

BOZEMAN^{MT}

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2017

Prepared by the City of Bozeman Finance Department

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2017

TABLE OF CONTENTS

I. INTRODUCTORY SECTION

Letter of Transmittal	1-13
Government Financial Officers Association Certificate of Achievement	14
Organizational Chart	15
City Elected Officials and Officers	16-17

II. FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT	18-20
------------------------------------	-------

A. MANAGEMENT'S DISCUSSION AND ANALYSIS	21-35
---	-------

B. BASIC FINANCIAL STATEMENTS

Government-Wide Financial Statements	
Statement of Net Position.....	36-37
Statement of Activities.....	38

Fund Financial Statements

Governmental Fund Financial Statements	
Balance Sheet – Governmental Funds	39-40
Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds.....	41
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds.....	42
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to The Statement of Activities – Governmental Funds	43

Proprietary Fund Financial Statements	
Statement of Net Position – Proprietary Funds.....	44-45
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	46
Statement of Cash Flows – Proprietary Funds	47-48

Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position – Fiduciary Funds	49

Notes to Financial Statements.....	50-125
------------------------------------	--------

CITY OF BOZEMAN, MONTANA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

C. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

Schedule of Funding Progress – Other Post-Employment Healthcare Benefits	126
Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions.....	127-129
Notes to Required Supplementary Information - Pension Plan Changes	130-132
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual – General Fund	133
Schedule of Revenues, Expenditures, and Changes in fund Balances – Budget to Actual – Other Major Funds	
Street Impact Fees Special Revenue	134
Street Maintenance Special Revenue	135
Building Inspection Special Revenue	136
Notes to Required Supplementary Information- Budgetary Information	137

D. SUPPLEMENTAL INFORMATION

Combining and Individual Fund Statements and Schedules – Nonmajor Funds	
Combining Balance Sheet – Nonmajor Governmental Funds	138-144
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance – Nonmajor Governmental Funds	145-151
Budget-to-Actual Schedules – Other Major Funds	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual - Other Major Funds	
SID Sinking Fund.....	152
Note to Budget-to-Actual Statements – Other Major Funds.....	153
Budget-to-Actual Statements- Nonmajor Funds	
Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget to Actual – Nonmajor Governmental Funds	154-169
Combining Nonmajor Proprietary Funds	
Combining Statement of Net Position.....	170-171
Combining Statement of Revenues, Expenses, and Changes in Net Position	172
Combining Statement of Cash Flows.....	173-174
Internal Service Funds Statements	
Combining Statement of Net Position.....	175
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position	176
Combining Statement of Cash Flows.....	177-178

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

D. SUPPLEMENTAL INFORMATION (CONTINUED)

Agency Funds

Combining Statements of Fiduciary Net Position.....	179
Combining Statement of Changes in Assets and Liabilities	180

III. STATISTICAL SECTION

Financial Trends Section

Net Position by Component	181
Changes in Net Position	182-183
Fund Balances – Governmental Funds	184
Changes in Fund Balances – Governmental Funds.....	185

Revenue Capacity Section

Assessed value of Taxable Property	186
City Taxable Market and Taxable Values.....	187
Tax Increment District Taxable Valuation Detail	188
Downtown Bozeman Improvement District & Comparison to City Taxable Value	189
Property Tax Levies in the Downtown Bozeman Improvement District.....	190
Direct and Overlapping Property Tax Rates	191
Principal Property Tax Payers.....	192
Principal Property Tax Payers in Downtown Bozeman Improvement District	193
Property Tax Levies and Collections	194
Water Sold by Type of Customer.....	195
Water and Sewer Rates	196

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2017

TABLE OF CONTENTS (CONTINUED)

Debt Capacity Section

Ratios of Outstanding Debt by Type.....	197
Ratios of General Bonded Debt Outstanding.....	198
Direct and Overlapping Governmental Activities Debt.....	199
Legal Debt Margin Information.....	200
Pledged Revenue Coverage.....	201
Debt Service Requirements and Coverage for Downtown Tax Increment District.....	202
Summary of Outstanding SIDs.....	203
Revolving Fund Balance and Bond Secured Thereby.....	204
Special Improvement District Assessment Billing and Collections.....	205

Demographics and Economic Section

Demographic and Economic Statistics.....	206
Principal Employers for Gallatin County.....	207

Operating Information

Full-time Equivalent City Government Employees by Function/Program.....	208
Operating Indicators by Function/Program.....	209
Capital Asset Statistics by Function/Program.....	210

IV. REPORTS OF INDEPENDENT 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 <i>Government Auditing Standards</i>	211-212
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PART I

INTRODUCTORY SECTION



December 18, 2017

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, 2017, 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.

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 2016 census estimate put Bozeman's population at 45,250 – which is a total increase of 61.3% from 2000 to 2016 – which continues Bozeman's standing as the fourth largest city in the state. Bozeman is the county seat of Gallatin County and is the home to Montana State University – Bozeman, and the Fighting Bobcats.

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. 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

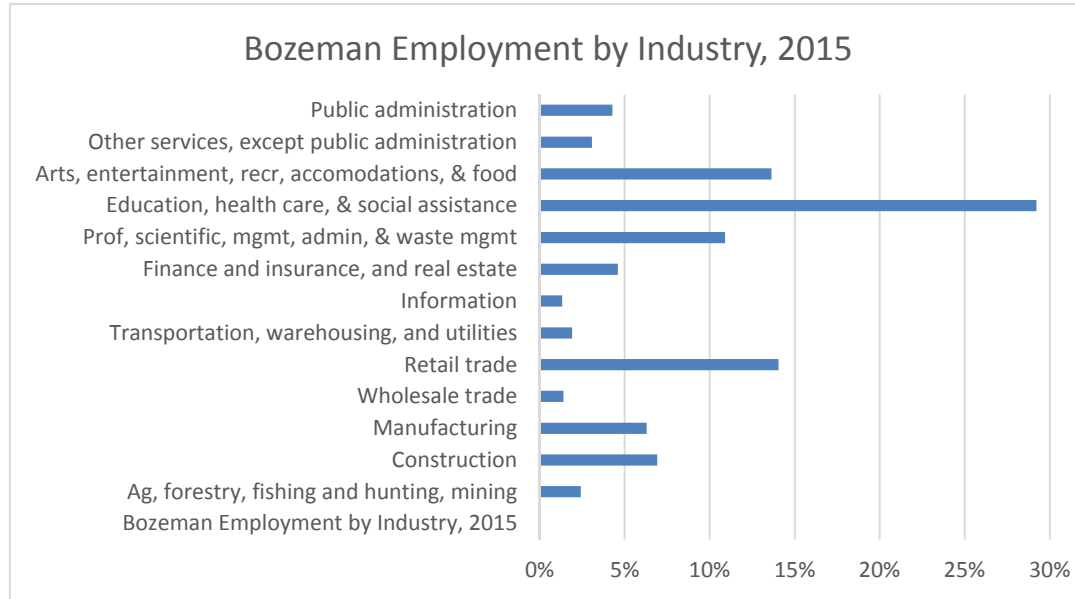
The City of Bozeman budget serves several purposes. For the *citizens of the City of Bozeman*, it presents a picture of the city government operations and intentions for the year. For the *City Commission*, it serves as a policy tool and as an expression of goals and objectives. For *City Management*,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

CITY OF BOZEMAN, MONTANA

Fiscal Year 2017 marked the fourth 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 30th. 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.

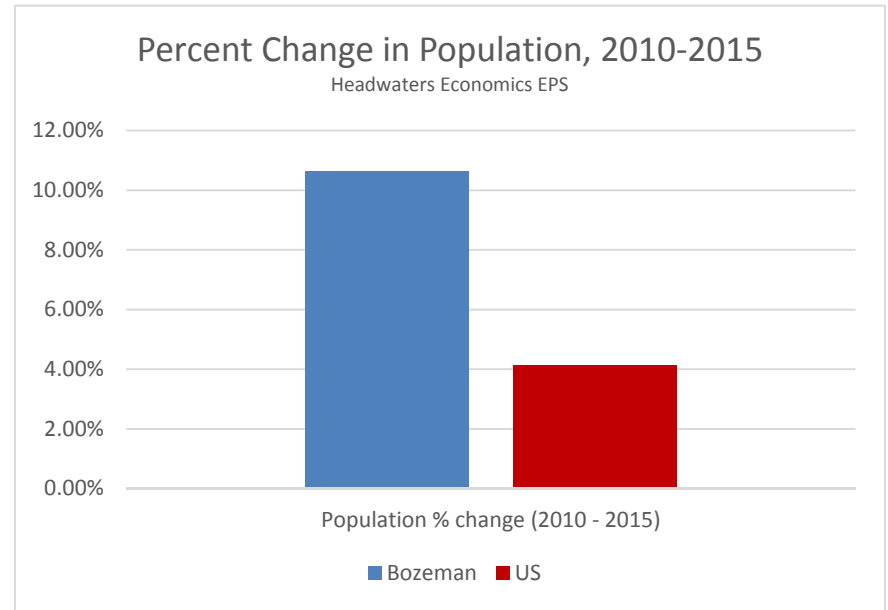
ECONOMIC CONDITION AND OUTLOOK



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.

Regionally, Bozeman is located in southwestern MT in Gallatin County. This area is “one of the fastest growing economic areas in the northern Rocky Mountains. It has a varied economic base, an educated workforce, thriving technology and manufacturing industries, a major research university, abundant cultural and outdoor recreation opportunities and a scenic natural landscape at the doorstep of Yellowstone National Park” as cited by Prospera Business Network, 2017 Economic Profile of Gallatin and Park Counties, Montana. Gallatin County continues to pace the state economically and remains the fastest growing urban area in Montana.

According to BBER, the growth in Gallatin County remains the strongest in the state. As measured by inflation-corrected payroll wages of jobs covered by the unemployment insurance system, which accounts for about two-thirds of economic activity, Gallatin County’s total payroll was about \$73 million higher during the first half of 2016 than the same period of the preceding year. Not only did the growth acceleration in Bozeman predate the improved economic performance of other western counties by nearly a full year, it remains the strongest in the state. There are clear signs of strain on the region’s housing and transportation infrastructure – median home prices have pushed beyond \$300,000, the highest of any of the state’s most populous counties. Growth continues to be driven by strong home construction, software and technology related professional services, and increases in visitor spending.



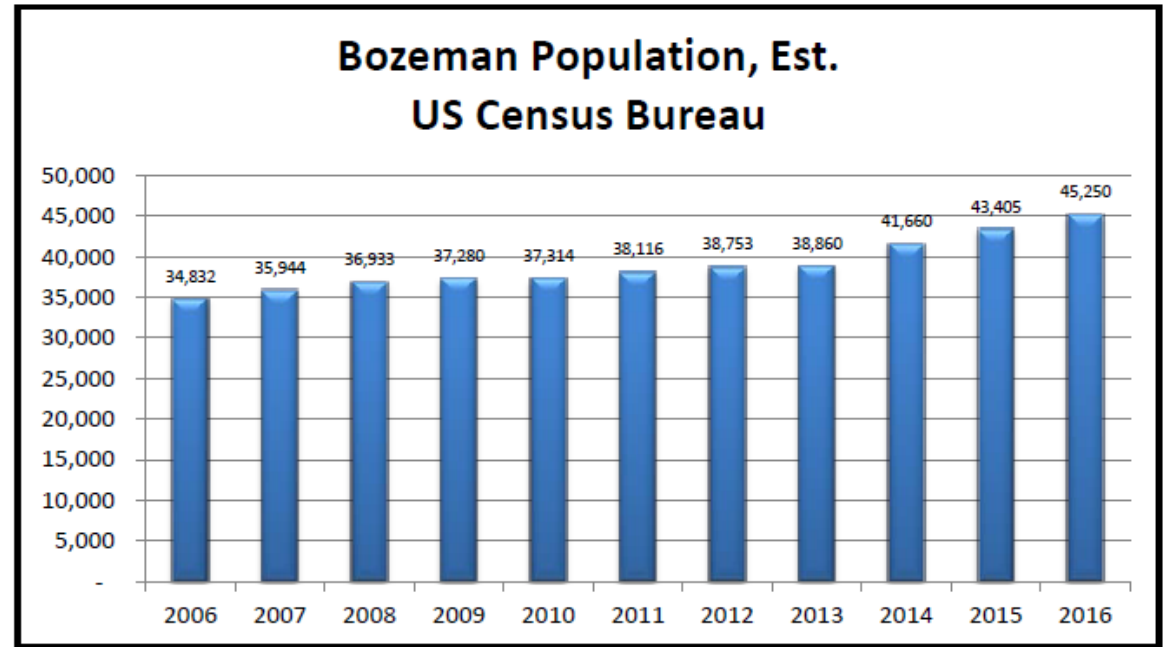
FOR THE YEAR**Significant Developments during the year include:****Continued Growth:**

Continued Growth – Bozeman’s most recent evidence of continued growth includes the US Census data showing an estimated population increase of 4.3% this year, on top of the 4.2% increase for last year. The City has experienced strong building permit activity and increased traffic counts and congestion on City streets. Much of this year’s budget was adopted in response to the prolonged growth that Bozeman continues to experience.

Arterial & Collector Assessment District: In August 2015, the City Commission created a new assessment district to fund reconstruction and maintenance of the City’s backbone

street network – the arterial and collector streets. The District issued its first assessment last year and this year the total assessment amount doubled to just over \$1 million in accordance with the plan to build the assessment up to \$2 Million/year over a three-year period. This is a critical funding portion of our Street Maintenance program and capital improvement plan.

Continued Implementation of Impervious Area charges and credits in the Stormwater Utility: Last year marked the last of numerous changes in the structure of the City’s Stormwater Utility rates. Initially the structure was established with a flat rate based on the size of a property’s water meter. Now the rate system includes system base charges, credits for properties that have on-site or related stormwater systems, and charges for the amount of impervious area contained on a lot. This new rate structure is a better match between “cost-causer” and “cost-payer,” in recognition of the city’s long-standing fiscal policies. Revenues under the new rate structure have increased by 324% from \$305,000 under the old method to \$1.3 million under the new structure.



Bozeman Population, Est US Census Bureau 1

CITY OF BOZEMAN, MONTANA

FOR THE FUTURE

New Fuel Tax Dollars: As a result of the legislature's adoption of House Bill 273, the City will receive approximately \$266,000 in additional state fuel tax funding next fiscal year. This amount is expected to increase to nearly \$700,000 in fiscal year 2019. City staff are recommending reducing the amount of the scheduled Arterial & Collector District assessment increase because of this new funding source.

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

City Strategic Plan:

- Five-year Strategic Plan is currently being developed with adoption planned in calendar year 2018.

Plans for Service Provision, Facility Expansion & Maintenance:

- Bozeman Community Plan—Adopted 2010. Proposed update in fiscal year 2018.
- Bozeman Area Transportation Plan—Adopted 2017.
- Police Services Facility & Staffing Plan—Adopted 2007. Currently being updated.
- Fire Services Master Plan—Adopted 2006. Currently being updated
- Wastewater Facility Plan—Adopted 2015.
- Water Facility Plan—Adopted 2006.
- Stormwater Facility Plan—Presented February 2008.



CITY OF BOZEMAN, MONTANA

- Parks, Recreation, Open Space, and Trails Plan—Adopted 2007.
- Municipal Climate Action Plan—Adopted 2008.
- Community Climate Action Plan – Adopted 2011.
- Economic Development Plan—Adopted 2017.
- Downtown Improvement Plan—Adopted 2010.

Plans for Facility Maintenance:

- Downtown Improvement Plan—Adopted 2010.
- Aquatics Facility Survey for Swim Center & Bogert Park Pool—July 2008.
- City-Owned Facility Assessments—2008, with updates ongoing.

Financial Plans:

- Downtown Improvement Plan—Adopted 2010.
- Annual Budget—Adopted each June.
- Capital Improvements Plan - Updated & adopted each year; recently for FY18-FY22.
- Water Rate Study (5 Years) – Updated for FY16-FY20. Update in FY18.
- Wastewater Rate Study (5 Years) – Updated for FY16-FY20. Update in FY18.
- Impact Fee Studies (Water, Sewer, Streets, Fire) – Adopted 2012-2013. Update in FY18.



**Burke Park
“Peets Hill”**

Transportation Master Plan Update:

The Bozeman Transportation Master Plan (TMP) serves as a guide for development of and investment in the community's transportation systems in a comprehensive manner. The TMP was developed through a collaborative approach with city and state staff, elected officials, and local residents and provides the blueprint for a transportation system that will serve the community's citizens well into the future. This comprehensive plan identifies community goals and improvements to the transportation infrastructure and services within the city of Bozeman and that portion within Gallatin County that is likely to include future urban area expansion. The Plan addresses regional transportation issues, overall travel convenience, traffic safety, sustainability, complete streets, funding, transportation demand management (TDM), and multi-modal connections. The Plan includes recommendations for short-term improvements as well as recommended modifications and capital improvements to major roadways. The Plan also includes policy suggestions to align with the community's vision for the Bozeman area.



Unified Development Code Update:

The City's Community Development Department is currently in the process of updating Bozeman's Development Code. The Development Code Update is a comprehensive update that covers many topics, diverse geographic area, and complex development-related issues. The Unified Development ordinance was last adopted on November 24, 2003. The Ordinance adopted a new Unified Development Code, which replaced existing zoning and subdivision regulations that govern the use and development of land. The intent is that the Development Code clearly communicate the community's expectations for development as expressed in the Community Plan. The purposes of the 2015 Development Code Update are to:

1. Implement the recommendations of the City's adopted Comprehensive Plan (2009) and its detailed neighborhood and special area plans by:
 - a. Encouraging the creation of vibrant mixed-use districts
 - b. Achieving high-quality infill and redevelopment
 - c. Integrating thoughtful greenfield development
2. Generate North 7th Corridor Plan (Midtown) implementation and design provisions.
3. Include traditional neighborhood development zoning districts for the Neighborhood Conservation Overlay District (NCOD)
4. Include additional provisions to promote and support sustainability including best management practices (BMPs) for storm water, water use, and lighting, and linking land use and transportation (auto, transit, biking and pedestrian).
5. Support the Comprehensive Plan to promote and support a safe, diverse, healthy, and affordable housing stock.
6. Comply with changes to State Law.
7. Make the Development Code a more concise and use-able document.



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.

CITY OF BOZEMAN, MONTANA

A minimum level of general fund reserve equal to 2 months of annual revenues, or 16.67%, 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.

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 INFORMATIONIndependent Audit

The State of Montana requires a biannual audit of the books of accounts, financial records, and transactions of all administrative departments of the City by independent certified accountants selected by the City Commission. It is the belief of the City Commission and Executive staff that an annual audit assures a higher level of financial management and fiscal responsibility. This policy, along with the legal requirements, has been complied with and the auditors' opinion of 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, 2016. This was the 33rd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

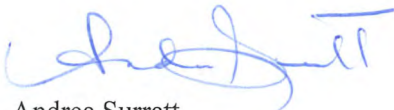
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirement and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. 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,



Andrea Surratt
City Manager



Kristin Donald, MBA
Director of Finance



Brian LaMeres, CPA
City Controller

GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Bozeman
Montana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

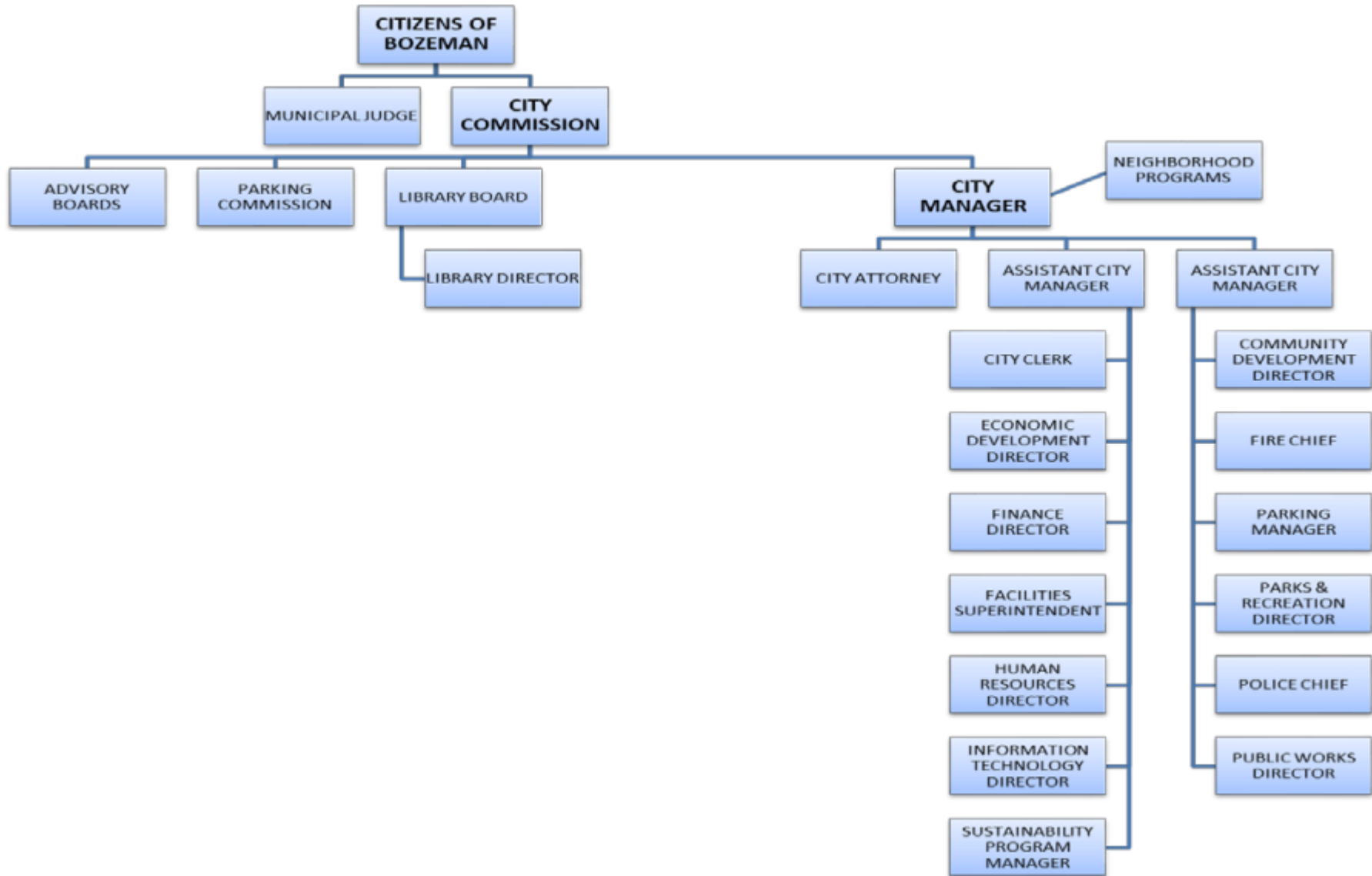
A handwritten signature in black ink, appearing to read 'Jeffrey R. Emer', is positioned above the title of the signatory.

Executive Director/CEO

CITY OF BOZEMAN, MONTANA

ORGANIZATIONAL CHART

Fiscal Year 2017



CITY OF BOZEMAN, MONTANA
CITY ELECTED OFFICIALS AND OFFICERS
Fiscal Year 2017

ELECTED OFFICIALS

Legislative

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

Mayor
Deputy Mayor
Commissioner
Commissioner
Commissioner

Judicial

Karl Seel
Colleen Herrington

Municipal Judge
Municipal Judge

OFFICERS

Executive

Andrea Surratt
Chuck Winn
Anna Rosenberry
Robin Crough

City Manager
Assistant City Manager
Assistant City Manager
City Clerk

Department of Law

Gregory Sullivan
Timothy A. Cooper
Kyla Murray
Anna Saverud
Karen Stambaugh
Bekki Mclean
Ed Hirsch

City Attorney
Assistant City Attorney
Assistant City Attorney
Assistant City Attorney
Assistant City Attorney
Assistant City Attorney
Assistant City Attorney

Department of Finance

Kristin Donald, MBA
Brian LaMeres, CPA
Laurae Clark

Finance Director
Controller
Treasurer

CITY OF BOZEMAN, MONTANA
 CITY ELECTED OFFICIALS AND OFFICERS (CONTINUED)
 Fiscal Year 2017

<p>Department of Economic Development Brit Fontenot</p>	<p>Director of Economic Development</p>
<p>Department of Information Technology Scott McMahan</p>	<p>Information Technology Director</p>
<p>Department of Human Resources Bethany Jorgenson</p>	<p>Human Resources Director</p>
<p>Department of Public Safety Steve Crawford Richard McLane Josh Waldo Michael Maltaverne Trisha Wolford</p>	<p>Chief of Police Deputy Chief of Police Fire Chief Deputy Fire Chief of Operations Deputy Fire Chief – Fire Marshal</p>
<p>Department of Public Service Craig Woolard Rick Hixson John Alston John Van Delinder Kevin Handelin Eric Campbell Herb Bartle Mike Gray</p>	<p>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</p>
<p>Department of Public Welfare Mitch Overton Thomas White Jamie Saitta Elizabeth Hill Susan Gregory</p>	<p>Director of Parks & Recreation Superintendent of Parks & Cemetery Recreation Program Manager Aquatics Manager Director of Bozeman Public Library</p>
<p>Department of Planning and Community Development Martin Matsen Chris Saunders Brian Krueger</p>	<p>Director of Planning and Community Development Community Development Manager Development Review Manager</p>

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, 2017, 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, 2017, 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 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 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 18, 2017, 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 18, 2017

A. MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

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, 2017. Please read it in conjunction with the transmittal letter on page 1 and the City's financial statements, which begin on page 36.

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 36, 37, and 38) 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 39. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

- Governmental activities—Most of the City's basic services are reported here, including police, fire, public works, parks, and general administration. Property taxes, charges for services, 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, 2017

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's funds begins on page 28. The fund financial statements begin on page 39 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 41 and 43 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 49 and in the Combining Statement of Changes in Assets and Liabilities-Agency Funds on page 180. 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, 2017

THE CITY AS A WHOLE

The City's *combined* net position increased by \$19.6 million this year as compared to a \$27.2 million increase last year. The smaller increase this year was due to three factors: a \$1.6 million decrease in total revenues, a \$4 million increase in total expenses, and a \$2 million loss on the disposal of City property, each of which will be described later in greater detail. The decrease in total revenues was mainly due to less Restricted Capital Grants & Contributions this year, which mainly consists of street, water, and, wastewater infrastructure provided by private developers. The specific contributing factors are outlined in the following discussion. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The net position of the City's governmental activities increased by \$9.2 million, or 6.4%, from \$143.2 million last year compared to \$152.4 million this year. *Unrestricted* net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements decreased by \$1.1 million, or 30%, from negative (\$3.7) million to negative (\$4.8) million. The reason for this unrestricted net position being negative is GASB Statement 68 "Accounting and Financial Reporting for Pensions", which required the City to record its share of employee retirement for the first time in fiscal year 2015.

The net position of the City's business-type activities increased by \$10.4 million, or 1.8%, from \$237 million to \$247.4 million due primarily to a continuing trend of revenues provided by charges for services exceeding total expenses. *Unrestricted* Net Position decreased by \$1.4 million, or 13%, due to a decrease in Restricted Capital Grants & Contributions (mainly water, wastewater, and stormwater infrastructure provided by private developers) combined with the effects of GASB 68 mentioned above. This net position cannot be used to make up for deficits reported by governmental activities in the event any such deficits were reported. The City generally can only use the net position of business-type activities to finance the continuing operations of the water, wastewater, solid waste, stormwater, and parking operations.

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 62.6	\$ 63.7	\$ 33.4	\$ 29.8	\$ 96.0	\$ 93.5
Capital Assets	136.5	126.1	263.3	257.2	399.8	383.3
Total Assets	<u>\$ 199.1</u>	<u>\$ 189.9</u>	<u>\$ 296.7</u>	<u>\$ 287.1</u>	<u>\$ 495.8</u>	<u>\$ 476.9</u>
Deferred Outflows of Resources	5.4	2.2	1.4	0.6	6.8	2.8
Long-term Debt Outstanding	(44.1)	(41.8)	(46.9)	(47.7)	(91.0)	(89.5)
Other Liabilities	(7.8)	(5.8)	(3.8)	(2.0)	(11.6)	(7.7)
Total Liabilities	<u>\$ (51.9)</u>	<u>\$ (47.6)</u>	<u>\$ (50.7)</u>	<u>\$ (49.7)</u>	<u>\$ (102.5)</u>	<u>\$ (97.2)</u>
Deferred Inflows of Resources	(0.2)	(1.2)	(0.0)	(0.4)	(0.2)	(1.6)
Net Position:						
Net investment in capital assets	\$ 115.7	\$ 104.1	\$ 229.4	\$ 221.4	\$ 345.1	325.5
Restricted for parking capital projects	-	-	0.3	0.3	0.3	0.3
Restricted for general government	1.7	1.4	-	-	1.7	1.4
Restricted for Public Safety	3.8	3.4	-	-	3.8	3.4
Restricted for Public Service	15.7	16.1	-	-	15.7	16.1
Restricted for Public Welfare	5.4	5.5	-	-	5.4	5.5
Restricted for capital projects	7.8	9.2	5.4	1.6	13.2	10.8
Restricted for debt service	7.1	7.2	3.1	3.1	10.2	10.3
Unrestricted	<u>(4.8)</u>	<u>(3.7)</u>	<u>9.2</u>	<u>10.6</u>	<u>4.4</u>	<u>6.9</u>
Total Net Position	<u>\$ 152.4</u>	<u>\$ 143.2</u>	<u>\$ 247.4</u>	<u>\$ 237.0</u>	<u>\$ 399.8</u>	<u>\$ 380.2</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

The City's total revenues (excluding special items) decreased by 1.8%, or \$1.6 million, from \$92.7 million to \$91.1 million, driven primarily by a \$5.9 million decrease in Restricted Capital Grants & Contributions (which includes water, wastewater, stormwater, road, and park infrastructure provided by private developers) netted against a \$4.2 million increase in all other revenues, including a \$2 million increase in Charges for Services and a \$1.9 million increase in general revenues, which will be discussed later in more detail.

