

BOZEMAN^{MT}

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Prepared by the City of Bozeman Finance Department

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2016

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PART I

INTRODUCTORY SECTION

BOZEMAN^{MT}

December 22, 2016

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, 2016, 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

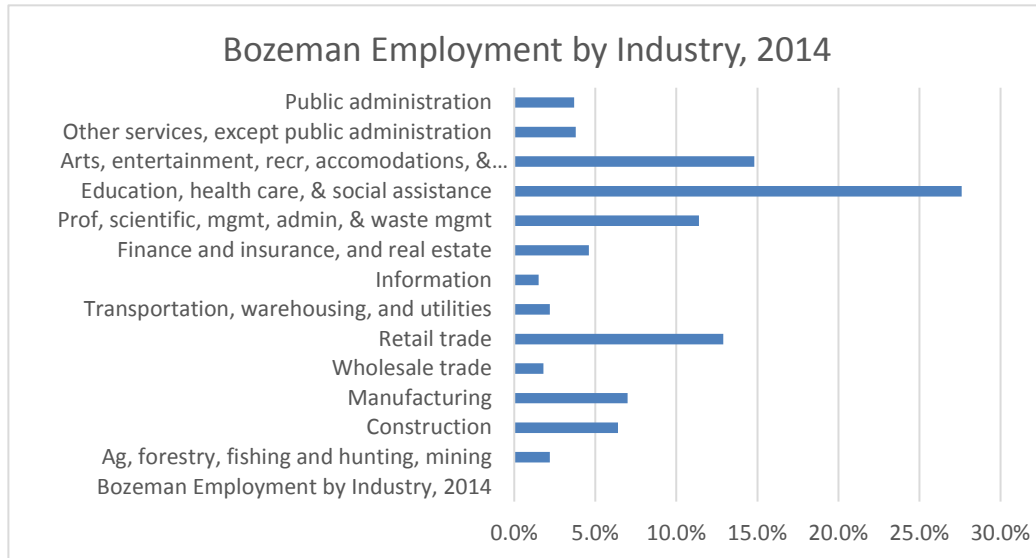
The City of Bozeman was incorporated in April of 1883 with a city council form of government, and later in January 1922 transitioned to its current city manager/city commission form of government. Bozeman encompasses an area over 18 square miles and is located on the eastern slope of the Rocky Mountains.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

The government provides a full range of services. These services include police and fire protection; sanitation services; water, waste water, & stormwater 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.

CITY OF BOZEMAN, MONTANA



The City Manager's Recommended Budget is created and submitted to the City Commission. Public work sessions are then held by the Commissioners at which time the City Manager, Administrative Services Director, and department staff explain the budget recommendations and underlying justification for the requests. The Commission also reviews departmental requests that 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 2016 marked the fourth year in a row where the final budget was adopted before start of the year. It was completed in late April and presented in early May with an adoption of a final budget before June 30th. This revised budget calendar was developed in Fiscal Year 2013 in an effort to improve understandability of our financial plans and to improve staff and commission efficiency. The overall goal of the City's financial policies is to establish and maintain effective management of the City's financial resources.

ECONOMIC CONDITION AND OUTLOOK

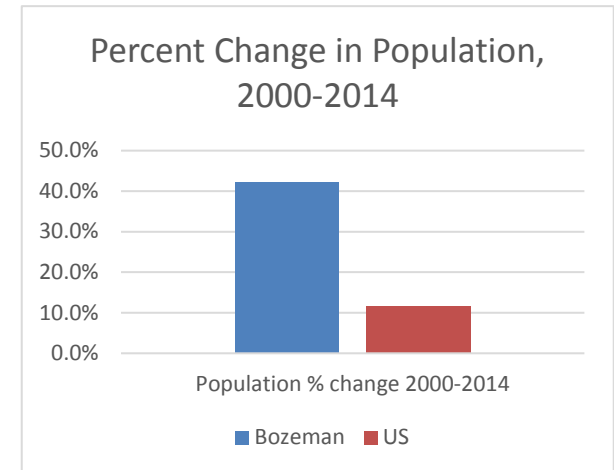
The charts contained on this page were developed from information obtained by using the Economic Profile System (EPS), for the City of Bozeman, made available from Headwaters Economics, an independent, nonprofit research group. The statistics are from multiple federal sources – Bureau of Economic Analysis and Bureau of the Census, U.S. Department of Commerce, and Bureau of Labor Statistics, as well as the U.S. Department

CITY OF BOZEMAN, MONTANA

of Labor. The other source of this information is the Bureau of Business and Economic Research (BBER) a research and public service branch of the University of Montana’s School of Business Administration. The Bureau is regularly involved in a wide variety of activities, including economic analysis and forecasting.

