

BOZEMAN^{MT}

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Prepared by the City of Bozeman Finance Department

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2018

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PART I

INTRODUCTORY SECTION



December 21, 2018

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, 2018, 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 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 19 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.

CITY OF BOZEMAN, MONTANA

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

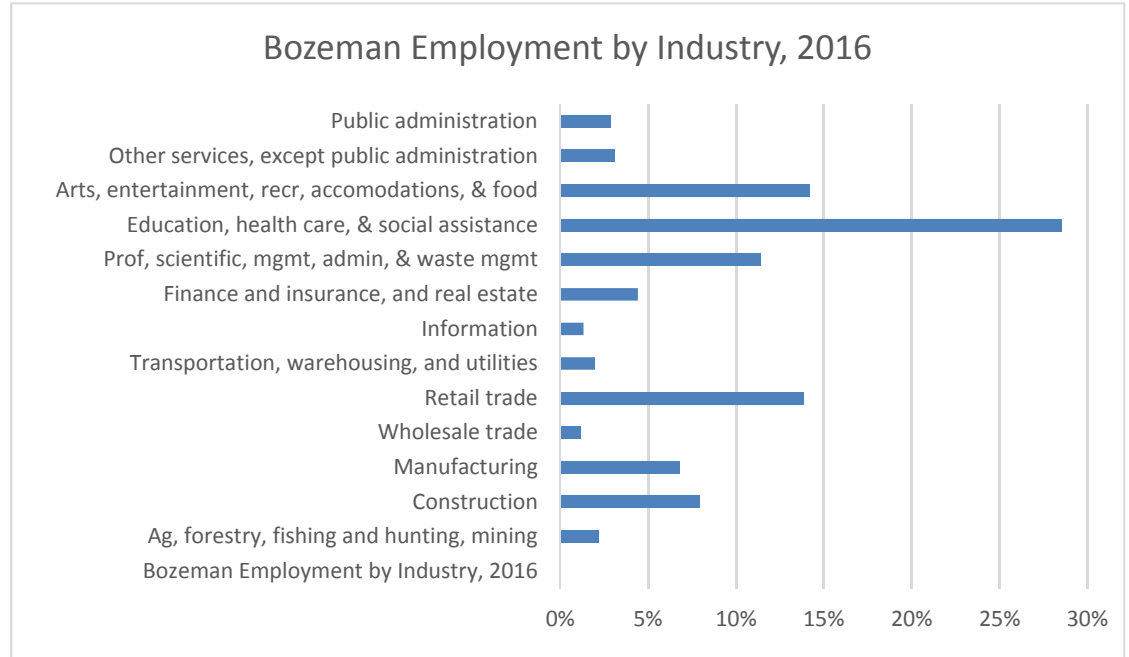
The City of Bozeman budget serves several purposes. For the *citizens of the City of Bozeman*, it presents a picture of the city government operations and intentions for the year. For the *City Commission*, it serves as a policy tool and as an expression of goals and objectives. For *City Management*, 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, Finance Director, and department staff explain the budget recommendations and underlying justification for the requests. The Commission also reviews departmental requests which could not be funded, as an indication of unmet needs. During (or following) the work sessions, the Commissioners may make adjustments to the proposed budget. Following any adjustments to the City Manager's budget recommendation, a tentative appropriation ordinance is prepared and a public hearing is held. The Commission may again make adjustments to the budget following the public hearing, after which time, the Commission passes the appropriation ordinance in final form.

Fiscal Year 2018 marked the sixth 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.



2nd Quarter 2017 Cost of Living Index Comparison (from least to most expensive)

PLACE	COMPOSITE	GROCERIES	HOUSING	UTILITIES	TRANSPORTATION	HEALTH CARE	GOODS & SERVICES	% MORE/LESS EXPENSIVE (Moving From Bozeman To This City)
McAllen, TX Least Expensive Q2 2016	76.0	81.4	60.3	90.5	90.4	74.7	78.3	-24.5%
Cedar City, UT	84.4	87.8	72.2	85.7	98.2	84.6	88.4	-16.2%
Twin Falls, ID	91.3	90.4	86.8	87.7	103.0	101.2	91.9	-9.3%
Laramie, WY	96.5	112.2	80.4	104.0	94.9	99.4	101.0	-4.2%
Grand Junction, CO	99.6	98.6	114.7	95.8	93.6	99.8	90.7	-1.1%
Bozeman, MT	100.7	105.4	106.4	77.2	95.3	102.8	102.4	na
Olympia, WA	104.2	104.7	97.7	105.4	133.7	117.3	99.1	3.5%
Pierre, SD	110.7	98.1	131.5	92.5	102.5	104.0	107.6	9.9%
Portland, OR	131.7	119.9	174.9	80.0	106.7	107.8	126.6	30.8%
San Francisco, CA	192.3	129.6	357.9	120.9	134.5	122.8	130.8	91.0%
Manhattan, NY Most Expensive Q2 2016	235.0	145.1	485.4	119.0	126.8	116.8	149.3	133.4%

Regionally, Bozeman is located in southwestern MT in Gallatin County. “Bozeman’s overall cost of living was 0.7 percent above the national average as of August 2017, compared to 253 other urban areas in the United States. As seen in the figure following, in the second quarter of 2017 the housing index score was 106.4, meaning that area housing was 6.4 percent above the national average for the quarter. The average price of a new 2,400 square foot home on an 8,000 square foot lot that met the index collection specifications was \$363,894. The average monthly rental rate for a 950 square foot apartment in the Bozeman area that met the index collection specifications was \$1,096. Mortgage rates are also taken into

consideration when computing the housing index score. For Bozeman residents, all expense categories except for utilities and transportation came in above national averages for the second quarter of 2017. To put Bozeman’s index scores in perspective, the table below includes the cities with the most expensive and least expensive composite scores for the quarter—Manhattan, New York and McCallen, Texas respectively. The table also includes the comparable cities to Bozeman in the Western region that participate in the index, as well as Prospera’s calculation of how expensive each city is in comparison to Bozeman.” -As cited by Prospera Business Network, 2018 Economic Profile of Gallatin and Park Counties, Montana.

FOR THE YEAR

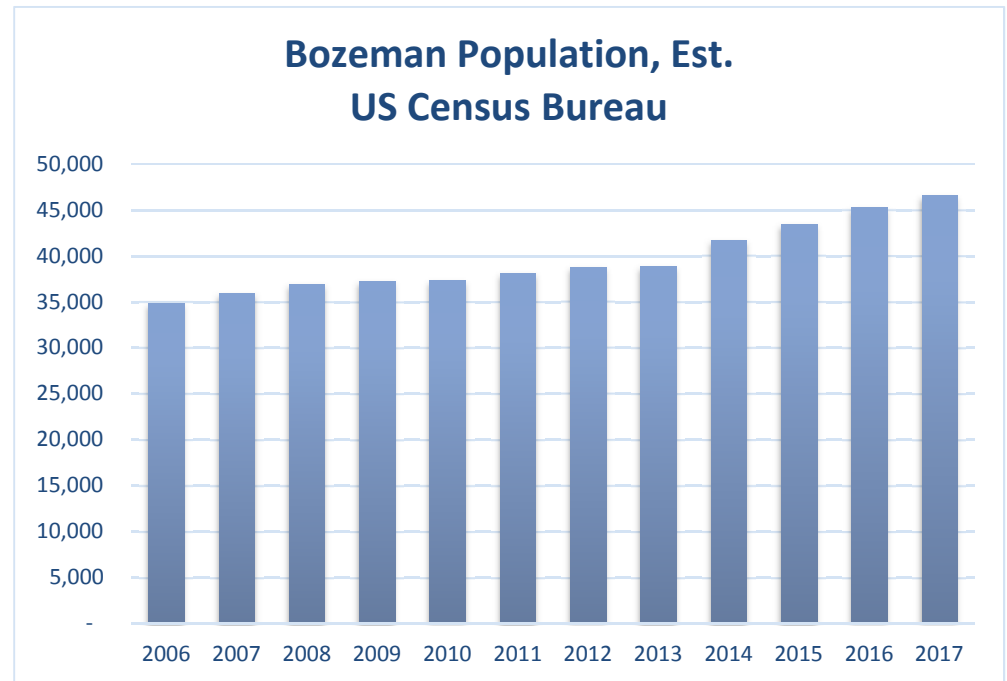
Significant Developments during the year include:

Continued Growth:

Continued Growth – Bozeman’s most recent evidence of continued growth includes the US Census data showing an estimated population increase of 3.0% this year, on top of the 4.3% 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.

Adoption of Strategic Plan:

On April 16th, 2018, the Bozeman City Commission passed Resolution No 4852 which formally adopted the Bozeman Strategic Plan. The new plan included seven vision statements that will guide future City projects: An Engaged Community; An Innovative Economy; A Safe, Welcoming Community; A Well-Planned City; A Creative, Learning Culture, A Sustainable Environment; and a High Performance Organization.



New Fuel Tax Dollars:

House Bill 473, effective July 1, 2017 included several changes to the City of Bozeman's allocation of collected taxes. The amount designated for the purposes of the Montana local technical assistance transportation program increased \$50,000. The Gasoline and Special Fuel tax rate increased from 27 cents per gallon to 31.5 cents per gallon for fiscal year FY18, which in turned increased the amount received by the City of Bozeman. It also established the Bridge and Road Safety and Accountability Program funds of \$12.5 million for FY18, of which the City received \$263,495. This increased revenue from the state encouraged the City Commission to adopt an increase in the Arterial and Collector Street Assessment that was lower than originally planned. The adopted increase was 63% instead of the approximate 90% increased proposed for this fiscal year back in FY16.

FOR THE FUTURE

Bozeman Public Safety Facility:

The Bozeman Public Safety Facility is a new project that was approved on the November ballot for a bond issuance to support the estimated \$36.9 million cost of construction. The City is proposing to build this facility on the old MDOT property on Rouse Avenue. It will include the Police Department, Municipal Court, City Prosecutors, and it will replace Fire Station #1. The property that currently houses Fire Station #1 and the Police sub-station is proposed to be sold.



**BOZEMAN
IS SAFE.
LET'S KEEP IT
THAT WAY.**



**BOZEMAN^{MT}
PUBLIC SAFETY
CENTER**

Parks Maintenance District: FY19 will see the last phase of consultant work for the creation of a new Parks Maintenance District. This district is the 5th action item of the FY19 goals as established by the City Commission with the FY19 budget adoption. With the creation of the district, the Parks department will no longer be funded by General Fund tax dollars, but instead will be a separate special assessment akin to the Forestry and Street annual assessments.

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:

Adopted April, 2018

Plans for Service Provision, Facility Expansion & Maintenance:

- Bozeman Community Plan—Adopted 2010. Proposed update in fiscal year 2019
- 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.
- 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. Currently being updated
- 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 FY19-FY23.
- Water Rate Study (5 Years) – Updated for FY16-FY20. Currently being updated.
- Wastewater Rate Study (5 Years) – Updated for FY16-FY20. Currently being updated
- Impact Fee Studies (Water, Sewer, Streets, Fire) – Updated in FY18

Strategic Plan

With the adoption of the Strategic plan, the FY19 budget incorporated efforts to implement each of the vision statements. The highlights of the impact on the budget include:

1. Engaged Community – The City’s first Communications Coordinator position, initially funded in FY18, plays a key role in our community engagement efforts in FY19. This position will significantly advance our work to foster a culture of civic engagement by creating a detailed communication plan for the organization, expand outreach to the community, and oversee a citizen engagement process. Communication and outreach is one of the seven priorities for this fiscal year.
2. Innovative Economy – Several Strategic Plan action items, which can also be found in the 2016 Economic Development Strategy, will be implemented through the ongoing work of the Economic Development Department this year.



CITY OF BOZEMAN, MONTANA



3. Safe, Welcoming Community – The Bozeman Public Safety Facility is a safety-related priority for FY19; we will work towards supporting high quality public safety facilities and emergency preparedness by resolving the current Police, Fire, Prosecution and Courts space needs now and into the future.

4. Well Planned City – To consistently improve our community’s quality of life as it grows, the priorities of *Planning and Land Use Initiatives* and *Annexation Analysis and Study* are included in FY19’s efforts. We will be conducting studies in these areas to ensure we grow in a responsible manner. We will also be enhancing our affordable housing program to further the FY19 *Affordable Housing* priority, by using one-time monies from the General Fund. Included in the FY19 budget is the last phase of the consultant work for creation of a *Parks Maintenance District*. This work will give the Commission information on the possible paths toward defining a different funding source for park maintenance city-wide.

5. Creative, Learning Culture – We plan to partner with MSU, utilizing their student and faculty population to accomplish some strategic plan action items through college-level class assignments. This will be a new partnership for education and learning between the City and the University that has not existed in the past.
6. Sustainable Environment – Most notable in our sustainability efforts is the Climate Action & Resiliency Plan that is to begin in FY19.



CITY OF BOZEMAN, MONTANA

7. High Performance Organization – Maintaining the City’s current levels of service and implementing action items in the Strategic Plan requires the additional staff that has been included in the FY19 budget. Key among them include civilian positions to support the Police Department according to the recommendations from the Police Staffing Plan, a plan review engineer to assist with workload created by development permitting, and a SCADA (supervisory control and data acquisition) Systems Manager for the Wastewater Division of Public Works.

**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.

CITY OF BOZEMAN, MONTANA

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), with all capital purchases of \$5,000 or more reported as capital outlays in the financial statements. Minor capital outlays of less than \$5,000 are included in the regular operating budget.

Spending of resources happen in the following order (they are categorized according to Generally Accepted Accounting Principles (GAAP) for state and local governments, with the following general definitions):

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

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

A minimum level of general fund reserve equal to 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 INFORMATION

Independent Audit

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

Awards

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bozeman for its comprehensive annual financial report for the fiscal year ended June 30, 2017. This was the 34th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

CITY OF BOZEMAN, MONTANA

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

Acknowledgements

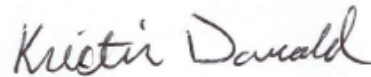
The preparation of the Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

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, 2017

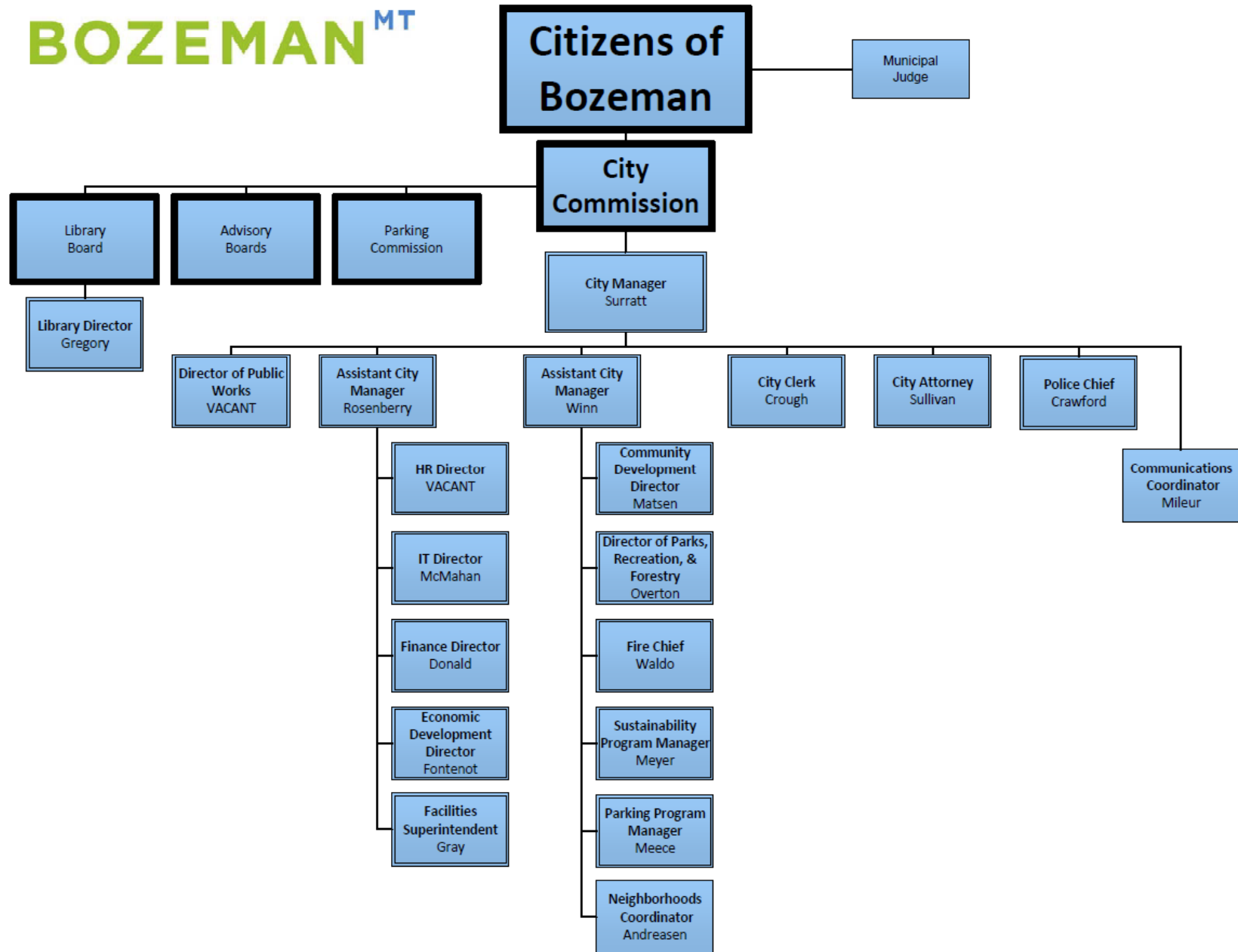
Christopher P. Morill

Executive Director/CEO

CITY OF BOZEMAN, MONTANA

ORGANIZATIONAL CHART

Fiscal Year 2018



CITY OF BOZEMAN, MONTANA
CITY ELECTED OFFICIALS AND OFFICERS
Fiscal Year 2018

ELECTED OFFICIALS

Legislative

Cynthia Andrus
Christopher Mehl
Jeffrey Krauss
I-Ho Pomeroy
Terence Cunningham

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 2018

<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 Thomas Radcliffe 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, 2018, 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, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2018, the City adopted new accounting guidance, *GASB No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information – 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 21, 2018, 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.



Bozeman, Montana
December 21, 2018

A. MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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, 2018. Please read it in conjunction with the transmittal letter on page 1 and the City's financial statements, which begin on page 38.

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 38 and 40) 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 41. 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 24. 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, 2018

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's funds begins on page 29. The fund financial statements begin on page 41 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 43 and 45 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 51 and in the Combining Statement of Changes in Assets and Liabilities-Agency Funds on page 191. 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, 2018

THE CITY AS A WHOLE

The City's *combined* net position increased by \$34.1 million this year as compared to a \$19.7 million increase last year. The significantly larger increase this year was mainly due to a \$15.3 million increase in total revenues offset by only a \$3 million increase in total expenses. Additionally, last year there was a \$2 million loss on the disposal of City property (the Mandeville farm property reported in the Solid Waste fund) while this year there were no similar special items with a negative impact. The increase in total revenues was mainly due to large increases in Charges for Services and in Restricted Grants & Contributions, which mainly consists of street, water, wastewater, and stormwater 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 \$16.2 million, or 10.3%, from \$151.9 million last year compared to \$168.1 million this year due to revenues exceeding expenses, the details of which are discussed below. 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 \$0.7 million, or 14.6%, from negative (\$4.8) million to negative (\$5.5) 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 \$18 million, or 7.2%, from \$247.3 million to \$265.3 million due primarily to a continuing trend of revenues provided by charges for services exceeding total expenses. *Unrestricted* Net Position increased by \$4.1 million, or 45%, due to an increase 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	
	2018	2017	2018	2017	2018	2017
Current and Other Assets	\$ 61.6	\$ 62.6	\$ 40.7	\$ 33.4	\$ 102.4	\$ 96.0
Capital Assets	157.4	136.5	274.9	263.3	432.3	399.8
Total Assets	<u>\$ 219.0</u>	<u>\$ 199.1</u>	<u>\$ 315.7</u>	<u>\$ 296.7</u>	<u>\$ 534.7</u>	<u>\$ 495.8</u>
Deferred Outflows of Resources	6.5	5.4	1.8	1.4	8.3	6.8
Long-term Debt Outstanding	(46.8)	(44.1)	(48.9)	(46.9)	(95.7)	(91.0)
Other Liabilities	(9.7)	(7.8)	(3.1)	(3.8)	(12.8)	(11.6)
Total Liabilities	<u>\$ (56.5)</u>	<u>\$ (51.9)</u>	<u>\$ (52.0)</u>	<u>\$ (50.7)</u>	<u>\$ (108.5)</u>	<u>\$ (102.6)</u>
Deferred Inflows of Resources	(0.8)	(0.2)	(0.3)	-	(1.1)	(0.2)
Net Position:						
Net investment in capital assets	\$ 137.1	\$ 115.7	\$ 239.3	\$ 229.4	\$ 376.3	345.1
Restricted for parking capital projects	-	-	0.4	0.3	0.4	0.3
Restricted for general government	1.9	1.7	-	-	1.9	1.7
Restricted for Public Safety	4.4	3.8	-	-	4.4	3.8
Restricted for Public Service	13.6	15.2	-	-	13.6	15.2
Restricted for Public Welfare	5.9	5.4	-	-	5.9	5.4
Restricted for capital projects	3.7	7.8	9.3	5.4	13.0	13.2
Restricted for debt service	7.0	7.1	3.4	3.1	10.4	10.2
Unrestricted	<u>(5.5)</u>	<u>(4.8)</u>	<u>12.9</u>	<u>9.1</u>	<u>7.4</u>	<u>4.3</u>
Total Net Position	<u>\$ 168.1</u>	<u>\$ 151.9</u>	<u>\$ 265.2</u>	<u>\$ 247.3</u>	<u>\$ 433.3</u>	<u>\$ 399.2</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

The City's total revenues (excluding special items) increased by 17.1%, or \$15.3 million, from \$91.2 million to \$106.5 million, driven primarily by an \$8.1 million increase in Charges for Services, (Utility Charges and Street/Tree/Arterial Collector District Assessments) combined with a \$6.9 million increase in Restricted Capital Grants & Contributions (which includes water, wastewater, stormwater, road, and park infrastructure provided by private developers).

Other revenues also increased modestly, including an \$800,000 increase in Property Taxes and a \$1.4 million increase in general revenues, which will be discussed later in more detail.

The total cost of all programs and services increased by \$2.8 million, or 4.0%, from \$69.4 million last year to \$72.3 million this year. Public Safety (Police, Fire, and Building Inspection) and Public Service (mainly Street Maintenance) saw increases of \$1 million each with General Government and Non-major activities reporting increases of just under \$500,000 each.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues:						
Charges for Services	\$ 22.5	\$ 17.6	\$ 29.8	\$ 26.6	\$ 52.3	\$ 44.2
Restricted Operating Grants & Contributions	3.0	2.7	0.1	0.2	3.2	2.9
Restricted Capital Grants & Contributions	7.7	2.7	9.7	7.8	17.4	10.5
General Revenues						
Property Taxes	22.5	21.7	-	-	22.5	21.7
Unrestricted Operating Grants & Contributions	6.2	8.4	-	-	6.2	8.4
Other General Revenues	2.4	1.9	2.5	1.6	4.9	3.5
Total Revenues	<u>64.3</u>	<u>55.0</u>	<u>42.1</u>	<u>36.2</u>	<u>106.5</u>	<u>91.2</u>
Program Expenses						
General Government	9.9	9.4	-	-	9.9	9.4
Public Safety	18.6	17.7	-	-	18.6	17.7
Public Service	8.6	7.9	-	-	8.6	7.9
Public Welfare	9.5	9.2	-	-	9.5	9.2
Interest and Fiscal Fees	0.8	0.8	-	-	0.8	0.8
Water	-	-	9.8	9.8	9.8	9.8
Waste Water	-	-	8.5	8.6	8.5	8.6
Non-major activities	-	-	6.5	6.1	6.5	6.1
Total Expenses	<u>47.4</u>	<u>45.0</u>	<u>24.9</u>	<u>24.5</u>	<u>72.3</u>	<u>69.5</u>
Excess (deficiency) before special items and transfers	16.9	10.0	17.2	11.7	34.2	21.7
Sale of Capital Assets	0.0	(0.1)	-	(2.0)	0.0	(2.1)
Transfers	(0.7)	(0.7)	0.8	0.7	-	-
Increase (decrease) in net position	<u>\$ 16.2</u>	<u>\$ 9.2</u>	<u>\$ 18.0</u>	<u>\$ 10.4</u>	<u>\$ 34.2</u>	<u>\$ 19.6</u>
Net position - beginning	<u>151.9</u>	<u>142.7</u>	<u>247.3</u>	<u>236.9</u>	<u>399.2</u>	<u>379.6</u>
Net position - ending	<u><u>\$ 168.1</u></u>	<u><u>\$ 151.9</u></u>	<u><u>\$ 265.3</u></u>	<u><u>\$ 247.3</u></u>	<u><u>\$ 433.3</u></u>	<u><u>\$ 399.2</u></u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

Governmental Activities

Revenues for the year from governmental activities increased by 16.8%, or \$9.3 million, from \$55 million to \$64.3 million, while total expenses increased by 5.3%, or \$2.4 million, from \$45 million to \$47.4 million. Property Tax revenues increased by \$800,000, or 3.8%, from \$21.7 million to \$22.5 million. Charges for services, which include Street Assessments and Fire and Street Impact Fees, realized a net increase of \$4.9 million, or 27.8%, from \$17.6 million to \$22.5 million. Restricted Capital Grants and Contributions (developer-provided infrastructure reported under Program Revenues) increased \$5 million, or 187%, from \$2.7 million to \$7.7 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 \$4.9 million, or 27.8%, from \$17.6 million last year to \$22.5 million this year. Street Impact Fees increased notably by \$1.5 million, or 39%, from \$4 million last year to \$5.5 million due to increased development requiring expansion of the City's transportation system. Street Maintenance District assessments and Arterial & Collector District assessments also 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 \$729,300, or 67%, from \$1.1 million to \$1.8 million. Street Maintenance revenue increased by \$915,000, or 20%, from \$4.5 million to \$5.4 million. Fire impact fee revenues also increased significantly after reporting two years of stagnant and declining activity, increasing this year by \$284,000, or 90%, from \$316,000 to \$600,000.e of \$22,728 or 6.7%.

Property Tax collections increased by nearly \$800,000, or 3.8%, from \$21.7 million last year to \$22.5 million this year. The number of total property tax mills levied actually decreased by 17.97 mills from 205.3 to 187.33, or 8.6%, so the increase in revenues was instead fueled by a 13.3% increase in the mill value from \$89,325 to \$101,195 along with continued growth in the number of taxpayers.

Property Tax revenues also increased in each of the City's Tax Increment Financing (TIF) Districts, with the exception of the North 7th/Midtown District decreasing by 7.9%, or \$51,000, from \$652,000 to \$601,000 as the results of the latest property reappraisal continued to take effect after the Montana Department of Revenue changed its appraisal cycle from every 6 years to every 2 years which also had the effect of shifting the 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 15.97 mills, or approximately \$1,616,255 below the statutory maximum allowable tax rate.

Restricted Capital Grants and Contributions (reported under Program Revenues) increased by \$5 million, or 185%, from \$2.7 million to \$7.7 million, due to general infrastructure provided by developers being significantly greater this year than last. Contributed road/transportation infrastructure increased by \$2.2 million, or 132%, from \$1.7 million last year to \$3.9 million this year. Increased development in the City also impacted dedicated parkland, where developer contributions increased significantly by \$2 million, or 346%, from \$583,000 last year to \$2.6 million this year

Program Expenses increased by 5.3%, or \$2.3 million, from \$45 million to \$47.4 million with Public Safety and Public Service being the primary drivers of the increase at nearly \$1 million each. Personnel costs for Public Safety accounted for \$460,000 of this increase due to departments being closer to fully-staffed than in previous years, with Police, Fire and Building Inspection increasing 2%, 5%, and 2% respectively accounting for roughly \$.5 million of this increase. Additional information about Police and Fire is available in the later discussion of the General Fund. Contracted

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

Service expenses charged to the Building Inspection program also increased significantly by \$368,500, or 218%, from \$168,900 to \$537,400 due mainly to a much heavier volume in the number of plan reviews being contracted out for third-party review.

Public Service expenses reported under Governmental Activities consist mainly of street maintenance and reconstruction activities. Personnel costs here increased by \$306,250, or 22.3%, from \$1.37 million last year to \$1.67 million this year. Operational costs, including supplies and materials and non-construction contracted maintenance services such as seal-coating and pavement marking increased by \$226,500, or 7.4% from \$3.1 million to \$3.3 million.

The cost of all *governmental activities* this year was \$47.4 million compared to \$44.9 million last year. However, as shown in the Statement of Activities on page 40 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 \$14,235,168 because some of the cost was paid by those who directly benefited from the programs (\$22,498,750 in Charges for Services) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$3,021,399 plus \$7,651,008 = \$10,672,407).

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

Business-Type Activities

Total revenues of the City's business-type activities (see Table 2) increased by \$5.9 million, or 16.2% (\$42.1 million this year compared to \$36.2 million last year) while expenses increased by \$0.4 million, or 1.6% (\$24.9 million compared to \$24.5 million last year).

The increase in revenues was due to a \$1.9 million increase in Restricted Capital Grants & Contributions, which consisted primarily of privately constructed water, wastewater, and stormwater infrastructure that was contributed to the City by developers. Additionally, there was a \$3.2 million overall increase in charges for services revenue.

The increase in expenses this year was due to overall increased personnel costs of \$390,000.