The total cost of all programs and services increased by \$3.9 million, or 5.9%, from \$65.5 million last year to \$69.4 million this year. Most of this increase was in General Government (\$1.3 million) with Public Safety non-personnel operating expenses (Police, Fire, Building Inspection), actually decreasing by \$700,000. The rest of the increase was spread relatively evenly across the other various City programs including Public Service, Public Welfare, and the combined effect of Water, Wastewater, and the non-major activities of Solid Waste, Parking and Stormwater.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for Services	\$ 17.6	\$ 16.4	\$ 26.6	\$ 25.8	\$ 44.2	\$ 42.2
Restricted Operating Grants & Contributions	2.7	2.5	0.2	0.1	2.9	2.6
Restricted Capital Grants & Contributions	2.7	5.0	7.8	11.3	10.5	16.3
General Revenues						
Property Taxes	21.7	21.2	-	-	21.7	21.2
Unrestricted Operating Grants & Contributions	8.4	8.0	-	-	8.4	8.0
Other General Revenues	1.9	1.1	1.6	1.3	3.4	2.4
Total Revenues	<u>55.0</u>	<u>54.2</u>	<u>36.1</u>	<u>38.5</u>	<u>91.1</u>	<u>92.7</u>
Program Expenses						
General Government	9.4	8.1	-	-	9.4	8.1
Public Safety	17.7	18.4	-	-	17.7	18.4
Public Service	7.9	6.9	-	-	7.9	6.9
Public Welfare	9.2	8.0	-	-	9.2	8.0
Interest and Fiscal Fees	0.8	0.9	-	-	0.8	0.9
Water	-	-	9.7	9.3	9.7	9.3
Waste Water	-	-	8.6	8.2	8.6	8.2
Non-major activities	-	-	6.1	5.9	6.1	5.9
Total Expenses	<u>44.9</u>	<u>42.2</u>	<u>24.4</u>	<u>23.3</u>	<u>69.4</u>	<u>65.5</u>
Excess (deficiency) before special items and transfers	10.0	12.0	11.7	15.2	21.7	27.2
Sale of Capital Assets	(0.1)	-	(2.0)	-	(2.1)	-
Transfers	<u>(0.7)</u>	<u>1.2</u>	<u>0.7</u>	<u>(1.2)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net position	\$ 9.2	\$ 13.2	\$ 10.4	\$ 14.0	\$ 19.6	\$ 27.2
Net position - beginning	<u>143.2</u>	<u>130.0</u>	<u>237.0</u>	<u>223.0</u>	<u>380.2</u>	<u>353.0</u>
Net position - ending	<u>\$ 152.4</u>	<u>\$ 143.2</u>	<u>\$ 247.4</u>	<u>\$ 237.0</u>	<u>\$ 399.8</u>	<u>\$ 380.2</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

Governmental Activities

Revenues for the year from governmental activities increased by 1.3%, or \$700,000, from \$54.2 million to \$54.9 million, while total expenses increased by 6.5%, or \$2.7 million, from \$42.2 million to \$44.9 million. Property Tax revenues increased by \$500,000, or 2.2%, from \$21.2 million to \$21.7 million. Charges for services, which include Street Assessments and Fire and Street Impact Fees, realized a net increase of \$1.2 million, or 7.4%, from \$16.4 million to \$17.6 million. Restricted Capital Grants and Contributions (developer-provided infrastructure reported under Program Revenues) decreased by \$2.1 million, or 42%, from \$5.0 million to \$2.9 million. These and the other contributing factors listed below are primarily responsible for this year's change in net position.

Charges for services increased by \$1.2 million, or 7.4%, from \$16.4 million last year to \$17.6 million this year. Street Impact Fees held steady at just under \$4 million, but Street Maintenance District assessments and Arterial & Collector District assessments each increased significantly due to rate increases approved by the City Commission pursuant to policy adopted to address deferred street infrastructure maintenance and to build a reserve for curb and sidewalk replacement. Arterial & Collector district revenues increased by \$527,124, or 93.2%, from \$565,286 to \$1.1 million. Street Maintenance revenue increased by \$637,377, or 16.3%, from \$3.9 million to \$4.5 million. Fire impact fee revenues actually decreased for the second straight year from \$338,500 last year to \$315,732 this year, a decrease of \$22,728 or 6.7%.

Property Tax collections increased by nearly \$500,000, or 2.2%, from \$21.2 million last year to \$21.7 million this year. The number of total property tax mills levied actually decreased by 4.86 mills from 210.16 to 205.30, or 2.4%, so the increase in revenues was instead fueled by a 3.2% increase in the mill value from \$86,564 to \$89,325 along with continued growth in the number of taxpayers.

Property Tax revenues actually decreased in some of the Tax Increment Financing (TIF) Districts, with revenues in the North 7th/Midtown District decreasing by 5%, or \$34,000, from \$686,000 to \$652,000 and revenues in the Northeast Urban Renewal District decreasing by 12%, or \$17,867, from \$148,335 to \$130,468 after the latest property reappraisal by the Montana Department of Revenue (which changed its appraisal cycle from every 6 years to every 2 years) and the resulting shift in tax burden from commercial to residential property owners. While property tax revenues did increase City-wide, it is important to note that this year's tax levy was still 12.23 mills, or approximately \$1,097,822, below the statutory maximum allowable tax rate.

Restricted Capital Grants and Contributions (reported under Program Revenues) decreased by \$2.1 million, or 42%, from \$5.0 million to \$2.9 million, mainly due to general infrastructure provided by developers being significantly less this year than in the previous year. Contributed road/transportation infrastructure decreased by \$2.5 million, or 59.6%, from \$4.2 million last year to \$1.7 million this year. However, developer-contributed park infrastructure increased by \$59,564 from \$523,095 to \$582,659.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

Program Expenses increased by 6.5%, or \$2.7 million, from \$42.2 million to \$44.9 million. Significant contributors included personnel costs for Public Safety due to departments being closer to fully-staffed than in previous years, with Police increasing 4.6%, or \$388,765, from \$7.43 million to \$7.78 million and Fire increasing 7.9%, or \$409,468, from \$5.16 million to \$5.57 million. However, personnel costs in the Building Inspection Department held steady at \$1.3 million. Non-personnel operating costs in Public Safety actually decreased significantly by 16.6%, or \$427,213, from \$2.5 million to \$2.1 million, due primarily to a spike in spending last year with nearly \$631,000 being spent on the design of a new joint City-Gallatin County Law & Justice Center.

The cost of all *governmental activities* this year was \$44.9 million compared to \$42.2 million last year. However, as shown in the Statement of Activities on page 38 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 \$21,565,229 because some of the cost was paid by those who directly benefited from the programs (\$17,615,589 in Charges for Services) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$2,850,750 plus \$2,913,033 = \$5,763,783).

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) decreased by \$2.3 million, or 1.6% (\$36.2 million this year compared to \$38.5 million last year) while expenses increased by \$1.1 million, or 4.8% (\$24.4 million compared to \$23.3 million last year).

The decrease in revenues was due to a \$3.5 million decrease in Restricted Capital Grants & Contributions, which consisted primarily of privately constructed water, wastewater, and stormwater infrastructure that was contributed to the City by developers. This was partially offset by a \$.9 million overall increase in charges for services revenue.

		Table 3						
		Governmental Activities						
		(in Millions)						
		Total Cost of Services		Net Cost of Services				
		<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>			
Police	\$	9.1	\$	9.4	\$	7.5	\$	7.8
Fire		6.5		6.0		5.5		5.0
Public Service		9.5		8.7		(1.5)		(1.9)
Library		2.5		2.3		1.6		1.5
Parks		1.8		1.7		1.8		1.6
Recreation		1.5		1.4		1.0		0.9
All Others		<u>14.0</u>		<u>12.9</u>		<u>5.5</u>		<u>3.4</u>
Totals		<u>\$ 44.9</u>		<u>\$ 42.4</u>		<u>\$ 21.4</u>		<u>\$ 18.3</u>

The increase in expenses this year was due to overall increased personnel costs of \$634,000 and a \$300,000 expense recorded in Solid Waste (reported under Non-major activities) to account for the updated estimate of the Story Mill Landfill post-closure liability.

Specific factors driving these and other regular operating results include:

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

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 and due to regular rate increases. However, the City Commission voted to hold water rates steady in fiscal years 2014 and 2015 followed by 2.5% rate increases in each of fiscal years 2016 and 2017. These rate increases have allowed the City to continue its water distribution pipe replacement program and replace or rehabilitate aging infrastructure every year instead of every two years. The City's customer-base growth grew by 378 customers, 3.2%, from 11,983 average active customer accounts to 12,361. This level of growth rate is trending more closely to the 5% growth experienced between 2005-2008.

As of two years ago, the Public Works Administration budget is now charged to the Water Fund instead of to the General Fund, and the Water Fund's administrative overhead in turn is then charged out to the various departments that benefit from Public Works Administration. This resulted in \$1,021,460 of administration reimbursement revenue being recorded as part of the \$1,126,262 reported under "Other income".

Because of the increase in the water rates and in the number of utility customers, combined with a \$177,670 increase in cash-in-lieu-of-water-rights, operating revenues increased by \$866,951 or 10.3% from \$8.47 million to \$9.3 million. The \$177,670 increase in cash-in-lieu of water rights revenue was a 40% increase to \$623,820 from last year's \$446,150.

Despite the increase in operating revenues, total revenues actually decreased for the year due to less infrastructure contributed by private developers. This amount, reported under Restricted Capital Grants and Contributions, decreased by \$1.9 million, or 37.4%, from \$5.1 million to \$3.2 million. Water impact fee revenues also decreased by \$377,232, or 16.7% due to less impact-fee qualifying construction during the year.

Operating expenses increased by \$491,354, or 5.6%, from \$8,758,385 last year to \$9,249,739 this year due mainly due to increased personnel costs or due to changes in how employee costs were allocated between different functions, for example, Water versus Wastewater.

Amounts spent on major projects undertaken during the year include: \$1.9 million on the Sourdough Storage Reservoir; \$477,857 towards continued annual renovations & pipe replacement; \$325,000 as the water system's share of the shops Facility Expansion (1804 N. Rouse MDT Property), \$305,797 for the Graf Street Extension; and \$182,755 for Kagy (Willson to 19th) Engineering.

Wastewater Revenues in the Wastewater Fund have generally been increasing over the past 10 years and are estimated at \$8.8 million for the upcoming year. Six years ago the City borrowed significantly to construct the new Water Reclamation Facility. This debt is being repaid by system users over the subsequent 20 years. Accordingly, the City Commission adopted a two-year rate resolution of a 6% increase for fiscal years 2012 and 2013 and 3% for fiscal years 2014 through fiscal year 2017. As a result of the rate increase, combined with the same customer growth experienced in the water system of 378 customers, operating revenues for the year increased by \$639,201, or 8.1%, from \$7,927,692 last year to \$8,566,893 this year.

Wastewater operating expenses increased by \$434,167, or 5.7%, from \$7,611,043 last year to \$8,045,210 driven mainly by an increase in contracted service expenses, including \$344,060 in continued remediation of the Bozeman Solvent Site liability and \$137,400 paid towards the East Gallatin Watershed Study.

Spending on major projects during the year included \$1.7 million on design and construction of the South University District wastewater project, \$325,000 as the wastewater system's share of the shops Facility Expansion (1804 N. Rouse MDT Property), \$257,600 on the Bridger Canyon Drive project, and \$215,500 on the East Olive Street project.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 39-40) reported a *combined* fund balance of \$51,740,011. Included in this year's total change in fund balance is a positive General Fund balance of \$6,490,156, down \$30,943 or .5% from \$6,521,099. 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 \$5,057,271 for the end of this year. The City's ending general fund balance of \$6,490,156 exceeds this recommendation by \$1,432,885. However, there are other significant assignments detailed below, and these other assignments combined with the minimum reserve requirement leave an Unassigned General Fund Balance of \$87,274. 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 \$6,490,156 has been assigned as shown:

FY17 ENDING GENERAL FUND BALANCE - TOTAL:		\$ 6,490,156
ASSIGNMENTS:		
1 CIP / CAPITAL CARRY-OVER BUDGETED IN FY17 BUT NOT TO BE SPENT UNTIL FY18:		
FACILITIES DEPT: CIP GF130 CITY HALL SITE IMPROVEMENTS	\$	40,000
FACILITIES DEPT: CIP GF103 ADA COMPLIANCE UPDATES/IMPROVEMENTS CITY-WIDE	\$	19,622
IT DEPT: CIP GF264 REDUNDANT INTERNET CONNECTIVITY	\$	18,000
TOTAL CIP / CAPITAL-CARRY OVER ITEMS:	\$	77,622
2 16.67% MINIMUM RESERVE LEVEL REQUIRED BY CITY CHARTER (2 MONTHS OF REVENUES):	\$	5,057,271
3 FY18 BUDGET: FY17 YEAR-END FUND BALANCE NEEDED TO BALANCE FY18 BUDGET:	\$	<u>1,267,989</u>
TOTAL GENERAL FUND ASSIGNMENTS:		\$ 6,402,882
UNASSIGNED GENERAL FUND BALANCE - FY17:		\$ 87,274

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

General Fund The City's general fund balance decreased slightly by \$30,943, or .5%, from \$6,521,099 last year to \$6,490,156 this year. The City had budgeted for fund balance to actually end up being lower, at \$4.7 million, but actual revenues ended up exceeding budgeted expectations by \$246,100, and actual spending was less than budgeted spending by \$601,800, some of which is reflected in the TOTAL CIP / CAPITAL CARRY-OVER ITEMS listed in the preceding table. Other savings were realized through careful and conservative budgetary management practices implemented throughout all City departments.

Property tax revenues increased in the General Fund by \$364,382, or 2.4%, from \$14,904,243 to \$15,268,625, although the number of total property tax mills levied actually decreased by 4.86 mills from 210.16 to 205.30, or 2.4%. So the increase in property tax revenue was instead fueled instead by 3.2% increase in the mill value from \$86,564 to \$89,325 (a figure provided by the Montana Department of Revenue, which recently accelerated its appraisal cycle from every 6 years to every 2 years) in addition to continued growth in the number of taxpayers. In the prior year, the City actually realized a 1.5% decrease in the property tax mill value (from \$87,894 to \$86,564) due to the timing and nature of the appraisal cycle change.

Intergovernmental revenues increased by \$337,236, or 4.8%, from \$7,056,466 last year to \$7,393,702. Montana State Entitlement Share revenue accounted for \$166,714 of this increase. Entitlement Share began in 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 four years, this year increasing by 4%, from \$4,133,038 to \$4,299,752.

The State of Montana's share of City employee retirement (recorded as a revenue) also increased this year by \$120,100, or 5.3% from \$2,280,269 to \$2,400,348. 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 \$1,089,189, or 4.1%, from \$26,900,482 to \$27,989,671. The largest general fund expenditures continued to be in Public safety, with \$8.5 million (30.4%) spent on Police and \$6.2 million (22.1%) spent on Fire. Payroll expenditures across all functions (General government, Public safety, Public service, Public welfare) increased by just over \$1,350,670, or 6.8% from \$19,950,607 to \$21,301,276. This increase was due in part to positions continuing to be filled pursuant to the public safety mill levy beginning in 2009. As the department moved closer to being fully staffed, police personnel costs (net of State Share of Retirement) increased by \$273,326, or 4.6%, from \$5,948,514 to \$6,221,841. Fire Department personnel costs (net of State Share of Retirement) increased by \$342,409, or 8.3%, from \$4,121,341 last year to \$4,463,750.

However, this increase in personnel costs was partially offset by a decrease in other non-personnel operating expenditures, which decreased by \$378,343, or 5.9%, from \$6,394,788 last year to \$6,016,445 this year. Much of this was due to \$631,000 being spent on planning and design of a shared City-County Law & Justice Center last year and only \$159,540 being spent on that effort this year. Other notable expenditures in the general fund for the year included \$153,500 spent on new police patrol cars and related equipment, \$108,295 granted to the Streamline bus system, \$70,045 spent on the Strategic Plan, \$52,780 spent on the new City website, and \$43,100 spent on the Fire Protection Master Plan.

CITY OF BOZEMAN, MONTANA
 MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
 June 30, 2017

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 upgrade in the City's General Obligation Bond rating to Aa2 by Moody's Investor Services. Previously Moody's had 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 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. The more-recent Moody's Credit Opinion and Annual Comment are discussed further in the Debt section on page 33.

As shown on page 133, variances in the General Fund between the original budget of \$29,413,605 and the final budget of \$29,673,605 netted to an overall amount of \$260,000, with some functions reporting increases while others reported decreases to their original budget. Most of this was intentional and done in order to avoid confusing the public safety departments during the year by giving the impression that they had excess budget to spend, and it relates to the State's Share of Retirement entry that is booked annually at fiscal year-end. The \$2.4 million increase to the *Public safety* budget (from \$12,157,212 to \$14,555,712) and the \$2.34 million decrease to *Other* (from \$2,759,508 to \$419,508) both relate to opposite sides of the same budget amendment made for the State of Montana's share of Police officer and Firefighter retirement. By design, the \$2.34 million of appropriation authority was initially budgeted under *Other* to avoid confusion throughout the year, and at year-end this amount is shifted to the *Public Safety* budget to cover the increase in reported expenditures required by this book entry. An additional \$60,000 was needed to cover the remaining difference, and this \$60,000 along with \$200,000 to cover transfers-out of the General Fund during the year together made up the overall \$260,000 net budget amendment. It is important to note that the entire amount of the State Share of Retirement book entry only/non-cash expenditure is offset ("reimbursed") by intergovernmental revenue booked in the same amount.

Street Impact Fees Special Revenue Fund balance decreased by \$997,900 or 7.9%, from \$12,647,518 last year to \$11,649,617 this year due in part to decreased overall revenues but mainly due to a significant increase in total expenditures compared to last year. Total expenditures increased by \$650,510, or 14.6%, from \$4,452,729 to \$5,130,239 this year. Notable expenditures this year included: \$1.6 million spent on the extension of Graf Street; \$981,200 spent on the segment of Oak Street from L Street to Cottonwood; \$387,800 spent on Cottonwood from Fallon to Alpha; \$322,620 spent on the reconstruction of North 27th, including right-of-way; \$306,417 spent on the intersection of Baxter & Davis; and \$253,427 spent on Oak Street from New Holland to Ferguson.

Street Impact Fee revenues amounted to \$3.96 million (which almost exactly matched last year's figure) but there was a decrease in other revenues, including federal grant revenue passed-through the State of Montana to the City of Bozeman to partially reimburse the cost of the Transportation Plan Update. Last year nearly \$112,900 in grant revenue was received but that amount decreased to \$11,900 this year.

Construction activity for the year which required the payment of impact fees collected by the City included: \$275,313 for a new dorm on the campus of Montana State University; \$97,125 for the Larkspur/Homeward Affordable Housing Apartments; \$90,600 for work done by the School District at Sacajawea Middle School; and \$67,932 for the Golden Gate Apartments.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

Street Maintenance Special Revenue Fund balance decreased by \$335,227, or 43.3%, from \$774,948 last year to \$439,721 this year due to expenditures and transfers-out exceeding revenues for the year. Revenues did increase by \$673,850, or 17%, from 3,968,756 last year to \$4,642,606 this year, driven by a 15% increase in the street assessment rate targeted mostly at pavement maintenance.

Another significant contributing factor driving the revenue increase was the 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 two years ago, followed by Story Street and North Wallace Avenue last year, and East Olive Street this year. With the Commission's focused goal of addressing deferred street and curb maintenance, Street Maintenance Assessment rates were increased six 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 by 15% this year to fund operations and added pavement maintenance (chip seals, overlay, patching) with the overall goal of adding \$1 million over three years for additional construction projects.

As stated, the decrease in fund balance was driven primarily by expenditures and transfers-out, which combined together increased this year by \$427,500, or 8.8%, from \$4,847,651 to \$5,275,151.

Major expenditures during the year included \$375,904 for street mill and overlay projects, \$339,860 for street chip sealing, \$150,000 for a new asphalt paving machine, \$117,870 paid to provide street construction updates to the public, and \$96,800 for a new snow blower.

Building Inspection Special Revenue Fueled by continued growth in the construction sector, the City's Building Inspection division again experienced steady permit issuance over the past year. While never completely stopping, building construction significantly slowed during the recession. During this fiscal year, the total value of building permits for new construction was 15% less than the same timeframe during the previous year, but still 24% higher than the 5-year average value, and three-fold what the value reported in 2010. However, revenues did decrease slightly by \$61,069, or 3.3%, from \$1,843,206 last year to \$1,782,137 this year.

Fund balance still increased by \$25,515, or 1.5%, from \$1,676,314 last year to \$1,701,829 this year despite the decrease in revenues, because this year's total revenues of \$1,782,137 still exceeded the total amount spent of \$1,756,622. Although expenditures were less than revenues, the amount spent this year did increase by \$116,394, or 7.1%, from \$1,640,228 last year to \$1,756,622 this year. Personnel costs actually decreased by \$3,400 but non-personnel operating expenditures and capital outlays increased by a combined \$119,800.

Significant expenditures during the year include \$58,271 paid for third-party plan review and \$51,840 for two new staff vehicles.

SID Sinking Debt Service Fund balance increased by 36.9%, or \$269,572, from \$730,278 to \$999,850 due to increased revenues and a decreased level of expenditures and transfers out. Revenues from Special Improvement District (SID) assessment collections, along with fund interest income and other income, amounted to \$574,452, which was \$141,743, or 19.8%, lower than last year's revenues of \$716,195. Revenues reported two years ago amounted to \$595,510 so this year's amount continues that trend after an unusual spike last year due to an early SID (Special Improvement District) payoff by a group of property owners in order to avoid paying interest over the 20-year life of the SID assessment. The Northeast Urban Renewal Tax Increment Financing (TIF) District board voted to pay the entire amount of \$119,400 for their share of the North Wallace Avenue Reconstruction special improvement district (SID) assessments billed to property owners within that TIF District and this resulted in higher revenues being reported last year.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

Expenditures, however, decreased by \$75,508, or 28.2%, from \$267,343 to \$191,835 mainly because fewer SID bond installments came due or were called and paid this year compared to last. For example, last year \$70,000 worth of SID bonds for the Durston Road SID were called and paid while this year that amount was \$0. These amounts can vary based on how much cash is accumulated within each district by the time the bond payments are due. Last year there had been an accumulation of cash in this district due to early payoffs of the entire SID amount owed, which can happen when a piece of property within the district changes ownership.

Transfers out in the SID Sinking Debt Service fund continue to be related to the City's policy of internally financing smaller street SID's instead of issuing bonds. The amounts are borrowed from the SID Revolving Fund, reported on page 39, by the SID Sinking Debt Service fund, and then the amount is transferred to the appropriate SID construction fund. Going forward the SID Sinking Debt Service fund collects assessments from the property owners and subsequently repays the SID Revolving Fund instead of repaying external bondholders. This year's Transfer out of \$113,045 was for the Olive Street Reconstruction SID.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets As shown in Table 4, at the end of 2017 the City had \$399.7 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 \$16.6 million, or 4.3% over last year. Refer to capital assets disclosure Note 7 beginning on page 64 for more information.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Land	\$ 19.5	\$ 17.6	\$ 2.2	\$ 4.9	\$ 21.7	\$ 22.5
Water Rights	-	-	2.1	2.1	2.1	2.1
Buildings	32.7	32.6	113.2	113.0	145.9	145.6
Other Structures and Improvements	1.1	1.1	30.5	30.8	31.6	31.9
Machinery & Equipment	12.5	11.7	9.1	8.1	21.6	19.8
Property under Capital Lease	0.5	0.4	0.5	0.5	1.0	0.9
Vehicle	3.7	3.5	2.1	2.0	5.8	5.5
Infrastructure	<u>170.4</u>	<u>158.9</u>	<u>293.6</u>	<u>280.4</u>	<u>464.0</u>	<u>439.3</u>
Subtotal	<u>240.4</u>	<u>225.8</u>	<u>453.3</u>	<u>441.7</u>	<u>693.7</u>	<u>667.6</u>
Accumulated Depreciation	<u>(103.9)</u>	<u>(99.9)</u>	<u>(190.1)</u>	<u>(184.6)</u>	<u>(294.1)</u>	<u>(284.5)</u>
Total Capital Assets	<u>\$ 136.5</u>	<u>\$ 125.9</u>	<u>\$ 263.2</u>	<u>\$ 257.1</u>	<u>\$ 399.7</u>	<u>\$ 383.1</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

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

North Wallace Avenue Reconstruction Special Improvement District	\$ 2,507,830
Sourdough Water Storage Reservoir	\$ 1,937,765
Graf Street Extension	\$ 1,899,162
South University District Wastewater System	\$ 1,700,972
Oak Street Improvements: L Street to Cottonwood	\$ 981,205
Ferguson Avenue Improvements: Baxter to Oak Street	\$ 727,470
Public Works Facilities Expansion: Purchase of MT Dept of Transportation Property 1804 N. Rouse	\$ 650,000
Midtown Urban Renewal District Conduit Project	\$ 604,353
East Olive Street Reconstruction Special Improvement District	\$ 506,691
Trail and Open Space Bond: Sports Complex	\$ 589,680
Trail and Open Space Bond: Bozeman Creek	\$ 512,574
Water Line Replacement and Rehabilitation - annual distribution pipe replacement program	\$ 480,121
Cottonwood Road Improvements: Fallon to Alpha	\$ 387,759
Street Maintenance District Improvements: Mill & Overlay projects	\$ 375,904

Debt

At year-end, the City had \$56 million in bonds and notes outstanding versus \$59.2 million last year – a decrease of \$3.2 million, or 5.4%, as shown in Table 5. This decrease was due to debt repayment (\$3.46 million) exceeding new debt issued (\$.3 million) during the year. Debt repayment included \$1.1 million for the Water Reclamation Facility; \$822,000 for the new Water Plant; \$146,211 for the Stormwater-backed landfill mitigation system loan; \$250,000 for the refinanced transportation General Obligation (GO) Bonds; \$610,000 for the TOP GO Bonds; \$205,000 for the Downtown TIF District Bonds to finance the Parking Facility; and \$161,500 in SID debt. New debt included a \$82,577 Caterpillar snow blower lease for the Street Department and \$151,825 final drawdown from the MT Board of Investments for the McKinstry LED design/retrofit energy upgrades.

General obligation debt still outstanding, which is reported under Governmental Activities, consists of \$13.66 million for the TOP Bonds along with \$1.05 million in Series 2012 Refunding Bonds issued to refinance both the Series 2003A Transportation Refunding bonds and the Series 2001A and Series 2003B Library

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

Construction Project bonds. Debt reported under Business-Type Activities includes \$15.75 million of water revenue bonds and \$17.9 million of wastewater revenue bonds issued to finance construction of the new Water Treatment and Wastewater Reclamation Facilities.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
General obligation bonds (backed by the City)	\$ 14.7	\$ 15.6	\$ -	\$ -	\$ 14.7	\$ 15.6
Tax Increment Financing District (TIFD) bonds	4.4	4.6	-	-	4.4	4.6
Special Improvement District Debt	0.5	0.7	-	-	0.5	0.7
Notes Payable	0.9	0.9	-	-	0.9	0.9
Lease Payable	0.3	0.2	-	-	0.3	0.2
Water Revenue Bonds (backed by specific fee revenues)	-	-	15.8	16.6	15.8	16.6
Wastewater Revenue Bonds (backed by specific fee revenues)	-	-	17.9	18.9	17.9	18.9
Stormwater Revenue Bonds (backed by specific fee revenues)	-	-	1.4	1.4	1.4	1.4
Stormwater Lease Payable (backed by specific fee revenues)	-	-	0.3	0.4	0.3	0.4
Totals	<u>\$ 20.8</u>	<u>\$ 22.0</u>	<u>\$ 35.3</u>	<u>\$ 37.3</u>	<u>\$ 56.1</u>	<u>\$ 59.2</u>

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. Most recently Moody's upgraded this rating to Aa2 from Aa3, stating in their Credit Opinion "The Aa2 rating reflects the city's fairly large, growing tax base anchored by Montana State University (Aa3/Stable), improved wealth measures, a trend of sound financial operations and healthy reserve levels, and a limited debt burden that is expected to remain at similar levels in the near-term". Moody's again affirmed this Aa2 rating in July of 2017.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2017

As expressed in the fiscal year 2018 Approved Budget, City officials expect to end next fiscal year with a general fund balance totaling \$5.5 million, which exceeds the required minimum reserve of approximately \$5,060,000. This budget exceeds the minimum level of 16 2/3% of operating revenues 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.

Property taxes are the City's primary general revenue source (70.6%), followed by unrestricted grants and contributions (26.0%), and investment earnings (1.8%). Additionally, Moody's expects the City to maintain a moderate debt position given current limited debt burden, 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when adopting the 2017-2018 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 2.1% for the last calendar year and over the last 12 months the all items index rose 2.0% (as of this report date and before seasonal adjustment), with the energy index rising 6.4%. 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 Controller, Assistant Controller, or Finance Director 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, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 38,421,121	\$ 19,508,152	\$ 57,929,273
Restricted cash and investments	17,023,823	11,671,783	28,695,606
Accrued interest	89,957	79,040	168,997
Receivables, net	6,210,411	2,136,203	8,346,614
Notes receivable	562,689	9,442	572,131
Prepaid expenses	331,500	-	331,500
	<u>62,639,501</u>	<u>33,404,620</u>	<u>96,044,121</u>
Capital assets:			
Non-depreciable land and water rights	19,513,699	4,314,133	23,827,832
Other capital assets, net of depreciation	116,992,609	258,958,226	375,950,835
Total capital assets	<u>136,506,308</u>	<u>263,272,359</u>	<u>399,778,667</u>
Total assets	<u>199,145,809</u>	<u>296,676,979</u>	<u>495,822,788</u>
Deferred outflows of resources:			
Interlocal lease agreement	1,009,999	-	1,009,999
Pension plan contributions	4,385,298	1,399,555	5,784,853
Total deferred outflows of resources	<u>5,395,297</u>	<u>1,399,555</u>	<u>6,794,852</u>
 Total assets and deferred outflows of resources	 <u>\$ 204,541,106</u>	 <u>\$ 298,076,534</u>	 <u>\$ 502,617,640</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2017

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	\$ 6,749,585	\$ 3,785,531	\$ 10,535,116
Unearned revenue	56,343	-	56,343
Current portion of long-term liabilities:			
Compensated absences payable	1,341,900	345,854	1,687,754
Capital leases	35,343	81,460	116,803
Closure and post-closure care costs	-	360,000	360,000
Bonds and notes	1,268,134	2,031,000	3,299,134
Long-term liabilities, due in more than one year:			
Compensated absences	368,363	169,727	538,090
Capital leases	235,149	209,078	444,227
Closure and post-closure care costs	-	2,269,164	2,269,164
Pollution remediation obligations	16,874	1,700,183	1,717,057
Other post-employment health benefits - implicit rate subsidy	1,904,250	480,780	2,385,030
Due to other governments and other liabilities	1,009,999	231	1,010,230
Bonds and notes	19,505,875	32,952,430	52,458,305
Net pension liability	19,386,470	6,277,072	25,663,542
Total liabilities	<u>51,878,285</u>	<u>50,662,510</u>	<u>102,540,795</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	221,340	20,778	242,118
Total deferred inflows of resources	<u>221,340</u>	<u>20,778</u>	<u>242,118</u>
NET POSITION			
Net investment in capital assets	115,696,956	229,372,281	345,069,237
Restricted:			
Restricted for parking capital projects	-	344,465	344,465
Restricted for general government	1,705,652	-	1,705,652
Restricted for public safety	3,827,151	-	3,827,151
Restricted for public service	15,734,287	-	15,734,287
Restricted for public welfare	5,401,758	-	5,401,758
Restricted for capital projects	7,789,279	5,420,009	13,209,288
Restricted for debt service	7,125,865	3,102,477	10,228,342
Unrestricted	(4,839,467)	9,154,014	4,314,547
Total net position	<u>\$ 152,441,481</u>	<u>\$ 247,393,246</u>	<u>\$ 399,834,727</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Primary Government							
Governmental activities:							
General government	\$ 9,415,702	\$ 2,683,016	\$ 87,890	\$ -	\$ (6,644,796)		\$ (6,644,796)
Public safety	17,689,004	3,175,257	2,342,899	-	(12,170,848)		(12,170,848)
Public service	7,857,917	10,342,921	42,104	2,667,352	5,194,460		5,194,460
Public welfare	9,210,264	1,414,395	243,093	-	(7,552,776)		(7,552,776)
Interest and fiscal fees	771,714	-	-	-	(771,714)		(771,714)
Total governmental activities	<u>44,944,601</u>	<u>17,615,589</u>	<u>2,715,986</u>	<u>2,667,352</u>	<u>(21,945,674)</u>		<u>(21,945,674)</u>
Business-type activities:							
Water	9,740,629	11,166,944	101,697	3,240,003		4,768,015	4,768,015
Waste water	8,590,477	9,668,524	35,967	3,985,608		5,099,622	5,099,622
Solid waste	4,262,650	3,613,721	20,852	-		(628,077)	(628,077)
Parking	897,278	878,458	4,813	-		(14,007)	(14,007)
Stormwater	930,444	1,293,941	6,180	549,096		918,773	918,773
Total business-type activities	<u>24,421,478</u>	<u>26,621,588</u>	<u>169,509</u>	<u>7,774,707</u>		<u>10,144,326</u>	<u>10,144,326</u>
Total primary government	<u>\$ 69,366,079</u>	<u>\$ 44,237,177</u>	<u>\$ 2,885,495</u>	<u>\$ 10,442,059</u>	<u>(21,945,674)</u>	<u>10,144,326</u>	<u>(11,801,348)</u>
General revenues							
Property taxes					21,708,812	-	21,708,812
Unrestricted grants and contributions					8,372,625	-	8,372,625
Investment earnings					554,870	304,231	859,101
Miscellaneous					1,317,137	1,256,284	2,573,421
Loss on sale of assets					(71,335)	(2,013,292)	(2,084,627)
Transfers					(742,999)	742,999	-
Total general revenues and transfers					<u>31,139,110</u>	<u>290,222</u>	<u>31,429,332</u>
Change in net position					9,193,436	10,434,548	19,627,984
Net position, beginning of the year					<u>143,248,045</u>	<u>236,958,698</u>	<u>380,206,743</u>
Net position, end of the year					<u>\$ 152,441,481</u>	<u>\$ 247,393,246</u>	<u>\$ 399,834,727</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 – This fund accounts for the financial operations of the City, which are not accounted for in any other Fund. Principal sources of revenue are property taxes, state and local shared revenues, licenses and permits, and charges for services provided to other Funds. Principal expenditures in the general fund are made for police and fire protection, public works, and general government.