Regionally, Bozeman is located in southwestern MT in Gallatin County. This area is “one of the fastest growing economic areas in the northern Rocky Mountains. It has a varied economic base, an educated workforce, thriving technology and manufacturing industries, a major research university, abundant cultural and outdoor recreation opportunities, and a scenic natural landscape at the doorstep of Yellowstone National Park” as cited by Prospera Business Network, 2014 Economic Profile of Gallatin and Park Counties, Montana. Gallatin County continues to pace the state economically and remains the fastest growing urban area of Montana.

BBER reports that growth in wages in Gallatin County topped all other MT counties in 2015 at 10.5%. A recovering construction industry, continued expansion of high tech industry, growing finance and business services, as well as strong retail and health care sectors are driving Gallatin County’s wage growth. Associated is the fact that Montana State University is the largest basic industry in Gallatin County, accounting for approximately 28 percent of total basic earnings. The projections for long-term continued growth in enrollment suggest that in addition to the significant contribution to Gallatin County’s economic base in the form of wages and salaries, there are and will be additional positive influences on the local economy that are not reflected in the earnings data. BBER forecasts growth in nonfarm earnings between 4.6% and 5.0% in Gallatin County between 2016 and 2019 as compared to 2% overall Montana. While Bozeman experienced recent job growth of 4.57%, the number of jobs is projected to grow 46% over the next 10 years according to Sperling’s Best Places. Home affordability and labor availability are emerging as challenges of the future. Unemployment remains low in Gallatin County at 3.1% compared to 6.3% nationally.

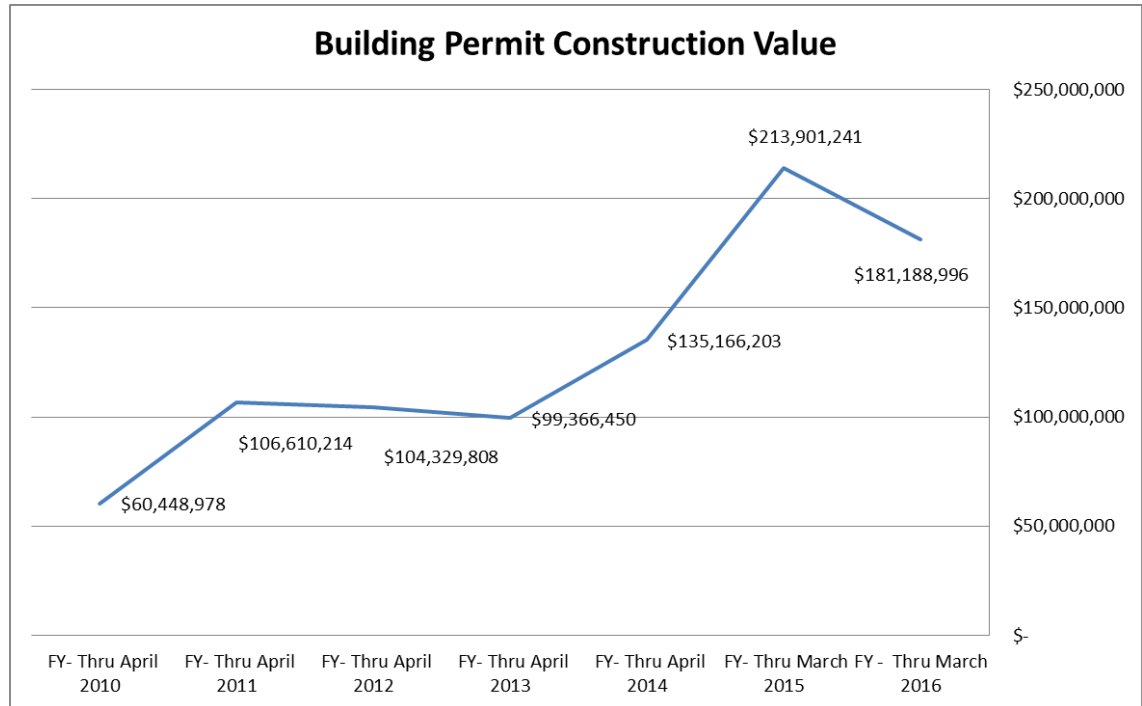


FOR THE YEAR

Significant Developments during the year include:

Continued Growth in Construction Sector:

The City’s Building Inspection division continued to experience strong permit issuance in the past 36 months. For the current fiscal year to date (July-March), the total value of Building Permits for New Construction is 15% less of the same time frame during the previous year, but still 24% higher than the 5-year average value, and three-fold what they were in 2010. Numerous positions were added to the Building Inspection division last year in FY15. The department continues to operate with those same staffing levels.



Creation of Arterial & Collector Assessment District: In August 2015, the City Commission created a new assessment district to fund reconstruction and maintenance of the City’s backbone street network – the arterial and collector streets. The District issued its first assessment in October. The intent is to build the assessment of up to \$2 Million/year over a three-year period. This is a critical funding portion of our Street Maintenance program and capital improvement plan.

Implementation of Impervious Area charges and credits in the Stormwater Utility: This past December marked the last of numerous changes in the structure of our Stormwater Utility rates. Initially the structure was established with a flat rate based on the size of a property's water meter. Now the rate system includes system base charges, credits for properties that have on-site or related stormwater systems, and charges for the amount of impervious area contained on a lot. This new rate structure is a better match between "cost-causer" and "cost-payer," in recognition of the city's long-standing fiscal policies.

FOR THE FUTURE

Water & Sewer Systems: As a result of the newly adopted Wastewater Collection System master plan document updates, two critical projects for FY16 were included in the Capital Improvement Plan.

- **South University District Wastewater**
- **Bridger Drive Extension Wastewater Project**

Both of these projects were necessary to serve existing and growing development around town, and were funded by a combination of Wastewater utility and impact fee funds. Water and Sewer rates were increased in the Water Fund (2.5% in FY16 and 2.5% in FY17), and in the Sewer Fund (3% in FY16 and 3% in FY17). The intent of the rate increases was to help keep utility operations and capital projects moving forward, with the required reserves and cash flow for borrowing, as necessary. Construction of a 5.3 million-gallon water storage reservoir will necessitate borrowing \$6.6 Million. Water rates will be pledged to repay this loan. This added water storage is a capacity-expanding project that is necessary for continued development in the city.



Joint Law & Justice Center: During the summer of 2016 the City Commission partnered to place this shared item on the November 2016 ballot. On November 8th, 2016, City of Bozeman and Gallatin County residents will be asked to vote on the proposed Law and Justice Center. In an effort to provide the community with information about the proposed project, the City and County have held a number of meetings for the community and various organizations to provide them with information on the project and why this need exists. The Bozeman City Commission and administration have spent considerable time educating the community on the effects of the ballot election.

Transportation System Improvements: The City is moving forward with planned increases in Street Maintenance and Arterial & Collector District assessments, which provide dollars for street expansions, reconstruction, and maintenance. Transportation items were cited as the number one concern by citizens responding to last year's Online City Hall budget priorities question.



Unified Development Code Design: The Unified Development ordinance was last adopted on November 24, 2003. The Ordinance adopted a new Unified Development Code, which replaced existing zoning and subdivision regulations that govern the use and development of land. In recent months, the Community Development department has updated planning fees and reorganized its divisions in order to better assist the City of Bozeman residents. Along with these changes, new revisions to the Unified Development Code are needed to better address modern development within our rapidly growing city.



Broadband for growing local businesses: The Bozeman Fiber Initiative is moving forward. The nonprofit was created in May of 2016 and will secure the private funding needed for system build-out. A number of the City's Tax Increment Financing (TIF) Districts adopted work plans that play a role in funding infrastructure within their boundaries. The Commission incorporated those work plans into the Approved Budget for the upcoming fiscal year.

Other

- Water Pipe Replacement Program – approximately \$1M every year for the construction of necessary water system replacement work.
- Waste Water Pipe Replacement Program – approximately \$1M every year for the construction of necessary sewer system replacement work.
- Intersection Control - approximately \$750,000 every year for improved traffic flow and safety at various intersections.
- Continue implementation of financial plans and asset management systems to properly maintain and replace the City's infrastructure and facilities.
- Vision & Strategic Plan: The project is currently underway and is scheduled to be completed during the upcoming fiscal year. This project will identify the community's preferred long-range future vision, and create a living, breathing Strategic Plan to help the City support it.

