increase of approximately \$300,000, including adding \$200,000/year for pavement maintenance (chip seals, overlay, patching.)

Expenditures increased notably this year by \$705,019, or 23.1%, from \$3,048,808 to \$3,753,827. Major expenditures included \$232,513 in seal coat improvements and \$152,300 for a new dump truck with plow & sander, in addition to the \$234,300 accounting entry required at the inception of the Caterpillar motor grader lease. Additionally, \$400,000 was transferred out to the Story Street SID Reconstruction Fund as the City's general share of that project.

**Building Inspection Special Revenue** The City's Building Inspection division again experienced strong permit issuance over the past 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 more than double the value realized 4 years ago. However, the increase in fund balance was modest, since expenditures also increase. Fund balance increased by \$78,787, or 5.6%, from \$1,394,550 last year to \$1,473,337 this year.

Revenues increased by \$55,879, or 3.8%, from \$1,483,743 to \$1,539,622. The increase in expenditures was more notable, with a 19.6% increase of \$239,283 over last year from \$1,221,552 to \$1,460,835. \$206,846 of this increase was in personnel costs, as with continued growth, additional staff was added to the building team mid-year. This additional staff included 2.0 FTE Building Inspectors, 1.0 FTE Permit Technician and a 1.0 FTE Senior Plans Examiner; all of these positions are funded with building permit revenues.

**SID Sinking Debt Service** Fund balance decreased significantly by \$780,246, or 62%, from \$1,258,427 last year to \$1,258,427 this year due to a substantial decrease in revenues and increased Transfers out. Revenues from Special Improvement District (SID) assessment collections along with fund interest income and other income amounted to \$595,510 which was \$467,743 or 44%, less than last year's revenues of \$1,063,253. Last year's revenues were unusually high due to a large payoff (paying the entire amount due instead of choosing to pay installments annually) of the Valley Center Road/North 19<sup>th</sup> Avenue Special Improvement District (SID) by Gallatin Center LLP. Total expenditures actually decreased this year by \$202,690, or 37%, from \$547,760 to

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

\$345,070 because more SID debt was paid off by the City last year than in the current year. When enough cash has accumulated in the SID Sinking Funds due to regularly-scheduled repayments, or due to one-time payoffs such as the Gallatin Center, the City can choose to call/pay some of its SID bonds early to avoid future interest costs. The biggest contributor to the decreased fund balance, however, was transfers out amounting to \$1,030,686. \$720,000 of this was due to old debt service funds being closed out and residual fund balances transferred to the SID Revolving Fund in accordance with State law. The remaining \$310,000 was transferred from the SID Debt Service Funds to the Capital Projects fund to cover deficits in the related SID construction funds.

**Capital Projects** Fund balance increased by \$644,850, or 6.5%, from \$9,965,404 last year to \$10,610,254 this year due mainly to the issuance of the remaining \$5.1 million Trails and Opens Space General Obligation Bond and Transfers in from other funds. Revenues consisted of \$117,937 interest income earned on the cash balance in the fund, boosted by proceeds from the TOP Bond issuance. This was \$15,054 higher than last year's total revenues of \$102,883 which consisted of \$62,967 in interest income and a \$39,916 DNRC grant for Bozeman Creek. Debt issuance proceeds from the TOP Bond amounted to \$5,369,154. Additionally, Transfers in amounted to \$774,459 and consisted mainly of \$400,000 from the Street Maintenance Fund as the City's share of the Story Street SID Reconstruction project, and \$310,188 transferred from the SID debt service fund as the property owners' share of that same project.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets** As shown in Table 4, at the end of 2015 the City had \$365.6 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 \$12.6 million, or 3.6% 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)**

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 16.9	\$ 11.1	\$ 4.9	\$ 4.9	\$ 21.8	\$ 16.1
Water Rights	-	-	2.1	2.1	2.1	2.1
Buildings	32.4	32.1	112.4	111.6	144.7	143.8
Other Structures and Improvements	1.1	1.2	30.8	30.8	32.0	32.0
Machinery & Equipment	11.3	11.2	7.6	6.8	19.0	17.9
Property under Capital Lease	0.4	0.3	0.5	-	1.0	0.3
Vehicle	3.2	3.3	1.9	1.8	5.1	5.1
Infrastructure	146.9	141.8	268.0	260.8	414.9	402.6
Subtotal	<u>212.3</u>	<u>201.0</u>	<u>428.2</u>	<u>418.8</u>	<u>640.5</u>	<u>619.9</u>
Accumulated Depreciation	<u>(95.8)</u>	<u>(92.8)</u>	<u>(179.2)</u>	<u>(174.2)</u>	<u>(275.0)</u>	<u>(267.0)</u>
<b>Total Capital Assets</b>	<b><u>\$ 116.5</u></b>	<b><u>\$ 108.2</u></b>	<b><u>\$ 249.0</u></b>	<b><u>\$ 244.7</u></b>	<b><u>\$ 365.6</u></b>	<b><u>\$ 352.8</u></b>

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

Major additions and projects underway include the following expenditures made during this year:

Top Bond: Story Mill Park	\$ 2,650,207
Top Bond: Sports Complex	\$ 2,046,847
Rouse Justice Center shared Police-Court Facility & land purchase	\$ 1,273,474
Story Street Reconstruction SID718 Special Improvement District 718	\$ 649,686
Street Improvements - Gas Tax	\$ 616,130
Community Transportation Enhancement Project CTEP Citywide Sidewalk Program	\$ 563,512
Water Plant Construction - final payments: state of the art membrane filtration system	\$ 518,797
Water Line Replacement and Rehabilitation - annual distribution pipe replacement program	\$ 505,353
Landfill legal costs - Story Mill Landfill (refer to Footnote 20)	\$ 390,079
Flusher Vacuum Truck - Wastewater operation	\$ 369,323
Energy upgrades per study conducted by consultant McKinstry	\$ 268,112
Garbage Truck - Solid Waste operation	\$ 261,689
Caterpillar Motor Grader - Street Maintenance operation	\$ 237,203
Field Survey and Site Map Development Services - Street, Water, Wastewater CIP Projects	\$ 219,075
Cottonwood Road Widening from Fallon Street to Alpha Drive - street impact fees	\$ 202,616

### Debt

At year-end, the City had \$61.2 million in bonds and notes outstanding versus \$58.2 million last year – a modest increase of \$3 million, or 5.2%, as shown in Table 5. This increase was primarily due to the final \$5.1 million in general obligation bonds issued for the \$15 million voter-approved Trails Open Space and Parks (TOP) program, netted against principal repayments on other debt. General obligation debt, which is reported under Governmental Activities, consists of \$14.8 million for these TOP Bonds along with \$1.5 million in Series 2012 Refunding Bonds issued to refinance both the Series 2003A Transportation Refunding bonds and the Series 2001A and Series 2003B Library Construction Project bonds. Debt reported under Business-Type Activities includes \$17.4 million of water revenue bonds and \$20 million of wastewater revenue bonds issued to finance construction of the new Water Treatment and Wastewater Reclamation Facilities.

Moody's Investor Services assigned a debt rating of Aa3 in November of 2013 for the first issuance of TOP general obligation 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. This affirmed the rating assigned by Moody's in May, 2012 of Aa3 to the City's General Obligation Refunding Bonds, Series 2012, issued in the amount of \$3.1 million.

As expressed in the fiscal year 2016 Approved Budget, City officials expect to end next fiscal year with general fund reserves totaling \$5.3 million, or 19.4% of operating revenues. This exceeds 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 General Fund Balance into the City's Budget Administration Ordinance.

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

Property taxes are the City's primary general revenue source (70.3%), followed by unrestricted grants and contributions (27.1%), and investment earnings (1.4%) 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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds (backed by the City)	\$ 16.3	\$ 11.7	\$ -	\$ -	\$ 16.3	\$ 11.7
Tax Increment Financing District (TIFD) bonds	4.8	5.0	-	-	4.8	5.0
Special Improvement District Debt	0.9	1.2	-	-	0.9	1.2
Notes Payable	1.0	1.1	-	-	1.0	1.1
Lease Payable	0.3	0.1	-	-	0.3	0.1
Water Revenue Bonds (backed by specific fee revenues)	-	-	17.4	18.1	17.4	18.1
Wastewater Revenue Bonds (backed by specific fee revenues)	-	-	20.0	21.0	20.0	21.0
Stormwater Revenue Bonds (backed by specific fee revenues)	-	-	0.2	-	0.2	-
Stormwater Lease Payable (backed by specific fee revenues)	-	-	0.4	-	0.4	-
<b>Totals</b>	<u>\$ 23.3</u>	<u>\$ 19.1</u>	<u>\$ 38.0</u>	<u>\$ 39.1</u>	<u>\$ 61.2</u>	<u>\$ 58.2</u>

CITY OF BOZEMAN, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
June 30, 2015

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when adopting the 2015-2016 budget for next fiscal year's tax rates and for fees that will be charged for the business-type activities. Some of these factors include: 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 the Consumer Price Index-Unadjusted for All Items at .8% for the last calendar year and at .2% as of the report date, as the increase in food and shelter costs over the past months is not nearly enough to offset the fall in energy prices. Inflation rates have historically had a significant impact on the cost of 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, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 36,682,841	\$ 17,084,802	\$ 53,767,643
Restricted cash and investments	15,428,115	6,128,975	21,557,090
Accrued interest	53,455	32,154	85,609
Receivables, net	7,834,307	1,760,282	9,594,589
Notes receivable	701,100	13,480	714,580
Prepaid expenses	369,750	-	369,750
Capital assets			
Non-depreciable land and water rights	16,887,829	6,993,699	23,881,528
Other capital assets, net of depreciation	99,575,700	242,113,241	341,688,941
Total capital assets	116,463,529	249,106,940	365,570,469
Total assets	177,533,097	274,126,633	451,659,730
<b>Deferred outflows of resources</b>			
Pension plan contributions	1,726,195	370,411	2,096,606
Total assets and deferred outflows of resources	\$ 179,259,292	\$ 274,497,044	\$ 453,756,336
<b>LIABILITIES</b>			
Accounts payable and accrued expenses	\$ 4,901,158	\$ 1,783,718	\$ 6,684,876
Unearned revenue	59,889	-	59,889
Current portion of long-term liabilities			
Compensated absences payable	1,215,000	361,275	1,576,275
Capital leases	54,905	85,000	139,905
Closure and post-closure care costs	-	375,000	375,000
Bonds and notes	1,097,356	1,875,000	2,972,356
Long-term liabilities, due in more than one year			
Compensated absences	455,689	189,691	645,380
Capital leases	241,007	349,598	590,605
Closure and post-closure care costs	-	3,351,711	3,351,711
Pollution remediation obligations	16,874	1,845,595	1,862,469
Other post-employment health benefits - implicit rate subsidy	1,672,489	416,411	2,088,900
Bonds and notes	21,901,418	35,692,315	57,593,733
Net pension liability	14,414,020	4,096,076	18,510,096
Total liabilities	46,029,805	50,421,390	96,451,195
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Bond premium	262,425	-	262,425
Pension deferrals	2,939,728	1,058,494	3,998,222
Total deferred inflows of resources	3,202,153	1,058,494	4,260,647
<b>NET POSITION</b>			
Net investment in capital assets	93,409,850	211,384,777	304,794,627
Restricted:			
Restricted for parking capital projects	-	282,894	282,894
Restricted for general government	464,578	-	464,578
Restricted for public safety	2,417,204	-	2,417,204
Restricted for public service	15,252,750	-	15,252,750
Restricted for public welfare	6,306,680	-	6,306,680
Restricted for capital projects	10,041,269	1,592,613	11,633,882
Restricted for debt service	7,180,467	3,102,477	10,282,944
Unrestricted	(5,045,464)	6,654,399	1,608,935
Total net position	\$ 130,027,334	\$ 223,017,160	\$ 353,044,494

The Notes to Financial Statements are an integral part of this statement.

CITY OF BOZEMAN, MONTANA  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government</b>							
Governmental activities							
General government	\$ 7,417,639	\$ 1,947,445	\$ 84,181	\$ -	\$ (5,386,013)		\$ (5,386,013)
Public safety	17,023,578	3,211,911	1,963,089	-	(11,848,578)		(11,848,578)
Public service	6,458,935	8,784,447	24,578	2,960,051	5,310,141		5,310,141
Public welfare	7,579,652	1,097,845	182,204	-	(6,299,603)		(6,299,603)
Interest and fiscal fees	824,266	-	-	-	(824,266)		(824,266)
Total governmental activities	<u>39,304,070</u>	<u>15,041,648</u>	<u>2,254,052</u>	<u>2,960,051</u>	<u>(19,048,319)</u>		<u>(19,048,319)</u>
Business-type activities							
Water	7,995,910	9,969,058	46,622	4,305,327		6,325,097	6,325,097
Waste water	6,940,983	9,008,247	41,726	2,080,091		4,189,081	4,189,081
Solid waste	3,308,441	2,953,414	25,274	-		(329,753)	(329,753)
Non major activities	1,098,771	891,379	9,817	-		(197,575)	(197,575)
Total business-type activities	<u>19,344,105</u>	<u>22,822,098</u>	<u>123,439</u>	<u>6,385,418</u>		<u>9,986,850</u>	<u>9,986,850</u>
Total primary government	<u>\$ 58,648,175</u>	<u>\$ 37,863,746</u>	<u>\$ 2,377,491</u>	<u>\$ 9,345,469</u>	<u>(19,048,319)</u>	<u>9,986,850</u>	<u>(9,061,469)</u>
General revenues							
Property taxes					20,203,718	-	20,203,718
Unrestricted grants and contributions					7,699,711	-	7,699,711
Investment earnings					403,151	-	403,151
Miscellaneous					374,966	-	374,966
Transfers					(410,016)	380,347	(29,669)
Total general revenues and transfers					<u>28,271,530</u>	<u>380,347</u>	<u>28,651,877</u>
Change in net position					<u>9,223,211</u>	<u>10,367,197</u>	<u>19,590,408</u>
Net position, beginning of the year					137,016,103	217,597,640	354,613,743
Restatement					(16,211,980)	(4,947,677)	(21,159,657)
Net position, beginning of the year, restated					<u>120,804,123</u>	<u>212,649,963</u>	<u>333,454,086</u>
Net position, end of the year					<u>\$ 130,027,334</u>	<u>\$ 223,017,160</u>	<u>\$ 353,044,494</u>

The Notes to Financial Statements are an integral part of this statement.

**FUND FINANCIAL STATEMENTS**



**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

## **MAJOR GOVERNMENTAL FUNDS**

General Fund – the 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 regulation 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.

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

SID Sinking Debt Service Fund - the 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, 2015

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and investments	\$ 7,005,922	\$ -	\$ 1,754,725	\$ 1,537,744	\$ 868,161	\$ 10,971,477	\$ 14,060,575	\$ 36,198,604
Receivables:								
Property taxes	1,586,670	-	-	-	-	-	644,851	2,231,521
Accrued interest	2,595	16,218	3,089	-	-	21,367	10,186	53,455
Customers, net	1,767,496	-	450	-	-	-	272,186	2,040,132
Special assessments	275	-	174,838	-	3,219,998	-	56,955	3,452,066
Other governments	2,541	-	-	-	-	-	63,634	66,175
Advances to other city funds	-	-	-	-	-	-	404,724	404,724
Prepaid expenditures	-	-	-	-	-	-	369,750	369,750
Notes receivable	-	-	-	-	-	-	701,100	701,100
Restricted cash and investments	-	13,173,438	-	-	-	-	2,254,677	15,428,115
Total assets	<u>\$ 10,365,499</u>	<u>\$ 13,189,656</u>	<u>\$ 1,933,102</u>	<u>\$ 1,537,744</u>	<u>\$ 4,088,159</u>	<u>\$ 10,992,844</u>	<u>\$ 18,838,638</u>	<u>\$ 60,945,642</u>

(continued)

CITY OF BOZEMAN, MONTANA  
BALANCE SHEET (CONTINUED)  
GOVERNMENTAL FUNDS  
June 30, 2015

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Accounts payable	\$ 2,617,160	\$ 304,346	\$ 232,905	\$ 64,289	\$ 147	\$ 382,590	\$ 1,181,520	\$ 4,782,957
Escheat property payable	50,497	-	-	-	-	-	-	50,497
Accrued employee benefits	990	-	43	118	-	-	16	1,167
Advanced from other city funds	-	-	-	-	404,724	-	-	404,724
<b>Total liabilities</b>	<b>2,668,647</b>	<b>304,346</b>	<b>232,948</b>	<b>64,407</b>	<b>404,871</b>	<b>382,590</b>	<b>1,181,536</b>	<b>5,239,345</b>
<b>Deferred inflows of resources</b>								
Unavailable revenue-property taxes	84,986	-	-	-	-	-	47,514	132,500
Unavailable revenue-special assessments	-	-	109,161	-	3,205,107	-	9,100	3,323,368
Unavailable revenue-court fines	1,549,901	-	-	-	-	-	-	1,549,901
<b>Total deferred inflows of resources</b>	<b>1,634,887</b>	<b>-</b>	<b>109,161</b>	<b>-</b>	<b>3,205,107</b>	<b>-</b>	<b>56,614</b>	<b>5,005,769</b>
<b>Fund balances</b>								
Nonspendable	-	-	-	-	-	-	1,360,690	1,360,690
Restricted	-	12,885,310	1,590,993	1,473,337	478,181	10,041,269	13,155,857	39,624,947
Committed	-	-	-	-	-	339,145	3,177,242	3,516,387
Assigned	4,887,652	-	-	-	-	229,840	-	5,117,492
Unassigned	1,174,313	-	-	-	-	-	(93,301)	1,081,012
<b>Total fund balances</b>	<b>6,061,965</b>	<b>12,885,310</b>	<b>1,590,993</b>	<b>1,473,337</b>	<b>478,181</b>	<b>10,610,254</b>	<b>17,600,488</b>	<b>50,700,528</b>
<b>Total liabilities and fund balances</b>	<b>\$ 10,365,499</b>	<b>\$ 13,189,656</b>	<b>\$ 1,933,102</b>	<b>\$ 1,537,744</b>	<b>\$ 4,088,159</b>	<b>\$ 10,992,844</b>	<b>\$ 18,838,638</b>	<b>\$ 60,945,642</b>

The Notes to Financial Statements are an integral part of this statement.

CITY OF BOZEMAN, MONTANA  
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET POSITION  
 June 30, 2015

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

Fund balances - total governmental funds		\$	50,700,528
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.			
Governmental capital assets		\$	212,306,307
Less: accumulated depreciation			<u>(95,842,778)</u>
			116,463,529
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.			
Net position			1,286,300
Less: capital assets included in governmental activities			(1,631,771)
Plus: accumulated depreciation included in governmental activities			451,045
Plus: compensated absences included in governmental activities			<u>47,869</u>
			153,443
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.			
			5,005,769
Bond premiums are other financing source revenue in the governmental funds. They are a liability for the government-wide financial statements and amortized over the life of the issuance.			
Bond premium			(269,154)
Less: amortization			<u>6,729</u>
			(262,425)
Impact fee credits do not affect current financial resources and therefore are not reported in the governmental funds.			
			(59,889)
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			(22,998,774)
Net pension liability			(15,318,883)
Capital lease obligations			(295,912)
Pollution remediation obligations			(16,874)
Post-employment health benefits			(1,672,489)
Compensated absences			<u>(1,670,689)</u>
			(41,973,621)
Net position of governmental activities		\$	<u><u>130,027,334</u></u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF BOZEMAN, MONTANA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015

	General	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>								
Taxes	\$ 14,512,683	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,891,553	\$ 20,404,236
Special assessments	45	-	20,902	-	586,116	-	971,792	1,578,855
Licenses and permits	316,747	-	18,684	1,492,411	-	-	-	1,827,842
Intergovernmental	6,807,755	-	979	32,305	-	-	1,721,898	8,562,937
Charges for services	1,928,343	3,849,705	3,462,079	6,495	-	-	1,383,169	10,629,791
Fines and forfeitures	1,157,270	-	-	-	-	-	147,896	1,305,166
Interest on investments	13,965	87,276	17,199	8,400	9,394	117,937	116,134	370,305
Loan repayment	-	-	-	-	-	-	29,929	29,929
Other	89,684	260	13,672	11	-	-	259,647	363,274
Total revenues	<u>24,826,492</u>	<u>3,937,241</u>	<u>3,533,515</u>	<u>1,539,622</u>	<u>595,510</u>	<u>117,937</u>	<u>10,522,018</u>	<u>45,072,335</u>
<b>EXPENDITURES</b>								
Current								
General government	5,728,938	-	-	-	-	-	865,536	6,594,474
Public safety	13,196,413	-	-	1,423,272	-	-	467,010	15,086,695
Public service	87,894	54,397	2,860,786	-	-	-	783,206	3,786,283
Public welfare	5,042,499	-	-	-	-	92,982	1,791,884	6,927,365
Other	1,020,465	-	-	-	-	-	92,875	1,113,340
Capital outlay	1,738,493	871,244	708,221	37,563	-	5,507,034	1,042,778	9,905,333
Debt service								
Principal payments	447	-	171,146	-	295,000	-	655,000	1,121,593
Interest and fiscal fees	180	-	13,674	-	50,070	-	760,342	824,266
Total expenditures	<u>26,815,329</u>	<u>925,641</u>	<u>3,753,827</u>	<u>1,460,835</u>	<u>345,070</u>	<u>5,600,016</u>	<u>6,458,631</u>	<u>45,359,349</u>
Revenues over (under) expenditures	<u>(1,988,837)</u>	<u>3,011,600</u>	<u>(220,312)</u>	<u>78,787</u>	<u>250,440</u>	<u>(5,482,079)</u>	<u>4,063,387</u>	<u>(287,014)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers in	2,103,263	79,746	48,584	-	-	774,459	1,810,619	4,816,671
Transfers out	(702,254)	-	(479,746)	-	(1,030,686)	(16,684)	(2,967,648)	(5,197,018)
Long-term debt issued	15,907	-	234,300	-	-	5,369,154	-	5,619,361
Sale of capital assets	19,592	-	30,388	-	-	-	14,875	64,855
Total other financing sources (uses)	<u>1,436,508</u>	<u>79,746</u>	<u>(166,474)</u>	<u>-</u>	<u>(1,030,686)</u>	<u>6,126,929</u>	<u>(1,142,154)</u>	<u>5,303,869</u>
Net change in fund balances	(552,329)	3,091,346	(386,786)	78,787	(780,246)	644,850	2,921,233	5,016,855
FUND BALANCE, beginning of year	6,614,294	9,793,964	1,977,779	1,394,550	1,258,427	9,965,404	14,352,685	45,357,103
Restatement	-	-	-	-	-	-	326,570	326,570
FUND BALANCE, beginning of year, restated	6,614,294	9,793,964	1,977,779	1,394,550	1,258,427	9,965,404	14,679,255	45,683,673
FUND BALANCE, end of year	<u>\$ 6,061,965</u>	<u>\$ 12,885,310</u>	<u>\$ 1,590,993</u>	<u>\$ 1,473,337</u>	<u>\$ 478,181</u>	<u>\$ 10,610,254</u>	<u>\$ 17,600,488</u>	<u>\$ 50,700,528</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF BOZEMAN, MONTANA  
 RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended June 30, 2015

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

Net change in fund balances - total governmental funds	\$	5,016,855
<p>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.</p>		
Expenditures for capital assets	\$	9,905,333
Donated infrastructure		2,528,883
Assets transferred to proprietary funds		(29,667)
Less: current year depreciation		<u>(4,121,579)</u>
		8,282,970
<p>Governmental funds report asset disposals as sale of capital 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.</p>		
		(104,465)
<p>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 these amounts report the effect of premiums, discounts, and similar items when debt is first issued, whereas are deferred and amortized in the statement of activities, unless immaterial. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		(4,491,039)
<p>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.</p>		
		(500,524)
<p>Governmental funds do not report a liability for compensated absences. The change in the liability is a current period expense.</p>		
		38,178
<p>Governmental funds do not report a liability for other post-employment health benefits.</p>		
		(123,830)
<p>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.</p>		
		666,667
<p>Contributions to the pension plans in the current fiscal year are deferred outflows in the Statement of Net Position</p>		
		573,762
<p>Governmental funds do not report impact fee credits. The change in these credits during the year are charged to the statement of activities.</p>		
		46,561
<p>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.</p>		
		<u>(181,924)</u>
Change in net position of governmental activities	\$	<u>9,223,211</u>

The Notes to Financial Statements are an integral part of this statement.