Street Impact Fees Special Revenue Fund – This special revenue fund accounts for the collection and expenditures associated with the street impact fees.

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

Building Inspection – This special revenue 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.

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

CITY OF BOZEMAN, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 8,016,376	\$ -	\$ 535,040	\$ 1,832,032	\$ 1,530,919	\$ 26,167,087	\$ 38,081,454
Receivables:							
Property taxes	1,036,362	-	-	-	-	334,254	1,370,616
Accrued interest	12,506	30,588	-	-	-	46,863	89,957
Customers, net	1,222,781	6,500	16,231	-	-	401,368	1,646,880
Special assessments	-	-	150,179	-	2,621,895	58,324	2,830,398
Other governments	-	-	-	-	-	292,173	292,173
Due from other city funds	12,623	-	-	-	-	-	12,623
Advances to other city funds	-	-	-	-	-	539,533	539,533
Prepaid expenditures	-	-	-	-	-	331,500	331,500
Notes receivable	-	-	-	-	-	562,689	562,689
Restricted cash and investments	-	12,781,222	-	-	-	4,242,601	17,023,823
Total assets	<u>\$ 10,300,648</u>	<u>\$ 12,818,310</u>	<u>\$ 701,450</u>	<u>\$ 1,832,032</u>	<u>\$ 4,152,814</u>	<u>\$ 32,976,392</u>	<u>\$ 62,781,646</u>

(continued)

CITY OF BOZEMAN, MONTANA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts payable	\$ 2,655,476	\$ 1,038,414	\$ 171,483	\$ 127,620	\$ -	\$ 2,281,493	\$ 6,274,486
Escheat property payable	69,652	-	-	-	-	20,052	89,704
Accrued employee benefits	11,775	-	1,469	2,583	-	1,220	17,047
Appearance bonds and other liabilities	-	130,279	-	-	-	181,598	311,877
Advanced from other city funds	-	-	-	-	539,533	-	539,533
Total liabilities	<u>2,736,903</u>	<u>1,168,693</u>	<u>172,952</u>	<u>130,203</u>	<u>539,533</u>	<u>2,484,363</u>	<u>7,232,647</u>
Deferred inflows of resources							
Unavailable revenue-property taxes	65,768	-	-	-	-	24,091	89,859
Unavailable revenue-special assessments	-	-	88,777	-	2,613,431	9,100	2,711,308
Unavailable revenue-court fines	1,007,821	-	-	-	-	-	1,007,821
Total deferred inflows of resources	<u>1,073,589</u>	<u>-</u>	<u>88,777</u>	<u>-</u>	<u>2,613,431</u>	<u>33,191</u>	<u>3,808,988</u>
Fund balances							
Nonspendable	-	-	-	-	-	1,533,338	1,533,338
Restricted	-	11,649,617	439,721	1,701,829	999,850	24,147,110	38,938,127
Committed	-	-	-	-	-	3,901,694	3,901,694
Assigned	6,402,882	-	-	-	-	927,596	7,330,478
Unassigned	87,274	-	-	-	-	(50,900)	36,374
Total fund balances	<u>6,490,156</u>	<u>11,649,617</u>	<u>439,721</u>	<u>1,701,829</u>	<u>999,850</u>	<u>30,458,838</u>	<u>51,740,011</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 10,300,648</u>	<u>\$ 12,818,310</u>	<u>\$ 701,450</u>	<u>\$ 1,832,032</u>	<u>\$ 4,152,814</u>	<u>\$ 32,976,392</u>	<u>\$ 62,781,646</u>

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, 2017

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

Fund balances - total governmental funds		\$ 51,740,011
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 240,449,293	
Less: accumulated depreciation	<u>(103,942,985)</u>	136,506,308
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	1,110,481	
Less: capital assets included in governmental activities	(1,681,112)	
Plus: accumulated depreciation included in governmental activities	547,902	
Plus: compensated absences included in governmental activities	20,312	
Plus: other post-employment health benefits included in governmental activities	29,837	
Plus: net pension liability and related deferred outflows and inflows included in governmental activities	<u>313,497</u>	340,917
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.		3,808,988
Deferred outflows of resources relating to pensions and other liabilities are not payable in the current period and, therefore, are not reported in the governmental funds.		5,395,297
Pension plan deferrals are deferred inflows of resources on the Statement of Net Position.		(221,340)
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>33,645</u>	(235,509)
Impact fee credits do not affect current financial resources and therefore are not reported in the governmental funds.		(56,343)
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, net of bond premium	(20,538,500)	
Net pension liability	(19,386,470)	
Capital lease obligations	(270,492)	
Pollution remediation obligations	(16,874)	
Other liabilities	(1,009,999)	
Post-employment health benefits	(1,904,250)	
Compensated absences	<u>(1,710,263)</u>	<u>(44,836,848)</u>
Net position of governmental activities		<u>\$ 152,441,481</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
 Year Ended June 30, 2017

	General	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 15,268,625	\$ -	\$ -	\$ -	\$ -	\$ 6,414,042	\$ 21,682,667
Special assessments	62	-	54,404	-	558,988	549,821	1,163,275
Licenses and permits	356,361	-	18,466	1,717,846	-	-	2,092,673
Intergovernmental	7,393,702	11,891	1,026	51,440	-	1,497,985	8,956,044
Charges for services	2,295,677	3,966,383	4,545,407	732	3,512	2,932,119	13,743,830
Fines and forfeitures	1,139,309	-	-	-	-	117,216	1,256,525
Interest on investments	51,635	126,257	3,892	12,117	11,693	315,096	520,690
Interest on loans receivable	-	-	-	-	-	31,837	31,837
Other	37,394	807	19,411	2	259	1,249,795	1,307,668
Total revenues	<u>26,542,765</u>	<u>4,105,338</u>	<u>4,642,606</u>	<u>1,782,137</u>	<u>574,452</u>	<u>13,107,911</u>	<u>50,755,209</u>
EXPENDITURES							
General government	6,623,546	-	-	-	-	1,020,340	7,643,886
Public safety	14,555,066	-	-	1,704,782	-	552,283	16,812,131
Public service	108,295	374,301	3,363,126	-	-	577,049	4,422,771
Public welfare	5,612,254	-	-	-	-	2,041,805	7,654,059
Other	418,559	-	-	-	-	87,610	506,169
Capital outlay	668,191	4,728,938	1,101,123	51,840	-	5,917,928	12,468,020
Debt service							
Principal payments	3,760	-	192,295	-	161,500	1,065,000	1,422,555
Interest and fiscal fees	-	-	20,603	-	30,335	720,776	771,714
Total expenditures	<u>27,989,671</u>	<u>5,103,239</u>	<u>4,677,147</u>	<u>1,756,622</u>	<u>191,835</u>	<u>11,982,791</u>	<u>51,701,305</u>
Revenues over (under) expenditures	<u>(1,446,906)</u>	<u>(997,901)</u>	<u>(34,541)</u>	<u>25,515</u>	<u>382,617</u>	<u>1,125,120</u>	<u>(946,096)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	2,214,190	-	43,227	-	-	1,692,642	3,950,059
Transfers out	(822,119)	-	(598,000)	-	(113,045)	(3,159,894)	(4,693,058)
Issuance of long term debt	-	-	234,702	-	-	-	234,702
Sale of capital assets	23,892	-	19,385	-	-	-	43,277
Total other financing sources (uses)	<u>1,415,963</u>	<u>-</u>	<u>(300,686)</u>	<u>-</u>	<u>(113,045)</u>	<u>(1,467,252)</u>	<u>(465,020)</u>
Net change in fund balances	(30,943)	(997,901)	(335,227)	25,515	269,572	(342,132)	(1,411,116)
FUND BALANCE, beginning of year	6,521,099	12,647,518	774,948	1,676,314	730,278	30,800,970	53,151,127
FUND BALANCE, end of year	<u>\$ 6,490,156</u>	<u>\$ 11,649,617</u>	<u>\$ 439,721</u>	<u>\$ 1,701,829</u>	<u>\$ 999,850</u>	<u>\$ 30,458,838</u>	<u>\$ 51,740,011</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, 2017

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

Net change in fund balances - total governmental funds		\$ (1,411,116)
<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	\$ 12,468,020	
Donated infrastructure	2,686,155	
Less: current year depreciation	<u>(4,649,494)</u>	10,504,681
<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>		
		(115,267)
<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 report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts 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>		
		1,201,311
<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. The change in deferred inflows of resources is presented in the statement of activities.</p>		
		(614,569)
<p>Governmental funds do not report a liability for compensated absences. The change in the liability is presented in the statement of activities.</p>		
		43,466
<p>Governmental funds do not report a liability for other post-employment health benefits.</p>		
		(121,734)
<p>Contributions to the pension plans in the current fiscal year are deferred outflows in the Statement of Net Position</p>		
		(160,002)
<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>(133,334)</u>
Change in net position of governmental activities		<u><u>\$ 9,193,436</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR 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.

Major 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 collection service and recycling 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, 2017

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Total
ASSETS						
Current assets						
Cash and investments	\$ 13,897,448	\$ 3,657,953	\$ 637,547	\$ 1,315,204	\$ 19,508,152	\$ 339,667
Receivables:						
Accrued interest	46,660	26,989	5,391	-	79,040	-
Customers, net	789,353	756,075	345,591	242,731	2,133,750	70,344
Special assessments	235	96	1,901	221	2,453	-
Prepaid expenses	-	-	-	-	-	-
Total current assets	<u>14,733,696</u>	<u>4,441,113</u>	<u>990,430</u>	<u>1,558,156</u>	<u>21,723,395</u>	<u>410,011</u>
Non-current assets						
Other assets:						
Notes receivable	-	-	-	9,442	9,442	-
Restricted cash and investments	6,656,665	4,165,407	449,915	399,796	11,671,783	-
Total other assets	<u>6,656,665</u>	<u>4,165,407</u>	<u>449,915</u>	<u>409,238</u>	<u>11,681,225</u>	<u>-</u>
Property, plant and equipment						
Nondepreciable:						
Land	568,891	1,092,991	228,673	303,436	2,193,991	-
Water rights	2,120,142	-	-	-	2,120,142	-
Depreciable:						
Buildings	40,573,387	60,059,117	746,509	11,803,086	113,182,099	1,424,215
Other structures and improvements	13,646,910	14,745,402	2,155,300	-	30,547,612	-
Machinery and equipment	1,583,000	2,850,919	519,436	193,493	5,146,848	186,585
Vehicles	604,246	755,997	4,478,813	261,661	6,100,717	70,312
Infrastructure	176,802,306	115,694,072	78,531	1,010,524	293,585,433	-
Property under capital lease	-	-	-	519,943	519,943	-
Accumulated depreciation and amortization	(104,630,059)	(75,280,398)	(5,982,623)	(4,231,346)	(190,124,426)	(547,902)
Net property, plant and equipment	<u>131,268,823</u>	<u>119,918,100</u>	<u>2,224,639</u>	<u>9,860,797</u>	<u>263,272,359</u>	<u>1,133,210</u>
Total non-current assets	137,925,488	124,083,507	2,674,554	10,270,035	274,953,584	1,133,210
Deferred outflows of resources						
Pension plan contributions	618,517	414,226	240,150	126,662	1,399,555	87,828
Total assets and deferred outflows of resources	<u>\$ 153,277,701</u>	<u>\$ 128,938,846</u>	<u>\$ 3,905,134</u>	<u>\$ 11,954,853</u>	<u>\$ 298,076,534</u>	<u>\$ 1,631,049</u>

continued

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities Enterprise Funds					Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	\$ 1,958,971	\$ 1,219,756	\$ 361,483	\$ 245,321	\$ 3,785,531	\$ 57,393
Compensated absences payable	237,398	33,092	55,832	19,532	345,854	20,312
Due to other city funds	-	-	-	-	-	11,701
Capital lease obligations due in one year	-	-	-	81,460	81,460	-
Closure and post-closure care costs, current portion	-	-	360,000	-	360,000	-
Bonds, notes, and loans payable	847,000	1,109,000	-	75,000	2,031,000	-
Total current liabilities	<u>3,043,369</u>	<u>2,361,848</u>	<u>777,315</u>	<u>421,313</u>	<u>6,603,845</u>	<u>89,406</u>
Noncurrent liabilities						
Closure and post-closure care costs	-	-	2,269,164	-	2,269,164	-
Revenue bonds due after one year	14,913,000	16,747,000	-	1,292,430	32,952,430	-
Compensated absences payable	75,768	59,467	34,492	-	169,727	-
Capital lease obligations	-	-	-	209,078	209,078	-
Other post-employment health benefits implicit rate subsidy	203,392	137,875	99,700	39,813	480,780	29,837
Appearance bond and other liabilities	-	-	-	231	231	-
Solvent site remediation liability	-	1,700,183	-	-	1,700,183	-
Net pension liability	2,774,079	1,857,824	1,077,085	568,084	6,277,072	397,732
Total noncurrent liabilities	<u>17,966,239</u>	<u>20,502,349</u>	<u>3,480,441</u>	<u>2,109,636</u>	<u>44,058,665</u>	<u>427,569</u>
Total liabilities	<u>21,009,608</u>	<u>22,864,197</u>	<u>4,257,756</u>	<u>2,530,949</u>	<u>50,662,510</u>	<u>516,975</u>
Deferred inflows of resources						
Pension deferrals	9,182	6,149	3,565	1,882	20,778	3,593
NET POSITION						
Net investment in capital assets	115,508,823	102,062,100	2,224,639	9,576,719	229,372,281	1,133,210
Restricted for impact capital projects	3,168,326	2,251,683	-	-	5,420,009	-
Restricted for parking capital projects	-	-	-	344,465	344,465	-
Restricted for debt service	1,313,885	1,788,592	-	-	3,102,477	-
Unrestricted	12,267,877	(33,875)	(2,580,826)	(499,162)	9,154,014	(22,729)
Total net position	<u>132,258,911</u>	<u>106,068,500</u>	<u>(356,187)</u>	<u>9,422,022</u>	<u>247,393,246</u>	<u>1,110,481</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 153,277,701</u>	<u>\$ 128,938,846</u>	<u>\$ 3,905,134</u>	<u>\$ 11,954,853</u>	<u>\$ 298,076,534</u>	<u>\$ 1,631,049</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, 2017

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
	\$	\$	\$	\$		\$
OPERATING REVENUES	9,281,821	8,566,893	3,613,721	2,172,399	23,634,834	5,818,223
OPERATING EXPENSES						
Salaries and benefits	3,418,374	1,869,410	1,058,078	853,485	7,199,347	418,300
Materials and supplies	802,940	509,325	427,161	50,857	1,790,283	567,900
Repairs and maintenance	78,946	431,420	195,555	23,024	728,945	14,941
Utilities	262,094	650,534	511,462	30,932	1,455,022	3,564
Administrative charges	575,496	884,838	606,026	99,656	2,166,016	164,486
Insurance claims	-	-	-	-	-	4,626,480
Other expenses	1,451,546	1,150,637	869,346	340,590	3,812,119	118,732
Depreciation and amortization	2,660,343	2,549,046	295,214	381,483	5,886,086	57,120
Changes in estimated closure and post-closure care costs	-	-	299,808	-	299,808	-
Total operating expenses	9,249,739	8,045,210	4,262,650	1,780,027	23,337,626	5,971,523
Operating income (loss)	32,082	521,683	(648,929)	392,372	297,208	(153,300)
NON-OPERATING REVENUES (EXPENSES)						
Interest income	197,899	83,741	8,607	13,984	304,231	2,343
Interest expense	(490,890)	(545,267)	-	(47,695)	(1,083,852)	-
Other income	1,126,262	44,737	19,804	65,481	1,256,284	9,469
Intergovernmental income	101,697	35,967	20,852	10,993	169,509	7,499
Impact fees	1,885,123	1,101,631	-	-	2,986,754	-
Gain (loss) on disposal of assets	33,599	-	(2,042,391)	(4,500)	(2,013,292)	655
Total non-operating revenues (expenses)	2,853,690	720,809	(1,993,128)	38,263	1,619,634	19,966
Income (loss) before contributions and transfers	2,885,772	1,242,492	(2,642,057)	430,635	1,916,842	(133,334)
Contributions of infrastructure - developers	3,240,003	3,985,608	-	549,096	7,774,707	-
Transfers in	500	-	806,999	390,000	1,197,499	-
Transfers out	(500)	-	-	(454,000)	(454,500)	-
Change in net position	6,125,775	5,228,100	(1,835,058)	915,731	10,434,548	(133,334)
NET POSITION, beginning of year	126,133,136	100,840,400	1,478,871	8,506,291	236,958,698	1,243,815
NET POSITION, end of year	\$ 132,258,911	\$ 106,068,500	\$ (356,187)	\$ 9,422,022	\$ 247,393,246	\$ 1,110,481

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, 2017

	Business-type Activities				Total	Governmental
	Enterprise Funds			Internal		
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds		Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 9,133,768	\$ 8,450,806	\$ 3,583,401	\$ 2,178,526	\$ 23,346,501	\$ 6,177,701
Receipts from others	1,126,262	44,737	19,804	65,481	1,256,284	16,968
Operating loans from other City funds	-	-	-	-	-	427
Payments to suppliers	(1,126,113)	(1,999,526)	(2,983,309)	(368,608)	(6,477,556)	(674,453)
Payments to employees	(2,991,922)	(2,151,100)	(1,202,312)	(675,802)	(7,021,136)	(5,045,154)
Payments to internal service funds and administrative fees	(575,496)	(884,838)	(606,026)	(99,656)	(2,166,016)	(164,486)
Net cash flows from operating activities	<u>5,566,499</u>	<u>3,460,079</u>	<u>(1,188,442)</u>	<u>1,099,941</u>	<u>8,938,077</u>	<u>311,003</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in	500	-	806,999	390,000	1,197,499	-
Transfers out	(500)	-	-	(454,000)	(454,500)	-
Receipts from grants and intergovernmental sources	135,296	35,967	20,852	10,993	203,108	-
Net cash flows from non-capital financing activities	<u>135,296</u>	<u>35,967</u>	<u>827,851</u>	<u>(53,007)</u>	<u>946,107</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(3,615,900)	(2,970,077)	(859,419)	(313,018)	(7,758,414)	(41,209)
Principal paid on bonds, interfund loans, loans and leases	(807,000)	(1,074,565)	-	(73,211)	(1,954,776)	-
Interest paid on bonds, interfund loans, loans and leases	(490,890)	(545,267)	-	(47,695)	(1,083,852)	-
Proceeds from issuance of long-term debt	-	-	-	(73,000)	(73,000)	-
Impact fees received	1,885,123	1,101,631	-	-	2,986,754	-
Proceeds from sale of property, plant and equipment	-	-	1,568,318	-	1,568,318	655
Net cash flows from capital and related financing activities	<u>(3,028,667)</u>	<u>(3,488,278)</u>	<u>708,899</u>	<u>(506,924)</u>	<u>(6,314,970)</u>	<u>(40,554)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Collections on notes	-	-	-	1,388	1,388	-
Interest on investments	173,630	67,468	3,216	13,984	258,298	2,343
Net cash flows from investing activities	<u>173,630</u>	<u>67,468</u>	<u>3,216</u>	<u>15,372</u>	<u>259,686</u>	<u>2,343</u>
Net change in cash and investments	2,846,758	75,236	351,524	555,382	3,828,900	272,792
Cash and investments, beginning of year	17,707,355	7,748,124	735,938	1,159,618	27,351,035	66,875
Cash and investments, end of year	<u>\$ 20,554,113</u>	<u>\$ 7,823,360</u>	<u>\$ 1,087,462</u>	<u>\$ 1,715,000</u>	<u>\$ 31,179,935</u>	<u>\$ 339,667</u>
Classified as:						
Cash and investments	\$ 13,897,448	\$ 3,657,953	\$ 637,547	\$ 1,315,204	\$ 19,508,152	\$ 339,667
Restricted cash and investments	6,656,665	4,165,407	449,915	399,796	11,671,783	-
Totals	<u>\$ 20,554,113</u>	<u>\$ 7,823,360</u>	<u>\$ 1,087,462</u>	<u>\$ 1,715,000</u>	<u>\$ 31,179,935</u>	<u>\$ 339,667</u>

continued

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, 2017

	Business-type Activities				Total	Governmental
	Enterprise Funds					Internal
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds		Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 32,082	\$ 521,683	\$ (648,929)	\$ 392,372	\$ 297,208	\$ (153,300)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation and amortization	2,660,343	2,549,046	295,214	381,483	5,886,086	57,120
Change in estimated closure and post-closure care costs	-	-	(410,507)	-	(410,507)	-
Change in solvent site remediation obligation	-	169,080	-	-	169,080	-
Other income	1,126,262	44,737	19,804	65,481	1,256,284	16,968
Change in assets and liabilities:						
(Increase) Decrease in:						
Accounts receivable	(148,053)	(116,085)	(30,320)	6,127	(288,331)	(23,063)
Prepaid expenses	-	-	-	-	-	382,541
Increase (Decrease) in:						
Accounts payable	1,469,413	573,308	(269,470)	76,795	1,850,046	18,675
Due from other city funds	-	-	-	-	-	427
Accrued employee benefits payable	62,822	(112,520)	(572)	(3,393)	(53,663)	(374)
Net pension	363,630	(169,170)	(143,662)	181,076	231,874	12,009
Total adjustments	<u>5,534,417</u>	<u>2,938,396</u>	<u>(539,513)</u>	<u>707,569</u>	<u>8,640,869</u>	<u>464,303</u>
Net cash flows from operating activities	<u>\$ 5,566,499</u>	<u>\$ 3,460,079</u>	<u>\$ (1,188,442)</u>	<u>\$ 1,099,941</u>	<u>\$ 8,938,077</u>	<u>\$ 311,003</u>
SUPPLEMENTAL CASH FLOW INFORMATION						
Noncash transactions:						
Donated infrastructure	<u>\$ 3,240,003</u>	<u>\$ 3,985,608</u>	<u>\$ -</u>	<u>\$ 549,096</u>	<u>\$ 7,774,707</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.

Tourism Business Improvement District – Accounts for amounts collected from hotels on behalf of the District, a special-purpose government, whose purpose is to enhance the economic vitality of Bozeman by promoting tourism through sales and marketing strategies.

CITY OF BOZEMAN, MONTANA
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 June 30, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 771,290
Customer receivables	1,949
	823,311
Total assets	\$ 823,311
LIABILITIES	
Accounts payable	\$ 823,311
Total liabilities	\$ 823,311

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, 2017

NOTE 1. 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, 2017, and for the year then ended. The more significant accounting policies of the City are described below.

New Accounting Pronouncements

The City implemented the provisions of the following GASB pronouncements for the year ended June 30, 2017:

- Statement No. 77, *Tax Abatement Disclosures*. This Statement addresses the disclosure of tax abatements within the notes to the financial statements. The Statement provides guidance for the reporting of (1) the total tax abated in the current fiscal year, (2) the general description of each tax abatement program, and (3) any obligations the City incurred with respect to the approved abatement program. This Statement is effective for fiscal years beginning after December 15, 2015. For the year ended June 30, 2017, the City had no tax abatements.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus

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

Government-Wide Financial Statements

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

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

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

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated, except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated.

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Governmental Fund Financial Statements

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

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

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses, and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund. 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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Fiduciary Fund Financial Statements

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

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.

Tourism Business Improvement District – Accounts for amounts collected from hotels on behalf of the District, a special-purpose government, whose purpose is to enhance the economic vitality of Bozeman by promoting tourism through sales and marketing strategies.

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

Proprietary Funds

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

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

Solid Waste Fund – Accounts for the City's garbage collection service and recycling 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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Investments Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets (these investments are valued using prices quoted in active markets); Level 2 inputs are significant other observable inputs (these investments are valued using matrix pricing); Level 3 inputs are significant unobservable inputs (these investments are valued using consensus pricing).

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, 2017

NOTE 1. 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 \$10,000. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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 the 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; stormwater 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, 2017

NOTE 1. 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 GAAP. 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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

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

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

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

Fund Balance

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

On December 11, 2017, the Audit Committee accepted and approved the City Manager's recommendation for the amount of General Fund balance presented on page 28 to be assigned this fiscal year for the specific purposes listed on page 23. 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.

Similarly the City Manager exercised her delegated authority to assign the major Capital Projects Fund balances presented on pages 33 and 144 for the specific purposes listed on page 125.

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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 2. CASH AND INVESTMENTS

At June 30, 2017, the carrying amount of the City's deposits in local banks and investments is \$87,396,169. Interest bearing account balances are covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. In addition, all noninterest bearing transaction account balances are fully insured by FDIC coverage. The remaining balances are covered by collateral held by the pledging bank's agent in the City's name.

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Governmental activities	\$ 38,421,121	\$ 17,023,823	\$ 55,444,944
Business-type activities	19,508,152	11,671,783	31,179,935
Fiduciary funds	771,290	-	771,290
	<u>\$ 58,700,563</u>	<u>\$ 28,695,606</u>	<u>\$ 87,396,169</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, 2017, the following interest rate risks and valuation inputs were associated with the City's deposits and investments.

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk Rating</u>	<u>Fair Value</u>	<u>Valuation Inputs</u>
Certificates of deposit	August 2016-April 2018	NA	\$ 8,926,021	Level 2
U.S. Government bonds	November 2016-June 2021	S&P AA+	59,700,000	Level 2
U.S. Bank Municipal Investor Account	N/A	N/A	216,687	Level 2
State of Montana Short Term Investment Pool Account	N/A	N/A	16,000,000	
Demand deposits	N/A	N/A	2,548,234	
Petty cash	N/A	N/A	5,227	
			<u>\$ 87,396,169</u>	

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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, and 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.

The City voluntarily participates in the STIP (Short Term Investment Pool) administered by the Montana Board of Investments (MBOI). A local government's STIP ownership is represented by shares, the prices of which are fixed at \$1.00 per share, and participants may buy or sell shares with one business days' notice. STIP administrative expenses are charged daily against the STIP income, which is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares. STIP is not registered with the Securities and Exchange Commission. STIP is not FDIC insured or otherwise insured or guaranteed by the federal government, the State of Montana, the Montana Board of Investments or any other entity against investment losses and there is no guaranteed rate of return on funds invested in STIP shares. The Montana Board of Investments maintains a reserve fund to offset possible losses and limit fluctuations in STIP's valuation. The STIP investment portfolio consists of securities with maximum maturity of 2 years. Information on investments held in the STIP can be found in the Annual Report on the Montana Board of Investments website at <http://investment.com/AnnualReportsAudits>.

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 1st installment and June 1 for the 2nd installment
- Levy Date: November 1
- Due Dates: November 30th for the 1st installment and May 31 for the 2nd 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 0.83% per month interest.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 3. PROPERTY TAX AND SPECIAL ASSESSMENTS REVENUE AND RECEIVABLES (CONTINUED)

Property Taxes (continued)

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, 2017. 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. Deferred outflows in the Government-Wide Financial Statements also relate to payments that are to be made in the future for an interlocal agreement with Gallatin County for the purchase of radios.