FINANCIAL POLICIES

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

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

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

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

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

Long-term debt is limited to capital improvements that 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, 2015. This was the 32nd consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

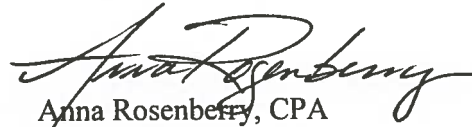
Acknowledgements

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

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

Sincerely,


Chris Kukulski
City Manager


Anna Rosenberry, CPA
Director of Finance


Brian LaMeres, CPA
City Controller

GOVERNMENT FINANCE OFFICERS ASSOCIATION CERTIFICATE



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Bozeman
Montana**

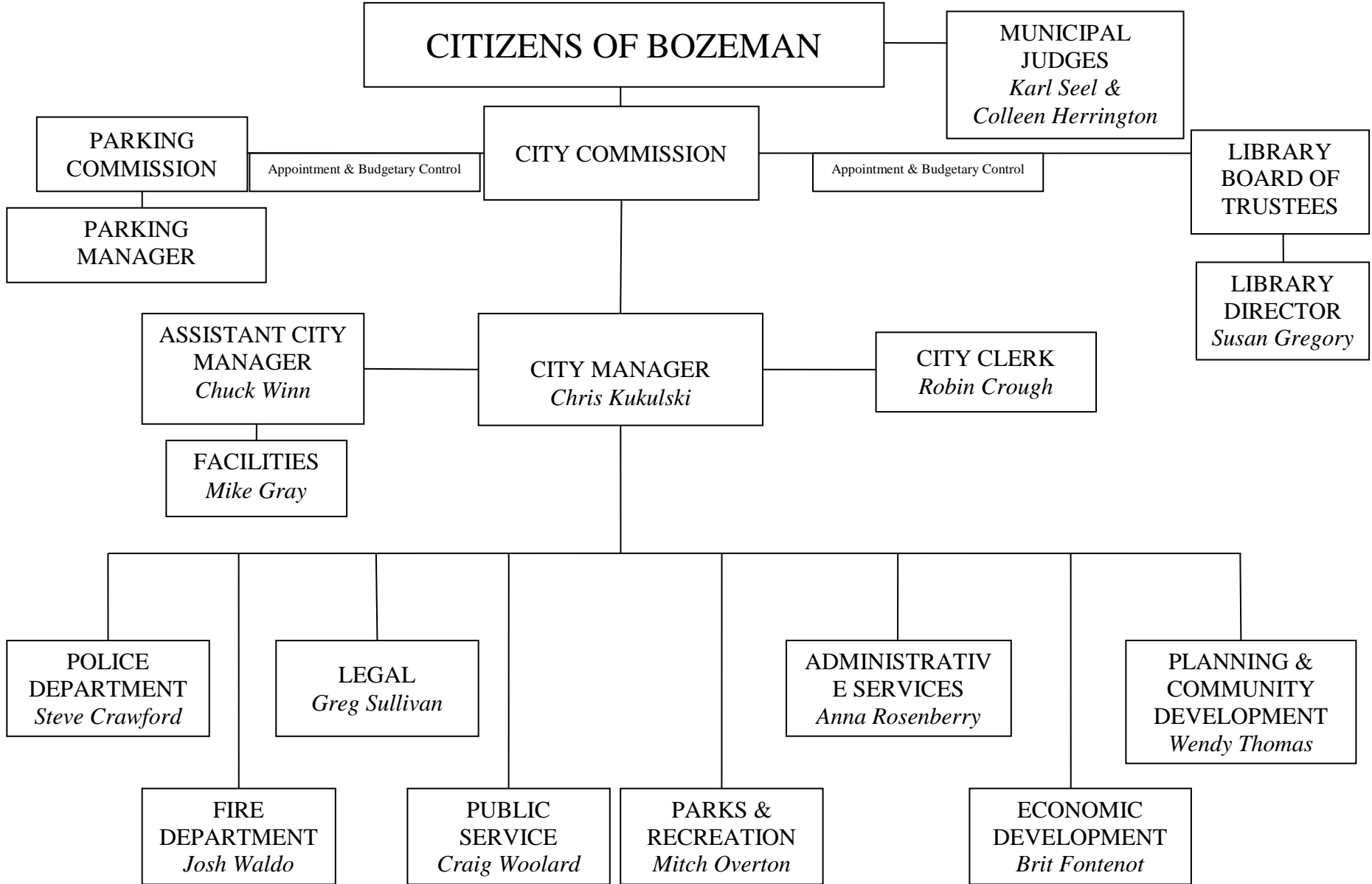
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