Specific factors driving these and other regular operating results include:

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Police	\$ 9.1	\$ 9.1	\$ 7.8	\$ 7.5
Fire	6.9	6.5	5.6	5.5
Public Service	11.3	9.5	(3.4)	(1.5)
Library	2.5	2.5	1.7	1.6
Parks	2.0	1.8	1.7	1.8
Recreation	1.6	1.5	1.1	1.0
All Others	14.0	14.1	2.6	5.5
Totals	<u>\$ 47.4</u>	<u>\$ 45.0</u>	<u>\$ 17.1</u>	<u>\$ 21.4</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

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. This year's water rate increase was 2%. 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 491 customers, or 3.9%, from 12,361 average active customer accounts last year to 12,852 this year. This level of growth rate is trending more closely to the 5% growth experienced between 2005-2008.

As of three years ago, the cost of Public Works Administration has been recorded in 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 \$1,011,644 of administration reimbursement revenue being recorded as part of the \$1,086,293 reported under "Other income".

Because of the increase in the water rates and in the number of utility customers, combined with a \$556,302, or 89%, increase in cash-in-lieu-of-water-right revenue from \$623,820 to \$1,180,122 due to increased development, total water operating revenues increased by \$876,067 or 9.4% from \$9.3 million to \$10.2 million.

Additionally, the amount of infrastructure contributed by private developers increased this year. This amount, reported under Restricted Capital Grants and Contributions, increased by \$994,300, or 31%, from \$3.2 million to \$4.2 million this year.

Water impact fee revenues increased significantly by \$872,442, or 46.3%, from \$1,885,123 to \$2,757,566 due to an increase in impact-fee qualifying construction during the year. Major collections included \$480,500 for the South University District mixed-use residential/commercial complex, \$221,000 for Bozeman High School, and \$215,880 for The Springs Assisted Living Facility.

Total operating expenses held steady this year, actually decreasing slightly by \$12,100, or .1%, from \$9,249,739 to \$9,237,639.

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 engineering working on the planned expansion of Kagy Boulevard from Willson Avenue South 19th Avenue.

Wastewater Revenues in the Wastewater Fund have generally been increasing over the past 10 years and are estimated at \$9.6 million for the upcoming year. Seven 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, with a 2% increase this year. As a result of this rate increase, combined with the same customer growth experienced in the water system of 491 customers, operating revenues for the year increased by \$309,124, or 3.5%, from \$8,566,893 to \$8,876,017 this year.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

Wastewater impact fee revenues increased by \$709,000, or 64.3%, from \$1.1 million last year to \$1.8 million this year. The South University District mixed-use residential/commercial complex, Bozeman High School, and The Springs Assisted Living Facility projects listed previously under Water impact fee revenues were the same projects contributing to this increase.

Wastewater operating expenses decreased by \$65,991, or 1%, from \$8,045,210 last year to \$7,979,219 primarily due to an increase in the estimate for the liability related to the Bozeman Solvent Site recorded as an expense last year, with no increase being recorded this year.

Spending on major projects during the year included \$185,000 for the Peach Street project in the Northeast Urban Renewal Tax Increment Financing District project, \$184,000 in planned annual pipe replacement, \$167,500 for the reconstruction of East Olive Street, \$94,000 for the wastewater infrastructure under the Graf Street extension and \$547,000 in various "small works" projects.

Solid Waste Operating revenues in the Solid Waste fund increased by \$312,400, or 8.6%, from \$3,613,721 to \$3,926,123 due mainly to an increase in the customer base for both garbage and recycling. The number of garbage collection customers increased by 564, or 6%, from 9,744 last year to 10,308 this year. The number of recycling customers increased by 504, or 17%, from 3,009 last year to 3,513 this year.

Operating expenses increased by \$273,215, or 6.4%, from \$4.26 million to \$4.54 million driven mainly by a 38% increase in salaries and benefits expenses, which increased by \$405,300 from \$1.06 million to \$1.46 million. Since the overall increase was only \$273,215, this increase in personnel costs was offset by an actual decrease in expenses for supplies and materials, repair and maintenance, other expenses, and the expense recorded this year for the change in estimated post-closure costs of the city landfill. Additional information is available in Note 21 on page 123 and in Note 12 on page 81.

Spending on major projects during the year included \$576,000 for two new side-load garbage collection trucks and \$73,000 for a new frontload container heavy-duty transport pickup truck.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 41-42) reported a *combined* fund balance of \$49,174,403. Included in this year's total change in fund balance is a positive General Fund balance of \$7,464,768, up 15% or \$974,609 from \$6,490,159. 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 \$5,319,255 for the end of this year. The City's ending general fund balance of \$7,464,768 exceeds this recommendation by \$2,145,513. 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 \$0. 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.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

The general fund balance of \$7,464,768 has been assigned as shown:

FY18 ENDING GENERAL FUND BALANCE - TOTAL:	\$ 7,464,768
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ASSIGNMENTS:

1 CIP / CAPITAL CARRY-OVER BUDGETED IN FY18 BUT NOT TO BE SPENT UNTIL FY19:

City Clerk: Agenda Management Software	\$	10,000
City Clerk: Municode	\$	16,000
Sustainability: Climate Vulnerability Assessment & Resiliency Strategy	\$	25,000
Facilities: GF103 ADA Compliance Improvements	\$	2,200
Facilities: GF203 Senior Center Exterior Envelope Improvements	\$	64,750
Facilities: GF273 Professional Building - Electrical Upgrade	\$	71,525
Facilities: GF274 City Hall - Bozeman Creek Improvements	\$	18,633
Facilities: GF244 Library Site Drainage	\$	15,000
Recreation: GF236 Beall Park Recreation Center Wood Floor Replacement	\$	35,000
TOTAL CIP / CAPITAL-CARRY OVER ITEMS:		\$ 258,108

2 16.67% MINIMUM RESERVE LEVEL REQUIRED BY CITY CHARTER (2 MONTHS OF REVENUES): \$ 5,319,255

3 FY19 BUDGET: FY18 YEAR-END FUND BALANCE NEEDED TO BALANCE FY19 BUDGET: \$ 1,887,405

TOTAL GENERAL FUND ASSIGNMENTS:	\$ 7,464,768
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UNASSIGNED GENERAL FUND BALANCE - FY18:	\$ 0
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General Fund The City's general fund balance increased significantly by \$974,609, or 15%, from \$6,490,159 last year to \$7,464,768 this year. The City had budgeted for ending fund balance to actually decrease by \$1.3 million, but actual revenues and other financing sources ended up exceeding budgeted expectations by \$767,000 while actual expenditures and other financing uses were under budget by \$1.5 million. Some of this budget savings is reflected in the unspent TOTAL CIP / CAPITAL CARRY-OVER ITEMS listed in the preceding table while other savings were realized through careful and conservative budgetary management practices implemented throughout all City departments.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

Property tax revenues increased in the General Fund by \$420,639 or 2.8%, from \$15,268,625 to \$15,689,264, although the number of total property tax mills levied actually decreased by 13.82 mills from 148.21 to 134.39, or 10.3%. Therefore the increase in property tax revenue was not driven by an increase in mills levied but instead fueled by a 13.3% increase in the mill value from \$89,325 to \$101,195 based on information 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. This continues the trend reported last year, with a 3.2% increase in mill value compared to a 1.5% decrease two years ago due to the timing and nature of the appraisal cycle change.

Intergovernmental revenues increased by \$292,320, or 4%, from \$7,393,702 last year to \$7,686,022. Montana State Entitlement Share revenue accounted for \$25,080 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 increased steadily over each of the past four years including a 4% increase last year, however this year's increase from \$4,299,752 to \$4,324,831 was only less than .01%.

The State of Montana's share of City employee retirement (recorded as a revenue) was the primary driver of the increase in intergovernmental revenues. Revenues increased this year by over \$246,000, or 10.3% from \$2,400,348 to \$2,646,501. \$165,408 of this increase was due to a new "on-behalf" revenue recorded in the amount of \$165,408 representing a contribution of Coal Severance Tax income by the State of Montana the Public Employee Retirement System (PERS) only. This revenue amount and the regular on-behalf State share of retirement contributions 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 \$1,513,870, or 5.4%, from \$27,989,671 to \$29,503,543. The largest general fund expenditures continued to be in Public safety, with \$8.5 million (29%) spent on Police and \$6.5 million (22%) spent on Fire. Payroll expenditures across all functions (General government, Public safety, Public service, Public welfare) increased by \$1.2 million, or 5.8% from \$21,301,276 to \$22,531,001. 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 \$120,429, or 2%, from \$6,221,841 to \$6,342,270. Fire Department personnel costs (net of State Share of Retirement) increased by \$221,904, or 5%, from \$4,463,750 last year to \$4,685,654.

Other factors contributing to increased expenditures in the General Fund include increased payroll costs for the Municipal Court of \$100,500 (or 17.4%, from \$578,900 to \$679,400), \$114,832 for the City Attorney's Office (or 11.9%, from \$961,500 to \$1,076,300), \$101,659 for Parks (or 12.3%, from \$829,141 to \$930,800) and \$130,200 for the Library (or 9.2%, from \$1,415,400 to \$1,545,600).

However, as stated, total expenditures were under budget by \$1.5 million, so these increased personnel costs were offset by under-spending on operations and capital. Budgeted expenditures that remained unspent at year-end included \$79,000 for the Veteran's Court; \$75,000 for the electrical upgrade of the Professional Building; \$64,750 for improvements to the exterior of the Senior Center; \$200,000 for the Cemetery irrigation project; and \$347,600 for park improvements and parkland acquisition. A more comprehensive list is shown on page xx under General Fund Assignments: CIP / CAPITAL CARRY-OVER.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

Notable expenditures in the general fund for the year included \$237,435 for the upgrade of the Story Mill Park Community Center, \$186,331 granted to the Streamline bus system, and \$115,686 spent on new police patrol cars and related equipment.

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 an 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 35.

As shown on page 144, variances in the General Fund between the original budget of \$31,198,222 and the final budget of \$31,820,764 netted to an overall amount of \$622,542, 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 \$2.3 million increase to the *Public safety* budget (from \$13,098,829 to \$15,322,329) and the \$2.3 million decrease to *Other* (from \$2,861,483 to \$555,483) 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 \$2.3 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. 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 \$2.3 million, or 20%, from \$11,649,618 last year to \$9,349,249 this year due to a large increase in expenditures even in light of increased revenues. Total expenditures increased by \$2.7 million, or 53.3%, from \$5,103,238 to \$7,824,644 this year. Notable expenditures this year included: \$1.8 million for the extension of South 11th avenue from Kagy Boulevard to Graf Street, \$1.3 million for the intersection of Oak Street and Davis Lane, \$600,000 for intersection improvements at Babcock Street and Ferguson Avenue, \$425,300 for the extension of Graf Street to South 19th Avenue, and \$3.5 million on other critical road extensions and intersection improvements throughout the city, in addition to \$312,000 on right-of-way acquisition for these various projects.

Total revenues in the Street Impact fund increased by \$1.4 million, or 35%, from \$4.1 million last year to \$5.5 million this year due to increased development and construction of projects which required an increase in capacity of the city's transportation system. Street impact fee collections for the year included \$513,000 for The Springs Assisted Living Facility, \$332,000 for the South University District mixed-use residential/commercial complex, \$221,000 for Bozeman

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

High School, and \$286,000 for The Springs Assisted Living Facility, and over \$173,000 paid by the City of Bozeman for Trail and Open Space Bond project improvements during the year.

Street Maintenance Special Revenue Rebounding from last year's decrease of \$335,227, fund balance increased this year by \$89,039 or 20.2%, from \$439,721 to \$528,761 due to actual revenues exceeding budgeted revenues and actual expenditures being less than budgeted. Total revenues increased by \$1.1 million, or 24%, from \$4,642,606 last year to \$5,757,906 this year, over last year driven mainly by a 17% increase in street maintenance assessment rates combined with \$173,172 in one-time miscellaneous revenues consisting mainly of reimbursements from the Montana Department of Environmental Quality for asbestos cleanup costs paid out of this fund in prior years in addition to a reimbursement from a developer to cover future maintenance costs caused by paving in cold weather. Actual street maintenance charges for services increased by \$914,930, or 20.1%, from \$4,545,407 to \$5,460,337 due mainly to the 17% rate increase to fund operating increases and added pavement maintenance combined with an increase in the customer base.

Other factors driving the rate increase include 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 three years ago, followed by Story Street and North Wallace Avenue two years ago, East Olive Street last year, and South Tracy Avenue this year. Transfers out of the Street Maintenance fund for these projects totaled \$1,113,567 and included \$613,800 for South Tracy and \$700,000 for general street reconstruction. Debt service payments totaled \$223,985 including \$143,900 for repayment of the State of Montana Intercap loan for the reconstruction of South 8th Avenue. These projects demonstrate the City Commission's focused goal of addressing deferred street and curb maintenance.

Other major expenditures during the year included \$244,531 booked for a new grader lease, \$173,811 for a new asphalt patch truck, \$115,045 for a new steel drum roller with trailer, and \$134,204 spent on advertising street construction updates to the public.

Projects budgeted for but not started by the end of the fiscal year include over \$500,000 for mill & overlay and chip seal work on various streets.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets As shown in Table 4, at the end of 2018 the City had \$432.5 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 \$32.8 million, or 8.2% over last year. Refer to capital assets disclosure Note 7 beginning on page 66 for more information.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 22.5	\$ 19.5	\$ 2.2	\$ 2.2	\$ 24.7	\$ 21.7
Water Rights	-	-	2.1	2.1	2.1	2.1
Buildings	34.1	32.7	113.5	113.2	147.6	145.9
Other Structures and Improvements	1.1	1.1	30.5	30.5	31.6	31.6
Machinery & Equipment	13.3	12.5	10.2	9.1	23.5	21.6
Property under Capital Lease	0.8	0.5	0.5	0.5	1.3	1.0
Vehicle	3.8	3.7	2.2	2.1	6.0	5.8
Infrastructure	<u>190.30</u>	<u>170.4</u>	<u>310.0</u>	<u>293.6</u>	<u>500.3</u>	<u>464.0</u>
Subtotal	<u>265.9</u>	<u>240.4</u>	<u>471.2</u>	<u>453.3</u>	<u>737.1</u>	<u>693.7</u>
Accumulated Depreciation	<u>(108.5)</u>	<u>(103.9)</u>	<u>(196.3)</u>	<u>(190.1)</u>	<u>(304.8)</u>	<u>(294.0)</u>
Total Capital Assets	<u>\$ 157.4</u>	<u>\$ 136.5</u>	<u>\$ 274.9</u>	<u>\$ 263.2</u>	<u>\$ 432.4</u>	<u>\$ 399.7</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

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

Trail and Open Space Bond: Sports Complex	\$ 3,713,523
Sourdough Water Storage Reservoir	\$ 3,425,862
South 11th Avenue construction: Kagy Boulevard to Graf Street	\$ 2,282,981
Oak Street & Davis Lane Intersection Roundabout	\$ 1,583,310
East Olive Street Reconstruction Special Improvement District	\$ 1,157,855
Oak Street construction: New Holland Drive to Ferguson Avenue	\$ 1,023,475
Northeast Urban Tax Increment Financing District construction: Peach Street	\$ 926,284
Stormwater System Improvements & Equipment	\$ 889,821
Baxter Lane construction: Ferguson Avenue to Cottonwood Street	\$ 767,453
Street Improvements - Gas Tax: Mill & Overlay	\$ 747,924
Trail and Open Space Bond: Story Mill Park	\$ 607,393
Fire Department Equipment - Public Safety Mill Levy	\$ 601,041
Babcock Street & Ferguson Avenue Intersection improvements	\$ 600,345
Kagy Boulevard Engineering: Willson Avenue to South 19th Avenue	\$ 534,756
Oak Street & Ferguson Avenue Intersection improvements	\$ 483,209

Debt

At year-end, the City had \$57.4 million in bonds and notes outstanding versus \$56.1 million last year – an increase of \$1.3 million, or 2.3%, as shown in Table 5. This increase was due to new debt issuances (\$5.1 million) exceeding debt repayment for the year (\$3.8 million) during the year.

New debt included a \$3.2 million for the 5.3 million gallon Sourdough water storage tank, \$851,000 for the Northeast Urban Renewal Tax Increment Financing District project improvements, and \$245,000 for the lease of a new road grader in the street department. Debt repayment included \$1.1 million for the Water Reclamation Facility; \$847,000 for the new Water Plant; \$151,000 for the Stormwater-backed landfill mitigation system loan; \$255,000 for the refinanced transportation General Obligation (GO) Bonds; \$620,000 for the TOP GO Bonds; \$210,000 for the Downtown TIF District Bonds to finance the Parking Facility; and \$95,000 in Special Improvement District debt.

General obligation debt still outstanding, which is reported under Governmental Activities, consists of \$13 million for the TOP Bonds along with \$795,000 million in Series 2012 Refunding Bonds issued to refinance both the Series 2003A Transportation Refunding bonds and the Series 2001A / Series 2003B Library Construction Project bonds.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
June 30, 2018

Debt reported under Business-Type Activities includes \$19.1 million of water revenue bonds and \$16.4 million of wastewater revenue bonds issued to finance construction of the new Water Treatment Plant, Water Storage Tank, and Wastewater Reclamation Facility.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
General obligation bonds (backed by the City)	\$ 13.8	\$ 14.7	\$ -	\$ -	\$ 13.8	\$ 14.7
Tax Increment Financing District (TIFD) bonds	5.0	4.4	-	-	5.0	4.4
Special Improvement District Debt	0.4	0.5	-	-	0.4	0.5
Notes Payable	0.8	0.9	-	-	0.8	0.9
Lease Payable	0.5	0.3	-	-	0.5	0.3
Water Revenue Bonds (backed by specific fee revenues)	-	-	19.1	15.8	19.1	15.8
Wastewater Revenue Bonds (backed by specific fee revenues)	-	-	16.4	17.9	16.4	17.9
Stormwater Revenue Bonds (backed by specific fee revenues)	-	-	1.3	1.4	1.3	1.4
Stormwater Lease Payable (backed by specific fee revenues)	-	-	0.2	0.3	0.2	0.3
Totals	<u>\$ 20.5</u>	<u>\$ 20.8</u>	<u>\$ 37.0</u>	<u>\$ 35.4</u>	<u>\$ 57.5</u>	<u>\$ 56.1</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, 2018

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 statement.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when adopting the 2018-2019 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 2.11% for the last calendar year and over the last 12 months the all items index rose 2.5% (as of this report date and before seasonal adjustment), with energy index rising 2.4%. 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, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 38,203,395	\$ 21,373,158	\$ 59,576,553
Restricted cash and investments	16,084,122	16,699,269	32,783,391
Accrued interest	125,724	130,021	255,745
Receivables, net	6,263,147	2,528,360	8,791,507
Notes receivable	625,083	9,442	634,525
Prepaid expenses	312,375	-	312,375
	<u>61,613,846</u>	<u>40,740,250</u>	<u>102,354,096</u>
Capital assets:			
Non-depreciable land and water rights	22,452,729	4,324,045	26,776,774
Other capital assets, net of depreciation	134,920,036	270,620,575	405,540,611
Total capital assets	<u>157,372,765</u>	<u>274,944,620</u>	<u>432,317,385</u>
Total assets	<u>218,986,611</u>	<u>315,684,870</u>	<u>534,671,481</u>
Deferred outflows of resources:			
Interlocal lease agreement	1,009,999	-	1,009,999
Pension plan contributions	5,440,721	1,817,229	7,257,950
Total deferred outflows of resources	<u>6,450,720</u>	<u>1,817,229</u>	<u>8,267,949</u>
Total assets and deferred outflows of resources	<u>\$ 225,437,331</u>	<u>\$ 317,502,099</u>	<u>\$ 542,939,430</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2018

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	\$ 8,663,465	\$ 3,041,900	\$ 11,705,365
Unearned revenue	56,343	-	56,343
Current portion of long-term liabilities:			
Compensated absences payable	1,427,400	368,612	1,796,012
Capital leases	68,250	85,346	153,596
Closure and post-closure care costs	-	310,000	310,000
Bonds and notes	1,335,854	2,391,000	3,726,854
Long-term liabilities, due in more than one year:			
Compensated absences	1,077,396	231,095	1,308,491
Capital leases	395,285	129,541	524,826
Closure and post-closure care costs	-	1,982,253	1,982,253
Pollution remediation obligations	16,874	1,568,001	1,584,875
Other post-employment health benefits - implicit rate subsidy	2,143,141	551,314	2,694,455
Due to other governments and other liabilities	1,009,999	185	1,010,184
Bonds and notes	18,909,716	34,376,927	53,286,643
Net pension liability	21,421,473	6,934,875	28,356,348
Total liabilities	<u>56,525,196</u>	<u>51,971,049</u>	<u>108,496,245</u>
DEFERRED INFLOWS OF RESOURCES			
Other post-employment health benefits - implicit rate subsidy	477,742	-	477,742
Unavailable revenues-special assessments	-	105,596	105,596
Pension deferrals	368,162	177,231	545,393
Total deferred inflows of resources	<u>845,904</u>	<u>282,827</u>	<u>1,128,731</u>
NET POSITION			
Net investment in capital assets	137,058,945	239,254,236	376,313,181
Restricted:			
Restricted for parking capital projects	-	393,433	393,433
Restricted for general government	1,927,674	-	1,927,674
Restricted for public safety	4,378,294	-	4,378,294
Restricted for public service	13,618,540	-	13,618,540
Restricted for public welfare	5,938,599	-	5,938,599
Restricted for capital projects	3,658,296	9,255,771	12,914,067
Restricted for debt service	7,000,792	3,421,313	10,422,105
Unrestricted	(5,514,909)	12,923,470	7,408,561
Total net position	<u>\$ 168,066,231</u>	<u>\$ 265,248,223</u>	<u>\$ 433,314,454</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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	\$ 9,896,366	\$ 3,139,427	\$ 123,161	\$ -	\$ (6,633,778)		\$ (6,633,778)
Public safety	18,637,422	2,234,994	2,681,708	-	(13,720,720)		(13,720,720)
Public service	8,615,272	15,531,304	35,568	7,566,008	14,517,608		14,517,608
Public welfare	9,476,010	1,593,025	180,962	85,000	(7,617,023)		(7,617,023)
Interest and fiscal fees	781,255	-	-	-	(781,255)		(781,255)
Total governmental activities	<u>47,406,325</u>	<u>22,498,750</u>	<u>3,021,399</u>	<u>7,651,008</u>	<u>(14,235,168)</u>		<u>(14,235,168)</u>
Business-type activities:							
Water	9,832,508	12,915,454	59,029	4,874,798		8,016,773	8,016,773
Waste water	8,548,138	10,686,506	36,704	4,102,663		6,277,735	6,277,735
Solid waste	4,535,865	3,926,123	24,471	-		(585,271)	(585,271)
Parking	1,133,777	958,378	6,020	-		(169,379)	(169,379)
Stormwater	878,173	1,324,461	8,299	685,144		1,139,731	1,139,731
Total business-type activities	<u>24,928,461</u>	<u>29,810,922</u>	<u>134,523</u>	<u>9,662,605</u>		<u>14,679,589</u>	<u>14,679,589</u>
Total primary government	<u>\$ 72,334,786</u>	<u>\$ 52,309,672</u>	<u>\$ 3,155,922</u>	<u>\$ 17,313,613</u>	<u>(14,235,168)</u>	<u>14,679,589</u>	<u>444,421</u>
General revenues							
Property taxes					22,532,724	-	22,532,724
Unrestricted grants and contributions					6,171,297	-	6,171,297
Investment earnings					64,058	3,389	67,447
Settlement income					1,000,000	-	1,000,000
Miscellaneous					1,320,536	2,529,824	3,850,360
Gain on sale of assets					28,861	10,005	38,866
Transfers					(758,084)	758,084	-
Total general revenues and transfers					<u>30,359,392</u>	<u>3,301,302</u>	<u>33,660,694</u>
Change in net position					<u>16,124,224</u>	<u>17,980,891</u>	<u>34,105,115</u>
Net position, beginning of the year					152,440,722	247,393,246	399,833,968
Restatement, other post-employment health benefits					(498,715)	(125,914)	(624,629)
Net position, beginning of the year as restated					<u>151,942,007</u>	<u>247,267,332</u>	<u>399,209,339</u>
Net position, end of the year					<u>\$ 168,066,231</u>	<u>\$ 265,248,223</u>	<u>\$ 433,314,454</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.

CITY OF BOZEMAN, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 9,130,838	\$ -	\$ 656,460	\$ 28,020,541	\$ 37,807,839
Receivables:					
Property taxes	1,092,941	-	-	471,504	1,564,445
Accrued interest	19,641	32,710	-	73,373	125,724
Customers, net	1,326,896	6,500	13,252	643,319	1,989,967
Special assessments	-	-	146,923	2,150,679	2,297,602
Other governments	43,253	-	-	356,680	399,933
Due from other city funds	76,631	-	-	-	76,631
Advances to other city funds	-	-	-	510,503	510,503
Prepaid expenditures	-	-	-	312,375	312,375
Notes receivable	-	-	-	625,083	625,083
Restricted cash and investments	-	10,787,062	-	5,297,060	16,084,122
Total assets	<u>\$ 11,690,200</u>	<u>\$ 10,826,272</u>	<u>\$ 816,635</u>	<u>\$ 38,461,117</u>	<u>\$ 61,794,224</u>

(continued)

CITY OF BOZEMAN, MONTANA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 2,968,591	\$ 1,286,606	\$ 200,700	\$ 3,760,181	\$ 8,216,078
Escheat property payable	73,027	-	678	20,052	93,757
Accrued employee benefits	8,934	-	1,521	3,280	13,735
Appearance bonds and other liabilities	-	137,619	-	158,526	296,145
Advanced from other city funds	-	-	-	518,129	518,129
Total liabilities	<u>3,050,552</u>	<u>1,424,225</u>	<u>202,899</u>	<u>4,460,168</u>	<u>9,137,844</u>
Deferred inflows of resources					
Unavailable revenue-property taxes	51,004	-	-	17,607	68,611
Unavailable revenue-special assessments	6,500	52,798	84,976	2,151,716	2,295,990
Unavailable revenue-court fines	1,117,376	-	-	-	1,117,376
Total deferred inflows of resources	<u>1,174,880</u>	<u>52,798</u>	<u>84,976</u>	<u>2,169,323</u>	<u>3,481,977</u>
Fund balances					
Nonspendable	-	-	-	1,623,816	1,623,816
Restricted	-	9,349,249	528,760	24,525,735	34,403,744
Committed	-	-	-	3,856,238	3,856,238
Assigned	7,739,020	-	-	1,868,485	9,607,505
Unassigned	(274,252)	-	-	(42,648)	(316,900)
Total fund balances	<u>7,464,768</u>	<u>9,349,249</u>	<u>528,760</u>	<u>31,831,626</u>	<u>49,174,403</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 11,690,200</u>	<u>\$ 10,826,272</u>	<u>\$ 816,635</u>	<u>\$ 38,461,117</u>	<u>\$ 61,794,224</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, 2018

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

Fund balances - total governmental funds		\$ 49,174,403
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Governmental capital assets	\$ 265,873,153	
Less: accumulated depreciation	<u>(108,500,388)</u>	157,372,765
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	948,240	
Less: capital assets included in governmental activities	(1,681,112)	
Plus: accumulated depreciation included in governmental activities	605,578	
Plus: compensated absences included in governmental activities	23,250	
Plus: other post-employment health benefits included in governmental activities	34,038	
Plus: net pension liability and related deferred outflows and inflows included in governmental activities	<u>364,007</u>	294,001
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.		3,481,977
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.		6,450,720
Pension plan deferrals are deferred inflows of resources on the Statement of Net Position.		(368,162)
The assumption change gain in the total other post-employment benefits liability (TOL) is a deferred inflow of resources and is amortized over the expected future service life; therefore, the balance is deferred and not reported in governmental funds.		(477,742)
Bond premiums are other financing source revenue in the governmental funds. They are a liability for the statement of net position and amortized over the life of the issuance.		
Bond premium	(269,154)	
Less: amortization	<u>47,103</u>	(222,051)
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	(20,023,519)	
Net pension liability	(21,421,473)	
Capital lease obligations	(463,535)	
Pollution remediation obligations	(16,874)	
Other liabilities	(1,009,999)	
Post-employment health benefits	(2,143,141)	
Compensated absences	<u>(2,504,796)</u>	<u>(47,583,337)</u>
Net position of governmental activities		<u>\$ 168,066,231</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, 2018

	General	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 15,689,264	\$ -	\$ -	\$ 6,864,708	\$ 22,553,972
Special assessments	93	-	71,497	1,065,513	1,137,103
Licenses and permits	395,107	-	17,407	2,129,213	2,541,727
Intergovernmental	7,686,022	-	35,494	1,697,588	9,419,104
Charges for services	2,760,256	5,523,020	5,460,336	4,141,917	17,885,529
Fines and forfeitures	1,093,742	-	-	146,412	1,240,154
Interest on investments	-	-	-	34,709	34,709
Interest on loans receivable	-	-	-	25,827	25,827
Other	1,141,637	1,255	173,172	997,033	2,313,097
Total revenues	<u>28,766,121</u>	<u>5,524,275</u>	<u>5,757,906</u>	<u>17,102,920</u>	<u>57,151,222</u>
EXPENDITURES					
General government	6,922,180	-	-	1,346,105	8,268,285
Public safety	14,961,342	-	-	2,641,624	17,602,966
Public service	186,331	161,261	3,614,633	993,334	4,955,559
Public welfare	6,170,061	-	-	1,811,720	7,981,781
Other	554,851	-	-	106,205	661,056
Capital outlay	704,076	7,663,383	805,722	9,247,320	18,420,501
Debt service					
Principal payments	3,891	-	195,279	1,239,069	1,438,239
Interest and fiscal fees	811	-	28,706	751,528	781,045
Total expenditures	<u>29,503,543</u>	<u>7,824,644</u>	<u>4,644,340</u>	<u>18,136,905</u>	<u>60,109,432</u>
Revenues over (under) expenditures	<u>(737,422)</u>	<u>(2,300,369)</u>	<u>1,113,566</u>	<u>(1,033,985)</u>	<u>(2,958,210)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	2,323,901	-	31,900	2,038,476	4,394,277
Transfers out	(632,084)	-	(1,313,800)	(3,206,477)	(5,152,361)
Issuance of long term debt	8,006	-	244,531	863,000	1,115,537
Sale of capital assets	12,208	-	12,842	10,094	35,144
Total other financing sources (uses)	<u>1,712,031</u>	<u>-</u>	<u>(1,024,527)</u>	<u>(294,907)</u>	<u>392,597</u>
Net change in fund balances	974,609	(2,300,369)	89,039	(1,328,892)	(2,565,613)
FUND BALANCE, beginning of year	<u>6,490,159</u>	<u>11,649,618</u>	<u>439,721</u>	<u>33,160,518</u>	<u>51,740,016</u>
FUND BALANCE, end of year	<u>\$ 7,464,768</u>	<u>\$ 9,349,249</u>	<u>\$ 528,760</u>	<u>\$ 31,831,626</u>	<u>\$ 49,174,403</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, 2018

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

Net change in fund balances - total governmental funds \$ (2,565,613)

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 capital outlays and donated infrastructure exceeded depreciation expense in the current period.