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, 2017, rent expenditure was \$19,125 regarding this lease.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 6. NOTES RECEIVABLE

The City had the following notes receivable:

<u>Special Revenue Funds</u>	
Economic Development Loan Fund	\$ 491,531
Community Housing Fund	69,065
Housing Revolving Loan Fund	2,093
<u>Enterprise Funds</u>	
Parking Fund	9,442

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, 2017, depreciation expense on capital assets was charged to the functions and programs as follows:

Governmental Activities:	
General Government	\$ 280,930
Public Safety	551,125
Public Services	3,024,971
Public Welfare	792,468
Total depreciation expense - governmental activities	<u>\$ 4,649,494</u>
Business-type Activities:	
Parking	\$ 291,152
Storm Water	90,331
Water	2,660,343
Waste Water	2,549,046
Solid Waste	295,214
Total depreciation expense - business-type activities	<u>\$ 5,886,086</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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, 2017, consisted of the following:

	June 30, 2016	Additions	Disposals	Transfers	June 30, 2017
GOVERNMENTAL ACTIVITIES					
Non-depreciable:					
Land	\$ 17,632,907	\$ 1,880,792	\$ -	\$ -	\$ 19,513,699
Depreciable:					
Buildings	32,568,658	165,075	-	-	32,733,733
Other structures and improvements	1,148,427	-	(3,212)	-	1,145,215
Machinery and equipment	11,745,794	1,040,480	(278,222)	-	12,508,052
Property under capital lease	435,737	82,877	-	-	518,614
Vehicles	3,538,373	342,266	(217,061)	(8,021)	3,655,557
Infrastructure	158,948,020	11,615,139	(188,736)	-	170,374,423
Total	226,017,916	15,126,629	(687,231)	(8,021)	240,449,293
Accumulated depreciation	(99,873,476)	(4,649,494)	571,964	8,021	(103,942,985)
Total governmental activities	<u>\$ 126,144,440</u>	<u>\$ 10,477,135</u>	<u>\$ (115,267)</u>	<u>\$ -</u>	<u>\$ 136,506,308</u>
BUSINESS-TYPE ACTIVITIES					
Non-depreciable:					
Land	\$ 4,942,539	\$ 806,338	\$ (3,554,885)	\$ -	\$ 2,193,992
Water rights	2,120,142	-	-	-	2,120,142
Depreciable:					
Buildings	112,991,696	321,608	(131,202)	-	113,182,102
Other structures and improvements	30,808,133	-	(260,522)	-	30,547,611
Machinery and equipment	8,125,499	983,633	(5,000)	-	9,104,132
Property under capital lease	519,943	-	-	-	519,943
Vehicles	1,992,472	189,669	(48,822)	8,021	2,141,340
Infrastructure	280,353,557	13,231,876	-	-	293,585,433
Total	441,853,981	15,533,124	(4,000,431)	8,021	453,394,695
Accumulated depreciation	(184,613,450)	(5,886,086)	385,221	(8,021)	(190,122,336)
Total business-type activities	<u>\$ 257,240,531</u>	<u>\$ 9,647,038</u>	<u>\$ (3,615,210)</u>	<u>\$ -</u>	<u>\$ 263,272,359</u>
Total capital assets	<u>\$ 383,384,971</u>	<u>\$ 20,124,173</u>	<u>\$ (3,730,477)</u>	<u>\$ -</u>	<u>\$ 399,778,667</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 7. CAPITAL ASSETS (CONTINUED)

Changes in accumulated depreciation are as follows for the year ended June 30, 2017:

	June 30, 2016	Additions	Disposals	Transfers	June 30, 2017
GOVERNMENTAL ACTIVITIES					
Buildings	\$ (15,134,223)	\$ (840,090)	\$ -	\$ -	\$ (15,974,313)
Other structures and improvements	(1,045,503)	(22,238)	3,212	-	(1,064,529)
Machinery and equipment	(8,276,090)	(570,647)	273,730	-	(8,573,007)
Property under capital lease	(83,766)	(36,286)	-	-	(120,052)
Vehicles	(2,728,384)	(244,522)	217,061	8,021	(2,747,824)
Infrastructure	(72,605,510)	(2,935,711)	77,961	-	(75,463,260)
Total governmental activities	<u>\$ (99,873,476)</u>	<u>\$ (4,649,494)</u>	<u>\$ 571,964</u>	<u>\$ 8,021</u>	<u>\$ (103,942,985)</u>
BUSINESS-TYPE ACTIVITIES					
Buildings	\$ (14,176,917)	\$ (2,369,331)	\$ 75,377	\$ -	\$ (16,470,871)
Other structures and improvements	(27,773,059)	(451,909)	260,522	-	(27,964,446)
Machinery and equipment	(6,125,190)	(486,741)	500	-	(6,611,431)
Property under capital lease	(4,103)	(35,858)	48,822	-	8,861
Vehicles	(1,874,975)	(51,994)	-	(8,021)	(1,934,990)
Infrastructure	(134,659,206)	(2,490,253)	-	-	(137,149,459)
Total business-type activities	<u>(184,613,450)</u>	<u>(5,886,086)</u>	<u>385,221</u>	<u>(8,021)</u>	<u>(190,122,336)</u>
Total accumulated depreciation	<u>\$ (284,486,926)</u>	<u>\$ (10,535,580)</u>	<u>\$ 957,185</u>	<u>\$ -</u>	<u>\$ (294,065,321)</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 and pension liabilities have been liquidated primarily by the general fund and the proprietary funds.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 8. COMPENSATED ABSENCES (CONTINUED)

	Balance June 30, 2016	Incurred	Satisfied	Balance June 30, 2017
Compensated absences:				
Governmental activities	\$ 1,753,729	\$ 1,298,463	\$ (1,341,929)	\$ 1,710,263
Business-type activities	599,960	265,905	(350,284)	515,581
Total compensated absences	<u>\$ 2,353,689</u>	<u>\$ 1,564,368</u>	<u>\$ (1,692,213)</u>	<u>\$ 2,225,844</u>
	Due within one year	Due after one year	Total	
Compensated absences:				
Governmental activities	\$ 1,341,900	\$ 368,363	\$ 1,710,263	
Business-type activities	345,854	169,727	515,581	
Total compensated absences	<u>\$ 1,687,754</u>	<u>\$ 538,090</u>	<u>\$ 2,225,844</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, 2017:

	Balance June 30, 2016	Issuances and Additions	Repayments and Deletions	Balance June 30, 2017
General obligation bonds	\$ 15,570,000	\$ -	\$ (860,000)	\$ 14,710,000
Tax increment financing bonds	4,630,000	-	(205,000)	4,425,000
Special assessment debt	662,500	-	(161,500)	501,000
Intercap notes payable	884,844	151,825	(134,169)	902,500
Subtotal bonds and notes	21,747,344	151,825	(1,360,669)	20,538,500
Bond premiums	248,967		(13,458)	235,509
Compensated absences	1,753,729	1,298,463	(1,341,929)	1,710,263
Other post employment benefits liability	1,782,516	121,734	-	1,904,250
Net pension liability	15,993,057	3,393,413	-	19,386,470
Totals	<u>\$ 41,525,613</u>	<u>\$ 4,965,435</u>	<u>\$ (2,716,056)</u>	<u>\$ 43,774,992</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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	\$ 875,000	\$ 13,835,000	\$ 14,710,000
Tax increment financing bonds	210,000	4,215,000	4,425,000
Special assessment debt	30,000	471,000	501,000
Intercept notes payable	139,676	762,824	902,500
Bond premiums	13,458	222,051	235,509
Subtotal bonds and notes	1,268,134	19,505,875	20,774,009
Compensated absences	1,341,900	368,363	1,710,263
Other post employment benefits liability	-	1,904,250	1,904,250
Net pension liability	-	19,386,470	19,386,470
Totals	<u>\$ 2,610,034</u>	<u>\$ 41,164,958</u>	<u>\$ 43,774,992</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%	\$ 1,050,000	\$ 255,000
General Obligation TOP Bonds, Series 2013 serial maturities through 2034	2.00%	8,875,000	410,000
General Obligation TOP Bonds, Series 2014 serial maturities through 2035	1.00%	4,785,000	210,000
Total general obligations bonds		<u>\$ 14,710,000</u>	<u>\$ 875,000</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	925,000	426,863	1,351,863
2022	675,000	406,188	1,081,188
2023-2027	3,670,000	1,736,250	5,406,250
2028-2032	4,395,000	1,014,400	5,409,400
2033-2035	2,365,000	164,000	2,529,000
	<u>\$ 14,710,000</u>	<u>\$ 5,139,415</u>	<u>\$ 19,849,415</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:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 210,000	\$ 212,288	\$ 422,288
2019	220,000	203,573	423,573
2020	230,000	194,222	424,222
2021	240,000	184,103	424,103
2022	250,000	173,303	423,303
2023-2027	1,440,000	676,973	2,116,973
2028-2032	1,835,000	284,335	2,119,335
	<u>\$ 4,425,000</u>	<u>\$ 1,928,797</u>	<u>\$ 6,353,797</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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, 2016	Issuances	Repayments	Balance June 30, 2017
Special assessment bonds	\$ 405,000	\$ -	\$ (135,000)	\$ 270,000
Note Payable to Department of Natural Resources and Conservation, #WRF-05067	54,500	-	-	54,500
Note Payable to Department of Natural Resources and Conservation, #SRF-05132	203,000	-	(26,500)	176,500
	<u>\$ 662,500</u>	<u>\$ -</u>	<u>\$ (161,500)</u>	<u>\$ 501,000</u>

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

<u>Year ending June 30,</u>	Notes Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 30,000	\$ 4,470	\$ 34,470
2019	29,500	3,875	33,375
2020	32,000	3,270	35,270
2021	32,000	2,630	34,630
2022	34,000	1,980	35,980
2023-2024	73,500	1,885	75,385
	<u>\$ 231,000</u>	<u>\$ 18,110</u>	<u>\$ 249,110</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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:

<u>Year ending June 30.</u>	<u>Special Assessment Bonds</u>
2018	\$ -
2019	65,000
2020	65,000
2021	-
2022	-
2023-2024	140,000
	<u>\$ 270,000</u>

Substantially all special assessment bonds mature 18 to 20 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, 2017, as follows:

	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
Note payable to Montana Board of Investments in uneven semi-annual installments including interest at variable rates, as set by MBOI, up to 1.5% through August 2022	\$ 139,676	\$ 762,824	\$ 902,500

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 9. LONG-TERM DEBT (CONTINUED)

Governmental Activities Long-Term Debt (Continued)

The debt service requirements for the intercap loan at June 30, 2017, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 139,676	\$ 25,118	\$ 164,794
2019	141,138	16,635	157,773
2020	142,616	12,781	155,397
2021	144,109	8,889	152,998
2022	145,619	4,958	150,577
2022-2027	137,221	992	138,213
2028-2031	52,121	-	52,121
	<u>\$ 902,500</u>	<u>\$ 69,373</u>	<u>\$ 971,873</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, 2017, are as follows:

	<u>Balance June 30, 2016</u>	<u>Issuances</u>	<u>Repayments and Settlements</u>	<u>Balance June 30, 2017</u>	<u>Due in One Year</u>	<u>Long-Term Portion</u>
State Revolving Fund Revenue Bond - 12247						
Series 2011A, serial maturities through 2032, 3% interest rate	\$ 8,283,000	\$ -	\$ (427,000)	\$ 7,856,000	\$ 440,000	\$ 7,416,000
State Revolving Fund Revenue Bond - 13291						
Series 2011B, serial maturities through 2032, 3% interest rate	8,284,000	-	(380,000)	7,904,000	407,000	7,497,000
	<u>\$ 16,567,000</u>	<u>\$ -</u>	<u>\$ (807,000)</u>	<u>\$ 15,760,000</u>	<u>\$ 847,000</u>	<u>\$ 14,913,000</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, 2017.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 9. LONG-TERM DEBT (CONTINUED)

Business-type Activities Long-Term Debt (Continued)

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

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 847,000	\$ 310,700	\$ 1,157,700
2019	872,000	293,630	1,165,630
2020	898,000	276,060	1,174,060
2021	926,000	257,960	1,183,960
2022	954,000	239,310	1,193,310
2023-2027	5,218,000	896,430	6,114,430
2028-2032	6,045,000	341,140	6,386,140
	<u>\$ 15,760,000</u>	<u>\$ 2,615,230</u>	<u>\$ 18,375,230</u>
Due within one year	\$ 847,000		
Due after one year	<u>14,913,000</u>		
	<u>\$ 15,760,000</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 that 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, 2017.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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, 2017, are as follows:

	<u>Interest Rate</u>	<u>Balance June 30, 2016</u>	<u>Repayments and Settlements</u>	<u>Balance June 30, 2017</u>	<u>Due in One Year</u>	<u>Long-Term Portion</u>
Waste Water State Revolving -10252						
Series 2010B, serial maturities through 2030	1.75%	\$ 256,000	\$ (17,000)	\$ 239,000	\$ 18,000	\$ 221,000
Waste Water Reclamation Facility Revenue Bonds - 10230,						
Series 2010D, serial maturities through 2030	3.00%	7,086,000	(433,000)	6,653,000	446,000	6,207,000
Waste Water Reclamation Facility Revenue Bonds - 10262,						
Series 2010F, serial maturities through 2030	3.00%	625,000	(36,000)	589,000	38,000	551,000
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%	765,000	(43,000)	722,000	44,000	678,000
Waste Water Reclamation Facility Revenue Bonds - 11292,						
Series 2010G, serial maturities through 2031	3.00%	2,309,565	(125,565)	2,184,000	130,000	2,054,000
Waste Water Reclamation Facility Revenue Bonds - 11281						
Series 2010H, serial maturities through 2031	3.00%	7,505,000	(420,000)	7,085,000	433,000	6,652,000
		<u>\$ 18,930,565</u>	<u>\$ (1,074,565)</u>	<u>\$ 17,856,000</u>	<u>\$ 1,109,000</u>	<u>\$ 16,747,000</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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:

<u>Year ending June 30.</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,211,000	286,669	1,497,669
2022	1,249,000	261,354	1,510,354
2023-2027	6,854,000	897,889	7,751,889
2028-2031	5,117,000	157,016	5,274,016
	<u>\$ 17,856,000</u>	<u>\$ 2,607,395</u>	<u>\$ 20,463,395</u>
Due within one year	\$ 1,109,000		
Due after one year	16,747,000		
	<u>\$ 17,856,000</u>		

Stormwater Revenue Bonds

Waste Water revenue bonds outstanding at June 30, 2017, 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.

	<u>Interest Rate</u>	<u>Balance June 30, 2016</u>	<u>Issuances</u>	<u>Repayments and Settlements</u>	<u>Balance June 30, 2016</u>	<u>Due in One Year</u>	<u>Long-Term Portion</u>
Stormwater System Revenue Bond, Series 2015	2.00%	\$ 1,440,430	\$ -	\$ (73,000)	\$ 1,367,430	\$ 75,000	\$ 1,292,430

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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, 2017, the Revenue Bond outstanding had an aggregate principal amount payable of \$250,941.

NOTE 10. CAPITAL LEASE OBLIGATIONS

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, 2017

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.

In 2016, City entered into a lease for a RPMTECH Snow Blower with Caterpillar. The lease term is six years payable in six annual installments of \$13,933 and one payment of \$6,640 at 3.20%. The total amount capitalized of \$82,877 represents the present value of the future lease payments. The payments for this obligation are being recorded in the street maintenance fund.

The capital lease balance outstanding at June 30, 2017, is as follows:

	Balance June 30, 2016	Issuances	Repayments	Balance June 30, 2017
Governmental Activities:				
2012 Street Sweeper	\$ 32,421	\$ -	\$ (32,421)	\$ -
Caterpillar 2014	204,418	-	(12,539)	191,879
Savin Copier 2015	12,662	-	(2,993)	9,669
Snow Blower 2016	-	82,877	(13,933)	68,944
	<u>\$ 249,501</u>	<u>\$ 82,877</u>	<u>\$ (61,886)</u>	<u>\$ 270,492</u>
Business-Type Activities:				
2015 Street Sweeper	\$ 101,624	\$ -	\$ (24,183)	\$ 77,441
2015 Vactor Vacuum Truck	262,125	-	(49,028)	213,097
	<u>\$ 363,749</u>	<u>\$ -</u>	<u>\$ (73,211)</u>	<u>\$ 290,538</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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, 2017:

<u>Year ending June 30,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2018	\$ 35,343	\$ 85,345
2019	35,344	85,345
2020	187,065	85,345
2021	13,933	57,812
2022	13,933	-
2023	6,640	-
Less amount representing interest	<u>(21,766)</u>	<u>(23,309)</u>
Present value of future minimum lease payments	<u>\$ 270,492</u>	<u>\$ 290,538</u>

The property under capital lease and the corresponding accumulated depreciation at June 30, 2017, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment	\$ 518,613	\$ 519,943
Less: accumulated depreciation	<u>(120,051)</u>	<u>(129,986)</u>
	<u>\$ 398,562</u>	<u>\$ 389,957</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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.

Unrestricted Net Position – This category represents the net position of the City that 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 25 for a further disclosure related to net position classifications.

NOTE 12. DEFICIT FUND BALANCES

At June 30, 2017, the following fund had a deficit fund balance: Solid Waste fund (\$356,187).

The deficit fund balance in the Solid Waste fund is due to the sale of city-owned property known as the Mandeville Farm for a \$2,042,391 loss.

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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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 2017 and 2016 total payroll and covered payroll for all retirement plans were \$22,299,750 and \$21,125,419, respectively. Financial information for all three plans is reported in the Public Employees' Retirement Board's published *Comprehensive Annual Financial Report* for the fiscal year-end. It is available from the PERD at 100 North Park Avenue, Suite 220, P.O. Box 200131, Helena, MT 59620-0131. The authority to establish, amend, and provide cost of living adjustments to all three plans is assigned to the State legislature. The authority to establish and amend contribution rates to all three plans is also assigned to the State legislature.

Public Employees' Retirement System (PERS)

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).

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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS)

Summary of Benefits

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

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.

Vesting

5 years of membership service

Member's highest average compensation (HAC)

Hired prior to July 1, 2011 – highest average compensation during any consecutive 36 months;
Hired on or after July 1, 2011 – highest average compensation during any consecutive 60 months;

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

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)*

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007
- Members hired on or after July 1, 2013: (a) 1.5 for each year PERS is funded at or above 90%; (b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and (c) 0% whenever the amortization period for PERS is 40 years or more.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The Montana legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below.

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

1. Member contributions to the system of 7.9% of member's compensation are 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.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The Plan Choice Rate (PCR), that directed a portion of employer contributions for DC member to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. 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 a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust Fund

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena, MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov/index.shtml>.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability (TPL) used to calculate the net pension liability (NPL) was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the last actuarial experience study, dated June 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.75%
- Admin expense as a % of payroll 0.27%
- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 6%
- Postretirement Benefit Increases

Guaranteed annual Benefit Adjustment (GABA). After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, inclusive of other adjustments to the members' benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - a) 1.5% for each year PERS is funded at or above 90%;
 - b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - c) 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are 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 improvements were assumed.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions (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 would 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 was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. 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. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized below.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			3.00%
Portfolio Return Expectation			7.37%

Sensitivity Analysis

As of Reporting Date	1.0% Decrease at 6.75%	Current Discount Rate	1.0% Increase at 8.75%
City of Bozeman Net Pension Liability	\$25,254,694	\$17,404,143	\$10,641,661

The sensitivity of the NPL to the discount rate is shown in the table above. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

June 30, 2016 Measurement Date/ June 30, 2017 Reporting Date

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; deferred inflows of resources and deferred outflows of resources related to pensions; pension expense; the fiduciary net position; and additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period 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).

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Employers are required to record and report their proportionate share of the collective Net Pension Liability (NPL), pension expense, and deferred inflows and deferred outflows of resources associated with pensions. These disclosures provide information using a June 30, 2016 measurement date for the 2017 reporting.

Pension Amounts

Employers are provided guidance in GASB Statement 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2016 was determined by taking the results of the June 30, 2015 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Net Pension Liability (Continued)

Special Funding

The state of Montana, as the non-employer contributing entity, paid to the Plan additional contributions that qualify as special funding. Those employers who received special funding are counties, cities & towns, school districts and high schools, and other governmental agencies. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective NPL that is associated with the non-State employer.

Not Special Funding

Per Montana law, state agencies and universities paid their own additional contributions. These employer paid contributions are not accounted for as special funding for state agencies and universities but are reported as employer contributions. The state of Montana, as the non-employer contributing entity, also paid to the Plan coal tax contributions that are not accounted for as special funding for all participating employers.

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2017 and 2016, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$17,404,143 and the employer's proportionate share was 1.0218 percent.

As of Reporting Date	Net Pension Liability as of 6/30/17	Net Pension Liability as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	Change in Percent of Collective NPL
City of Bozeman Proportionate Share	\$ 17,404,143	\$ 13,403,285	1.0218%	0.9588%	0.0630%
with the City	\$ 212,659	\$ 164,637	0.0125%	0.0118%	0.0007%
Total	\$ 17,616,802	\$ 13,567,922	1.0342%	0.9706%	0.0636%

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

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

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date, there were no significant changes in proportion that had an effect on the employer's proportionate share of the collective NPL since the previous measurement date.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Expense

As of reporting date	Pension Expense as of 6/30/17	Pension Expense as of 6/30/16
City's Proportionate Share	\$ 1,623,925	\$ 731,976
Employer Grant Revenue - State of Montana	\$ 17,821	\$ 10,230
State of Montana Coal Tax for employer	\$ 304,925	\$ 321,664
Total	\$ 1,946,671	\$ 1,063,870

At June 30, 2017 (reporting date), the employer recognized a pension expense of \$1,623,925 for its proportionate share of the PERS' pension expense and recognized grant revenue of \$17,821 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$304,925 from the Coal Severance Tax fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, 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
Expected v. actual experience	\$ 93,907	\$ 57,608
Projected investment earnings v. actual investment earnings	\$ 1,637,383	\$ -
Changes in assumptions	\$ -	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 1,067,534	\$ -
Employer contributions subsequent to the measurement date	\$ 1,081,810	\$ -
Total	\$ 3,880,634	\$ 57,608

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Recognition of Deferred Inflows and Outflows

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:	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to pension expense
2018	\$ 79,273
2019	\$ 79,273
2020	\$ 930,464
2021	\$ 584,672
2022	\$ -
Thereafter	\$ -

PERS disclosure for the defined contribution plan

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

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the *defined benefit* and *defined contribution* retirement plans.

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS disclosure for the defined contribution plan (Continued)

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

At the plan level for the measurement period ended June 30, 2016, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 289 employers that have participants in the PERS-DCRP totaled \$382,656.

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 plan provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Summary of Benefits

Eligibility for benefit

20 years of membership service, regardless of age.
 At Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately
 5 years of membership service for all other rights

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Member's compensation is defined as

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.

Compensation Cap

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

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)

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 firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service).

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Overview of Contributions

Member and employer rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The Montana Legislature has the authority to establish and amend contribution rates to the plan. Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Employer	State
	Non-GABA	GABA		
1998-2017	9.500%	10.700%	14.360%	32.610%
1997	7.800%		14.360%	32.610%

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena, MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov/index.shtml>.

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the last actuarial experience study, dated June 2010, for the six- year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

- Investment Return 7.75%
- Admin expense as a % of payroll 0.19%
- General Wage Growth* 4.00%
- *includes Inflation at 3.00%
- Merit Increases 0% to 7.3%

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

- Postretirement Benefit Increases
 - ***Guaranteed Annual Benefit Adjustment (GABA)***
Members hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.
 - ***Minimum Benefit Adjustment (non-GABA)***
Members hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service).
- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are 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 TPL 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 the Montana Code Annotated. The State contributes 32.61% of salaries paid by employers. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010 and is located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized below.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			3.00%
Portfolio Return Expectation			7.37%

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

As of Reporting Date	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
City of Bozeman's Net Pension Liability	\$4,263,017	\$2,707,390	\$1,428,319

June 30, 2016 Measurement Date/ June 30, 2017 Reporting Date

Summary of Significant Accounting Policies

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

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Firefighters' Unified Retirement System (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability (NPL), pension expense, and deferred inflows and deferred outflows of resources associated with pensions. These disclosures provide information using a June 30, 2016 measurement date for the 2017 reporting.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Pension Amount Totals

Employers are provided guidance in GASB Statement 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2016 was determined by taking the results of the June 30, 2015 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

The Plan has a special funding situation in which the state of Montana is legally responsible for making contributions directly to the Plan on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective NPL that is associated with the non-state employer.

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2017 and 2016 are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$2,707,390 and the employer's proportionate share was 2.3705 percent.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)
Net Pension Liability (Continued)

As of Reporting Date	NPL as of 6/30/17	NPL as of 6/30/16	Percent of Collective NPL as of 6/30/17	Percent of Collective NPL as of 6/30/16	Change in Percent of Collective NPL
City Proportionate Share	\$ 2,707,390	\$ 2,489,054	2.3705%	2.4336%	-0.0631%
State of Montana Proportionate Share associated with Employer	\$ 6,134,093	\$ 5,543,784	5.3707%	5.4204%	-0.0497%
Total	\$ 8,841,483	\$ 8,032,838	7.7412%	7.8540%	-0.1128%

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

Changes in benefit terms: There were changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date there were no significant changes in proportion that had an effect on the employer's proportionate share of the collective NPL since the previous measurement date.

Pension Expense

As of reporting date	Pension Expense as of 6/30/17	Pension Expense as of 6/30/16
City's Proportionate Share	\$ 343,924	\$ 276,847
Employer Grant Revenue - State of Montana Proportionate Share for Employer	\$ 795,231	\$ 600,192
Total	\$ 1,139,155	\$ 877,039

At June 30, 2017, the employer recognized its proportionate share of the FURS' pension expense of \$343,924. The employer also recognized grant revenue of \$795,231 for the support provided by the State of Montana for the proportionate share of the pension expense that is associated with the employer.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Recognition of Deferred Inflows and Outflows

At June 30, 2017, 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
Expected v. actual experience	\$ -	\$ 25,487
Projected investment earnings v. actual investment earnings	\$ 283,436	\$ -
Changes in assumptions	\$ -	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 45,913
Employer contributions subsequent to the measurement date	\$ 504,303	\$ -
Total	\$ 787,739	\$ 71,400

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

For the Reporting Year ended June 30:	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to pension expense
2018	\$ 20,569
2019	\$ 20,569
2020	\$ 135,471
2021	\$ 85,932
2022	\$ (4,592)
Thereafter	\$ -

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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 established in 1974 and governed by Title 19, chapters 2 & 9, MCA. This plan provides retirement benefits to all municipal police officers employed by first- and second-class cities and other cities that adopt the plan. Benefits are established by state law and can only be amended by the Legislature. The MPORS provides retirement, disability, and death benefits to plan members and their beneficiaries.

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

Summary of Benefits

Eligibility for benefit

20 years of membership service, regardless of age

Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately

5 years of membership service for all other rights

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Member's final average compensation (FAC)

Hired prior to July 1, 1977 - average monthly compensation of final year of service;
 Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.

Compensation Cap

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

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.

- Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are 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 TPL 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 the Montana Code Annotated. The State contributed 29.37% of salaries paid by employers. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPORA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized below.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.60%	4.00%	0.10%
Domestic Equity	36.00%	4.55%	1.64%
Foreign Equity	18.00%	6.35%	1.14%
Fixed Income	23.40%	1.00%	0.23%
Private Equity	12.00%	7.75%	0.93%
Real Estate	8.00%	4.00%	0.32%
Total	100.00%		4.37%
Inflation			3.00%
Portfolio Return Expectation			7.37%

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate 1.0% lower or 1.00% higher than the current rate.

As of Reporting Date	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
City of Bozeman's Net Pension Liability	\$7,475,482	\$5,552,007	\$3,453,834

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; deferred inflows of resources and deferred outflows of resources related to pensions; Pension Expense; the fiduciary net position; and additions to or deductions from fiduciary net position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period 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.

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Municipal Police Officers' Retirement System (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability (NPL), pension expense, and deferred inflows and deferred outflows of resources associated with pensions. These disclosures provide information using a June 30, 2016 measurement date for the 2017 reporting.

Pension Amount Totals

Employers are provided guidance in GASB Statement 68, paragraph 74, that pension amounts must be combined as a total or aggregate for reporting. This is true when employees are provided benefits through more than one pension, whether cost-sharing, single-employer, or agent plans.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2016 was determined by taking the results of the June 30, 2015 actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Net Pension Liability (Continued)

Special Funding

The Plan has a special funding situation in which the state of Montana is legally responsible for making contributions directly to the Plan on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government or school district's collective NPL that is associated with the non-state employer.

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2017 and 2016 are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid. The employer recorded a liability of \$5,552,007 and the employer's proportionate share was 3.0842 percent.

As of Reporting Date	NPL as of 6/30/2017	NPL as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
City Proportionate Share	\$ 5,552,007	\$ 4,920,638	3.0842%	2.9746%	0.1096%
State of Montana Proportionate Share associated with Employer	\$ 11,020,975	\$ 9,969,680	6.1223%	6.0269%	0.0954%
Total	\$ 16,572,982	\$ 14,890,318	9.2065%	9.0015%	0.2050%

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

Changes in benefit terms: There were changes in benefit terms since the previous measurement date.

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date there were no changes in proportion that would have an effect on the employer's proportionate share of the collective NPL since the previous measurement date.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Pension Expense

As of reporting date	Pension Expense as of 6/30/17	Pension Expense as of 6/30/16
City's Proportionate Share	\$ 629,731	\$ 478,745
State of Montana Proportionate Share associated with the City	\$ 1,180,946	\$ 1,013,945
Total	\$ 1,810,677	\$ 1,492,690

At June 30, 2017, the employer recognized its proportionate share of the MPORS' pension expense of \$629,731. The employer also recognized grant revenue of \$1,180,946 for the support provided by the state of Montana for the proportionate share of the pension expense that is associated with the employer.

Recognition of Deferred Inflows and Outflows

At June 30, 2016, 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
Expected v. actual experience	\$ -	\$ 113,109
Projected investment earnings v. actual investment earnings	\$ 360,003	\$ -
Changes in assumptions	\$ -	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 101,486	\$ -
Employer contributions subsequent to the measurement date	\$ 655,143	\$ -
Total	\$ 1,116,632	\$ 113,109

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Recognition of Deferred Inflows and Outflows (Continued)

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

For the Reporting Year ended June 30:	Recognition of deferred outflows and deferred inflows in future years as an increase or (decrease) to pension expense
2018	\$ (11,344)
2019	\$ (11,344)
2020	\$ 152,940
2021	\$ 116,642
2022	\$ -
Thereafter	\$ -

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).

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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

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 \$1,313 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. Depending on the plan, for a single individual, after an annual deductible of \$500 to \$2,700 for non-Medicare-eligible retirees, the plan reimburses 70% to 80% of allowed charges after deductible and up to the out-of-pocket maximum, and then 100%. Depending on the plan, for a family, after an annual deductible of \$1,000 to \$5,400 for non-Medicare-eligible retirees, the plan reimburses 70% to 80% of allowed charges after deductible and up to the out-of-pocket maximum, and then 100%. For fiscal year ended June 30, 2017, the City has 44 retired members receiving benefits.

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

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

Annual required contribution	\$ 329,862
Interest on net OPEB obligation	89,303
Adjustment to annual required contribution	<u>(129,110)</u>
Annual OPEB cost (expense)	290,055
Contributions made	<u>(137,605)</u>
Increase in net OPEB obligation	152,450
Net OPEB obligation - beginning of year	<u>2,232,579</u>
Net OPEB obligation - end of year	<u>\$ 2,385,029</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year ended June 30, 2017, and the five preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
June 30, 2016	292,862	50.94%	2,232,579
June 30, 2017	290,055	47.44%	2,385,029

The June 30, 2017, year-end OPEB cost is reported in the City's funds as follows:

<u>Functions/Programs</u>	<u>Expenses</u>
PRIMARY GOVERNMENT	
Governmental activities:	
General government	\$ 21,769
Public safety	44,165
Public service	9,402
Public welfare	46,398
Total governmental activities	<u>121,734</u>
Business-type activities:	
Water	12,611
Waste water	7,849
Solid waste	6,070
Parking	2,093
Storm water	2,093
Total business-type activities	<u>30,716</u>
Total primary government	<u>\$ 152,450</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

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

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

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)
7/1/2014	\$ -	\$ 2,675,667	\$ 2,675,667	0.0%	\$ 26,884,822	9.95%
7/1/2014	-	2,675,667	2,675,667	0.0%	27,652,683	9.68%
7/1/2016	-	2,488,935	2,488,935	0.0%	28,482,263	8.74%
7/1/2014	-	2,675,667	2,675,667	0.0%	27,652,683	9.68%
7/1/2016	-	2,488,935	2,488,935	0.0%	28,482,263	8.74%

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 2016, with an estimate provided for fiscal year 2017. For fiscal year 2017, an estimated valuation was derived based on the 2016 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, 2016, the most recent valuation date, the City's actuarially accrued liability (AAL) for benefits was \$2,488,935. The AAL by status breakdown is shown below:

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017
Actives	N/A	\$ 1,679,064	N/A	\$ 1,623,554
Retirees, Dependents and Surviving Spouses	N/A	996,603	N/A	865,381
Total AAL	N/A	<u>\$ 2,675,667</u>	N/A	<u>\$ 2,488,935</u>
Normal Cost	N/A	\$ 168,628	N/A	\$ 178,776
Impact on Statement of Activities				
Annual OPEB Cost	\$ 219,207	\$ 295,694	\$ 292,862	\$ 290,055
Impact on Statement of Net Position				
Assumed Contributions	\$ 131,104	\$ 136,871	\$ 149,183	\$ 137,605
Net OPEB Obligation at June 30	\$ 1,930,074	\$ 2,088,897	\$ 2,232,579	\$ 2,385,029
<u>Participant Information</u>				
Actives	N/A	358	N/A	435
Retirees, Dependents and Surviving Spouses	N/A	68	N/A	74
Total	N/A	<u>426</u>	N/A	<u>509</u>

The following key assumptions were chosen by the City:

1. Discount Rate: 4.0%
2. Inflation Rate: 2.5%
3. Expected Real Rate of Return on Assets: 1.5%
4. Health Care Claim and Contribution Trend Rates: Updated from 7.0% initial in fiscal 2015 and 4.0% ultimate in fiscal 2035 to 7.5% initial in fiscal 2017 and 4.5% ultimate in fiscal 2037. Ultimate medical trend rate is based on 2.5% long-term inflation, 1.0% real GDP growth and 1.0% medical technology
5. Average Salary Increase: 4.0%
6. Retirement Rates: Updated according to the Fiscal Year 2017 Montana State Retirement System Valuation Assumptions
7. Retiree Participation Rate: 30%
8. Lapse Rate: 15% per year
9. Dependent Assumption: For future retirees, 60% of participants are assumed to be married, with husbands 3 years older than wives.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

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

10. ACA Excise Tax: Results include an estimate of future ACA Excise Tax costs based on upon loading health care trend rates by 1.77% in fiscal years 2019 and beyond. For purposes of the estimated Excise Tax, the tax payer (i.e., health plan) is assumed to be non-taxable. Future premiums are assumed to include the estimated ACA Excise Tax.