**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.

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, 2015

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Fund	Waste Water Fund	Solid Waste Fund	Non Major Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>						
Current assets						
Cash and investments	\$ 12,227,172	\$ 3,850,736	\$ 703,675	\$ 303,219	\$ 17,084,802	\$ 484,237
Receivables						
Accrued interest	21,917	10,237	-	-	32,154	-
Customers, net	646,905	667,271	289,425	156,681	1,760,282	44,413
Total current assets	<u>12,895,994</u>	<u>4,528,244</u>	<u>993,100</u>	<u>459,900</u>	<u>18,877,238</u>	<u>528,650</u>
Non current assets						
Other assets						
Notes receivable	-	-	-	13,480	13,480	-
Restricted cash and investments	3,557,017	2,280,653	-	291,305	6,128,975	-
Total other assets	<u>3,557,017</u>	<u>2,280,653</u>	<u>-</u>	<u>304,785</u>	<u>6,142,455</u>	<u>-</u>
Property, plant and equipment						
Nondepreciable:						
Land	162,518	693,026	3,714,577	303,436	4,873,557	-
Water rights	2,120,142	-	-	-	2,120,142	-
Depreciable:						
Buildings	40,082,503	59,689,004	876,286	11,783,924	112,431,717	1,388,583
Other structures and improvements	13,907,432	14,745,401	2,155,300	-	30,808,133	-
Machinery and equipment	1,499,298	2,780,284	3,179,681	187,252	7,646,515	159,376
Vehicles	540,732	671,783	529,231	173,627	1,915,373	83,812
Infrastructure	164,367,864	103,496,481	78,531	32,805	267,975,681	-
Property under capital lease	-	-	-	519,943	519,943	-
Accumulated depreciation and amortization	(99,750,227)	(70,285,269)	(5,707,309)	(3,441,316)	(179,184,121)	(451,045)
Net property, plant and equipment	<u>122,930,262</u>	<u>111,790,710</u>	<u>4,826,297</u>	<u>9,559,671</u>	<u>249,106,940</u>	<u>1,180,726</u>
Total non current assets	<u>126,487,279</u>	<u>114,071,363</u>	<u>4,826,297</u>	<u>9,864,456</u>	<u>255,249,395</u>	<u>1,180,726</u>
Deferred outflows of resources						
Pension plan contributions	144,056	128,929	78,093	19,333	370,411	24,019
Total assets	<u>\$ 139,527,329</u>	<u>\$ 118,728,536</u>	<u>\$ 5,897,490</u>	<u>\$ 10,343,689</u>	<u>\$ 274,497,044</u>	<u>\$ 1,733,395</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF BOZEMAN, MONTANA  
STATEMENT OF NET POSITION (CONTINUED)  
PROPRIETARY FUNDS  
June 30, 2015

	Business-type Activities Enterprise Funds					Governmental Activities
	Water Fund	Waste	Solid	Non Major	Total	Internal
		Water Fund	Waste Fund	Enterprise Funds		Service Funds
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable and accrued expenses	\$ 504,751	\$ 843,086	\$ 361,777	\$ 74,104	\$ 1,783,718	\$ 66,537
Compensated absences payable	152,721	140,342	55,101	13,111	361,275	-
Capital lease obligations due in one year	-	-	-	85,000	85,000	-
Closure and post-closure care costs, current portion	-	-	375,000	-	375,000	-
Bonds, notes, and loans payable	798,000	1,042,000	-	35,000	1,875,000	-
Total current liabilities	<u>1,455,472</u>	<u>2,025,428</u>	<u>791,878</u>	<u>207,215</u>	<u>4,479,993</u>	<u>66,537</u>
Noncurrent liabilities						
Closure and post-closure care costs	-	-	3,351,711	-	3,351,711	-
Revenue bonds due after one year	16,567,000	18,930,565	-	194,750	35,692,315	-
Compensated absences payable	90,680	54,351	37,768	6,892	189,691	47,869
Capital lease obligations	-	-	-	349,598	349,598	-
Other post-employment health benefits - implicit rate subsidy	177,199	119,972	87,633	31,607	416,411	-
Solvent site remediation liability	-	1,845,595	-	-	1,845,595	-
Net pension liability	1,585,655	1,419,143	859,585	231,693	4,096,076	264,378
Total noncurrent liabilities	<u>18,420,534</u>	<u>22,369,626</u>	<u>4,336,697</u>	<u>814,540</u>	<u>45,941,397</u>	<u>312,247</u>
Total liabilities	<u>19,876,006</u>	<u>24,395,054</u>	<u>5,128,575</u>	<u>1,021,755</u>	<u>50,421,390</u>	<u>378,784</u>
Deferred inflows of resources						
Pension deferrals	409,760	366,730	222,131	59,873	1,058,494	68,311
<b>NET POSITION</b>						
Net investment in capital assets	105,565,262	91,818,145	4,826,297	9,175,073	211,384,777	1,180,726
Restricted for impact capital projects	1,225,684	366,929	-	-	1,592,613	-
Restricted for parking capital projects	-	-	-	282,894	282,894	-
Restricted for debt service	1,313,885	1,788,592	-	-	3,102,477	-
Unrestricted	11,136,732	(6,914)	(4,279,513)	(195,906)	6,654,399	105,574
Total net position	<u>119,241,563</u>	<u>93,966,752</u>	<u>546,784</u>	<u>9,262,061</u>	<u>223,017,160</u>	<u>1,286,300</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 139,527,329</u>	<u>\$ 118,728,536</u>	<u>\$ 5,897,490</u>	<u>\$ 10,343,689</u>	<u>\$ 274,497,044</u>	<u>\$ 1,733,395</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF BOZEMAN, MONTANA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Non Major Enterprise Funds		Internal Service Funds
OPERATING REVENUES	\$ 7,748,913	\$ 7,631,117	\$ 2,924,262	\$ 881,263	\$ 19,185,555	\$ 5,250,756
OPERATING EXPENSES						
Salaries and benefits	2,421,373	2,152,685	1,085,317	378,463	6,037,838	369,871
Materials and supplies	884,580	391,194	294,394	42,870	1,613,038	621,719
Repairs and maintenance	58,436	271,127	212,301	19,062	560,926	11,834
Utilities	272,402	568,249	421,303	31,924	1,293,878	4,714
Administrative charges	455,140	552,607	358,367	64,295	1,430,409	93,897
Insurance claims	-	-	-	-	-	4,239,330
Other expenses	881,995	(21,408)	770,211	217,734	1,848,532	116,551
Depreciation and amortization	2,483,559	2,394,392	166,548	344,423	5,388,922	52,780
Total operating expenses	<u>7,457,485</u>	<u>6,308,846</u>	<u>3,308,441</u>	<u>1,098,771</u>	<u>18,173,543</u>	<u>5,510,696</u>
Operating income (loss)	<u>291,428</u>	<u>1,322,271</u>	<u>(384,179)</u>	<u>(217,508)</u>	<u>1,012,012</u>	<u>(259,940)</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest income	126,131	55,308	3,673	4,368	189,480	2,917
Interest expense	(538,425)	(632,137)	-	-	(1,170,562)	(855)
Other income	436,804	133,699	25,479	5,748	601,730	11,692
Intergovernmental income	46,622	41,726	25,274	9,817	123,439	7,475
Impact fees	1,655,405	1,051,745	-	-	2,707,150	-
Gain (loss) on disposal of assets	1,805	136,378	-	-	138,183	298
Total non-operating revenues (expenses)	<u>1,728,342</u>	<u>786,719</u>	<u>54,426</u>	<u>19,933</u>	<u>2,589,420</u>	<u>21,527</u>
Income (loss) before contributions and transfers	2,019,770	2,108,990	(329,753)	(197,575)	3,601,432	(238,413)
Contributions of infrastructure - developers	4,305,327	2,080,091	-	-	6,385,418	-
Transfers in	70,000	-	221,339	310,347	601,686	-
Transfers out	-	-	-	(221,339)	(221,339)	-
Change in net position	6,395,097	4,189,081	(108,414)	(108,567)	10,367,197	(238,413)
NET POSITION, beginning of year	114,761,790	91,491,863	1,693,496	9,650,491	217,597,640	1,844,048
Restatements	(1,915,324)	(1,714,192)	(1,038,298)	(279,863)	(4,947,677)	(319,335)
NET POSITION, beginning of year, restated	<u>112,846,466</u>	<u>89,777,671</u>	<u>655,198</u>	<u>9,370,628</u>	<u>212,649,963</u>	<u>1,524,713</u>
NET POSITION, end of year	<u>\$ 119,241,563</u>	<u>\$ 93,966,752</u>	<u>\$ 546,784</u>	<u>\$ 9,262,061</u>	<u>\$ 223,017,160</u>	<u>\$ 1,286,300</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF BOZEMAN, MONTANA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds		Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$ 7,744,868	\$ 7,592,070	\$ 2,872,387	\$ 838,908	\$ 19,048,233	\$ 5,222,331
Receipts from others	436,804	133,699	25,479	5,748	601,730	19,167
Payments to suppliers	(3,578,425)	(2,083,956)	(2,176,072)	(263,476)	(8,101,929)	(739,429)
Payments to employees	(2,436,161)	(2,192,140)	(1,120,754)	(384,350)	(6,133,405)	(4,616,157)
Payments to internal service funds and administrative fees	(455,140)	(552,607)	(358,367)	(64,295)	(1,430,409)	(93,897)
Net cash flows from operating activities	<u>1,711,946</u>	<u>2,897,066</u>	<u>(757,327)</u>	<u>132,535</u>	<u>3,984,220</u>	<u>(207,985)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>						
Transfers in	70,000	-	221,339	310,347	601,686	-
Receipts from grants and intergovernmental sources	48,427	178,104	25,274	9,817	261,622	-
Net cash flows from non-capital financing activities	<u>118,427</u>	<u>178,104</u>	<u>246,613</u>	<u>98,825</u>	<u>641,969</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Acquisition of capital assets	(1,373,077)	(775,055)	(585,005)	(275,787)	(3,008,924)	(12,557)
Principal paid on bonds, interfund loans, loans and leases	(775,000)	(1,053,000)	-	-	(1,828,000)	-
Interest paid on bonds, interfund loans, loans and leases	(538,425)	(632,137)	-	-	(1,170,562)	(855)
Proceeds from issuance of long-term debt	-	-	-	229,750	229,750	-
Impact fees received	1,655,405	1,051,745	-	-	2,707,150	-
Proceeds from sale of property, plant and equipment	-	-	-	-	-	298
Net cash flows from capital and related financing activities	<u>(1,031,097)</u>	<u>(1,408,447)</u>	<u>(585,005)</u>	<u>(46,037)</u>	<u>(3,070,586)</u>	<u>(13,114)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Collections on notes	-	-	-	2,444	2,444	-
Interest on investments	124,130	45,071	7,118	4,371	180,690	2,917
Net cash flows from investing activities	<u>124,130</u>	<u>45,071</u>	<u>7,118</u>	<u>6,815</u>	<u>183,134</u>	<u>2,917</u>
Net change in cash and investments	923,406	1,711,794	(1,088,601)	192,138	1,738,737	(218,182)
Cash and investments, beginning of year	14,860,783	4,419,595	1,792,276	402,386	21,475,040	702,419
Cash and investments, end of year	<u>\$ 15,784,189</u>	<u>\$ 6,131,389</u>	<u>\$ 703,675</u>	<u>\$ 594,524</u>	<u>\$ 23,213,777</u>	<u>\$ 484,237</u>
Classified as:						
Cash and investments	\$ 12,227,172	\$ 3,850,736	\$ 703,675	\$ 303,219	\$ 17,084,802	\$ 484,237
Restricted cash and investments	3,557,017	2,280,653	-	291,305	6,128,975	-
Totals	<u>\$ 15,784,189</u>	<u>\$ 6,131,389</u>	<u>\$ 703,675</u>	<u>\$ 594,524</u>	<u>\$ 23,213,777</u>	<u>\$ 484,237</u>

The Notes to Financial Statements are an integral part of this statement.

CITY OF BOZEMAN, MONTANA  
STATEMENT OF CASH FLOWS (CONTINUED)  
PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds		Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss)	\$ 291,428	\$ 1,322,271	\$ (384,179)	\$ (217,508)	\$ 1,012,012	\$ (259,940)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation and amortization	2,483,559	2,394,392	166,548	344,423	5,388,922	52,780
Change in estimated closure and post-closure care costs	-	-	(513,136)	-	(513,136)	-
Change in solvent site remediation obligation	-	(1,093,462)	-	-	(1,093,462)	-
Other income	436,804	133,699	25,479	5,748	601,730	19,167
Change in Assets and Liabilities:						
(Increase) Decrease in:						
Accounts receivable	(4,045)	(39,047)	(51,875)	(42,355)	(137,322)	(28,425)
Increase (Decrease) in:						
Accounts payable	(1,481,012)	218,668	35,273	48,114	(1,178,957)	15,389
Accrued employee benefits payable	49,177	17,793	(762)	1,743	67,951	3,709
Net pension	(63,965)	(57,248)	(34,675)	(7,630)	(163,518)	(10,665)
Total adjustments	1,420,518	1,574,795	(373,148)	350,043	2,972,208	51,955
Net cash flows from operating activities	<u>\$ 1,711,946</u>	<u>\$ 2,897,066</u>	<u>\$ (757,327)</u>	<u>\$ 132,535</u>	<u>\$ 3,984,220</u>	<u>\$ (207,985)</u>
SUPPLEMENTAL CASH FLOW INFORMATION:						
Noncash transactions:						
Donated infrastructure	<u>\$ 4,305,327</u>	<u>\$ 2,080,091</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,385,418</u>	<u>\$ -</u>

The Notes to Financial Statements are an integral part of this statement.



**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.

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

CMC Bozeman Site Remediation - Accounts for pass-through monies provided by the State of Montana Department of Environmental Quality to Olive & Wallace, LLC, to reimburse the cost of work performed as part of the Voluntary Cleanup Plan of the CMC Asbestos Bozeman Facility.

CITY OF BOZEMAN, MONTANA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
June 30, 2015

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 374,028</u>
Total assets	<u><u>\$ 374,028</u></u>
<b>LIABILITIES</b>	
Accounts payable	<u>\$ 374,028</u>
Total liabilities	<u><u>\$ 374,028</u></u>

The Notes to Financial Statements are an integral part of this statement.



**NOTES TO FINANCIAL STATEMENTS**



CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015

**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 October 3, 2011. 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 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, 2015, and for the year then ended.

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

**New Accounting Pronouncements**

For the fiscal year ended June 30, 2015, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. These statements address accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers. These statements establish standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

**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 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. 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.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Reporting Entity (Continued)**

Although the following entities meet the requirements of Statement 61, they are strictly advisory in nature. Therefore, the government-wide financial statements do not include the financial information of the following entities and their omission does not cause the City's financial statements to be misleading or incomplete. Should there develop a financial element at some point in the future, the City shall include these entities on its government-wide financial statements.

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

Blended Component Units

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

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

City 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.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting/Measurement Focus (Continued)**

Government-Wide Financial Statements (Continued)

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.

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.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting/Measurement Focus (Continued)**

Governmental Fund Financial Statements (Continued)

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. 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.

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:

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

CMC Bozeman Site Remediation Fund - Accounts for pass-through monies provided by the State of Montana Department of Environmental Quality to Olive & Wallace, LLC, to reimburse the cost of work performed as part of the Voluntary Cleanup Plan of the CMC Asbestos Bozeman Facility.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting/Measurement Focus (Continued)**

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 insurance premiums incurred by City employees and retirees.

**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.

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.

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

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.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Funds (Continued)**

*Proprietary Funds*

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

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

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

**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 demand deposits and 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.

**Restricted Cash and Investments**

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

**Use of Estimates**

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

**Eliminations and Reclassifications**

In the process of aggregating data for the Statement of Net 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.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciable capital assets are reported on the Statement of Net 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 accordance with GASB 34, the City has recorded infrastructure assets prospectively from 2005, 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. These assets 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.

**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).

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

The City adopts a final budget each June and amends the budget in August if the initial taxable value estimates were significantly different from the final Certified Values received from the State.

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.

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.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets (Continued)**

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**

In accordance with GASB Statement 54, the City reports fund balance for governmental funds 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. The City's policy to authorize the assignment of fund balance is as follows: Assigned Fund Balance can be expressed and authorized directly by the City Commission or by an official to whom the Commission delegates the authority. The City Commission delegates this authority to the City Manager.

On December 15, 2015, the City Commission accepted and approved the City Manager's recommendation for the amount of General Fund balance presented on page 33 to be assigned this fiscal year for the specific purposes listed on page 24. 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 projected for the next fiscal year.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Fund Balance (Continued)**

Similarly the City Manager exercised his delegated authority to assign the major Capital Projects Fund balances presented on pages 33 and 141 for the for the specific purposes listed on page 111.

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 investment in capital assets 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, 2015, the carrying amount of the City's deposits in local banks and investments is \$75,698,761. 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.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 2. CASH AND INVESTMENTS (CONTINUED)**

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Governmental activities	\$ 36,682,841	\$ 15,428,115	\$ 52,110,956
Business-type activities	17,084,802	6,128,975	23,213,777
Fiduciary funds	374,028	-	374,028
	<u>\$ 54,141,671</u>	<u>\$ 21,557,090</u>	<u>\$ 75,698,761</u>

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned or the City will not be able to recover the collateral securities in the possession of the outside party. The City minimizes custodial credit risk by restrictions set forth in City policy and state law. The City's policy requires deposits to be 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, 2015, 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 2014 - Jun 2015	S&P AA+	\$ 6,221,183
U.S. Government bonds	Jul 2015 - Jun 2016	S&P AA+	2,142,169
U.S. Government bonds	Jul 2017 - Jun 2018	S&P AA+	48,746,250
U.S. Bank Municipal Investor Account	N/A	N/A	1,815,397
U.S. Bank ICS Account	N/A	N/A	3,003,289
STIP Account	N/A	N/A	13,000,000
Demand deposits	N/A	N/A	764,241
Petty cash	N/A	N/A	6,232
			<u>\$ 75,698,761</u>

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

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 3. PROPERTY TAX AND SPECIAL ASSESSMENTS REVENUE AND RECEIVABLES**

Property Taxes

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.

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.

Special Assessments

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 and notes payable.

**NOTE 4. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES**

Deferred inflows of resources in the General Fund represent outstanding general property taxes at June 30, 2015. These amounts are reported as revenue in the Government-Wide Financial Statements in the period in which they are levied. Deferred inflows 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 inflows in Debt Service Funds represent future assessments to be received to meet the related debt obligation. Deferred inflows and outflows in the Government-Wide Financial Statements relate to payments made on pension plans after the measurement date for the calculated pension obligations.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**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 \$369,750, 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, 2015, rent expenditure was \$19,125 regarding this lease.

**NOTE 6. NOTES RECEIVABLE**

The City had the following notes receivable:

Special Revenue Funds:

Economic Development Loan Fund	\$ 600,922
Community Housing Fund	88,306
Housing Revolving Loan Fund	11,872

Enterprise Funds

Parking Fund	13,480
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CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**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. For the year ended June 30, 2015, depreciation expense on capital assets was charged to the functions and programs as follows:

Governmental Activities:	
General Government	\$ 291,717
Public Safety	583,232
Public Services	2,549,263
Public Welfare	697,367
Total depreciation expense - governmental activities	<u>\$ 4,121,579</u>
Business-type Activities:	
Parking	\$ 287,730
Storm Water	56,693
Water	2,483,559
Waste Water	2,394,392
Solid Waste	166,548
Total depreciation expense - business-type activities	<u>\$ 5,388,922</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

All capital assets of the City are depreciable with the exception of land, and construction in process, when applicable. Capital assets activity of the City for the year ended June 30, 2015, consisted of the following:

	<u>June 30, 2014</u>	<u>Additions</u>	<u>Disposals</u>	<u>Transfers</u>	<u>June 30, 2015</u>
Governmental Activities:					
Non-depreciable					
Land	\$ 11,127,553	\$ 5,760,276	\$ -	\$ -	\$ 16,887,829
Depreciable					
Buildings	32,119,075	291,332	-	-	32,410,407
Other structures and improvements	1,210,726	-	(62,299)	-	1,148,427
Machinery and equipment	11,228,735	681,494	(543,635)	(44,019)	11,322,575
Property under capital lease	329,435	250,207	(143,905)	-	435,737
Vehicles	3,281,096	273,942	(274,597)	(91,656)	3,188,785
Infrastructure	141,768,023	5,189,524	(45,000)	-	146,912,547
Total	201,064,643	12,446,775	(1,069,436)	(135,675)	212,306,307
Accumulated depreciation	(92,792,176)	(4,121,579)	964,971	106,006	(95,842,778)
Total governmental activities	<u>\$ 108,272,467</u>	<u>\$ 8,325,196</u>	<u>\$ (104,465)</u>	<u>\$ (29,669)</u>	<u>\$ 116,463,529</u>
Business-type Activities:					
Non-depreciable					
Land	\$ 4,934,574	\$ -	\$ (61,016)	\$ -	\$ 4,873,558
Water rights	2,065,142	55,000	-	-	2,120,142
Depreciable					
Buildings	111,635,920	895,439	(99,639)	-	112,431,720
Other structures and improvements	30,808,133	-	-	-	30,808,133
Machinery and equipment	6,797,835	1,211,389	(406,734)	44,019	7,646,509
Property under capital lease	-	519,943	-	-	519,943
Vehicles	1,848,570	-	(24,853)	91,656	1,915,373
Infrastructure	260,797,166	7,178,515	-	-	267,975,681
Total	418,887,340	9,860,286	(592,242)	135,675	428,291,059
Accumulated depreciation	(174,220,418)	(5,388,922)	531,227	(106,006)	(179,184,119)
Total business-type activities	<u>\$ 244,666,922</u>	<u>\$ 4,471,364</u>	<u>\$ (61,015)</u>	<u>\$ 29,669</u>	<u>\$ 249,106,940</u>
Total capital assets	<u>\$ 352,939,389</u>	<u>\$ 12,796,560</u>	<u>\$ (165,480)</u>	<u>\$ -</u>	<u>\$ 365,570,469</u>

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 7. CAPITAL ASSETS (CONTINUED)**

Changes in accumulated depreciation are as follows for the year ended June 30, 2015:

	June 30, 2014	Additions	Disposals	Transfers	June 30, 2015
Governmental Activities:					
Buildings	\$ (13,471,514)	\$ (829,967)	\$ -	\$ -	\$ (14,301,481)
Other structures and improvements	(1,032,164)	(23,808)	32,707	-	(1,023,265)
Machinery and equipment	(7,981,926)	(589,944)	543,200	10,187	(8,018,483)
Property under capital lease	(141,847)	(24,830)	114,017	-	(52,660)
Vehicles	(2,708,179)	(185,581)	274,597	95,819	(2,523,344)
Infrastructure	(67,456,546)	(2,467,449)	450	-	(69,923,545)
Total governmental activities	<u>\$ (92,792,176)</u>	<u>\$ (4,121,579)</u>	<u>\$ 964,971</u>	<u>\$ 106,006</u>	<u>\$ (95,842,778)</u>
Business-type Activities:					
Buildings	\$ (9,592,464)	\$ (2,336,147)	\$ 99,639	\$ -	\$ (11,828,972)
Other structures and improvements	(26,869,241)	(451,909)	-	-	(27,321,150)
Machinery and equipment	(5,947,049)	(324,829)	406,735	(14,350)	(5,879,493)
Property under capital lease	-	(25,997)	-	-	(25,997)
Vehicles	(1,729,098)	(26,326)	24,853	(91,656)	(1,822,227)
Infrastructure	(130,082,566)	(2,223,714)	-	-	(132,306,280)
Total business-type activities	<u>(174,220,418)</u>	<u>(5,388,922)</u>	<u>531,227</u>	<u>(106,006)</u>	<u>(179,184,119)</u>
Total accumulated depreciation	<u>\$ (267,012,594)</u>	<u>\$ (9,510,501)</u>	<u>\$ 1,496,198</u>	<u>\$ -</u>	<u>\$ (275,026,897)</u>

**NOTE 8. COMPENSATED ABSENCES**

The City's policy relating to compensated absences is described in Note 1. The current portion is that which is expected to be paid within one year. This amount is estimated based on past trends and expected upcoming events. Actual amounts could differ. Historically, compensated absences have been liquidated primarily by the general fund and the proprietary funds.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 8. COMPENSATED ABSENCES (CONTINUED)**

	Balance June 30, 2014	Incurred	Satisfied	Balance June 30, 2015
Compensated absences				
Governmental Activities	\$ 1,708,867	\$ 1,176,867	\$ (1,215,045)	\$ 1,670,689
Business-type Activities	518,011	394,231	(361,276)	550,966
Total compensated absences	<u>\$ 2,226,878</u>	<u>\$ 1,571,098</u>	<u>\$ (1,576,321)</u>	<u>\$ 2,221,655</u>
	Due within one year	Due after one year	Total	
Compensated absences				
Governmental Activities	\$ 1,215,000	\$ 455,689	\$ 1,670,689	
Business-type Activities	361,300	189,666	550,966	
Total compensated absences	<u>\$ 1,576,300</u>	<u>\$ 645,355</u>	<u>\$ 2,221,655</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, 2015:

	Balance June 30, 2014	Issuances and additions	Repayments and deletions	Balance June 30, 2015
General obligation bonds	\$ 11,685,000	\$ 5,100,000	\$ (465,000)	\$ 16,320,000
Tax increment financing bonds	5,015,000	-	(190,000)	4,825,000
Special assessment debt	1,185,500	-	(295,000)	890,500
Intercap notes payable	1,086,396	-	(123,122)	963,274
Subtotal bonds and notes	18,971,896	5,100,000	(1,073,122)	22,998,774
Compensated absences	1,708,867	1,176,867	(1,215,045)	1,670,689
Other post employment benefits liability	1,548,659	123,830	-	1,672,489
Net pension liability	14,414,020	-	-	14,414,020
Totals	<u>\$ 36,643,442</u>	<u>\$ 6,400,697</u>	<u>\$ (2,288,167)</u>	<u>\$ 40,755,972</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**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	\$ 750,000	\$ 15,570,000	\$ 16,320,000
Tax increment financing bonds	195,000	4,630,000	4,825,000
Special assessment debt	28,000	862,500	890,500
Intercap notes payable	124,356	838,918	963,274
Subtotal bonds and notes	1,097,356	21,901,418	22,998,774
Compensated absences	1,215,000	455,689	1,670,689
Other post employment benefits liability	-	1,672,489	1,672,489
Net pension liability	-	14,414,020	14,414,020
	<u>\$ 2,312,356</u>	<u>\$ 38,443,616</u>	<u>\$ 40,755,972</u>

General Obligation Bonds - The City issues general obligation bonds to provide funds for the acquisition and construction of major capital assets. 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	1.50%	\$ 1,545,000	\$ 245,000
General Obligation TOP Bonds, Series 2013 serial maturities through 2034	2.00%	9,675,000	395,000
General Obligation TOP Bonds, Series 2014 serial maturities through 2035	1.00%	5,100,000	110,000
Total general obligations bonds		<u>\$ 16,320,000</u>	<u>\$ 750,000</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**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>
2016	\$ 750,000	\$ 603,891	\$ 1,353,891
2017	860,000	498,738	1,358,738
2018	875,000	481,538	1,356,538
2019	895,000	464,038	1,359,038
2020	910,000	446,138	1,356,138
2021-2025	3,735,000	1,941,025	5,676,025
2026-2030	4,065,000	1,340,875	5,405,875
2031-2035	4,230,000	465,800	4,695,800
	<u>\$ 16,320,000</u>	<u>\$ 6,242,041</u>	<u>\$ 22,562,041</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 from the tax increment revenues 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>
2016	\$ 195,000	\$ 228,288	\$ 423,288
2017	205,000	220,488	425,488
2018	210,000	212,288	422,288
2019	220,000	203,573	423,573
2020	230,000	194,222	424,222
2021-2025	1,315,000	805,173	2,120,173
2026-2030	1,660,000	453,790	2,113,790
2031-2032	790,000	59,750	849,750
	<u>\$ 4,825,000</u>	<u>\$ 2,377,572</u>	<u>\$ 7,202,572</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**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 each 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 two notes payable to finance special assessment projects. The following is a schedule of changes in special assessment debt:

	Balance June 30, 2014	Issuances	Repayments	Balance June 30, 2015
Special assessment bonds	\$ 875,000	\$ -	\$ (270,000)	\$ 605,000
Note Payable to Department of Natural Resources and Conservation, #WRF-05067	59,500	-	(5,000)	54,500
Note Payable to Department of Natural Resources and Conservation, #SRF-05132	251,000	-	(20,000)	231,000
	<u>\$ 1,185,500</u>	<u>\$ -</u>	<u>\$ (295,000)</u>	<u>\$ 890,500</u>