Expenditures for capital assets	\$ 18,420,501	
Donated infrastructure	7,566,008	
Less: current year depreciation	<u>(5,056,125)</u>	20,930,384

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. (6,250)

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. 336,160

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. (327,011)

Governmental funds do not report a liability for compensated absences. The change in the liability is presented in the statement of activities. (791,264)

Governmental funds do not report a liability for other post-employment health benefits. The change in the liability is presented in the statement of activities. (221,863)

Contributions to the pension plans in the current fiscal year are deferred outflows in the Statement of Net Position. The change in the deferred outflows for pension plan contributions presented in the statement of activities. (1,075,893)

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. (154,426)

Change in net position of governmental activities \$ 16,124,224

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, 2018

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
ASSETS						
Current assets						
Cash and investments	\$ 15,533,688	\$ 3,779,740	\$ 679,287	\$ 1,380,443	\$ 21,373,158	\$ 395,556
Receivables:						
Accrued interest	83,680	46,341	-	-	130,021	-
Customers, net	715,195	1,228,110	331,343	236,844	2,511,492	11,200
Special assessments	16,733	-	-	135	16,868	-
Prepaid expenses	-	-	-	-	-	-
Total current assets	<u>16,349,296</u>	<u>5,054,191</u>	<u>1,010,630</u>	<u>1,617,422</u>	<u>24,031,539</u>	<u>406,756</u>
Non-current assets						
Other assets:						
Notes receivable	-	-	-	9,442	9,442	-
Restricted cash and investments	10,214,329	5,855,965	180,211	448,764	16,699,269	-
Total other assets	<u>10,214,329</u>	<u>5,855,965</u>	<u>180,211</u>	<u>458,206</u>	<u>16,708,711</u>	<u>-</u>
Property, plant and equipment						
Nondepreciable:						
Land	573,847	1,097,947	228,673	303,436	2,203,903	-
Water rights	2,120,142	-	-	-	2,120,142	-
Depreciable:						
Buildings	40,573,387	60,341,231	746,509	11,840,479	113,501,606	1,424,215
Other structures and improvements	13,646,910	14,745,401	2,155,300	-	30,547,611	-
Machinery and equipment	1,738,387	2,958,484	5,162,261	383,636	10,242,768	186,585
Vehicles	647,683	755,997	592,580	175,604	2,171,864	70,312
Infrastructure	186,126,106	121,224,625	118,081	2,517,289	309,986,101	-
Property under capital lease	-	-	-	519,943	519,943	-
Accumulated depreciation and amortization	(107,349,263)	(78,066,264)	(6,367,476)	(4,566,315)	(196,349,318)	(605,578)
Net property, plant and equipment	<u>138,077,199</u>	<u>123,057,421</u>	<u>2,635,928</u>	<u>11,174,072</u>	<u>274,944,620</u>	<u>1,075,534</u>
Total non-current assets	148,291,528	128,913,386	2,816,139	11,632,278	291,653,331	1,075,534
Deferred outflows of resources						
Pension plan contributions	786,410	501,166	334,130	195,523	1,817,229	122,004
Total assets and deferred outflows of resources	<u>\$ 165,427,234</u>	<u>\$ 134,468,743</u>	<u>\$ 4,160,899</u>	<u>\$ 13,445,223</u>	<u>\$ 317,502,099</u>	<u>\$ 1,604,294</u>

(continued)

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
June 30, 2018

	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
LIABILITIES						
Current liabilities						
Accounts payable and accrued expenses	\$ 1,307,097	\$ 541,002	\$ 890,815	\$ 302,986	\$ 3,041,900	\$ 44,672
Compensated absences payable	206,821	35,064	91,085	35,642	368,612	23,581
Due to other city funds	-	-	-	-	-	68,083
Capital lease obligations due in one year	-	-	-	85,346	85,346	-
Closure and post-closure care costs, current portion	-	-	310,000	-	310,000	-
Bonds, notes, and loans payable	1,176,000	1,139,000	-	76,000	2,391,000	-
Total current liabilities	<u>2,689,918</u>	<u>1,715,066</u>	<u>1,291,900</u>	<u>499,974</u>	<u>6,196,858</u>	<u>136,336</u>
Noncurrent liabilities						
Closure and post-closure care costs	-	-	1,982,253	-	1,982,253	-
Revenue bonds due after one year	17,931,497	15,229,000	-	1,216,430	34,376,927	-
Compensated absences payable	128,342	61,494	40,616	643	231,095	-
Capital lease obligations	-	-	-	129,541	129,541	-
Other post-employment health benefits implicit rate subsidy	233,324	155,448	113,937	48,605	551,314	33,707
Appearance bond and other liabilities	-	-	-	185	185	-
Solvent site remediation liability	-	1,568,001	-	-	1,568,001	-
Net pension liability	3,001,084	1,912,543	1,275,099	746,149	6,934,875	472,511
Total noncurrent liabilities	<u>21,294,247</u>	<u>18,926,486</u>	<u>3,411,905</u>	<u>2,141,553</u>	<u>45,774,191</u>	<u>506,218</u>
Total liabilities	<u>23,984,165</u>	<u>20,641,552</u>	<u>4,703,805</u>	<u>2,641,527</u>	<u>51,971,049</u>	<u>642,554</u>
Deferred inflows of resources						
Unavailable revenues-special assessments	52,798	52,798	-	-	105,596	-
Pension deferrals	75,526	50,203	35,422	16,080	177,231	13,500
Total deferred inflows of resources	<u>128,324</u>	<u>103,001</u>	<u>35,422</u>	<u>16,080</u>	<u>282,827</u>	<u>13,500</u>
NET POSITION						
Net investment in capital assets	118,969,702	106,689,421	2,635,928	10,959,185	239,254,236	1,075,534
Restricted for impact capital projects	5,313,531	3,942,240	-	-	9,255,771	-
Restricted for infrastructure capital projects	59,830	-	-	-	59,830	-
Restricted for parking capital projects	-	-	-	393,433	393,433	-
Restricted for debt service	1,517,560	1,788,592	-	55,331	3,361,483	-
Unrestricted	15,454,122	1,303,937	(3,214,256)	(620,333)	12,923,470	(127,294)
Total net position	<u>141,314,745</u>	<u>113,724,190</u>	<u>(578,328)</u>	<u>10,787,616</u>	<u>265,248,223</u>	<u>948,240</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 165,427,234</u>	<u>\$ 134,468,743</u>	<u>\$ 4,160,899</u>	<u>\$ 13,445,223</u>	<u>\$ 317,502,099</u>	<u>\$ 1,604,294</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, 2018

	Business-type Activities Enterprise Funds				Totals	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Enterprise Funds		Internal Service Funds
	Water Fund	Water Fund	Waste Fund	Enterprise Funds		Service Funds
OPERATING REVENUES	\$ 10,157,888	\$ 8,876,017	\$ 3,926,123	\$ 2,282,839	\$ 25,242,867	\$ 6,070,606
OPERATING EXPENSES						
Salaries and benefits	3,203,119	1,987,336	1,463,390	937,207	7,591,052	492,099
Materials and supplies	1,004,762	445,133	442,130	75,857	1,967,882	662,307
Repairs and maintenance	84,600	132,747	198,474	55,642	471,463	10,912
Utilities	296,123	683,934	556,477	34,930	1,571,464	26,238
Administrative charges	684,394	980,522	749,729	123,308	2,537,953	148,346
Insurance claims	-	-	-	-	-	4,733,165
Other expenses	1,221,123	962,726	481,995	308,629	2,974,473	113,603
Depreciation and amortization	2,743,518	2,786,821	386,766	421,027	6,338,132	57,677
Changes in estimated closure and post-closure care costs	-	-	256,904	-	256,904	-
Total operating expenses	<u>9,237,639</u>	<u>7,979,219</u>	<u>4,535,865</u>	<u>1,956,600</u>	<u>23,709,323</u>	<u>6,244,347</u>
Operating income (loss)	<u>920,249</u>	<u>896,798</u>	<u>(609,742)</u>	<u>326,239</u>	<u>1,533,544</u>	<u>(173,741)</u>
NON-OPERATING REVENUES (EXPENSES)						
Interest income	66	23	3,300	-	3,389	3,522
Interest expense	(594,869)	(568,919)	-	(55,350)	(1,219,138)	(210)
Other income	1,086,293	1,413,035	17,857	12,639	2,529,824	7,439
Intergovernmental income	59,029	36,704	24,471	14,319	134,523	8,596
Impact fees	2,757,566	1,810,489	-	-	4,568,055	-
Gain (loss) on disposal of assets	5,970	1,007	-	3,028	10,005	(33)
Total non-operating revenues (expenses)	<u>3,314,055</u>	<u>2,692,339</u>	<u>45,628</u>	<u>(25,364)</u>	<u>6,026,658</u>	<u>19,314</u>
Income (loss) before contributions and transfers	4,234,304	3,589,137	(564,114)	300,875	7,560,202	(154,427)
Contributions of infrastructure - developers	4,874,798	4,102,663	-	685,144	9,662,605	-
Transfers in	-	-	368,084	390,000	758,084	-
Transfers out	-	-	-	-	-	-
Change in net position	<u>9,109,102</u>	<u>7,691,800</u>	<u>(196,030)</u>	<u>1,376,019</u>	<u>17,980,891</u>	<u>(154,427)</u>
NET POSITION, beginning of year	132,258,910	106,068,499	(356,187)	9,422,024	247,393,246	1,110,482
Restatement, other post-employment benefits	<u>(53,267)</u>	<u>(36,109)</u>	<u>(26,111)</u>	<u>(10,427)</u>	<u>(125,914)</u>	<u>(7,815)</u>
NET POSITION, beginning of year, restated	<u>132,205,643</u>	<u>106,032,390</u>	<u>(382,298)</u>	<u>9,411,597</u>	<u>247,267,332</u>	<u>1,102,667</u>
NET POSITION, end of year	<u>\$ 141,314,745</u>	<u>\$ 113,724,190</u>	<u>\$ (578,328)</u>	<u>\$ 10,787,616</u>	<u>\$ 265,248,223</u>	<u>\$ 948,240</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2018

	Business-type Activities Enterprise Funds					Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 10,268,346	\$ 8,456,876	\$ 3,942,272	\$ 2,288,814	\$ 24,956,308	\$ 6,129,750
Receipts from others	1,086,293	1,413,035	17,857	12,639	2,529,824	16,035
Operating loans from other City funds	-	-	-	-	-	56,382
Payments to suppliers	(3,258,482)	(3,035,476)	(1,743,559)	(417,439)	(8,454,956)	(775,271)
Payments to employees	(3,079,002)	(1,990,040)	(1,297,996)	(798,687)	(7,165,725)	(5,225,940)
Payments to internal service funds and administrative fees	(684,394)	(980,522)	(749,729)	(123,308)	(2,537,953)	(148,346)
Net cash flows from operating activities	<u>4,332,761</u>	<u>3,863,873</u>	<u>168,845</u>	<u>962,019</u>	<u>9,327,498</u>	<u>52,610</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	368,084	390,000	758,084	-
Receipts from grants and intergovernmental sources	64,999	37,711	24,471	14,319	141,500	-
Net cash flows from non-capital financing activities	<u>64,999</u>	<u>37,711</u>	<u>392,555</u>	<u>404,319</u>	<u>899,584</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(4,677,096)	(1,823,480)	(798,055)	(1,049,158)	(8,347,789)	-
Principal paid on bonds, interfund loans, loans and leases	(1,141,000)	(1,488,000)	-	(150,651)	(2,779,651)	-
Interest paid on bonds, interfund loans, loans and leases	(594,869)	(568,919)	-	(55,350)	(1,219,138)	(210)
Proceeds from issuance of long-term debt	4,488,497	-	-	-	4,488,497	-
Impact fees received	2,757,566	1,810,489	-	-	4,568,055	-
Proceeds from sale of property, plant and equipment	-	-	-	3,028	3,028	(33)
Net cash flows from capital and related financing activities	<u>833,098</u>	<u>(2,069,910)</u>	<u>(798,055)</u>	<u>(1,252,131)</u>	<u>(3,286,998)</u>	<u>(243)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Collections on notes	-	-	-	-	-	-
Interest on investments	(36,954)	(19,329)	8,691	-	(47,592)	3,522
Net cash flows from investing activities	<u>(36,954)</u>	<u>(19,329)</u>	<u>8,691</u>	<u>-</u>	<u>(47,592)</u>	<u>3,522</u>
Net change in cash and investments	5,193,904	1,812,345	(227,964)	114,207	6,892,492	55,889
Cash and investments, beginning of year	20,554,113	7,823,360	1,087,462	1,715,000	31,179,935	339,667
Cash and investments, end of year	<u>\$ 25,748,017</u>	<u>\$ 9,635,705</u>	<u>\$ 859,498</u>	<u>\$ 1,829,207</u>	<u>\$ 38,072,427</u>	<u>\$ 395,556</u>
Classified as:						
Cash and investments	\$ 15,533,688	\$ 3,779,740	\$ 679,287	\$ 1,380,443	\$ 21,373,158	\$ 395,556
Restricted cash and investments	10,214,329	5,855,965	180,211	448,764	16,699,269	-
Totals	<u>\$ 25,748,017</u>	<u>\$ 9,635,705</u>	<u>\$ 859,498</u>	<u>\$ 1,829,207</u>	<u>\$ 38,072,427</u>	<u>\$ 395,556</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, 2018

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds		Internal Service Funds
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds		Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 920,249	\$ 896,798	\$ (609,742)	\$ 326,239	\$ 1,533,544	\$ (173,741)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation and amortization	2,743,518	2,786,821	386,766	421,027	6,338,132	57,677
Change in estimated closure and post-closure care costs	-	-	(336,911)	-	(336,911)	-
Change in solvent site remediation obligation	-	(132,182)	-	-	(132,182)	-
Other income	1,086,293	1,413,035	17,857	12,639	2,529,824	16,035
Change in assets and liabilities:						
(Increase) Decrease in:						
Accounts receivable	57,660	(471,939)	16,149	5,975	(392,155)	59,144
Prepaid expenses	-	-	-	-	-	-
Increase (Decrease) in:						
Accounts payable	(651,874)	(678,754)	529,332	57,619	(743,677)	(12,721)
Due from other city funds	-	-	-	-	-	56,382
Accrued employee benefits payable	(1,339)	(14,537)	29,503	15,118	28,745	(676)
Deferred inflows - unavailable revenue	52,798	52,798	-	-	105,596	-
Net pension	125,456	11,833	135,891	123,402	396,582	50,510
Total adjustments	3,412,512	2,967,075	778,587	635,780	7,793,954	226,351
Net cash flows from operating activities	<u>\$ 4,332,761</u>	<u>\$ 3,863,873</u>	<u>\$ 168,845</u>	<u>\$ 962,019</u>	<u>\$ 9,327,498</u>	<u>\$ 52,610</u>
SUPPLEMENTAL CASH FLOW INFORMATION						
Noncash transactions:						
Donated infrastructure	<u>\$ 4,874,798</u>	<u>\$ 4,102,663</u>	<u>\$ -</u>	<u>\$ 685,144</u>	<u>\$ 9,662,605</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, 2018

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 890,664
Customer receivables	1,254
Special assessments	<u>9,541</u>
Total assets	<u>\$ 901,459</u>
LIABILITIES	
Accounts payable	<u>\$ 901,459</u>
Total liabilities	<u>\$ 901,459</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

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 financial reporting requirements for state and local governments throughout the United States.

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, 2018, 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, 2018:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces GASB Statement No. 45. It requires the government to recognize the unfunded OPEB obligation as a liability and more comprehensively and comparably measure the annual costs of OPEB benefits. The statement enhances the accountability and transparency through revised note disclosures and required supplemental information (RSI). This Statement is effective for fiscal years beginning after June 15, 2017. In accordance with this guidance, the City has reported a \$624,629 restatement to unrestricted net position as of July 1, 2017.
- Statement No. 85, *Omnibus 2017*. This statement addresses various issues that have been addressed during implementation and application of certain GASB Statements. One update applicable to the City is the recognition of on-behalf payments as revenue for pensions. Another update implemented by the City is that pension liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus are now measured as of the reporting period. This statement is effective for fiscal years beginning after June 15, 2017.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

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, 2018

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, 2018

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, 2018

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, 2018

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.

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.

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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

Capital Assets

The City’s assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. 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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

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).

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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On-Behalf Payments for Fringe Benefits

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

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

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

Fund Balance

In accordance with GASB Statement 54, the City reports fund balance for governmental funds in two general classifications, nonspendable and spendable.

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

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

The committed fund balance category includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the City Commission. The City Commission needs to formally adopt a Resolution in order to establish, modify, or rescind a fund balance commitment.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. The City's policy to authorize the assignment of fund balance is as follows: Assigned Fund Balance can be expressed and authorized directly by the City Commission or by an official to whom the Commission delegates the authority. The City Commission delegates this authority to the City Manager.

On December 7, 2018, the Audit Committee accepted and approved the City Manager's recommendation for the amount of General Fund balance presented on page 30 to be assigned this fiscal year for the specific purposes listed on page 24. Included in the assigned fund balance for the general fund are assignments for the portion of the current general fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows projected for the next fiscal year.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Similarly the City Manager exercised her delegated authority to assign the major Capital Projects Fund balances presented on pages 35 and 154 for the specific purposes listed on page 130.

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, 2018

NOTE 2. CASH AND INVESTMENTS

At June 30, 2018, the carrying amount of the City's deposits in local banks and investments is \$93,250,608. 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	\$ 38,203,395	\$ 16,084,122	\$ 54,287,517
Business-type activities	21,373,158	16,699,269	38,072,427
Fiduciary funds	890,664	-	890,664
	<u>\$ 60,467,217</u>	<u>\$ 32,783,391</u>	<u>\$ 93,250,608</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, 2018, 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 2018-April 2021	NA	\$ 5,269,725	Level 2
U.S. Government bonds	September 2018 -June 2022	S&P AA+	58,387,991	Level 2
U.S. Bank Municipal Investor Account	N/A	N/A	378,097	Level 2
State of Montana Short Term Investment Pool Account	N/A	N/A	28,000,000	
Demand deposits	N/A	N/A	1,209,418	
Petty cash	N/A	N/A	5,377	
			<u>\$ 93,250,608</u>	

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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 1st for the 1st installment and June 1st for the 2nd installment
- Levy Date: November 1st
- 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, 2018

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, 2018. 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, 2018, rent expenditure was \$19,125 regarding this lease.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 6. NOTES RECEIVABLE

The City had the following notes receivable:

<u>Special Revenue Funds</u>	
Economic Development Loan Fund	\$ 565,371
Community Housing Fund	59,712
<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, 2018, depreciation expense on capital assets was charged to the functions and programs as follows:

Governmental Activities:	
General Government	\$ 288,250
Public Safety	552,522
Public Services	3,344,598
Public Welfare	928,432
Total depreciation expense - governmental activities	<u>\$ 5,113,802</u>
Business-type Activities:	
Parking	\$ 309,199
Storm Water	111,828
Water	2,743,518
Waste Water	2,786,822
Solid Waste	386,765
Total depreciation expense - business-type activities	<u>\$ 6,338,132</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 7. CAPITAL ASSETS (CONTINUED)

All capital assets of the City are depreciable with the exception of land, water rights, and construction in process, when applicable. Capital assets activity of the City for the year ended June 30, 2018, consisted of the following:

	June 30, 2017	Additions	Disposals	Transfers	June 30, 2018
GOVERNMENTAL ACTIVITIES					
Non-depreciable:					
Land	\$ 19,513,699	\$ 2,939,030	\$ -	\$ -	\$ 22,452,729
Depreciable:					
Buildings	32,733,733	1,344,891	-	-	34,078,624
Other structures and improvements	1,145,215	-	-	-	1,145,215
Machinery and equipment	12,508,052	1,137,121	(383,175)	-	13,261,998
Property under capital lease	518,614	252,537	-	-	771,151
Vehicles	3,655,557	306,354	(179,474)	-	3,782,437
Infrastructure	170,374,423	20,006,576	-	-	190,380,999
Total	240,449,293	25,986,509	(562,649)	-	265,873,153
Accumulated depreciation	(103,942,985)	(5,113,802)	556,399	-	(108,500,388)
Total governmental activities	<u>\$ 136,506,308</u>	<u>\$ 20,872,707</u>	<u>\$ (6,250)</u>	<u>\$ -</u>	<u>\$ 157,372,765</u>
BUSINESS-TYPE ACTIVITIES					
Non-depreciable:					
Land	\$ 2,193,991	\$ 9,912	\$ -	\$ -	\$ 2,203,903
Water rights	2,120,142	-	-	-	2,120,142
Depreciable:					
Buildings	113,182,099	319,507	-	-	113,501,606
Other structures and improvements	30,547,611	-	-	-	30,547,611
Machinery and equipment	9,104,137	1,140,367	(3,824)	-	10,240,680
Property under capital lease	519,943	-	-	-	519,943
Vehicles	2,141,341	139,938	(109,415)	-	2,171,864
Infrastructure	293,585,433	16,400,668	-	-	309,986,101
Total	453,394,697	18,010,392	(113,239)	-	471,291,850
Accumulated depreciation	(190,122,337)	(6,338,132)	113,239	-	(196,347,230)
Total business-type activities	<u>\$ 263,272,360</u>	<u>\$ 11,672,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,944,620</u>
Total capital assets	<u>\$ 399,778,668</u>	<u>\$ 32,544,967</u>	<u>\$ (6,250)</u>	<u>\$ -</u>	<u>\$ 432,317,385</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 7. CAPITAL ASSETS (CONTINUED)

Changes in accumulated depreciation are as follows for the year ended June 30, 2018:

	June 30, 2017	Additions	Disposals	Transfers	June 30, 2018
GOVERNMENTAL ACTIVITIES					
Buildings	\$ (15,974,313)	\$ (854,084)	\$ -	\$ -	\$ (16,828,397)
Other structures and improvements	(1,064,529)	(22,238)	-	-	(1,086,767)
Machinery and equipment	(8,573,007)	(643,950)	383,175	-	(8,833,782)
Property under capital lease	(120,052)	(54,493)	-	-	(174,545)
Vehicles	(2,747,824)	(256,301)	173,224	-	(2,830,901)
Infrastructure	(75,463,260)	(3,282,736)	-	-	(78,745,996)
Total governmental activities	<u>\$ (103,942,985)</u>	<u>\$ (5,113,802)</u>	<u>\$ 556,399</u>	<u>\$ -</u>	<u>\$ (108,500,388)</u>
BUSINESS-TYPE ACTIVITIES					
Buildings	\$ (16,470,870)	\$ (2,531,232)	\$ -	\$ -	\$ (19,002,102)
Other structures and improvements	(27,964,447)	(451,909)	-	-	(28,416,356)
Machinery and equipment	(6,611,431)	(591,802)	3,824	-	(7,199,409)
Property under capital lease	(129,985)	(51,994)	-	-	(181,979)
Vehicles	(1,796,145)	(51,383)	109,415	-	(1,738,113)
Infrastructure	(137,149,459)	(2,659,812)	-	-	(139,809,271)
Total business-type activities	<u>(190,122,337)</u>	<u>(6,338,132)</u>	<u>113,239</u>	<u>-</u>	<u>(196,347,230)</u>
Total accumulated depreciation	<u>\$ (294,065,322)</u>	<u>\$ (11,451,934)</u>	<u>\$ 669,638</u>	<u>\$ -</u>	<u>\$ (304,847,618)</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, 2018

NOTE 8. COMPENSATED ABSENCES (CONTINUED)

	Balance June 30, 2017	Incurred	Satisfied	Balance June 30, 2018
Compensated absences:				
Governmental activities	\$ 1,710,263	\$ 2,221,937	\$ (1,427,404)	\$ 2,504,796
Business-type activities	515,581	533,887	(449,762)	599,706
Total compensated absences	<u>\$ 2,225,844</u>	<u>\$ 2,755,824</u>	<u>\$ (1,877,166)</u>	<u>\$ 3,104,502</u>
	Due within one year	Due after one year	Total	
Compensated absences:				
Governmental activities	\$ 1,427,400	\$ 1,077,396	\$ 2,504,796	
Business-type activities	368,612	231,095	599,707	
Total compensated absences	<u>\$ 1,796,012</u>	<u>\$ 1,308,491</u>	<u>\$ 3,104,503</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, 2018:

	Balance June 30, 2017	Restatement	Issuances and Additions	Repayments and Deletions	Balance June 30, 2018
General obligation bonds	\$ 14,710,000	\$ -	\$ -	\$ (875,000)	\$ 13,835,000
Tax increment financing bonds	4,425,000	-	863,000	(269,069)	5,018,931
Special assessment debt	501,000	-	-	(95,000)	406,000
Intercap notes payable	903,264	-	-	(139,676)	763,588
Subtotal bonds and notes	20,539,264	-	863,000	(1,378,745)	20,023,519
Bond premiums	235,509	-	-	(13,458)	222,051
Compensated absences	1,710,263	-	2,221,937	(1,427,404)	2,504,796
Other post employment benefits liability	1,904,250	498,715	(259,824)	-	2,143,141
Net pension liability	19,386,470	-	2,035,003	-	21,421,473
Totals	<u>\$ 43,775,756</u>	<u>\$ 498,715</u>	<u>\$ 4,860,116</u>	<u>\$ (2,819,607)</u>	<u>\$ 46,314,980</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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	\$ 895,000	\$ 12,940,000	\$ 13,835,000
Tax increment financing bonds	256,758	4,762,173	5,018,931
Special assessment debt	29,500	376,500	406,000
Intercap notes payable	141,138	622,450	763,588
Bond premiums	13,458	208,593	222,051
Subtotal bonds and notes	<u>1,335,854</u>	<u>18,909,716</u>	<u>20,245,570</u>
Compensated absences	1,427,400	1,077,396	2,504,796
Other post employment benefits liability	-	2,143,141	2,143,141
Net pension liability	-	21,421,473	21,421,473
Totals	<u>\$ 2,763,254</u>	<u>\$ 43,551,726</u>	<u>\$ 46,314,980</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%	\$ 795,000	\$ 260,000
General Obligation TOP Bonds, Series 2013 serial maturities through 2034	2.00%	8,465,000	420,000
General Obligation TOP Bonds, Series 2014 serial maturities through 2035	1.00%	4,575,000	215,000
Total general obligations bonds		<u>\$ 13,835,000</u>	<u>\$ 895,000</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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>
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	690,000	388,750	1,078,750
2024-2028	3,790,000	1,617,900	5,407,900
2029-2033	4,570,000	838,600	5,408,600
2034-2035	1,380,000	69,400	1,449,400
	<u>\$ 13,835,000</u>	<u>\$ 4,657,877</u>	<u>\$ 18,492,877</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>
2019	256,758	235,934	492,692
2020	292,108	224,114	516,222
2021	304,681	211,422	516,103
2022	317,360	197,942	515,302
2023	330,150	183,652	513,802
2024-2028	1,906,818	830,348	2,737,166
2029-2033	1,611,056	195,258	1,806,314
	<u>\$ 5,018,931</u>	<u>\$ 2,078,670</u>	<u>\$ 7,097,601</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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, 2017	Issuances	Repayments	Balance June 30, 2018
Special assessment bonds	\$ 270,000	\$ -	\$ (65,000)	\$ 205,000
Note Payable to Department of Natural Resources and Conservation, #WRF-05067	54,500	-	(6,000)	48,500
Note Payable to Department of Natural Resources and Conservation, #SRF-05132	176,500	-	(24,000)	152,500
	<u>\$ 501,000</u>	<u>\$ -</u>	<u>\$ (95,000)</u>	<u>\$ 406,000</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>
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	35,000	1,295	36,295
2024	38,500	590	39,090
	<u>\$ 201,000</u>	<u>\$ 13,640</u>	<u>\$ 214,640</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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>
2019	\$ 65,000
2020	-
2021	-
2022	-
2023	-
2024-2028	140,000
	<u>\$ 205,000</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.