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

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

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

NOTE 16. JOINT VENTURE AGREEMENTS

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility. As of June 30, 2017, the City has entered into joint venture contractual arrangements, as described below.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 16. JOINT VENTURE AGREEMENTS (CONTINUED)

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.

The City has also entered into an inter-local agreement for the purpose of procuring equipment to upgrade the aforementioned 911 radio system. Under this agreement, the County has entered into a lease-purchase agreement for the system. The inter-local agreement requires the City to make two payments on November 30, 2018 and November 30, 2019 in the amount of \$504,999, plus 2.99% interest from December 31, 2018 through December 31, 2019. The payments have been accrued as a liability and deferred outflow of resources in the governmental activities as of June 30, 2017.

City-County Drug Forfeitures

The City and 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.

The County and City have entered into various other joint venture contractual arrangements, memorandums of understanding and inter-local agreements to support the following programs and/or operations: Victim Witness, Hazardous Materials, Solid Waste (Disposal and Convenient Site), Fire Warden/Chief, Evidence Technician, Library Services, Board of Health, and rental of the Law and Justice Center. The financial interests are not material.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 16. JOINT VENTURE AGREEMENTS (CONTINUED)

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 17. RESTRICTED NET POSITION

At June 30, 2017, 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	-	-	-	344,465	344,465
Impact fees	3,168,326	2,251,683	-	-	5,420,009
	<u>\$ 4,482,211</u>	<u>\$ 4,040,275</u>	<u>\$ -</u>	<u>\$ 344,465</u>	<u>\$ 8,866,951</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 18. INTERFUND TRANSFERS AND ASSETS/LIABILITIES

A summary of interfund transfers reported in the fund financial statements for the year ended June 30, 2017, follows:

		Transfers From						
		Governmental Funds			Proprietary Fund			
		General Fund	Street Maintenance	SID Debt Service	Nonmajor Governmental	Water	Storm Water	Total
Transfers To	General Fund	\$ -	\$ -	\$ -	\$ 2,214,190	\$ -	\$ -	\$ 2,214,190
	Street Maintenance	-	-	-	43,227	-	-	43,227
	Non-major Governmental	329,120	598,000	113,045	652,477	-	-	1,692,642
	Water Enterprise	-	-	-	-	500	-	500
	Solid Waste Enterprise	352,999	-	-	-	-	454,000	806,999
	Parking Enterprise	-	-	-	250,000	-	-	250,000
	Stormwater Enterprise	140,000	-	-	-	-	-	140,000
	Total	<u>\$ 822,119</u>	<u>\$ 598,000</u>	<u>\$ 113,045</u>	<u>\$ 3,159,894</u>	<u>\$ 500</u>	<u>\$ 454,000</u>	<u>\$ 5,147,558</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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 18. INTERFUND TRANSFERS AND ASSETS/LIABILITIES

A summary of advances and due from/to other funds at June 30, 2017, is as follows:

	Advances to other City funds	Advances from other City funds
Major Funds:		
SID Sinking Debt Service	\$ -	\$ 539,533
Non-major Governmental Funds:		
SID Revolving Debt Service	539,533	-
	\$ 539,533	\$ 539,533
	Due from other City funds	Due to other City funds
Major Funds:		
General fund	\$ 12,623	\$ -
Non-major Governmental Fund:		
Housing Revolving Loan	-	922
Internal Service Fund:		
Vehicle Maintenance	-	11,701
	\$ 12,623	\$ 12,623

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.

NOTE 19. RISK MANAGEMENT

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 19. RISK MANAGEMENT (CONTINUED)

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, 2017, 2016, and 2015.

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, 2017

NOTE 20. CONTINGENCIES

The City is involved with several 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.

NOTE 21. 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 \$2,629,164, which is its estimate of future landfill closure and post-closure care costs as of June 30, 2017. 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 cost of post closure care is an estimate and is subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

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	\$ 495,735
Capital assets, net of depreciation	934,183
Total assets	<u>\$ 1,429,918</u>
Current liabilities	\$ 55,398
Closure and post-closure care cost	2,629,164
Total liabilities	<u>2,684,562</u>
Restricted for debt service	<u>(1,254,644)</u>
Total net position	<u>(1,254,644)</u>
Total liabilities and net position	<u>\$ 1,429,918</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 21. 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	\$ -
Operating expenses	
Depreciation	58,346
Change in post closure cost estimate	299,808
Other operating	568,452
Total operating expenses	<u>926,606</u>
Operating loss	<u>(926,606)</u>

Non-operating revenues (expenses):

Interest expense	(7,593)
Other income	(6,104)
Loss on the sale of assets	(2,042,391)
Transfers	807,000
Total non-operating revenues	<u>(1,249,088)</u>

Change in net position	(2,175,694)
Net position, beginning of year	<u>921,050</u>
Net position, end of year	<u>\$ (1,254,644)</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 22. SEGMENT INFORMATION FOR WATER ENTERPRISE FUND

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

<u>Condensed Statement of Net Position</u>	
Current assets	\$ 18,227,505
Capital assets	130,251,169
Other assets	618,517
Total assets	<u>\$ 149,097,191</u>
Current liabilities	\$ 2,382,626
Non-current liabilities	18,306,893
Total liabilities	<u>20,689,519</u>
Net investment in capital assets	114,491,169
Restricted for debt service	1,313,885
Unrestricted	12,602,618
Total net position	<u>128,407,672</u>
Total liabilities and net position	<u>\$ 149,097,191</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 22. SEGMENT INFORMATION FOR WATER ENTERPRISE FUND (CONTINUED)

Condensed Statement of Revenues, Expenses, and Changes in Net Position

Operating revenues and expenses:

Operating revenues	\$ 9,281,821
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Operating expenses:

Depreciation	2,610,304
Other operating	6,474,546
Total operating expenses	9,084,850

Operating loss	196,971
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Non-operating revenues (expenses)

Interest income	170,918
Interest expense	(490,890)
Grant income	101,697
Gain on sale of assets	33,599
Contributions of infrastructure	3,240,002
Other income	1,126,262
Transfers	500
Total non-operating revenues	4,182,088

Change in net position	4,379,059
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Net position, beginning of year	124,028,613
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Net position, end of year	\$ 128,407,672
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Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 5,589,965
Net cash flows from capital and related financing activities	(4,607,993)
Net cash flows from noncapital and financing activities	500
Net cash flows from investing activities	170,918
Net change in cash flows	1,153,390

Beginning cash and equivalents	16,244,407
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Ending cash and equivalents	\$ 17,397,797
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CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 23. IMPACT FEES

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

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

An applicant may obtain an Impact Fee Credit by dedication of non-site-related land or construction of non-site-related improvements. Credits must be made before the beginning of improvement construction, must comply with the City's Capital Improvements Program, and must be approved by the City Commission. Credits may be used only for like-type impact fees. The full provisions for impact fee credits are contained in Chapter 3.24 of the Bozeman Municipal Code. For proprietary type funds, the City records a liability for the impact fee credit and capitalizes the underlying asset. For governmental-type funds, the credits are only disclosed in the footnotes. For government-wide financial reporting, the outstanding credits are reported as unearned revenue. The Water Impact Fee Fund, Street Impact Fee Fund, and Waste water Impact Fee Fund have recorded impact fee credits amounting to \$33,232, \$56,343, and \$129,042, respectively, as of June 30, 2017. The Fire Impact Fee Fund does not have any outstanding credits. The following impact fee revenues were collected and expensed/expended during fiscal year 2017:

	<u>Beginning Balances</u>	<u>Impact Fees</u>	<u>Other Income</u>	<u>Expenses, Expenditures, and Transfers</u>	<u>Ending Balances</u>
Fire	\$ 1,237,488	\$ 315,732	\$ 12,311	\$ (14,779)	\$ 1,550,752
Water	2,104,525	1,885,123	26,982	(471,188)	3,545,442
Waste water	1,767,461	1,101,631	20,149	(287,350)	2,601,891
Streets	12,647,518	3,966,383	138,955	(5,103,239)	11,649,617
Total	<u>\$ 17,756,992</u>	<u>\$ 7,268,869</u>	<u>\$ 198,397</u>	<u>\$ (5,876,556)</u>	<u>\$ 19,347,702</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 24. POLLUTION REMEDIATION OBLIGATIONS

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

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

The Montana Department of Environmental Quality (MDEQ) issued the Record of Decision (ROD) for the Bozeman Solvent Site (BSS) in August 2011. The Administrative Order of Consent (AOC) was finalized in January 2012. The ROD and AOC specifically delineate the remediation to be completed for the BSS. The AOC serves as the legal mechanism for the implementation of the selected remedies identified in the ROD. Though remediation is currently underway and may be completed relatively quickly, monitoring of the site will continue for a period of up to 30 years. Tasman Geosciences, Inc. serves as the contractor for the potentially liable parties (the City of Bozeman and CVS Pharmacy, Inc.). Based on the selected remedies identified in the ROD, Tasman has completed a long-term cost projection for the project in February 2016. The long-term cost projection was reviewed in September 2017 and, at that time, it was determined it was still an accurate projection. This cost projection includes all remediation and monitoring cost, as well as, the MDEQ cost recovery associated with the BSS. The long-term cost projection for the City is \$2,089,997 in remediation costs. Reduced by its insurer's reimbursement, the amount is \$1,700,183. This liability is recorded in the Waste Water Fund, is an estimate, and is subject to changes resulting from inflation, deflation, technology, or changes in applicable laws or regulations

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 VCP, 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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2017

NOTE 24. POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

CMC Asbestos Bozeman CECRA Facility (Continued)

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.

NOTE 25. SUBSEQUENT EVENT

In December of 2017, The Trust for Public Land donated roughly 5 acres of land, including the former Boys & Girls Club building, to the City to serve as the new administration headquarters for the City's recreation department and as a community center at the edge of Story Mill Community Park. The land and building were appraised at \$1.5 million.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2017

NOTE 26. NET POSITION COMPOSITION

The table presented below displays the City's fund balances by major purpose as displayed on page 41 of the governmental funds balance sheet.

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable							
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 331,500	\$ 331,500
Cemetery perpetual care	-	-	-	-	-	1,201,838	1,201,838
Total nonspendable	-	-	-	-	-	1,533,338	1,533,338
Restricted							
General government-Planning	-	-	-	-	-	1,356,157	1,356,157
General government-Health Insurance	-	-	-	-	-	349,390	349,390
General government-other	-	-	-	-	-	105	105
Public safety - Building Inspection	-	-	-	1,701,829	-	-	1,701,829
Public safety-Fire Impact	-	-	-	-	-	1,550,752	1,550,752
Public safety-Victim Witness	-	-	-	-	-	388,910	388,910
Public safety-other	-	-	-	-	-	185,660	185,660
Public service	-	11,649,617	439,721	-	-	1,474,917	13,564,255
Public service - Gas Tax	-	-	-	-	-	1,505,256	1,505,256
Public service - Community Transportation	-	-	-	-	-	57,432	57,432
Public service - Lighting Districts	-	-	-	-	-	574,910	574,910
Public welfare - Tax Increment Districts	-	-	-	-	-	3,629,097	3,629,097
Public welfare - Econ Develop Loan Fund	-	-	-	-	-	825,250	825,250
Public welfare - Tree Maint. District	-	-	-	-	-	328,339	328,339
Public welfare - other	-	-	-	-	-	619,072	619,072
Capital projects-Trail Open Space Parks	-	-	-	-	-	7,789,279	7,789,279
Debt service-SID Sinking	-	-	-	-	999,850	-	999,850
Debt service-SID Revolving Fund	-	-	-	-	-	3,420,424	3,420,424
Debt service-GO Bonds	-	-	-	-	-	92,160	92,160
Total restricted	-	11,649,617	439,721	1,701,829	999,850	24,147,110	38,938,127
Committed							
General government	-	-	-	-	-	1,291,778	1,291,778
Public safety	-	-	-	-	-	1,432,797	1,432,797
Public service	-	-	-	-	-	23,262	23,262
Public welfare	-	-	-	-	-	801,354	801,354
Capital projects	-	-	-	-	-	352,503	352,503
Total committed	-	-	-	-	-	3,901,694	3,901,694
Assigned							
General government	1,267,989	-	-	-	-	-	1,267,989
Public welfare	-	-	-	-	-	1,171	1,171
Capital projects	77,622	-	-	-	-	926,425	1,004,047
Budget ordinance minimum 16.67%	5,057,271	-	-	-	-	-	5,057,271
Total assigned	6,402,882	-	-	-	-	927,596	7,330,478
Unassigned	87,274	-	-	-	-	(50,900)	36,374
Total net position	\$ 6,490,156	\$ 11,649,617	\$ 439,721	\$ 1,701,829	\$ 999,850	\$ 30,458,838	\$ 51,740,011

**C. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT DISCUSSION AND ANALYSIS**

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
 Year Ended June 30, 2017

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2017, 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
	6/30/2014	\$ 219,207	59.81%	\$ 1,930,074
	6/30/2015	\$ 295,694	46.29%	\$ 2,088,897
	6/30/2016	\$ 292,862	50.39%	\$ 2,232,576
	6/30/2017	\$ 290,055	47.44%	\$ 2,385,029

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ -
(b) Actuarial value of plan assets (UAAL)	2,488,935
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ (2,488,935)</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 28,482,263
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ({{(a) - (b)}} / (c))	8.74%

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)
	7/1/2014	\$ -	\$ 2,675,667	\$ 2,675,667	0%	\$ 26,884,822	9.95%
	7/1/2014	\$ -	\$ 2,675,667	\$ 2,675,667	0%	\$ 27,652,683	9.68%
	7/1/2016	\$ -	\$ 2,488,935	\$ 2,488,935	0%	\$ 28,482,263	8.74%

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND SCHEDULE OF CONTRIBUTIONS
 Year Ended June 30, 2017

Schedule of Proportionate Share of the Net Pension Liability: As of Reporting Date	PERS		
	2017	2016	2015
Employer's proportion of the net pension liability (percentage)	1.0218%	0.9588%	0.91505%
Employer's net pension liability (amount)	\$ 17,404,143	\$ 13,403,285	\$ 11,401,613
State's net pension liability (amount)	\$ 212,659	\$ 164,637	\$ 139,231
Total	\$ 17,616,802	\$ 13,567,922	\$ 11,540,844
Employer's covered payroll	\$ 12,238,920	\$ 11,189,797	\$ 10,479,122
Employer's proportionate share as a percent of covered payroll	142.20%	119.78%	111.22%
Plan fiduciary net position as a percent of total pension liability	74.71%	78.40%	79.9000%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Contributions: As of Reporting Date	PERS		
	2017	2016	2015
Contractually required DB contributions	\$ 1,081,810	\$ 1,022,996	\$ 922,084
Plan choice rate required contributions	\$ 109,478	\$ 28,892	\$ 52,151
Contributions in relation to the contractually required contributions	\$ 1,191,288	\$ 1,051,888	\$ 974,235
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 12,924,792	\$ 12,238,920	\$ 11,189,797
Contributions as a percent of covered payroll	9.2171%	8.59%	8.71%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND SCHEDULE OF CONTRIBUTIONS (CONTINUED)
 Year Ended June 30, 2017

Schedule of Proportionate Share of the Net Pension Liability:	FURS		
As of Reporting Date	2017	2016	2015
Employer's proportion of the net pension liability (percentage)	2.3705%	2.4336%	2.4192%
Employer's net pension liability (amount)	\$ 2,707,390	\$ 2,489,054	\$ 2,361,551
State's net pension liability (amount)	\$ 6,134,093	\$ 5,543,784	\$ 5,327,544
Total	\$ 8,841,483	\$ 8,032,838	\$ 7,689,095
Employer's covered payroll	\$ 3,338,041	\$ 3,270,451	\$ 3,142,481
Employer's proportionate share as a percent of covered payroll	81.11%	76.11%	75.15%
Plan fiduciary net position as a percent of total pension liability	75.48%	76.90%	76.70%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Contributions:	FURS		
As of Reporting Date	2017	2016	2015
Contractually required contributions	\$ 504,303	\$ 477,250	\$ 478,776
Contributions in relation to the contractually required contributions	\$ 504,303	\$ 477,250	\$ 478,776
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,511,860	\$ 3,338,041	\$ 3,270,451
Contributions as a percent of covered payroll	14.36%	14.03%	14.64%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND SCHEDULE OF CONTRIBUTIONS (CONTINUED)
 Year Ended June 30, 2017

Schedule of Proportionate Share of the Net Pension Liability:	MPORS		
	2017	2016	2015
Employer's proportion of the net pension liability (percentage)	3.0842%	2.9746%	3.0209%
Employer's net pension liability (amount)	\$ 5,552,007	\$ 4,920,638	\$ 4,746,933
State's net pension liability (amount)	\$ 11,020,975	\$ 9,969,680	\$ 9,589,371
Total	\$ 16,572,982	\$ 14,890,318	\$ 14,336,304
Employer's covered payroll	\$ 4,353,897	\$ 4,116,930	\$ 4,053,265
Employer's proportionate share as a percent of covered payroll	127.52%	119.52%	117.11%
Plan fiduciary net position as a percent of total pension liability	65.62%	66.90%	67.01%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Schedule of Contributions:	MPORS		
	2017	2016	2015
Contractually required contributions	\$ 655,143	\$ 637,789	\$ 596,791
Contributions in relation to the contractually required contributions	\$ 655,143	\$ 637,789	\$ 596,791
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 4,555,121	\$ 4,353,897	\$ 4,116,930
Contributions as a percent of covered payroll	14.38%	14.65%	14.50%

*The amounts presented for each fiscal year were determined as of June 30. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES
 Year Ended June 30, 2017

CHANGE OF BENEFIT TERMS

The following changes to the PERS, FURS, and MPORS plan provisions were made as identified:

2013 Legislative Changes:

House Bill 454 – Permanent Injunction Limits Application of the GABA Reduction passed under HB 454

PERS Guaranteed Annual Benefit Adjustment (GABA)

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013
 - a. 1.5% each year PERS is funded at or above 90%
 - b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c. 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes – PERS:

General Revisions – House Bill 101, effective January 1, 2016:

>*PERS Second Retirement Benefit*

- 1) Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of each member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
- 2) For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- 3) For members who retire on or after January 1, 2016 return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and,

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES
 Year Ended June 30, 2017

CHANGE OF BENEFIT TERMS (CONTINUED)

2015 Legislative Changes – PERS (Continued):

- GABA starts again in the January immediately following second retirement.
- 4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service base on laws in effect at second retirement; and,
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws – House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016 and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2015 Legislative Changes - FURS:

1. If a PERS member transfers employment to a FURS covered position and fails to elect FURS membership within 90 days, the default is PERS membership.

2015 Legislative Changes - MPORS:

- General Revisions – House Bill 101, effective January 1, 2016:
 >**MPORS DROP Survivor Benefits**
 Allow statutory beneficiary (spouse or dependent child) of a deceased DROP participant to receive a DROP benefit and a survivorship benefit rather than accumulated contributions or a lump sum payment. 19-9-1206(1), MCA.

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES
 Year Ended June 30, 2017

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

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

	PERS	FURS	MPORS
Admin Expense as a % of Payroll	0.27%	0.19%	0.20%

There were no changes following the 2013 Economic Experience study for PERS, FURS, and MPORS.

The following Actuarial Assumptions are from the June 2010 Experience Study:

	PERS	FURS and MPORS
General Wage Growth*	4.00%	4.00%
*Includes inflation at	3.00%	3.00%
Merit increase	0% to 6.0%	0% to 7.3%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation	7.75%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET TO ACTUAL – GENERAL FUND
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 6,521,099	\$ 6,521,099	\$ 6,521,099	\$ -
Resources (inflows):				
Taxes	15,417,000	15,417,000	15,268,625	(148,375)
Special assessments	-	-	62	62
Licenses and permits	316,170	316,170	356,361	40,191
Intergovernmental	7,037,266	7,037,266	7,393,702	356,436
Charges for services	2,122,555	2,122,555	2,295,677	173,122
Fines and forfeitures	1,203,500	1,203,500	1,139,309	(64,191)
Sale of assets	-	-	23,892	23,892
Interest on investments	45,000	45,000	51,635	6,635
Transfers from other funds	2,276,755	2,276,755	2,214,190	(62,565)
Other	116,500	116,500	37,394	(79,106)
Amounts available for appropriation	<u>35,055,845</u>	<u>35,055,845</u>	<u>35,301,946</u>	<u>246,101</u>
Charges to appropriations (outflows):				
Current				
General government	6,702,275	6,702,275	6,623,546	78,729
Public safety	12,157,212	14,555,712	14,555,066	646
Public service	122,331	122,331	108,295	14,036
Public welfare	6,386,811	6,246,311	5,612,254	634,057
Other	2,759,508	419,508	418,559	949
Capital outlay	800,760	800,760	668,191	132,569
Debt service	400	3,900	3,760	140
Transfers to other funds	484,308	822,808	822,119	689
Total charges to appropriations	<u>29,413,605</u>	<u>29,673,605</u>	<u>28,811,790</u>	<u>861,815</u>
Budgetary fund balance, June 30	<u>\$ 5,642,240</u>	<u>\$ 5,382,240</u>	<u>\$ 6,490,156</u>	<u>\$ 1,107,916</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS – STREET IMPACT FEES SPECIAL REVENUE
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 12,647,518	\$ 12,647,518	\$ 12,647,518	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	11,891	11,891
Charges for services	2,293,441	2,293,441	3,966,383	1,672,942
Fines and forfeitures	-	-	-	-
Interest on investments	94,500	94,500	126,257	31,757
Transfers from other funds	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	960	960	807	(153)
Amounts available for appropriation	<u>15,036,419</u>	<u>15,036,419</u>	<u>16,752,856</u>	<u>1,716,437</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	225,000	375,000	374,301	699
Public welfare	-	-	-	-
Capital outlay	4,945,475	4,795,475	4,728,938	66,537
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>5,170,475</u>	<u>5,170,475</u>	<u>5,103,239</u>	<u>67,236</u>
Budgetary fund balance, June 30	<u>\$ 9,865,944</u>	<u>\$ 9,865,944</u>	<u>\$ 11,649,617</u>	<u>\$ 1,783,673</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS – STREET MAINTENANCE SPECIAL REVENUE
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 774,948	\$ 774,948	\$ 774,948	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	21,950	21,950	54,404	32,454
Licenses and permits	7,619	7,619	18,466	10,847
Intergovernmental	-	-	1,026	1,026
Charges for services	4,526,593	4,526,593	4,545,407	18,814
Fines and forfeitures	-	-	-	-
Interest on investments	17,040	17,040	3,892	(13,148)
Transfers from other funds	-	-	43,227	43,227
Proceeds from long-term debt	-	-	234,702	234,702
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	19,385	19,385
Other	-	-	19,411	19,411
Amounts available for appropriation	<u>5,348,150</u>	<u>5,348,150</u>	<u>5,714,868</u>	<u>366,718</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	3,010,252	3,362,252	3,363,126	(874)
Public welfare	-	-	-	-
Capital outlay	1,376,501	1,101,123	1,101,123	-
Debt service	184,822	213,322	212,898	424
Transfers to other funds	598,000	598,000	598,000	-
Total charges to appropriations	<u>5,169,575</u>	<u>5,274,697</u>	<u>5,275,147</u>	<u>(450)</u>
Budgetary fund balance, June 30	<u>\$ 178,575</u>	<u>\$ 73,453</u>	<u>\$ 439,721</u>	<u>\$ 366,268</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS – BUILDING INSPECTION SPECIAL REVENUE
 Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 1,676,314	\$ 1,676,314	\$ 1,676,314	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	1,670,333	1,670,333	1,717,846	47,513
Intergovernmental	-	-	51,440	51,440
Charges for services	1,915	1,915	732	(1,183)
Fines and forfeitures	-	-	-	-
Interest on investments	13,000	13,000	12,117	(883)
Transfers from other funds	-	-	-	-
Proceeds from long- term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	2	2
Amounts available for appropriation	<u>3,361,562</u>	<u>3,361,562</u>	<u>3,458,451</u>	<u>96,889</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	1,945,944	1,945,944	1,704,782	241,162
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	32,500	32,500	51,840	(19,340)
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>1,978,444</u>	<u>1,978,444</u>	<u>1,756,622</u>	<u>221,822</u>
Budgetary fund balance, June 30	<u>\$ 1,383,118</u>	<u>\$ 1,383,118</u>	<u>\$ 1,701,829</u>	<u>\$ 318,711</u>

CITY OF BOZEMAN, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY INFORMATION
Year Ended June 30, 2017

	General Fund	Street Impact Fees	Street Maintenance	Building Inspection
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 35,301,946	\$ 16,752,856	\$ 5,714,868	\$ 3,458,451
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.	(6,521,099)	(12,647,518)	(774,948)	(1,676,314)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,214,190)	-	(43,227)	-
The proceeds from the issuance of long-term debt are a budgetary resource but are a other financing source for financial reporting purposes	-	-	(234,702)	-
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	(23,892)	-	(19,385)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 26,542,765</u>	<u>\$ 4,105,338</u>	<u>\$ 4,642,606</u>	<u>\$ 1,782,137</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 28,811,790	\$ 5,103,239	\$ 5,275,147	\$ 1,756,622
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(822,119)	-	(598,000)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 27,989,671</u>	<u>\$ 5,103,239</u>	<u>\$ 4,677,147</u>	<u>\$ 1,756,622</u>

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 the 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.