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

Year ending June 30,	Notes Payable		Total
	Principal	Interest	
2016	\$ 28,000	\$ 5,570	\$ 33,570
2017	26,500	5,020	31,520
2018	30,000	4,470	34,470
2019	29,500	3,875	33,375
2020	32,000	3,270	35,270
2021-2024	139,500	6,495	145,995
	<u>\$ 285,500</u>	<u>\$ 28,700</u>	<u>\$ 314,200</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**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,	Special Assessment Bonds
2017	\$ 60,000
2018	65,000
2019	65,000
2020	65,000
2021-2025	350,000
	\$ 605,000

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, 2015 as follows:

	Due within one year	Due after one year	Total
Note payable to Montana Board of Investments in uneven semi-annual installments including interest at variable rates through August 2022	\$ 124,355	\$ 838,919	\$ 963,274
	\$ 124,355	\$ 838,919	\$ 963,274

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 9. LONG-TERM DEBT (CONTINUED)**

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

The debt service requirements for the intercap loan at June 30, 2015 are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 124,355	\$ 27,967	\$ 152,322
2017	125,602	24,228	149,830
2018	126,862	20,450	147,312
2019	128,134	16,635	144,769
2020	129,418	12,781	142,199
2021-2023	328,903	14,839	343,742
	<u>\$ 963,274</u>	<u>\$ 116,900</u>	<u>\$ 1,080,174</u>

**Business-type Activities Long Term Debt**

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

*Water Revenue Bonds*

Water revenue bonds outstanding at June 30, 2015 are as follows:

	<u>Balance</u>		<u>Repayments</u>	<u>Balance</u>	<u>Due in One</u>	<u>Long Term</u>
	June 30, 2014	Issuances	and	June 30, 2015	Year	Portion
			settlements			
State Revolving Fund Revenue Bond - 12247						
Series 2011A, serial maturities through 2032, 3% interest rate	\$ 9,101,000	\$ -	\$ (403,000)	\$ 8,698,000	\$ 415,000	\$ 8,283,000
State Revolving Fund Revenue Bond - 13291						
Series 2011B, serial maturities through 2032, 3% interest rate	9,039,000	-	(372,000)	8,667,000	383,000	8,284,000
	<u>\$ 18,140,000</u>	<u>\$ -</u>	<u>\$ (775,000)</u>	<u>\$ 17,365,000</u>	<u>\$ 798,000</u>	<u>\$ 16,567,000</u>

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, 2015.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 9. LONG-TERM DEBT (CONTINUED)**

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

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 798,000	\$ 360,710	\$ 1,158,710
2017	833,000	344,980	1,177,980
2018	862,000	328,710	1,190,710
2019	891,000	311,910	1,202,910
2020	922,000	294,520	1,216,520
2021-2025	5,097,000	1,190,520	6,287,520
2026-2030	6,025,000	658,450	6,683,450
2031-2032	1,937,000	100,050	2,037,050
	<u>\$ 17,365,000</u>	<u>\$ 3,589,850</u>	<u>\$ 20,954,850</u>
Due within one year	\$ 798,000		
Due after one year	<u>16,567,000</u>		
	<u>\$ 17,365,000</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, 2015.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 9. LONG-TERM DEBT (CONTINUED)**

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

*Waste Water Revenue Bonds*

Waste Water revenue bonds outstanding at June 30, 2015 are as follows:

	Interest Rate	Balance June 30, 2014	Repayments and settlements	Balance June 30, 2015	Due in One Year	Long Term Portion
Waste Water State Revolving -10252 Series 2010B, serial maturities through 2030	1.75%	\$ 288,000	\$ (16,000)	\$ 272,000	\$ 16,000	\$ 256,000
Waste Water Reclamation Facility Revenue Bonds - 10230, Series 2010D, serial maturities through 2030	3.00%	7,913,000	(407,000)	7,506,000	420,000	7,086,000
Waste Water Reclamation Facility Revenue Bonds - 10262, Series 2010F, serial maturities through 2030	3.00%	695,000	(34,000)	661,000	36,000	625,000
Waste Water Reclamation Facility Revenue Bonds ARRA A- 10261, Series 2010E, serial maturities through 2030	0.00%	384,000		384,000	-	384,000
Waste Water Reclamation Facility Revenue Bonds - 11291, Series 2010C, serial maturities through 2031	3.00%	847,000	(40,000)	807,000	42,000	765,000
Waste Water Reclamation Facility Revenue Bonds - 11292, Series 2010G, serial maturities through 2031	3.00%	2,591,565	(161,000)	2,430,565	121,000	2,309,565
Waste Water Reclamation Facility Revenue Bonds - 11281 Series 2010H, serial maturities through 2031	3.00%	8,307,000	(395,000)	7,912,000	407,000	7,505,000
		<u>\$ 21,025,565</u>	<u>\$(1,053,000)</u>	<u>\$19,972,565</u>	<u>\$1,042,000</u>	<u>\$18,930,565</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 9. LONG-TERM DEBT (CONTINUED)**

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

*Waste Water Revenue Bonds (Continued)*

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

Year ending June 30,	Principal	Interest	Total
2016	\$ 1,042,000	\$ 402,300	\$ 1,444,300
2017	1,074,000	380,600	1,454,600
2018	1,109,000	358,184	1,467,184
2019	1,141,000	335,059	1,476,059
2020	1,175,000	311,224	1,486,224
2021-2025	6,447,000	1,171,981	7,618,981
2026-2030	7,172,000	427,486	7,599,486
2031-2032	812,565	3,460	816,025
	<u>\$ 19,972,565</u>	<u>\$ 3,390,294</u>	<u>\$ 23,362,859</u>
Due within one year	\$ 1,042,000		
Due after one year	<u>18,930,565</u>		
	<u>\$ 19,972,565</u>		

*Stormwater Revenue Bonds*

Waste Water revenue bonds outstanding at June 30, 2015 are as follows. No debt service schedule has been established, as there has only been one draw-down from the total approved amount of \$1,815,000.

	Interest Rate	Balance June 30, 2014	Repayments and settlements	Balance June 30, 2015	Due in One Year	Long Term Portion
Stormwater System Revenue Bond, Series 2015	2.00%	\$ -	\$ -	\$ 229,750	\$ 35,000	\$ 194,750

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**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 transfers 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, 2015, the Revenue Bond outstanding had an aggregate principal amount payable of \$288,477.

**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. This lease was paid off during the year ended June 30, 2015.

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.

In 2014, the City entered into a lease for a motor grader with Caterpillar. The lease term is 6 years payable in annual installments of \$27,500 at 3.25%. The total amount capitalized of \$234,300 represents the present value of the future lease payments. The payments for this obligation are being recorded in the street maintenance fund.

In 2015, the City entered into a lease for a copier. The lease term is 5 years payable in monthly installments of \$300. The total amount capitalized of \$15,907 represents the present value of the future lease payments. The payments for this obligation are being recorded in the general fund.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 10. CAPITAL LEASE OBLIGATIONS (CONTINUED)**

In 2015, the City entered into a lease for an Elgin street sweeper. The lease term is five years payable in annual installments of \$27,525 at 3.25%. The total amount capitalized of \$152,570 represents the present value of the future lease payments. The payments for this obligation are being recorded in the stormwater fund.

In 2015, the City entered into a lease for a Vactor vacuum truck. The lease term is six years payable in annual installments of \$57,810 at 3.30%. The total amount capitalized of \$367,373 represents the present value of the future lease payments. The payments for this obligation are being recorded in the stormwater fund.

The capital lease balance outstanding at June 30, 2015 is as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2015</u>
Governmental Activities:				
2012 Street Sweeper	\$ 94,176	\$ -	\$ (30,374)	\$ 63,802
Caterpillar 2014	-	234,300	(17,649)	216,651
Savin Copier 2015	-	15,907	(448)	15,459
	<u>\$ 94,176</u>	<u>\$ 250,207</u>	<u>\$ (48,471)</u>	<u>\$ 295,912</u>
Business-Type Activities:				
2015 Street Sweeper	\$ -	\$ 152,570	\$ (27,535)	\$ 125,035
2015 Vactor Vacuum Truck	-	367,373	(57,810)	309,563
	<u>\$ -</u>	<u>\$ 519,943</u>	<u>\$ (85,345)</u>	<u>\$ 434,598</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 10. CAPITAL LEASE OBLIGATIONS (CONTINUED)**

The following is a schedule, by year, of future minimum lease payments under capital leases, together with the present value of minimum lease payments at June 30, 2015:

	Governmental Activities	Business-Type Activities
Year ending June 30,		
2016	\$ 54,905	\$ 85,345
2017	54,905	85,345
2018	21,410	85,345
2019	21,411	85,345
2020	173,132	85,345
2021		57,812
Less amount representing interest	(29,851)	(49,939)
Present value of future minimum lease payments	\$ 295,912	\$ 434,598

The property under capital lease and the corresponding accumulated depreciation at June 30, 2015, is as follows:

	Governmental Activities	Business-Type Activities
Machinery and equipment	\$ 435,737	\$ 519,943
Less: accumulated depreciation	(52,660)	(25,997)
	\$ 383,077	\$ 493,946

**NOTE 11. CLASSIFICATION OF NET POSITION**

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

Net Investment in Capital Assets – 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.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 11. CLASSIFICATION OF NET POSITION (CONTINUED)**

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. Refer to Note 26 for a further disclosure related to net position classifications.

**NOTE 12. DEFICIT FUND BALANCES**

At June 30, 2015, no individual reporting 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 GASB Statement No. 32, the City does not report any balances related to the deferred compensation plan, as these amounts represent neither assets nor liabilities to the City, and the plan is administered by an independent third party.

**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 2015 and 2014 total payroll and covered payroll for all retirement plans were \$20,234,004 and \$19,562,240, 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.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS)**

*Plan Description*

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

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

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service.

*Summary of Benefits*

***Member's highest average compensation (HAC)***

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;

Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

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

***Eligibility for benefit***

Service retirement:

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

Hired on or after July 1, 2011:               Age 65, 5 years of membership services;  
   Age 70, regardless of membership service.

Early retirement, actuarially reduced:

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

Hired on or after July 1, 2011:               Age 55, 5 years of membership service.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

*Summary of Benefits (Continued)*

***Vesting***

5 years of membership service

***Monthly benefit formula***

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

***Guaranteed Annual Benefit Adjustment (GABA)\****

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

\*At this time, as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013, is pending.

***Total number of members (employees) covered by benefit terms as of June 30, 2015:***

1. Active plan members: 28,237
2. Inactive members entitled to but not yet receiving benefits or a refund:
  - Vested: 2,925
  - Non-vested: 8,839
3. Inactive members and beneficiaries currently receiving benefits:
  - Service Retirements: 20,080
  - Disability Retirements: 176
  - Survivor Benefits: 425

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

*Overview of Contributions*

1. Rates are specified by state law for periodic employer and employee contributions  
 The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
  - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
  - a. State and University System employers are required to contribute 8.27% of members' compensation.
  - b. Local government entities are required to contribution 8.17% of members' compensation.
  - c. School district employers contributed 7.90% of members' compensation.
  - d. Following the 2013 Legislative Session, PERS-employer contributions were temporarily increased. Effective July 1, 2013, employer contributions increased 1.0%. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions including the 0.27% added in 2007 and 2009, terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates.
  - e. Effective July 1, 2013, the additional employer contributions for DCRP and MUS-RP is allocated to the defined benefit plan's Plan Choice Rate unfunded liability.
  - f. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non Employer Contributions
  - a. Special Funding
    - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
    - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
  - b. Not Special Funding
    - i. The State contributes from the Coal Tax Severance fund

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

*Stand-Alone Statements*

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154. CAFR information including stand-alone financial statements can be found at <http://mpera.mt.gov/annualreports.shtml>. The latest actuarial valuation and experience study can be found at <http://mpera.mt.gov/actuarialvaluations.shtml>.

*Actuarial Assumptions*

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- General Wage Growth\* 4.00%
- \*includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Investment Return 7.75%
- Postretirement Benefit Increases
  - 3% for members hired prior to July 1, 2007
  - 1.5% for members hired on or after July 1, 2007
 After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

\*At this time as a result of permanent injunction issued in the AMRPE vs State litigation, the GABA rate in effect is being used in the calculation. Clarification of the GABA rate for members hired on or after July 1, 2013 is pending.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

***Target Allocations***

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

*Sensitivity Analysis*

	1.0% Decrease -6.75%	Current Discount Rate	1.0% Increase -8.75%
PERS' Net Pension Liability	\$1,982,274,732	\$1,246,010,898	\$625,044,646
City of Bozeman's proportion	\$18,138,790	\$11,401,613	\$5,719,466

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

***Summary of Significant Accounting Policies***

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

***Net Pension Liability***

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68 became effective June 30, 2015, and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows, and Deferred Outflows of resources associated with pensions.

In accordance with Statement 68, PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, local governments and school districts are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

*Net Pension Liability (Continued)*

The State of Montana also has a funding situation that is not Special Funding whereby the State General Fund provides contributions from the Coal Severance Tax and interest. All employers are required to report the portion of Coal Tax Severance Tax and interest attributable to the employer.

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
City of Bozeman Proportionate Share	\$ 14,672,124	\$ 11,401,613	0.9150490%
State of Montana Proportionate Share associated with the City	\$ 179,169	\$ 139,231	1.1624150%
<b>Total</b>	<b>\$ 14,851,293</b>	<b>\$ 11,540,844</b>	<b>2.0774640%</b>

At June 30, 2015, the employer recorded a liability of \$11,401,613 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by PERS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of PERS' participating employers. At June 30, 2014, the employer's proportion was 0.915049 percent.

***Changes in actuarial assumptions and methods:*** There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

***Changes in benefit terms:*** There have been no changes in benefit terms since the previous measurement date.

***Changes in proportionate share:*** There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

At June 30, 2015, the employer recognized a Pension Expense of \$883,836 for its proportionate share of the PERS' Pension Expense. The employer also recognized grant revenue of \$322,389 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

***Recognition of Beginning Deferred Outflow - GASB 71***

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY2014 contributions of \$904,183.

***Deferred Inflows and Outflows***

At June 30, 2015, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	\$ -	\$ -
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,945,989
Changes in proportion differences between employer contributions and proportionate share of contributions	\$ 14,452	\$ 377
Difference between actual and expected contributions		
#Contributions paid to PERS subsequent to the measurement date - FY 2015 Contributions [to be entered by the entity]	\$ 1,021,380	\$ -
<b>Total</b>	<b>\$ 1,035,832</b>	<b>\$ 2,946,366</b>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Public Employees' Retirement System (PERS) (Continued)**

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016		\$ 731,806	\$ (731,806)
2017		\$ 731,806	\$ (731,806)
2018		\$ 736,497	\$ (736,497)

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

*Plan Description*

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and either final monthly compensation or final average compensation. Effective July 1, 2005, the benefits are based on highest average compensation and highest average compensation. Member rights for death and disability are vested immediately. All other member rights are vested after five years of service.

*Summary of Benefits*

***Member's Compensation***

- Hired prior to July 1, 1981 and not electing GABA - highest monthly compensation (HMC);
- Hired after June 30, 1981 and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.
- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's highest average compensation.

***Eligibility for Benefit***

- 20 years of membership service, regardless of age

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Firefighters' Unified Retirement System (FURS) (Continued)**

*Summary of Benefits (Continued)*

***Early retirement***

- Age 50, 5 years of membership service

***Vesting***

- 5 years of membership service

***Monthly benefit formula***

1. Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of: 2.5% of HMC per year of service, OR
  - a. if less than 20 years of service - 2% of HMC for each year of service;
  - b. if more than 20 years of service - 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years
2. Members hired on or after July 1, 1981 and those electing GABA: 2.5% of HAC per year of membership service

***Guaranteed Annual Benefit Adjustment (GABA)***

If hired before July 1, 1997, the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service). If a benefit falls below that minimum, the benefit is increased and paid to the benefit recipient.

**Total number of members (employees) covered by benefit terms as of June 30, 2015:**

1. Active plan members: 627
2. Inactive members entitled to but not yet receiving benefits or a refund: Vested: 21  
 Vested: 21  
 Non-vested: 71
3. Inactive members and beneficiaries currently receiving benefits:
  - Service Retirements: 580
  - Disability Retirements: 9
  - Survivor Benefits: 20

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Firefighters' Unified Retirement System (FURS) (Continued)**

*Overview of Contributions*

1. Rates are specified by state law for periodic employer and employee contributions  
 The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. For members hired prior to July 1, 1997 and not electing GABA, member contributions as a percentage of salary are 9.5%, and
  - b. For members hired on or after July 1, 1997 and members electing GABA, member contributions as a percentage of salary are 10.7%.
3. Employer contributions to the system:
  - a. The employers are required to contribute 14.36% of member's compensation.
  - b. The State contributes 32.61% of member's compensation from the general fund.
  - c. Effective July 1, 2013, employer and state contributions are required to be paid on working retiree compensation. Member contributions are not required for working retirees.

**Stand-Alone Statements**

The FURS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154. CAFR information including our stand alone financial statements can be found on at <http://mpera.mt.gov/annualReports.shtml>. The latest actuarial valuation and experience study can be found at <http://mpera.mt.gov/actuarialValuations.asp>.

**Actuarial Assumptions**

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

·	General Wage Growth*	4.00%
·	*includes Inflation at	3.00%
		0% to
·	Merit Increases	7.3%
·	Investment Return	7.75%
·	Postretirement Benefit Increases	
	If electing GABA or hired on or after July 1, 1997	3.00%

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Firefighters' Unified Retirement System (FURS) (Continued)**

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

Minimum Benefit Adjustment

50% of a newly confirmed officer

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 32.61% of salaries pensionable payroll paid by employers. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

***Target Allocations***

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Firefighters' Unified Retirement System (FURS) (Continued)**

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

*Sensitivity Analysis*

	1.0% Decrease -6.75%	Current Discount Rate	1.0% Increase -8.75%
FURS' Net Pension Liability	\$156,823,891	\$97,616,579	\$49,290,705
City's proportion	\$3,793,901	\$2,361,551	\$1,192,446

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

*Summary of Significant Accounting Policies*

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Firefighters' Unified Retirement System (FURS) (Continued)**

**Net Pension Liability**

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Firefighters' Unified Retirement System (FURS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, FURS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to FURS on behalf of the employers. Due to the existence of this special funding situation, employers are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

	Net Pension Liability as of 6/30/13	Net Pension Liability as of 6/30/14	Percent of Collective NPL
City Proportionate Share	\$ 3,022,645	\$ 2,361,551	2.4192110%
State of Montana Proportionate Share associated with Employer	\$ 6,818,940	\$ 5,327,544	0.6928701%
Total	\$ 9,841,585	\$ 7,689,095	3.1120811%

At June 30, 2015, the employer recorded a liability of \$2,361,551 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by FURS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of FURS' participating employers. At June 30, 2014, the employer's proportion was 2.419211% percent.

*Changes in actuarial assumptions and methods:* There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

*Changes in benefit terms:* There have been no changes in benefit terms since the previous measurement date.

*Changes in proportionate share:* There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Firefighters' Unified Retirement System (FURS) (Continued)**

*Pension Expense*

	Pension Expense as of 6/30/14
City's Proportionate Share	\$ 262,159
State of Montana Proportionate Share associated	\$ 591,417
Total	\$ 853,576

At June 30, 2015, the employer recognized a Pension Expense of \$853,576 for its proportionate share of the FURS' Pension Expense. The City also recognized grant revenue of \$591,417 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

***Recognition of Beginning Deferred Outflow – GASB 71***

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$454,194.

**Deferred Inflows and Outflows**

At June 30, 2015, the employer reported its proportionate share of FURS' deferred outflows of resources and deferred inflows of resources related to FURS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	\$ -	\$ -
Difference between projected and actual earnings on pension	\$ -	\$ 469,059
Changes in proportion differences between employer	\$ -	\$ -
Difference between actual and expected contributions	\$ -	\$ -
#Contributions paid to PERS subsequent to the measurement	\$ 469,755	\$ -
<b>Total</b>	<b>\$ 469,755</b>	<b>\$ 469,059</b>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Firefighters' Unified Retirement System (FURS) (Continued)**

**Deferred Inflows and Outflows (Continued)**

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2016		\$ 117,265	\$ (117,265)
2017		\$ 117,265	\$ (117,265)
2018		\$ 117,265	\$ (117,265)

**Municipal Police Officers' Retirement System (MPORS)**

***Plan Description***

The Municipal Police Officers' Retirement System (MPORS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan that was established in 1974 and is governed by Title 19, chapters 2 & 9 of the MCA. This plan covers all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service, and final average compensation. Member rights for death and disability are vested immediately. All other rights are vested after five years of service.

***Summary of Benefits***

***Member's Final Average Compensation (FAC)***

- Hired prior to July 1, 1977 - average monthly compensation of final year of service;
- Hired on or after July 1, 1977 - final average compensation (FAC) for last consecutive 36 months.
- Hired on or after July 1, 2013 – 110% annual cap on compensation considered as a part of a member's final average compensation.

***Eligibility for Benefit***

- 20 years of membership service, regardless of age

***Early retirement***

- Age 50, 5 years of membership service

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Municipal Police Officers' Retirement System (MPORS) (Continued)**

*Vesting*

- 5 years of membership service

*Monthly benefit formula*

- 2.5% of FAC per year of service credit.

***Guaranteed Annual Benefit Adjustment (GABA):*** Hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

***Minimum benefit adjustment (non-GABA):*** If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed officer in the city that the member was last employed.

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

**Total number of members (employees) covered by benefit terms as of June 30, 2015:**

1. Active plan members: 743
2. Inactive members entitled to but not yet receiving benefits or a refund:
  - Vested: 60
  - Non-vested: 103
3. Inactive members and beneficiaries currently receiving benefits:
  - Service Retirements: 694
  - Disability Retirements: 21
  - Survivor Benefits: 29

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Municipal Police Officers' Retirement System (MPORS) (Continued)**

*Overview of Contributions*

1. Rates are specified by state law for periodic employer and employee contributions. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
  - a. If employed on or before June 30, 1975, member contributions as a percentage of salary are 5.8%;
  - b. If employed after June 30, 1975 and prior to July 1, 1979, member contributions as a percentage of salary are 7.0%;
  - c. If employed after June 30, 1979 and prior to July 1, 1997, member contributions as a percentage of salary are 8.5%; and,
  - d. If employed on or after July 1, 1997 and for members electing GABA, member contributions as a percentage of salary were 9.0%.
3. Employer contributions to the system:
  - a. The employers are required to contribute 14.41% of member's compensation.
  - b. The State contributes 29.37% of member's compensation from the general fund.

**Stand-Alone Statements**

The MPORS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154. CAFR information including our stand alone financial statements can be found on at <http://mpera.mt.gov/annualReports.shtml>. The latest actuarial valuation and experience study can be found at <http://mpera.mt.gov/actuarialValuations.asp>.

**Actuarial Assumptions**

The Total Pension Liability as of June 30, 2014, is based on the results of an actuarial valuation date of June 30, 2014. There were several significant assumptions and other inputs used to measure the Total Pension Liability. The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the last actuarial experience study, dated May 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

·	General Wage Growth*	4.00%
·	*includes Inflation at	3.00%
		0% to
·	Merit Increases	7.3%
·	Investment Return	7.75%
·	Postretirement Benefit Increases	
	If electing GABA or hired on or after July 1, 1997	3.00%

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Municipal Police Officers' Retirement System (MPORS) (Continued)**

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

Minimum Benefit Adjustment

50% of a newly confirmed officer

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

***Discount Rate***

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 29.37% of salaries pensionable payroll paid by employers. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

***Target Allocations***

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.80%
Foreign Equity	18.00%	6.05%
Fixed Income	24.00%	1.68%
Private Equity	12.00%	8.50%
Real Estate	8.00%	4.50%

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Municipal Police Officers' Retirement System (MPORS) (Continued)**

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the System. The most recent analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2014, is summarized in the above table.

*Sensitivity Analysis*

	1.0% Decrease -6.75%	Current Discount Rate	1.0% Increase -8.75%
MPORS' Net Pension Liability	\$226,560,623	\$157,135,903	\$102,022,702
City's proportion	\$6,844,190	\$4,746,933	\$3,082,013

In accordance with GASB 68 regarding the disclosure of the sensitivity of the Net Pension Liability to changes in the discount rate, the above table presents the Net Pension Liability calculated using the discount rate of 7.75%, as well as what the Net Pension Liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

*Summary of Significant Accounting Policies*

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, Pension Expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. For this purpose, member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period when due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Municipal Police Officers' Retirement System (MPORS) (Continued)**

**Net Pension Liability**

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Municipal Police Officers' Retirement System (MPORS). Statement 68 became effective June 30, 2015 and includes requirements to record and report their proportionate share of the collective Net Pension Liability, Pension Expense, Deferred Inflows and Deferred Outflows of resources associated with pensions. In accordance with Statement 68, MPORS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to MPORS on behalf of the employers. Due to the existence of this special funding situation, employers are required to report the portion of the State of Montana's proportionate share of the collective Net Pension Liability that is associated with the employer.

	Net Pension Liability as of	Net Pension Liability as of	Percent of Collective NPL
City Proportionate Share	\$ 5,408,458	\$ 4,746,933	3.0209090%
State of Montana Proportionate Share associated with Employer	\$ 10,925,732	\$ 9,589,371	0.6688873%
<b>Total</b>	\$ 16,334,190	\$ 14,336,304	3.6897963%

At June 30, 2015, the employer recorded a liability of \$4,746,932 for its proportionate share of the Net Pension Liability. The Net Pension Liability was measured as of June 30, 2014, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of July 1, 2014. The employer's proportion of the Net Pension Liability was based on the employer's contributions received by MPORS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all of MPORS' participating employers. At June 30, 2014, the employer's proportion was 3.020909% percent.

*Changes in actuarial assumptions and methods:* There were no changes in assumptions or other inputs that affected the measurement of the Total Pension Liability.

*Changes in benefit terms:* There have been no changes in benefit terms since the previous measurement date.

*Changes in proportionate share:* There were no changes between the measurement date of the collective Net Pension Liability and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Municipal Police Officers' Retirement System (MPORS) (Continued)**

*Pension Expense*

Pension Expense as of 6/30/14	
City's Proportionate Share	\$ 510,604
State of Montana Proportionate Share associated with the City	\$ 1,031,481
Total	\$ 1,542,086

At June 30, 2015, the employer recognized a Pension Expense of \$1,542,086 for its proportionate share of the MPORS' Pension Expense. The City also recognized grant revenue of \$1,031,481 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

***Recognition of Beginning Deferred Outflow – GASB 71***

At June 30, 2015, the employer recognized a beginning deferred outflow of resources for the employers FY 2014 contributions of \$589,332.