A handwritten signature in black ink, appearing to read 'Jeffrey R. Emer', is written over a horizontal line.

Executive Director/CEO

CITY OF BOZEMAN, MONTANA
ORGANIZATIONAL CHART
Fiscal Year 2016



CITY OF BOZEMAN, MONTANA

CITY ELECTED OFFICIALS AND OFFICERS

Fiscal Year 2016

ELECTED OFFICIALS

Legislative

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

Mayor
 Deputy Mayor
 Commissioner
 Commissioner
 Commissioner

Judicial

Karl Seel
 Colleen Herrington

Municipal Judge
 Municipal Judge

OFFICERS

Executive

Chris Kukulski
 Chuck Winn
 Robin Crough

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 Administrative Services

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

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

CITY OF BOZEMAN, MONTANA

CITY ELECTED OFFICIALS AND OFFICERS (CONTINUED)

Fiscal Year 2016

Department of Economic Development

Brit Fontenot

Director of Economic Development

Department of Public Safety

Steve Crawford
Richard McLane
Josh Waldo
Greg MegaardChief of Police
Deputy Chief of Police
Fire Chief
Deputy Fire Chief of Operations

Department of Public Service

Craig Woolard
Rick Hixson
John Alston

John Van Delinder
Kevin Handelin
Eric Campbell
Herb Bartle
Mike GrayDirector of Public Service
City Engineer
Superintendent of Water and Waste Water
Operations
Superintendent of Street Operations
Superintendent of Sanitation Operations
Superintendent of Water Treatment Plant
Superintendent of Water Reclamation Facility
Superintendent of Facilities

Department of Public Welfare

Mitch Overton
Thomas White
Jamie Saitta
Elizabeth Hill
Susan GregoryDirector of Parks & Recreation
Superintendent of Parks & Cemetery
Recreation Program Manager
Aquatics Manager
Director of Bozeman Public Library

Department of Planning and Community Development

Wendy Thomas
Chris Saunders
Brian KruegerDirector of Planning and Community Development
Community Development Manager
Development Review Manager

PART II

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bozeman, Montana (the City), as of and for the year ended June 30, 2016 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, 2016 and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information – General Fund and Special Revenue Major Funds, Schedule of Funding Progress - Other Postemployment Benefits (OPEB), and Schedule of Proportionate Share of Net Pension Liability and Schedule of Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Bozeman's basic financial statements. The introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 29, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
December 29, 2016

A. MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2016

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, 2016. Please read it in conjunction with the transmittal letter on page 1 and the City's financial statements, which begin on page 37.

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 37 – 39) 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 40. 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 22. 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, stormwater, solid waste, and parking systems are reported here.

CITY OF BOZEMAN, MONTANA
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Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's funds begins on page 28. The fund financial statements begin on page 40 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 reconciliations on pages 42 and 44 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.

CITY OF BOZEMAN, MONTANA
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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 50 and in the Combining Schedule of Changes in Assets and Liabilities-Agency Funds on page 172. As the statement and schedule 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.

THE CITY AS A WHOLE

The City's *combined* net position increased by \$27 million this year as compared to a \$1.6 million decrease last year due to a prior period adjustment booked for the first time in that year to implement GASB Statement 68 "Accounting and Financial Reporting for Pensions." The primary reason for this year's \$27 million increase in the City's net position this year is simply that the increase in City revenues significantly exceeded the increase in City expenses. Increases in Charges for Services and Restricted Capital Grants & Contributions (mainly road infrastructure provided by private developers) were the primary drivers of the increase in revenues. 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.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
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The net position of the City's governmental activities increased by 10.1% (\$143.2 million this year compared to \$130.1 million last year). *Unrestricted* net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased by \$1.2 million, or 142%, from negative (\$5.1) million to negative (\$3.9) million. The reason for this unrestricted net position being negative is the aforementioned implementation of GASB 68, which required the City to record its share of employee retirement for the first time.