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

DEBT SERVICE FUNDS

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

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

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

CAPITAL IMPROVEMENT FUNDS

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

PERMANENT FUNDS

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

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Special Revenue Funds			
	City			
	Departmental	Planning Board	Health-Medical Insurance	Community Transportation
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,742,907	\$ 802,558	\$ 254,431	\$ 103,933
Receivables:				
Property taxes	3,988	8,179	105,156	-
Accrued interest	-	-	-	-
Customers, net	14,398	-	-	-
Special assessments	-	-	-	-
Other governments	292,173	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	25,000	580,371	-	-
Total assets	<u>\$ 2,078,466</u>	<u>\$ 1,391,108</u>	<u>\$ 359,587</u>	<u>\$ 103,933</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 110,941	\$ 33,802	\$ -	\$ 46,501
Escheat property payable	-	-	-	-
Accrued employee benefits payable	16	326	-	-
Total liabilities	<u>110,957</u>	<u>34,128</u>	<u>-</u>	<u>46,501</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	399	823	10,197	-
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>399</u>	<u>823</u>	<u>10,197</u>	<u>-</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	200,306	1,356,157	349,390	57,432
Committed	1,817,704	-	-	-
Assigned	-	-	-	-
Unassigned	(50,900)	-	-	-
Total fund balances	<u>1,967,110</u>	<u>1,356,157</u>	<u>349,390</u>	<u>57,432</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,078,466</u>	<u>\$ 1,391,108</u>	<u>\$ 359,587</u>	<u>\$ 103,933</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,552,472	\$ 339,831	\$ -	\$ 2,667,653
Receivables:				
Property taxes	-	-	-	98,696
Accrued interest	-	-	-	4,783
Customers, net	-	-	-	-
Special assessments	-	17,370	-	1,628
Other governments	-	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	1,551,263	-
Total assets	<u>\$ 1,552,472</u>	<u>\$ 357,201</u>	<u>\$ 1,551,263</u>	<u>\$ 2,772,760</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 47,216	\$ 18,987	\$ 511	\$ 1,023,277
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	775	-	-
Total liabilities	<u>47,216</u>	<u>19,762</u>	<u>511</u>	<u>1,023,277</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	-	-	704
Unavailable revenue-special assessments	-	9,100	-	-
Total deferred inflows of resources	<u>-</u>	<u>9,100</u>	<u>-</u>	<u>704</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	1,505,256	328,339	1,550,752	1,748,779
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>1,505,256</u>	<u>328,339</u>	<u>1,550,752</u>	<u>1,748,779</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,552,472</u>	<u>\$ 357,201</u>	<u>\$ 1,551,263</u>	<u>\$ 2,772,760</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ 522,102	\$ -	\$ 71,059	\$ 130,023
Receivables:					
Property taxes	-	11,551	-	-	-
Accrued interest	-	-	-	-	-
Customers, net	333,719	-	-	4,336	-
Special assessments	-	-	-	-	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Notes receivable	491,531	69,065	2,093	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 825,250</u>	<u>\$ 602,718</u>	<u>\$ 2,093</u>	<u>\$ 75,395</u>	<u>\$ 130,023</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ 37,200	\$ 922	\$ 5,028	\$ -
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	103	-
Total liabilities	<u>-</u>	<u>37,200</u>	<u>922</u>	<u>5,131</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue-property taxes	-	794	-	-	-
Unavailable revenue-special assessments	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>794</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>					
Nonspendable	-	-	-	-	-
Restricted	825,250	-	-	70,264	-
Committed	-	564,724	-	-	130,023
Assigned	-	-	1,171	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>825,250</u>	<u>564,724</u>	<u>1,171</u>	<u>70,264</u>	<u>130,023</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 825,250</u>	<u>\$ 602,718</u>	<u>\$ 2,093</u>	<u>\$ 75,395</u>	<u>\$ 130,023</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

	Special Revenue Funds					
	Law and Justice Center	Street Arterial and Collector District	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
<u>ASSETS</u>						
Cash and cash equivalents	\$ -	\$ 1,936,473	\$ 1,579,190	\$ 380,733	\$ 388,020	\$ 1,022,383
Receivables:						
Property taxes	-	-	23,935	7,037	-	15,940
Accrued interest	-	-	-	-	-	-
Customers, net	-	-	-	-	4,892	-
Special assessments	-	26,815	-	-	-	-
Other governments	-	-	-	-	-	-
Others	-	-	-	-	-	-
Advances to other city funds	-	-	-	-	-	-
Prepaid expenditures	331,500	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
Total assets	<u>\$ 331,500</u>	<u>\$ 1,963,288</u>	<u>\$ 1,603,125</u>	<u>\$ 387,770</u>	<u>\$ 392,912</u>	<u>\$ 1,038,323</u>
<u>LIABILITIES</u>						
Accounts payable	\$ -	\$ 453,184	\$ 103,593	\$ 2,745	\$ 4,002	\$ -
Appearance bonds and other liabilities		35,188				
Escheat property payable	-	-	-	-	-	-
Accrued employee benefits payable	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>488,372</u>	<u>103,593</u>	<u>2,745</u>	<u>4,002</u>	<u>-</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Unavailable revenue-property taxes	-	-	4,239	-	-	1,583
Unavailable revenue-special assessments	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>4,239</u>	<u>-</u>	<u>-</u>	<u>1,583</u>
<u>FUND BALANCES</u>						
Nonspendable	331,500	-	-	-	-	-
Restricted	-	1,474,916	1,495,293	385,025	388,910	-
Committed	-	-	-	-	-	1,036,740
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>331,500</u>	<u>1,474,916</u>	<u>1,495,293</u>	<u>385,025</u>	<u>388,910</u>	<u>1,036,740</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 331,500</u>	<u>\$ 1,963,288</u>	<u>\$ 1,603,125</u>	<u>\$ 387,770</u>	<u>\$ 392,912</u>	<u>\$ 1,038,323</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

	Special Revenue Funds			
	Street Lighting	Park Land	Municipal Court Restitution	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 591,545	\$ 534,163	\$ 21,157	\$ 14,640,633
Receivables:				
Property taxes	-	-	-	274,482
Accrued interest	-	-	-	4,783
Customers, net	-	-	-	357,345
Special assessments	12,511	-	-	58,324
Other governments	-	-	-	292,173
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	331,500
Notes receivable	-	-	-	562,689
Restricted cash and cash equivalents	-	-	-	2,156,634
Total assets	<u>\$ 604,056</u>	<u>\$ 534,163</u>	<u>\$ 21,157</u>	<u>\$ 18,678,563</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 29,146	\$ -	\$ 1,000	\$ 1,918,055
				35,188
Escheat property payable	-	-	20,052	20,052
Accrued employee benefits payable	-	-	-	1,220
Total liabilities	<u>29,146</u>	<u>-</u>	<u>21,052</u>	<u>1,974,515</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	-	-	18,739
Unavailable revenue-special assessments	-	-	-	9,100
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,839</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	331,500
Restricted	574,910	534,163	105	12,845,247
Committed	-	-	-	3,549,191
Assigned	-	-	-	1,171
Unassigned	-	-	-	(50,900)
Total fund balances	<u>574,910</u>	<u>534,163</u>	<u>105</u>	<u>16,676,209</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 604,056</u>	<u>\$ 534,163</u>	<u>\$ 21,157</u>	<u>\$ 18,678,563</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,874,013	\$ 38,240	\$ -	\$ 2,912,253
Receivables:				
Property taxes	-	59,772	-	59,772
Accrued interest	6,878	-	-	6,878
Customers, net	-	-	-	-
Special assessments	-	-	-	-
Other governments	-	-	-	-
Others	-	-	-	-
Advances to other city funds	539,533	-	-	539,533
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 3,420,424</u>	<u>\$ 98,012</u>	<u>\$ -</u>	<u>\$ 3,518,436</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 500	\$ -	\$ 500
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	5,352	-	5,352
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>5,352</u>	<u>-</u>	<u>5,352</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	3,420,424	92,160	-	3,512,584
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>3,420,424</u>	<u>92,160</u>	<u>-</u>	<u>3,512,584</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,420,424</u>	<u>\$ 98,012</u>	<u>\$ -</u>	<u>\$ 3,518,436</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2017

	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
	Construction	Perpetual Cemetery Care	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 8,614,201	\$ -	\$ 26,167,087
Receivables:			
Property taxes	-	-	334,254
Accrued interest	35,202	-	46,863
Customers, net	39,223	4,800	401,368
Special assessments	-	-	58,324
Other governments	-	-	292,173
Others	-	-	-
Advances to other city funds	-	-	539,533
Prepaid expenditures	-	-	331,500
Notes receivable	-	-	562,689
Restricted cash and cash equivalents	885,571	1,200,396	4,242,601
Total assets	<u>\$ 9,574,197</u>	<u>\$ 1,205,196</u>	<u>\$ 32,976,392</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 359,580	\$ 3,358	\$ 2,281,493
Appearance bonds and other liabilities	146,410	-	181,598
Escheat property payable	-	-	20,052
Accrued employee benefits payable	-	-	1,220
Total liabilities	<u>505,990</u>	<u>3,358</u>	<u>2,484,363</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-property taxes	-	-	24,091
Unavailable revenue-special assessments	-	-	9,100
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>33,191</u>
<u>FUND BALANCES</u>			
Nonspendable	-	1,201,838	1,533,338
Restricted	7,789,279	-	24,147,110
Committed	352,503	-	3,901,694
Assigned	926,425	-	927,596
Unassigned	-	-	(50,900)
Total fund balances	<u>9,068,207</u>	<u>1,201,838</u>	<u>30,458,838</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,574,197</u>	<u>\$ 1,205,196</u>	<u>\$ 32,976,392</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2017

	Special Revenue Funds			
	Departmental	City Planning Board	Health-Medical Insurance	Community Transportation
REVENUES				
Taxes	\$ 143,351	\$ 180,741	\$ 2,299,539	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	420,587	119,888	-	49,952
Charges for services	25,100	799,243	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	17,009	7,358	-	805
Interest on loans receivable	-	-	-	-
Other	108,295	59,556	-	-
Total revenues	<u>714,342</u>	<u>1,166,786</u>	<u>2,299,539</u>	<u>50,757</u>
EXPENDITURES				
Current:				
General government	-	965,863	-	-
Public safety	268,664	-	-	-
Public service	19	-	-	-
Public welfare	324,658	-	-	-
Other	87,610	-	-	-
Capital outlay	159,202	-	-	59,889
Debt service:				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>840,153</u>	<u>965,863</u>	<u>-</u>	<u>59,889</u>
Revenues over (under) expenditures	<u>(125,811)</u>	<u>200,923</u>	<u>2,299,539</u>	<u>(9,132)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	100,000	88,037	-	-
Transfers out	-	-	(2,278,269)	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>88,037</u>	<u>(2,278,269)</u>	<u>-</u>
Net change in fund balance	(25,811)	288,960	21,270	(9,132)
FUND BALANCES, beginning of year	<u>1,992,921</u>	<u>1,067,197</u>	<u>328,120</u>	<u>66,564</u>
FUND BALANCES, end of year	<u>\$ 1,967,110</u>	<u>\$ 1,356,157</u>	<u>\$ 349,390</u>	<u>\$ 57,432</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2017

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 1,081,545
Special assessments	-	1,031	-	120,319
Licenses and permits	-	-	-	-
Intergovernmental	693,945	10,261	-	56,050
Charges for services	-	581,734	315,732	-
Fines and forfeitures	-	-	-	-
Interest on investments	11,418	2,634	12,311	19,698
Interest on loans receivable	-	-	-	-
Other	-	3,244	-	-
Total revenues	<u>705,363</u>	<u>598,904</u>	<u>328,043</u>	<u>1,277,612</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	14,778	-
Public service	157,342	-	-	-
Public welfare	-	480,814	-	415,800
Other	-	-	-	-
Capital outlay	-	33,246	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>157,342</u>	<u>514,060</u>	<u>14,778</u>	<u>415,800</u>
Revenues over (under) expenditures	<u>548,021</u>	<u>84,844</u>	<u>313,265</u>	<u>861,812</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(792,398)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(792,398)</u>
Net change in fund balance	548,021	84,844	313,265	69,414
FUND BALANCES, beginning of year	<u>957,235</u>	<u>243,495</u>	<u>1,237,487</u>	<u>1,679,365</u>
FUND BALANCES, end of year	<u>\$ 1,505,256</u>	<u>\$ 328,339</u>	<u>\$ 1,550,752</u>	<u>\$ 1,748,779</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2017

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
REVENUES					
Taxes	\$ -	\$ 260,687	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	108,023	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	53,908	500
Interest on investments	863	4,401	-	69	1,115
Interest on loans receivable	27,755	494	143	-	-
Other	2,400	-	-	12,436	-
Total revenues	<u>31,018</u>	<u>265,582</u>	<u>143</u>	<u>174,436</u>	<u>1,615</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	249,716	-
Public service	-	-	-	-	-
Public welfare	63,198	284,401	7,219	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>63,198</u>	<u>284,401</u>	<u>7,219</u>	<u>249,716</u>	<u>-</u>
Revenues over (under) expenditures	<u>(32,180)</u>	<u>(18,819)</u>	<u>(7,076)</u>	<u>(75,280)</u>	<u>1,615</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	111,042	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,042</u>	<u>-</u>
Net change in fund balance	(32,180)	(18,819)	(7,076)	35,762	1,615
FUND BALANCES, beginning of year	<u>857,430</u>	<u>583,543</u>	<u>8,247</u>	<u>34,502</u>	<u>128,408</u>
FUND BALANCES, end of year	<u>\$ 825,250</u>	<u>\$ 564,724</u>	<u>\$ 1,171</u>	<u>\$ 70,264</u>	<u>\$ 130,023</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2017

	Special Revenue Funds					
	Law and Justice Center	Street Arterial and Collector District	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
REVENUES						
Taxes	\$ -	\$ -	\$ 651,949	\$ 130,468	\$ -	\$ 347,641
Special assessments	-	2,282	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	37,926	1,353	-	-
Charges for services	-	1,092,411	-	-	-	-
Fines and forfeitures	-	-	-	-	62,808	-
Interest on investments	-	13,916	9,727	3,314	3,324	7,047
Interest on loans receivable	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>1,108,609</u>	<u>699,602</u>	<u>135,135</u>	<u>66,132</u>	<u>354,688</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	54,477	-
Public safety	19,125	-	-	-	-	-
Public service	-	3,934	-	-	-	-
Public welfare	-	-	331,066	121,700	-	-
Other	-	-	-	-	-	-
Capital outlay	-	637,794	778,288	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>19,125</u>	<u>641,728</u>	<u>1,109,354</u>	<u>121,700</u>	<u>54,477</u>	<u>-</u>
Revenues over (under) expenditures	<u>(19,125)</u>	<u>466,881</u>	<u>(409,752)</u>	<u>13,435</u>	<u>11,655</u>	<u>354,688</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	116,561	-	-	-
Transfers out	-	-	(47,327)	(10,000)	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>69,234</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>(19,125)</u>	<u>466,881</u>	<u>(340,518)</u>	<u>3,435</u>	<u>11,655</u>	<u>354,688</u>
FUND BALANCES, beginning of year	<u>350,625</u>	<u>1,008,035</u>	<u>1,835,811</u>	<u>381,590</u>	<u>377,255</u>	<u>682,052</u>
FUND BALANCES, end of year	<u>\$ 331,500</u>	<u>\$ 1,474,916</u>	<u>\$ 1,495,293</u>	<u>\$ 385,025</u>	<u>\$ 388,910</u>	<u>\$ 1,036,740</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2017

	Special Revenue Funds			Totals
	Street Lighting	Park Land	Municipal Court Restitution	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 5,095,921
Special assessments	426,189	-	-	549,821
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	1,497,985
Charges for services	-	-	-	2,814,220
Fines and forfeitures	-	-	-	117,216
Interest on investments	5,138	4,229	-	124,376
Interest on loans receivable	-	-	-	28,392
Other	-	105,064	-	290,995
Total revenues	<u>431,327</u>	<u>109,293</u>	<u>-</u>	<u>10,518,926</u>
EXPENDITURES				
Current:				
General government	-	-	-	1,020,340
Public safety	-	-	-	552,283
Public service	412,158	-	-	573,453
Public welfare	-	-	-	2,028,856
Other	-	-	-	87,610
Capital outlay	-	-	-	1,668,419
Debt service:				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>412,158</u>	<u>-</u>	<u>-</u>	<u>5,930,961</u>
Revenues over (under) expenditures	<u>19,169</u>	<u>109,293</u>	<u>-</u>	<u>4,587,965</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	415,640
Transfers out	(31,900)	-	-	(3,159,894)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>(31,900)</u>	<u>-</u>	<u>-</u>	<u>(2,744,254)</u>
Net change in fund balance	(12,731)	109,293	-	1,843,711
FUND BALANCES, beginning of year	<u>587,641</u>	<u>424,870</u>	<u>105</u>	<u>14,832,498</u>
FUND BALANCES, end of year	<u>\$ 574,910</u>	<u>\$ 534,163</u>	<u>\$ 105</u>	<u>\$ 16,676,209</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2017

	Debt Service Funds			Totals
	SID Revolving	G.O. Bonds	TIF Bonds	
REVENUES				
Taxes	\$ -	\$ 1,318,121	\$ -	\$ 1,318,121
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	1,917	-	-	1,917
Fines and forfeitures	-	-	-	-
Interest on investments	28,362	1,018	-	29,380
Interest on loans receivable	3,445	-	-	3,445
Other	-	-	-	-
Total revenues	<u>33,724</u>	<u>1,319,139</u>	<u>-</u>	<u>1,352,863</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				-
Principal	-	860,000	205,000	1,065,000
Interest and fiscal fees	-	499,938	220,838	720,776
Total expenditures	<u>-</u>	<u>1,359,938</u>	<u>425,838</u>	<u>1,785,776</u>
Revenues over (under) expenditures	<u>33,724</u>	<u>(40,799)</u>	<u>(425,838)</u>	<u>(432,913)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	425,838	425,838
Transfers out	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>425,838</u>	<u>425,838</u>
Net change in fund balance	33,724	(40,799)	-	(7,075)
FUND BALANCES, beginning of year	<u>3,386,700</u>	<u>132,959</u>	<u>-</u>	<u>3,519,659</u>
FUND BALANCES, end of year	<u>\$ 3,420,424</u>	<u>\$ 92,160</u>	<u>\$ -</u>	<u>\$ 3,512,584</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2017

	Capital Projects	Permanent Fund	Total Nonmajor
	Construction	Cemetery Perpetual Care	Governmental Funds
REVENUES			
Taxes	\$ -	\$ -	\$ 6,414,042
Special assessments	-	-	549,821
Licenses and permits	-	-	-
Intergovernmental	-	-	1,497,985
Charges for services	-	115,982	2,932,119
Fines and forfeitures	-	-	117,216
Interest on investments	151,434	9,906	315,096
Interest on loans receivable	-	-	31,837
Other	958,800	-	1,249,795
Total revenues	<u>1,110,234</u>	<u>125,888</u>	<u>13,107,911</u>
EXPENDITURES			
Current:			
General government	-	-	1,020,340
Public safety	-	-	552,283
Public service	3,596	-	577,049
Public welfare	12,949	-	2,041,805
Other	-	-	87,610
Capital outlay	4,249,509	-	5,917,928
Debt service:			
Principal	-	-	1,065,000
Interest and fiscal fees	-	-	720,776
Total expenditures	<u>4,266,054</u>	<u>-</u>	<u>11,982,791</u>
Revenues over (under) expenditures	<u>(3,155,820)</u>	<u>125,888</u>	<u>1,125,120</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	851,164	-	1,692,642
Transfers out	-	-	(3,159,894)
Sale of capital assets	-	-	-
Total other financing sources (uses)	<u>851,164</u>	<u>-</u>	<u>(1,467,252)</u>
Net change in fund balance	(2,304,656)	125,888	(342,132)
FUND BALANCES, beginning of year	<u>11,372,863</u>	<u>1,075,950</u>	<u>30,800,970</u>
FUND BALANCES, end of year	<u>\$ 9,068,207</u>	<u>\$ 1,201,838</u>	<u>\$ 30,458,838</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, 2017

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 730,278	\$ 730,278	\$ 730,278	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	616,449	616,449	558,988	(57,461)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	3,512	3,512
Fines and forfeitures	-	-	-	-
Interest on investments	9,940	9,940	11,693	1,753
Transfers from other funds	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	259	259
Amounts available for appropriation	<u>1,356,667</u>	<u>1,356,667</u>	<u>1,304,730</u>	<u>(51,937)</u>
Charges to appropriations (outflows):				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	379,800	379,800	191,835	187,965
Transfers to other funds	10,700	10,700	113,045	(102,345)
Total charges to appropriations	<u>390,500</u>	<u>390,500</u>	<u>304,880</u>	<u>85,620</u>
Budgetary fund balance, June 30	<u>\$ 966,167</u>	<u>\$ 966,167</u>	<u>\$ 999,850</u>	<u>\$ 33,683</u>

CITY OF BOZEMAN, MONTANA
 NOTE TO BUDGET TO ACTUAL STATEMENT - OTHER MAJOR FUNDS
 Year Ended June 30, 2017

	<u>SID Sinking Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,304,730
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.	(730,278)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	-
The proceeds from the issuance of long-term debt are a budgetary resource but are a other financing source for financial reporting purposes	-
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 574,452</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 304,880
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(113,045)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 191,835</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, 2017

	Special Revenue Funds					
	Departmental Special Revenues			City Planning Board		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 124,392	\$ 143,351	\$ 18,959	\$ 176,591	\$ 180,741	\$ 4,150
Special assessments	892	-	892	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	115,000	420,587	305,587	108,160	119,888	11,728
Charges for services	38,000	25,100	(12,900)	719,899	799,243	79,344
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	14,232	17,009	2,777	3,000	7,358	4,358
Loan repayment	-	-	-	-	-	-
Other	116,082	108,295	(7,787)	47,694	59,556	11,862
Total revenues	<u>408,598</u>	<u>714,342</u>	<u>305,744</u>	<u>1,055,344</u>	<u>1,166,786</u>	<u>111,442</u>
EXPENDITURES - BUDGET UNIT	<u>846,343</u>	<u>840,153</u>	<u>6,190</u>	<u>1,251,872</u>	<u>965,863</u>	<u>286,009</u>
Revenues over (under) expenditures	<u>(437,745)</u>	<u>(125,811)</u>	<u>311,934</u>	<u>(196,528)</u>	<u>200,923</u>	<u>397,451</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	100,000	100,000	209,162	88,037	(121,125)
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>100,000</u>	<u>100,000</u>	<u>209,162</u>	<u>88,037</u>	<u>(121,125)</u>
Revenues and other sources over (under) expenditures	<u>\$ (437,745)</u>	<u>(25,811)</u>	<u>\$ 411,934</u>	<u>\$ 12,634</u>	<u>288,960</u>	<u>\$ 276,326</u>
FUND BALANCES, beginning of year		<u>1,992,921</u>			<u>1,067,197</u>	
FUND BALANCES, end of year		<u>\$ 1,967,110</u>			<u>\$ 1,356,157</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, 2017

	Special Revenue Funds					
	Health-Medical Insurance			Community Transportation		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 2,369,713	\$ 2,299,539	\$ (70,174)	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	49,952	49,952
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	1,660	805	(855)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	50,934	-	(50,934)
Total revenues	<u>2,369,713</u>	<u>2,299,539</u>	<u>(70,174)</u>	<u>52,594</u>	<u>50,757</u>	<u>(1,837)</u>
EXPENDITURES - BUDGET UNIT	-	-	-	60,000	59,889	111
Revenues over (under) expenditures	<u>2,369,713</u>	<u>2,299,539</u>	<u>(70,174)</u>	<u>(7,406)</u>	<u>(9,132)</u>	<u>(1,726)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(2,369,713)	(2,278,269)	91,444	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(2,369,713)</u>	<u>(2,278,269)</u>	<u>91,444</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>21,270</u>	<u>\$ 21,270</u>	<u>\$ (7,406)</u>	<u>(9,132)</u>	<u>\$ (1,726)</u>
FUND BALANCES, beginning of year		<u>328,120</u>			<u>66,564</u>	
FUND BALANCES, end of year		<u>\$ 349,390</u>			<u>\$ 57,432</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, 2017

	Special Revenue Funds					
	Gas Tax Apportionment			Tree Maintenance		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	1,350	1,031	(319)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	676,439	693,945	17,506	250	10,261	10,011
Charges for services	-	-	-	592,508	581,734	(10,774)
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	3,900	11,418	7,518	1,600	2,634	1,034
Loan repayment	-	-	-	-	-	-
Other	-	-	-	6,000	3,244	(2,756)
Total revenues	<u>680,339</u>	<u>705,363</u>	<u>25,024</u>	<u>601,708</u>	<u>598,904</u>	<u>(2,804)</u>
EXPENDITURES - BUDGET UNIT	<u>694,500</u>	<u>157,342</u>	<u>537,158</u>	<u>717,219</u>	<u>514,060</u>	<u>203,159</u>
Revenues over (under) expenditures	<u>(14,161)</u>	<u>548,021</u>	<u>562,182</u>	<u>(115,511)</u>	<u>84,844</u>	<u>200,355</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>\$ (14,161)</u>	<u>548,021</u>	<u>\$ 562,182</u>	<u>\$ (115,511)</u>	<u>84,844</u>	<u>\$ 200,355</u>
FUND BALANCES, beginning of year		<u>957,235</u>			<u>243,495</u>	
FUND BALANCES, end of year		<u>\$ 1,505,256</u>			<u>\$ 328,339</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, 2017

	Special Revenue Funds					
	Fire Impact Fees Special Revenue			Downtown Improvement District		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	-	\$ 1,727,000	\$ 1,081,545	\$ (645,455)
Special assessments	-	-	-	132,200	120,319	(11,881)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	45,436	56,050	10,614
Charges for services	311,973	315,732	3,759	38,000	-	(38,000)
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	6,564	12,311	5,747	10,000	19,698	9,698
Loan repayment	-	-	-	-	-	-
Other	-	-	-	17,500	-	(17,500)
Total revenues	<u>318,537</u>	<u>328,043</u>	<u>9,506</u>	<u>1,970,136</u>	<u>1,277,612</u>	<u>(692,524)</u>
EXPENDITURES - BUDGET UNIT	<u>25,000</u>	<u>14,778</u>	<u>10,222</u>	<u>2,433,300</u>	<u>415,800</u>	<u>2,017,500</u>
Revenues over (under) expenditures	<u>293,537</u>	<u>313,265</u>	<u>19,728</u>	<u>(463,164)</u>	<u>861,812</u>	<u>1,324,976</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(590,488)	(792,398)	(201,910)
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(590,488)</u>	<u>(792,398)</u>	<u>(201,910)</u>
Revenues and other sources over (under) expenditures	<u>\$ 293,537</u>	<u>313,265</u>	<u>\$ 19,728</u>	<u>\$ (1,053,652)</u>	<u>69,414</u>	<u>\$ 1,123,066</u>
FUND BALANCES, beginning of year		<u>1,237,487</u>			<u>1,679,365</u>	
FUND BALANCES, end of year		<u>\$ 1,550,752</u>			<u>\$ 1,748,779</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, 2017

	Special Revenue Funds					
	Economic Development Revolving Loan Fund			Community Housing		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 264,886	\$ 260,687	\$ (4,199)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	863	863	2,850	4,401	1,551
Loan repayment	48,500	27,755	(20,745)	9,500	494	(9,006)
Other	-	2,400	2,400	-	-	-
Total revenues	<u>48,500</u>	<u>31,018</u>	<u>(17,482)</u>	<u>277,236</u>	<u>265,582</u>	<u>(11,654)</u>
EXPENDITURES - BUDGET UNIT	<u>31,000</u>	<u>63,198</u>	<u>(32,198)</u>	<u>287,400</u>	<u>284,401</u>	<u>2,999</u>
Revenues over (under) expenditures	<u>17,500</u>	<u>(32,180)</u>	<u>(49,680)</u>	<u>(10,164)</u>	<u>(18,819)</u>	<u>(8,655)</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>\$ 17,500</u>	<u>(32,180)</u>	<u>\$ (49,680)</u>	<u>\$ (10,164)</u>	<u>(18,819)</u>	<u>\$ (8,655)</u>
FUND BALANCES, beginning of year		<u>857,430</u>			<u>583,543</u>	
FUND BALANCES, end of year		<u>\$ 825,250</u>			<u>\$ 564,724</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, 2017

	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	-	-	-	-	108,023	108,023
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	53,931	53,908	(23)
Interest on investments	50	-	(50)	-	69	69
Loan repayment	5,275	143	(5,132)	-	-	-
Other	-	-	-	-	12,436	12,436
Total revenues	<u>5,325</u>	<u>143</u>	<u>(5,182)</u>	<u>53,931</u>	<u>174,436</u>	<u>120,505</u>
EXPENDITURES - BUDGET UNIT	<u>7,200</u>	<u>7,219</u>	<u>(19)</u>	<u>213,116</u>	<u>249,716</u>	<u>(36,600)</u>
Revenues over (under) expenditures	<u>(1,875)</u>	<u>(7,076)</u>	<u>(5,201)</u>	<u>(159,185)</u>	<u>(75,280)</u>	<u>83,905</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	111,104	111,042	(62)
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,104</u>	<u>111,042</u>	<u>(62)</u>
Revenues and other sources over (under) expenditures	<u>\$ (1,875)</u>	<u>(7,076)</u>	<u>\$ (5,201)</u>	<u>\$ (48,081)</u>	<u>35,762</u>	<u>\$ 83,843</u>
FUND BALANCES, beginning of year		<u>8,247</u>			<u>34,502</u>	
FUND BALANCES, end of year		<u>\$ 1,171</u>			<u>\$ 70,264</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, 2017

	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	-	500	500	-	-	-
Interest on investments	1,047	1,115	68	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>1,047</u>	<u>1,615</u>	<u>568</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES - BUDGET UNIT	<u>29,000</u>	<u>-</u>	<u>29,000</u>	<u>19,125</u>	<u>19,125</u>	<u>-</u>
Revenues over (under) expenditures	<u>(27,953)</u>	<u>1,615</u>	<u>29,568</u>	<u>(19,125)</u>	<u>(19,125)</u>	<u>-</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u><u>\$ (27,953)</u></u>	<u>1,615</u>	<u><u>\$ 29,568</u></u>	<u><u>\$ (19,125)</u></u>	<u>(19,125)</u>	<u><u>\$ -</u></u>
FUND BALANCES, beginning of year		<u>128,408</u>			<u>350,625</u>	
FUND BALANCES, end of year		<u><u>\$ 130,023</u></u>			<u><u>\$ 331,500</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, 2017

	Special Revenue Funds					
	Street Arterial and Collector District			TIF N 7th Corridor		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 719,213	\$ 651,949	\$ (67,264)
Special assessments	892	2,282	1,390	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	37,926	37,926
Charges for services	1,095,551	1,092,411	(3,140)	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	13,916	13,916	8,800	9,727	927
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>1,096,443</u>	<u>1,108,609</u>	<u>12,166</u>	<u>728,013</u>	<u>699,602</u>	<u>(28,411)</u>
EXPENDITURES - BUDGET UNIT	<u>1,030,000</u>	<u>641,728</u>	<u>388,272</u>	<u>991,000</u>	<u>1,109,354</u>	<u>(118,354)</u>
Revenues over (under) expenditures	<u>66,443</u>	<u>466,881</u>	<u>400,438</u>	<u>(262,987)</u>	<u>(409,752)</u>	<u>(146,765)</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	116,561	116,561
Transfers out	-	-	-	(36,000)	(47,327)	(11,327)
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,000)</u>	<u>69,234</u>	<u>105,234</u>
Revenues and other sources over (under) expenditures	<u>\$ 66,443</u>	<u>466,881</u>	<u>\$ 400,438</u>	<u>\$ (298,987)</u>	<u>(340,518)</u>	<u>\$ (41,531)</u>
FUND BALANCES, beginning of year		<u>1,008,035</u>			<u>1,835,811</u>	
FUND BALANCES, end of year		<u>\$ 1,474,916</u>			<u>\$ 1,495,293</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, 2017

	Special Revenue Funds					
	TIF N.E. Urban Renewal			Victim/Witness Advocate		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 143,000	\$ 130,468	\$ (12,532)	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	1,353	1,353	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	76,800	62,808	(13,992)
Interest on investments	1,800	3,314	1,514	2,763	3,324	561
Loan repayment	-	-	-	-	-	-
Other	1,560,000	-	(1,560,000)	-	-	-
Total revenues	<u>1,704,800</u>	<u>135,135</u>	<u>(1,569,665)</u>	<u>79,563</u>	<u>66,132</u>	<u>(13,431)</u>
EXPENDITURES - BUDGET UNIT	<u>1,867,944</u>	<u>121,700</u>	<u>1,746,244</u>	<u>140,000</u>	<u>54,477</u>	<u>85,523</u>
Revenues over (under) expenditures	<u>(163,144)</u>	<u>13,435</u>	<u>176,579</u>	<u>(60,437)</u>	<u>11,655</u>	<u>72,092</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	(10,000)	(10,000)	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (173,144)</u>	<u>3,435</u>	<u>\$ 176,579</u>	<u>\$ (60,437)</u>	<u>11,655</u>	<u>\$ 72,092</u>
FUND BALANCES, beginning of year		<u>381,590</u>			<u>377,255</u>	
FUND BALANCES, end of year		<u>\$ 385,025</u>			<u>\$ 388,910</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, 2017

	Fire Department Equipment			Street Lighting		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 353,181	\$ 347,641	\$ (5,540)	\$ -	\$ -	\$ -
Special assessments	-	-	-	369,507	426,189	56,682
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	2,516	7,047	4,531	746	5,138	4,392
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>355,697</u>	<u>354,688</u>	<u>(1,009)</u>	<u>370,253</u>	<u>431,327</u>	<u>61,074</u>
EXPENDITURES - BUDGET UNIT	-	-	-	412,233	412,158	75
Revenues over (under) expenditures	<u>355,697</u>	<u>354,688</u>	<u>(1,009)</u>	<u>(41,980)</u>	<u>19,169</u>	<u>61,149</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(31,900)	(31,900)	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,900)</u>	<u>(31,900)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 355,697</u>	<u>354,688</u>	<u>\$ (1,009)</u>	<u>\$ (73,880)</u>	<u>(12,731)</u>	<u>\$ 61,149</u>
FUND BALANCES, beginning of year		<u>682,052</u>			<u>587,641</u>	
FUND BALANCES, end of year		<u>\$ 1,036,740</u>			<u>\$ 574,910</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, 2017

	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	-	4,229	4,229	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	105,064	105,064	-	-	-
Total revenues	-	109,293	109,293	-	-	-
EXPENDITURES - BUDGET UNIT	-	-	-	-	-	-
Revenues over (under) expenditures	-	109,293	109,293	-	-	-
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>\$ -</u>	<u>109,293</u>	<u>\$ 109,293</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES, beginning of year		<u>424,870</u>			<u>105</u>	
FUND BALANCES, end of year		<u>\$ 534,163</u>			<u>\$ 105</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, 2017

	Special Revenue Funds		
	Total		Variance Positive (Negative)
	Budget	Actual	
REVENUES			
Taxes	\$ 5,877,976	\$ 5,095,921	\$ (782,055)
Special assessments	504,841	549,821	44,980
Licenses and permits	-	-	-
Intergovernmental	945,285	1,497,985	552,700
Charges for services	2,795,931	2,814,220	18,289
Fines and forfeitures	130,731	117,216	(13,515)
Interest on investments	61,528	124,376	62,848
Loan repayment	63,275	28,392	(34,883)
Other	1,798,210	290,995	(1,507,215)
Total revenues	<u>12,177,777</u>	<u>10,518,926</u>	<u>(1,658,851)</u>
EXPENDITURES - BUDGET UNIT	<u>11,056,252</u>	<u>5,930,961</u>	<u>5,125,291</u>
Revenues over (under) expenditures	<u>1,121,525</u>	<u>4,587,965</u>	<u>3,466,440</u>
OTHER FINANCING SOURCES			
Transfers in	320,266	415,640	95,374
Transfers out	(3,038,101)	(3,159,894)	(121,793)
Long-term debt issued	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	<u>(2,717,835)</u>	<u>(2,744,254)</u>	<u>(26,419)</u>
Revenues and other sources over (under) expenditures	<u>\$ (1,596,310)</u>	1,843,711	<u>\$ 3,440,021</u>
FUND BALANCES, beginning of year		14,832,498	
FUND BALANCES, end of year		<u>\$ 16,676,209</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, 2017