**Deferred Inflows and Outflows**

At June 30, 2015, the employer reported its proportionate share of MPORS' deferred outflows of resources and deferred inflows of resources related to MPORS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ -
Changes in assumptions	\$ -	\$ -
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 582,798
Changes in proportion differences between employer contributions and proportionate share of contributions	\$ -	\$ -
Difference between actual and expected contributions		
Contributions paid to PERS subsequent to the measurement date - FY 2015 Contributions	\$ 592,735	
<b>Total</b>	<b>\$ 592,735</b>	<b>\$ 582,798</b>

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)**

**Municipal Police Officers' Retirement System (MPORS) (Continued)**

**Deferred Inflows and Outflows (Continued)**

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the Net Pension Liability in the year ended June 30, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Deferred Outflows	Deferred Inflows of	Amount recognized in Pension Expense
2016		\$ 145,699	\$ (145,699)
2017		\$ 145,699	\$ (145,699)
2018		\$ 145,699	\$ (145,699)

**NOTE 15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS**

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

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

*Funding Policy.* The plan is unfunded by the City and plan members receiving benefits contribute 100 percent of their cost of the benefits on a pay-as-you-go basis. The City plan's administratively established retiree medical, dental and vision premiums vary between \$37 and \$912 per month depending on the medical plan selected, family coverage, and Medicare eligibility. The plan provides different coinsurance amounts depending on whether members use preferred, non-preferred, or other hospitals. For a single individual, after an annual deductible of \$300 for most non-Medicare-eligible retirees, the plan reimburses 70% for the first \$500 medical claims and 100% thereafter. For a family, after an annual deductible of \$600 for most non-Medicare-eligible retirees, the plan reimburses 70% for the first \$1,000 medical claims and 100% thereafter. For fiscal year ended June 30, 2015, the City has 35 retired members receiving benefits.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

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

*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	\$	330,107
Interest on net OPEB obligation		77,206
Adjustment to annual required contribution		(111,616)
Annual OPEB cost (expense)		295,697
Contributions made		(136,871)
Increase in net OPEB obligation		158,826
Net OPEB obligation - beginning of year		1,930,074
Net OPEB obligation - end of year	\$	2,088,900

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, 2015 and the four preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
June 30, 2014	219,207	59.81%	1,930,074
June 30, 2015	295,694	46.29%	2,088,900

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

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

The June 30, 2015 year end OPEB cost is reported in the City's funds as follows:

Functions/Programs	Expenses
Primary Government:	
Governmental activities:	
General government	\$ 26,868
Public safety	52,132
Public service	9,860
Public welfare	34,975
Total governmental activities	123,835
Business-type activities:	
Water	14,459
Waste water	10,904
Solid waste	6,748
Parking	1,646
Storm water	1,234
Total business-type activities	34,991
Total primary government	\$ 158,826

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

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

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

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)
7/1/2011	\$ -	\$ 2,203,253	\$ 2,203,253	0.0%	\$ 12,788,780	17.2%
7/1/2013	-	2,002,345	2,002,345	0.0%	Not available	Not available
7/1/2014	-	2,675,667	2,675,667	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 2014, with an estimate provided for fiscal year 2015. For fiscal year 2015, an estimated valuation was derived based on the 2014 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, 2014, the most recent valuation date, the City's actuarially accrued liability (AAL) for benefits was \$2,675,667. The AAL by status breakdown is shown below:

	Fiscal 2013	Fiscal 2014	Fiscal 2015
Actives	\$ 1,223,031	N/A	\$ 1,679,064
Retirees, Dependents and Surviving Spouses	779,314	N/A	996,603
Total AAL	<u>\$ 2,002,345</u>	<u>N/A</u>	<u>\$ 2,675,667</u>
Normal Cost	\$ 131,013	N/A	\$ 168,628
Impact on Statement of Activities			
Annual OPEB Cost	\$ 221,212	\$ 219,207	\$ 295,694
Impact on Statement of Net Position			
Assumed Contributions	\$ 108,703	\$ 131,104	\$ 136,871
Net OPEB Obligation at June 30	\$ 1,841,971	\$ 1,930,074	\$ 2,088,897
<u>Participant Information</u>			
Actives	309	N/A	358
Retirees, Dependents and Surviving Spouses	73	N/A	68
Total	<u>382</u>	<u>N/A</u>	<u>426</u>

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**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: 2.5%
3. Expected Long Term Rate of Return on Assets: NA
4. Health Care Claim and Contribution Trend Rates: 7% in fiscal year 2015, decreasing annually, to 4% in fiscal year 2035.
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.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 16. RESTATEMENTS**

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, in the fiscal year ending June 30, 2015. The implementation of these statements required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position for the governmental and business-type activities decreased by \$16,211,980 and \$4,947,677, respectively.

The City reclassified amounts previously recorded as deferred inflows of resources to fund balance in nonmajor governmental funds. As a result, beginning fund balance of nonmajor governmental funds increased by \$326,570.

**NOTE 17. 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, 2015, 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 OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 17. JOINT VENTURE AGREEMENTS (CONTINUED)**

**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.

**NOTE 18. RESTRICTED NET POSITION**

At June 30, 2015, the balances of restricted net position for business-type activities are as follows:

	Business-Type Activities				Total
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Enterprise	
Restricted by revenue bond covenants					
For bond reserve	\$ 1,313,885	\$ 1,788,592	\$ -	\$ -	\$ 3,102,477
Restricted by ordinance					
Cash in lieu of parking	-	-	-	282,894	282,894
Impact fees	1,225,684	366,929	-	-	1,592,613
	<u>\$ 2,539,569</u>	<u>\$ 2,155,521</u>	<u>\$ -</u>	<u>\$ 282,894</u>	<u>\$ 4,977,984</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 19. INTERFUND TRANSFERS AND ASSETS/LIABILITIES**

A summary of interfund transfers reported in the fund financial statements for the year ended June 30, 2015 follows:

	Transfers From						Proprietary Fund	Total
	Governmental Funds					Stormwater		
	General Fund	Street Maintenance	SID Debt Service	Capital Projects	Nonmajor Governmental			
Transfers To								
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 2,103,263	\$ -	\$ 2,103,263	
Impact Fees	-	79,746	-	-	-	-	79,746	
Street Maintenance	-	-	-	16,684	31,900	-	48,584	
Capital Projects	44,271	400,000	310,188	-	20,000	-	774,459	
Nonmajor Governmental	447,983	-	720,498	-	642,138	-	1,810,619	
Water Enterprise	70,000	-	-	-	-	-	70,000	
Solid Waste Enterprise	-	-	-	-	-	221,339	221,339	
Parking Enterprise	-	-	-	-	170,347	-	170,347	
Stormwater Enterprise	140,000	-	-	-	-	-	140,000	
Total	<u>\$ 702,254</u>	<u>\$ 479,746</u>	<u>\$ 1,030,686</u>	<u>\$ 16,684</u>	<u>\$ 2,967,648</u>	<u>\$ 221,339</u>	<u>\$ 5,418,357</u>	

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 advances from/to other funds at June 30, 2015, is as follows:

	Advances to other City funds	Advances from other City funds
Major Funds		
SID Sinking Debt Service	\$ -	\$ 404,724
Nonmajor Governmental Funds		
SID Revolving Debt Service	404,724	-
	<u>\$ 404,724</u>	<u>\$ 404,724</u>

There are no due from/due to balances as of June 30, 2015. Interfund balances reported as due from or due to other funds are usually a result of transfers for reporting purposes to cover negative cash balances within a fund. These transfers are reversed as cash becomes available in a fund where cash previously had been in a deficit.

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 20. 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, 2015, 2014, and 2012.

**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, 2015

**NOTE 21. CONTINGENCIES**

**Zahara vs. Montana Firefighter Consortium, Scottsdale Ins. Co., Colony Ins. Co., et al.**

The Montana Firefighter Consortium is a group of Montana municipalities (including the City of Bozeman) which conducts joint testing of prospective firefighters. Plaintiff was tested as a prospective firefighter in the Summer of 2013, at which time Plaintiff suffered an injury. Plaintiff alleges negligence on the part of the consortium. The case is currently pending insurance resolution. At this time, it is not possible to determine whether there exist the potential for an unfavorable outcome or to estimate the potential range of loss.

The City is involved with several 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.

**Story Mill Landfill Claims**

The City has been named in three lawsuits by residential property owners located on or near the now closed Story Mill landfill. All three cases relate to presence and claimed effects of volatile organic compounds (VOCs) in the soil and groundwater outside the boundaries of the landfill. The City recently obtained approval from the Montana Department of Environmental Quality for a corrective measures assessment and comprehensive remediation system. The three lawsuits themselves all assert claims for “restoration damages,” referring to restoring the property to its pre-contamination state to the greatest degree possible, diminution in value or stigma damages, property damage, physical injuries and emotional distress including fear of future injury. All three cases are filed in Gallatin County. As of December 7, 2015, the cases have all been pending approximately a year and there has been little progress to date. Some initial discovery has been served and answered and a small number of initial motions have been filed. Only now are the parties in the process of putting together scheduling orders for the case. Given the preliminary status of these claims, it is not possible to estimate a likely outcome or possible loss.

On December 15, 2014, the City was made aware that the City's insurer, the Montana Municipal Interlocal Authority (MMIA), filed a complaint for declaratory relief requesting a Montana state district court determine whether indemnity and defense exist for these claims under the MMIA Memorandum of Liability Coverage and the XL America, Inc. supplemental pollution policy obtained by the MMIA on the City's behalf.

The MMIA complaint involves the City of Bozeman, the MMIA, the MMIA's reinsurer Government Entities Mutual, Inc. and XL America, Inc. and XL America's affiliated companies. MMIA's contends through the allegations in the complaint that XL America, Inc. and its affiliated companies is obligated to provide the City defense and indemnity as well as remediation coverage. Although the MMIA is currently providing a defense under a reservation of rights, in the complaint MMIA denies the City coverage under the MMIA Memorandum.

The MMIA is currently providing the City a defense of the underlying lawsuits. The City continues to assert liability coverage exists for these claims under the MMIA/XL program including both the MMIA Memorandum and the XL America, Inc. policy and as such the City asserts not only that defense is proper but the City should be indemnified for all claims related to the Story Mill landfill under the MMIA/XL program. The City will continue to assert coverage exists under the XL America, Inc. insurance agreement for remediation and legal expenses.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 22. SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS**

The City has a municipal solid waste landfill. 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 City stopped accepting waste effective June 30, 2008. The final capping of the cells is still pending. The City has accrued a liability for \$3,726,711, which is its estimate of future landfill closure and post-closure care costs as of June 30, 2015. This amount is based on a Corrective Measures Assessment completed in September 2014 by a third party engineering firm, from which a remediation plan has been adopted by the City and has been approved the Montana Department of Environmental Quality.

The Solid Waste Fund accounts for the City's solid waste collection, recycling, and disposal utility operation – including assets, liabilities and post-closure costs associated with the closed Story Mill landfill. Segment information for the landfill is as follows:

<u>Condensed Statement of Net Position</u>	
Restricted cash and cash equivalents	\$ (454,064)
Capital assets, net of depreciation	<u>4,486,547</u>
Total assets	<u><u>\$ 4,032,483</u></u>
Current liabilities	\$ 195,999
Closure and post-closure care cost	<u>3,726,711</u>
Total liabilities	<u><u>3,922,710</u></u>
Restricted for debt service	<u>109,775</u>
Total net position	<u><u>109,775</u></u>
Total liabilities and net position	<u><u>\$ 4,032,485</u></u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 22. SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS (CONTINUED)**

Condensed Statement of Revenues, Expenses and Changes in Net Position

OPERATING REVENUES AND EXPENSES

Operating revenues	<u>\$ -</u>
Operating expenses	
Depreciation	39,921
Other operating	<u>482,106</u>
Total operating expenses	<u>522,027</u>
Operating loss	<u>(522,027)</u>
NONOPERATING REVENUES (EXPENSES)	
Interest expense	(2,273)
Transfers	<u>221,339</u>
Total nonoperating revenues	<u>219,066</u>
Change in net position	(302,961)
Net position, beginning of year	<u>412,736</u>
Net position, end of year	<u><u>\$ 109,775</u></u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 23. 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	\$ 15,227,326
Capital assets	122,120,917
Total assets	<u>\$ 137,348,243</u>
Current liabilities	\$ 1,673,217
Noncurrent liabilities	16,567,000
Total liabilities	<u>18,240,217</u>
Net investment in capital assets	74,755,917
Restricted for debt service	1,313,885
Unrestricted	43,038,224
Total net position	<u>119,108,026</u>
Total liabilities and net position	<u>\$ 137,348,243</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 23. SEGMENT INFORMATION FOR WATER ENTERPRISE FUND (CONTINUED)**

<u>Condensed Statement of Revenues, Expenses and Changes in Net Position</u>	
<b>OPERATING REVENUES AND EXPENSES</b>	
Operating revenues	\$ 7,748,913
Operating expenses	
Depreciation	2,436,248
Other operating	4,963,175
Total operating expenses	<u>7,399,423</u>
Operating loss	<u>349,490</u>
 <b>NONOPERATING REVENUES (EXPENSES)</b>	
Interest income	117,957
Interest expense	(538,425)
Grant income	1,786
Gain on sale of assets	1,805
Contributions of infrastructure	4,305,327
Other income	436,804
Transfers	471,400
Total nonoperating revenues	<u>4,796,654</u>
Change in net position	5,146,144
Net position, beginning of year	<u>113,961,882</u>
Net position, end of year	<u>\$ 119,108,026</u>
 <u>Condensed Statement of Cash Flows</u>	
Net cash provided by operating activities	\$ 3,139,370
Net cash flows from capital and related financing activities	471,400
Net cash flows from noncapital and financing activities	(4,031,004)
Net cash flows from investing activities	117,956
Net change in cash flows	<u>(302,278)</u>
Beginning cash and equivalents	<u>14,860,783</u>
Ending cash and equivalents	<u>\$ 14,558,505</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 24. IMPACT FEES**

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

	Original, as of March 23, 1996	Change as of May 10, 1998	Change as of January 15, 1999	Change as of July 15, 1999	Change as of January 1, 2013	Change as of March 30, 2013
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, \$59,890, and \$129,042, respectively, as of June 30, 2015. The Fire Impact Fee Fund does not have any outstanding credits. The following impact fee revenues were collected and expensed/expended during fiscal year 2015:

	Beginning balances	Impact fees	Other income	Expenses, expenditures and transfers	Ending balances
Fire	\$ 463,997	\$ 424,190	\$ 6,026	\$ (2,008)	\$ 892,205
Water	799,910	1,655,405	8,175	(464,131)	1,999,359
Waste water	251,137	1,051,745	835	(704,360)	599,357
Streets	9,793,964	3,849,705	167,282	(925,641)	12,885,310
Total	<u>\$ 11,309,008</u>	<u>\$ 6,981,045</u>	<u>\$ 182,318</u>	<u>\$ (2,096,140)</u>	<u>\$ 16,376,231</u>

CITY OF BOZEMAN, MONTANA  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
June 30, 2015

**NOTE 25. 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 \$2,355,974 in remediation costs. Reduced by its insurer's reimbursement, the amount is \$1,845,595. This liability is recorded in the Waste Water Fund.

**CMC Asbestos Bozeman CECRA Facility**

In 2001, the City purchased property located within the CMC Asbestos Bozeman Facility (the "Facility"), a former asbestos ore storage and processing, recycling/salvage yard. In 2002, contractors for the City, under the Montana Voluntary Cleanup and Redevelopment Act (VCRA), submitted a Voluntary Cleanup Plan (VCP) which was approved by the Department of Environmental Quality (DEQ). Remediation work on City-owned property was completed in October 2003. On December 21, 2006, the City agreed to complete remedial actions at the remainder of the Facility, which included adjacent, private properties. The City submitted an Addendum to its original Voluntary Cleanup Plan, and cleanup work under the approved Addendum was completed in June 2009.

On October 20, 2010, the City received notice from the DEQ stating that no further action is required at the facility and that the DEQ proposes removing the Facility from the CECRA priority list. Pursuant to an August 2007 Stipulated Agreement between the City and all other involved parties, additional cleanup after issuance of the DEQ's closure letter may be required by DEQ based upon property use changes, modification of structures, or other factors. The City has an ongoing claim against the State orphan share for the orphan share funds' proportional share of these post closure clean-up costs. In addition, all other parties are still liable for their proportional share of the clean-up. The result is that should additional work be required at the Facility, the City will only be liable for 1% of the total post closure clean-up costs.

CITY OF BOZEMAN, MONTANA  
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
 June 30, 2015

**NOTE 26. NET POSITION COMPOSITION**

The table presented below displays the City's fund balances by major purpose as displayed on page 34 of the governmental funds balance sheet.

	<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>Capital Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>								
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,750	\$ 369,750
Cemetery perpetual care	-	-	-	-	-	-	990,940	990,940
Total nonspendable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,360,690</u>	<u>1,360,690</u>
<b>Restricted</b>								
General government-Planning	-	-	-	-	-	-	778,240	778,240
General government-Health Insurance	-	-	-	-	-	-	180,852	180,852
General government-other	-	-	-	-	-	-	105	105
Public safety - Building Inspection	-	-	-	1,473,337	-	-	-	1,473,337
Public safety-Fire Impact	-	-	-	-	-	-	892,205	892,205
Public safety-Victim Witness	-	-	-	-	-	-	390,611	390,611
Public safety-other	-	-	-	-	-	-	74,378	74,378
Public service	-	12,885,310	1,590,993	-	-	-	-	14,476,303
Public service - Gas Tax	-	-	-	-	-	-	695,891	695,891
Public service - Community Transportation	-	-	-	-	-	-	432,166	432,166
Public service - Lighting Districts	-	-	-	-	-	-	613,973	613,973
Public welfare - Tax Increment Districts	-	-	-	-	-	-	4,438,689	4,438,689
Public welfare - Econ Develop Loan Fund	-	-	-	-	-	-	855,079	855,079
Public welfare - Tree Maint. District	-	-	-	-	-	-	217,597	217,597
Public welfare - other	-	-	-	-	-	-	88,892	88,892
Capital projects-Trail Open Space Parks	-	-	-	-	-	9,981,286	-	9,981,286
Capital projects-Story Street	-	-	-	-	-	59,983	-	59,983
Debt service-SID Sinking	-	-	-	-	478,181	-	-	478,181
Debt service-SID Revolving Fund	-	-	-	-	-	-	3,356,671	3,356,671
Debt service-GO Bonds	-	-	-	-	-	-	140,508	140,508
Total restricted	<u>-</u>	<u>12,885,310</u>	<u>1,590,993</u>	<u>1,473,337</u>	<u>478,181</u>	<u>10,041,269</u>	<u>13,155,857</u>	<u>39,624,947</u>
<b>Committed</b>								
General government	-	-	-	-	-	-	1,269,343	1,269,343
Public safety	-	-	-	-	-	-	802,575	802,575
Public service	-	-	-	-	-	-	22,858	22,858
Public welfare	-	-	-	-	-	-	1,082,466	1,082,466
Capital projects	-	-	-	-	-	339,145	-	339,145
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,145</u>	<u>3,177,242</u>	<u>3,516,387</u>
<b>Assigned</b>								
Capital projects	503,498	-	-	-	-	229,840	-	733,338
Budget ordinance minimum 16.67%	4,384,154	-	-	-	-	-	-	4,384,154
Total assigned	<u>4,887,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>229,840</u>	<u>-</u>	<u>5,117,492</u>
<b>Unassigned</b>								
	<u>1,174,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(93,301)</u>	<u>1,081,012</u>
Total net position	<u>\$ 6,061,965</u>	<u>\$ 12,885,310</u>	<u>\$ 1,590,993</u>	<u>\$ 1,473,337</u>	<u>\$ 478,181</u>	<u>\$ 10,610,254</u>	<u>\$ 17,600,488</u>	<u>\$ 50,700,528</u>

**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, 2015

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2015 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
	6/30/2013	\$ 221,212	49.14%	\$ 1,841,971
	6/30/2014	\$ 219,207	59.81%	\$ 1,930,074
	6/30/2015	\$ 295,697	46.29%	\$ 2,088,900

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 2,675,667
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 2,675,667</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)
	7/1/2011	\$ -	\$ 2,203,253	\$ 2,203,253	0%	\$ 12,788,780	17.2%
	7/1/2013	\$ -	\$ 2,002,345	\$ 2,002,345	0%	Not available	Not available
	7/1/2014	\$ -	\$ 2,675,667	\$ 2,675,667	0%	Not available	Not available

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 AND SCHEDULE OF CONTRIBUTIONS

**Schedule of Proportionate Share of the Net Pension Liability:**

	<b>PERS</b>	<b>FURS</b>	<b>MPORS</b>
Employer's proportion of the net pension liability	\$ 11,401,613	\$ 2,361,550.9	\$ 4,746,933
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	0.91505%	2.41921%	3.02091%
State of MT proportionate share of the net pension liability associated with the Employer	\$ 139,231	\$ 5,327,544	\$ 9,589,371
<b>Total</b>	<b>\$ 11,540,844</b>	<b>\$ 7,689,095</b>	<b>\$ 14,336,304</b>
Employer's covered-employee payroll	\$ 10,358,342	\$ 3,142,481	\$ 4,053,265
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	110.0720%	75.1490%	117.1140%
Plan fiduciary net position the total pension liability (as a percentage)	79.9000%	76.7000%	67.0000%

**Schedule of Contributions:**

	<b>PERS</b>	<b>FURS</b>	<b>MPORS</b>
Contractually required contributions	\$ 904,184	\$ 454,194	\$ 589,332
Contributions in relation to the contractually required contributions	\$ 904,184	\$ 454,194	\$ 589,332
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 10,358,342	\$ 3,142,481	\$ 4,053,265
Contributions of covered-employee payroll (as a percentage)	8.7290%	14.4534%	14.5397%

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 GENERAL FUND  
 For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 6,614,296	\$ 6,614,296	\$ 6,614,296	\$ -
Resources (inflows):				
Taxes	13,916,234	13,916,234	14,512,683	596,449
Special assessments	-	-	45	45
Licenses and permits	310,195	310,195	316,747	6,552
Intergovernmental	6,684,958	6,684,958	6,807,755	122,797
Charges for services	1,794,858	1,794,858	1,928,343	133,485
Fines and forfeitures	1,285,500	1,285,500	1,157,270	(128,230)
Sale of assets	-	-	19,592	19,592
Interest on investments	59,000	59,000	13,965	(45,035)
Transfers from other funds	2,191,180	2,191,180	2,103,263	(87,917)
Other	63,000	63,000	105,591	42,591
Amounts available for appropriation	<u>32,919,221</u>	<u>32,919,221</u>	<u>33,579,550</u>	<u>660,329</u>
Charges to appropriations (outflows):				
Current				
General government	5,893,490	5,892,490	5,728,938	163,552
Public safety	11,515,139	13,672,509	13,196,413	476,096
Public service	89,062	89,062	87,894	1,168
Public welfare	5,204,741	5,170,241	5,042,499	127,742
Other	3,153,200	1,020,535	1,020,465	70
Capital outlay	831,369	2,161,996	1,738,493	423,503
Debt service	-	1,000	627	373
Transfers to other funds	210,000	702,500	702,254	246
Total charges to appropriations	<u>26,897,001</u>	<u>28,710,333</u>	<u>27,517,583</u>	<u>1,192,750</u>
Budgetary fund balance, June 30	<u>\$ 6,022,220</u>	<u>\$ 4,208,888</u>	<u>\$ 6,061,967</u>	<u>\$ 1,853,079</u>

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 OTHER MAJOR FUNDS - STREET IMPACT FEES SPECIAL REVENUE  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 9,793,964	\$ 9,793,964	\$ 9,793,964	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,785,069	1,785,069	3,849,705	2,064,636
Fines and forfeitures	-	-	-	-
Interest on investments	87,700	87,700	87,276	(424)
Transfers from other funds	-	-	-	-
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	260	260
Amounts available for appropriation	<u>11,666,733</u>	<u>11,666,733</u>	<u>13,731,205</u>	<u>2,064,472</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	54,750	54,397	353
Public welfare	-	-	-	-
Capital outlay	1,225,000	1,537,400	871,244	666,156
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>1,225,000</u>	<u>1,592,150</u>	<u>925,641</u>	<u>666,509</u>
Budgetary fund balance, June 30	<u>\$ 10,441,733</u>	<u>\$ 10,074,583</u>	<u>\$ 12,805,564</u>	<u>\$ 2,730,981</u>

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 OTHER MAJOR FUNDS - STREET MAINTENANCE SPECIAL REVENUE  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,977,779	\$ 1,977,779	\$ 1,977,779	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	31,676	31,676	20,902	(10,774)
Licenses and permits	26,700	26,700	18,684	(8,016)
Intergovernmental	-	-	979	979
Charges for services	3,456,096	3,456,096	3,462,079	5,983
Fines and forfeitures	-	-	-	-
Interest on investments	14,700	14,700	17,199	2,499
Transfers from other funds	-	-	48,584	48,584
Proceeds from long term debt	226,642	226,642	234,300	7,658
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	30,388	30,388
Other	-	-	13,672	13,672
Amounts available for appropriation	<u>5,733,593</u>	<u>5,733,593</u>	<u>5,824,566</u>	<u>90,973</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	2,803,957	2,860,957	2,860,786	171
Public welfare	-	-	-	-
Capital outlay	1,286,642	1,286,642	708,221	578,421
Debt service	245,000	245,000	184,820	60,180
Transfers to other funds	-	480,500	479,746	754
Total charges to appropriations	<u>4,335,599</u>	<u>4,873,099</u>	<u>4,233,573</u>	<u>639,526</u>
Budgetary fund balance, June 30	<u>\$ 1,397,994</u>	<u>\$ 860,494</u>	<u>\$ 1,590,993</u>	<u>\$ 730,499</u>

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 OTHER MAJOR FUNDS - BUILDING INSPECTION SPECIAL REVENUE  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,394,550	\$ 1,394,550	\$ 1,394,550	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	1,180,050	1,180,050	1,492,411	312,361
Intergovernmental	-	-	32,305	32,305
Charges for services	1,000	1,000	6,495	5,495
Fines and forfeitures	-	-	-	-
Interest on investments	9,000	9,000	8,400	(600)
Transfers from other funds	-	-	-	-
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	11	11
Amounts available for appropriation	<u>2,584,600</u>	<u>2,584,600</u>	<u>2,934,172</u>	<u>349,572</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	1,454,810	1,468,195	1,423,272	44,923
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	50,000	50,000	37,563	12,437
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>1,504,810</u>	<u>1,518,195</u>	<u>1,460,835</u>	<u>57,360</u>
Budgetary fund balance, June 30	<u>\$ 1,079,790</u>	<u>\$ 1,066,405</u>	<u>\$ 1,473,337</u>	<u>\$ 406,932</u>

CITY OF BOZEMAN, MONTANA  
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
 Year Ended June 30, 2015

	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	\$ 33,579,550	\$ 13,731,205	\$ 5,824,566	\$ 2,934,172
<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.	(6,614,296)	(9,793,964)	(1,977,779)	(1,394,550)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,103,263)	-	(48,584)	-
The proceeds from the issuance of long-term debt are a budgetary resource but are a other financing source for financial reporting purposes	(15,907)	-	(234,300)	-
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	(19,592)	-	(30,388)	-
<b>Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b>\$ 24,826,492</b>	<b>\$ 3,937,241</b>	<b>\$ 3,533,515</b>	<b>\$ 1,539,622</b>
<b>Uses/outflows of resources</b>				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 27,517,583	\$ 925,641	\$ 4,233,573	\$ 1,460,835
<b>Differences - budget to GAAP:</b>				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(702,254)	-	(479,746)	-
<b>Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds</b>	<b>\$ 26,815,329</b>	<b>\$ 925,641</b>	<b>\$ 3,753,827</b>	<b>\$ 1,460,835</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.