The net position of the City's business-type activities increased by \$14 million, or 6.3%, from \$223 million to \$237 million due primarily to an increase in charges for services and an increase in Restricted Capital Grants & Contribution (mainly water and wastewater infrastructure provided by private developers). Accordingly, *unrestricted* net position also increased by \$4 million, or 60.6%, from \$6.6 million to \$10.6 million. 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	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 63.7	\$ 61.1	\$ 29.8	\$ 25.0	\$ 93.6	\$ 86.1
Capital Assets	126.1	116.5	257.2	249.1	383.4	365.6
Total Assets	<u>\$ 189.9</u>	<u>\$ 177.5</u>	<u>\$ 287.1</u>	<u>\$ 274.1</u>	<u>\$ 476.9</u>	<u>\$ 451.7</u>
Deferred Outflows of Resources	2.2	1.7	0.6	0.4	2.7	2.1
Long-term Debt Outstanding	(41.8)	(39.4)	(47.7)	(46.9)	(89.5)	(86.3)
Other Liabilities	(5.8)	(6.6)	(2.0)	(3.5)	(7.7)	(10.2)
Total Liabilities	<u>\$ (47.6)</u>	<u>\$ (46.0)</u>	<u>\$ (49.7)</u>	<u>\$ (50.4)</u>	<u>\$ (97.2)</u>	<u>\$ (96.5)</u>
Deferred Inflows of Resources	(1.2)	(3.2)	(0.4)	(1.1)	(1.7)	(4.3)
Net Position:						
Invested in Capital Assets, net of related debt	\$ 104.1	\$ 93.4	\$ 221.4	\$ 211.4	\$ 325.5	304.8
Restricted for parking capital projects	-	-	0.3	0.3	0.3	0.3
Restricted for general government	1.4	0.5	-	-	1.4	0.5
Restricted for Public Safety	3.4	2.4	-	-	3.4	2.4
Restricted for Public Service	16.1	15.3	-	-	16.1	15.3
Restricted for Public Welfare	5.5	6.4	-	-	5.5	6.4
Restricted for capital projects	9.2	10.0	1.6	1.6	10.8	11.6
Restricted for debt service	7.2	7.2	3.1	3.1	10.3	10.3
Unrestricted	(3.7)	(5.1)	10.6	6.6	6.9	1.5
Total Net Position	<u>\$ 143.2</u>	<u>\$ 130.0</u>	<u>\$ 237.0</u>	<u>\$ 223.0</u>	<u>\$ 380.2</u>	<u>\$ 353.0</u>

CITY OF BOZEMAN, MONTANA
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(CONTINUED)
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Table 2
Changes in Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for Services	\$ 16.4	\$ 15.0	\$ 25.8	\$ 22.8	\$ 42.2	\$ 37.9
Restricted Operating Grants & Contributions	2.5	2.2	0.1	0.1	2.6	2.3
Restricted Capital Grants & Contributions	5.0	3.0	11.3	6.4	16.3	9.3
General Revenues						
Property Taxes	21.2	20.2	-	-	21.2	20.2
Unrestricted Operating Grants & Contributions	8.0	7.8	-	-	8.0	7.8
Unrestricted Capital Grants & Contributions	-	-	-	-	-	-
Other General Revenues	1.1	0.8	-	-	1.1	0.8
Total Revenues	<u>54.2</u>	<u>48.9</u>	<u>37.2</u>	<u>29.3</u>	<u>91.4</u>	<u>78.3</u>
Program Expenses						
General Government	8.1	7.4	-	-	8.1	7.4
Public Safety	18.4	17.0	-	-	18.4	17.0
Public Service	6.9	6.5	-	-	6.9	6.5
Public Welfare	8.0	7.6	-	-	8.0	7.6
Interest and Fiscal Fees	0.9	0.8	-	-	0.9	0.8
Water	-	-	9.3	8.0	9.3	8.0
Waste Water	-	-	8.2	6.9	8.2	6.9
Non-major activities	-	-	0.5	4.4	0.5	4.4
Total Expenses	<u>42.2</u>	<u>39.3</u>	<u>17.9</u>	<u>19.3</u>	<u>60.1</u>	<u>58.6</u>
Excess (deficiency) before special items and transfers	12.0	9.6	19.3	10.0	31.3	19.6
Extraordinary items	-	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-	-
Transfers of capital assets	-	-	-	-	-	-
Transfers	1.2	(0.4)	(1.2)	0.4	-	(0.0)
Increase (decrease) in net position	<u>\$ 13.2</u>	<u>\$ 9.2</u>	<u>\$ 18.1</u>	<u>\$ 10.4</u>	<u>\$ 31.3</u>	<u>\$ 19.6</u>
Net position - beginning, as originally reported	130.0	137.0	223.0	217.6	353.0	354.6
Prior period adjustment	-	-16.2	-	-4.9	0.0	-21.2
Net position - beginning, as restated	130.0	120.8	223.0	212.6	353.0	333.5
Net position - ending	<u>\$ 143.2</u>	<u>\$ 130.0</u>	<u>\$ 241.1</u>	<u>\$ 223.0</u>	<u>\$ 384.3</u>	<u>\$ 353.2</u>