Intercap Loans – The City entered in a loan agreement with the Montana Board of Investments to partially finance the reconstruction of South Eighth Avenue. This intercap loan payable had a balance outstanding at June 30, 2018, 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	<u>\$ 141,138</u>	<u>\$ 622,450</u>	<u>\$ 763,588</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 9. LONG-TERM DEBT (CONTINUED)

Governmental Activities Long-Term Debt (Continued)

The debt service requirements for the intercap loan at June 30, 2018, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2023	79,957	992	80,949
2024-2028	72,116	-	72,116
2029-2031	38,033	-	38,033
	<u>\$ 763,588</u>	<u>\$ 44,255</u>	<u>\$ 807,843</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, 2018, are as follows:

	<u>Balance</u>		<u>Repayments</u>	<u>Balance</u>	<u>Due in One Year</u>	<u>Long-Term</u>
	<u>June 30, 2017</u>	<u>Issuances</u>	<u>and Settlements</u>	<u>June 30, 2018</u>		<u>Portion</u>
State Revolving Fund Revenue Bond - 12247						
Series 2011A, serial maturities through 2032, 3% interest rate	\$ 7,856,000	\$ -	\$ (440,000)	\$ 7,416,000	\$ 453,000	\$ 6,963,000
State Revolving Fund Revenue Bond - 13291						
Series 2011B, serial maturities through 2033, 3% interest rate	7,889,000	-	(407,000)	7,482,000	419,000	7,063,000
State Revolving Fund Revenue Bond - 17386						
Series 2017, serial maturities through 2037, 2.5% interest rate	15,000	4,488,497	(294,000)	4,209,497	304,000	3,905,497
	<u>\$ 15,760,000</u>	<u>\$ 4,488,497</u>	<u>\$ (1,141,000)</u>	<u>\$ 19,107,497</u>	<u>\$ 1,176,000</u>	<u>\$ 17,931,497</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, 2018.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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>
2019	\$ 1,176,000	\$ 376,310	\$ 1,552,310
2020	1,210,000	352,620	1,562,620
2021	1,246,000	328,240	1,574,240
2022	1,282,000	303,150	1,585,150
2023	1,318,000	277,330	1,595,330
2024-2028	7,176,000	972,880	8,148,880
2029-2032	5,699,497	247,345	5,946,842
	<u>\$ 19,107,497</u>	<u>\$ 2,857,875</u>	<u>\$ 21,965,372</u>
Due within one year	\$ 1,176,000		
Due after one year	17,931,497		
	<u>\$ 19,107,497</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, 2018.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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, 2018, are as follows:

	<u>Interest Rate</u>	<u>Balance June 30, 2017</u>	<u>Repayments and Settlements</u>	<u>Balance June 30, 2018</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%	\$ 239,000	\$ (18,000)	\$ 221,000	18,000	\$ 203,000
Waste Water Reclamation Facility Revenue Bonds - 10230,						
Series 2010D, serial maturities through 2030	3.00%	6,653,000	(446,000)	6,207,000	459,000	5,748,000
Waste Water Reclamation Facility Revenue Bonds - 10262,						
Series 2010F, serial maturities through 2030	3.00%	589,000	(38,000)	551,000	39,000	512,000
Waste Water Reclamation Facility Revenue Bonds ARRA A- 10261,						
Series 2010E, serial maturities through 2030	0.00%	384,000	(384,000)	-	-	-
Waste Water Reclamation Facility Revenue Bonds - 11291,						
Series 2010C, serial maturities through 2031	3.00%	722,000	(44,000)	678,000	46,000	632,000
Waste Water Reclamation Facility Revenue Bonds - 11292,						
Series 2010G, serial maturities through 2031	3.00%	2,184,000	(125,000)	2,059,000	131,000	1,928,000
Waste Water Reclamation Facility Revenue Bonds - 11281						
Series 2010H, serial maturities through 2031	3.00%	7,085,000	(433,000)	6,652,000	446,000	6,206,000
		<u>\$ 17,856,000</u>	<u>\$ (1,488,000)</u>	<u>\$ 16,368,000</u>	<u>\$ 1,139,000</u>	<u>\$ 15,229,000</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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>
2019	\$ 1,139,000	\$ 335,059	\$ 1,474,059
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	1,287,000	235,239	1,522,239
2024-2028	7,066,000	746,545	7,812,545
2029-2031	3,241,000	73,121	3,314,121
	<u>\$ 16,368,000</u>	<u>\$ 2,249,211</u>	<u>\$ 18,617,211</u>
Due within one year	\$ 1,139,000		
Due after one year	15,229,000		
	<u>\$ 16,368,000</u>		

Stormwater Revenue Bonds

Waste Water revenue bonds outstanding at June 30, 2018, 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, 2017</u>	<u>Issuances</u>	<u>Repayments and Settlements</u>	<u>Balance June 30, 2018</u>	<u>Due in One Year</u>	<u>Long-Term Portion</u>
Stormwater System Revenue Bond, Series 2015	2.00%	\$ 1,367,430	\$ -	\$ (75,000)	\$ 1,292,430	\$ 76,000	\$ 1,216,430

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

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, 2018, the Revenue Bond outstanding had an aggregate principal amount payable of \$209,709.

NOTE 10. CAPITAL LEASE OBLIGATIONS

In 2014, the City entered into a lease for a motor grader with Caterpillar. The lease term is six 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 five 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.

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 10. CAPITAL LEASE OBLIGATIONS (CONTINUED)

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, the 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.

In 2018, the City entered into a lease for a 12M3AWD Motor Grader with Caterpillar. The lease term is six years payable in five annual payments of \$31,023 and one payment of \$127,840 at 4.55%. The total amount capitalized of \$244,531 represents the present value of the future lease payments. The payments for this obligation are being recorded in the street maintenance fund.

In 2018, the City entered into a lease for a printer. The lease term is five years payable in monthly installments of \$157. The total amount capitalized of \$8,006 represents the present value of future lease payments. The payments for this obligation are being recorded in the general fund.

The capital lease balance outstanding at June 30, 2018, is as follows:

	Balance June 30, 2017	Issuances	Repayments	Balance June 30, 2018
Governmental Activities:				
Caterpillar 2014	\$ 191,879	\$ -	\$ (12,852)	\$ 179,027
Savin Copier 2015	9,669	-	(3,203)	6,466
Snow Blower 2016	68,944	-	(11,727)	57,217
Caterpillar 2018	-	244,531	(31,023)	213,508
Canon Printer 2018	-	8,006	(688)	7,318
	<u>\$ 270,492</u>	<u>\$ 252,537</u>	<u>\$ (59,493)</u>	<u>\$ 463,536</u>
Business-Type Activities:				
2015 Street Sweeper	\$ 77,441	\$ -	\$ (24,981)	\$ 52,460
2015 Vactor Vacuum Truck	213,097	-	(50,670)	162,427
	<u>\$ 290,538</u>	<u>\$ -</u>	<u>\$ (75,651)</u>	<u>\$ 214,887</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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, 2018:

<u>Year ending June 30.</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 68,250	\$ 85,346
2020	219,971	85,346
2021	46,839	57,809
2022	46,839	-
2023	135,421	-
2024	-	-
Less amount representing interest	(53,784)	(13,614)
Present value of future minimum lease payments	<u>\$ 463,536</u>	<u>\$ 214,887</u>

The property under capital lease and the corresponding accumulated depreciation at June 30, 2018, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment	\$ 585,620	\$ 521,893
Less: accumulated depreciation	(72,504)	(182,663)
	<u>\$ 513,116</u>	<u>\$ 339,230</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

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, 2018, the following fund had a deficit fund balance: Solid Waste fund (\$578,328).

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 in fiscal year 2017. Additionally, in fiscal year 2018, there was an unanticipated expense of \$256,904 to adjust the estimate for landfill post-closure costs.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 13. DEFERRED COMPENSATION PLAN

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

In accordance with GASB Statement No. 32, the City does not report any balances related to the deferred compensation plan, as these amounts represent neither assets nor liabilities to the City, and the plan is administered by an independent third party.

NOTE 14. EMPLOYEE BENEFIT PLANS

Plan Description and Provisions

All City of Bozeman full-time employees participate in one of three statewide, cost-sharing, multiple-employer, retirement benefit plans administered by the Public Employees Retirement Division (PERD). Contributions to the three plans are as required by State statute. Fiscal years 2018 and 2017 total payroll and covered payroll for all retirement plans were \$23,497,688 and \$22,299,750, 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).

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

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

Summary of Benefits

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.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1. Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:
 - a) A refund of member's contributions plus return interest (currently 0.77% effective July 1, 2017);
 - b) No service credit for second employment;
 - c) Start the same benefit amount the month following termination; and
 - d) Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

Second Retirement (requires returning to PERS-covered employer or PERS service) (Continued):

2. Retire before January 1, 2016 and accumulate at least 2 years of additional service credit;
 - a) A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b) GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
3. Retire on or after January 1, 2016 and accumulate 5 or more years of service credit;
 - a) The same retirement as prior to the return to service;
 - b) A second retirement benefit as prior to the second of service based on laws in effect upon the rehire date; and
 - c) GABA starts on both benefits in January after receiving the original and new benefit for 12 months.

Vesting

5 years of membership service

Member's Highest Average Compensation (HAC)

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

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

Compensation Cap

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

Monthly Benefit Formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Summary of Benefits (Continued)

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.

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 Year</u>	<u>Member</u>		<u>State & Universities</u>	<u>Local Government</u>		<u>School Districts</u>	
			<u>Employer</u>	<u>Employer</u>	<u>State</u>	<u>Employer</u>	<u>State</u>
	<u>Hired <07/01/11</u>	<u>Hired >07/01/11</u>					
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
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%

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

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.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
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 Severance Tax 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>.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six-year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin expense as a % of payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 4.8%
- 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, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP 2000 Mortality Tables with no projections.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.65%. 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 2121. 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 2010 through 2016, was outlined in a report dated May 2017 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, 2017, are summarized below.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Target Allocations (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			2.75%
Portfolio Return Expectation			7.12%

The long-term expected nominal rate of return above 7.12% is an expected portfolio rate of return provided by Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of 2.75% inflation rate and a real rate of return of 4.90%

Sensitivity Analysis

As of Reporting Date	1.0% Decrease at 6.65%	Current Discount Rate	1.0% Increase at 8.65%
City of Bozeman Net Pension Liability	\$29,553,546	\$20,291,988	\$12,517,611

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 7.65%, 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, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (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 accounting principles generally accepted by the United States of America. MPERA applies all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

June 30, 2017 Measurement Date/ June 30, 2018 Reporting Date

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' System Defined Benefit Retirement Plan (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, 2017 measurement date for the 2018 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, 2017 was determined by taking the results of the June 30, 2016 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, 2018

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.

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, 2018 and 2017, 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 \$20,291,988 and the employer's proportionate share was 1.0419 percent.

As of Reporting Date	Net Pension Liability as of 6/30/18	Net Pension Liability as of 6/30/17	Percent of Collective NPL as of 6/30/18	Percent of Collective NPL as of 6/30/17	Change in Percent of Collective NPL
City of Bozeman Proportionate Share	\$ 20,291,988	\$ 17,404,143	1.0419%	1.0218%	0.0201%
State of Montana Proportionate Share associated	266,967	212,659	1.3606%	1.3057%	0.0549%
Total	\$ 20,558,955	\$ 17,616,802	2.4025%	2.3275%	0.0750%

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Changes in Actuarial Assumptions and Methods:

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Decreased the administrative expense load from 0.27% to 0.26%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in Benefit Terms:

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Pension Expense

As of reporting date	Pension Expense as of 6/30/18	Pension Expense as of 6/30/17
City's Proportionate Share	\$ 2,719,887	\$ 1,623,925
Employer Grant Revenue - State of Montana	14,233	17,821
State of Montana Coal Tax for employer	290,280	304,925
Total	\$ 3,024,400	\$ 1,946,671

At June 30, 2018 (reporting date), the employer recognized a pension expense of \$2,719,887 for its proportionate share of the PERS' pension expense and recognized grant revenue of \$14,233 for the state of Montana proportionate share of the pension expense associated with the employer. Additionally, the employer recognized grant revenue of \$290,280 from the Coal Severance Tax fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2018, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

As of Reporting Date	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected v. actual experience	\$ 499,728	\$ 29,371
Projected investment earnings v. actual investment earnings	-	136,282
Changes in assumptions	2,773,703	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	883,207	-
Employer contributions subsequent to the measurement date	1,160,717	-
Total	\$ 5,317,355	\$ 165,653

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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 the employer's 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
2019	\$ 718,792
2020	\$ 1,586,746
2021	\$ 1,234,144
2022	\$ (431,906)
2023	\$ -
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.

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

PERS Disclosure for the Defined Contribution Plan (Continued)

At the plan level for the measurement period ended June 30, 2017, 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 300 employers that have participants in the PERS-DCRP totaled \$396,650.

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 and Benefit Formulas

Service Retirement

- Hired on or after July 1, 1981, or has elected to be covered by GABA:
 - 20 years of membership service
 - 2.5% of HAC x years of service credit
- Hired prior to July 1, 1981, and who had not elected to be covered by GABA, the greater of above, or:
 - If membership service is less than 20 years:
 - 2% of the highest monthly compensation (HMC) x years of service credit and
 - If membership service is greater or equal to 20 years:
 - 50% of HMC + 2% of HMC x years of service credit in excess of 20

Early Retirement

- Age 50 with 5 years of membership service

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Summary of Benefits (Continued)

Vesting

5 years of membership service for all other rights

Member's Compensation Period used in Benefit Calculation

Hired prior to July 1, 1981 and not electing GABA - highest monthly compensation (HMC)

Hired after June 30, 1981 and those electing GABA – highest average compensation (HAC) during any consecutive 36 months (or shorter period of total service).

Part-time firefighter: 15% of regular compensation of a newly confirmed full-time firefighter.

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (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.

Fiscal Year	Member		Employer	State
	Non-GABA	GABA		
1998-2018	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>.

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six- year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return 7.65%
- Admin expense as a % of payroll 0.23%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.30%

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Actuarial Assumptions (Continued)

- Postretirement Benefit Increases
 - ***Guaranteed Annual Benefit Adjustment (GABA)***

Members hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, the member's benefit increases by a maximum of 3% each January.
 - ***Minimum Benefit Adjustment (non-GABA)***

Members hired before July 1, 1997 and member did not elect GABA – the minimum benefit adjustment is provided equal to 50% of the current base compensation of a newly confirmed active firefighter of the employer that last employed the member as a firefighter.
- 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 2020 using Scale BB, males set back 1 year.
- Mortality assumptions among disabled members are based on RP 2000 Combined Mortality Tables.

Discount Rate

The discount rate used to measure the TPL was 7.65%. 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 2124. 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, 2018

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 2010 through 2016, was outlined in a report dated May 2017 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, 2017, 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			2.75%
Portfolio Return Expectation			7.12%

The long-term nominal rate of return above 7.12% is an expected portfolio rate of return provided by the Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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 7.65%, 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 (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
City of Bozeman's Net Pension Liability	\$4,412,573	\$2,655,380	\$1,235,660

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).

June 30, 2017 Measurement Date/ June 30, 2018 Reporting Date

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, 2017 measurement date for the 2018 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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

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, 2017 was determined by taking the results of the June 30, 2016 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'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, 2018 and 2017 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 \$2,655,380 and the employer's proportionate share was 2.3492 percent.

As of Reporting Date	NPL as of 6/30/18	NPL as of 6/30/17	Percent of Collective NPL as of 6/30/18	Percent of Collective NPL as of 6/30/17	Change in Percent of Collective NPL
City Proportionate Share	\$ 2,655,380	\$ 2,707,390	2.3492%	2.3705%	-0.0213%
State of Montana Proportionate Share associated with Employer	6,030,078	6,134,093	5.3347%	5.3707%	-0.0360%
Total	\$ 8,685,458	\$ 8,841,483	7.6839%	7.7412%	-0.0573%

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Changes in Actuarial Assumptions and Methods:

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased the rates of withdrawal.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Increased the administrative expense load from 0.19% to 0.23%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in Benefit Terms:

Effective July 1, 2017, the following benefits were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Working Retiree Limitations applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Pension Expense

As of reporting date	Pension Expense as of 6/30/18	Pension Expense as of 6/30/17
City's Proportionate Share	\$ 388,062	\$ 343,924
Employer Grant Revenue - State of Montana Proportionate Share for Employer	1,145,218	795,231
Total	\$ 1,533,280	\$ 1,139,155

At June 30, 2018 reporting date, the employer recognized its proportionate share of the FURS' pension expense of \$388,062. The employer also recognized grant revenue of \$1,145,218 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, 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	\$ 17,494	\$ 20,082
Projected investment earnings v. actual investment earnings	\$ 2,190	\$ -
Changes in assumptions	\$ 331,147	\$ -
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ -	\$ 54,482
Employer contributions subsequent to the measurement date	\$ 535,161	\$ -
Total	\$ 885,992	\$ 74,564

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
2019	\$ 26,828
2020	\$ 140,698
2021	\$ 91,603
2022	\$ 1,892
Thereafter	\$ 69,728

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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 and Benefit Formulas

Service Retirement:

- 20 years of membership service, regardless of age
- Age 50, 5 years of membership service
- 2.5% of FAC x years of service credit

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Summary of Benefits (Continued)

Eligibility for Benefit (Continued)

Second Retirement: (applies to members re-employed in a MPORS position after July 1, 2017):

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

Vesting

5 years of membership service

Member's 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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Summary of Benefits (Continued)

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3.0%.

Minimum Benefit Adjustment (non-GABA)

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

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 State Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

Fiscal Year	Member				Employer	State
	Hired <7/1/75	Hired >6/30/75	Hired >6/30/79	Hired >6/30/97 GABA		
2000-2018	5.800%	7.000%	8.500%	9.000%	14.410%	29.370%
1998-1999	7.800%	9.000%	10.500%	11.000%	14.410%	29.370%
1997	7.800%	9.000%	10.500%		14.360%	29.370%

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 both are available on the MPERA website at <http://mpera.mt.gov>.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the last actuarial experience study, dated May 2017, for the six- year period July 1, 2010 to June 30, 2016. Among those assumptions were the following:

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.24%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- Merit Increases 0% to 6.60%
- Postretirement Benefit Increases
 - i. **Guaranteed Annual Benefit Adjustment (GABA)**
Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.
 - ii. **Minimum benefit adjustment (non-GABA)**
If hired before July 1, 1997 and member did not elect GABA, the minimum benefit adjustment provided is equal to 50% of the current base compensation of a newly confirmed police officer of the employer that last employed the member as a police officer.
- Mortality assumptions among contributing members, service retired members and beneficiaries were based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees were based on RP 2000 Combined Mortality Tables.

Discount Rate

The discount rate used to measure the TPL was 7.65%. 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 2124. 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, 2018

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 2010 through 2016, was outlined in a report dated May 2017 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 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, 2017, 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			2.75%
Portfolio Return Expectation			7.12%

The long-term expected nominal rate of return above of 7.12% is an expected portfolio rate of return provided by the Board of Investments (BOI), which differs from the total long-term assumed rate of return of 7.65% in the experience study. The assumed investment rate is comprised of a 2.75% inflation rate and a real rate of return of 4.90%.

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 7.65%, 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, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Sensitivity Analysis (Continued)

As of Reporting Date	1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
City of Bozeman's Net Pension Liability	\$7,875,682	\$5,408,979	\$3,431,203

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.

June 30, 2017 Measurement Date/ June 30, 2018 Reporting Date

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, 2017 measurement date for the 2018 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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

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, 2017 was determined by taking the results of the June 30, 2016 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, 2018 and 2017 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 \$5,408,979 and the employer's proportionate share was 3.0402 percent.

As of Reporting Date	NPL as of 6/30/2018	NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2018	Percent of Collective NPL as of 6/30/2017	Change in Percent of Collective NPL
City Proportionate Share	\$ 5,408,979	\$ 5,552,007	3.0402%	3.0842%	-0.0440%
State of Montana Proportionate Share associated with Employer	\$ 11,024,418	\$ 11,020,975	6.1965%	6.1223%	0.0742%
Total	\$ 16,433,397	\$ 16,572,982	9.2367%	9.2065%	0.0302%

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Changes in Actuarial Assumptions and Methods:

Effective July 1, 2017, the following assumption changes were used:

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.
- Updated non-disabled mortality to the RP-2000 Combined Employee and Annuitant Mortality Table projected to 2020 using scale BB, males set back 1 year.
- Increased the rates of withdrawal.
- Lowered the merit component of the total salary increase.
- Lowered the wage base component of the total salary increase from 4.00% to 3.50%.
- Increased the administrative expense load from 0.20% to 0.24%.

Effective July 1, 2017, the following method changes were used:

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.50%.

Changes in Benefit Terms:

Effective July 1, 2017, the following benefit changes were:

- The interest rate credited to member accounts increased from 0.25% to 0.77%.
- Working Retiree Limitations applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- Second Retirement Benefit applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- Lump sum payouts in all systems are limited to the member's accumulated contributions rather than the present value of the member's benefit.

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Pension Expense

As of reporting date	Pension Expense as of 6/30/18	Pension Expense as of 6/30/18
City's Proportionate Share	\$ 657,460	\$ 629,731
State of Montana Proportionate Share associated with the City	1,335,293	1,180,946
Total	\$ 1,992,753	\$ 1,810,677

At June 30, 2018, the employer recognized its proportionate share of the MPORS' pension expense of \$657,460. The employer also recognized grant revenue of \$1,335,293 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, 2017, 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	\$ -	\$ 184,557
Projected investment earnings v. actual investment earnings	4,701	-
Changes in assumptions	365,094	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	17,797	-
Employer contributions subsequent to the measurement date	667,011	-
Total	\$ 1,054,603	\$ 184,557

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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
2019	\$ (7,698)
2020	\$ 154,243
2021	\$ 118,463
2022	\$ (79,770)
2023	\$ -
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 single-employer defined benefit post-employment health care 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 plan, which covers both active and retired members. In accordance with MCA 2-18-704, the City's retirees may continue coverage for themselves and their covered eligible dependents, if they are eligible for public employees' retirement by virtue of their employment with the City of Bozeman. The City's current labor contracts do not include any obligations for payments to retirees. The City also allows terminated employees to continue their health care coverage for 18 months past the date of termination as required by the Consolidated Omnibus Budget Reconciliation Act of 1985 (COBRA).

OPEB is recorded on an accrual basis for all enterprise and internal service funds. OPEB is recorded on a modified accrual basis for the governmental funds. Plan contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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

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%.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

<u>Category</u>	<u>Count</u>
Active employees	435
Inactive employees entitled to but not yet receiving benefit payment	0
Inactive employees or beneficiaries currently receiving benefit payments	<u>74</u>
Total	<u><u>509</u></u>

Contributions

Benefit contributions are paid by the City as they come due.

Total OPEB Liability (TOL)

The City's total OPEB liability of \$2,694,455 was measured as of June 30, 2017, and was determined by an actuarial valuation as of July 1, 2016.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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

Changes in the TOL for the year ended June 30, 2018 are as follows:

Service cost	\$ 256,948
Interest on net OPEB obligation	81,562
Employee contributions	431,737
Benefits paid	(431,737)
Changes in assumptions	(653,711)
Net changes in OPEB obligation	<u>(315,201)</u>
Net OPEB obligation - beginning of year	3,009,656
Net OPEB obligation - end of year	<u><u>\$ 2,694,455</u></u>

There is sensitivity of the TOL to changes in the discount rate. The TOL of the City as well as what the City's TOL would be if it were calculated using a discount rate that is one percentage point lower (2.13%) or one percentage point higher (4.13%) follows:

	<u>1% Decrease</u> <u>(2.13%)</u>	<u>Discount Rate</u> <u>(3.13%)</u>	<u>1% Increase</u> <u>(4.13%)</u>
Total OPEB liability	<u>\$ 2,972,805</u>	<u>\$ 2,694,455</u>	<u>\$ 2,447,164</u>

There is also sensitivity of the TOL to changes in the healthcare cost rates. The TOL of the City as well as what the City's TOL would be if it were recalculated using healthcare cost trend rates that are one percentage point lower (6.35%) or one percentage point higher (9.50%) than the current healthcare cost trend rate follows:

	<u>1% Decrease</u> <u>(6.35%)</u>	<u>Discount Rate</u> <u>(7.35%)</u>	<u>1% Increase</u> <u>(8.35%)</u>
Total OPEB liability	<u>\$ 2,354,843</u>	<u>\$ 2,694,455</u>	<u>\$ 3,106,137</u>

For the year ended June 30, 2018, the City recognized an OPEB expense of \$283,158. At June 30 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Changes of assumptions	<u>\$ -</u>	<u>\$ 598,359</u>
Total	<u><u>\$ -</u></u>	<u><u>\$ 598,359</u></u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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

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

<u>Year Ended June 30:</u>	
2019	\$ (55,352)
2020	(55,352)
2021	(55,352)
2022	(55,352)
2023	(55,352)
Thereafter	<u>(321,599)</u>
Total	<u>\$ (598,359)</u>

The June 30, 2018, 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	\$ 47,627
Public safety	82,059
Public service	15,517
Public welfare	<u>72,715</u>
Total governmental activities	<u>217,918</u>
Business-type activities:	
Water	27,693
Waste water	16,055
Solid waste	13,139
Parking	3,851
Storm water	<u>4,502</u>
Total business-type activities	<u>65,240</u>
Total primary government	<u>\$ 283,158</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

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

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 2018. For fiscal year 2018, 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 total OPEB liability was determined using the following actuarial assumptions:

The following key assumptions were chosen by the City:

1. Discount Rate: 3.13% for determining fiscal 2018 disclosure and estimated fiscal 2019 expense; 2.71% for determining fiscal 2017 liability and fiscal 2018 expense.
2. Inflation Rate: 2.5% long-term
3. Expected Real Rate of Return on Assets: N/A
4. Health Care Claim and Contribution Trend Rates: Updated from 7.35% initial in fiscal 2015 and 4.0% ultimate in fiscal 2035 to 7.35% initial in fiscal 2018 and 4.50% 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: 3.00%
6. Retirement Rates: Updated according to the Fiscal Year 2017 Montana State Retirement System Valuation Assumptions
7. Retiree Participation Rate: 30%
8. Lapse Rate: 25% per year
9. Marriage Assumption: For future retirees, 60% of participants are assumed to be married, with husbands 3 years older than wives.
10. ACA Excise Tax: Results include an estimate of future ACA Excise Tax costs based on upon loading health care trend rates by 1% in fiscal years 2036 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 discount rate was based on a yield or index rate for a 20-year, tax-exempt, general obligation municipal bond with an average rating of AA/Aa or higher. Rates were taken from the S&P municipal bond 20 year high rate index as of the measurement date.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

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

Actuarial Methods and Assumptions (Continued)

For police and fire employees, mortality rates were based on the SOA RP-204 Blue Collar Mortality, with adjustments for mortality improvements based on Scale MP-2017. All other occupations' mortality rates were based on SOA RP-2014 Combined Healthy Mortality Table, with adjustments for mortality improvements based on Scale MP-2017.

Projections of the sharing of benefit-related costs for financial reporting purposes are based on an established pattern of practice.

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, 2018, the City has entered into joint venture contractual arrangements, as described below.

911 Communication Center

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

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, 2018.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 16. JOINT VENTURE AGREEMENTS (CONTINUED)

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.

Montana Municipal Interlocal Authority

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 17. RESTRICTED NET POSITION

At June 30, 2018, 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	\$ 1,517,560	\$ 1,788,592	\$ -	\$ 55,331	\$ 3,361,483
Restricted by ordinance:					
Cash in lieu of parking	-	-	-	393,434	393,434
Cash in lieu of infrastructure	59,830	-	-	-	59,830
Impact fees	5,313,531	3,942,240	-	-	9,255,771
	<u>\$ 6,890,921</u>	<u>\$ 5,730,832</u>	<u>\$ -</u>	<u>\$ 448,765</u>	<u>\$ 13,070,518</u>

NOTE 18. INTERFUND TRANSFERS AND ASSETS/LIABILITIES

A summary of interfund transfers reported in the fund financial statements for the year ended June 30, 2018, follows:

	Transfers From								Total
	Governmental Funds				Proprietary Funds				
	General Fund	Street Impact Fee	Street Maintenance	Nonmajor Governmental	Water	Solid Waste	Storm Water	Nonmajor Enterprise	
General Fund	\$ -	\$ -	\$ -	\$ 2,323,901	\$ -	\$ -	\$ -	\$ -	\$ 2,323,901
Street Impact Fees	-	-	-	-	-	-	-	-	-
Street Maintenance	-	-	-	31,900	-	-	-	-	31,900
Nonmajor Governmental	124,000	-	1,313,800	600,676	-	-	-	-	2,038,476
Water Enterprise	-	-	-	-	-	-	-	-	-
Solid Waste Enterprise	368,084	-	-	-	-	-	-	-	368,084
Nonmajor Enterprise	140,000	-	-	250,000	-	-	-	-	390,000
Total	<u>\$ 632,084</u>	<u>\$ -</u>	<u>\$ 1,313,800</u>	<u>\$ 3,206,477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,152,361</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, 2018

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

A summary of advances and due from/to other funds at June 30, 2018, is as follows:

	<u>Advances to other City funds</u>	<u>Advances from other City funds</u>
Non-major Governmental Funds:		
SID Sinking Debt Service	\$ -	\$ 510,503
SID Revolving Debt Service	510,503	-
	<u>\$ 510,503</u>	<u>\$ 510,503</u>
	<u>Due from other City funds</u>	<u>Due to other City funds</u>
Major Funds:		
General fund	\$ 76,631	\$ -
Non-major Governmental Fund:		
Housing Revolving Loan	-	922
TIFD South Bozeman Technology	-	7,626
Internal Service Fund:		
Vehicle Maintenance	-	68,083
	<u>\$ 76,631</u>	<u>\$ 76,631</u>

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 (MMIA), for workers' compensation and for tort liability. Employee medical insurance is provided through a cost-sharing multiple-employer defined benefit plan administered by MMIA. The plan offers health, dental and vision benefits and flexible spending and health savings accounts. 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, 2018

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, 2018, 2017, and 2016.

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.