#### 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, 2015

	Special Revenue Funds			
	Departmental	City Planning Board	Health-Medical Insurance	Community Transportation
ASSETS				
Cash and cash equivalents	\$ 1,892,574	\$ 425,886	\$ 147	\$ 482,166
Receivables				
Property taxes	71,875	17,398	194,965	-
Accrued interest	-	-	-	-
Customers, net	4,878	185	-	-
Special assessments	-	-	-	-
Other governments	63,634	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	25,000	346,926	-	-
Total assets	<u>\$ 2,057,961</u>	<u>\$ 790,395</u>	<u>\$ 195,112</u>	<u>\$ 482,166</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds			
	Departmental	City Planning Board	Health-Medical Insurance	Community Transportation
Liabilities:				
Accounts payable	134,662	10,914	-	50,000
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	-	-	-
Total liabilities	<u>134,662</u>	<u>10,914</u>	<u>-</u>	<u>50,000</u>
Deferred inflows of resources:				
Unavailable revenue-property taxes	1,931	1,241	14,260	-
Unavailable revenue-special assessments	-	-	-	-
Unavailable revenue-court fines	-	-	-	-
Total deferred inflows of resources	<u>1,931</u>	<u>1,241</u>	<u>14,260</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	155,270	778,240	180,852	432,166
Committed	1,859,399	-	-	-
Assigned	-	-	-	-
Unassigned	(93,301)	-	-	-
Total fund balances	<u>1,921,368</u>	<u>778,240</u>	<u>180,852</u>	<u>432,166</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,057,961</u>	<u>\$ 790,395</u>	<u>\$ 195,112</u>	<u>\$ 482,166</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
ASSETS				
Cash and cash equivalents	\$ 713,180	\$ 221,347	\$ -	\$ 2,516,455
Receivables				
Property taxes	-	-	-	173,112
Accrued interest	-	-	-	3,184
Customers, net	-	-	-	-
Special assessments	-	17,430	-	5,436
Other governments	-	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	892,529	-
	<u>\$ 713,180</u>	<u>\$ 238,777</u>	<u>\$ 892,529</u>	<u>\$ 2,698,187</u>
Total assets				(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
Liabilities:				
Accounts payable	17,289	12,064	324	814,782
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	16	-	-
Total liabilities	<u>17,289</u>	<u>12,080</u>	<u>324</u>	<u>814,782</u>
Deferred inflows of resources:				
Unavailable revenue-property taxes	-	-	-	11,364
Unavailable revenue-special assessments	-	9,100	-	-
Unavailable revenue-security agreement	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>9,100</u>	<u>-</u>	<u>11,364</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	695,891	217,597	892,205	1,872,041
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>695,891</u>	<u>217,597</u>	<u>892,205</u>	<u>1,872,041</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 713,180</u>	<u>\$ 238,777</u>	<u>\$ 892,529</u>	<u>\$ 2,698,187</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
ASSETS					
Cash and cash equivalents	\$ -	\$ 321,216	\$ 3,329	\$ 2,583	\$ 153,866
Receivables					
Property taxes	-	4,816	-	-	-
Accrued interest	-	-	-	-	-
Customers, net	256,824	-	-	4,176	-
Special assessments	-	-	-	-	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Notes receivable	600,922	88,306	11,872	-	-
Restricted cash and cash equivalents	-	-	-	-	-
	<u>\$ 857,746</u>	<u>\$ 414,338</u>	<u>\$ 15,201</u>	<u>\$ 6,759</u>	<u>\$ 153,866</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
Liabilities:					
Accounts payable	2,667	518	7,201	6,759	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	-	-
Total liabilities	<u>2,667</u>	<u>518</u>	<u>7,201</u>	<u>6,759</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	325	-	-	-
Unavailable revenue-special assessments	-	-	-	-	-
Unavailable revenue-security agreement	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>325</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	855,079	-	8,000	-	-
Committed	-	413,495	-	-	153,866
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>855,079</u>	<u>413,495</u>	<u>8,000</u>	<u>-</u>	<u>153,866</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 857,746</u>	<u>\$ 414,338</u>	<u>\$ 15,201</u>	<u>\$ 6,759</u>	<u>\$ 153,866</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds				
	Law and Justice Center	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
ASSETS					
Cash and cash equivalents	\$ -	\$ 2,094,122	\$ 426,513	\$ 422,797	\$ 341,745
Receivables					
Property taxes	-	52,888	9,226	-	33,130
Accrued interest	-	3,184	-	-	-
Customers, net	-	-	-	5,405	-
Special assessments	-	-	-	-	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	369,750	-	-	-	-
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
	<u>\$ 369,750</u>	<u>\$ 2,150,194</u>	<u>\$ 435,739</u>	<u>\$ 428,202</u>	<u>\$ 374,875</u>
Total assets					(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds				
	Law and Justice Center	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
Liabilities:					
Accounts payable	-	37,314	304	37,591	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	-	-
Total liabilities	<u>-</u>	<u>37,314</u>	<u>304</u>	<u>37,591</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	8,750	898	-	2,440
Unavailable revenue-special assessments	-	-	-	-	-
Unavailable revenue-security agreement	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>8,750</u>	<u>898</u>	<u>-</u>	<u>2,440</u>
Fund balances:					
Nonspendable	369,750	-	-	-	-
Restricted	-	2,104,130	434,537	390,611	-
Committed	-	-	-	-	372,435
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>369,750</u>	<u>2,104,130</u>	<u>434,537</u>	<u>390,611</u>	<u>372,435</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 369,750</u>	<u>\$ 2,150,194</u>	<u>\$ 435,739</u>	<u>\$ 428,202</u>	<u>\$ 374,875</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds				
	Tourism Business Improvement	Street Lighting	Park Land	Municipal Court Restitution	Total
ASSETS					
Cash and cash equivalents	\$ 2,878	\$ 633,066	\$ 378,047	\$ 21,157	\$ 11,053,074
Receivables					
Property taxes	-	-	-	-	557,410
Accrued interest	-	-	-	-	6,368
Customers, net	-	-	-	-	271,468
Special assessments	25,103	8,986	-	-	56,955
Other governments	-	-	-	-	63,634
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	369,750
Notes receivable	-	-	-	-	701,100
Restricted cash and cash equivalents	-	-	-	-	1,264,455
	<u>\$ 27,981</u>	<u>\$ 642,052</u>	<u>\$ 378,047</u>	<u>\$ 21,157</u>	<u>\$ 14,344,214</u>
					(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Special Revenue Funds				
	Tourism Business Improvement	Street Lighting	Park Land	Municipal Court Restitution	Total
Liabilities:					
Accounts payable	-	28,079	-	21,052	1,181,520
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	-	16
Total liabilities	-	28,079	-	21,052	1,181,536
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	-	-	-	41,209
Unavailable revenue-special assessments	-	-	-	-	9,100
Unavailable revenue-security agreement	-	-	-	-	-
Total deferred inflows of resources	-	-	-	-	50,309
Fund balances:					
Nonspendable	-	-	-	-	369,750
Restricted	27,981	613,973	-	105	9,658,678
Committed	-	-	378,047	-	3,177,242
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(93,301)
Total fund balances	27,981	613,973	378,047	105	13,112,369
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 27,981</u>	<u>\$ 642,052</u>	<u>\$ 378,047</u>	<u>\$ 21,157</u>	<u>\$ 14,344,214</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

Debt Service Funds				
	SID Revolving	G.O. Bonds	TIF Bonds	Total
ASSETS				
Cash and cash equivalents	\$ 2,948,129	\$ 59,372	\$ -	\$ 3,007,501
Receivables				
Property taxes	-	87,441	-	87,441
Accrued interest	3,818	-	-	3,818
Customers, net	-	-	-	-
Special assessments	-	-	-	-
Other governments	-	-	-	-
Others	-	-	-	-
Advances to other city funds	404,724	-	-	404,724
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
	\$ 3,356,671	\$ 146,813	\$ -	\$ 3,503,484
Total assets	\$ 3,356,671	\$ 146,813	\$ -	\$ 3,503,484

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Total
Liabilities:				
Accounts payable	-	-	-	-
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenue-property taxes	-	6,305	-	6,305
Unavailable revenue-special assessments	-	-	-	-
Unavailable revenue-security agreement	-	-	-	-
Total deferred inflows of resources	-	6,305	-	6,305
Fund balances:				
Nonspendable	-	-	-	-
Restricted	3,356,671	140,508	-	3,497,179
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	3,356,671	140,508	-	3,497,179
Total liabilities, deferred inflows of resources, and fund balances	\$ 3,356,671	\$ 146,813	\$ -	\$ 3,503,484

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Perpetual Cemetery Care</u>	<u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ -	\$ 14,060,575
Receivables		
Property taxes	-	644,851
Accrued interest	-	10,186
Customers, net	718	272,186
Special assessments	-	56,955
Other governments	-	63,634
Others	-	-
Advances to other city funds	-	404,724
Prepaid expenditures	-	369,750
Notes receivable	-	701,100
Restricted cash and cash equivalents	<u>990,222</u>	<u>2,254,677</u>
Total assets	<u>\$ 990,940</u>	<u>\$ 18,838,638</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 June 30, 2015

	Permanent Fund	Total Nonmajor Governmental Funds
	Perpetual Cemetery Care	
Liabilities:		
Accounts payable	-	1,181,520
Escheat property payable	-	-
Accrued employee benefits payable	-	16
Total liabilities	-	1,181,536
Deferred inflows of resources:		
Unavailable revenue-property taxes	-	47,514
Unavailable revenue-special assessments	-	9,100
Unavailable revenue-security agreement	-	-
Total deferred inflows of resources	-	56,614
Fund balances:		
Nonspendable	990,940	1,360,690
Restricted	-	13,155,857
Committed	-	3,177,242
Assigned	-	-
Unassigned	-	(93,301)
Total fund balances	990,940	17,600,488
Total liabilities, deferred inflows of resources, and fund balances	\$ 990,940	\$ 18,838,638

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2015

	Special Revenue Funds			
	Departmental	City	Health-Medical	Community
		Planning Board	Insurance	Transportation
<b>REVENUES</b>				
Taxes	\$ 186,174	\$ 184,183	\$ 2,115,859	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	295,984	110,596	-	431,167
Charges for services	25,960	395,095	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	15,728	3,961	-	1,662
Loan repayment	-	-	-	-
Other	124,984	18,635	-	5,584
Total revenues	<u>648,830</u>	<u>712,470</u>	<u>2,115,859</u>	<u>438,413</u>
<b>EXPENDITURES</b>				
Current				
General government	-	786,152	-	-
Public safety	206,231	-	-	-
Public service	3,323	-	-	9,730
Public welfare	118,808	-	-	-
Other	92,236	-	639	-
Capital outlay	35,799	-	-	574,318
Debt service				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>456,397</u>	<u>786,152</u>	<u>639</u>	<u>584,048</u>
Revenues over (under) expenditures	<u>192,433</u>	<u>(73,682)</u>	<u>2,115,220</u>	<u>(145,635)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	123,849	-	454,470
Transfers out	(122,313)	-	(2,160,851)	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(122,313)</u>	<u>123,849</u>	<u>(2,160,851)</u>	<u>454,470</u>
Net change in fund balance	70,120	50,167	(45,631)	308,835
FUND BALANCES, beginning of year	<u>1,851,248</u>	<u>728,073</u>	<u>226,483</u>	<u>123,331</u>
Restatement	-	-	-	-
FUND BALANCES, restated	<u>1,851,248</u>	<u>728,073</u>	<u>226,483</u>	<u>123,331</u>
FUND BALANCES, end of year	<u>\$ 1,921,368</u>	<u>\$ 778,240</u>	<u>\$ 180,852</u>	<u>\$ 432,166</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2015

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 1,039,099
Special assessments	-	1,209	-	120,793
Licenses and permits	-	-	-	-
Intergovernmental	658,584	20,225	-	56,050
Charges for services	-	432,207	424,190	-
Fines and forfeitures	-	-	-	-
Interest on investments	4,460	1,636	6,026	17,134
Loan repayment	-	-	-	-
Other	-	7,670	-	1,466
Total revenues	<u>663,044</u>	<u>462,947</u>	<u>430,216</u>	<u>1,234,542</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	2,008	-
Public service	363,460	-	-	-
Public welfare	-	436,627	-	483,286
Other	-	-	-	-
Capital outlay	261,271	41,650	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>624,731</u>	<u>478,277</u>	<u>2,008</u>	<u>483,286</u>
Revenues over (under) expenditures	<u>38,313</u>	<u>(15,330)</u>	<u>428,208</u>	<u>751,256</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(596,584)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(596,584)</u>
Net change in fund balances	38,313	(15,330)	428,208	154,672
FUND BALANCES, beginning of year	<u>657,578</u>	<u>232,927</u>	<u>463,997</u>	<u>1,717,369</u>
Restatement	-	-	-	-
FUND BALANCES, restated	<u>657,578</u>	<u>232,927</u>	<u>463,997</u>	<u>1,717,369</u>
FUND BALANCES, end of year	<u>\$ 695,891</u>	<u>\$ 217,597</u>	<u>\$ 892,205</u>	<u>\$ 1,872,041</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2015

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
REVENUES					
Taxes	\$ -	\$ 88,470	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	110,013	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	71,154	-
Interest on investments	451	2,958	18	-	1,217
Loan interest on note receivable	27,591	681	343	-	-
Other	-	-	-	-	-
Total revenues	<u>28,042</u>	<u>92,109</u>	<u>361</u>	<u>181,167</u>	<u>1,217</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	237,764	1,882
Public service	-	-	-	-	-
Public welfare	32,000	180,422	14,400	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>32,000</u>	<u>180,422</u>	<u>14,400</u>	<u>237,764</u>	<u>1,882</u>
Revenues over (under) expenditures	<u>(3,958)</u>	<u>(88,313)</u>	<u>(14,039)</u>	<u>(56,597)</u>	<u>(665)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	56,248	-	29,317	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>56,248</u>	<u>-</u>	<u>29,317</u>	<u>-</u>
Net change in fund balance	(3,958)	(32,065)	(14,039)	(27,280)	(665)
FUND BALANCES, beginning of year	646,981	347,768	5,317	27,280	154,531
Restatement	212,056	97,792	16,722	-	-
FUND BALANCES, restated	<u>859,037</u>	<u>445,560</u>	<u>22,039</u>	<u>27,280</u>	<u>154,531</u>
FUND BALANCES, end of year	<u>\$ 855,079</u>	<u>\$ 413,495</u>	<u>\$ 8,000</u>	<u>\$ -</u>	<u>\$ 153,866</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2015

	Special Revenue Funds				
	Law and Justice Center	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
<b>REVENUES</b>					
Taxes	\$ -	\$ 772,688	\$ 121,342	\$ -	\$ 364,399
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	37,926	1,353	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	76,742	-
Interest on investments	-	17,133	2,891	3,263	1,309
Loan repayment	-	-	-	-	-
Other	-	-	-	-	60
Total revenues	<u>-</u>	<u>827,747</u>	<u>125,586</u>	<u>80,005</u>	<u>365,768</u>
<b>EXPENDITURES</b>					
Current					
General government	-	-	-	79,384	-
Public safety	19,125	-	-	-	-
Public service	-	-	-	-	-
Public welfare	-	35,346	2,813	-	-
Other	-	-	-	-	-
Capital outlay	-	103,522	-	-	26,218
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>19,125</u>	<u>138,868</u>	<u>2,813</u>	<u>79,384</u>	<u>26,218</u>
Revenues over (under) expenditures	<u>(19,125)</u>	<u>688,879</u>	<u>122,773</u>	<u>621</u>	<u>339,550</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	(51,000)	(5,000)	-	-
Sale of capital assets	-	-	-	-	14,875
Total other financing sources (uses)	<u>-</u>	<u>(51,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>14,875</u>
Net change in fund balance	(19,125)	637,879	117,773	621	354,425
FUND BALANCES, beginning of year	<u>388,875</u>	<u>1,466,251</u>	<u>316,764</u>	<u>389,990</u>	<u>18,010</u>
Restatement	-	-	-	-	-
FUND BALANCES, restated	<u>388,875</u>	<u>1,466,251</u>	<u>316,764</u>	<u>389,990</u>	<u>18,010</u>
FUND BALANCES, end of year	<u>\$ 369,750</u>	<u>\$ 2,104,130</u>	<u>\$ 434,537</u>	<u>\$ 390,611</u>	<u>\$ 372,435</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2015

	Special Revenue Funds				Totals
	Tourism Business Improvement	Street Lighting	Park Land	Municipal Court Restitution	
	REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,872,214
Special assessments	475,036	374,754	-	-	971,792
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	1,721,898
Charges for services	-	-	-	-	1,277,452
Fines and forfeitures	-	-	-	-	147,896
Interest on investments	-	5,342	2,747	-	87,936
Loan repayment	-	-	-	-	28,615
Other	-	-	101,248	-	259,647
Total revenues	<u>475,036</u>	<u>380,096</u>	<u>103,995</u>	<u>-</u>	<u>9,367,450</u>
EXPENDITURES					
Current					
General government	-	-	-	-	865,536
Public safety	-	-	-	-	467,010
Public service	-	406,693	-	-	783,206
Public welfare	458,382	-	29,800	-	1,791,884
Other	-	-	-	-	92,875
Capital outlay	-	-	-	-	1,042,778
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>458,382</u>	<u>406,693</u>	<u>29,800</u>	<u>-</u>	<u>5,043,289</u>
Revenues over (under) expenditures	<u>16,654</u>	<u>(26,597)</u>	<u>74,195</u>	<u>-</u>	<u>4,324,161</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	663,884
Transfers out	-	(31,900)	-	-	(2,967,648)
Sale of capital assets	-	-	-	-	14,875
Total other financing sources (uses)	<u>-</u>	<u>(31,900)</u>	<u>-</u>	<u>-</u>	<u>(2,288,889)</u>
Net change in fund balance	16,654	(58,497)	74,195	-	2,035,272
FUND BALANCES, beginning of year	11,327	672,470	303,852	105	10,750,527
Restatement	-	-	-	-	326,570
FUND BALANCES, restated	<u>11,327</u>	<u>672,470</u>	<u>303,852</u>	<u>105</u>	<u>11,077,097</u>
FUND BALANCES, end of year	<u>\$ 27,981</u>	<u>\$ 613,973</u>	<u>\$ 378,047</u>	<u>\$ 105</u>	<u>\$ 13,112,369</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2015

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Totals
<b>REVENUES</b>				
Taxes	\$ -	\$ 1,019,339	\$ -	\$ 1,019,339
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	2,956	-	-	2,956
Fines and forfeitures	-	-	-	-
Interest on investments	20,545	156	-	20,701
Loan repayment	1,314	-	-	1,314
Other	-	-	-	-
Total revenues	<u>24,815</u>	<u>1,019,495</u>	<u>-</u>	<u>1,044,310</u>
<b>EXPENDITURES</b>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	465,000	190,000	655,000
Interest and fiscal fees	-	524,105	236,237	760,342
Total expenditures	<u>-</u>	<u>989,105</u>	<u>426,237</u>	<u>1,415,342</u>
Revenues over (under) expenditures	<u>24,815</u>	<u>30,390</u>	<u>(426,237)</u>	<u>(371,032)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	720,498	-	426,237	1,146,735
Transfers out	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>720,498</u>	<u>-</u>	<u>426,237</u>	<u>1,146,735</u>
Net change in fund balance	745,313	30,390	-	775,703
FUND BALANCES, beginning of year	<u>2,611,358</u>	<u>110,118</u>	<u>-</u>	<u>2,721,476</u>
Restatement	-	-	-	-
FUND BALANCES, restated	<u>2,611,358</u>	<u>110,118</u>	<u>-</u>	<u>2,721,476</u>
FUND BALANCES, end of year	<u>\$ 3,356,671</u>	<u>\$ 140,508</u>	<u>\$ -</u>	<u>\$ 3,497,179</u>

(continued)

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2015

	Permanent Fund	Total
	Cemetery Perpetual Care	Nonmajor Governmental Funds
<b>REVENUES</b>		
Taxes	\$ -	\$ 5,891,553
Special assessments	-	971,792
Licenses and permits	-	-
Intergovernmental	-	1,721,898
Charges for services	102,761	1,383,169
Fines and forfeitures	-	147,896
Interest on investments	7,497	116,134
Loan repayment	-	29,929
Other	-	259,647
Total revenues	<u>110,258</u>	<u>10,522,018</u>
<b>EXPENDITURES</b>		
Current		
General government	-	865,536
Public safety	-	467,010
Public service	-	783,206
Public welfare	-	1,791,884
Other	-	92,875
Capital outlay	-	1,042,778
Debt service		
Principal	-	655,000
Interest and fiscal fees	-	760,342
Total expenditures	<u>-</u>	<u>6,458,631</u>
Revenues over (under) expenditures	<u>110,258</u>	<u>4,063,387</u>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	-	1,810,619
Transfers out	-	(2,967,648)
Sale of capital assets	-	14,875
Total other financing sources (uses)	<u>-</u>	<u>(1,142,154)</u>
Net change in fund balance	110,258	2,921,233
FUND BALANCES, beginning of year	<u>880,682</u>	<u>14,352,685</u>
Restatement	-	326,570
FUND BALANCES, restated	<u>880,682</u>	<u>14,679,255</u>
FUND BALANCES, end of year	<u>\$ 990,940</u>	<u>\$ 17,600,488</u>

**BUDGET TO ACTUAL SCHEDULES OTHER MAJOR FUNDS**



CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 OTHER MAJOR FUNDS - SID SINKING FUND  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,258,427	\$ 1,258,427	\$ 1,258,427	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	1,045,200	1,045,200	586,116	(459,084)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	9,394	9,394
Transfers from other funds	-	-	-	-
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>2,303,627</u>	<u>2,303,627</u>	<u>1,853,937</u>	<u>(449,690)</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	1,045,200	1,045,200	345,070	700,130
Transfers to other funds	-	720,500	1,030,686	(310,186)
Total charges to appropriations	<u>1,045,200</u>	<u>1,765,700</u>	<u>1,375,756</u>	<u>389,944</u>
Budgetary fund balance, June 30	<u>\$ 1,258,427</u>	<u>\$ 537,927</u>	<u>\$ 478,181</u>	<u>\$ (59,746)</u>

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF REVENUES, REEXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
 OTHER MAJOR FUNDS - CAPITAL PROJECTS FUND  
 Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 9,965,404	\$ 9,965,404	\$ 9,965,404	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	117,937	117,937
Transfers from other funds	-	-	774,459	774,459
Proceeds from long term debt	27,100,000	27,100,000	5,369,154	(21,730,846)
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>37,065,404</u>	<u>37,065,404</u>	<u>16,226,954</u>	<u>(20,838,450)</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	93,600	92,982	618
Capital outlay	32,052,584	31,973,984	5,507,034	26,466,950
Bond issuance costs	-	-	-	-
Transfers to other funds	-	16,750	16,684	66
Total charges to appropriations	<u>32,052,584</u>	<u>32,084,334</u>	<u>5,616,700</u>	<u>26,467,634</u>
Budgetary fund balance, June 30	<u>\$ 5,012,820</u>	<u>\$ 4,981,070</u>	<u>\$ 10,610,254</u>	<u>\$ 5,629,184</u>

CITY OF BOZEMAN, MONTANA  
 NOTE TO BUDGET TO ACTUAL STATEMENT-OTHER MAJOR FUNDS  
 Year Ended June 30, 2015

	<u>SID Sinking Fund</u>	<u>Capital Projects Fund</u>
<b>Sources/inflows of resources</b>		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,853,937	\$ 16,226,954
Differences - budget to GAAP:		
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(1,258,427)	(9,965,404)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	-	(774,459)
The proceeds from the issuance of long-term debt are a budgetary resource but are a other financing source for financial reporting purposes	(15,907)	(5,369,154)
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 579,603</u>	<u>\$ 117,937</u>
<b>Uses/outflows of resources</b>		
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 1,375,756	\$ 5,616,700
Differences - budget to GAAP:		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(1,030,686)	(16,684)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 345,070</u>	<u>\$ 5,600,016</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, 2015

	Special Revenue Funds					
	Departmental Special Revenues			City Planning Board		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 125,159	\$ 186,174	\$ 61,015	\$ 178,125	\$ 184,183	\$ 6,058
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	200,000	295,984	95,984	104,825	110,596	5,771
Charges for services	29,735	25,960	(3,775)	383,600	395,095	11,495
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	5,574	15,728	10,154	3,000	3,961	961
Loan repayment	5,162	-	(5,162)	-	-	-
Other	82,041	124,984	42,943	12,000	18,635	6,635
Total revenues	<u>447,671</u>	<u>648,830</u>	<u>201,159</u>	<u>681,550</u>	<u>712,470</u>	<u>30,920</u>
EXPENDITURES - BUDGET UNIT	<u>525,510</u>	<u>456,397</u>	<u>69,113</u>	<u>929,538</u>	<u>786,152</u>	<u>143,386</u>
Revenues over (under) expenditures	<u>(77,839)</u>	<u>192,433</u>	<u>270,272</u>	<u>(247,988)</u>	<u>(73,682)</u>	<u>174,306</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	41,000	123,849	82,849
Transfers out	(122,348)	(122,313)	35	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(122,348)</u>	<u>(122,313)</u>	<u>35</u>	<u>41,000</u>	<u>123,849</u>	<u>82,849</u>
Revenues and other sources over (under) expenditures	<u>\$ (200,187)</u>	<u>70,120</u>	<u>\$ 270,307</u>	<u>\$ (206,988)</u>	<u>50,167</u>	<u>\$ 257,155</u>
FUND BALANCES, beginning of year		<u>1,851,248</u>			<u>728,073</u>	
FUND BALANCES, end of year		<u>\$ 1,921,368</u>			<u>\$ 778,240</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, 2015