	Debt Service Funds					
	SID Revolving			G.O. Bonds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 1,358,738	\$ 1,318,121	\$ (40,617)
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	1,917	1,917	-	-	-
Interest on investments	19,000	28,362	9,362	-	1,018	1,018
Loan repayment	-	3,445	3,445	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>19,000</u>	<u>33,724</u>	<u>14,724</u>	<u>1,358,738</u>	<u>1,319,139</u>	<u>(39,599)</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	860,000	860,000	-
Interest and fiscal fees	-	-	-	499,938	499,938	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,359,938</u>	<u>1,359,938</u>	<u>-</u>
Revenues over (under) expenditures	<u>19,000</u>	<u>33,724</u>	<u>14,724</u>	<u>(1,200)</u>	<u>(40,799)</u>	<u>(39,599)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	<u>(236,756)</u>	<u>-</u>	<u>236,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(236,756)</u>	<u>-</u>	<u>236,756</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (217,756)</u>	<u>33,724</u>	<u>\$ 251,480</u>	<u>\$ (1,200)</u>	<u>(40,799)</u>	<u>\$ (39,599)</u>
FUND BALANCES, beginning of year		<u>3,386,700</u>			<u>132,959</u>	
FUND BALANCES, end of year		<u>\$ 3,420,424</u>			<u>\$ 92,160</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, 2017

	Debt Service Funds					
	TIF Bonds			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 1,358,738	\$ 1,318,121	\$ (40,617)
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	1,917	1,917
Interest on investments	-	-	-	19,000	29,380	10,380
Loan repayment	-	-	-	-	3,445	3,445
Other	-	-	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,377,738</u>	<u>1,352,863</u>	<u>(24,875)</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service:						
Principal	205,000	205,000	-	1,065,000	1,065,000	-
Interest and fiscal fees	220,838	220,838	-	720,776	720,776	-
Total expenditures	<u>425,838</u>	<u>425,838</u>	<u>-</u>	<u>1,785,776</u>	<u>1,785,776</u>	<u>-</u>
Revenues over (under) expenditures	<u>(425,838)</u>	<u>(425,838)</u>	<u>-</u>	<u>(408,038)</u>	<u>(432,913)</u>	<u>(24,875)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	425,488	425,838	350	425,488	425,838	350
Transfers out	-	-	-	(236,756)	-	236,756
Total other financing sources (uses)	<u>425,488</u>	<u>425,838</u>	<u>350</u>	<u>188,732</u>	<u>425,838</u>	<u>237,106</u>
Revenues and other sources over (under) expenditures	<u>\$ (350)</u>	<u>-</u>	<u>\$ 350</u>	<u>\$ (219,306)</u>	<u>(7,075)</u>	<u>\$ 212,231</u>
FUND BALANCES, beginning of year		<u>-</u>			<u>3,519,659</u>	
FUND BALANCES, end of year		<u>\$ -</u>			<u>\$ 3,512,584</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, 2017

	Capital Projects Funds		
	Construction		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Interest on investments	-	151,434	151,434
Loan repayment	-	-	-
Other	-	958,800	958,800
Total revenue	<u>-</u>	<u>1,110,234</u>	<u>1,110,234</u>
EXPENDITURES			
Other	17,000	16,545	455
Capital outlay	4,181,375	4,249,509	(68,134)
Total expenditures	<u>4,198,375</u>	<u>4,266,054</u>	<u>(67,679)</u>
Revenues over (under) expenditures	<u>(4,198,375)</u>	<u>(3,155,820)</u>	<u>1,042,555</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	851,164	851,164
Transfers out	834,756	-	(834,756)
Long term debt issuance	-	-	-
Sale of capital assets	-	-	-
Total other financing sources (uses)	<u>834,756</u>	<u>851,164</u>	<u>16,408</u>
Revenues and other sources over (under) expenditures	<u>\$ (3,363,619)</u>	<u>(2,304,656)</u>	<u>\$ 1,058,963</u>
FUND BALANCES, beginning of year		<u>11,372,863</u>	
FUND BALANCES, end of year		<u>\$ 9,068,207</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, 2017

	Permanent Fund		
	Cemetery Perpetual Care		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	100,000	115,982	15,982
Interest on investments	6,000	9,906	3,906
Total revenues	<u>106,000</u>	<u>125,888</u>	<u>19,888</u>
EXPENDITURES - BUDGET UNIT	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>106,000</u>	<u>125,888</u>	<u>19,888</u>
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 106,000</u>	125,888	<u>\$ 19,888</u>
FUND BALANCES, beginning of year		<u>1,075,950</u>	
FUND BALANCES, end of year		<u>\$ 1,201,838</u>	

COMBINING NONMAJOR PROPRIETARY FUNDS

NONMAJOR PROPRIETARY FUNDS

Parking Fund – Accounts for the City’s parking enforcement and facilities operations.

Stormwater Fund – Accounts for the City’s stormwater management and mitigation operations.

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 June 30, 2017

	Business-type Activities Enterprise Funds		
	Parking Fund	Stormwater Fund	Total
ASSETS			
Current assets			
Cash and investments	\$ 764,264	\$ 550,940	\$ 1,315,204
Receivables:			
Customers, net	122,809	119,922	242,731
Special assessments		221	221
Total current assets	<u>887,073</u>	<u>671,083</u>	<u>1,558,156</u>
Non-current assets			
Other assets:			
Notes receivable	9,442	-	9,442
Restricted cash and investments	344,465	55,331	399,796
Total other assets	<u>353,907</u>	<u>55,331</u>	<u>409,238</u>
Property, plant and equipment, net			
Nondepreciable:			
Land	303,436	-	303,436
Depreciable:			
Buildings	11,803,086	-	11,803,086
Other structures and improvements	-	-	-
Machinery and equipment	30,062	163,431	193,493
Vehicles	108,351	153,310	261,661
Infrastructure	47,058	963,466	1,010,524
Property under capital lease	-	519,943	519,943
Accumulated depreciation and amortization	<u>(3,858,738)</u>	<u>(372,608)</u>	<u>(4,231,346)</u>
Net property, plant and equipment	<u>8,433,255</u>	<u>1,427,542</u>	<u>9,860,797</u>
Total non current assets	<u>8,787,162</u>	<u>1,482,873</u>	<u>10,270,035</u>
Deferred outflows of resources			
Pension plan contributions	<u>55,468</u>	<u>71,194</u>	<u>126,662</u>
Total assets	<u>\$ 9,729,703</u>	<u>\$ 2,225,150</u>	<u>\$ 11,954,853</u>

continued

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 June 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Parking Fund	Stormwater Fund	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 121,174	\$ 124,147	\$ 245,321
Compensated absences payable	2,065	17,467	19,532
Capital lease obligations payable in one year	-	81,460	81,460
Bonds and leases payable in one year	-	75,000	75,000
Total current liabilities	<u>123,239</u>	<u>298,074</u>	<u>421,313</u>
Noncurrent liabilities			
Closure and post-closure care costs	-	-	-
Capital lease obligations	-	209,078	209,078
Revenue bonds due after one year	-	1,292,430	1,292,430
Compensated absences payable	-	-	-
Other post-employment health benefits	32,833	6,980	39,813
Appearance bond and other liabilities	-	231	231
Net pension liability	248,779	319,305	568,084
Total noncurrent liabilities	<u>281,612</u>	<u>1,828,024</u>	<u>2,109,636</u>
Total liabilities	<u>404,851</u>	<u>2,126,098</u>	<u>2,530,949</u>
Deferred inflows of resources			
Pension deferrals	824	1,058	1,882
NET POSITION			
Net Investment in capital assets	8,433,255	1,143,464	9,576,719
Restricted for impact capital projects	-	-	-
Restricted for parking capital projects	344,465	-	344,465
Restricted for debt service	-	-	-
Unrestricted	546,308	(1,045,470)	(499,162)
Total net position	<u>9,324,028</u>	<u>97,994</u>	<u>9,422,022</u>
Total liabilities and net position	<u>\$ 9,729,703</u>	<u>\$ 2,225,150</u>	<u>\$ 11,954,853</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION -
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2017

	Business-type Activities		
	Enterprise Funds		
	Parking Fund	Stormwater Fund	Totals
OPERATING REVENUES	\$ 878,458	\$ 1,293,941	\$ 2,172,399
OPERATING EXPENSES			
Salaries and benefits	299,920	553,565	853,485
Materials and supplies	23,055	27,802	50,857
Repairs and maintenance	18,828	4,196	23,024
Utilities	29,710	1,222	30,932
Administrative charges	57,598	42,058	99,656
Other expenses	177,015	163,575	340,590
Depreciation and amortization	291,152	90,331	381,483
Changes in estimated closure and post- closure care costs	-	-	-
Total operating expenses	<u>897,278</u>	<u>882,749</u>	<u>1,780,027</u>
Operating income (loss)	<u>(18,820)</u>	<u>411,192</u>	<u>392,372</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	6,904	7,080	13,984
Interest expense	-	(47,695)	(47,695)
Other income	65,094	387	65,481
Intergovernmental income	4,813	6,180	10,993
Gain (loss) on sale of assets	-	(4,500)	(4,500)
Total non-operating revenues (expenses)	<u>76,811</u>	<u>(38,548)</u>	<u>38,263</u>
Income (loss) before contributions and transfers	57,991	372,644	430,635
Contributions of infrastructure - developers	-	549,096	549,096
Transfers in	250,000	140,000	390,000
Transfers out	-	(454,000)	(454,000)
Change in net position	<u>307,991</u>	<u>607,740</u>	<u>915,731</u>
NET POSITION, beginning of year	<u>9,016,037</u>	<u>(509,746)</u>	<u>8,506,291</u>
NET POSITION, end of year	<u>\$ 9,324,028</u>	<u>\$ 97,994</u>	<u>\$ 9,422,022</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2017

	Parking Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 883,689	\$ 1,294,837	\$ 2,178,526
Receipts from others	65,094	387	65,481
Payments to suppliers	(286,852)	(81,756)	(368,608)
Payments to employees	(306,718)	(369,084)	(675,802)
Payments to internal service funds and administrative fees	(57,598)	(42,058)	(99,656)
Net cash flows from operating activities	<u>297,615</u>	<u>802,326</u>	<u>1,099,941</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	250,000	140,000	390,000
Transfers out	-	(454,000)	(454,000)
Receipts from grants and intergovernmental sources	4,813	6,180	10,993
Net cash flows from non-capital financing activities	<u>254,813</u>	<u>(307,820)</u>	<u>(53,007)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(9,378)	(303,640)	(313,018)
Principal paid on bonds, interfund loans, loans and leases	-	(73,211)	(73,211)
Interest paid on bonds, interfund loans, loans and leases	-	(47,695)	(47,695)
Proceeds from issuance of long-term debt	-	(73,000)	(73,000)
Proceeds from sale of property, plant and equipment	-	-	-
Net cash flows from capital and related financing activities	<u>(9,378)</u>	<u>(497,546)</u>	<u>(506,924)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections on notes	1,388	-	1,388
Interest on investments	6,904	7,080	13,984
Net cash flows from investing activities	<u>8,292</u>	<u>7,080</u>	<u>15,372</u>
Net change in cash and investments	551,342	4,040	555,382
Cash and investments, beginning of year	<u>557,387</u>	<u>602,231</u>	<u>1,159,618</u>
Cash and investments, end of year	<u>\$ 1,108,729</u>	<u>\$ 606,271</u>	<u>\$ 1,715,000</u>

continued

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 Year Ended June 30, 2017

	Parking Fund	Stormwater Fund	Total
Cash and investments classified as:			
Cash and investments	\$ 764,264	\$ 550,940	\$ 1,315,204
Restricted cash and investments	344,465	55,331	399,796
Totals	\$ 1,108,729	\$ 606,271	\$ 1,715,000
Noncash transactions: donated infrastructure	\$ -	\$ 549,096	\$ 549,096
RECONCILIATION OF OPERATING LOSS			
TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (18,820)	\$ 411,192	\$ 392,372
Adjustments to reconcile operating loss			
to net cash from operating activities:			
Depreciation and amortization	291,152	90,331	381,483
Change in estimated closure costs	-	-	-
Other income	65,094	387	65,481
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	5,231	896	6,127
Increase (decrease) in:			
Accounts payable	(38,244)	115,039	76,795
Accrued employee benefits payable	(5,711)	2,318	(3,393)
Net pension liabilities	(1,087)	182,163	181,076
Total adjustments	316,435	391,134	707,569
Net cash from operating activities	\$ 297,615	\$ 802,326	\$ 1,099,941

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 REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2017

	Vehicle Maintenance Shop	Medical Health Insurance	Total
ASSETS			
Current assets			
Cash and equivalents	\$ -	\$ 339,667	\$ 339,667
Customer receivables, net	-	70,344	70,344
Prepaid expenses	-	-	-
Total current assets	<u>-</u>	<u>410,011</u>	<u>410,011</u>
Property, plant, and equipment			
Machinery and equipment	186,585	-	186,585
Vehicles	70,312	-	70,312
Buildings	1,424,215	-	1,424,215
Less: accumulated depreciation	<u>(547,902)</u>	<u>-</u>	<u>(547,902)</u>
Net property, plant, and equipment	<u>1,133,210</u>	<u>-</u>	<u>1,133,210</u>
Deferred outflows of resources			
Pension plan contributions	<u>87,828</u>	<u>-</u>	<u>87,828</u>
Total assets and deferred outflows of resources	<u>\$ 1,221,038</u>	<u>\$ 410,011</u>	<u>\$ 1,631,049</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 56,894	\$ 499	\$ 57,393
Compensated absences payable	20,312	-	20,312
Other post-employment health benefits	29,837	-	29,837
Due to other city funds	<u>11,701</u>	<u>-</u>	<u>11,701</u>
Total current liabilities	118,744	499	119,243
Non-current liabilities			
Net pension liability	<u>397,732</u>	<u>-</u>	<u>397,732</u>
Total liabilities	<u>516,476</u>	<u>499</u>	<u>516,975</u>
Deferred inflows of resources			
Pension deferrals	<u>3,593</u>	<u>-</u>	<u>3,593</u>
NET POSITION			
Net investment in capital assets	1,133,210	-	1,133,210
Unrestricted	<u>(432,241)</u>	<u>409,512</u>	<u>(22,729)</u>
	<u>700,969</u>	<u>409,512</u>	<u>1,110,481</u>
	<u>\$ 1,221,038</u>	<u>\$ 410,011</u>	<u>\$ 1,631,049</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2017

	Vehicle Maintenance Shop	Medical Health Insurance	Total
OPERATING REVENUES	\$ 1,121,811	\$ 4,696,412	\$ 5,818,223
OPERATING EXPENSES			
Salaries and benefits	418,300	-	418,300
Materials and supplies	567,900	-	567,900
Repairs and maintenance	14,941	-	14,941
Utilities	3,564	-	3,564
Administrative charges	164,486	-	164,486
Insurance claims	-	4,626,480	4,626,480
Other expenses	29,620	89,112	118,732
Depreciation	57,120	-	57,120
Total operating expenses	<u>1,255,931</u>	<u>4,715,592</u>	<u>5,971,523</u>
Operating income (loss)	<u>(134,120)</u>	<u>(19,180)</u>	<u>(153,300)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	60	2,283	2,343
Interest expense	-	-	-
Other income	468	9,001	9,469
Intergovernmental income	7,499	-	7,499
Sale of assets	655	-	655
Total non-operating revenue (expenses)	<u>8,682</u>	<u>11,284</u>	<u>19,966</u>
Income before transfers	<u>(125,438)</u>	<u>(7,896)</u>	<u>(133,334)</u>
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(125,438)	(7,896)	(133,334)
NET POSITION, beginning of year	<u>826,407</u>	<u>417,408</u>	<u>1,243,815</u>
NET POSITION, end of year	<u>\$ 700,969</u>	<u>\$ 409,512</u>	<u>\$ 1,110,481</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2017

	Vehicle Maintenance Shop	Medical Health Insurance	Total
CASH FLOWS FROM OPERATIONS			
Receipts from customers	\$ 1,121,832	\$ 5,055,869	\$ 6,177,701
Receipts from others	7,967	9,001	16,968
Operating loans from other City funds	11,701	(11,274)	427
Payments to suppliers	(584,721)	(89,732)	(674,453)
Payments to employees	(418,674)	(4,626,480)	(5,045,154)
Payments to Internal Service Funds and administrative fees	(164,486)	-	(164,486)
Net cash flows from operating activities	<u>(26,381)</u>	<u>337,384</u>	<u>311,003</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to property, plant and equipment	(41,209)	-	(41,209)
Proceeds from sale of capital assets	655	-	655
Interest paid on bonds, interfund loans, loans and leases	-	-	-
Net cash flows from capital and related financing activities	<u>(40,554)</u>	<u>-</u>	<u>(40,554)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	60	2,283	2,343
Net increase (decrease) in cash and cash equivalents	(66,875)	339,667	272,792
CASH AND EQUIVALENTS, beginning of year	66,875	-	66,875
CASH AND EQUIVALENTS, end of year	<u>\$ -</u>	<u>\$ 339,667</u>	<u>\$ 339,667</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUNDS (CONTINUED)
 Year Ended June 30, 2017

	Vehicle Maintenance Shop	Medical Health Insurance	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (134,120)	\$ (19,180)	\$ (153,300)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	57,120	-	57,120
Other income	7,967	9,001	16,968
Changes in assets and liabilities:			
(Increase) decrease in:			
Customer receivables	21	(23,084)	(23,063)
Prepaid expenses	-	382,541	382,541
Increase (decrease) in:			
Accounts payable	19,295	(620)	18,675
Due to other city funds	11,701	(11,274)	427
Compensated absences payable	(2,292)	-	(2,292)
Other post-employment health benefits	1,918	-	1,918
Net pension	12,009	-	12,009
Total adjustments	107,739	356,564	464,303
Net cash from operating activities	\$ (26,381)	\$ 337,384	\$ 311,003

AGENCY FUNDS STATEMENTS

AGENCY FUNDS

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

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.

Tourism Business Improvement District – Accounts for amounts collected from hotels on behalf of the District, a special-purpose government, whose purpose is to enhance the economic vitality of Bozeman by promoting tourism through sales and marketing strategies.

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF FIDUCIARY NET POSITION –
 AGENCY FUNDS
 June 30, 2017

	Municipal Court	CMC Bozeman Site Remediation	Tourism Business Improvement	Total Agency Funds
ASSETS				
Cash and cash equivalents	\$ 335,344	\$ -	\$ 435,946	\$ 771,290
Customer receivables	1,949	-	-	1,949
Special assessments	-	-	50,072	50,072
Total assets	<u>\$ 337,293</u>	<u>\$ -</u>	<u>\$ 486,018</u>	<u>\$ 823,311</u>
LIABILITIES				
Accounts payable	\$ 337,293	\$ -	\$ 486,018	\$ 823,311
Total liabilities	<u>\$ 337,293</u>	<u>\$ -</u>	<u>\$ 486,018</u>	<u>\$ 823,311</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
 AGENCY FUNDS
 Year Ended June 30, 2017

		Municipal Court			
		Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS					
	Cash and cash equivalents	\$ 353,598	\$ -	\$ (18,254)	\$ 335,344
	Customer receivables	785	1,164		1,949
	Interfund receivable	-	-	-	-
	Total assets	<u>\$ 354,383</u>	<u>\$ 1,164</u>	<u>\$ (18,254)</u>	<u>\$ 337,293</u>
LIABILITIES					
	Accounts payable	<u>\$ 354,383</u>	<u>\$ 1,164</u>	<u>\$ (18,254)</u>	<u>\$ 337,293</u>
	Total liabilities	<u>\$ 354,383</u>	<u>\$ 1,164</u>	<u>\$ (18,254)</u>	<u>\$ 337,293</u>
		CMC Bozeman Site Remediation			
		Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS					
	Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
	Customer receivables	-	-	-	-
	Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
	Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Total liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		Tourism Business Improvement District Site Remediation			
		Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
ASSETS					
	Cash and cash equivalents	\$ 468,190	\$ -	\$ (32,244)	\$ 435,946
	Special Assessments	-	50,072	-	50,072
	Total assets	<u>\$ 468,190</u>	<u>\$ 50,072</u>	<u>\$ (32,244)</u>	<u>\$ 486,018</u>
LIABILITIES					
	Accounts payable	<u>\$ 468,190</u>	<u>\$ 50,072</u>	<u>\$ (32,244)</u>	<u>\$ 486,018</u>
	Total liabilities	<u>\$ 468,190</u>	<u>\$ 50,072</u>	<u>\$ (32,244)</u>	<u>\$ 486,018</u>

PART III

STATISTICAL SECTION

Statistical Section

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

Contents		Page
Financial Trends		
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.		181
Revenue Capacity		
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.		186
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.		197
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.		206
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.		208

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 Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net investment in capital assets	80,873,924	83,707,824	84,113,904	88,844,404	88,500,437	89,081,484	89,267,076	93,409,850	104,093,224	115,696,956
Restricted	9,254,307	7,699,511	8,082,181	20,962,038	20,797,365	27,255,029	35,621,803	41,755,126	42,829,320	41,583,992
Unrestricted	23,443,921	20,871,106	25,076,908	16,049,044	15,470,543	11,521,053	12,127,224	(5,137,642)	(3,674,499)	(4,839,467)
Total governmental activities	\$ 113,572,152	\$ 112,278,441	\$ 117,272,993	\$ 125,855,486	\$ 124,768,345	\$ 127,857,566	\$ 137,016,103	\$ 130,027,334	\$ 143,248,045	\$ 152,441,481
Business-type activities										
Net investment in capital assets	177,379,168	188,077,778	189,965,189	188,180,889	192,485,459	199,394,551	205,501,357	211,419,777	221,385,655	229,372,281
Restricted	18,322,089	19,775,588	9,044,280	12,660,466	11,446,886	3,098,125	3,372,927	4,977,984	4,990,635	8,866,951
Unrestricted	17,547,218	11,936,119	16,069,597	12,382,018	2,809,558	10,643,337	8,723,353	6,619,399	10,582,408	9,154,014
Total business-type activities	\$ 213,248,475	\$ 219,789,485	\$ 215,079,066	\$ 213,223,373	\$ 206,741,903	\$ 213,136,013	\$ 217,597,637	\$ 223,017,160	\$ 236,958,698	\$ 247,393,246
Primary government										
Net investment in capital assets	258,253,092	271,785,602	274,079,093	277,025,293	280,985,896	288,476,035	294,768,433	304,829,627	325,478,879	345,069,237
Restricted	27,576,396	27,475,099	17,126,461	33,622,504	32,244,251	30,353,154	38,994,730	46,733,110	47,819,955	50,450,943
Unrestricted	40,991,139	32,807,225	41,146,505	28,431,062	18,280,101	22,164,390	20,850,577	1,481,757	6,907,909	4,314,547
Total primary government net position	\$ 326,820,627	\$ 332,067,926	\$ 332,352,059	\$ 339,078,859	\$ 331,510,248	\$ 340,993,579	\$ 354,613,740	\$ 353,044,494	\$ 380,206,743	\$ 399,834,727

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

	Fiscal Years									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses										
Governmental Activities:										
General Government	6,969,181	6,629,783	6,299,831	6,122,190	8,706,665	7,373,368	6,989,830	7,417,644	8,058,925	9,415,702
Public Safety	11,183,637	11,556,016	12,382,157	12,859,702	13,215,680	14,340,301	15,297,088	17,023,578	18,391,357	17,689,004
Public Service	8,979,085	10,130,184	9,703,594	9,190,515	8,174,461	3,939,061	6,031,768	6,458,930	6,861,939	7,857,917
Public Welfare	5,412,192	6,465,940	6,915,557	7,500,727	7,249,008	6,518,822	7,417,158	7,579,653	7,994,697	9,210,264
Interest and Fiscal Fees	649,226	737,762	714,714	679,652	636,478	433,766	179,280	824,266	893,470	771,714
Total Governmental Activities Expenses	\$ 33,193,321	\$ 35,519,685	\$ 36,015,853	\$ 36,352,786	\$ 37,982,292	\$ 32,605,318	\$ 35,915,124	\$ 39,304,071	\$ 42,200,388	\$ 44,944,601
Business-Type Activities:										
Water	11,150,266	11,872,984	12,016,149	11,649,639	11,674,222	6,154,746	6,869,870	7,995,910	9,273,395	9,740,629
Waste Water	8,061,412	10,293,894	9,143,077	10,128,397	10,203,165	6,121,663	8,955,592	6,940,983	8,163,312	8,590,477
Solid Waste	2,574,651	2,687,590	2,561,124	2,578,109	2,584,899	2,475,680	6,958,209	3,308,441	4,570,884	4,262,650
Non-Major Activities		766,454	967,077	991,712	990,229	852,561	966,454	1,098,771	1,300,612	1,827,722
Total Business-Type Activities Expenses	21,786,329	25,620,922	24,687,427	25,347,857	25,452,515	15,604,650	23,750,125	19,344,105	23,308,203	24,421,478
Total Primary Government Expenses	54,979,650	61,140,607	60,703,280	61,700,643	63,434,807	48,209,968	59,665,249	58,648,176	65,508,591	69,366,079
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	2,237,962	1,795,469	2,774,869	2,870,443	1,949,125	1,966,966	2,453,015	1,947,445	2,530,474	2,683,016
Public Safety	3,575,133	3,500,929	2,414,893	2,684,724	2,638,811	3,219,231	3,290,573	3,211,911	3,347,859	3,175,257
Public Service	4,858,444	4,790,460	3,742,856	4,454,492	4,983,420	6,655,604	7,623,178	8,784,447	9,310,147	10,342,921
Public Welfare	713,342	779,841	399,280	451,960	1,102,896	1,593,212	613,322	1,097,845	1,213,526	1,414,394
Operating Grants and Contributions	502,863	439,131	693,342	1,114,835	566,586	406,239	457,354	2,254,052	2,494,244	2,715,986
Capital Grants and Contributions	7,153,103	8,219,791	5,307,118	7,867,093	635,758	844,935	4,762,416	2,960,051	5,018,559	2,667,352
Total Governmental Activities Program Revenues	\$ 19,040,847	\$ 19,525,621	\$ 15,332,358	\$ 19,443,547	\$ 11,876,596	\$ 14,686,187	\$ 19,199,858	\$ 20,255,751	\$ 23,914,809	\$ 22,998,926
Business-Type Activities										
Charges for Services:										
Water	8,222,724	7,221,378	6,986,247	7,064,571	7,921,483	9,585,939	9,842,699	9,969,058	11,935,016	11,166,944
Waste Water	6,918,132	6,052,668	6,505,119	6,930,036	7,488,473	8,560,438	8,852,738	9,008,247	9,283,600	9,668,524
Solid Waste	2,608,662	2,391,641	2,716,981	2,569,607	2,570,644	2,532,676	2,725,465	2,953,414	2,617,243	3,613,721
Non-Major Activities	-	467,607	326,820	417,114	382,968	644,672	872,325	891,379	3,207,605	2,172,399
Operating Grants and Contributions	-	-	-	-	-	-	9,596	123,439	134,946	169,509
Capital Grants and Contributions:	29,405,599	6,465,230	3,621,051	6,589,612	566,138	156,123	5,898,923	6,385,418	11,287,654	7,774,707
Total Business-Type Activities Program Revenues	47,155,117	22,598,524	20,156,218	23,570,940	18,929,706	21,479,848	28,201,746	29,330,955	38,466,064	34,565,804
Total Primary Government Program Revenues	66,195,964	42,124,145	35,488,576	43,014,487	30,806,302	36,166,035	47,401,604	49,586,706	62,380,873	57,564,730

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

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Net (Expense) / Revenue										
Governmental Activities	(14,152,474)	(15,994,064)	(20,683,495)	(16,909,239)	(26,105,696)	(17,919,131)	(16,715,266)	(19,048,320)	(18,285,579)	(21,945,675)
Business-Type Activities	25,368,788	(3,022,398)	(4,531,209)	(1,776,917)	(6,522,809)	5,875,198	4,060,921	9,986,850	15,157,861	10,144,326
Total Primary Government Net Expense	\$ 11,216,314	\$ (19,016,462)	\$ (25,214,704)	\$ (18,686,156)	\$ (32,628,505)	\$ (12,043,933)	\$ (12,654,345)	\$ (9,061,470)	\$ (3,127,718)	\$ (11,801,349)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	12,070,765	14,629,230	15,501,316	16,342,053	15,716,055	16,429,959	17,561,022	20,203,718	21,234,288	21,708,812
Unrestricted Grants and Contributions	5,617,243	6,125,789	6,284,467	6,782,383	6,898,717	6,342,884	7,436,419	7,699,711	7,992,180	8,372,625
Investment Earnings	1,362,790	671,859	352,378	301,424	283,090	243,744	355,790	403,152	519,637	554,870
Miscellaneous	1,859,313	2,766,671	2,256,071	1,556,790	155,484	-	293,884	374,966	418,215	1,317,137
Sale of Capital Assets	51,342	68,057	761,952	(8,168)	4,414	1,765	236,688	-	123,934	(71,335)
Transfers of Capital Assets	-	(6,311,324)	-	-	(2,088)	-	-	-	-	-
Transfers	-	(3,249,929)	521,863	517,250	(37,136)	(10,000)	(10,000)	(410,016)	1,218,036	(742,999)
Total Governmental Activities	\$ 20,961,453	\$ 14,700,353	\$ 25,678,047	\$ 25,491,732	\$ 23,018,536	\$ 23,008,352	\$ 25,873,803	\$ 28,271,531	\$ 31,506,290	\$ 31,139,110
Business-Type Activities:										
Unrestricted Grants and Contributions	2,052	2,155	342,653	438,475	2,115	508,912	-	-	-	-
Transfers of Capital Assets	-	6,311,324	-	-	2,088	-	-	-	-	304,231
ARRA Debt Forgiveness	-	-	-	-	-	-	390,700	-	-	1,256,284
Transfers	-	3,249,929	(521,863)	(517,251)	37,136	10,000	10,000	380,347	(1,218,036)	(2,013,292)
Extraordinary Items	-	-	-	-	-	-	-	-	-	742,999
Total Business-Type Activities	2,052	9,563,408	(179,210)	(78,776)	41,339	518,912	400,700	380,347	(1,218,036)	290,222
Total Primary Government	20,963,505	24,263,761	25,498,837	25,412,956	23,059,875	23,527,264	26,274,503	28,651,878	30,288,254	31,429,332
Change in Net Position										
Governmental Activities	6,808,979	(1,293,711)	4,994,552	8,582,493	(3,087,160)	5,089,221	9,158,537	9,223,211	13,220,711	9,193,435
Business-Type Activities	25,370,840	6,541,010	(4,710,419)	(1,855,693)	(6,481,470)	6,394,110	4,461,621	10,367,197	13,939,825	10,434,548
Total Primary Government	\$ 32,179,819	\$ 5,247,299	\$ 284,133	\$ 6,726,800	\$ (9,568,630)	\$ 11,483,331	\$ 13,620,158	\$ 19,590,408	\$ 27,160,536	\$ 19,627,983