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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 \$2,292,253, which is its estimate of future landfill closure and post-closure care costs as of June 30, 2018. 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	\$ 180,211
Capital assets, net of depreciation	933,836
Total assets	<u>\$ 1,114,047</u>
Current liabilities	\$ 39,866
Closure and post-closure care cost	2,292,253
Total liabilities	<u>2,332,119</u>
Restricted for debt service	<u>(1,218,072)</u>
Total net position	<u>(1,218,072)</u>
Total liabilities and net position	<u>\$ 1,114,047</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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	61,764
Change in post closure cost estimate	256,904
Other operating	15,759
Total operating expenses	<u>334,427</u>
Operating loss	<u>(334,427)</u>
Non-operating revenues (expenses):	
Interest expense	2,914
Other income	-
Loss on the sale of assets	-
Transfers	368,084
Total non-operating revenues	<u>370,998</u>
Change in net position	36,571
Net position, beginning of year	<u>(1,254,644)</u>
Net position, end of year	<u>\$ (1,218,073)</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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	\$ 21,235,670
Capital assets	136,848,070
Other assets	786,410
Total assets	<u>\$ 158,870,150</u>
Current liabilities	\$ 2,185,684
Non-current liabilities	21,744,486
Total liabilities	<u>23,930,170</u>
Net investment in capital assets	117,498,251
Restricted for debt service	1,517,560
Unrestricted	15,924,169
Total net position	<u>134,939,980</u>
Total liabilities and net position	<u>\$ 158,870,150</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

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	\$ 10,157,888
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Operating expenses:

Depreciation	2,675,595
Other operating	6,389,828
Total operating expenses	9,065,423

Operating loss	1,092,465
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Non-operating revenues (expenses)

Interest income	4,010
Interest expense	(586,656)
Grant income	59,030
Gain on sale of assets	5,970
Contributions of infrastructure	4,874,798
Other income	1,082,690
Transfers	-
Total non-operating revenues	5,439,842

Change in net position	6,532,307
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Net position, beginning of year	128,407,673
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Net position, end of year	\$ 134,939,980
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Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 4,667,166
Net cash flows from capital and related financing activities	(1,630,887)
Net cash flows from noncapital and financing activities	-
Net cash flows from investing activities	410
Net change in cash flows	3,036,689

Beginning cash and equivalents	17,397,797
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Ending cash and equivalents	\$ 20,434,486
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CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2018

NOTE 23. IMPACT FEES

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

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

An applicant may obtain an Impact Fee Credit by dedication of non-site-related land or construction of non-site-related improvements. Credits must be made before the beginning of improvement construction, must comply with the City's Capital Improvements Program, and must be approved by the City Commission. Credits may be used only for like-type impact fees. The full provisions for impact fee credits are contained in Chapter 3.24 of the Bozeman Municipal Code. For proprietary type funds, the City records a liability for the impact fee credit and capitalizes the underlying asset. For governmental-type funds, the credits are only disclosed in the footnotes. For government-wide financial reporting, the outstanding credits are reported as unearned revenue. The Water Impact Fee Fund, Street Impact Fee Fund, and Waste Water Impact Fee Fund have recorded impact fee credits amounting to \$33,232, \$56,343, and \$129,042, respectively, as of June 30, 2018. The Fire Impact Fee Fund does not have any outstanding credits. The following impact fee revenues were collected and expensed/expended during fiscal year 2018:

	Beginning Balances	Impact Fees	Other Income	Expenses, Expenditures, and Transfers	Ending Balances
Fire	\$ 1,550,752	\$ 599,364	\$ -	\$ (44,984)	\$ 2,105,132
Water	3,545,442	2,757,566	-	(153,080)	6,149,928
Waste water	2,601,891	1,810,489	-	(83,977)	4,328,403
Streets	11,649,617	5,523,019	1,255	(7,824,644)	9,349,247
Total	<u>\$ 19,347,702</u>	<u>\$ 10,690,438</u>	<u>\$ 1,255</u>	<u>\$ (8,106,685)</u>	<u>\$ 21,932,710</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

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, 2018

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 EVENTS

On June 11, 2018, the City Commission authorized the City Manager to sign a final \$1.7 million loan agreement with First Security Bank at a later date when funds would be needed and issued for continued improvements to the Bozeman Sports Park, one of the projects identified for funding by the Trail and Open Space General Obligation Bond.

The terms of the loan are as follows:

- 3.74% Interest Rate
- 20 year Term
- \$0 origination fee
- Bi-annual payments
- Interest only payments until June 2020

The Sports Park Foundation will provide the funding for the payments through their management of the Sports Park and debt agreements with the City. The City's General Fund will take on this debt and make payments. The Revenue generated at the Sports Park Foundation will offset the payment. As of the report date, no funds have been issued pursuant to this loan agreement.

On November, 6, 2018, voters approved the issuance of General Obligation Bonds for the Bozeman Public Safety Center in the amount of \$36,965,000 for the purpose of paying, with other available funds of the City, the costs of designing, constructing, equipping and furnishing on City-owned land at the corner of East Oak Street and North Rouse Avenue a new Bozeman Public Safety Center, to include the City's Fire Station #1, Police Department Headquarters, Municipal Courts, Prosecution, Victim Services, other justice services, associated site improvements, and costs associated with the sale and issuance of the bonds for the Bozeman Public Safety Center.

A lawsuit has been filed by local citizens challenging the fairness and legality of the election procedures followed by City officials. As of the report date this issue remains unresolved.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2018

NOTE 26. NET POSITION COMPOSITION

The table presented below displays the City's fund balances by major purpose as displayed on page 42 of the governmental funds balance sheet.

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepays	\$ -	\$ -	\$ -	\$ 312,375	\$ 312,375
Cemetery perpetual care	-	-	-	1,311,441	1,311,441
Total nonspendable	-	-	-	1,623,816	1,623,816
Restricted					
General government-Planning	-	-	-	1,515,730	1,515,730
General government-Health Insurance	-	-	-	411,839	411,839
General government-other	-	-	-	105	105
Public safety - Building Inspection	-	-	-	1,782,768	1,782,768
Public safety-Fire Impact	-	-	-	2,105,133	2,105,133
Public safety-Victim Witness	-	-	-	383,546	383,546
Public safety-other	-	-	-	106,847	106,847
Public service	-	9,349,249	528,760	1,781,963	11,659,972
Public service - Gas Tax	-	-	-	1,339,441	1,339,441
Public service - Community Transportation	-	-	-	58,425	58,425
Public service - Lighting Districts	-	-	-	532,069	532,069
Public welfare - Tax Increment Districts	-	-	-	188,908	188,908
Public welfare - Econ Develop Loan Fund	-	-	-	810,753	810,753
Public welfare - Tree Maint. District	-	-	-	345,584	345,584
Public welfare - other	-	-	-	4,593,354	4,593,354
Capital projects-Trail Open Space Parks	-	-	-	3,658,296	3,658,296
Debt service-SID Sinking	-	-	-	1,399,446	1,399,446
Debt service-SID Revolving Fund	-	-	-	3,423,680	3,423,680
Debt service-GO Bonds	-	-	-	87,848	87,848
Total restricted	-	9,349,249	528,760	24,525,735	34,403,744
Committed					
Public safety	-	-	-	970,808	970,808
Public welfare	-	-	-	2,547,902	2,547,902
Capital projects	-	-	-	337,528	337,528
Total committed	-	-	-	3,856,238	3,856,238
Assigned					
General government	2,161,657	-	-	-	2,161,657
Public welfare	-	-	-	1,200	1,200
Capital projects	258,108	-	-	1,867,285	2,125,393
Budget ordinance minimum 16.67%	5,319,255	-	-	-	5,319,255
Total assigned	7,739,020	-	-	1,868,485	9,607,505
Unassigned	(274,252)	-	-	(42,648)	(316,900)
Total net position	\$ 7,464,768	\$ 9,349,249	\$ 528,760	\$ 31,831,626	\$ 49,174,403

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

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY & RELATED RATIOS
 Year Ended June 30, 2018

GASB Statement No. 75 was implemented beginning in fiscal year 2018. This Statement requires supplementary information for 10-year schedules containing service cost, changes of benefit terms, if any, differences between expected and actual experience, changes of actuarial assumptions or other inputs, and benefit payments, as applicable to the Local Government's OPEB plan and method of calculating OPEB liability.

Assets are not accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits. The total OPEB liability and ratio of OPEB liability as a percentage of covered-employee payroll as of June 30, 2018 is determined as follows:

Total OPEB Liability	2018
Service cost	\$ 256,948
Interest	81,562
Assumption changes	(653,711)
Employee contributions	431,737
Benefit payments	<u>(431,737)</u>
Net change in total OPEB liability	(315,201)
Total OPEB liability - beginning of year	<u>3,009,656</u>
Total OPEB liability - ending of year	<u><u>\$ 2,694,455</u></u>
Covered-employee payroll	\$ 45,345,305
Total OPEB liability as a percentage of covered-employee payroll	5.94%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Assumption changes. Changes of assumptions reflect the effects of changes in the discount rate used each period. The following are the discount rates used for each period presented:

6/30/2018	3.13%
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CITY OF BOZEMAN, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND SCHEDULE OF CONTRIBUTIONS
 Year Ended June 30, 2018

Schedule of Proportionate Share of the Net Pension Liability: As of Reporting Date	PERS			
	2018	2017	2016	2015
Employer's proportion of the net pension liability (percentage)	1.0419%	1.0218%	0.9588%	0.91505%
Employer's net pension liability (amount)	\$ 20,291,988	\$ 17,404,143	\$ 13,403,285	\$ 11,401,613
State's net pension liability (amount)	\$ 266,967	\$ 212,659	\$ 164,637	\$ 139,231
Total	\$ 20,558,955	\$ 17,616,802	\$ 13,567,922	\$ 11,540,844
Employer's covered payroll	\$ 12,924,792	\$ 12,238,920	\$ 11,189,797	\$ 10,479,122
Employer's proportionate share as a percent of covered payroll	157.00%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percent of total pension liability	73.75%	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			
	2018	2017	2016	2015
Contractually required DB contributions	\$ 1,160,717	\$ 1,081,810	\$ 1,022,996	\$ 922,084
Plan choice rate required contributions	\$ -	\$ -	\$ 28,892	\$ 52,151
Contributions in relation to the contractually required contributions	\$ 1,160,717	\$ 1,081,810	\$ 1,051,888	\$ 974,235
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 13,703,797	\$ 12,924,792	\$ 12,238,920	\$ 11,189,797
Contributions as a percent of covered payroll	8.4700%	8.3700%	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, 2018

Schedule of Proportionate Share of the Net Pension Liability:	FURS			
As of Reporting Date	2018	2017	2016	2015
Employer's proportion of the net pension liability (percentage)	2.3492%	2.3705%	2.4336%	2.4192%
Employer's net pension liability (amount)	\$ 2,655,380	\$ 2,707,390	\$ 2,489,054	\$ 2,361,551
State's net pension liability (amount)	\$ 6,030,078	\$ 6,134,093	\$ 5,543,784	\$ 5,327,544
Total	\$ 8,685,458	\$ 8,841,483	\$ 8,032,838	\$ 7,689,095
Employer's covered payroll	\$ 3,511,860	\$ 3,338,041	\$ 3,270,451	\$ 3,142,481
Employer's proportionate share as a percent of covered payroll	75.61%	81.11%	76.11%	75.15%
Plan fiduciary net position as a percent of total pension liability	77.77%	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	2018	2017	2016	2015
Contractually required contributions	\$ 535,161	\$ 504,303	\$ 477,250	\$ 478,776
Contributions in relation to the contractually required contributions	\$ 535,161	\$ 504,303	\$ 477,250	\$ 478,776
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 3,726,746	\$ 3,511,860	\$ 3,338,041	\$ 3,270,451
Contributions as a percent of covered payroll	14.36%	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, 2018

Schedule of Proportionate Share of the Net Pension Liability:	MPORS			
	2018	2017	2016	2015
Employer's proportion of the net pension liability (percentage)	3.0402%	3.0842%	2.9746%	3.0209%
Employer's net pension liability (amount)	\$ 5,408,979	\$ 5,552,007	\$ 4,920,638	\$ 4,746,933
State's net pension liability (amount)	\$ 11,024,418	\$ 11,020,975	\$ 9,969,680	\$ 9,589,371
Total	\$ 16,433,397	\$ 16,572,982	\$ 14,890,318	\$ 14,336,304
Employer's covered payroll	\$ 4,555,121	\$ 4,353,897	\$ 4,116,930	\$ 4,053,265
Employer's proportionate share as a percent of covered payroll	118.75%	127.52%	119.52%	117.11%
Plan fiduciary net position as a percent of total pension liability	68.34%	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			
	2018	2017	2016	2015
Contractually required contributions	\$ 667,011	\$ 655,143	\$ 637,789	\$ 596,791
Contributions in relation to the contractually required contributions	\$ 667,011	\$ 655,143	\$ 637,789	\$ 596,791
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 4,628,804	\$ 4,555,121	\$ 4,353,897	\$ 4,116,930
Contributions as a percent of covered payroll	14.41%	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, 2018

CHANGE OF BENEFIT TERMS

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

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,
 - 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.

CITY OF BOZEMAN, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES (CONTINUED)
Year Ended June 30, 2018

CHANGE OF BENEFIT TERMS (CONTINUED)

2017 Legislative Changes – PERS:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for PERS

If a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Terminating Employers – Recovery of Actuary Costs – for PERS

Employers who terminate participation in PERS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011 have a normal retirement age of 65. PERS DC members hired after July 1, 2011 who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011 who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES (CONTINUED)
 Year Ended June 30, 2018

CHANGE OF BENEFIT TERMS (CONTINUED)

2017 Legislative Changes – PERS (Continued):

PERS Statutory Appropriation – House Bill 648, effective July 1, 2017

Revenue from coal severance taxes and interest income from the coal severance tax permanent fund previously statutorily-appropriated to the PERS defined benefit trust fund will be replaced with the following statutory appropriations:

- 1) FY2018 - \$31.386 million
- 2) FY2019 - \$31.958 million
- 3) Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - a. FY2020 - \$32.277 million
 - b. FY2021 - \$32.6 million
 - c. FY2022 - \$32.926 million
 - d. FY2023 - \$33.255 million
 - e. FY2024 - \$33.588 million
 - f. FY2025 - \$33.924 million

2015 Legislative Changes - FURS:

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

- 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.

2017 Legislative Changes – FURS:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for FURS

- 1) Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- 2) Members who return for less than 480 hours in a calendar year:
 - a. May not become an active member in the system; and
 - b. Are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.

CITY OF BOZEMAN, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES (CONTINUED)
Year Ended June 30, 2018

CHANGE OF BENEFIT TERMS (CONTINUED)

2017 Legislative Changes – FURS (Continued):

General Revisions – House Bill 101, effective July 1, 2017 (Continued)

Working Retiree Limitations – for FURS (Continued)

- 3) Members who return for 480 or more hours in a calendar year:
 - a. Must become an active member of the system;
 - b. Will stop receiving a retirement benefit from the system; and
 - c. Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- 4) Employee, employer and state contributions, if any, apply as follows:
 - a. Employer contributions and state contributions (if any) must be paid on all working retirees;
 - b. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

Second Retirement Benefit – for FURS

- 1) Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- 2) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES (CONTINUED)
 Year Ended June 30, 2018

CHANGE OF BENEFIT TERMS (CONTINUED)

2017 Legislative Changes – FURS (Continued):

General Revisions – House Bill 101, effective July 1, 2017 (Continued)

Second Retirement Benefit – for FURS (Continued)

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

Terminating Employers – Recovery of actuarial costs – for FURS

Employers who terminate participation in FURS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES (CONTINUED)
 Year Ended June 30, 2018

CHANGE OF BENEFIT TERMS (CONTINUED)

2017 Legislative Changes – FURS (Continued):

General Revisions – House Bill 101, effective July 1, 2017 (Continued)

Eligibility to Participate – for FURS Part-Paid Firefighters

Part-paid firefighters become eligible to participate in FURS once they have earned \$300 in a fiscal year. Previously, statute was unclear on whether the limit applied to a calendar year or a fiscal year.

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.

2017 Legislative Changes – MPORS:

General Revisions – House Bill 101, effective July 1, 2017

Working Retiree Limitations – for MPORS

- 1) Applies to retirement system members who return on or after July 1, 2017 to covered employment in the system from which they retired.
- 2) Members who return for less than 480 hours in a calendar year:
 - a. May not become an active member in the system; and
 - b. Are subject to a \$1 reduction in their retirement benefit for each \$3 earned in excess of \$5,000 in the calendar year.
- 3) Members who return for 480 or more hours in a calendar year:
 - a. Must become an active member of the system;
 - b. Will stop receiving a retirement benefit from the system; and
 - c. Will be eligible for a second retirement benefit if they earn 5 or more years of service credit through their second employment.
- 4) Employee, employer and state contributions, if any, apply as follows:
 - a. Employer contributions and state contributions (if any) must be paid on all working retirees;
 - b. Employee contributions must be paid on working retirees who return to covered employment for 480 or more hours in a calendar year.

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES (CONTINUED)
 Year Ended June 30, 2018

CHANGE OF BENEFIT TERMS (CONTINUED)

2017 Legislative Changes – MPORS (Continued):

General Revisions – House Bill 101, effective July 1, 2017 (Continued)

Second Retirement Benefit – for MPORS

- 1) Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.
- 2) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement. 2017 Legislative Changes:
- 3) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 4) A member who returns to covered service is not eligible for a disability benefit.

Terminating Employers – Recovery of Actuary Costs – for MPORS

Employers who terminate participation in MPORS must pay the actuarial liability associated with that termination. Starting July 1, 2017, the terminating employer must also pay for the cost of the actuarial study used to determine that liability.

CITY OF BOZEMAN, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES (CONTINUED)
Year Ended June 30, 2018

CHANGE OF BENEFIT TERMS (CONTINUED)

2017 Legislative Changes – MPORS (Continued):

General Revisions – House Bill 101, effective July 1, 2017 (Continued)

Refunds

- 1) Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- 2) Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- 3) Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Family Law Orders

If a Family Law Order (FLO) is silent regarding the apportionment of post-retirement benefit adjustments such as the Guaranteed Annual Benefit Adjustment (GABA), the FLO is presumed to require apportionment of the post-retirement benefit adjustment in the same percentage as the monthly retirement benefit is apportioned.

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES (CONTINUED)
 Year Ended June 30, 2018

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and Assumptions used in Calculations of Actuarially Determined Contributions

The following Actuarial Assumptions were adopted from the June 30, 2017 actuarial valuation:

	PERS	FURS	MPORS
General Wage Growth*	3.50%	3.50%	3.50%
Investment Rate of Return*	7.65%	7.65%	7.65%
*Includes inflation at	2.75%	2.75%	2.75%
Merit increase	0% to 6.30%	0% to 6.30%	0% to 6.30%
Asset valuation method	4-year smoothed market	4-year smoothed market	4-year smoothed market
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Amortization method	Level percentage of pay, open	Level percentage of pay, open	Level percentage of pay, open
Mortality (Healthy members)	For Males & Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year	For Males & Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year	For Males & Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males & Females: RP 2000 Combined Mortality Table	For Males & Females: RP 2000 Combined Mortality Table	For Males & Females: RP 2000 Combined Mortality Table
Admin Expense as a % of Payroll	0.26%	0.23%	0.24%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET TO ACTUAL – GENERAL FUND
 Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary fund balance, July 1	\$ 5,642,240	\$ 5,642,240	\$ 5,642,240	\$ -
Resources (inflows):				
Taxes	15,760,641	15,760,641	15,689,264	(71,377)
Special assessments	-	-	93	93
Licenses and permits	346,337	346,337	395,107	48,770
Intergovernmental	7,492,170	7,492,170	7,686,022	193,852
Charges for services	2,545,137	2,545,137	2,760,256	215,119
Fines and forfeitures	1,093,000	1,093,000	1,093,742	742
Sale of assets	15,000	15,000	12,208	(2,792)
Interest on investments	45,000	45,000	-	(45,000)
Transfers from other funds	2,376,092	2,376,092	2,323,901	(52,191)
Proceeds of long-term debt	563,746	563,746	8,006	
Other	106,500	106,500	1,141,637	1,035,137
Amounts available for appropriation	<u>35,985,863</u>	<u>35,985,863</u>	<u>36,752,476</u>	<u>1,322,353</u>
Charges to appropriations (outflows):				
Current				
General government	6,859,883	7,288,273	6,922,180	366,093
Public safety	13,098,829	15,322,329	14,961,342	360,987
Public service	122,331	186,331	186,331	-
Public welfare	6,223,066	6,283,005	6,170,061	112,944
Other	2,861,483	555,483	554,851	632
Capital outlay	1,284,996	1,433,509	704,076	729,433
Debt service	550	4,750	4,702	48
Transfers to other funds	747,084	747,084	632,084	115,000
Total charges to appropriations	<u>31,198,222</u>	<u>31,820,764</u>	<u>30,135,627</u>	<u>1,685,137</u>
Budgetary fund balance, June 30	<u>\$ 4,787,641</u>	<u>\$ 4,165,099</u>	<u>\$ 6,616,849</u>	<u>\$ 3,007,490</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, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 9,865,944	\$ 9,865,944	\$ 11,649,617	\$ 1,783,673
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	3,123,750	3,123,750	5,523,020	2,399,270
Fines and forfeitures	-	-	-	-
Interest on investments	100,000	100,000	-	(100,000)
Transfers from other funds	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	960	960	1,255	295
Amounts available for appropriation	<u>13,090,654</u>	<u>13,090,654</u>	<u>17,173,892</u>	<u>4,083,238</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	95,000	161,300	161,261	39
Public welfare	-	-	-	-
Capital outlay	7,651,245	7,826,245	7,663,383	162,862
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>7,746,245</u>	<u>7,987,545</u>	<u>7,824,644</u>	<u>162,901</u>
Budgetary fund balance, June 30	<u>\$ 5,344,409</u>	<u>\$ 5,103,109</u>	<u>\$ 9,349,248</u>	<u>\$ 4,246,139</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, 2018

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 178,575	\$ 73,453	\$ 439,721	\$ 366,268
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	21,950	21,950	71,497	49,547
Licenses and permits	17,500	17,500	17,407	(93)
Intergovernmental	-	-	35,494	35,494
Charges for services	5,328,172	5,328,172	5,460,336	132,164
Fines and forfeitures	-	-	-	-
Interest on investments	10,040	10,040	-	(10,040)
Transfers from other funds	-	-	31,900	31,900
Proceeds from long-term debt	-	-	244,531	244,531
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	12,842	12,842
Other	-	-	173,172	173,172
Amounts available for appropriation	<u>5,556,237</u>	<u>5,451,115</u>	<u>6,486,900</u>	<u>1,035,785</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	3,155,901	3,585,401	3,614,633	(29,232)
Public welfare	-	-	-	-
Capital outlay	1,773,900	1,773,900	805,722	968,178
Debt service	295,207	295,207	223,985	71,222
Transfers to other funds	700,000	1,313,800	1,313,800	-
Total charges to appropriations	<u>5,925,008</u>	<u>6,968,308</u>	<u>5,958,140</u>	<u>1,010,168</u>
Budgetary fund balance, June 30	<u>\$ (368,771)</u>	<u>\$ (1,517,193)</u>	<u>\$ 528,760</u>	<u>\$ 2,045,953</u>

CITY OF BOZEMAN, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY INFORMATION
Year Ended June 30, 2018

	General Fund	Street Impact Fees	Street Maintenance
Sources/inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 36,752,476	\$ 17,173,892	\$ 6,486,900
Differences - budget to GAAP:			
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(5,642,240)	(11,649,617)	(439,721)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,323,901)	-	(31,900)
The proceeds from the issuance of long-term debt are a budgetary resource but are a other financing source for financial reporting purposes	(8,006)	-	(244,531)
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	(12,208)	-	(12,842)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 28,766,121</u>	<u>\$ 5,524,275</u>	<u>\$ 5,757,906</u>
Uses/outflows of resources			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 30,135,627	\$ 7,824,644	\$ 5,958,140
Differences - budget to GAAP:			
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(632,084)	-	(1,313,800)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 29,503,543</u>	<u>\$ 7,824,644</u>	<u>\$ 4,644,340</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.

TIF 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 this tax increment financing district and associated business improvement district.

Building Inspection Fund – Accounts for all activity related to 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.

Street Arterial & Collector District – Accounts for special assessment revenues levied, received, and expended for necessary transportation infrastructure.

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.

TIF Mandeville/Wheat Dr. – In December 2006, the City created a tax increment financing district to encourage the attraction and retention of value-adding farming industries. This fund accounts for the revenue and expenditures associated with the district.

TIF South Bozeman Technology – In December 2012, the City created a tax increment financing district to improve existing infrastructure deficiencies on property adjacent to Montana State University and the Innovation Campus. 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.

Special Improvement District (SID) Sinking – Accounts for the accumulation of resources and payment of special assessment bond principal and interest related to general improvement, sidewalk, and curb construction projects.

General 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, 2018

	Special Revenue Funds			
	Departmental	City Planning Board	Health-Medical Insurance	Community Transportation
ASSETS				
Cash and cash equivalents	\$ 1,988,003	\$ 965,104	\$ 308,695	\$ 99,019
Receivables:				
Property taxes	4,580	9,157	112,150	-
Accrued interest	-	-	-	-
Customers, net	1,647	-	-	-
Special assessments	-	-	-	-
Other governments	93,184	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	25,000	580,371	-	-
Total assets	<u>\$ 2,112,414</u>	<u>\$ 1,554,632</u>	<u>\$ 420,845</u>	<u>\$ 99,019</u>
LIABILITIES				
Accounts payable	\$ 179,109	\$ 38,049	\$ -	\$ 40,594
Appearance bonds and other liabilities	-	-	-	-
Escheat property payable	-	-	-	-
Accrued employee benefits payable	(13)	121	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>179,096</u>	<u>38,170</u>	<u>-</u>	<u>40,594</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	365	732	9,006	-
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>365</u>	<u>732</u>	<u>9,006</u>	<u>-</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	188,908	1,515,730	411,839	58,425
Committed	1,786,693	-	-	-
Assigned	-	-	-	-
Unassigned	(42,648)	-	-	-
Total fund balances	<u>1,932,953</u>	<u>1,515,730</u>	<u>411,839</u>	<u>58,425</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,112,414</u>	<u>\$ 1,554,632</u>	<u>\$ 420,845</u>	<u>\$ 99,019</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	Special Revenue Funds				
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District	Building Inspection Fund
ASSETS					
Cash and cash equivalents	\$ 1,075,945	\$ 369,962	\$ -	\$ 2,912,665	\$ 2,007,423
Receivables:					
Property taxes	-	-	-	208,940	-
Accrued interest	-	-	7,570	-	7,391
Customers, net	-	-	-	-	-
Special assessments	-	16,677	-	2,969	-
Other governments	263,496	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	-	2,155,288	-	-
Total assets	<u>\$ 1,339,441</u>	<u>\$ 386,639</u>	<u>\$ 2,162,858</u>	<u>\$ 3,124,574</u>	<u>\$ 2,014,814</u>
LIABILITIES					
Accounts payable	\$ -	\$ 31,185	\$ 4,927	\$ 1,272,400	\$ 229,747
Appearance bonds and other liabilities	-	-	-	-	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	770	-	-	2,299
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>31,955</u>	<u>4,927</u>	<u>1,272,400</u>	<u>232,046</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	-	-	-	-
Unavailable revenue-special assessments	-	9,100	52,798	-	-
Total deferred inflows of resources	<u>-</u>	<u>9,100</u>	<u>52,798</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	1,339,441	345,584	2,105,133	1,852,174	1,782,768
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>1,339,441</u>	<u>345,584</u>	<u>2,105,133</u>	<u>1,852,174</u>	<u>1,782,768</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,339,441</u>	<u>\$ 386,639</u>	<u>\$ 2,162,858</u>	<u>\$ 3,124,574</u>	<u>\$ 2,014,814</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
ASSETS					
Cash and cash equivalents	\$ -	\$ 690,352	\$ 2,122	\$ 107,024	\$ 131,385
Receivables:					
Property taxes	-	13,445	-	-	-
Accrued interest	-	-	-	-	-
Customers, net	245,382	-	-	5,411	-
Special assessments	-	-	-	-	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Notes receivable	565,371	59,712	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 810,753</u>	<u>\$ 763,509</u>	<u>\$ 2,122</u>	<u>\$ 112,435</u>	<u>\$ 131,385</u>
LIABILITIES					
Accounts payable	\$ -	\$ 1,500	\$ 922	\$ 5,485	\$ -
Appearance bonds and other liabilities	-	-	-	-	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	103	-
Due to other funds	-	-	-	-	-
Total liabilities	<u>-</u>	<u>1,500</u>	<u>922</u>	<u>5,588</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	800	-	-	-
Unavailable revenue-special assessments	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>800</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	810,753	-	-	106,847	-
Committed	-	761,209	-	-	131,385
Assigned	-	-	1,200	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>810,753</u>	<u>761,209</u>	<u>1,200</u>	<u>106,847</u>	<u>131,385</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 810,753</u>	<u>\$ 763,509</u>	<u>\$ 2,122</u>	<u>\$ 112,435</u>	<u>\$ 131,385</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	Special Revenue Funds					
	Law and Justice Center	Street Arterial and Collector District	TIF N 7th Corridor	TIF N.E. Urban Renewal	TIF Mandeville/ Wheat Dr.	TIFD South Boz Technology
ASSETS						
Cash and cash equivalents	\$ -	\$ 1,872,501	\$ 1,649,290	\$ 318,944	\$ 54,744	\$ -
Receivables:						
Property taxes	-	-	33,320	10,470	-	-
Accrued interest	-	-	-	-	-	-
Customers, net	-	272,624	-	-	-	-
Special assessments	-	32,998	-	-	-	-
Other governments	-	-	-	-	-	-
Others	-	-	-	-	-	-
Advances to other city funds	-	-	-	-	-	-
Prepaid expenditures	312,375	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	92,000	-	-
Total assets	<u>\$ 312,375</u>	<u>\$ 2,178,123</u>	<u>\$ 1,682,610</u>	<u>\$ 421,414</u>	<u>\$ 54,744</u>	<u>\$ -</u>
LIABILITIES						
Accounts payable	\$ -	\$ 371,952	\$ 117,569	\$ 8,797	\$ -	\$ -
Appearance bonds and other liabilities	-	24,208	-	-	-	-
Escheat property payable	-	-	-	-	-	-
Accrued employee benefits payable	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	7,626
Total liabilities	<u>-</u>	<u>396,160</u>	<u>117,569</u>	<u>8,797</u>	<u>-</u>	<u>7,626</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	-	-	582	-	-	-
Unavailable revenue-special assessments	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>582</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Nonspendable	312,375	-	-	-	-	-
Restricted	-	1,781,963	1,564,459	412,617	54,744	(7,626)
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>312,375</u>	<u>1,781,963</u>	<u>1,564,459</u>	<u>412,617</u>	<u>54,744</u>	<u>(7,626)</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 312,375</u>	<u>\$ 2,178,123</u>	<u>\$ 1,682,610</u>	<u>\$ 421,414</u>	<u>\$ 54,744</u>	<u>\$ -</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	Special Revenue Funds					Total
	Victim/Witness Advocate	Fire Department Equipment	Street Lighting	Park Land	Municipal Court Restitution	
ASSETS						
Cash and cash equivalents	\$ 402,543	\$ 822,561	\$ 564,000	\$ 716,986	\$ 21,157	\$ 17,080,425
Receivables:						
Property taxes	-	18,313	-	-	-	410,375
Accrued interest	-	-	-	-	-	14,961
Customers, net	5,546	-	-	-	-	530,610
Special assessments	-	-	7,196	-	-	59,840
Other governments	-	-	-	-	-	356,680
Others	-	-	-	-	-	-
Advances to other city funds	-	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-	312,375
Notes receivable	-	-	-	-	-	625,083
Restricted cash and cash equivalents	-	-	-	-	-	2,852,659
Total assets	<u>\$ 408,089</u>	<u>\$ 840,874</u>	<u>\$ 571,196</u>	<u>\$ 716,986</u>	<u>\$ 21,157</u>	<u>\$ 22,243,008</u>
LIABILITIES						
Accounts payable	\$ 24,543	\$ -	\$ 39,127	\$ -	\$ 1,000	\$ 2,366,906
Appearance bonds and other liabilities	-	-	-	-	-	24,208
Escheat property payable	-	-	-	-	20,052	20,052
Accrued employee benefits payable	-	-	-	-	-	3,280
Due to other funds	-	-	-	-	-	7,626
Total liabilities	<u>24,543</u>	<u>-</u>	<u>39,127</u>	<u>-</u>	<u>21,052</u>	<u>2,422,072</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	-	1,451	-	-	-	12,936
Unavailable revenue-special assessments	-	-	-	-	-	61,898
Total deferred inflows of resources	<u>-</u>	<u>1,451</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>74,834</u>
FUND BALANCES						
Nonspendable	-	-	-	-	-	312,375
Restricted	383,546	-	532,069	716,986	105	15,956,465
Committed	-	839,423	-	-	-	3,518,710
Assigned	-	-	-	-	-	1,200
Unassigned	-	-	-	-	-	(42,648)
Total fund balances	<u>383,546</u>	<u>839,423</u>	<u>532,069</u>	<u>716,986</u>	<u>105</u>	<u>19,746,102</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 408,089</u>	<u>\$ 840,874</u>	<u>\$ 571,196</u>	<u>\$ 716,986</u>	<u>\$ 21,157</u>	<u>\$ 22,243,008</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	Debt Service Funds				Total
	SID Revolving	G.O. Bonds	TIF Bonds	SID Debt Service	
ASSETS					
Cash and cash equivalents	\$ 2,903,817	\$ 31,890	\$ -	\$ 1,912,051	\$ 4,847,758
Receivables:					
Property taxes	-	61,129	-	-	61,129
Accrued interest	9,360	-	-	-	9,360
Customers, net	-	-	-	-	-
Special assessments	-	-	-	2,090,839	2,090,839
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	510,503	-	-	-	510,503
Prepaid expenditures	-	-	-	-	-
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 3,423,680</u>	<u>\$ 93,019</u>	<u>\$ -</u>	<u>\$ 4,002,890</u>	<u>\$ 7,519,589</u>
LIABILITIES					
Accounts payable	\$ -	\$ 500	\$ -	\$ 3,123	\$ 3,623
Appearance bonds and other liabilities	-	-	-	-	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	-	-
Due to other funds	-	-	-	510,503	510,503
Total liabilities	<u>-</u>	<u>500</u>	<u>-</u>	<u>513,626</u>	<u>514,126</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue-property taxes	-	4,671	-	-	4,671
Unavailable revenue-special assessments	-	-	-	2,089,818	2,089,818
Total deferred inflows of resources	<u>-</u>	<u>4,671</u>	<u>-</u>	<u>2,089,818</u>	<u>2,094,489</u>
FUND BALANCES					
Nonspendable	-	-	-	-	-
Restricted	3,423,680	87,848	-	1,399,446	4,910,974
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>3,423,680</u>	<u>87,848</u>	<u>-</u>	<u>1,399,446</u>	<u>4,910,974</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,423,680</u>	<u>\$ 93,019</u>	<u>\$ -</u>	<u>\$ 4,002,890</u>	<u>\$ 7,519,589</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2018