	Special Revenue Funds					
	Health-Medical Insurance			Community Transportation		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 2,037,401	\$ 2,115,859	\$ 78,458	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	196,940	431,167	234,227
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	700	1,662	962
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	5,584	5,584
Total revenues	<u>2,037,401</u>	<u>2,115,859</u>	<u>78,458</u>	<u>197,640</u>	<u>438,413</u>	<u>240,773</u>
EXPENDITURES - BUDGET						
UNIT	<u>750</u>	<u>639</u>	<u>111</u>	<u>584,190</u>	<u>584,048</u>	<u>142</u>
Revenues over (under) expenditures	<u>2,036,651</u>	<u>2,115,220</u>	<u>78,569</u>	<u>(386,550)</u>	<u>(145,635)</u>	<u>240,915</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	445,310	454,470	9,160
Transfers out	(2,160,901)	(2,160,851)	50	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(2,160,901)</u>	<u>(2,160,851)</u>	<u>50</u>	<u>445,310</u>	<u>454,470</u>	<u>9,160</u>
Revenues and other sources over (under) expenditures	<u>\$ (124,250)</u>	<u>(45,631)</u>	<u>\$ 78,619</u>	<u>\$ 58,760</u>	<u>308,835</u>	<u>\$ 250,075</u>
FUND BALANCES, beginning of year		<u>226,483</u>			<u>123,331</u>	
FUND BALANCES, end of year		<u>\$ 180,852</u>			<u>\$ 432,166</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, 2015

	Special Revenue Funds					
	Gas Tax Apportionment			Tree Maintenance		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	4,000	1,209	(2,791)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	658,583	658,584	1	250	20,225	19,975
Charges for services	-	-	-	434,710	432,207	(2,503)
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	3,800	4,460	660	3,000	1,636	(1,364)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	6,000	7,670	1,670
Total revenues	<u>662,383</u>	<u>663,044</u>	<u>661</u>	<u>447,960</u>	<u>462,947</u>	<u>14,987</u>
EXPENDITURES - BUDGET UNIT	<u>659,500</u>	<u>624,731</u>	<u>34,769</u>	<u>533,073</u>	<u>478,277</u>	<u>54,796</u>
Revenues over (under) expenditures	<u>2,883</u>	<u>38,313</u>	<u>35,430</u>	<u>(85,113)</u>	<u>(15,330)</u>	<u>69,783</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>\$ 2,883</u>	<u>38,313</u>	<u>\$ 35,430</u>	<u>\$ (85,113)</u>	<u>(15,330)</u>	<u>\$ 69,783</u>
FUND BALANCES, beginning of year		<u>657,578</u>			<u>232,927</u>	
FUND BALANCES, end of year		<u>\$ 695,891</u>			<u>\$ 217,597</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, 2015

	Special Revenue Funds					
	Fire Impact Fees Special Revenue			Downtown Improvement District		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	-	\$ 1,538,600	\$ 1,039,099	\$ (499,501)
Special assessments	-	-	-	120,175	120,793	618
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	45,436	56,050	10,614
Charges for services	346,355	424,190	77,835	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	6,026	6,026	14,000	17,134	3,134
Loan repayment	-	-	-	-	-	-
Other	-	-	-	47,500	1,466	(46,034)
Total revenues	<u>346,355</u>	<u>430,216</u>	<u>83,861</u>	<u>1,765,711</u>	<u>1,234,542</u>	<u>(531,169)</u>
EXPENDITURES - BUDGET UNIT	<u>2,100</u>	<u>2,008</u>	<u>92</u>	<u>2,230,195</u>	<u>483,286</u>	<u>1,746,909</u>
Revenues over (under) expenditures	<u>344,255</u>	<u>428,208</u>	<u>83,953</u>	<u>(464,484)</u>	<u>751,256</u>	<u>1,215,740</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(631,588)	(596,584)	35,004
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	463,997	463,997	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>463,997</u>	<u>463,997</u>	<u>(631,588)</u>	<u>(596,584)</u>	<u>35,004</u>
Revenues and other sources over (under) expenditures	<u>\$ 344,255</u>	<u>892,205</u>	<u>\$ 547,950</u>	<u>\$ (1,096,072)</u>	<u>154,672</u>	<u>\$ 1,250,744</u>
FUND BALANCES, beginning of year		<u>463,997</u>			<u>1,717,369</u>	
FUND BALANCES, end of year		<u>\$ 1,356,202</u>			<u>\$ 1,872,041</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, 2015

	Special Revenue Funds					
	Economic Development Revolving Loan Fund			Community Housing		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 89,062	\$ 88,470	\$ (592)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	451	451	3,000	2,958	(42)
Loan repayment	-	27,591	27,591	5,000	681	(4,319)
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>28,042</u>	<u>28,042</u>	<u>97,062</u>	<u>92,109</u>	<u>(4,953)</u>
EXPENDITURES - BUDGET						
UNIT	<u>472,000</u>	<u>32,000</u>	<u>440,000</u>	<u>274,269</u>	<u>180,422</u>	<u>93,847</u>
Revenues over (under) expenditures	<u>(472,000)</u>	<u>(3,958)</u>	<u>468,042</u>	<u>(177,207)</u>	<u>(88,313)</u>	<u>88,894</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	56,248	56,248	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,248</u>	<u>56,248</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (472,000)</u>	<u>(3,958)</u>	<u>\$ 468,042</u>	<u>\$ (120,959)</u>	<u>(32,065)</u>	<u>\$ 88,894</u>
FUND BALANCES, beginning of year		<u>646,981</u>			<u>347,768</u>	
FUND BALANCES, end of year		<u>\$ 643,023</u>			<u>\$ 315,703</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, 2015

	Special Revenue Funds					
	Housing Revolving Loan Fund			Drug Forfeitures		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	110,013	110,013
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	64,485	71,154	6,669
Interest on investments	81	18	(63)	-	-	-
Loan repayment	5,150	343	(4,807)	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>5,231</u>	<u>361</u>	<u>(4,870)</u>	<u>64,485</u>	<u>181,167</u>	<u>116,682</u>
EXPENDITURES - BUDGET						
UNIT	<u>17,807</u>	<u>14,400</u>	<u>3,407</u>	<u>241,277</u>	<u>237,764</u>	<u>3,513</u>
Revenues over (under) expenditures	<u>(12,576)</u>	<u>(14,039)</u>	<u>(1,463)</u>	<u>(176,792)</u>	<u>(56,597)</u>	<u>120,195</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	29,317	29,317
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	22,039	22,039	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>22,039</u>	<u>22,039</u>	<u>-</u>	<u>29,317</u>	<u>29,317</u>
Revenues and other sources over (under) expenditures	<u>\$ (12,576)</u>	<u>8,000</u>	<u>\$ 20,576</u>	<u>\$ (176,792)</u>	<u>(27,280)</u>	<u>\$ 149,512</u>
FUND BALANCES, beginning of year		<u>5,317</u>			<u>27,280</u>	
FUND BALANCES, end of year		<u>\$ 13,317</u>			<u>\$ -</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, 2015

	Special Revenue Funds					
	City-County Drug Forfeitures			Law and Justice Center		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	1,217	1,217	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	-	1,217	1,217	-	-	-
EXPENDITURES - BUDGET UNIT	1,900	1,882	18	20,000	19,125	875
Revenues over (under) expenditures	(1,900)	(665)	1,235	(20,000)	(19,125)	875
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ (1,900)</u>	(665)	<u>\$ 1,235</u>	<u>\$ (20,000)</u>	(19,125)	<u>\$ 875</u>
FUND BALANCES, beginning of year		154,531			388,875	
FUND BALANCES, end of year		<u>\$ 153,866</u>			<u>\$ 369,750</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, 2015

	Special Revenue Funds					
	TIF N 7th Corridor			TIF N.E. Urban Renewal		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 709,713	\$ 772,688	\$ 62,975	\$ 102,658	\$ 121,342	\$ 18,684
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	9,500	37,926	28,426	100	1,353	1,253
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	8,800	17,133	8,333	1,800	2,891	1,091
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>728,013</u>	<u>827,747</u>	<u>99,734</u>	<u>104,558</u>	<u>125,586</u>	<u>21,028</u>
EXPENDITURES - BUDGET						
UNIT	<u>997,500</u>	<u>138,868</u>	<u>858,632</u>	<u>316,312</u>	<u>2,813</u>	<u>313,499</u>
Revenues over (under) expenditures	<u>(269,487)</u>	<u>688,879</u>	<u>958,366</u>	<u>(211,754)</u>	<u>122,773</u>	<u>334,527</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(51,000)	(51,000)	-	(5,000)	(5,000)	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	1,466,251	1,466,251	-	316,764	316,764
Total other financing sources (uses)	<u>(51,000)</u>	<u>1,415,251</u>	<u>1,466,251</u>	<u>(5,000)</u>	<u>311,764</u>	<u>316,764</u>
Revenues and other sources over (under) expenditures	<u>\$ (320,487)</u>	2,104,130	<u>\$ 2,424,617</u>	<u>\$ (216,754)</u>	434,537	<u>\$ 651,291</u>
FUND BALANCES, beginning of year		<u>1,466,251</u>			<u>316,764</u>	
FUND BALANCES, end of year		<u>\$ 3,570,381</u>			<u>\$ 751,301</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, 2015

	Special Revenue Funds					
	Victim/Witness Advocate			Fire Department Equipment		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 356,250	\$ 364,399	\$ 8,149
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	74,747	76,742	1,995	-	-	-
Interest on investments	2,815	3,263	448	1,125	1,309	184
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	60	60
Total revenues	<u>77,562</u>	<u>80,005</u>	<u>2,443</u>	<u>357,375</u>	<u>365,768</u>	<u>8,393</u>
EXPENDITURES - BUDGET						
UNIT	<u>135,000</u>	<u>79,384</u>	<u>55,616</u>	<u>37,000</u>	<u>26,218</u>	<u>10,782</u>
Revenues over (under) expenditures	<u>(57,438)</u>	<u>621</u>	<u>58,059</u>	<u>320,375</u>	<u>339,550</u>	<u>19,175</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	14,875	14,875
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,875</u>	<u>14,875</u>
Revenues and other sources over (under) expenditures	<u>\$ (57,438)</u>	<u>621</u>	<u>\$ 58,059</u>	<u>\$ 320,375</u>	<u>354,425</u>	<u>\$ 34,050</u>
FUND BALANCES, beginning of year		<u>389,990</u>			<u>18,010</u>	
FUND BALANCES, end of year		<u>\$ 390,611</u>			<u>\$ 372,435</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, 2015

	Special Revenue Funds					
	Tourism Business Improvement District			Street Lighting		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	874,874	475,036	(399,838)	362,785	374,754	11,969
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	5,342	5,342
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>874,874</u>	<u>475,036</u>	<u>(399,838)</u>	<u>362,785</u>	<u>380,096</u>	<u>17,311</u>
EXPENDITURES - BUDGET						
UNIT	<u>458,548</u>	<u>458,382</u>	<u>166</u>	<u>414,520</u>	<u>406,693</u>	<u>7,827</u>
Revenues over (under) expenditures	<u>416,326</u>	<u>16,654</u>	<u>(399,672)</u>	<u>(51,735)</u>	<u>(26,597)</u>	<u>25,138</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(31,900)	(31,900)	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	11,327	11,327	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>11,327</u>	<u>11,327</u>	<u>(31,900)</u>	<u>(31,900)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 416,326</u>	27,981	<u>\$ (388,345)</u>	<u>\$ (83,635)</u>	(58,497)	<u>\$ 25,138</u>
FUND BALANCES, beginning of year		<u>11,327</u>			<u>672,470</u>	
FUND BALANCES, end of year		<u>\$ 39,308</u>			<u>\$ 613,973</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, 2015

	Special Revenue Funds					
	Park Land			Municipal Court Restitution		
	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	-	2,747	2,747	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	101,248	101,248	-	-	-
Total revenues	-	103,995	103,995	-	-	-
EXPENDITURES - BUDGET						
UNIT	29,800	29,800	-	-	-	-
Revenues over (under) expenditures	(29,800)	74,195	103,995	-	-	-
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	303,852	303,852	-	105	105
Total other financing sources (uses)	-	303,852	303,852	-	105	105
Revenues and other sources over (under) expenditures	\$ (29,800)	378,047	\$ 407,847	\$ -	105	\$ 105
FUND BALANCES, beginning of year		303,852			105	
FUND BALANCES, end of year		\$ 681,899			\$ 210	

(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, 2015

	Special Revenue Funds		
	Total		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 5,136,968	\$ 4,872,214	\$ (264,754)
Special assessments	1,361,834	971,792	(390,042)
Licenses and permits	-	-	-
Intergovernmental	1,215,634	1,721,898	506,264
Charges for services	1,194,400	1,277,452	83,052
Fines and forfeitures	139,232	147,896	8,664
Interest on investments	47,695	87,936	40,241
Loan repayment	15,312	28,615	13,303
Other	147,541	259,647	112,106
Total revenues	<u>9,258,616</u>	<u>9,367,450</u>	<u>108,834</u>
EXPENDITURES - BUDGET UNIT	<u>8,880,789</u>	<u>5,043,289</u>	<u>3,837,500</u>
Revenues over (under) expenditures	<u>377,827</u>	<u>4,324,161</u>	<u>3,946,334</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	542,558	663,884	121,326
Transfers out	(3,002,737)	(2,967,648)	35,089
Long-term debt issued	-	-	-
Sale of capital assets	-	2,599,210	2,599,210
Total other financing sources (uses)	<u>(2,460,179)</u>	<u>295,446</u>	<u>2,755,625</u>
Revenues and other sources over (under) expenditures	<u>\$ (2,082,352)</u>	4,619,607	<u>\$ 6,701,959</u>
FUND BALANCES, beginning of year		10,750,527	
FUND BALANCES, end of year		<u>\$ 15,370,134</u>	

(continued)

CITY OF BOZEMAN, MONTANA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2015

	Debt Service Funds					
	SID Revolving			G.O. Bonds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 987,554	\$ 1,019,339	\$ 31,785
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	2,956	2,956	-	-	-
Interest on investments	19,000	20,545	1,545	-	156	156
Loan repayment	-	1,314	1,314	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>19,000</u>	<u>24,815</u>	<u>5,815</u>	<u>987,554</u>	<u>1,019,495</u>	<u>31,941</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service						
Principal	-	-	-	465,000	465,000	-
Interest and fiscal fees	-	-	-	524,304	524,105	199
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>989,304</u>	<u>989,105</u>	<u>199</u>
Revenues over (under) expenditures	<u>19,000</u>	<u>24,815</u>	<u>5,815</u>	<u>(1,750)</u>	<u>30,390</u>	<u>32,140</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	720,498	720,498	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3,331,856</u>	<u>3,331,856</u>	<u>-</u>	<u>110,118</u>	<u>110,118</u>
Revenues and other sources over (under) expenditures	<u>\$ 19,000</u>	<u>3,356,671</u>	<u>\$ 3,337,671</u>	<u>\$ (1,750)</u>	<u>140,508</u>	<u>\$ 142,258</u>
FUND BALANCES, beginning of year		<u>2,611,358</u>			<u>110,118</u>	
FUND BALANCES, end of year		<u>\$ 5,968,029</u>			<u>\$ 250,626</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, 2015

	Debt Service Funds					
	TIF Bonds			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 987,554	\$ 1,019,339	\$ 31,785
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	2,956	2,956
Interest on investments	-	-	-	19,000	20,701	1,701
Loan repayment	-	-	-	-	1,314	1,314
Other	-	-	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,006,554</u>	<u>1,044,310</u>	<u>37,756</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service						
Principal	190,000	190,000	-	655,000	655,000	-
Interest and fiscal fees	<u>238,738</u>	<u>236,237</u>	<u>2,501</u>	<u>763,042</u>	<u>760,342</u>	<u>2,700</u>
Total expenditures	<u>428,738</u>	<u>426,237</u>	<u>2,501</u>	<u>1,418,042</u>	<u>1,415,342</u>	<u>2,700</u>
Revenues over (under) expenditures	<u>(428,738)</u>	<u>(426,237)</u>	<u>2,501</u>	<u>(411,488)</u>	<u>(371,032)</u>	<u>40,456</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	428,388	426,237	(2,151)	428,388	1,146,735	718,347
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>428,388</u>	<u>426,237</u>	<u>(2,151)</u>	<u>428,388</u>	<u>3,868,211</u>	<u>3,439,823</u>
Revenues and other sources over (under) expenditures	<u>\$ (350)</u>	<u>-</u>	<u>\$ 350</u>	<u>\$ 16,900</u>	<u>3,497,179</u>	<u>\$ 3,480,279</u>
FUND BALANCES, beginning of year		<u>-</u>			<u>2,721,476</u>	
FUND BALANCES, end of year		<u>\$ -</u>			<u>\$ 6,218,655</u>	

(continued)

CITY OF BOZEMAN, MONTANA  
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)  
 Year Ended June 30, 2015

	Permanent Fund		
	Cemetery Perpetual Care		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	82,000	102,761	20,761
Interest on investments	5,600	7,497	1,897
Total revenues	87,600	110,258	22,658
EXPENDITURES - BUDGET			
UNIT	-	-	-
Revenues over (under) expenditures	87,600	110,258	22,658
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	-	-	-
Revenues and other sources over (under) expenditures	\$ 87,600	110,258	\$ 22,658
FUND BALANCES, beginning of year		880,682	
FUND BALANCES, end of year		\$ 990,940	



**COMBINING NONMAJOR PROPRIETARY FUNDS**



**NONMAJOR PROPRIETARY FUNDS**



CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF NET POSITION  
 NON MAJOR PROPRIETARY FUNDS  
 June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Parking Fund	Stormwater Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and investments	\$ 69,015	\$ 234,204	\$ 303,219
Receivables			
Customers, net	114,087	42,594	156,681
Total current assets	<u>183,102</u>	<u>276,798</u>	<u>459,900</u>
Non current assets			
Other assets			
Notes receivable	13,480	-	13,480
Restricted cash and investments	282,894	8,411	291,305
Total other assets	<u>296,374</u>	<u>8,411</u>	<u>304,785</u>
Property, plant and equipment, net			
Nondepreciable:			
Land	303,436	-	303,436
Depreciable:			
Buildings	11,783,924	-	11,783,924
Other structures and improvements	-	-	-
Machinery and equipment	27,974	159,278	187,252
Vehicles	62,753	110,874	173,627
Infrastructure	32,805	-	32,805
Property under capital lease	-	519,943	519,943
Accumulated depreciation and amortization	(3,229,809)	(211,507)	(3,441,316)
Net property, plant and equipment	<u>8,981,083</u>	<u>578,588</u>	<u>9,559,671</u>
Total non current assets	<u>9,277,457</u>	<u>586,999</u>	<u>9,864,456</u>
Deferred outflows of resources			
Pension plan contributions	15,535	3,798	19,333
Total assets	<u>\$ 9,476,094</u>	<u>\$ 867,595</u>	<u>\$ 10,343,689</u>

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF NET POSITION (CONTINUED)  
 NON MAJOR PROPRIETARY FUNDS  
 June 30, 2015

	Business-type Activities		
	Enterprise Funds		
	Parking Fund	Stormwater Fund	Total
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable and accrued expenses	\$ 60,856	\$ 13,248	\$ 74,104
Compensated absences payable	2,949	10,162	13,111
Capital lease obligations payable in one year	-	85,000	85,000
Bonds and leases payable in one year	-	35,000	35,000
	<u>63,805</u>	<u>143,410</u>	<u>207,215</u>
Total current liabilities			
Noncurrent liabilities			
Capital lease obligations	-	349,598	349,598
Revenue bonds due after one year	-	194,750	194,750
Compensated absences payable	3,940	2,952	6,892
Other post-employment health benefits - implicit rate subsidy	28,546	3,061	31,607
Net pension liability	170,998	60,695	231,693
	<u>203,484</u>	<u>611,056</u>	<u>814,540</u>
Total noncurrent liabilities			
	<u>267,289</u>	<u>754,466</u>	<u>1,021,755</u>
Total liabilities			
Deferred inflows of resources			
Pension deferrals	44,189	15,684	59,873
	<u>44,189</u>	<u>15,684</u>	<u>59,873</u>
<b>NET POSITION</b>			
Net Investment in capital assets	8,981,083	193,990	9,175,073
Restricted for parking capital projects	282,894	-	282,894
Unrestricted	(99,361)	(96,545)	(195,906)
Total net position	<u>9,164,616</u>	<u>97,445</u>	<u>9,262,061</u>
	<u>\$ 9,476,094</u>	<u>\$ 867,595</u>	<u>\$ 10,343,689</u>
Total liabilities and net position			

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 - NON MAJOR PROPRIETARY FUNDS  
 Year Ended June 30, 2015

	Business-type Activities Enterprise Funds		
	Parking Fund	Stormwater Fund	Totals
	\$	\$	\$
OPERATING REVENUES	576,357	304,906	881,263
OPERATING EXPENSES			
Salaries and benefits	263,727	114,736	378,463
Materials and supplies	23,146	19,724	42,870
Repairs and maintenance	18,437	625	19,062
Utilities	30,590	1,334	31,924
Administrative charges	54,749	9,546	64,295
Other expenses	110,807	106,927	217,734
Depreciation and amortization	287,730	56,693	344,423
Changes in estimated closure and post-closure care costs	-	-	-
Total operating expenses	789,186	309,585	1,098,771
Operating income (loss)	(212,829)	(4,679)	(217,508)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	2,296	2,072	4,368
Other income	5,748	-	5,748
Intergovernmental income	5,028	4,789	9,817
Total non-operating revenues (expenses)	13,072	6,861	19,933
Income (loss) before contributions and transfers	(199,757)	2,182	(197,575)
Transfers in	170,347	140,000	310,347
Transfers out	-	(221,339)	(221,339)
Change in net position	(29,410)	(79,157)	(108,567)
NET POSITION, beginning of year	9,400,575	249,916	9,650,491
Prior period adjustment	(206,549)	(73,314)	(279,863)
NET POSITION, beginning of year, restated	9,194,026	176,602	9,370,628

CITY OF BOZEMAN, MONTANA  
STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS  
Year Ended June 30, 2015

	Parking Fund	Stormwater Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 548,601	\$ 290,307	\$ 838,908
Receipts from others	5,748	-	5,748
Operating loans from other funds	-	-	-
Payments to suppliers	(143,392)	(120,084)	(263,476)
Payments to employees	(279,520)	(104,830)	(384,350)
Payments to internal service funds and administrative fees	(54,749)	(9,546)	(64,295)
Net cash flows from operating activities	<u>76,688</u>	<u>55,847</u>	<u>132,535</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
Transfers in	170,347	140,000	310,347
Transfers out	-	(221,339)	(221,339)
Receipts from grants and intergovernmental sources	5,028	4,789	9,817
Net cash flows from non-capital financing activities	<u>175,375</u>	<u>(76,550)</u>	<u>98,825</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	(190,442)	(85,345)	(275,787)
Principal paid on bonds, interfund loans, loans and leases	-	-	-
Interest paid on bonds, interfund loans, loans and leases	-	-	-
Proceeds from issuance of long-term debt	-	229,750	229,750
Impact fees received	-	-	-
Proceeds from sale of property, plant and equipment	-	-	-
Net cash flows from capital and related financing activities	<u>(190,442)</u>	<u>144,405</u>	<u>(46,037)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Collections on notes	2,444	-	2,444
Interest on investments	2,299	2,072	4,371
Net cash flows from investing activities	<u>4,743</u>	<u>2,072</u>	<u>6,815</u>
Net change in cash and investments	66,364	125,774	192,138
Cash and investments, beginning of year	<u>285,545</u>	<u>116,841</u>	<u>402,386</u>
Cash and investments, end of year	<u>\$ 351,909</u>	<u>\$ 242,615</u>	<u>\$ 594,524</u>
Classified as:			
Cash and investments	\$ 69,015	\$ 234,204	\$ 303,219
Restricted cash and investments	<u>282,894</u>	<u>8,411</u>	<u>291,305</u>
Totals	<u>\$ 351,909</u>	<u>\$ 242,615</u>	<u>\$ 594,524</u>

CITY OF BOZEMAN, MONTANA  
STATEMENT OF CASH FLOWS - NON MAJOR PROPRIETARY FUNDS (CONTINUED)  
Year Ended June 30, 2015

	Parking Fund	Stormwater Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (212,829)	\$ (4,679)	\$ (217,508)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	287,730	56,693	344,423
Other income	5,748	-	5,748
Change in Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(27,756)	(14,599)	(42,355)
Other governments receivable	-	-	-
Increase (Decrease) in:			
Accounts payable	39,588	8,526	48,114
Accrued employee benefits payable	(8,896)	10,639	1,743
Net pension liabilities	(6,897)	(733)	(7,630)
Total adjustments	289,517	60,526	350,043
Net cash provided (used) by operating activities	\$ 76,688	\$ 55,847	\$ 132,535



**INTERNAL SERVICE FUND 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 operation of City services.

Medical Health Insurance – Accounts for insurance premiums received from the various City departments and retirees, and the related costs of health and dental premiums paid to the City's insurance provider.