The City's total revenues (excluding special items) increased by 18.2% (\$14.2 million) from \$78.3 million to \$92.5 million, driven primarily by a \$6.8 million increase in Restricted Capital Grants & Contributions (again, mainly infrastructure provided by developers) and a \$5.6 million increase in Charges for Services, which will be discussed in more detail.

The total cost of all programs and services increased by \$7.1 million, or 12.1%, from \$58.6 million last year to \$65.7 million this year. This \$7.1 million increase was spread relatively evenly across the various City programs, with Public Safety (Police, Fire, Building Inspection), Water and Wastewater each reporting increases of just under \$1.5 million. There was also a significant increase in expenses reported for Nonmajor Business-Type activities due to a \$1.1 million Solid Waste expense recorded to update the Story Mill Landfill post-closure liability.

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

CITY OF BOZEMAN, MONTANA
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(CONTINUED)
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Governmental Activities

Revenues for the year from governmental activities increased by 10.6%, or \$5.2 million, from \$49 million to \$54.2 million, while total expenses increased by 7.6%, or \$3 million, from \$39.3 million to \$42.3 million. Property Tax revenues increased by \$1 million, or 4.5%, from \$20.2 million to \$21.2 million. Charges for services, which include Fire and Street Impact Fees, realized a net increase of \$1.4 million, or 9.3%, from \$15 million to \$16.4 million. Restricted Capital Grants and Contributions (developer-provided infrastructure reported under Program Revenues) increased by \$2 million, or 67%, from \$3.0 million to \$5.0 million. These and the other contributing factors listed below are primarily responsible for this year's change in net position:

Charges for services increased by \$1.4 million, or 9.3%, from \$15 million last year to \$16.4 million this year. Street Impact Fees did increase by over \$117,500, but the largest single factor was over \$565,000 in revenue from the newly-created Arterial and Collector Streets Special District. Standard Street Assessments also increased significantly by \$446,000, or 12.9%, from \$3.46 million to \$3.9 million due to an increase in the customer base and due to the continued increase in Street Maintenance Assessment rates in response to the City Commission's policy direction to address deferred street infrastructure maintenance and to build a reserve for curb and sidewalk replacement. Fire impact fee revenues actually decreased by 25.3%, or \$85,728, from \$424,190 to \$338,500.

Property Tax collections increased by \$1 million, or 4.95%, from \$20.2 million last year to \$21.2 million this year due mainly to an increase in the number of property tax mills levied for the general functions of the City and to service the debt on the issuance of the remaining Trail & Open Space (TOP) Bonds. This 12.4% increase in the amount of mills levied (188.76 to 210.16) also was needed to offset the decrease in the mill values, which dropped 1.5% from \$87,894 to \$86,564 after the latest property reappraisal conducted by the Montana Department of Revenue as it changed its appraisal cycle from every 6 years to every 2 years.

Property Tax revenues actually decreased in some of the Tax Increment Financing (TIF) Districts, with revenues in the North 7th/Midtown decreasing by 12.6%, or \$86,700, from \$772,700 to \$686,000 and revenues in the Downtown TID decreasing by 5.4%, or \$53,570, from \$1,039,000 to \$985,500 due to the property reappraisal and resulting shift in tax burden from commercial to residential property owners. While property tax revenues did increase City-wide, it is important to note that this year's tax levy was still 4.2 mills, or approximately \$363,000, below the statutory maximum allowable tax rate.