	Capital Projects	Permanent Fund	Total Nonmajor Governmental
	Construction	Perpetual Cemetery Care	Funds
ASSETS			
Cash and cash equivalents	\$ 6,092,358	\$ -	\$ 28,020,541
Receivables:			
Property taxes	-	-	471,504
Accrued interest	49,052	-	73,373
Customers, net	107,723	4,986	643,319
Special assessments	-	-	2,150,679
Other governments	-	-	356,680
Others	-	-	-
Advances to other city funds	-	-	510,503
Prepaid expenditures	-	-	312,375
Notes receivable	-	-	625,083
Restricted cash and cash equivalents	1,134,588	1,309,813	5,297,060
Total assets	<u>\$ 7,383,721</u>	<u>\$ 1,314,799</u>	<u>\$ 38,461,117</u>
LIABILITIES			
Accounts payable	\$ 1,386,294	\$ 3,358	\$ 3,760,181
Appearance bonds and other liabilities	134,318	-	158,526
Escheat property payable	-	-	20,052
Accrued employee benefits payable	-	-	3,280
Due to other funds	-	-	518,129
Total liabilities	<u>1,520,612</u>	<u>3,358</u>	<u>4,460,168</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue-property taxes	-	-	17,607
Unavailable revenue-special assessments	-	-	2,151,716
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>2,169,323</u>
FUND BALANCES			
Nonspendable	-	1,311,441	1,623,816
Restricted	3,658,296	-	24,525,735
Committed	337,528	-	3,856,238
Assigned	1,867,285	-	1,868,485
Unassigned	-	-	(42,648)
Total fund balances	<u>5,863,109</u>	<u>1,311,441</u>	<u>31,831,626</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,383,721</u>	<u>\$ 1,314,799</u>	<u>\$ 38,461,117</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2018

	Special Revenue Funds			
	City			
	Departmental	Planning Board	Health-Medical Insurance	Community Transportation
REVENUES				
Taxes	\$ 100,931	\$ 201,857	\$ 2,469,553	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	216,210	136,688	-	-
Charges for services	25,610	884,628	-	-
Fines and forfeitures	1,374	-	-	-
Interest on investments	198	-	-	993
Interest on loans receivable	-	-	-	-
Other	85,561	49,330	-	-
Total revenues	<u>429,884</u>	<u>1,272,503</u>	<u>2,469,553</u>	<u>993</u>
EXPENDITURES				
Current:				
General government	40,027	1,219,680	-	-
Public safety	171,603	-	-	-
Public service	240	-	-	-
Public welfare	166,396	-	-	-
Other	100,681	-	-	-
Capital outlay	20,479	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>499,426</u>	<u>1,219,680</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(69,542)</u>	<u>52,823</u>	<u>2,469,553</u>	<u>993</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	35,000	106,750	-	-
Transfers out	-	-	(2,407,104)	-
Sale of capital assets	-	-	-	-
Issuance of long term debt	-	-	-	-
Total other financing sources (uses)	<u>35,000</u>	<u>106,750</u>	<u>(2,407,104)</u>	<u>-</u>
Net change in fund balance	(34,542)	159,573	62,449	993
FUND BALANCES, beginning of year	<u>1,967,495</u>	<u>1,356,157</u>	<u>349,390</u>	<u>57,432</u>
FUND BALANCES, end of year	<u>\$ 1,932,953</u>	<u>\$ 1,515,730</u>	<u>\$ 411,839</u>	<u>\$ 58,425</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2018

	Special Revenue Funds				
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District	Building Inspection Fund
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 1,232,868	\$ -
Special assessments	-	2,094	-	126,386	-
Licenses and permits	-	-	-	1,750	2,127,463
Intergovernmental	971,627	8,575	-	56,050	72,228
Charges for services	-	687,038	599,364	-	67
Fines and forfeitures	-	-	-	-	-
Interest on investments	-	3,578	-	-	-
Interest on loans receivable	-	-	-	-	-
Other	-	7,031	-	-	2
Total revenues	<u>971,627</u>	<u>708,316</u>	<u>599,364</u>	<u>1,417,054</u>	<u>2,199,760</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	44,984	-	2,118,822
Public service	502,278	-	-	-	-
Public welfare	-	576,391	-	592,186	-
Other	-	-	-	-	-
Capital outlay	635,164	124,773	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>1,137,442</u>	<u>701,164</u>	<u>44,984</u>	<u>592,186</u>	<u>2,118,822</u>
Revenues over (under) expenditures	<u>(165,815)</u>	<u>7,152</u>	<u>554,380</u>	<u>824,868</u>	<u>80,938</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(721,473)	-
Sale of capital assets	-	10,094	-	-	-
Issuance of long term debt	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>10,094</u>	<u>-</u>	<u>(721,473)</u>	<u>-</u>
Net change in fund balance	<u>(165,815)</u>	<u>17,246</u>	<u>554,380</u>	<u>103,395</u>	<u>80,938</u>
FUND BALANCES, beginning of year	<u>1,505,256</u>	<u>328,338</u>	<u>1,550,753</u>	<u>1,748,779</u>	<u>1,701,830</u>
FUND BALANCES, end of year	<u>\$ 1,339,441</u>	<u>\$ 345,584</u>	<u>\$ 2,105,133</u>	<u>\$ 1,852,174</u>	<u>\$ 1,782,768</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2018

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
REVENUES					
Taxes	\$ -	\$ 302,781	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	500	-	111,431	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	72,985	-
Interest on investments	1,549	-	21	784	1,362
Interest on loans receivable	21,737	398	7	-	-
Other	-	20,000	-	10,616	-
Total revenues	<u>23,286</u>	<u>323,679</u>	<u>28</u>	<u>195,816</u>	<u>1,362</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	269,186	-
Public service	-	-	-	-	-
Public welfare	37,783	131,168	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	1,500	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>37,783</u>	<u>131,168</u>	<u>-</u>	<u>270,686</u>	<u>-</u>
Revenues over (under) expenditures	<u>(14,497)</u>	<u>192,511</u>	<u>28</u>	<u>(74,870)</u>	<u>1,362</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	111,453	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Issuance of long term debt	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,453</u>	<u>-</u>
Net change in fund balance	(14,497)	192,511	28	36,583	1,362
FUND BALANCES, beginning of year	825,250	568,698	1,172	70,264	130,023
FUND BALANCES, end of year	<u>\$ 810,753</u>	<u>\$ 761,209</u>	<u>\$ 1,200</u>	<u>\$ 106,847</u>	<u>\$ 131,385</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2018

	Special Revenue Funds					
	Law and Justice Center	Street Arterial and Collector District	TIF N 7th Corridor	TIF N.E. Urban Renewal	TIF Mandeville/ Wheat Dr.	TIFD South Boz Technology
REVENUES						
Taxes	\$ -	\$ -	\$ 600,687	\$ 144,461	\$ 56,063	\$ 14
Special assessments	-	4,895	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	37,926	1,353	-	-
Charges for services	-	1,821,677	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	3,765	198	-
Interest on loans receivable	-	-	-	-	-	-
Other	-	221,891	-	-	-	-
Total revenues	<u>-</u>	<u>2,048,463</u>	<u>638,613</u>	<u>149,579</u>	<u>56,261</u>	<u>14</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	-	-
Public safety	19,125	-	-	-	-	-
Public service	-	34,181	-	-	-	-
Public welfare	-	-	184,331	19,987	4,721	79
Other	-	-	-	-	-	-
Capital outlay	-	1,707,236	397,951	-	-	-
Debt service:						
Principal	-	-	-	59,069	-	-
Interest and fiscal fees	-	-	-	32,931	-	-
Total expenditures	<u>19,125</u>	<u>1,741,417</u>	<u>582,282</u>	<u>111,987</u>	<u>4,721</u>	<u>79</u>
Revenues over (under) expenditures	<u>(19,125)</u>	<u>307,046</u>	<u>56,331</u>	<u>37,592</u>	<u>51,540</u>	<u>(65)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	48,835	-	-	-
Transfers out	-	-	(36,000)	(10,000)	-	-
Sale of capital assets	-	-	-	-	-	-
Issuance of long term debt	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>12,835</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(19,125)	307,046	69,166	27,592	51,540	(65)
FUND BALANCES, beginning of year	<u>331,500</u>	<u>1,474,917</u>	<u>1,495,293</u>	<u>385,025</u>	<u>3,204</u>	<u>(7,561)</u>
FUND BALANCES, end of year	<u>\$ 312,375</u>	<u>\$ 1,781,963</u>	<u>\$ 1,564,459</u>	<u>\$ 412,617</u>	<u>\$ 54,744</u>	<u>\$ (7,626)</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2018

	Special Revenue Funds					Totals
	Victim/Witness Advocate	Fire Department Equipment	Street Lighting	Park Land	Municipal Court Restitution	
REVENUES						
Taxes	\$ -	\$ 403,725	\$ -	\$ -	\$ -	\$ 5,512,940
Special assessments	-	-	425,319	-	-	558,694
Licenses and permits	-	-	-	-	-	2,129,213
Intergovernmental	-	-	-	-	-	1,612,588
Charges for services	-	-	-	-	-	4,018,384
Fines and forfeitures	72,053	-	-	-	-	146,412
Interest on investments	4,084	-	5,929	-	-	22,461
Interest on loans receivable	-	-	-	-	-	22,142
Other	-	-	-	187,145	-	581,576
Total revenues	<u>76,137</u>	<u>403,725</u>	<u>431,248</u>	<u>187,145</u>	<u>-</u>	<u>14,604,410</u>
EXPENDITURES						
Current:						
General government	81,500	-	-	-	-	1,341,207
Public safety	-	17,904	-	-	-	2,641,624
Public service	-	-	442,189	-	-	978,888
Public welfare	-	-	-	4,322	-	1,717,364
Other	-	-	-	-	-	100,681
Capital outlay	-	583,137	-	-	-	3,470,240
Debt service:						
Principal	-	-	-	-	-	59,069
Interest and fiscal fees	-	-	-	-	-	32,931
Total expenditures	<u>81,500</u>	<u>601,041</u>	<u>442,189</u>	<u>4,322</u>	<u>-</u>	<u>10,342,004</u>
Revenues over (under) expenditures	<u>(5,363)</u>	<u>(197,316)</u>	<u>(10,941)</u>	<u>182,823</u>	<u>-</u>	<u>4,262,406</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	302,038
Transfers out	-	-	(31,900)	-	-	(3,206,477)
Sale of capital assets	-	-	-	-	-	10,094
Issuance of long term debt	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(31,900)</u>	<u>-</u>	<u>-</u>	<u>(2,894,345)</u>
Net change in fund balance	(5,363)	(197,316)	(42,841)	182,823	-	1,368,061
FUND BALANCES, beginning of year	388,909	1,036,739	574,910	534,163	105	18,378,041
FUND BALANCES, end of year	<u>\$ 383,546</u>	<u>\$ 839,423</u>	<u>\$ 532,069</u>	<u>\$ 716,986</u>	<u>\$ 105</u>	<u>\$ 19,746,102</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2018

	Debt Service Funds				Totals
	SID Revolving	G.O. Bonds	TIF Bonds	SID Debt Service	
REVENUES					
Taxes	\$ -	\$ 1,351,768	\$ -	\$ -	\$ 1,351,768
Special assessments	-	-	-	506,819	506,819
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	5,095	-	-	409	5,504
Fines and forfeitures	-	-	-	-	-
Interest on investments	-	1,659	-	10,589	12,248
Interest on loans receivable	3,685	-	-	-	3,685
Other	-	-	-	-	-
Total revenues	<u>8,780</u>	<u>1,353,427</u>	<u>-</u>	<u>517,817</u>	<u>1,880,024</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public service	-	-	-	-	-
Public welfare	-	-	-	-	-
Other	5,524	-	-	-	5,524
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	875,000	210,000	95,000	1,180,000
Interest and fiscal fees	-	482,738	212,638	23,221	718,597
Total expenditures	<u>5,524</u>	<u>1,357,738</u>	<u>422,638</u>	<u>118,221</u>	<u>1,904,121</u>
Revenues over (under) expenditures	<u>3,256</u>	<u>(4,311)</u>	<u>(422,638)</u>	<u>399,596</u>	<u>(24,097)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	422,638	-	422,638
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Issuance of long term debt	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>422,638</u>	<u>-</u>	<u>422,638</u>
Net change in fund balance	3,256	(4,311)	-	399,596	398,541
FUND BALANCES, beginning of year					
	<u>3,420,424</u>	<u>92,159</u>	<u>-</u>	<u>999,850</u>	<u>4,512,433</u>
FUND BALANCES, end of year					
	<u>\$ 3,423,680</u>	<u>\$ 87,848</u>	<u>\$ -</u>	<u>\$ 1,399,446</u>	<u>\$ 4,910,974</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2018

	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
	Construction	Cemetery Perpetual Care	
REVENUES			
Taxes	\$ -	\$ -	\$ 6,864,708
Special assessments	-	-	1,065,513
Licenses and permits	-	-	2,129,213
Intergovernmental	85,000	-	1,697,588
Charges for services	-	118,029	4,141,917
Fines and forfeitures	-	-	146,412
Interest on investments	-	-	34,709
Interest on loans receivable	-	-	25,827
Other	415,457	-	997,033
Total revenues	<u>500,457</u>	<u>118,029</u>	<u>17,102,920</u>
EXPENDITURES			
Current:			
General government	4,898	-	1,346,105
Public safety	-	-	2,641,624
Public service	14,446	-	993,334
Public welfare	85,930	8,426	1,811,720
Other	-	-	106,205
Capital outlay	5,777,080	-	9,247,320
Debt service:			
Principal	-	-	1,239,069
Interest and fiscal fees	-	-	751,528
Total expenditures	<u>5,882,354</u>	<u>8,426</u>	<u>18,136,905</u>
Revenues over (under) expenditures	<u>(5,381,897)</u>	<u>109,603</u>	<u>(1,033,985)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,313,800	-	2,038,476
Transfers out	-	-	(3,206,477)
Sale of capital assets	-	-	10,094
Issuance of long term debt	863,000	-	863,000
Total other financing sources (uses)	<u>2,176,800</u>	<u>-</u>	<u>(294,907)</u>
Net change in fund balance	(3,205,097)	109,603	(1,328,892)
FUND BALANCES, beginning of year	<u>9,068,206</u>	<u>1,201,838</u>	<u>33,160,518</u>
FUND BALANCES, end of year	<u>\$ 5,863,109</u>	<u>\$ 1,311,441</u>	<u>\$ 31,831,626</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, 2018

	Special Revenue Funds					
	Departmental Special Revenues			City Planning Board		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 92,915	\$ 100,931	\$ 8,016	\$ 185,830	\$ 201,857	\$ 16,027
Special assessments	2,000	-	2,000	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	205,000	216,210	11,210	108,700	136,688	27,988
Charges for services	18,500	25,610	7,110	745,925	884,628	138,703
Fines and forfeitures	-	1,374	1,374	-	-	-
Interest on investments	16,195	198	(15,997)	6,000	-	(6,000)
Loan repayment	-	-	-	-	-	-
Other	102,615	85,561	(17,054)	53,400	49,330	(4,070)
Total revenues	<u>437,225</u>	<u>429,884</u>	<u>(7,341)</u>	<u>1,099,855</u>	<u>1,272,503</u>	<u>172,648</u>
EXPENDITURES - BUDGET UNIT	<u>587,168</u>	<u>499,426</u>	<u>87,742</u>	<u>1,505,363</u>	<u>1,219,680</u>	<u>285,683</u>
Revenues over (under) expenditures	<u>(149,943)</u>	<u>(69,542)</u>	<u>80,401</u>	<u>(405,508)</u>	<u>52,823</u>	<u>458,331</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	150,000	35,000	(115,000)	124,284	106,750	(17,534)
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>150,000</u>	<u>35,000</u>	<u>(115,000)</u>	<u>124,284</u>	<u>106,750</u>	<u>(17,534)</u>
Revenues and other sources over (under) expenditures	<u>\$ 57</u>	<u>(34,542)</u>	<u>\$ (34,599)</u>	<u>\$ (281,224)</u>	<u>159,573</u>	<u>\$ 440,797</u>
FUND BALANCES, beginning of year		<u>1,967,495</u>			<u>1,356,157</u>	
FUND BALANCES, end of year		<u>\$ 1,932,953</u>			<u>\$ 1,515,730</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, 2018

	Special Revenue Funds					
	Health-Medical Insurance			Community Transportation		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 2,476,888	\$ 2,469,553	\$ (7,335)	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	1,660	993	(667)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>2,476,888</u>	<u>2,469,553</u>	<u>(7,335)</u>	<u>1,660</u>	<u>993</u>	<u>(667)</u>
EXPENDITURES - BUDGET UNIT	-	-	-	-	-	-
Revenues over (under) expenditures	<u>2,476,888</u>	<u>2,469,553</u>	<u>(7,335)</u>	<u>1,660</u>	<u>993</u>	<u>(667)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(2,476,888)	(2,407,104)	69,784	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(2,476,888)</u>	<u>(2,407,104)</u>	<u>69,784</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>62,449</u>	<u>\$ 62,449</u>	<u>\$ 1,660</u>	<u>993</u>	<u>\$ (667)</u>
FUND BALANCES, beginning of year		<u>349,390</u>			<u>57,432</u>	
FUND BALANCES, end of year		<u>\$ 411,839</u>			<u>\$ 58,425</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, 2018

	Special Revenue Funds					
	Gas Tax Apportionment			Tree Maintenance		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	1,350	2,094	744
Licenses and permits	-	-	-	-	-	-
Intergovernmental	959,999	971,627	11,628	750	8,575	7,825
Charges for services	-	-	-	682,373	687,038	4,665
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	7,000	-	(7,000)	1,600	3,578	1,978
Loan repayment	-	-	-	-	-	-
Other	-	-	-	6,000	7,031	1,031
Total revenues	<u>966,999</u>	<u>971,627</u>	<u>4,628</u>	<u>692,073</u>	<u>708,316</u>	<u>16,243</u>
EXPENDITURES - BUDGET UNIT	<u>1,138,500</u>	<u>1,137,442</u>	<u>1,058</u>	<u>706,937</u>	<u>701,164</u>	<u>5,773</u>
Revenues over (under) expenditures	<u>(171,501)</u>	<u>(165,815)</u>	<u>5,686</u>	<u>(14,864)</u>	<u>7,152</u>	<u>22,016</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	10,094	10,094
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,094</u>	<u>10,094</u>
Revenues and other sources over (under) expenditures	<u>\$ (171,501)</u>	<u>(165,815)</u>	<u>\$ 5,686</u>	<u>\$ (14,864)</u>	<u>17,246</u>	<u>\$ 32,110</u>
FUND BALANCES, beginning of year		<u>1,505,256</u>			<u>328,338</u>	
FUND BALANCES, end of year		<u>\$ 1,339,441</u>			<u>\$ 345,584</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, 2018

	Special Revenue Funds					
	Fire Impact Fees Special Revenue			Downtown Improvement District		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	-	\$ 1,813,350	\$ 1,232,868	\$ (580,482)
Special assessments	-	-	-	132,200	126,386	(5,814)
Licenses and permits	-	-	-	-	1,750	1,750
Intergovernmental	-	-	-	45,660	56,050	10,390
Charges for services	362,250	599,364	237,114	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	10,000	-	(10,000)	10,000	-	(10,000)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	25,500	-	(25,500)
Total revenues	<u>372,250</u>	<u>599,364</u>	<u>227,114</u>	<u>2,026,710</u>	<u>1,417,054</u>	<u>(609,656)</u>
EXPENDITURES - BUDGET UNIT	<u>50,000</u>	<u>44,984</u>	<u>5,016</u>	<u>1,451,899</u>	<u>592,186</u>	<u>859,713</u>
Revenues over (under) expenditures	<u>322,250</u>	<u>554,380</u>	<u>232,130</u>	<u>574,811</u>	<u>824,868</u>	<u>250,057</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(721,473)	(721,473)	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(721,473)</u>	<u>(721,473)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 322,250</u>	<u>554,380</u>	<u>\$ 232,130</u>	<u>\$ (146,662)</u>	<u>103,395</u>	<u>\$ 250,057</u>
FUND BALANCES, beginning of year		<u>1,550,753</u>			<u>1,748,779</u>	
FUND BALANCES, end of year		<u>\$ 2,105,133</u>			<u>\$ 1,852,174</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, 2018

	Special Revenue Funds					
	Building Inspection Fund			Economic Development Revolving Loan Fund		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 278,745	\$ -	\$ (278,745)
Special assessments	-	-	-	-	-	-
Licenses and permits	1,749,800	2,127,463	377,663	-	-	-
Intergovernmental	-	72,228	72,228	-	-	-
Charges for services	2,350	67	(2,283)	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	17,000	-	(17,000)	3,000	1,549	(1,451)
Loan repayment	-	-	-	9,500	21,737	12,237
Other	-	2	2	-	-	-
Total revenues	<u>1,769,150</u>	<u>2,199,760</u>	<u>430,610</u>	<u>291,245</u>	<u>23,286</u>	<u>(267,959)</u>
EXPENDITURES - BUDGET UNIT	<u>39,000</u>	<u>2,118,822</u>	<u>(2,079,822)</u>	<u>324,400</u>	<u>37,783</u>	<u>286,617</u>
Revenues over (under) expenditures	<u>1,730,150</u>	<u>80,938</u>	<u>(1,649,212)</u>	<u>(33,155)</u>	<u>(14,497)</u>	<u>18,658</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 1,730,150</u>	<u>80,938</u>	<u>\$ (1,649,212)</u>	<u>\$ (33,155)</u>	<u>(14,497)</u>	<u>\$ 18,658</u>
FUND BALANCES, beginning of year		<u>1,701,830</u>			<u>825,250</u>	
FUND BALANCES, end of year		<u>\$ 1,782,768</u>			<u>\$ 810,753</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, 2018

	Special Revenue Funds		
	Community Housing		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 278,745	\$ 302,781	\$ 24,036
Special assessments	-	-	-
Licenses and permits	-	-	-
Intergovernmental	-	500	500
Charges for services	-	-	-
Fines and forfeitures	-	-	-
Interest on investments	3,000	-	(3,000)
Loan repayment	9,500	398	(9,102)
Other	-	20,000	20,000
Total revenues	<u>291,245</u>	<u>323,679</u>	<u>32,434</u>
EXPENDITURES - BUDGET UNIT	<u>324,400</u>	<u>131,168</u>	<u>193,232</u>
Revenues over (under) expenditures	<u>(33,155)</u>	<u>192,511</u>	<u>225,666</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>
Revenues and other sources over (under) expenditures	<u>\$ (33,155)</u>	<u>192,511</u>	<u>\$ 225,666</u>
FUND BALANCES, beginning of year		<u>568,698</u>	
FUND BALANCES, end of year		<u>\$ 761,209</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, 2018

	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	-	-	-	70,000	111,431	41,431
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	50,500	72,985	22,485
Interest on investments	50	21	(29)	-	784	784
Loan repayment	5,275	7	(5,268)	-	-	-
Other	-	-	-	-	10,616	10,616
Total revenues	<u>5,325</u>	<u>28</u>	<u>(5,297)</u>	<u>120,500</u>	<u>195,816</u>	<u>75,316</u>
EXPENDITURES - BUDGET UNIT	-	-	-	221,124	270,686	(49,562)
Revenues over (under) expenditures	<u>5,325</u>	<u>28</u>	<u>(5,297)</u>	<u>(100,624)</u>	<u>(74,870)</u>	<u>25,754</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	111,512	111,453	(59)
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>111,512</u>	<u>111,453</u>	<u>(59)</u>
Revenues and other sources over (under) expenditures	<u>\$ 5,325</u>	<u>28</u>	<u>\$ (5,297)</u>	<u>\$ 10,888</u>	<u>36,583</u>	<u>\$ 25,695</u>
FUND BALANCES, beginning of year		<u>1,172</u>			<u>70,264</u>	
FUND BALANCES, end of year		<u>\$ 1,200</u>			<u>\$ 106,847</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, 2018

	Special Revenue Funds					
	City-County Drug Forfeitures			Law and Justice Center		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	1,000	1,362	362	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>1,000</u>	<u>1,362</u>	<u>362</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES - BUDGET UNIT	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,125</u>	<u>19,125</u>	<u>-</u>
Revenues over (under) expenditures	<u>1,000</u>	<u>1,362</u>	<u>362</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>\$ 1,000</u>	<u>1,362</u>	<u>\$ 362</u>	<u>\$ (19,125)</u>	<u>(19,125)</u>	<u>\$ -</u>
FUND BALANCES, beginning of year		<u>130,023</u>			<u>331,500</u>	
FUND BALANCES, end of year		<u>\$ 131,385</u>			<u>\$ 312,375</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, 2018