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF NET POSITION  
 INTERNAL SERVICE FUNDS  
 June 30, 2015

	Vehicle Maintenance Shop	Medical Health Insurance	Total
<b>ASSETS</b>			
Current assets			
Cash and equivalents	\$ 338,651	\$ 145,586	\$ 484,237
Customer receivables, net	-	44,413	44,413
Total current assets	<u>338,651</u>	<u>189,999</u>	<u>528,650</u>
Machinery and equipment	159,376	-	159,376
Vehicles	83,812	-	83,812
Buildings	1,388,583	-	1,388,583
Less: accumulated depreciation	(451,045)	-	(451,045)
Net property, plant, and equipment	<u>1,180,726</u>	<u>-</u>	<u>1,180,726</u>
Deferred outflows of resources			
Pension plan contributions	24,019	-	24,019
Total assets and deferred outflows of resources	<u>\$ 1,543,396</u>	<u>\$ 189,999</u>	<u>\$ 1,733,395</u>
<b>LIABILITIES</b>			
Current liabilities			
Accounts payable	\$ 66,378	\$ 159	\$ 66,537
Compensated absences payable	47,869	-	47,869
Total current liabilities	<u>114,247</u>	<u>159</u>	<u>114,406</u>
Noncurrent liabilities			
Net pension liability	264,378	-	264,378
Total liabilities	<u>378,625</u>	<u>159</u>	<u>378,784</u>
Deferred inflows of resources			
Pension deferrals	68,311	-	68,311
<b>NET POSITION</b>			
Net investment in capital assets	1,180,726	-	1,180,726
Unrestricted	(84,266)	189,840	105,574
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,543,396</u>	<u>\$ 189,999</u>	<u>\$ 1,733,395</u>

CITY OF BOZEMAN, MONTANA  
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 INTERNAL SERVICE FUNDS  
 Year Ended June 30, 2015

	Vehicle Maintenance Shop	Medical Health Insurance	Total
OPERATING REVENUES	\$ 985,863	\$ 4,264,893	\$ 5,250,756
OPERATING EXPENSES			
Salaries and benefits	369,871	-	369,871
Materials and supplies	621,719	-	621,719
Repairs and maintenance	11,834	-	11,834
Utilities	4,714	-	4,714
Administrative charges	93,897	-	93,897
Insurance claims	-	4,239,330	4,239,330
Other expenses	22,986	93,565	116,551
Depreciation	52,780	-	52,780
Total operating expenses	1,177,801	4,332,895	5,510,696
Operating income (loss)	(191,938)	(68,002)	(259,940)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	2,917	-	2,917
Interest expense	-	(855)	(855)
Other income	3,864	7,828	11,692
Intergovernmental income	7,475	-	7,475
Sale of assets	298	-	298
Total non-operating revenue (expenses)	14,554	6,973	21,527
Change in net position	(177,384)	(61,029)	(238,413)
NET POSITION, beginning of year	1,593,179	250,869	1,844,048
Restatements	(319,335)	-	(319,335)
NET POSITION, beginning of year, restated	1,273,844	250,869	1,524,713

CITY OF BOZEMAN, MONTANA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
Year Ended June 30, 2015

	Vehicle Maintenance Shop	Medical Health Insurance	Total
<b>CASH FLOWS FROM OPERATIONS:</b>			
Receipts from customers	\$ 985,863	\$ 4,236,468	\$ 5,222,331
Receipts from others	11,339	7,828	19,167
Operating loans from other City funds	-	-	-
Payments to suppliers	(646,023)	(93,406)	(739,429)
Payments to employees	(376,827)	(4,239,330)	(4,616,157)
Payments to Internal Service Funds and administrative fees	(93,897)	-	(93,897)
	<u>(119,545)</u>	<u>(88,440)</u>	<u>(207,985)</u>
Net Cash Flows From Operating Activities			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Additions to property, plant and equipment	(12,557)	-	(12,557)
Proceeds from sale of capital assets	298	-	298
Interest paid on bonds, interfund loans, loans and leases	-	(855)	(855)
	<u>(12,259)</u>	<u>(855)</u>	<u>(13,114)</u>
Net Cash Flows From Capital and Related Financing Activities			
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest on investments	2,917	-	2,917
	<u>2,917</u>	<u>-</u>	<u>2,917</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(128,887)	(89,295)	(218,182)
CASH AND EQUIVALENTS, beginning of year	<u>467,538</u>	<u>234,881</u>	<u>702,419</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 338,651</u>	<u>\$ 145,586</u>	<u>\$ 484,237</u>

(continued)

CITY OF BOZEMAN, MONTANA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)  
Year Ended June 30, 2015

	Vehicle Maintenance Shop	Medical Health Insurance	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES: OPERATING INCOME (LOSS)	\$ (191,938)	\$ (68,002)	\$ (259,940)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	52,780	-	52,780
Other income	11,339	7,828	19,167
Changes in assets and liabilities:			
(Increase) Decrease in:			
Customer receivables	-	(28,425)	(28,425)
Prepaid expenses	-	-	-
Increase (Decrease) in:			
Accounts payable	15,230	159	15,389
Compensated absences payable	3,709	-	3,709
Net pension	(10,665)	-	(10,665)
Total adjustments	72,393	(20,438)	51,955
Net cash provided (used) by operating activities	\$ (119,545)	\$ (88,440)	\$ (207,985)

**AGENCY FUND 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.

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

CMC Bozeman Site Remediation Fund - Accounts for pass-through monies provided by the State of Montana Department of Environmental Quality to Olive & Wallace, LLC, to reimburse the cost of work performed as part of the Voluntary Cleanup Plan of the CMC Asbestos Bozeman Facility.

CITY OF BOZEMAN, MONTANA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 June 30, 2015

	<u>Municipal Court</u>	<u>CMC Bozeman Site Remediation</u>	<u>Total Agency Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 343,108	\$ 30,920	\$ 374,028
Customer receivables	-	-	-
	<u>\$ 343,108</u>	<u>\$ 30,920</u>	<u>\$ 374,028</u>
Total assets	<u>\$ 343,108</u>	<u>\$ 30,920</u>	<u>\$ 374,028</u>
<b>LIABILITIES</b>			
Accounts payable	<u>\$ 343,108</u>	<u>\$ 30,920</u>	<u>\$ 374,028</u>
Total liabilities	<u>\$ 343,108</u>	<u>\$ 30,920</u>	<u>\$ 374,028</u>

CITY OF BOZEMAN, MONTANA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 Year ended June 30, 2015

	Municipal Court			
	Balance June 30, 2014	Additions	Deletions	
<b>ASSETS</b>				
Cash and cash equivalents	\$ 353,326	\$ (10,218)	\$ -	\$ 343,108
Customer receivables	705	(705)	-	-
Interfund receivable	-	-	-	-
Total assets	\$ 354,031	\$ (10,923)	\$ -	\$ 343,108
<b>LIABILITIES</b>				
Accounts payable	\$ 354,031	\$ (10,923)	\$ -	\$ 343,108
Total liabilities	\$ 354,031	\$ (10,923)	\$ -	\$ 343,108

CITY OF BOZEMAN, MONTANA  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 Year ended June 30, 2015

		CMC Bozeman Site Remediation			
		Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
<b>ASSETS</b>					
Cash and cash equivalents	\$	-	\$ 30,920	\$ -	\$ 30,920
Customer receivables		1,573	(1,573)	-	-
Total assets		\$ 1,573	\$ 29,347	\$ -	\$ 30,920
<b>LIABILITIES</b>					
Accounts payable	\$	1,573	\$ 29,347	\$ -	\$ 30,920
Total liabilities		\$ 1,573	\$ 29,347	\$ -	\$ 30,920



**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.	133
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	138
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.	144
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.	149
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.	151

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



**FINANCIAL TRENDS SECTION**



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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental activities										
Net investment in capital assets	22,987,166	77,734,584	80,873,924	83,707,824	84,113,904	88,844,404	88,500,437	89,081,484	89,267,076	93,409,850
Restricted	5,242,903	546,916	9,254,307	7,699,511	8,082,181	20,962,038	20,797,365	27,255,029	35,621,803	41,755,126
Unrestricted	25,537,959	28,481,673	23,443,921	20,871,106	25,076,908	16,049,044	15,470,543	11,521,053	12,127,224	(5,137,642)
Total governmental activities	\$ 53,768,028	\$ 106,763,173	\$ 113,572,152	\$ 112,278,441	\$ 117,272,993	\$ 125,855,486	\$ 124,768,345	\$ 127,857,566	\$ 137,016,103	\$ 130,027,334
Business-type activities										
Net investment in capital assets	28,416,015	154,227,534	177,379,168	188,077,778	189,965,189	188,180,889	192,485,459	199,394,551	205,501,357	211,419,777
Restricted	13,462,443	17,099,866	18,322,089	19,775,588	9,044,280	12,660,466	11,446,886	3,098,125	3,372,927	4,977,984
Unrestricted	12,899,363	16,550,235	17,547,218	11,936,119	16,069,597	12,382,018	2,809,558	10,643,337	8,723,353	6,619,399
Total business-type activities	\$ 54,777,821	\$ 187,877,635	\$ 213,248,475	\$ 219,789,485	\$ 215,079,066	\$ 213,223,373	\$ 206,741,903	\$ 213,136,013	\$ 217,597,637	\$ 223,017,160
Primary government										
Net investment in capital assets	51,403,181	231,962,118	258,253,092	271,785,602	274,079,093	277,025,293	280,985,896	288,476,035	294,768,433	304,829,627
Restricted	18,705,346	17,646,782	27,576,396	27,475,099	17,126,461	33,622,504	32,244,251	30,353,154	38,994,730	46,733,110
Unrestricted	38,437,322	45,031,908	40,991,139	32,807,225	41,146,505	28,431,062	18,280,101	22,164,390	20,850,577	1,481,757
Total primary government net position	\$ 108,545,849	\$ 294,640,808	\$ 326,820,627	\$ 332,067,926	\$ 332,352,059	\$ 339,078,859	\$ 331,510,248	\$ 340,993,579	\$ 354,613,740	\$ 353,044,494

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Expenses</b>										
Governmental Activities:										
General Government	5,666,069	5,733,371	6,969,181	6,629,783	6,299,831	6,122,190	8,706,665	7,373,368	6,989,830	7,417,644
Public Safety	9,858,055	10,488,873	11,183,637	11,556,016	12,382,157	12,859,702	13,215,680	14,340,301	15,297,088	17,023,578
Public Service	4,163,644	8,511,308	8,979,085	10,130,184	9,703,594	9,190,515	8,174,461	3,939,061	6,031,768	6,458,930
Public Welfare	5,477,065	5,536,741	5,412,192	6,465,940	6,915,557	7,500,727	7,249,008	6,518,822	7,417,158	7,579,653
Interest and Fiscal Fees	550,296	549,667	649,226	737,762	714,714	679,652	636,478	433,766	179,280	-
Total Governmental Activities Expenses	<u>\$ 25,715,129</u>	<u>\$ 30,819,960</u>	<u>\$ 33,193,321</u>	<u>\$ 35,519,685</u>	<u>\$ 36,015,853</u>	<u>\$ 36,352,786</u>	<u>\$ 37,982,292</u>	<u>\$ 32,605,318</u>	<u>\$ 35,915,124</u>	<u>\$ 39,304,071</u>
Business-Type Activities:										
Water	4,824,505	10,490,811	11,150,266	11,872,984	12,016,149	11,649,639	11,674,222	6,154,746	6,869,870	7,995,910
Waste Water	4,586,959	7,376,348	8,061,412	10,293,894	9,143,077	10,128,397	10,203,165	6,121,663	8,955,592	6,940,983
Solid Waste	3,547,902	3,283,135	2,574,651	2,687,590	2,561,124	2,578,109	2,584,899	2,475,680	6,958,209	3,308,441
Non-Major Activities				766,454	967,077	991,712	990,229	852,561	966,454	1,098,771
Total Business-Type Activities Expenses	<u>12,959,366</u>	<u>21,150,294</u>	<u>21,786,329</u>	<u>25,620,922</u>	<u>24,687,427</u>	<u>25,347,857</u>	<u>25,452,515</u>	<u>15,604,650</u>	<u>23,750,125</u>	<u>19,344,105</u>
Total Primary Government Expenses	<u>\$ 38,674,495</u>	<u>\$ 51,970,254</u>	<u>\$ 54,979,650</u>	<u>\$ 61,140,607</u>	<u>\$ 60,703,280</u>	<u>\$ 61,700,643</u>	<u>\$ 63,434,807</u>	<u>\$ 48,209,968</u>	<u>\$ 59,665,249</u>	<u>\$ 58,648,176</u>
<b>Program Revenues</b>										
Governmental Activities:										
Charges for Services:										
General Government	1,496,818	2,023,362	2,237,962	1,795,469	2,774,869	2,870,443	1,949,125	1,966,966	2,453,015	1,947,445
Public Safety	1,984,642	3,712,280	3,575,133	3,500,929	2,414,893	2,684,724	2,638,811	3,219,231	3,290,573	3,211,911
Public Service	9,217,198	5,361,852	4,858,444	4,790,460	3,742,856	4,454,492	4,983,420	6,655,604	7,623,178	8,784,447
Public Welfare	718,162	704,790	713,342	779,841	399,280	451,960	1,102,896	1,593,212	613,322	1,097,845
Operating Grants and Contributions	502,198	409,263	502,863	439,131	693,342	1,114,835	566,586	406,239	457,354	2,169,871
Capital Grants and Contributions	1,380,553	18,694,375	7,153,103	8,219,791	5,307,118	7,867,093	635,758	844,935	4,762,416	2,960,051
Total Governmental Activities Program Revenues	<u>\$ 15,299,571</u>	<u>\$ 30,905,922</u>	<u>\$ 19,040,847</u>	<u>\$ 19,525,621</u>	<u>\$ 15,332,358</u>	<u>\$ 19,443,547</u>	<u>\$ 11,876,596</u>	<u>\$ 14,686,187</u>	<u>\$ 19,199,858</u>	<u>\$ 20,171,570</u>
Business-Type Activities										
Charges for Services:										
Water	7,434,574	8,604,498	8,222,724	7,221,378	6,986,247	7,064,571	7,921,483	9,585,939	9,842,699	9,969,058
Waste Water	6,430,206	7,052,987	6,918,132	6,052,668	6,505,119	6,930,036	7,488,473	8,560,438	8,852,738	9,008,247
Solid Waste	2,582,437	2,428,230	2,608,662	2,391,641	2,716,981	2,569,607	2,570,644	2,532,676	2,725,465	2,953,414
Non-Major Activities	-	-	-	467,607	326,820	417,114	382,968	644,672	872,325	891,379
Operating Grants and Contributions	-	-	-	-	-	-	-	-	9,596	123,439
Capital Grants and Contributions:	1,624,237	26,464,222	29,405,599	6,465,230	3,621,051	6,589,612	566,138	156,123	5,898,923	6,385,418
Total Business-Type Activities Program Revenues	<u>18,071,454</u>	<u>44,549,937</u>	<u>47,155,117</u>	<u>22,598,524</u>	<u>20,156,218</u>	<u>23,570,940</u>	<u>18,929,706</u>	<u>21,479,848</u>	<u>28,201,746</u>	<u>29,330,955</u>
Total Primary Government Program Revenues	<u>\$ 33,371,025</u>	<u>\$ 75,455,859</u>	<u>\$ 66,195,964</u>	<u>\$ 42,124,145</u>	<u>\$ 35,488,576</u>	<u>\$ 43,014,487</u>	<u>\$ 30,806,302</u>	<u>\$ 36,166,035</u>	<u>\$ 47,401,604</u>	<u>\$ 49,502,525</u>

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

	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Net (Expense) / Revenue</b>										
Governmental Activities	(10,415,558)	85,962	(14,152,474)	(15,994,064)	(20,683,495)	(16,909,239)	(26,105,696)	(17,919,131)	(16,715,266)	(19,132,501)
Business-Type Activities	5,112,088	23,399,643	25,368,788	(3,022,398)	(4,531,209)	(1,776,917)	(6,522,809)	5,875,198	4,060,921	9,986,850
Total Primary Government Net Expense	<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>	<u>\$ (12,654,345)</u>	<u>\$ (9,145,651)</u>
<b>General Revenues and Other Changes in Net Position</b>										
<b>Governmental Activities:</b>										
Taxes										
Property Taxes	11,137,006	11,836,748	12,070,765	14,629,230	15,501,316	16,342,053	15,716,055	16,429,959	17,561,022	20,203,718
Unrestricted Grants and Contributions	5,163,288	5,375,807	5,617,243	6,125,789	6,284,467	6,782,383	6,898,717	6,342,884	7,436,419	7,783,892
Investment Earnings	852,222	1,093,115	1,362,790	671,859	352,378	301,424	283,090	243,744	355,790	403,152
Miscellaneous	3,416,890	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790	155,484	-	293,884	374,966
Sale of Capital Assets	-	490,637	51,342	68,057	761,952	(8,168)	4,414	1,765	236,688	-
Transfers of Capital Assets	-	-	-	(6,311,324)	-	-	(2,088)	-	-	-
Transfers	1,784,100	489,780	-	(3,249,929)	521,863	517,250	(37,136)	(10,000)	(10,000)	(410,016)
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<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>	<u>\$ 25,873,803</u>	<u>\$ 28,355,712</u>
<b>Business-Type Activities:</b>										
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	-	-	-
ARRA Debt Forgiveness	-	-	-	-	-	-	-	-	390,700	-
Transfers	(1,784,100)	(489,780)	-	3,249,929	(521,863)	(517,251)	37,136	10,000	10,000	380,347
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	<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>	<u>400,700</u>	<u>380,347</u>
Total Primary Government	<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>	<u>\$ 26,274,503</u>	<u>\$ 28,736,059</u>
<b>Change in Net Position</b>										
Governmental Activities	11,937,948	21,312,205	6,808,979	(1,293,711)	4,994,552	8,582,493	(3,087,160)	5,089,221	9,158,537	9,223,211
Business-Type Activities	3,327,988	22,913,045	25,370,840	6,541,010	(4,710,419)	(1,855,693)	(6,481,470)	6,394,110	4,461,621	10,367,197
Total Primary Government	<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>	<u>\$ 13,620,158</u>	<u>\$ 19,590,408</u>

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Reserved	5,725	3,000	3,000	63,000	-					
Unreserved	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	6,420,760	6,061,965
Unassigned						905,862	264,091	-	193,534	-
Total general fund	<u>3,179,099</u>	<u>4,370,538</u>	<u>4,519,814</u>	<u>5,364,397</u>	<u>5,119,400</u>	<u>6,897,250</u>	<u>7,327,055</u>	<u>7,327,375</u>	<u>6,614,294</u>	<u>6,061,965</u>
All Other Governmental										
Reserved	2,164,698	2,996,832	3,045,231	2,660,918	6,597,569					
Unreserved, reported in:										
Special revenue funds	9,776,823	13,205,328	13,723,846	12,516,240	14,916,152					
Capital projects funds	6,598,235	-	2,884,553	-	1,793,287					
Debt service funds	-	-	-	-	-					
Nonspendable						999,464	1,113,484	1,193,530	1,269,557	1,360,690
Restricted						19,962,574	19,683,881	26,061,499	19,927,526	12,546,935
Committed						3,278,422	3,463,714	851,322	3,075,505	3,088,936
Assigned						58,419	-	-	229,602	-
Unassigned						-	(51,586)	456,669	(184,101)	(97,173)
Total all other governmental funds	<u>18,539,756</u>	<u>16,202,160</u>	<u>19,653,630</u>	<u>15,177,158</u>	<u>23,307,008</u>	<u>24,298,879</u>	<u>24,209,493</u>	<u>28,563,020</u>	<u>24,318,089</u>	<u>16,899,388</u>

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

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

	Fiscal Year									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Revenues</b>										
Taxes	11,222,034	11,853,872	12,004,946	14,451,954	15,055,844	16,634,924	16,057,318	16,540,972	17,385,371	20,404,236
Special assessments	1,931,261	1,866,717	1,793,813	1,633,896	1,643,500	1,866,272	1,898,007	1,752,615	2,011,944	1,578,855
Licenses and permits	1,653,546	1,762,086	1,351,887	1,140,831	958,590	1,308,378	1,214,705	1,629,744	1,784,282	1,827,842
Intergovernmental	7,046,039	6,115,697	9,642,918	7,102,049	7,900,176	8,299,803	7,697,637	7,586,007	8,208,770	8,562,937
Charges for service	6,347,087	7,403,739	6,748,891	6,468,006	5,790,382	6,629,507	6,891,594	8,806,969	9,656,123	10,629,791
Fines and forfeitures	1,461,398	1,746,213	1,644,767	1,597,236	1,518,481	1,441,383	1,364,617	1,394,652	1,411,162	1,305,166
Interest on investments	848,909	1,068,802	1,360,914	671,859	352,378	300,516	281,239	239,778	329,086	370,305
loan repayment	291,338	10,193	19,849	9,985	10,401	193,302	306,385	157,069	63,980	94,989
Other	3,412,410	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790	155,484	394,677	287,089	363,274
<b>Total revenues</b>	<b>34,214,022</b>	<b>33,767,475</b>	<b>36,427,298</b>	<b>35,842,487</b>	<b>35,485,823</b>	<b>38,230,875</b>	<b>35,866,986</b>	<b>38,502,483</b>	<b>41,137,807</b>	<b>45,137,395</b>
<b>Expenditures</b>										
General government	5,309,637	5,577,810	6,153,838	5,946,355	5,690,488	5,939,771	6,266,566	7,276,839	6,138,575	6,594,474
Public safety	9,494,622	10,160,291	10,778,917	11,056,742	11,709,170	12,137,616	12,513,270	13,822,691	14,637,886	15,086,695
Public service	2,276,802	3,060,672	3,020,855	2,976,711	2,702,510	3,002,021	2,738,066	2,805,612	3,498,770	3,786,283
Public welfare	5,099,873	4,315,086	4,819,758	5,161,997	4,916,828	6,435,916	6,184,073	6,216,387	6,678,347	7,366,955
Other	-	-	-	-	-	-	-	15,776	1,046,712	1,113,340
Capital outlay	18,374,651	11,397,365	12,205,040	9,380,742	4,248,758	3,299,017	3,881,388	2,782,435	8,053,456	9,905,333
Debt service										
Principal	989,041	833,158	2,013,232	1,138,051	1,194,819	1,611,087	3,235,664	1,826,126	1,482,142	1,121,593
Interest & Fiscal Fees	570,360	549,667	649,662	738,198	715,150	680,088	666,082	445,736	380,950	824,266
<b>Total expenditures</b>	<b>42,135,050</b>	<b>35,894,049</b>	<b>39,641,302</b>	<b>36,398,796</b>	<b>31,177,723</b>	<b>33,105,516</b>	<b>35,485,109</b>	<b>35,191,602</b>	<b>41,916,838</b>	<b>45,798,939</b>
Excess of revenues over (under) expenditures	(7,921,028)	(2,126,574)	(3,214,004)	(556,309)	4,308,100	5,125,359	381,877	3,310,881	(779,031)	(661,544)
<b>Other Financing Sources (Uses)</b>										
Proceeds from borrowing	1,376,869	-	-	-	-	-	-	-	-	-
Transfers in	17,619,744	4,565,896	4,604,100	8,394,126	10,857,332	6,985,734	3,482,550	4,291,417	3,103,787	4,816,671
Transfers out	(15,835,644)	(4,076,116)	(4,604,100)	(11,733,378)	(11,033,925)	(7,255,505)	(3,821,010)	(4,454,505)	(3,113,787)	(5,197,018)
Issuance of debt			6,554,166	177,346	890,000	-	3,357,798	1,203,279	10,012,647	5,619,361
Premium on Bonds Issued			10,896	-	-	-	-	-	-	-
Payments to Refunded Bond Escrow Agent							(3,120,000)	-	-	-
Sales of capital assets	1,483	490,637	249,688	86,326	766,922	10,555	59,204	2,775	243,092	64,855
<b>Total other financing sources (uses)</b>	<b>3,162,452</b>	<b>980,417</b>	<b>6,814,750</b>	<b>(3,075,580)</b>	<b>1,480,329</b>	<b>(259,216)</b>	<b>(41,458)</b>	<b>1,042,966</b>	<b>10,245,739</b>	<b>5,303,869</b>
<b>Extraordinary items</b>										
Net change in fund balances	\$ (4,758,576)	\$ (1,146,157)	\$ 3,600,746	\$ (3,631,889)	\$ 5,788,429	\$ 4,866,143	\$ 340,419	\$ 4,353,847	\$ 9,466,708	\$ 4,642,325
Debt service as a percentage of noncapital expenditures	6.6%	5.6%	9.7%	6.9%	7.1%	7.7%	12.3%	7.0%	5.5%	5.4%



**REVENUE CAPACITY SECTION**



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

Fiscal Year Ended June 30,	Residential Property	Commercial & Industrial Property	Other Property	Total Taxable Assessed Value **	Total Direct Tax Rate	Total Market Value *	Assessed Taxable Value ** as a Percentage of Total Market Value
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%
2014	47,956,720	32,542,060	5,138,220	85,637,000	173.08	3,386,295,608	2.529%
2015	50,978,520	31,641,840	5,273,640	87,894,000	188.76	3,598,269,877	2.443%

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 Nine 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>	Net Taxable Value (excludes Tax Increment Districts <u>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 *
2014	3,386,295,608	89,650,917	4,013,561	85,637,356	85,615,328
2015	3,598,269,877	92,081,322	4,186,781	87,894,541	90,735,030

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 Nine Fiscal Years**

Fiscal Year Ended <u>June 30,</u>	<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
2014	1,328,695	2,586,963	3,915,658	423,054	172,608	595,662	2,886,997	1,193,297	4,080,294
2015	1,328,695	2,718,220	4,046,915	423,054	190,579	613,633	2,886,997	1,225,604	4,112,601
Fiscal Year Ended <u>June 30,</u>	<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
2014	12,059	60,693	72,752	417	-	417	4,651,222	4,013,561	8,664,783
2015	12,059	52,376	64,435	417	3	420	4,651,222	4,186,782	8,838,004

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 Nine Fiscal Years**

Fiscal Year Ended <u>June 30,</u>	<u>Downtown Bozeman Improvement District</u>			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%
2014	153,063,721	3,915,658	2,586,963	85,367,356	3.03%
2015	190,128,511	4,046,915	2,718,220	87,894,541	3.09%

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 Eight Fiscal Years**

<b>Taxing Entity</b>	Fiscal Year							
	2008	2009	2010	2011	2012	2013	2014	2015
Statewide School Equalization	40.00	40.00	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	88.38	89.55
Open Space Bond	4.17	4.63	5.81	6.14	5.99	4.89	4.90	4.95
County-Wide School	97.05	100.26	94.02	95.74	95.61	96.47	101.28	99.94
Bozeman High School District	65.34	71.40	69.05	75.34	73.48	71.81	73.16	72.97
Bozeman Elementary School District	118.51	141.13	130.49	121.55	123.38	131.45	145.25	143.70
City of Bozeman	154.18	171.16	170.19	168.75	166.75	166.75	173.08	188.76
<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>626.05</b>	<b>639.87</b>
<b>Exempt from Tax Increment</b>								
University Millage	6.00	6.00	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	0.97	0.95
County-Wide Planning	2.43	2.58	2.50	2.40	2.40	2.39	2.39	2.35