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Fund										
Reserved	3,000	63,000	-						-	
Unreserved	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	5,541,841	\$ 6,402,882
Unassigned				905,862	264,091	-	193,534	-	979,258	\$ 87,274
Total general fund	<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>	<u>6,521,099</u>	<u>6,490,156</u>
All Other Governmental										
Reserved	3,045,231	2,660,918	6,597,569						-	
Unreserved, reported in:										
Special revenue funds	13,723,846	12,516,240	14,916,152							
Capital projects funds	2,884,553	-	1,793,287							
Debt service funds	-	-	-							
Nonspendable				999,464	1,113,484	1,193,530	1,269,557	2,061,790	1,426,575	1,533,338
Restricted				19,962,574	19,683,881	26,061,499	19,927,526	12,546,935	39,856,356	38,938,127
Committed				3,278,422	3,463,714	851,322	3,075,505	3,088,936	3,528,263	3,901,694
Assigned				58,419	-	-	229,602	-	1,883,557	927,596
Unassigned				-	(51,586)	456,669	(184,101)	(97,173)	(64,723)	(50,900)
Total all other governmental funds	<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>17,600,488</u>	<u>46,630,028</u>	<u>45,249,855</u>

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Taxes	12,004,946	14,451,954	15,055,844	16,634,924	16,057,318	16,540,972	17,385,371	20,404,236	21,303,074	21,682,667
Special assessments	1,793,813	1,633,896	1,643,500	1,866,272	1,898,007	1,752,615	2,011,944	1,578,855	1,265,954	1,163,275
Licenses and permits	1,351,887	1,140,831	958,590	1,308,378	1,214,705	1,629,744	1,784,282	1,827,842	2,112,090	2,092,673
Intergovernmental	9,642,918	7,102,049	7,900,176	8,299,803	7,697,637	7,586,007	8,208,770	8,562,937	8,920,424	8,956,044
Charges for service	6,748,891	6,468,006	5,790,382	6,629,507	6,891,594	8,806,969	9,656,123	10,629,791	12,283,683	13,743,830
Fines and forfeitures	1,644,767	1,597,236	1,518,481	1,441,383	1,364,617	1,394,652	1,411,162	1,305,166	1,253,705	1,256,525
Interest on investments	1,360,914	671,859	352,378	300,516	281,239	239,778	329,086	370,305	479,699	520,690
loan repayment	19,849	9,985	10,401	193,302	306,385	157,069	63,980	94,989	38,552	31,837
Other	1,859,313	2,766,671	2,256,071	1,556,790	155,484	394,677	287,089	363,274	415,646	1,307,668
Total revenues	36,427,298	35,842,487	35,485,823	38,230,875	35,866,986	38,502,483	41,137,807	45,137,395	48,072,827	50,755,209
Expenditures										
General government	6,153,838	5,946,355	5,690,488	5,939,771	6,266,566	7,276,839	6,138,575	6,594,474	7,318,539	7,643,886
Public safety	10,778,917	11,056,742	11,709,170	12,137,616	12,513,270	13,822,691	14,637,886	15,086,695	16,485,549	16,812,131
Public service	3,020,855	2,976,711	2,702,510	3,002,021	2,738,066	2,805,612	3,498,770	3,786,283	3,840,405	4,422,771
Public welfare	4,819,758	5,161,997	4,916,828	6,435,916	6,184,073	6,216,387	6,678,347	7,366,955	7,245,425	7,654,059
Other	-	-	-	-	-	15,776	1,046,712	1,113,340	418,431	506,169
Capital outlay	12,205,040	9,380,742	4,248,758	3,299,017	3,881,388	2,782,435	8,053,456	9,905,333	9,337,470	12,468,020
Debt service										
Principal	2,013,232	1,138,051	1,194,819	1,611,087	3,235,664	1,826,126	1,482,142	1,121,593	1,345,250	1,422,555
Interest & Fiscal Fees	649,662	738,198	715,150	680,088	666,082	445,736	380,950	824,266	893,470	771,714
Total expenditures	39,641,302	36,398,796	31,177,723	33,105,516	35,485,109	35,191,602	41,916,838	45,798,939	46,884,539	51,701,305
Excess of revenues over (under) expenditures	(3,214,004)	(556,309)	4,308,100	5,125,359	381,877	3,310,881	(779,031)	(661,544)	1,188,288	(946,096)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-
Transfers in	4,604,100	8,394,126	10,857,332	6,985,734	3,482,550	4,291,417	3,103,787	4,816,671	6,483,413	3,950,059
Transfers out	(4,604,100)	(11,733,378)	(11,033,925)	(7,255,505)	(3,821,010)	(4,454,505)	(3,113,787)	(5,197,018)	(5,496,492)	(4,693,058)
Issuance of debt	6,554,166	177,346	890,000	-	3,357,798	1,203,279	10,012,647	5,619,361	47,406	234,702
Premium on Bonds Issued	10,896	-	-	-	-	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-	(3,120,000)	-	-	-	-	-
Sales of capital assets	249,688	86,326	766,922	10,555	59,204	2,775	243,092	64,855	227,984	43,277
Total other financing sources (uses)	6,814,750	(3,075,580)	1,480,329	(259,216)	(41,458)	1,042,966	10,245,739	5,303,869	1,262,311	(465,020)
Extraordinary items										
Net change in fund balances	\$ 3,600,746	\$ (3,631,889)	\$ 5,788,429	\$ 4,866,143	\$ 340,419	\$ 4,353,847	\$ 9,466,708	\$ 4,642,325	\$ 2,450,599	\$ (1,411,116)
Debt service as a percentage of noncapital expenditures	9.7%	6.9%	7.1%	7.7%	12.3%	7.0%	5.5%	5.4%	6.0%	5.6%

REVENUE CAPACITY SECTION

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

<u>Fiscal Year Ended June 30,</u>	<u>Residential Property</u>	<u>Commercial & Industrial Property</u>	<u>Other Property</u>	<u>Total Taxable Assessed Value **</u>	<u>Total Direct Tax Rate</u>	<u>Total Market Value *</u>	<u>Assessed Taxable Value ** as a Percentage of Total Market Value</u>
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%
2016	50,899,738	29,864,642	5,799,800	86,564,180	210.16	5,698,588,679	1.519%
2017	52,777,954	30,966,657	6,013,815	89,758,426	205.30	5,870,738,906	1.529%

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 Ten Fiscal Years

Fiscal Year Ended <u>June 30,</u>	<u>Taxable Market Value</u>	<u>Full Taxable Value</u>	<u>Incremental Value for All Tax Increment Districts</u>	<u>Net Taxable Value (excludes Tax Increment Districts Incremental Values)</u>	<u>Taxable Value for Open Space Purposes</u>
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
2016	5,698,588,679	90,787,797	4,223,617	86,564,180	91,973,923
2017	5,870,738,906	94,102,761	4,344,335	89,758,426	93,212,816

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 Ten Fiscal Years

Fiscal Year Ended June 30,	BOZEMAN DOWNTOWN			NORTHEAST URBAN RENEWAL DISTRICT			NORTH 7TH CORRIDOR		
	Base Taxable	Incremental Taxable	Total Taxable	Base Taxable	Incremental Taxable	Total Taxable	Base Taxable	Incremental Taxable	Total Taxable
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
2016	1,328,695	2,898,551	4,227,246	423,054	214,470	637,524	2,886,997	1,055,385	3,942,382
2017	1,328,695	3,068,902	4,397,597	423,054	193,281	616,335	3,473,127	1,003,546	4,476,673
Fiscal Year Ended June 30,	MANDEVILLE FARM INDUSTRIAL			BOZEMAN TECHNOLOGY			TOTAL		
	Base Taxable	Incremental Taxable	Total Taxable	Base Taxable	Incremental Taxable	Total Taxable	Base Taxable	Incremental Taxable	Total Taxable
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
2016	12,059	55,211	67,270	417	-	417	4,651,222	4,223,617	8,874,839
2017	12,059	78,606	90,665	417	-	283	5,237,352	4,344,335	9,581,687

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 Ten Fiscal Years

Fiscal Year Ended <u>June 30,</u>	<u>Downtown Bozeman Improvement District</u>			City Taxable Value (Excluding ALL tax increment district valuations)	The District's Incremental Taxable Value as Percentage of <u>City's Taxable Value</u>
	Taxable Market Value of Property in the District	Taxable Value of Property in the District	Incremental Taxable Value		
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%
2016	259,138,001	4,227,246	2,898,551	86,564,180	3.35%
2017	265,793,431	4,397,597	3,068,902	89,758,426	3.42%

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 Ten Fiscal Years

Taxing Entity	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Statewide School Equalization	40.00	40.00	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	99.77	100.41
Open Space Bond	4.17	4.63	5.81	6.14	5.99	4.89	4.90	4.95	5.03	5.85
County-Wide School	97.05	100.26	94.02	95.74	95.61	96.47	101.28	99.94	106.85	105.39
Bozeman High School District	65.34	71.40	69.05	75.34	73.48	71.81	73.16	72.97	76.76	77.25
Bozeman Elementary School District	118.51	141.13	130.49	121.55	123.38	131.45	145.25	143.70	151.15	154.81
City of Bozeman	154.18	171.16	170.19	168.75	166.75	166.75	173.08	188.76	210.16	205.30
TOTAL	558.75	608.36	594.75	597.46	593.90	598.77	626.05	639.87	689.72	689.01
Exempt from Tax Increment										
University Millage	6.00	6.00	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	1.05	1.01
County-Wide Planning	2.43	2.58	2.50	2.40	2.40	2.39	2.39	2.35	2.39	2.39

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

Note: Property is assessed by the State Department of Revenue every six years and beginning in 2017 every two 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>
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
2016	194.51	15.65	210.16	227.91	241.69	46.00
2017	190.17	15.13	205.30	232.06	241.69	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>2017</u>			<u>2008</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	4,203,090	1	4.68%	3,243,216	1	4.70%
Centurylink, Inc. (Qwest)	736,068	2	0.82%	1,259,168	2	1.83%
Bresnan Communications	708,027	3	0.79%			
Verizon Wireless	495,140	4	0.55%			
Harry Daum - Gallatin Mall	444,051	5	0.49%	520,427	3	0.75%
Stone Ridge Partners LLC	417,262	6	0.46%	322,570	8	
Mitchell Development & Investment	386,775	7	0.43%			
First Security Bank	361,858	8	0.40%			
J & D Family Limited Partnership	345,613	9	0.39%			
Bridger Peaks Holding LLC	343,028	10	0.38%			
Bozeman Deaconess Foundation				504,873	4	0.73%
Wal-Mart Stores Inc				387,238	5	0.56%
Lowes HIW inc				348,229	6	
Machinery Power & Equipment				340,124	7	
Highgate Bozeman LLC				297,102	10	0.43%
Costco Wholesale				308,461	9	0.45%
Total	\$ 8,440,912		9.40%	\$ 7,531,408		9.45%
 Total City Taxable Assessed Value	 \$ 89,758,426			 \$ 68,981,000		

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>2017</u>			<u>2016</u>		
		<u>Total 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>
First Security Bank	Bank	296,961	1	7.02%	228,171	1	5.40%
G25 HOLDINGS LLC	Property Investor/Developer	209,245	2	4.95%	128,240	n/a	3.03%
F&H, LLC	Property Investor/Developer	119,590	3	2.83%	110,531	2	2.61%
Moose Point LP	Commercial Property Developer	113,996	4	2.70%	107,477	3	2.54%
777 Building	Multi Tennant Office Retail Building	104,808	5	2.48%	89,991	4	2.13%
Downtowner Group LLC	Business Support Services	89,618	6	2.12%	89,618	6	2.12%
Atlantic Financial Group Ltd.	Bank	79,733	7	1.89%	88,667	5	2.10%
Baxter Main LLC	Commercial	71,556	8	1.69%	71,497	10	1.69%
702 LLC	Property Investor/Developer	71,497	9	1.69%	69,695	n/a	1.65%
M & J Cowdrey LLC	Property Investor/Developer	71,265	10	1.69%	62,268	7	1.47%
Baxter Main LLC	Commercial						0.00%
American Bank of MT Wells Fargo Bank	Bank						
Callender Street LLP	Design-Construction Oversight						
Martel Plaza Ltd.	Multi Story Office Building						
Total		<u>\$ 1,228,269</u>		<u>29.06%</u>	<u>\$ 1,046,155</u>		<u>24.75%</u>
Total Downtown BID Taxable Assessed Value		<u>\$ 4,227,246</u>			<u>\$ 4,046,915</u>		

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2008	10,635,491	10,324,653	97.08%	286,240	10,610,893	99.77%	0.23%
2009	12,696,306	12,493,145	98.40%	179,326	12,672,470	99.81%	0.19%
2010	13,324,175	12,415,922	93.18%	898,397	13,314,319	99.93%	0.07%
2011	13,567,611	13,001,537	95.83%	530,723	13,532,260	99.74%	0.26%
2012	13,683,839	13,108,003	95.79%	413,237	13,521,239	98.81%	1.19%
2013	13,878,293	13,633,347	98.24%	186,441	13,819,788	99.58%	0.42%
2014	14,821,724	14,482,502	97.71%	153,116	14,635,618	98.74%	1.26%
2015	16,590,871	16,559,270	99.81%	61,615	16,620,884	100.18%	-0.18%
2016	18,191,892	18,009,556	99.00%	27,256	18,036,812	99.15%	0.85%
2017	18,338,501	18,069,230	98.53%	-	18,069,230	98.53%	1.47%

Source: Gallatin County
City Manager's Final Adopted Budget

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

Type of Customer	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential	1,379,115	1,516,359	1,224,164	1,181,195	1,323,816	1,513,986	1,433,833	1,385,140	1,493,192	1,601,439
Government	49,623	66,253	51,168	48,228	49,349	59,589	52,448	53,165	51,923	56,956
MSU	260,232	254,891	228,789	227,019	235,965	233,484	213,698	210,107	208,618	225,394
Commercial	626,846	670,961	571,223	568,474	602,352	638,337	607,444	599,193	610,741	620,761
Total	2,315,816	2,508,464	2,075,343	2,024,916	2,211,481	2,445,396	2,307,423	2,247,605	2,364,473	2,504,550
Total direct rate per 1,000 HCF	\$ 2,478.36	\$ 2,495.43	\$ 2,679.44	\$ 2,787.06	\$ 2,887.40	\$ 2,955.66	\$ 3,053.40	\$ 3,105.14	\$ 3,175.41	\$ 3,256.72

Source: City of Bozeman Finance Department

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

Fiscal Year Ended June 30,	Water		Sewer	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
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
2016	\$ 15.02	\$ 23.53	\$ 18.09	\$ 29.98
2017	\$ 15.39	\$ 24.11	\$ 18.63	\$ 30.87

* 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
City of Bozeman, Montana Commission Resolution 4626&4627

DEBT CAPACITY

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

Fiscal Year Ended <u>June 30,</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Notes Payable</u>	<u>Special Assessment Bonds</u>	<u>Tax Increment Financing Bonds</u>	<u>Water Revenue Bonds</u>	<u>Wastewater State of MT RLF Loans</u>			
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
2016	15,570,000	884,841	662,500	4,630,000	16,567,000	18,930,565	57,244,906	6.74%	\$ 1,318.86
2017	14,710,000	903,264	501,000	4,425,000	15,745,000	17,856,000	54,140,264	5.89%	\$ 1,196.47

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of	
	General Obligation Bonds	Tax Increment Financing District Bonds	Total	Actual Taxable Value of Property	Per Capita
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
2016	15,570,000	4,630,000	20,200,000	23.3%	\$ 465.38
2017	14,710,000	4,425,000	19,135,000	21.3%	\$ 422.87

Source: City Manager's Final Adopted Budget

CITY OF BOZEMAN, MONTANA
DIRECT & OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

	Debt Outstanding as of <u>June 30, 2017</u>	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<u>Overlapping Bonded Indebtedness</u>			
Gallatin County:			
Various issues outstanding	\$ 36,161,250	36%	\$ 12,956,358
Bozeman School District #7:			
Various issues outstanding	<u>\$ 93,693,846</u>	<u>31%</u>	<u>\$ 28,943,654</u>
Subtotal overlapping debt			\$ 41,900,013
<u>City of Bozeman, Montana</u>			
Direct Debt	<u>\$ 14,710,000</u>	<u>100%</u>	<u>\$ 14,710,000</u>
Total Direct & Overlapping Debt			<u><u>56,610,013</u></u>

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

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

Sources:

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

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

	Fiscal Years									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit*	54,804,000	60,185,000	66,375,000	70,688,000	74,875,000	76,450,000	84,657,000	84,500,000	142,464,717	147,500,000
Total net debt applicable to limit	(5,423,128)	(4,842,905)	\$ (4,295,240)	\$ (3,638,239)	\$ (3,386,727)	\$ (3,643,823)	\$ (12,771,396)	\$ (15,356,726)	\$ (16,454,841)	\$ (18,613,264)
Legal debt margin	<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>	<u>\$ 126,009,876</u>	<u>\$ 128,886,736</u>
Total net debt applicable to the limit as a percentage of debt limit	9.9%	8.0%	6.5%	5.1%	4.5%	4.8%	15.1%	18.2%	11.6%	12.6%

*2.5% of total market value of taxable property of \$5.9 Billion

Source: City Manager's Final Adopted Budget

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

Fiscal Year Ended June 30,	Water Revenue Bonds					Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage
			Principal	Interest			Principal	Interest	
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
2016	8,414,870	(6,176,752)	(798,000)	(515,010)	925,108	705,143	(228,000)	(39,343)	437,800
2017	9,281,821	(6,589,396)	(822,000)	(490,890)	1,379,535	558,988	(161,500)	(30,335)	367,153

Fiscal Year Ended June 30,	Waste Water Revenue Bonds				
	Utility Service Charges	Less: Operating Expenses	Debt Service		Coverage
			Principal	Interest	
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
2016	7,927,692	(5,139,029)	(1,042,000)	(552,269)	1,194,394
2017	8,566,893	(5,496,164)	(1,074,565)	(545,267)	1,450,897

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

Fiscal Year Ended June 30,	Revenues Available for Debt Service	Annual Debt Service Payment	Coverage
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
2016	2,066,749	423,288	4.88
2017	2,160,187	425,488	5.08

CITY OF BOZEMAN, MONTANA
SUMMARY OF OUTSTANDING SIDs
Current Fiscal Year

As of June 30, 2017

<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	130,000	54,238	146,251	822
SID 683	1,372,000	7/1/2024	140,000	32,425	384,045	2,615
SID 684	1,376,869	7/1/2025	-	165,532	442,036	2,302
TOTAL	<u>\$ 3,908,869</u>		<u>\$ 270,000</u>	<u>\$ 252,195</u>	<u>\$ 972,332</u>	<u>\$ 5,739</u>

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

Fiscal Year Ended June 30,	Revolving Fund Cash Balance	Principal Amount of Debt
2008	629,510	5,601,000
2009	647,235	5,211,000
2010	1,228,197	4,819,000
2011	3,160,685	4,351,500
2012	3,190,244	2,269,500
2013	2,443,769	1,803,029
2014	2,474,971	1,317,226
2015	2,948,129	1,295,224
2016	2,924,604	1,120,708
2017	2,874,013	1,040,533

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

<u>Fiscal Year</u>	<u>Assessment Billing</u>	<u>Total Annual Collections</u>
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
2016	543,351	705,143
2017	528,622	558,988

DEMOGRAPHIC AND ECONOMIC INFORMATION

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

Fiscal Year Ended June 30,	Population	Estimated Annual % Change in Population	Personal Income	Per Capita Personal Income	Median Age (years)	Residents with Bachelors Degree or Higher Schooling	K-12 School Enrollment	Unemployment Rate
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	5.2%
2013	38,753	1.6%	\$ 843,399,480	\$ 25,608	27.1	55.4%	5,994	4.3%
2014	38,860	0.3%	\$ 852,165,042	\$ 26,427	26.8	53.3%	6,216	3.5%
2015	41,660	6.7%	\$ 849,198,410	\$ 26,335	27.3	53.6%	6,294	2.9%
2016	43,405	4.0%	\$ 849,682,100	\$ 26,350	27.5	54.4%	6,533	2.8%
2017	45,250	4.1%	\$ 918,565,430	\$ 26,506	27.7	56.5%	6,770	2.8%

Sources:

Bozeman Public Schools
 U.S. Bureau of Labor Statistics
 U.S. Census Bureau

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

June 2017		June 2008	
Private Employers By Class	Employer Class Size	Private Employers By Class	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	9
Oracle America	7	Albertsons	7
Town Pump Convenience Stores	7	Right Now Technologies	7
Wal Mart	7	Wal-Mart	7
Albertson's	6	Zoot Enterprises	7
Barnard Construction	6	Bay Bar and Grill	6
Best Western Gran Tree Inn	6	Bozeman Daily Chronicle	6
Bridger Bowl	6	Community Food Coop	6
Community Food Co-Op	6	Costco	6
Costco	6	JTL group Inc - Belgrade	6
First Student	6	Kenyon Noble Lumber & Hardware	6
JC Billion	6	First Security Bank	6
Kenyon Noble Lumber & Hardware	6	Laidlaw Transit	6
Korman Marketing Group	6	Martel Construction	6
Martel Construction	6	McDonald's	6
McDonalds	6	Murdoch's Ranch & Home Supply	6
Murdoch's Ranch & Home Supply	6	On Site management	6
Ressler Motor	6	Ressler Motor Co	6
Rosauers Super Markets	6	Riverside Country Club	6
Target	6	Simkins Hallin Lumber	6
Town & Country Foods	6	Williams Plumbing and Heating	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 Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Commission	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
City Manager *	10.50	10.50	11.50	11.50	8.00	8.00	5.00	5.00	6.00	6.00
Municipal Court	7.00	7.00	7.50	8.50	8.50	8.50	8.50	9.00	8.50	8.50
City Attorney	7.00	6.00	11.50	7.00	7.00	7.00	7.00	9.00	10.20	10.20
Administrative Services	-	-	-	-	-	-	19.00	21.00	21.50	23.50
Finance *	10.00	10.00	8.75	8.75	10.00	11.00	-	-	-	-
Information Technology *	6.00	6.00	5.88	5.88	6.00	6.00	-	-	-	-
Community Development	15.20	13.70	12.20	12.20	8.75	9.00	8.00	12.60	11.60	13.00
Building Maintenance	<u>3.05</u>	<u>3.55</u>	<u>3.55</u>	<u>3.55</u>	<u>3.00</u>	<u>3.50</u>	<u>3.50</u>	<u>3.50</u>	<u>3.50</u>	<u>3.50</u>
Total General Government	<u>60.85</u>	<u>58.85</u>	<u>62.98</u>	<u>59.48</u>	<u>53.35</u>	<u>55.10</u>	<u>53.10</u>	<u>62.20</u>	<u>63.40</u>	<u>66.80</u>
Public Safety										
Police Department	57.75	62.75	71.75	71.75	71.25	72.75	72.75	72.25	71.70	72.70
Fire Department	34.25	45.25	41.75	41.75	41.75	43.75	45.75	45.00	46.00	46.00
Building Inspection	16.55	13.55	9.55	10.55	10.55	10.55	12.55	14.00	18.50	18.50
Parking	<u>3.75</u>	<u>4.75</u>	<u>4.75</u>	<u>4.75</u>	<u>4.50</u>	<u>4.50</u>	<u>5.50</u>	<u>6.00</u>	<u>6.00</u>	<u>6.00</u>
Total Public Safety	<u>112.30</u>	<u>126.30</u>	<u>127.80</u>	<u>128.80</u>	<u>128.05</u>	<u>131.55</u>	<u>136.55</u>	<u>137.25</u>	<u>142.20</u>	<u>143.20</u>
Public Services										
Public Services Administration / Engineering	8.15	8.15	8.15	8.15	10.00	10.00	12.00	6.58	10.25	11.50
Streets	15.62	17.62	17.62	17.62	17.62	17.62	18.62	16.20	18.85	19.85
Storm Water	-	-	-	-	-	1.00	1.00	4.00	6.25	6.50
Water Treatment Plant	9.27	9.27	9.27	9.27	9.77	9.77	11.27	12.75	10.50	10.50
Water Operations	15.62	16.62	15.62	15.62	15.62	15.62	15.62	17.33	14.45	14.45
Wastewater Operations	10.25	11.25	10.25	10.25	10.25	10.25	11.25	13.09	13.30	14.05
Wastewater Plant	14.87	15.87	15.87	15.87	15.87	16.37	17.47	15.50	14.75	14.75
Solid Waste Collection/Recycling	15.74	15.74	15.74	15.74	15.74	15.74	15.74	15.90	15.15	16.15
Solid Waste Disposal	2.00	-	-	-	-	-	-	-	-	-
Vehicle Maintenance	<u>3.00</u>	<u>4.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>5.00</u>	<u>6.50</u>	<u>6.50</u>
Total Public Services	<u>94.52</u>	<u>98.52</u>	<u>97.52</u>	<u>97.52</u>	<u>99.87</u>	<u>101.37</u>	<u>107.97</u>	<u>106.35</u>	<u>110.00</u>	<u>114.25</u>
Public Welfare										
Cemetery (numerous short terms)	5.75	5.75	5.75	5.75	3.33	3.33	3.33	4.90	5.04	5.04
Parks (numerous short terms)	13.45	13.45	13.45	13.45	11.77	11.77	11.77	15.40	14.51	14.51
Forestry	4.60	4.60	4.60	4.60	4.60	4.60	4.60	5.95	5.65	6.65
Library	20.66	21.66	21.66	21.66	21.66	21.56	23.11	23.41	26.02	28.02
Recreation (numerous short terms)	14.90	15.00	15.00	15.00	15.83	15.83	16.83	16.83	23.55	24.26
Community Services	<u>2.00</u>	<u>1.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>2.00</u>	<u>4.00</u>	<u>3.50</u>	<u>3.50</u>	<u>3.50</u>
Total Public Welfare	<u>61.36</u>	<u>61.46</u>	<u>62.46</u>	<u>62.46</u>	<u>59.19</u>	<u>59.09</u>	<u>63.64</u>	<u>69.99</u>	<u>78.27</u>	<u>81.98</u>
Total of all Funds	<u>329.03</u>	<u>345.13</u>	<u>350.76</u>	<u>348.26</u>	<u>340.46</u>	<u>347.11</u>	<u>361.26</u>	<u>375.79</u>	<u>393.87</u>	<u>406.23</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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Finance										
SID Statements	14,919	15,000	15,816	16,000	16,000	16,200	16,424	16,506	16,893	17,200
Utility Bills	134,460	134,000	135,000	135,000	135,000	138,000	155,000	162,000	166,000	169,000
Accounts Payable Checks Processed	13,301	12,218	12,076	12,122	11,962	12,519	10,453	11,098	11,000	11,800
Police										
Number of Officers	51	52	55	56	60	63	63	61	60	61
Calls for Service	42,728	45,145	43,385	45,131	45,358	47,361	48,542	46,290	47,400	48,200
Arrests	2,581	2,853	2,338	2,325	2,152	2,096	2,165	2,195	2,078	2,200
Misdemeanor Citations Issued - includes traffic **	n/a	n/a	3,311	4,504	5,234	5,205	6,045	6,169	6,390	6,500
Traffic Stops **	n/a	n/a	10,702	10,036	9,358	10,629	8,210	7,757	7,482	7,900
Traffic Crashes	1,519	1,302	1,194	1,486	1,264	1,320	1,469	1,601	1,792	1,850
Fire										
Fires, Hazardous Conditions & Rupture/Explosions	230	248	248	278	278	309	340	296	349	275
Emergency Medical Services/Rescue	1,658	1,441	1,441	1,483	1,483	1,941	2,051	2,032	2,424	1,584
Service Calls	148	145	145	187	187	145	212	202	244	250
Building Inspection										
Commercial Permits:										
Number	972	1,047	961	1,535	1,420	1,305	1,165	1,560	1,628	1,200
Value (Millions)	151.50	140.50	70.41	106.90	95.03	69.64	\$44.50	\$98.02	\$164.47	\$65.00
Residential Permits:										
Number	1,710	1,571	1,543	3,613	2,421	2,338	2,911	2,836	3,937	3,500
Value (Millions)	141.22	79.67	67.02	72.57	89.74	146.32	\$130.68	\$191.97	\$200	\$130
Water										
New Service Main Taps	15	39	16	3	20	41	57	70	60	50
Meter Replacement/Repair	878	368	650	467	279	113	479	1006	978	1500
Water Main Breaks/Repairs	5	6	4	1	6	4	7	5	7	6
Wastewater										
Main Line Flushing (in Miles)	110	90	81	78.26	90	47	30	90	50	65
New Infrastructure TV (in Miles)	4.8	1	1	1	1	2.6	2	8	2.6	5
New Service Taps	22	15	5	4	4	17	37	44	20	40
Solid Waste Collection & Recycling										
Residential Accounts	6,779	6,957	7,130	7,092	7,240	7,470	7,869	8,369	8,878	9,378
Commercial Customers	254	262	268	271	281	265	258	265	270	275
Recycling Customers	484	881	965	970	1,000	1,135	1,601	2,100	2,663	3,300
Annual Tonnage Collected: Collections Program	11,879	10,397	10,657	10,920	11,248	10,695	10,960	11,457	11,691	12,490
Vehicle Maintenance										
Work Orders Processed	974	870	1,005	1,435	1,473	1,646	1,717	1,549	1,453	1,509
Gallons of Oil Disposed	9,350	9,350	9,175	9,445	8,751	8,640	8,740	8,969	7,395	6,475
Parks										
Park Reservations	360	221	280	319	320	350	400	400	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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (Cars)	18	19	20	20	20	20	20	22	21	21
Patrol Units (Motorcycles)	4	4	4	4	4	4	4	2	3	3
Fire										
Stations	2	3	3	3	3	3	3	3	3	3
Fire Trucks	5	5	6	6	6	6	7	7	7	7
Streets										
Street & Alley Mileage	234.736	242.650	246.951	254.565	254.957	255.769	252	253	254	274
Lane Miles Painted	42.0	34.8	40.0	40.3	41.0	37.0	34.6	49.2	50.0	50.0
Number of Signs Installed/Repaired	652	732	750	722	1120	669	798	600	600	600
Water										
Water Mains (Miles)	250.16	253.73	256.32	257.51	261.33	264.61	267.28	268.57	274.89	276.92
Fire Hydrants	2,238	2,274	2,308	2,324	2,351	2,388	2,406	2,419	2,511	2,573
Wastewater										
Sanitary Sewers (Miles)	200.01	201.37	205.00	205.00	207.56	210.22	211.51	212.53	219.14	224.28
Number of Manholes	3,946	3,988	4,034	4,080	4,084	4,154	4,185	4,219	4,360	4,492
Solid Waste										
Number of Collection Vehicles	7	8	8	8	8	8	8	8	8	8
Number of Roll-off Trucks	3	4	4	4	4	4	4	4	4	4
Number of Recycling Trucks	0	1	1	1	1	1	2	2	2	2
Number of Compost Collection Trucks	2	2	2	2	2	2	2	2	2	2
Parks										
Formal Turf Acres	265	120	120	125	125	125	125	126	140	140
Natural Parkland Acres	115	205	205	210	220	220	220	220	220	220
Miles of Trails	50	50	54	55	55	55	61	63	63	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

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS – GOVERNMENT AUDITING STANDARDS



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, 2017, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 18, 2017.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 Jure Muehlen & Co., P.C.
Bozeman, Montana
December 18, 2017