	Special Revenue Funds					
	Street Arterial and Collector District			TIF N 7th Corridor		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 700,000	\$ 600,687	\$ (99,313)
Special assessments	2,000	4,895	2,895	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	37,926	37,926
Charges for services	1,816,250	1,821,677	5,427	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	3,000	-	(3,000)	8,800	-	(8,800)
Loan repayment	-	-	-	-	-	-
Other	-	221,891	221,891	-	-	-
Total revenues	<u>1,821,250</u>	<u>2,048,463</u>	<u>227,213</u>	<u>708,800</u>	<u>638,613</u>	<u>(70,187)</u>
EXPENDITURES - BUDGET UNIT	<u>1,780,311</u>	<u>1,741,417</u>	<u>38,894</u>	<u>676,000</u>	<u>582,282</u>	<u>93,718</u>
Revenues over (under) expenditures	<u>40,939</u>	<u>307,046</u>	<u>266,107</u>	<u>32,800</u>	<u>56,331</u>	<u>23,531</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	48,835	48,835
Transfers out	-	-	-	(36,000)	(36,000)	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,000)</u>	<u>12,835</u>	<u>48,835</u>
Revenues and other sources over (under) expenditures	<u>\$ 40,939</u>	<u>307,046</u>	<u>\$ 266,107</u>	<u>\$ (3,200)</u>	<u>69,166</u>	<u>\$ 72,366</u>
FUND BALANCES, beginning of year		<u>1,474,917</u>			<u>1,495,293</u>	
FUND BALANCES, end of year		<u>\$ 1,781,963</u>			<u>\$ 1,564,459</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, 2018

	Special Revenue Funds					
	TIF N.E. Urban Renewal			TIF Mandeville/Wheat Dr.		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 143,000	\$ 144,461	\$ 1,461	\$ 36,097	\$ 56,063	\$ 19,966
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	1,353	1,353	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	1,800	3,765	1,965	-	198	198
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>144,800</u>	<u>149,579</u>	<u>4,779</u>	<u>36,097</u>	<u>56,261</u>	<u>20,164</u>
EXPENDITURES - BUDGET UNIT	<u>156,600</u>	<u>111,987</u>	<u>44,613</u>	<u>4,750</u>	<u>4,721</u>	<u>29</u>
Revenues over (under) expenditures	<u>(11,800)</u>	<u>37,592</u>	<u>49,392</u>	<u>31,347</u>	<u>51,540</u>	<u>20,193</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>\$ (21,800)</u>	<u>27,592</u>	<u>\$ 49,392</u>	<u>\$ 31,347</u>	<u>51,540</u>	<u>\$ 20,193</u>
FUND BALANCES, beginning of year		<u>385,025</u>			<u>3,204</u>	
FUND BALANCES, end of year		<u>\$ 412,617</u>			<u>\$ 54,744</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, 2018

	Special Revenue Funds					
	TIFD South Boz Technology			Victim/Witness Advocate		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ 14	\$ 14	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	60,950	72,053	11,103
Interest on investments	-	-	-	3,000	4,084	1,084
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>14</u>	<u>14</u>	<u>63,950</u>	<u>76,137</u>	<u>12,187</u>
EXPENDITURES - BUDGET UNIT	<u>100</u>	<u>79</u>	<u>21</u>	<u>150,000</u>	<u>81,500</u>	<u>68,500</u>
Revenues over (under) expenditures	<u>(100)</u>	<u>(65)</u>	<u>35</u>	<u>(86,050)</u>	<u>(5,363)</u>	<u>80,687</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>\$ (100)</u>	<u>(65)</u>	<u>\$ 35</u>	<u>\$ (86,050)</u>	<u>(5,363)</u>	<u>\$ 80,687</u>
FUND BALANCES, beginning of year		<u>(7,561)</u>			<u>388,909</u>	
FUND BALANCES, end of year		<u>\$ (7,626)</u>			<u>\$ 383,546</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, 2018

	Special Revenue Funds					
	Fire Department Equipment			Street Lighting		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 371,660	\$ 403,725	\$ 32,065	\$ -	\$ -	\$ -
Special assessments	-	-	-	369,507	425,319	55,812
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	2,500	-	(2,500)	746	5,929	5,183
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>374,160</u>	<u>403,725</u>	<u>29,565</u>	<u>370,253</u>	<u>431,248</u>	<u>60,995</u>
EXPENDITURES - BUDGET UNIT	<u>601,250</u>	<u>601,041</u>	<u>209</u>	<u>442,233</u>	<u>442,189</u>	<u>44</u>
Revenues over (under) expenditures	<u>(227,090)</u>	<u>(197,316)</u>	<u>29,774</u>	<u>(71,980)</u>	<u>(10,941)</u>	<u>61,039</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>\$ (227,090)</u>	<u>(197,316)</u>	<u>\$ 29,774</u>	<u>\$ (103,880)</u>	<u>(42,841)</u>	<u>\$ 61,039</u>
FUND BALANCES, beginning of year		<u>1,036,739</u>			<u>574,910</u>	
FUND BALANCES, end of year		<u>\$ 839,423</u>			<u>\$ 532,069</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, 2018

	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	-	-	-	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	187,145	187,145	-	-	-
Total revenues	-	187,145	187,145	-	-	-
EXPENDITURES - BUDGET UNIT	4,500	4,322	178	-	-	-
Revenues over (under) expenditures	(4,500)	182,823	187,323	-	-	-
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>\$ (4,500)</u>	182,823	<u>\$ 187,323</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCES, beginning of year		534,163			105	
FUND BALANCES, end of year		<u>\$ 716,986</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, 2018

	Special Revenue Funds		
	Total		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 6,377,230	\$ 5,512,940	\$ (864,290)
Special assessments	507,057	558,694	51,637
Licenses and permits	1,749,800	2,129,213	379,413
Intergovernmental	1,390,109	1,612,588	222,479
Charges for services	3,627,648	4,018,384	390,736
Fines and forfeitures	111,450	146,412	34,962
Interest on investments	96,351	22,461	(73,890)
Loan repayment	24,275	22,142	(2,133)
Other	187,515	581,576	394,061
Total revenues	<u>14,071,435</u>	<u>14,604,410</u>	<u>532,975</u>
EXPENDITURES - BUDGET UNIT	<u>10,183,660</u>	<u>10,342,004</u>	<u>(158,344)</u>
Revenues over (under) expenditures	<u>3,887,775</u>	<u>4,262,406</u>	<u>374,631</u>
OTHER FINANCING SOURCES			
Transfers in	385,796	302,038	(83,758)
Transfers out	(3,276,261)	(3,206,477)	69,784
Long-term debt issued	-	-	-
Sale of capital assets	-	10,094	10,094
Total other financing sources (uses)	<u>(2,890,465)</u>	<u>(2,894,345)</u>	<u>(3,880)</u>
Revenues and other sources over (under) expenditures	<u>\$ 997,310</u>	<u>1,368,061</u>	<u>\$ 370,751</u>
FUND BALANCES, beginning of year		18,378,041	
FUND BALANCES, end of year		<u>\$ 19,746,102</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, 2018

	Debt Service Funds					
	SID Revolving			G.O. Bonds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 1,356,538	\$ 1,351,768	\$ (4,770)
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	5,095	5,095	-	-	-
Interest on investments	26,000	-	(26,000)	-	1,659	1,659
Loan repayment	5,000	3,685	(1,315)	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>31,000</u>	<u>8,780</u>	<u>(22,220)</u>	<u>1,356,538</u>	<u>1,353,427</u>	<u>(3,111)</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	875,000	875,000	-
Interest and fiscal fees	-	-	-	482,738	482,738	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,357,738</u>	<u>1,357,738</u>	<u>-</u>
Revenues over (under) expenditures	<u>31,000</u>	<u>8,780</u>	<u>(22,220)</u>	<u>(1,200)</u>	<u>(4,311)</u>	<u>(3,111)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(1,588,781)	-	1,588,781	-	-	-
Total other financing sources (uses)	<u>(1,588,781)</u>	<u>-</u>	<u>1,588,781</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (1,557,781)</u>	<u>8,780</u>	<u>\$ 1,566,561</u>	<u>\$ (1,200)</u>	<u>(4,311)</u>	<u>\$ (3,111)</u>
FUND BALANCES, beginning of year		<u>3,420,424</u>			<u>92,159</u>	
FUND BALANCES, end of year		<u>\$ 3,429,204</u>			<u>\$ 87,848</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, 2018

	Debt Service Funds					
	TIF Bonds			SID Debt Service		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	616,449	506,819	(109,630)
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	409	409
Interest on investments	-	-	-	9,940	10,589	649
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>626,389</u>	<u>517,817</u>	<u>(108,572)</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service:						
Principal	210,000	210,000	-	271,000	95,000	176,000
Interest and fiscal fees	212,638	212,638	-	108,800	23,221	85,579
Total expenditures	<u>422,638</u>	<u>422,638</u>	<u>-</u>	<u>379,800</u>	<u>118,221</u>	<u>261,579</u>
Revenues over (under) expenditures	<u>(422,638)</u>	<u>(422,638)</u>	<u>-</u>	<u>246,589</u>	<u>399,596</u>	<u>153,007</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	422,288	422,638	350	-	-	-
Transfers out	-	-	-	(10,700)	-	10,700
Total other financing sources (uses)	<u>422,288</u>	<u>422,638</u>	<u>350</u>	<u>(10,700)</u>	<u>-</u>	<u>10,700</u>
Revenues and other sources over (under) expenditures	<u>\$ (350)</u>	<u>-</u>	<u>\$ 350</u>	<u>\$ 235,889</u>	<u>399,596</u>	<u>\$ 163,707</u>
FUND BALANCES, beginning of year		<u>-</u>			<u>999,850</u>	
FUND BALANCES, end of year		<u>\$ -</u>			<u>\$ 1,399,446</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, 2018

	Debt Service Funds		
	Total		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,356,538	\$ 1,351,768	\$ (4,770)
Special assessments	616,449	506,819	(109,630)
Intergovernmental	-	-	-
Charges for services	-	5,504	5,504
Interest on investments	35,940	12,248	(23,692)
Loan repayment	5,000	3,685	(1,315)
Other	-	-	-
Total revenue	<u>2,013,927</u>	<u>1,880,024</u>	<u>(133,903)</u>
EXPENDITURES			
Other	-	-	-
Debt service:			
Principal	1,356,000	1,180,000	176,000
Interest and fiscal fees	804,176	718,597	85,579
Total expenditures	<u>2,160,176</u>	<u>1,898,597</u>	<u>261,579</u>
Revenues over (under) expenditures	<u>(146,249)</u>	<u>(18,573)</u>	<u>127,676</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	422,288	422,638	350
Transfers out	(1,599,481)	-	1,599,481
Total other financing sources (uses)	<u>(1,177,193)</u>	<u>422,638</u>	<u>1,599,831</u>
Revenues and other sources over (under) expenditures	<u>\$ (1,323,442)</u>	<u>404,065</u>	<u>\$ 1,727,507</u>
FUND BALANCES, beginning of year		<u>4,512,433</u>	
FUND BALANCES, end of year		<u>\$ 4,916,498</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, 2018

	Capital Projects Funds		
	Construction		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental	-	85,000	85,000
Charges for services	-	-	-
Interest on investments	-	-	-
Loan repayment	-	-	-
Other	-	415,457	415,457
Total revenue	<u>-</u>	<u>500,457</u>	<u>500,457</u>
EXPENDITURES			
Other	93,500	105,274	(11,774)
Capital outlay	5,777,175	5,777,080	95
Total expenditures	<u>5,870,675</u>	<u>5,882,354</u>	<u>(11,679)</u>
Revenues over (under) expenditures	<u>(5,870,675)</u>	<u>(5,381,897)</u>	<u>488,778</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,886,581	1,313,800	(1,572,781)
Transfers out	-	-	-
Long term debt issuance	-	863,000	863,000
Sale of capital assets	-	-	-
Total other financing sources (uses)	<u>2,886,581</u>	<u>2,176,800</u>	<u>(709,781)</u>
Revenues and other sources over (under) expenditures	<u>\$ (2,984,094)</u>	<u>(3,205,097)</u>	<u>\$ (221,003)</u>
FUND BALANCES, beginning of year		<u>9,068,206</u>	
FUND BALANCES, end of year		<u>\$ 5,863,109</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, 2018

	Permanent Fund		
	Cemetery Perpetual Care		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	100,000	118,029	18,029
Interest on investments	6,000	-	(6,000)
Total revenues	<u>106,000</u>	<u>118,029</u>	<u>12,029</u>
EXPENDITURES - BUDGET UNIT	<u>-</u>	<u>8,426</u>	<u>(8,426)</u>
Revenues over (under) expenditures	<u>106,000</u>	<u>109,603</u>	<u>3,603</u>
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 106,000</u>	<u>109,603</u>	<u>\$ 3,603</u>
FUND BALANCES, beginning of year		<u>1,201,838</u>	
FUND BALANCES, end of year		<u>\$ 1,311,441</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, 2018

	Business-type Activities		
	Enterprise Funds		
	Parking Fund	Stormwater Fund	Total
ASSETS			
Current assets			
Cash and investments	\$ 986,634	\$ 393,809	\$ 1,380,443
Receivables:			
Customers, net	113,784	123,060	236,844
Special assessments	-	135	135
Total current assets	<u>1,100,418</u>	<u>517,004</u>	<u>1,617,422</u>
Non-current assets			
Other assets:			
Notes receivable	9,442	-	9,442
Restricted cash and investments	393,433	55,331	448,764
Total other assets	<u>402,875</u>	<u>55,331</u>	<u>458,206</u>
Property, plant and equipment, net			
Nondepreciable:			
Land	303,436	-	303,436
Depreciable:			
Buildings	11,840,479	-	11,840,479
Other structures and improvements	-	-	-
Machinery and equipment	152,005	231,631	383,636
Vehicles	22,294	153,310	175,604
Infrastructure	47,058	2,470,231	2,517,289
Property under capital lease	-	519,943	519,943
Accumulated depreciation and amortization	(4,081,880)	(484,435)	(4,566,315)
Net property, plant and equipment	<u>8,283,392</u>	<u>2,890,680</u>	<u>11,174,072</u>
Total non current assets	<u>8,686,267</u>	<u>2,946,011</u>	<u>11,632,278</u>
Deferred outflows of resources			
Pension plan contributions	82,200	113,323	195,523
Total assets	<u>\$ 9,868,885</u>	<u>\$ 3,576,338</u>	<u>\$ 13,445,223</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 June 30, 2018

	Business-type Activities		
	Enterprise Funds		
	Parking Fund	Stormwater Fund	Total
LIABILITIES			
Current liabilities			
Accounts payable and accrued expenses	\$ 83,619	\$ 219,367	\$ 302,986
Compensated absences payable	12,701	22,941	35,642
Capital lease obligations payable in one year	-	85,346	85,346
Bonds and leases payable in one year	-	76,000	76,000
Total current liabilities	<u>96,320</u>	<u>403,654</u>	<u>499,974</u>
Noncurrent liabilities			
Closure and post-closure care costs	-	-	-
Capital lease obligations	-	129,541	129,541
Revenue bonds due after one year	-	1,216,430	1,216,430
Compensated absences payable	-	643	643
Other post-employment health benefits	37,046	11,559	48,605
Appearance bond and other liabilities	-	185	185
Net pension liability	313,689	432,460	746,149
Total noncurrent liabilities	<u>350,735</u>	<u>1,790,818</u>	<u>2,141,553</u>
Total liabilities	<u>447,055</u>	<u>2,194,472</u>	<u>2,641,527</u>
Deferred inflows of resources			
Pension deferrals	<u>10,798</u>	<u>5,282</u>	<u>16,080</u>
NET POSITION			
Net Investment in capital assets	8,283,392	2,675,793	10,959,185
Restricted for impact capital projects	-	-	-
Restricted for parking capital projects	393,433	-	393,433
Restricted for debt service	-	55,331	55,331
Unrestricted	734,207	(1,354,540)	(620,333)
Total net position	<u>9,411,032</u>	<u>1,376,584</u>	<u>10,787,616</u>
Total liabilities and net position	<u>\$ 9,868,885</u>	<u>\$ 3,576,338</u>	<u>\$ 13,445,223</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2018

	Business-type Activities Enterprise Funds		
	Parking	Stormwater	Totals
	Fund	Fund	
OPERATING REVENUES	\$ 958,378	\$ 1,324,461	\$ 2,282,839
OPERATING EXPENSES			
Salaries and benefits	389,114	548,093	937,207
Materials and supplies	41,477	34,380	75,857
Repairs and maintenance	49,717	5,925	55,642
Utilities	30,758	4,172	34,930
Administrative charges	61,842	61,466	123,308
Other expenses	242,533	66,096	308,629
Depreciation and amortization	309,199	111,828	421,027
Changes in estimated closure and post-closure care costs	-	-	-
Total operating expenses	<u>1,124,640</u>	<u>831,960</u>	<u>1,956,600</u>
Operating income (loss)	<u>(166,262)</u>	<u>492,501</u>	<u>326,239</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income		-	-
Interest expense	(9,137)	(46,213)	(55,350)
Other income	11,952	687	12,639
Intergovernmental income	6,020	8,299	14,319
Gain (loss) on sale of assets	3,028	-	3,028
Total non-operating revenues (expenses)	<u>11,863</u>	<u>(37,227)</u>	<u>(25,364)</u>
Income (loss) before contributions and transfers	(154,399)	455,274	300,875
Contributions of infrastructure - developers	-	685,144	685,144
Transfers in	250,000	140,000	390,000
Transfers out	-	-	-
Change in net position	<u>95,601</u>	<u>1,280,418</u>	<u>1,376,019</u>
NET POSITION, beginning of year	9,324,030	97,994	9,422,024
Restatement	<u>(8,599)</u>	<u>(1,828)</u>	<u>(10,427)</u>
NET POSITION, beginning of year, restated	<u>9,315,431</u>	<u>96,166</u>	<u>9,411,597</u>
NET POSITION, end of year	<u>\$ 9,411,032</u>	<u>\$ 1,376,584</u>	<u>\$ 10,787,616</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2018

	Parking Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 967,405	\$ 1,321,409	\$ 2,288,814
Receipts from others	11,952	687	12,639
Payments to suppliers	(402,040)	(15,399)	(417,439)
Payments to employees	(334,712)	(463,975)	(798,687)
Payments to internal service funds and administrative fees	(61,842)	(61,466)	(123,308)
Net cash flows from operating activities	<u>180,763</u>	<u>781,256</u>	<u>962,019</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	250,000	140,000	390,000
Receipts from grants and intergovernmental sources	6,020	8,299	14,319
Net cash flows from non-capital financing activities	<u>256,020</u>	<u>148,299</u>	<u>404,319</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	(159,336)	(889,822)	(1,049,158)
Principal paid on bonds, interfund loans, loans and leases	-	(150,651)	(150,651)
Interest paid on bonds, interfund loans, loans and leases	(9,137)	(46,213)	(55,350)
Proceeds from sale of property, plant and equipment	3,028	-	3,028
Net cash flows from capital and related financing activities	<u>(165,445)</u>	<u>(1,086,686)</u>	<u>(1,252,131)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections on notes	-	-	-
Interest on investments	-	-	-
Net cash flows from investing activities	<u>-</u>	<u>-</u>	<u>-</u>
Net change in cash and investments	271,338	(157,131)	114,207
Cash and investments, beginning of year	<u>1,108,729</u>	<u>606,271</u>	<u>1,715,000</u>
Cash and investments, end of year	<u>\$ 1,380,067</u>	<u>\$ 449,140</u>	<u>\$ 1,829,207</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 Year Ended June 30, 2018

	Parking Fund	Stormwater Fund	Total
Cash and investments classified as:			
Cash and investments	\$ 986,634	\$ 393,809	\$ 1,380,443
Restricted cash and investments	393,433	55,331	448,764
Totals	\$ 1,380,067	\$ 449,140	\$ 1,829,207
Noncash transactions: donated infrastructure	\$ -	\$ 685,144	\$ 685,144
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (166,262)	\$ 492,501	\$ 326,239
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	309,199	111,828	421,027
Change in estimated closure costs	-	-	-
Other income	11,952	687	12,639
Change in assets and liabilities:			
(Increase) decrease in:			
Accounts receivable	9,027	(3,052)	5,975
Increase (decrease) in:			
Accounts payable	(37,555)	95,174	57,619
Accrued employee benefits payable	6,250	8,868	15,118
Net pension liabilities	48,152	75,250	123,402
Total adjustments	347,025	288,755	635,780
Net cash from operating activities	\$ 180,763	\$ 781,256	\$ 962,019

INTERNAL SERVICE FUND STATEMENTS

INTERNAL SERVICE FUNDS

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

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

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

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET POSITION -
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2018

	Vehicle Maintenance Shop	Medical Health Insurance	Total
ASSETS			
Current assets			
Cash and equivalents	\$ -	\$ 395,556	\$ 395,556
Customer receivables, net	91	11,109	11,200
Prepaid expenses	-	-	-
Total current assets	<u>91</u>	<u>406,665</u>	<u>406,756</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>(605,578)</u>	<u>-</u>	<u>(605,578)</u>
Net property, plant, and equipment	<u>1,075,534</u>	<u>-</u>	<u>1,075,534</u>
Deferred outflows of resources			
Pension plan contributions	<u>122,004</u>	<u>-</u>	<u>122,004</u>
Total assets and deferred outflows of resources	<u>\$ 1,197,629</u>	<u>\$ 406,665</u>	<u>\$ 1,604,294</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 43,297	\$ 1,375	\$ 44,672
Compensated absences payable	23,581	-	23,581
Other post-employment health benefits	33,707	-	33,707
Due to other city funds	<u>68,083</u>	<u>-</u>	<u>68,083</u>
Total current liabilities	168,668	1,375	170,043
Non-current liabilities			
Net pension liability	<u>472,511</u>	<u>-</u>	<u>472,511</u>
Total liabilities	<u>641,179</u>	<u>1,375</u>	<u>642,554</u>
Deferred inflows of resources			
Pension deferrals	<u>13,500</u>	<u>-</u>	<u>13,500</u>
NET POSITION			
Net investment in capital assets	1,075,534	-	1,075,534
Unrestricted	<u>(532,584)</u>	<u>405,290</u>	<u>(127,294)</u>
Total net position	<u>542,950</u>	<u>405,290</u>	<u>948,240</u>
Total liabilities and net position	<u>\$ 1,197,629</u>	<u>\$ 406,665</u>	<u>\$ 1,604,294</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2018

	Vehicle Maintenance Shop	Medical Health Insurance	Total
OPERATING REVENUES	\$ 1,270,587	\$ 4,800,019	\$ 6,070,606
OPERATING EXPENSES			
Salaries and benefits	492,099	-	492,099
Materials and supplies	662,307	-	662,307
Repairs and maintenance	10,912	-	10,912
Utilities	26,238	-	26,238
Administrative charges	148,346	-	148,346
Insurance claims	-	4,733,165	4,733,165
Other expenses	32,303	81,300	113,603
Depreciation	57,677	-	57,677
Total operating expenses	<u>1,429,882</u>	<u>4,814,465</u>	<u>6,244,347</u>
Operating income (loss)	<u>(159,295)</u>	<u>(14,446)</u>	<u>(173,741)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	-	3,522	3,522
Interest expense	(210)	-	(210)
Other income	737	6,702	7,439
Intergovernmental income	8,596	-	8,596
Loss on sale of assets	(33)	-	(33)
Total non-operating revenue (expenses)	<u>9,090</u>	<u>10,224</u>	<u>19,314</u>
Income before transfers	(150,205)	(4,222)	(154,427)
Transfers in	-	-	-
Change in net position	<u>(150,205)</u>	<u>(4,222)</u>	<u>(154,427)</u>
NET POSITION, beginning of year	700,970	409,512	1,110,482
Restatement	<u>(7,815)</u>	<u>-</u>	<u>(7,815)</u>
NET POSITION, beginning of year, restated	<u>693,155</u>	<u>409,512</u>	<u>1,102,667</u>
NET POSITION, end of year	<u>\$ 542,950</u>	<u>\$ 405,290</u>	<u>\$ 948,240</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2018

	Vehicle Maintenance Shop	Medical Health Insurance	Total
CASH FLOWS FROM OPERATIONS			
Receipts from customers	\$ 1,270,496	\$ 4,859,254	\$ 6,129,750
Receipts from others	9,333	6,702	16,035
Operating loans from other City funds	56,382	-	56,382
Payments to suppliers	(694,847)	(80,424)	(775,271)
Payments to employees	(492,775)	(4,733,165)	(5,225,940)
Payments to Internal Service Funds and administrative fees	(148,346)	-	(148,346)
Net cash flows from operating activities	<u>243</u>	<u>52,367</u>	<u>52,610</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to property, plant and equipment	-	-	-
Proceeds from sale of capital assets	(33)	-	(33)
Interest paid on bonds, interfund loans, loans and leases	(210)	-	(210)
Net cash flows from capital and related financing activities	<u>(243)</u>	<u>-</u>	<u>(243)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	-	3,522	3,522
Net increase (decrease) in cash and cash equivalents	-	55,889	55,889
CASH AND EQUIVALENTS, beginning of year	-	339,667	339,667
CASH AND EQUIVALENTS, end of year	<u>\$ -</u>	<u>\$ 395,556</u>	<u>\$ 395,556</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUNDS (CONTINUED)
 Year Ended June 30, 2018

	Vehicle Maintenance Shop	Medical Health Insurance	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating loss	\$ (159,295)	\$ (14,446)	\$ (173,741)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	57,677	-	57,677
Other income	9,333	6,702	16,035
Changes in assets and liabilities:			
(Increase) decrease in:			
Customer receivables	(91)	59,235	59,144
Prepaid expenses	-	-	-
Increase (decrease) in:			
Accounts payable	(13,597)	876	(12,721)
Due to other city funds	56,382	-	56,382
Compensated absences payable	3,269	-	3,269
Other post-employment health benefits	(3,945)	-	(3,945)
Net pension	50,510	-	50,510
Total adjustments	159,538	66,813	226,351
Net cash from operating activities	\$ 243	\$ 52,367	\$ 52,610

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, 2018

	Municipal Court	CMC Bozeman Site Remediation	Tourism Business Improvement	Total Agency Funds
ASSETS				
Cash and cash equivalents	\$ 413,967	\$ -	\$ 476,697	\$ 890,664
Customer receivables	1,254	-	-	1,254
Special assessments	-	-	9,541	9,541
Total assets	<u>\$ 415,221</u>	<u>\$ -</u>	<u>\$ 486,238</u>	<u>\$ 901,459</u>
LIABILITIES				
Accounts payable	\$ 415,221	\$ -	\$ 486,238	\$ 901,459
Total liabilities	<u>\$ 415,221</u>	<u>\$ -</u>	<u>\$ 486,238</u>	<u>\$ 901,459</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
 AGENCY FUNDS
 Year Ended June 30, 2018

		Court			
		Balance			Balance
		June 30, 2017	Additions	Deletions	June 30, 2018
ASSETS					
Cash and cash equivalents		\$ 335,967	\$ 78,000	\$ -	\$ 413,967
Customer receivables		1,949	-	(695)	1,254
Interfund receivable		-	-	-	-
Total assets		<u>\$ 337,916</u>	<u>\$ 78,000</u>	<u>\$ (695)</u>	<u>\$ 415,221</u>
LIABILITIES					
Accounts payable		337,916	\$ 78,000	\$ (695)	\$ 415,221
Total liabilities		<u>\$ 337,916</u>	<u>\$ 78,000</u>	<u>\$ (695)</u>	<u>\$ 415,221</u>
		CMC Bozeman Site Remediation			
		Balance			Balance
		June 30, 2017	Additions	Deletions	June 30, 2018
ASSETS					
Cash and cash equivalents		\$ -	\$ -	\$ -	\$ -
Customer receivables		-	-	-	-
Total assets		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable		\$ -	\$ -	\$ -	\$ -
Total liabilities		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
		Tourism Business Improvement District Site Remediation			
		Balance			Balance
		June 30, 2017	Additions	Deletions	June 30, 2018
ASSETS					
Cash and cash equivalents		\$ 435,946	\$ 40,751	\$ -	\$ 476,697
Special Assessments		50,072	-	(40,531)	9,541
Total assets		<u>\$ 486,018</u>	<u>\$ 40,751</u>	<u>\$ (40,531)</u>	<u>\$ 486,238</u>
LIABILITIES					
Accounts payable		\$ 486,018	\$ 40,751	\$ (40,531)	\$ 486,238
Total liabilities		<u>\$ 486,018</u>	<u>\$ 40,751</u>	<u>\$ (40,531)</u>	<u>\$ 486,238</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.	192
Revenue Capacity These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	197
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.	208
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.	217
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.	219

Sources: Unless otherwise notes, 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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 83,707,824	\$ 84,113,904	\$ 88,844,404	\$ 88,500,437	\$ 89,081,484	\$ 89,267,076	\$ 93,409,850	\$ 104,342,191	\$ 115,696,956	\$ 137,133,345
Restricted	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	36,522,195
Unrestricted	20,871,106	25,076,908	16,049,044	15,470,543	11,521,053	12,127,224	(5,137,642)	(3,923,466)	(4,839,467)	(5,506,336)
Total governmental activities	\$ 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	\$ 168,149,204
Business-type activities										
Net investment in capital assets	\$ 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	\$ 239,254,236
Restricted	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	12,702,713
Unrestricted	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	13,291,274
Total business-type activities	\$ 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	\$ 265,248,223
Primary government										
Net investment in capital assets	\$ 271,785,602	\$ 274,079,093	\$ 277,025,293	\$ 280,985,896	\$ 288,476,035	\$ 294,768,433	\$ 304,829,627	\$ 325,727,846	\$ 345,069,237	\$ 376,387,581
Restricted	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	49,224,908
Unrestricted	32,807,225	41,146,505	28,431,062	18,280,101	22,164,390	20,850,577	1,481,757	6,658,942	4,314,547	7,784,938
Total primary government net position	\$ 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	\$ 433,397,427