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>	<u>Basic Rate</u>	General Obligation Debt <u>Service</u>	Total Direct Tax <u>Rate</u>	Bozeman School <u>District</u>	Gallatin <u>County</u>	State of <u>Montana</u>
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
2014	164.83	8.25	173.08	218.41	221.00	46.00
2015	177.52	11.24	188.76	216.67	215.78	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 Ten Years Ago**

<u>Taxpayer</u>	<u>2015</u>			<u>2006</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 Energy - Transmission & Distribution	3,830,123	1	4.36%	3,407,867	1	5.87%
Centurylink, Inc. (Qwest)	733,061	2	0.83%	1,301,414	2	2.24%
Bresnan Communications	596,481	3	0.68%			
Verizon Wireless	460,115	6	0.52%			
Harry Daum - Gallatin Mall	496,708	4	0.57%	516,660	3	0.89%
Stone Ridge Partners LLC	472,006	5	0.54%			
J & D Family Limited Partnership	355,492	9	0.40%			
Bridger Peaks Holding LLC	362,555	7	0.41%	329,112	5	0.57%
First Security Bank	362,097	8	0.41%			0.00%
George E. Westlake	327,461	10	0.37%			
Wal-Mart Stores Inc				392,693	4	0.68%
Costco Wholesale				281,944	6	0.49%
Bozeman Deaconess Foundation				277,352	7	0.48%
Machinery Power & Equipment Company				252,073	8	0.43%
POB Gallatin LP				224,093	9	0.39%
Highgate Bozeman LLC				223,186	10	0.38%
Total	<u>\$ 7,996,099</u>		<u>9.10%</u>	<u>\$ 7,206,394</u>		<u>12.41%</u>
Total City Taxable Assessed Value	<u>\$ 87,894,000</u>			<u>\$ 58,063,000</u>		

Source: Gallatin County Treasurer

**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>2015</u>			<u>2014</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	301,257	1	7.44%	288,194	1	7.36%
Moose Point LP	Commercial Property Developer	128,407	2	3.17%	127,174	2	3.25%
F&H, LLC	Property Investor/Developer	124,572	3	3.08%	121,512	3	3.10%
M & J Cowdrey LLC	Property Investor/Developer	114,091	4	2.82%	108,799	5	2.78%
777 Building	Multi Tennant Office Retail Building	111,161	5	2.75%	113,093	4	2.89%
Atlantic Financial Group Ltd.	Bank	88,937	6	2.20%	88,769	6	2.27%
Downtowner Group LLC	Business Support Services	88,531	7	2.19%	83,096	7	2.12%
American Bank of MT Wells Fargo Bank	Bank	87,555	8	2.16%	82,490	8	2.11%
Callender Street LLP	Design-Construction Oversight	72,769	9	1.80%	69,106	9	1.76%
Martel Plaza Ltd.	Multi Story Office Building	66,691	10	1.65%	65,881	10	1.68%
Total		<u>\$ 1,183,971</u>		<u>29.26%</u>	<u>\$ 1,148,114</u>		<u>29.32%</u>
Total Downtown BID Taxable Assessed Value		<u>\$ 4,046,915</u>			<u>\$ 3,915,658</u>		

Source: Gallatin County Treasurer

**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>
2006	9,769,893	9,490,225	97.14%	203,827	9,694,052	99.22%
2007	10,336,467	10,227,386	98.94%	106,611	10,333,998	99.98%
2008	10,635,491	10,324,653	97.08%	239,140	10,563,793	99.33%
2009	12,696,306	12,493,145	98.40%	149,497	12,642,642	99.58%
2010	13,324,175	12,415,922	93.18%	887,241	13,303,163	99.84%
2011	13,567,611	13,001,537	95.83%	492,141	13,493,678	99.46%
2012	13,683,839	13,108,003	95.79%	238,749	13,346,752	97.54%
2013	13,878,293	13,633,347	98.24%	61,554	13,694,901	98.68%
2014	14,821,724	14,482,502	97.71%	-	14,482,502	97.71%
2015	16,590,871	15,795,913	95.21%	155,126	15,951,039	96.14%

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")*

	<b>Fiscal Year</b>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
<b>Type of Customer</b>										
Residential	1,318,837	1,437,114	1,379,115	1,516,359	1,224,164	1,181,195	1,323,816	1,513,986	1,433,833	1,385,140
Government	27,640	62,913	49,623	66,253	51,168	48,228	49,349	59,589	52,448	53,165
MSU	295,121	298,352	260,232	254,891	228,789	227,019	235,965	233,484	213,698	210,107
Commercial	711,878	659,831	626,846	670,961	571,223	568,474	602,352	638,337	607,444	599,193
<b>Total</b>	<u>2,353,476</u>	<u>2,458,209</u>	<u>2,315,816</u>	<u>2,508,464</u>	<u>2,075,343</u>	<u>2,024,916</u>	<u>2,211,481</u>	<u>2,445,396</u>	<u>2,307,423</u>	<u>2,247,605</u>
 Total direct rate per 1,000 HCF	\$ 2,055.72	\$ 2,190.03	\$ 2,478.36	\$ 2,495.43	\$ 2,679.44	\$ 2,787.06	\$ 2,887.40	\$ 2,955.66	\$ 3,053.40	\$ 3,105.14

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>
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
2014	\$ 14.65	\$ 22.95	\$ 17.56	\$ 29.10
2015	\$ 14.65	\$ 22.95	\$ 17.56	\$ 29.10

\* 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  
City of Bozeman, Montana Commission Resolution 4454



## **DEBT CAPACITY**



**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 Pavable</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>			
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%	\$1,021.69
2012	3,080,000	306,727	2,269,500	5,370,000	182,577	23,853,427	35,062,231	4.36%	\$ 919.88
2013	2,445,000	1,198,823	1,659,500	5,195,000	13,751,878	22,501,119	46,751,320	5.54%	\$1,206.39
2014	11,685,000	1,086,396	1,185,500	5,015,000	18,140,000	21,025,565	58,137,461	6.82%	\$1,496.07
2015	16,320,000	963,274	890,500	4,825,000	17,365,000	19,972,565	60,336,339	7.11%	\$1,448.30

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>Tax Increment Financing District Bonds</b>	<b>Total</b>	<b>Actual Taxable Value of Property</b>	<b>Per Capita</b>
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%	\$ 247.76
2012	3,080,000	5,370,000	8,450,000	10.3%	\$ 221.69
2013	2,445,000	5,195,000	7,640,000	9.2%	\$ 197.15
2014	11,685,000	5,015,000	16,700,000	19.5%	\$ 429.75
2015	16,320,000	4,825,000	21,145,000	24.1%	\$ 507.56

Source: City Manager's Final Adopted Budget

**CITY OF BOZEMAN, MONTANA  
DIRECT & OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**

	Debt Outstanding as of June 30, 2015	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<u>Overlapping Bonded Indebtedness</u>			
Gallatin County:			
Various issues outstanding	\$ 53,306,387	36%	\$ 19,099,358
Bozeman School District #7:			
Various issues outstanding	<u>75,873,367</u>	<u>31%</u>	<u>\$ 23,438,599</u>
Subtotal overlapping debt			\$ 42,537,957
<u>City of Bozeman, Montana</u>			
Direct Debt	<u>23,294,686</u>	<u>100%</u>	<u>\$ 23,294,686</u>
Total Direct & Overlapping Debt			<u>65,832,643</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**

	<b>Fiscal Year</b>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt limit*	29,591,000	34,755,653	54,804,000	60,185,000	66,375,000	70,688,000	74,875,000	76,450,000	84,657,000	84,500,000
Total net debt applicable to limit	(6,568,569)	(5,595,558)	(5,423,128)	(4,842,905)	\$ (4,295,240)	\$ (3,638,239)	\$ (3,386,727)	\$ (3,643,823)	\$ (12,771,396)	\$ (15,356,726)
Legal debt margin	<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>	<u>\$ 71,885,604</u>	<u>\$ 69,143,274</u>
Total net debt applicable to the limit as a percentage of debt limit	22.2%	16.1%	9.9%	8.0%	6.5%	5.1%	4.5%	4.8%	15.1%	18.2%

\*2.5% of total market value of taxable property of \$3.38 Billion

Source: City Manager's Final Adopted Budget

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

Fiscal Year Ended <u>June 30,</u>	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	
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
2014	7,871,386	(4,405,464)	(751,000)	(429,438)	2,285,484	1,054,483	(474,000)	(73,760)	506,723
2015	7,748,913	(4,973,926)	(775,000)	(538,425)	1,461,562	586,116	(295,000)	(50,070)	241,046

Fiscal Year Ended <u>June 30,</u>	Waste Water Revenue Bonds				
	Utility Service Charges	Less: Operating Expenses	Debt Service		Coverage
			Principal	Interest	
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
2014	7,204,486	(5,895,751)	(1,084,854)	(660,771)	(436,891)
2015	7,631,117	(3,914,454)	(1,053,000)	(632,268)	2,031,395

**CITY OF BOZEMAN, MONTANA**  
**DEBT SERVICE REQUIREMENTS AND COVERAGE FOR DOWNTOWN TAX INCREMENT DISTRICT**  
**Past Eight 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	1,209,378	424,288	2.85
2011	1,135,166	423,088	2.68
2012	1,266,104	421,688	3.00
2013	1,497,572	425,088	3.52
2014	1,644,960	423,088	3.89
2015	1,853,725	425,888	4.35

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

As of June 30, 2015

<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	255,000	65,975	250,503	5,544
SID 683	1,372,000	7/1/2024	280,000	13,809	515,402	6,967
SID 684	1,376,869	7/1/2025	70,000	56,903	568,709	1,321
TOTAL	<u>\$ 3,908,869</u>		<u>\$ 605,000</u>	<u>\$ 136,687</u>	<u>\$ 1,334,614</u>	<u>\$ 13,832</u>

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

<b>Fiscal Year Ended <u>June 30,</u></b>	<b>Revolving Fund <u>Cash Balance</u></b>	<b>Principal <u>Amount of Bonds</u></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	1,468,529
2014	2,474,971	1,006,726
2015	2,948,129	1,009,724

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

<b><u>Fiscal Year</u></b>	<b><u>Assessment Billing</u></b>	<b><u>Total Annual Collections</u></b>
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
2014	676,613	1,054,484
2015	538,697	586,116



## **DEMOGRAPHIC AND ECONOMIC INFORMATION**



**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>
2006	33,280	4.1%	\$ 585,880,500	\$ 20,553	26.3	49.5%	5,332	2.5%
2007	34,832	4.5%	\$ 643,862,953	\$ 21,581	26.5	49.5%	5,356	2.2%
2008	35,944	3.1%	\$ 703,013,220	\$ 23,387	27.2	53.7%	5,432	2.7%
2009	36,933	2.7%	\$ 808,624,803	\$ 26,313	27.0	52.7%	5,463	4.6%
2010	37,280	0.9%	\$ 866,396,960	\$ 25,909	26.0	50.6%	5,509	5.8%
2011	37,314	0.1%	\$ 819,014,169	\$ 25,611	27.2	50.1%	5,679	5.6%
2012	38,116	2.1%	\$ 803,487,262	\$ 24,709	27.2	53.9%	5,810	5.0%
2013	38,753	1.6%	\$ 843,399,480	\$ 25,608	27.1	55.4%	5,994	4.5%
2014	38,860	0.3%	\$ 852,165,042	\$ 26,427	26.8	53.3%	6,216	3.6%
2015	41,660	6.7%	\$ 849,198,410	\$ 26,335	27.3	53.6%	6,294	2.8%

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

June 2015		June 2006	
Private Employers By Class	Employer Class Size	Private Employers By Class	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	8
Oracle America	7	Capital Opportunities (Home Care Services)	7
Wal Mart	7	Wal-Mart	7
Albertson's	6	Albertsons	6
Bridger Bowl	6	Bozeman Daily Chronicle	6
Community Food Co-Op	6	Community Food Coop	6
Costco	6	Costco	6
Federal Premium Ammunition	6	First Security Bank	6
First Student	6	Grantree Inn	6
Kenyon Noble Lumber & Hardware	6	Kenyon Noble Lumber & Hardware	6
Korman Marketing Group	6	Laidlaw Transit	6
Martel Construction	6	Martel Construction	6
McDonalds	6	Murdoch's Ranch & Home Supply	6
Murdoch's Ranch & Home Supply	6	Ressler Motor Co	6
Ressler Motor	6	Schlauch Bottcher Construction	6
Rosauers Super Markets	6	Simkins Hallin Lumber	6
Simkins Hallin Lumber & Hardware	6		
Town & Country Foods	6		
Town Pump Convenience Stores	6		
Zoot Enterprises	6		
Public Employers By Class	Employer Class Size	Public Employers By Class	Employer Class Size
Montana State University	9	Montana State University	9
School District #7	9	Bozeman School District	8
Belgrade School District	8	City of Bozeman	7
City of Bozeman	7	Gallatin County	7
Department of Agriculture	7		
Gallatin County	7		

*Class 6 - 100 to 249 Employees*

*Class 7 - 250 to 499 Employees*

*Class 8 - 500 to 999 Employees*

*Class 9 - 1,000+ Employees*

Source: Montana Department of Labor & Industry

## **OPERATING INFORMATION**



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

	Fiscal Year Ended June 30,					
	2010	2011	2012	2013	2014	2015
<b>General Government</b>						
City Commission	2.10	2.10	2.10	2.10	2.10	2.10
City Manager *	11.50	11.50	8.00	8.00	5.00	5.00
Municipal Court	7.50	8.50	8.50	8.50	8.50	9.00
City Attorney	11.50	7.00	7.00	7.00	7.00	9.00
Administrative Services	-	-	-	-	19.00	21.00
Finance *	8.75	8.75	10.00	11.00	-	-
Information Technology *	5.88	5.88	6.00	6.00	-	-
Community Development	12.20	12.20	8.75	9.00	8.00	12.60
Building Maintenance	3.55	3.55	3.00	3.50	3.50	3.50
<b>Total General Government</b>	<u>62.98</u>	<u>59.48</u>	<u>53.35</u>	<u>55.10</u>	<u>53.10</u>	<u>62.20</u>
<b>Public Safety</b>						
Police Department	71.75	71.75	71.25	72.75	72.75	72.25
Fire Department	41.75	41.75	41.75	43.75	45.75	45.00
Building Inspection	9.55	10.55	10.55	10.55	12.55	14.00
Parking	4.75	4.75	4.50	4.50	5.50	6.00
<b>Total Public Safety</b>	<u>127.80</u>	<u>128.80</u>	<u>128.05</u>	<u>131.55</u>	<u>136.55</u>	<u>137.25</u>
<b>Public Services</b>						
Public Services Administration / Engineering	8.15	8.15	10.00	10.00	12.00	6.58
Streets	17.62	17.62	17.62	17.62	18.62	16.20
Storm Water	-	-	-	1.00	1.00	4.00
Water Treatment Plant	9.27	9.27	9.77	9.77	11.27	12.75
Water Operations	15.62	15.62	15.62	15.62	15.62	17.33
Wastewater Operations	10.25	10.25	10.25	10.25	11.25	13.09
Wastewater Plant	15.87	15.87	15.87	16.37	17.47	15.50
Solid Waste Collection/Recycling	15.74	15.74	15.74	15.74	15.74	15.90
Solid Waste Disposal	-	-	-	-	-	-
Vehicle Maintenance	5.00	5.00	5.00	5.00	5.00	5.00
<b>Total Public Services</b>	<u>97.52</u>	<u>97.52</u>	<u>99.87</u>	<u>101.37</u>	<u>107.97</u>	<u>106.35</u>
<b>Public Welfare</b>						
Cemetery (numerous short terms)	5.75	5.75	3.33	3.33	3.33	4.90
Parks (numerous short terms)	13.45	13.45	11.77	11.77	11.77	15.40
Forestry	4.60	4.60	4.60	4.60	4.60	5.95
Library	21.66	21.66	21.66	21.56	23.11	23.41
Recreation (numerous short terms)	15.00	15.00	15.83	15.83	16.83	16.83
Community Services	2.00	2.00	2.00	2.00	4.00	3.50
<b>Total Public Welfare</b>	<u>62.46</u>	<u>62.46</u>	<u>59.19</u>	<u>59.09</u>	<u>63.64</u>	<u>69.99</u>
<b>Total of all Funds</b>	<u>350.76</u>	<u>348.26</u>	<u>340.46</u>	<u>347.11</u>	<u>361.26</u>	<u>375.79</u>

Source: City Manager's Final Adopted Budget

\* Administrative Services was created in fiscal year 2014 and consists of Finance, Information Technology and Human Resources

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

Fiscal Year Ended June 30,

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Finance</b>										
SID Statements	11,086	11,086	14,919	15,000	15,816	16,000	16,000	16,200	16,700	16,500
Utility Bills	111,463	112,775	134,460	134,000	135,000	135,000	135,000	138,000	141,000	241,000
Accounts Payable Checks Processed	13,211	11,387	13,301	12,218	12,076	12,122	11,962	12,519	11,989	12,722
Business Licenses	3,577	3,711	3,825	3,836	3,789	3,986	3,886	3,831	3,861	4,098
<b>Police</b>										
Number of Officers	47	45	51	52	55	56	60	63	63	61
Calls for Service	39,790	40,758	42,728	45,145	43,385	45,131	45,358	47,361	47,854	48,300
Arrests	2,299	2,524	2,581	2,853	2,338	2,325	2,152	2,096	3,464	3,000
Traffic Citation Issued **	n/a	n/a	n/a	n/a	3,311	4,504	5,234	5,205	5,397	4,800
Traffic Stops **	n/a	n/a	n/a	n/a	10,702	10,036	9,358	10,629	10,754	9,000
Traffic Crashes	1,666	1,780	1,519	1,302	1,194	1,486	1,264	1,320	1,750	1,900
<b>Fire</b>										
Fires, Hazardous Conditions & Rupture/Explosions	230	242	230	248	248	278	278	309	340	395
Emergency Medical Services/Rescue	1,373	1,454	1,658	1,441	1,441	1,483	1,483	1,941	2,051	2,200
Service Calls	96	118	148	145	145	187	187	145	212	230
<b>Building Inspection</b>										
Commercial Permits:										
Number	860	1,015	972	1,047	961	1,535	1,420	1,305	1,238	1,166
Value (Millions)	90.62	140.95	151.50	140.50	70.41	106.90	95.03	69.64	90.27	105.26
Residential Permits:										
Number	2,067	1,775	1,710	1,571	1,543	3,613	2,421	2,338	2,650	2,783
Value (Millions)	173.96	181.89	141.22	79.67	67.02	72.57	89.74	146.32	191.72	225.94
<b>Water</b>										
New Service Main Taps	76	79	15	39	16	3	20	41	50	55
Meter Replacement/Repair	844	663	878	368	650	467	279	113	200	250
Water Main Breaks/Repairs	5	8	5	6	4	1	6	4	6	6
<b>Wastewater</b>										
Main Line Flushing (in Miles)	101	95	110	90	81	78.26	90	47	90	90
New Infrastructure TV (in Miles)	10	19	4.8	1	1	1	1	2.6	12	18
New Service Taps	29	37	22	15	5	4	4	17	25	30
<b>Solid Waste Collection &amp; Recycling</b>										
Residential Accounts	6,310	6,608	6,779	6,957	7,130	7,092	7,240	7,470	7,869	8,369
Commercial Customers	211	239	254	262	268	271	281	265	258	265
Recycling Customers	-	-	484	881	965	970	1,000	1,135	1,601	2,100
Annual Tonnage Collected: Collections Program	11,171	11,953	11,879	10,397	10,657	10,920	11,248	10,695	10,960	11,457
<b>Vehicle Maintenance</b>										
Work Orders Processed	1,068	1,070	974	870	1,005	1,435	1,473	1,646	1,717	1,549
Gallons of Oil Disposed	11,384	10,000	9,350	9,350	9,175	9,445	8,751	8,640	8,740	8,969
<b>Parks</b>										
Park Reservations	340	340	360	221	280	319	320	350	400	400

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

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

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

	Fiscal Year Ended June 30,					
	2006	2007	2008	2013	2014	2015
Police						
Stations	1	1	1	1	1	1
Patrol Units (Cars)	16	17	18	20	20	22
Patrol Units (Motorcycles)	4	4	4	4	4	2
Fire						
Stations	2	2	2	3	3	3
Fire Trucks	5	5	5	6	7	7
Streets						
Street & Alley Mileage	196.773	229.905	234.736	255.769	259.133	262.058
Lane Miles Painted	35.0	40.0	42.0	37.0	43.0	44.0
Number of Signs Installed/Repaired	756	652	652	669	700	700
Water						
Water Mains (Miles)	230.15	247.23	250.16	264.61	267.28	268.57
Fire Hydrants	2,045	2,206	2,238	2,388	2,406	2,419
Wastewater						
Sanitary Sewers (Miles)	179.45	198.17	200.01	210.22	211.51	212.53
Number of Manholes	3,571	3,888	3,946	4,154	4,185	4,219
Solid Waste						
Number of Collection Vehicles	6	8	7	8	8	8
Number of Roll-off Trucks	1	2	3	4	4	4
Number of Recycling Trucks	0	0	0	1	2	2
Number of Compost Collection Trucks	2	2	2	2	2	2
Parks						
Formal Turf Acres	258	258	265	125	125	126
Natural Parkland Acres	110	110	115	220	220	220
Miles of Trails	45	45	50	55	61	63

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



**PART IV**

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

**AS REQUIRED BY U.S. OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133,  
*AUDITS OF STATE AND LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS***



CITY OF BOZEMAN, MONTANA  
**SCHEDULE OF EXPENDITURES FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2015**

<b><u>FEDERAL GRANTOR</u></b>	CFDA	Grant Award	Balance June 30, 2014	Grant Revenue Received	Grant Revenue Accrued	Total Revenue	Federal Awards Expended	Balance June 30, 2015
<b><u>U.S. Department of Justice</u></b>								
Rural Domestic Violence Assistance Program (OVW 2011-WR-AX-0014)	16.589	\$ 40,024	\$ -	\$ 40,024	\$ -	\$ 40,024	\$ 40,024	\$ -
Rural Domestic Violence Assistance Program (OVW 2014-WR-AX-0003)	16.589	122,137	-	77,818	44,319	122,137	122,137	-
Passed through Gallatin County:								
Missouri River Drug Task Force	16.738	69,422	-	69,422	-	69,422	69,422	-
Bullet-Proof Vest Partnership	16.607	5,978	-	5,978	-	5,978	5,978	-
JAG: SRT Helmets, Rifle & Scope 2014-DJ-BX-0676	16.738	19,315	-	-	19,315	19,315	19,315	-
<b><u>U.S. Department of Homeland Security</u></b>								
<b><u>FEMA Federal Emergency Management Agency</u></b>								
Passed through the Montana Department of Military Affairs								
Bearcat EMW-2013-SS-00064 Police HS Response Vehicle	97.067	4,000	-	4,000	-	4,000	4,000	-
<b><u>U.S. Department of Transportation</u></b>								
Passed through MT Dept. of Transportation: Traffic Safety								
STEP-Bozeman Occupant Protection: 00-03-09-02	20.600	6,267	-	3,726	2,541	6,267	6,267	-
Passed through MT Dept. of Transportation:								
CTEP Community Transportation Enhancement Projects								
STPE 1299(30) - Citywide Sidewalks	20.205	431,167	-	431,167	-	431,167	431,167	-
<b><u>U.S. Department of Interior</u></b>								
Passed through the Historical Society:								
Historic Preservation	15.904	5,225	-	5,225	-	5,225	5,225	-
<b><u>U.S. Department of Agriculture</u></b>								
Passed through MT Department of Resources & Conservation								
Cooperative Forestry Assistance	10.664	19,200	-	19,200	-	19,200	19,200	-
<b><u>U.S. Environmental Protection Agency</u></b>								
Passed through MT Department of Environmental Quality								
Protecting Bozeman's Waters:								
Stormwater Education and Outreach	66.460	4,720	-	3,720	1,000	4,720	4,720	-
<b><u>U.S. Department of Commerce</u></b>								
Local Technical Assistance, Feasibility Study for a Hybrid								
Community Fiber Optic Network in Bozeman, MT.	11.303	29,254	-	29,254	-	29,254	29,254	-
<b>Total Federal Financial Assistance</b>		<b>\$ 756,709</b>	<b>\$ -</b>	<b>\$ 689,534</b>	<b>\$ 67,175</b>	<b>\$ 756,709</b>	<b>\$ 756,709</b>	<b>\$ -</b>

CITY OF BOZEMAN, MONTANA  
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 JUNE 30, 2015

**NOTE 1. REPORTING ENTITY**

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

**NOTE 2. BASIS OF ACCOUNTING**

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

**NOTE 3. SUBRECIPIENTS**

The City has passed through Federal funds to subrecipients under the Rural Domestic Violence Assistance Program, as follows:

The Help Center (SACC)	\$	28,437
Haven		36,221
Guardian Ad Litem		5,113
Gallatin County		17,007
	<u>\$</u>	<u>86,778</u>



ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS  
MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bozeman, Montana (the City), as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 29, 2015.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Bozeman's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Bozeman's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Bozeman'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 preceding paragraph 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 City of Bozeman's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

*Anderson Zur Muehlen & Co., P.C.*

Bozeman, Montana  
December 29, 2015

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

### **Report on Compliance on Major Federal Program**

We have audited City of Bozeman's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the City of Bozeman's major federal program for the year ended June 30, 2015. City of Bozeman's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the City of Bozeman's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements (referred to above), which could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Bozeman's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### **Opinion on Each Major Federal Program**

In our opinion, the City of Bozeman complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2015.

### Report on Internal Control Over Compliance

Management of the City of Bozeman is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Bozeman's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Bozeman's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Anderson Zur Muehlen & Co., P.C.*

Bozeman, Montana  
December 29, 2015

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 Year Ended June 30, 2015

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

CITY OF BOZEMAN, MONTANA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)  
 Year Ended June 30, 2015

**Identification of major programs:**

20.205 CTEP Community Transportation Enhancement Projects

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

**Section II – Financial Statement Findings**

None.

**Section III – Federal Award Finding and Questioned Costs**

None.

**Status of prior year findings:**

**2014-01 Budgetary Amendments**

Status: Implemented

**2014-02 Federal Funding Accountability and Transparency Act Reporting –Rural Domestic Violence Assistance Program – CFDA 16.589**

Status: Implemented

**2014-03 Time and Effort Documentation – Rural Domestic Violence Assistance Program – CFDA 16.589**

Status: Implemented