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental Activities:										
General Government	\$ 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	\$ 9,890,842
Public Safety	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	18,637,422
Public Service	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	8,607,457
Public Welfare	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	9,469,583
Other	-	-	-	-	-	-	-	-	-	-
Interest and Fiscal Fees	737,762	714,714	679,652	636,478	433,766	179,280	824,266	893,470	771,714	718,807
Total Governmental Activities Expenses	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	47,324,111
Business-Type Activities:										
Water	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	9,832,508
Waste Water	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	8,830,252
Solid Waste	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	4,535,865
Non-Major Activities	766,454	967,077	991,712	990,229	852,561	966,454	1,098,771	1,300,612	1,827,722	2,011,950
Total Business-Type Activities Expenses	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	25,210,575
Total Primary Government Expenses	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	72,534,686
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	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	3,139,427
Public Safety	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	2,234,994
Public Service	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	15,531,304
Public Welfare	779,841	399,280	451,960	1,102,896	1,593,212	613,322	1,097,845	1,213,526	1,414,394	1,593,025
Operating Grants and Contributions	439,131	693,342	1,114,835	566,586	406,239	457,354	2,254,052	2,494,244	2,715,986	3,021,400
Capital Grants and Contributions	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	4,828,645
Total Governmental Activities Program Revenues	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	30,348,795
Business-Type Activities										
Charges for Services:										
Water	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	12,915,454
Waste Water	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	10,686,506
Solid Waste	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	3,926,123
Non-Major Activities	467,607	326,820	417,114	382,968	644,672	872,325	891,379	3,207,605	2,172,399	2,282,839
Operating Grants and Contributions	-	-	-	-	-	9,596	123,439	134,946	169,509	134,523
Capital Grants and Contributions:	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	9,944,719
Total Business-Type Activities Program Revenues	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	39,890,164
Total Primary Government Program Revenues	\$ 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	\$ 70,238,959

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

Fiscal Year

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense) / Revenue										
Governmental Activities	\$ (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)	\$ (16,975,316)
Business-Type Activities	(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	14,679,589
Total Primary Government Net Expense	<u>(19,016,462)</u>	<u>(25,214,704)</u>	<u>(18,686,156)</u>	<u>(32,628,505)</u>	<u>(12,043,933)</u>	<u>(12,654,345)</u>	<u>(9,061,470)</u>	<u>(3,127,718)</u>	<u>(11,801,349)</u>	<u>(2,295,727)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	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	22,532,724
Unrestricted Grants and Contributions	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	8,993,659
Investment Earnings	671,859	352,378	301,424	283,090	243,744	355,790	403,152	519,637	554,870	64,058
Miscellaneous	2,766,671	2,256,071	1,556,790	155,484	-	293,884	374,966	418,215	1,317,137	2,320,536
Sale of Capital Assets	68,057	761,952	(8,168)	4,414	1,765	236,688	-	123,934	(71,335)	28,861
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)	(758,084)
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>14,700,353</u>	<u>25,678,047</u>	<u>25,491,732</u>	<u>23,018,536</u>	<u>23,008,352</u>	<u>25,873,803</u>	<u>28,271,531</u>	<u>31,506,290</u>	<u>31,139,110</u>	<u>33,181,754</u>
Business-Type Activities:										
Unrestricted Grants and Contributions	2,155	342,653	438,475	2,115	508,912	-	-	-	-	-
Investment Earnings	-	-	-	-	-	-	-	-	304,231	3,389
Loss on sale of assets	6,311,324	-	-	2,088	-	-	-	-	(2,013,292)	10,005
ARRA Debt Forgiveness	-	-	-	-	-	390,700	-	-	-	-
Transfers	3,249,929	(521,863)	(517,251)	37,136	10,000	10,000	380,347	(1,218,036)	742,999	758,084
Miscellaneous	-	-	-	-	-	-	-	-	1,256,284	2,529,824
Total Business-Type Activities	<u>9,563,408</u>	<u>(179,210)</u>	<u>(78,776)</u>	<u>41,339</u>	<u>518,912</u>	<u>400,700</u>	<u>380,347</u>	<u>(1,218,036)</u>	<u>290,222</u>	<u>3,301,302</u>
Total Primary Government	<u>24,263,761</u>	<u>25,498,837</u>	<u>25,412,956</u>	<u>23,059,875</u>	<u>23,527,264</u>	<u>26,274,503</u>	<u>28,651,878</u>	<u>30,288,254</u>	<u>31,429,332</u>	<u>36,483,056</u>
Change in Net Position										
Governmental Activities	(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	16,206,438
Business-Type Activities	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	17,980,891
Total Primary Government	<u>\$ 5,247,299</u>	<u>\$ 284,133</u>	<u>\$ 6,726,800</u>	<u>\$ (9,568,630)</u>	<u>\$ 11,483,331</u>	<u>\$ 13,620,158</u>	<u>\$ 19,590,408</u>	<u>\$ 27,160,536</u>	<u>\$ 19,627,983</u>	<u>\$ 34,187,329</u>

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

	Fiscal Year									
	<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>	<u>2018</u>
General Fund										
Reserved	\$ 63,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	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	7,739,020
Unassigned	-	-	905,862	264,091	-	193,534	-	979,258	87,274	(274,252)
Total general fund	<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>	<u>7,464,768</u>
All Other Governmental										
Reserved	2,660,918	6,597,569	-	-	-	-	-	-	-	-
Unreserved, reported in:	-	-	-	-	-	-	-	-	-	-
Special revenue funds	12,516,240	14,916,152	-	-	-	-	-	-	-	-
Capital projects funds	-	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	1,623,816
Restricted	-	-	19,962,574	19,683,881	26,061,499	19,927,526	12,546,935	39,856,356	38,938,127	34,403,744
Committed	-	-	3,278,422	3,463,714	851,322	3,075,505	3,088,936	3,528,263	3,901,694	3,856,238
Assigned	-	-	58,419	-	-	229,602	-	7,425,398	7,259,749	1,868,485
Unassigned	-	-	-	(51,586)	456,669	(184,101)	(97,173)	914,535	107,103	(42,648)
Total all other governmental funds	<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>\$ 53,151,127</u>	<u>\$ 51,740,011</u>	<u>\$ 41,709,635</u>

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

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

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues										
Taxes	\$ 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	\$ 22,553,972
Special assessments	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	1,137,103
Licenses and permits	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	2,541,727
Intergovernmental	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	9,419,104
Charges for service	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	17,885,529
Fines and forfeitures	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	1,240,154
Interest on investments	671,859	352,378	300,516	281,239	239,778	329,086	370,305	479,699	520,690	34,709
loan repayment	9,985	10,401	193,302	306,385	157,069	63,980	94,989	38,552	31,837	25,827
Other	2,766,671	2,256,071	1,556,790	155,484	394,677	287,089	363,274	415,646	1,307,668	2,313,097
Total revenues	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	57,151,222
Expenditures										
General government	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	8,268,285
Public safety	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	17,602,966
Public service	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	4,955,559
Public welfare	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	7,975,354
Other	-	-	-	-	15,776	1,046,712	1,113,340	418,431	506,169	655,532
Capital outlay	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	18,420,501
Debt service										
Principal	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	1,500,687
Interest & Fiscal Fees	738,198	715,150	680,088	666,082	445,736	380,950	824,266	893,470	771,714	718,597
Total expenditures	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	60,097,481
Excess of revenues over (under) expenditures	(556,309)	4,308,100	5,125,359	381,877	3,310,881	(779,031)	(661,544)	1,188,288	(946,096)	(2,946,259)
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-
Transfers in	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	4,394,277
Transfers out	(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)	(5,152,361)
Issuance of debt	177,346	890,000	-	3,357,798	1,203,279	10,012,647	5,619,361	47,406	234,702	1,103,586
Premium on Bonds Issued	-	-	-	-	-	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	(3,120,000)	-	-	-	-	-	-
Sales of capital assets	86,326	766,922	10,555	59,204	2,775	243,092	64,855	227,984	43,277	35,144
Total other financing sources (uses)	(3,075,580)	1,480,329	(259,216)	(41,458)	1,042,966	10,245,739	5,303,869	1,262,311	(465,020)	380,646
Extraordinary items										
Net change in fund balances	\$ (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)	\$ (2,565,613)
Debt service as a percentage of noncapital expenditures	6.9%	7.1%	7.7%	12.3%	7.0%	5.5%	5.4%	6.0%	5.6%	5.3%

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>
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%
2018	56,956,360	37,201,773	7,043,644	101,201,777	187.33	6,745,351,312	1.500%

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 two 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 June 30,	Taxable Market Value	Full Taxable Value	Incremental Value for All Tax Increment Districts	Net Taxable Value (excludes Tax Increment Districts Incremental Values)	Taxable Value for Open Space Purposes
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
2018	6,745,351,312	106,224,806	5,030,031	101,194,775	105,727,520

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

Note: Property is assessed by the State Department of Revenue every two 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 <u>June 30,</u>	<u>BOZEMAN DOWNTOWN</u>			<u>NORTHEAST URBAN RENEWAL DISTRICT</u>			<u>NORTH 7TH CORRIDOR</u>		
	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>
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
2018	1,328,695	3,769,917	5,098,612	423,054	223,765	646,819	3,507,723	948,746	4,456,469
Fiscal Year Ended <u>June 30,</u>	<u>MANDEVILLE FARM INDUSTRIAL</u>			<u>BOZEMAN TECHNOLOGY</u>			<u>TOTAL</u>		
	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>
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
2018	12,059	87,633	99,692	417	-	305	5,271,948	5,030,061	10,302,009

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

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

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

<u>Downtown Bozeman Improvement District</u>					
Fiscal Year Ended June 30,	Taxable Market Value of Property in the District	Taxable Value of Property in the District	Incremental Taxable Value	City Taxable Value (Excluding ALL tax increment district valuations)	The District's Incremental Taxable Value as Percentage of City's Taxable Value
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%
2018	297,005,720	5,098,612	3,769,917	101,201,777	3.73%

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

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

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

Taxing Entity	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	79.78	85.19	89.94	88.69	87.40	88.38	89.55	99.77	100.41	91.23
Open Space Bond	4.63	5.81	6.14	5.99	4.89	4.90	4.95	5.03	5.85	5.13
County-Wide School	100.26	94.02	95.74	95.61	96.47	101.28	99.94	106.85	105.39	99.67
Bozeman High School District	71.40	69.05	75.34	73.48	71.81	73.16	72.97	76.76	77.25	73.10
Bozeman Elementary School District	141.13	130.49	121.55	123.38	131.45	145.25	143.70	151.15	154.81	146.92
City of Bozeman	171.16	170.19	168.75	166.75	166.75	173.08	188.76	210.16	205.30	187.33
TOTAL	608.36	594.75	597.46	593.90	598.77	626.05	639.87	689.72	689.01	643.38
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	1.04	1.01	0.99	1.00	0.98	0.97	0.95	1.05	1.01	0.89
County-Wide Planning	2.58	2.50	2.40	2.40	2.39	2.39	2.35	2.39	2.39	2.48

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 June 30,	Basic Rate	General Obligation Debt Service	Total Direct Tax Rate	Bozeman School District	Gallatin County	State of Montana
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
2018	173.92	13.41	187.33	220.02	223.33	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>2018</u>			<u>2009</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	\$ 5,379,804	1	5.32%	\$ 3,126,536	1	4.21%
Verizon Wireless	583,961	2	0.58%			
Centurylink, Inc. (Qwest)	524,350	3	0.52%	1,138,418	2	1.53%
Charter Communications Inc	498,174	4	0.49%			
NB Stadium View District	460,554	5	0.46%			
Harry Daum - Gallatin Mall	446,722	6	0.44%	533,461	3	0.72%
Stone Ridge Partners LLC	423,820	7	0.42%	357,325	7	0.48%
Mitchell Development & Investment LLC	376,921	8	0.37%	326,043	10	0.44%
Bridger Peaks Holding LLC	375,052	9	0.37%			
First Security Bank	352,421	10	0.35%			
Bozeman Deaconess Foundation				504,584	4	0.68%
BVI/HJSI Bozeman LLC				402,806	5	0.54%
Wal-Mart Stores				377,391	6	0.51%
Celoco Partnership				344,823	8	0.46%
Lowes HIW Inc.				340,678	9	0.46%
Total	<u>\$ 9,421,779</u>		<u>9.31%</u>	<u>\$ 7,452,065</u>		<u>10.05%</u>
 Total City Taxable Assessed Value	 <u>\$ 101,201,777</u>			 <u>\$ 74,178,000</u>		

Source: Gallatin County Treasurer

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

		2018			2017		
		Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Taxpayer	Business						
G25 HOLDINGS LLC	Property Investor/Developer	\$ 278,567	2	5.46%	\$ 209,245	2	4.95%
First Security Bank	Bank	220,843	1	4.33%	296,961	1	7.02%
5 West LLC	Multi Tennant Commercial/Residential Building	132,329	3	2.60%	N/A	N/A	N/A
F&H, LLC	Property Investor/Developer	126,764	4	2.49%	119,590	3	2.83%
Moose Point LP	Commercial Property Developer	124,225	5	2.44%	113,996	4	2.70%
777 Building	Multi Tennant Office Retail Building	115,658	6	2.27%	104,808	5	2.48%
Downtowner Group LLC	Business Support Services	96,034	7	1.88%	89,618	6	2.12%
Atlantic Financial Group Ltd.	Bank	92,786	8	1.82%	79,733	7	1.89%
M & J Cowdrey LLC	Property Investor/Developer	83,944	9	1.65%	71,265	10	1.69%
702 LLC	Property Investor/Developer	80,750	10	1.58%	71,497	9	1.69%
	Total	\$ 1,351,900		26.52%	\$ 1,156,713		27.36%
Total Downtown BID Taxable Assessed Value		\$ 5,098,612			\$ 4,227,246		

Source: Gallatin County Treasurer

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 12,696,306	\$ 12,493,145	98.40%	179,326	\$ 12,672,470	99.81%
2010	13,324,175	12,415,922	93.18%	898,397	13,314,319	99.93%
2011	13,567,611	13,001,537	95.83%	530,723	13,532,260	99.74%
2012	13,683,839	13,108,003	95.79%	413,237	13,521,239	98.81%
2013	13,878,293	13,633,347	98.24%	186,441	13,819,788	99.58%
2014	14,821,724	14,482,502	97.71%	183,130	14,665,632	98.95%
2015	16,590,871	16,559,270	99.81%	31,601	16,590,871	100.00%
2016	18,191,892	18,009,556	99.00%	28,772	18,038,328	99.16%
2017	18,338,501	18,069,230	98.53%	46,903	18,116,133	98.79%
2018	18,956,357	18,791,653	99.13%	-	18,791,653	99.13%

Source: Gallatin County
City Manager's Final Adopted Budget

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

	Fiscal Year									
	<u>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>	<u>2018</u>
Type of Customer										
Residential	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	1,623,881
Government	66,253	51,168	48,228	49,349	59,589	52,448	53,165	51,923	56,956	75,001
MSU	254,891	228,789	227,019	235,965	233,484	213,698	210,107	208,618	225,394	217,967
Commercial	670,961	571,223	568,474	602,352	638,337	607,444	599,193	610,741	620,761	618,398
Total	<u>2,508,464</u>	<u>2,075,343</u>	<u>2,024,916</u>	<u>2,211,481</u>	<u>2,445,396</u>	<u>2,307,423</u>	<u>2,247,605</u>	<u>2,364,473</u>	<u>2,504,550</u>	<u>2,535,247</u>
 Total direct rate per 1,000 HCF	\$ 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	\$ 3,337.92

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
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
2018	\$ 15.70	\$ 24.60	\$ 19.01	\$ 31.50

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

Sources: 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
 City of Bozeman, Montana Commission Resolution 4819 & 4820

DEBT CAPACITY

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

Fiscal Year Ended June 30.	Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Notes Payable	Capital Leases	Special Assessment Bonds	Tax Increment Financing Bonds	Water Revenue Bonds	Wastewater State of MT RLF Loans	Stormwater Revenue Bond	Capital Leases				
2009	\$ 4,815,000	\$ -	\$ 360,127	\$ 5,211,000	\$ 5,850,000	\$ 56,615	\$ -	\$ -	\$ -	\$ 16,292,742	2.01%	\$ 441.14	
2010	4,275,000	851,071	291,237	4,819,000	5,695,000	28,992	7,902,127	-	-	23,862,428	2.75%	\$ 640.09	
2011	3,710,000	509,705	214,016	4,351,500	5,535,000	-	24,017,080	-	-	38,337,301	4.68%	\$ 1,027.42	
2012	3,080,000	306,727	203,860	2,269,500	5,370,000	182,577	23,853,427	-	-	35,266,091	4.39%	\$ 925.23	
2013	2,445,000	1,198,823	149,892	1,659,500	5,195,000	13,751,878	22,501,119	-	-	46,901,212	5.56%	\$ 1,210.26	
2014	11,685,000	1,086,396	94,176	1,185,500	5,015,000	18,140,000	21,025,565	-	-	58,231,637	6.83%	\$ 1,498.50	
2015	16,320,000	963,274	295,912	890,500	4,825,000	17,365,000	19,972,565	229,750	434,598	61,296,599	7.22%	\$ 1,471.35	
2016	15,570,000	884,844	249,501	662,500	4,630,000	16,567,000	18,930,565	1,440,430	363,749	59,298,589	6.98%	\$ 1,366.17	
2017	14,710,000	902,500	270,492	501,000	4,425,000	15,760,000	17,856,000	1,367,430	290,538	56,082,960	6.11%	\$ 1,239.40	
2018	13,835,000	763,588	463,535	406,000	5,018,931	19,107,497	16,368,000	1,292,430	214,887	57,469,869	5.78%	\$ 1,233.36	

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
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
2018	13,835,000	4,926,931	18,761,931	18.5%	\$ 402.65

Source: City Manager's Final Adopted Budget

CITY OF BOZEMAN, MONTANA
DIRECT & OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

	Debt Outstanding as of June 30, 2018	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<u>Overlapping Bonded Indebtedness</u>			
Gallatin County:			
Various issues outstanding	\$ 33,270,000	36%	\$ 11,920,441
Bozeman School District #7:			
Various issues outstanding	<u>\$ 197,531,849</u>	<u>31%</u>	<u>\$ 61,021,015</u>
Subtotal overlapping debt			\$ 72,941,456
<u>City of Bozeman, Montana</u>			
Direct Debt	<u>\$ 20,487,055</u>	<u>100%</u>	<u>\$ 20,487,055</u>
Total Direct & Overlapping Debt			<u><u>93,428,510</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>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>	<u>2018</u>
Debt limit*	\$ 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	\$ 168,633,783
Total net debt applicable to limit	(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)	\$ (14,598,588)
Legal debt margin	<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>	<u>\$ 154,035,195</u>
Total net debt applicable to the limit as a percentage of debt limit	8.0%	6.5%	5.1%	4.5%	4.8%	15.1%	18.2%	11.6%	12.6%	8.7%

*2.5% of total market value of taxable property of \$6.7 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	
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
2018	10,157,888	(6,364,371)	(1,141,000)	(510,881)	2,141,636	506,819	(95,000)	(23,221)	388,598

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
2018	8,876,017	(5,158,989)	(1,104,000)	(513,009)	2,100,019

CITY OF BOZEMAN, MONTANA
DEBT SERVICE REQUIREMENTS AND COVERAGE
FOR TAX INCREMENT DISTRICTS
Past Ten Fiscal Years

DOWNTOWN IMPROVEMENT DISTRICT

NORTHEAST URBAN RENEWAL DISTRICT

Fiscal Year Ended June 30,	Revenues Available for Debt Service	Annual Debt Service Payment	Coverage	Revenues Available for Debt Service	Annual Debt Service Payment	Coverage
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	-	-	-
2018	2,430,377	422,288	5.76	149,580	92,000	1.63

**\$863,000 Bond issuance for the Northeast Urban Renewal District on 7/20/2017

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

As of June 30, 2018

Bond Issue	Original Amount	Maturity Date	Bonds Outstanding	Cash Balance	Assessments Outstanding	Delinquent Assessments
SID 669	\$ 1,160,000	7/1/2020	65,000	41,174	95,445	1,735
SID 683	1,372,000	7/1/2024	140,000	102,869	327,099	(3,114)
SID 684	1,376,869	7/1/2025	-	249,902	383,256	(958)
TOTAL	<u>\$ 3,908,869</u>		<u>\$ 205,000</u>	<u>\$ 393,945</u>	<u>\$ 805,800</u>	<u>\$ (2,338)</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
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
2018	2,903,817	916,503

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>
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
2018	505,481	506,819.00

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
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%
2018	46,596	2.9%	\$ 993,940,022	28,748	27.9	55.6%	6,908	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 2018		June 2009	
Private Employers By Class	Employer Class Size	Private Employers By Class	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	9
Oracle America	8	Right Now Technologies	7
Kenyon Noble Lumber & Hardware	7	Wal-Mart	7
Town Pump Convenience Stores	7	Albertsons	6
Wal Mart	7	Bozeman Daily Chronicle	6
Albertson's	6	Community Food Coop	6
Blackhawk Industries	6	Costco	6
Bridger Bowl	6	First Security Bank	6
Community Food Co-Op	6	Kenyon Noble Lumber & Hardware	6
Costco	6	Lowes	6
First Security Bank	6	Martel Construction	6
First Student	6	McDonald's	6
JC Billion	6	Murdoch's Ranch & Home Supply	6
McDonalds	6	Ressler Motor Co	6
Murdoch's Ranch & Home Supply	6	Ridge Athletic Club	6
Ressler Motor	6	Riverside Country Club	6
Simms Fishing Products	6	Rosauers Supermarket	6
Town & Country Foods	6	Simkins Hallin Lumber	6
Williams Plumbing & Heating	6	Town Pump	6
Zoot Enterprises	6	Zoot Enterprises	6
Public Employers By Class	Employer Class Size	Public Employers By Class	Employer Class Size
Montana State University	9	Montana State University	9
Belgrade School District	8	Bozeman School District	8
Bozeman School District	8	City of Bozeman	7
Gallatin County	8	Gallatin County	7
City of Bozeman	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									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
City Commission	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	0.10
City Manager *	10.50	11.50	11.50	8.00	8.00	5.00	5.00	6.00	6.00	9.00
Municipal Court	7.00	7.50	8.50	8.50	8.50	8.50	9.00	8.50	8.50	9.50
City Attorney	6.00	11.50	7.00	7.00	7.00	7.00	9.00	10.20	10.20	10.70
Administrative Services	-	-	-	-	-	19.00	21.00	21.50	23.50	22.50
Finance *	10.00	8.75	8.75	10.00	11.00	-	-	-	-	-
Information Technology *	6.00	5.88	5.88	6.00	6.00	-	-	-	-	-
Community Development	13.70	12.20	12.20	8.75	9.00	8.00	12.60	11.60	13.00	13.00
Building Maintenance	<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>	<u>4.50</u>
Total General Government	<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>	<u>69.30</u>
Public Safety										
Police Department	62.75	71.75	71.75	71.25	72.75	72.75	72.25	71.70	72.70	72.70
Fire Department	45.25	41.75	41.75	41.75	43.75	45.75	45.00	46.00	46.00	46.00
Building Inspection	13.55	9.55	10.55	10.55	10.55	12.55	14.00	18.50	18.50	19.50
Parking	<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>	<u>6.00</u>
Total Public Safety	<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>	<u>144.20</u>
Public Services										
Public Services Administration / Engineering	8.15	8.15	8.15	10.00	10.00	12.00	6.58	10.25	11.50	11.50
Streets	17.62	17.62	17.62	17.62	17.62	18.62	16.20	18.85	19.85	21.85
Storm Water	-	-	-	-	1.00	1.00	4.00	6.25	6.50	7.50
Water Treatment Plant	9.27	9.27	9.27	9.77	9.77	11.27	12.75	10.50	10.50	10.00
Water Operations	16.62	15.62	15.62	15.62	15.62	15.62	17.33	14.45	14.45	12.00
Wastewater Operations	11.25	10.25	10.25	10.25	10.25	11.25	13.09	13.30	14.05	12.00
Wastewater Plant	15.87	15.87	15.87	15.87	16.37	17.47	15.50	14.75	14.75	15.00
Solid Waste Collection/Recycling	15.74	15.74	15.74	15.74	15.74	15.74	15.90	15.15	16.15	17.15
Solid Waste Disposal	-	-	-	-	-	-	-	-	-	-
Vehicle Maintenance	<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>	<u>7.50</u>
Total Public Services	<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>	<u>114.50</u>
Public Welfare										
Cemetery (numerous short terms)	5.75	5.75	5.75	3.33	3.33	3.33	4.90	5.04	5.04	4.75
Parks (numerous short terms)	13.45	13.45	13.45	11.77	11.77	11.77	15.40	14.51	14.51	14.90
Forestry	4.60	4.60	4.60	4.60	4.60	4.60	5.95	5.65	6.65	5.20
Library	21.66	21.66	21.66	21.66	21.56	23.11	23.41	26.02	28.02	28.02
Recreation (numerous short terms)	15.00	15.00	15.00	15.83	15.83	16.83	16.83	23.55	24.26	23.41
Community Services	<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>	<u>2.00</u>
Total Public Welfare	<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>	<u>78.28</u>
Total of all Funds	<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>	<u>406.28</u>

Source: City Manager's Final Adopted Budget

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

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

	Fiscal Year Ended June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Finance										
SID Statements	15,000	15,816	16,000	16,000	16,200	16,424	16,506	16,893	17,200	17,463
Utility Bills	134,000	135,000	135,000	135,000	138,000	155,000	162,000	166,000	169,000	172,000
Accounts Payable Checks Processed	12,218	12,076	12,122	11,962	12,519	10,453	11,098	11,000	11,800	12,350
Police										
Number of Officers	52	55	56	60	63	63	61	60	61	60
Calls for Service	45,145	43,385	45,131	45,358	47,361	48,542	46,290	47,400	48,200	49,257
Arrests	2,853	2,338	2,325	2,152	2,096	2,165	2,195	2,078	2,427	2,430
Misdemeanor Citations Issued - includes traffic **	n/a	3,311	4,504	5,234	5,205	6,045	6,169	6,390	5,886	6,500
Traffic Stops **	n/a	10,702	10,036	9,358	10,629	8,210	7,757	7,482	7,900	7,675
Traffic Crashes	1,302	1,194	1,486	1,264	1,320	1,469	1,601	1,792	1,850	2,047
Fire										
Fires, Hazardous Conditions & Rupture/Explosions	248	248	278	278	309	340	296	349	275	459
Emergency Medical Services/Rescue	1,441	1,441	1,483	1,483	1,941	2,051	2,032	2,424	1,584	2,504
Service Calls	145	145	187	187	145	212	202	244	250	349
Building Inspection										
Commercial Permits:										
Number	1,047	961	1,535	1,420	1,305	1,165	1,560	1,628	1,731	883
Value (Millions)	140.50	70.41	106.90	95.03	69.64	\$44.50	\$98.02	\$164.47	\$65	\$216
Residential Permits:										
Number	1,571	1,543	3,613	2,421	2,338	2,911	2,836	3,937	3,905	3,222
Value (Millions)	79.67	67.02	72.57	89.74	146.32	\$130.68	\$191.97	\$200	\$130	\$340
Water										
New Service Main Taps	39	16	3	20	41	57	70	60	72	65
Meter Replacement/Repair	368	650	467	279	113	479	1006	978	1500	994
Water Main Breaks/Repairs	6	4	1	6	4	7	5	7	6	7
Wastewater										
Main Line Flushing (in Miles)	90	81	78.26	90	47	30	90	50	30.9	50
New Infrastructure TV (in Miles)	1	1	1	1	2.6	2	8	2.6	9.9	7
New Service Taps	15	5	4	4	17	37	44	20	30	30
Solid Waste Collection & Recycling										
Residential Accounts	6,957	7,130	7,092	7,240	7,470	7,869	8,369	8,878	9,378	9,843
Commercial Customers	262	268	271	281	265	258	265	461	516	300
Recycling Customers	881	965	970	1,000	1,135	1,601	2,100	2,663	3,300	3,700
Annual Tonnage Collected: Collections Program	10,397	10,657	10,920	11,248	10,695	10,960	11,457	11,691	12,490	13,600
Vehicle Maintenance										
Work Orders Processed	870	1,005	1,435	1,473	1,646	1,717	1,549	1,453	1,509	2,592
Gallons of Oil Disposed	9,350	9,175	9,445	8,751	8,640	8,740	8,969	7,395	6,475	5,007
Parks										
Park Reservations	221	280	319	320	350	400	400	400	400	425

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,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (Cars)	19	20	20	20	20	20	22	21	21	22
Patrol Units (Motorcycles)	4	4	4	4	4	4	2	3	3	3
Fire										
Stations	3	3	3	3	3	3	3	3	3	3
Fire Trucks	5	6	6	6	6	7	7	7	7	7
Streets										
Street & Alley Mileage	243	247	255	255	256	252	253	254	274	280
Lane Miles Painted	35	40	40	41	37	35	49	50	50	52.0
Number of Signs Installed/Repaired	732	750	722	1,120	669	798	600	600	600	708
Water										
Water Mains (Miles)	254	256	258	261	265	267	269	275	277	283.95
Fire Hydrants	2,274	2,308	2,324	2,351	2,388	2,406	2,419	2,511	2,573	2,618
Wastewater										
Sanitary Sewers (Miles)	201	205	205	208	210	212	213	219	224	234.64
Number of Manholes	3,988	4,034	4,080	4,084	4,154	4,185	4,219	4,360	4,492	4,614
Solid Waste										
Number of Collection Vehicles	8	8	8	8	8	8	8	8	8	8
Number of Roll-off Trucks	4	4	4	4	4	4	4	4	4	5
Number of Recycling Trucks	1	1	1	1	1	2	2	2	2	2
Number of Compost Collection Trucks	2	2	2	2	2	2	2	2	2	1
Parks										
Formal Turf Acres	120	120	125	125	125	125	126	140	140	172
Natural Parkland Acres	205	205	210	220	220	220	220	220	220	323
Miles of Trails	50	54	55	55	55	61	63	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, 2018, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 21, 2018.

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 Zurmuehlen & Co., P.C.

Bozeman, Montana
December 21, 2018