Restricted Capital Grants and Contributions (reported under Program Revenues) increased by \$2 million, or 67%, from \$3.0 million to \$5.0 million, mainly due to transportation/road infrastructure provided by developers, which increased by 70%, or \$1.7 million, from \$2.5 million to \$4.2 million. City park assets contributed by developers were also a factor for the year, including \$513,000 in developer-provided parkland and \$10,000 in park improvements. Private parties also provided a little over \$38,000 in donated capital for public safety, including an ambulance for the Fire Department.

CITY OF BOZEMAN, MONTANA
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(CONTINUED)
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Program Expenses increased by 7.6%, or \$3 million, from \$39.3 million to \$42.3 million. Significant contributors included personnel costs for Public Safety due to increased staffing, with Police increasing 6.8%, or \$470,500, from \$6.97 million to \$7.43 million and Building Inspection increasing 23.2%, or \$247,400, from \$1.07 million to \$1.3 million. However, personnel costs in the Fire Department only increased 1.6%, or \$80,500, from \$5.08 million to \$5.16 million. Non-personnel operating costs in Public Safety also increased significantly by 25.4%, or \$635,000, from \$2.5 million to \$3.1 million, with nearly \$631,000 being spent on the design of a new joint City-Gallatin County Law & Justice Center.

The cost of all *governmental activities* this year was \$42.3 million compared to \$39.3 million last year. However, as shown in the Statement of Activities on page 39 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 \$18,285,579 because some of the cost was paid by those who directly benefited from the programs (\$16,402,006 in Charges for Services) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$2,494,244 plus \$5,018,559 = \$7,512,803).

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 substantially by \$9.0 million, or 30.8% (\$38.3 million this year compared to \$29.3 million last year) while expenses increased \$4.1 million, or 21.2% (\$23.4 million compared to \$19.3 million last year). The increase in revenues was driven by a \$4.2 million overall increase in charges for services and a \$4.8 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. The increase in expenses this year was due to a \$1.3 increase in spending in both the Water and Wastewater operations and, due to the aforementioned expense, reported in Solid Waste (reported under Nonmajor activities) to account for the increase in the Landfill post-closure liability. Specific factors driving these and other regular operating results include:

	Total Cost of Services		Net Cost of Services	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Police	\$ 9.4	\$ 8.2	\$ 7.8	\$ 6.7
Fire	6.0	6.0	5.0	5.0
Public Service	8.7	6.5	(1.9)	(3.3)
Library	2.3	2.1	1.5	1.4
Parks	1.7	1.6	1.6	1.6
Recreation	1.4	1.3	0.9	0.9
All Others	<u>12.9</u>	<u>13.6</u>	<u>3.4</u>	<u>6.8</u>
Totals	<u>\$ 42.2</u>	<u>\$ 39.3</u>	<u>\$ 18.3</u>	<u>\$ 19.1</u>

CITY OF BOZEMAN, MONTANA
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Water – The City's water system operating revenue (charges for services) have steadily increased over the past decade as a result of both an increase in the customer base in past years and as a result of regular rate changes, although the Commission voted to hold water rates steady two years ago followed by a 2.5% rate increase this year. Beginning last year, the Public Works Department budget was charged to the Water Fund instead of the General Fund, and this department's administrative overhead is charged out to the departments that use their services, which resulted in \$887,000 in revenue being recorded as part of the \$1,074,008 reported under "Other income". The City's customer-base growth grew by 337 customers, 2.9%, from 11,646 average active customer accounts to 11,983. This level of growth rate is trending more closely to the 5% growth experienced between 2005-2008. In updating the rate study for slower customer growth in recent years, decreased Water Impact Fee collections and new estimates of Water Plant costs, the City implemented water rate increases of 4.5% each year in fiscal years 2011, 2012, and 2013 in order to fund plant construction and other scheduled operations and maintenance costs. As a result, the City was able to revitalize its water distribution pipe replacement program and replace or rehabilitate aging infrastructure every year instead of every two years. After no rate increase last year, in light of the other tax and rate increases imposed upon City residents, the City Commission voted this year to increase rates by 2.5%.

Because of the increase in the water rate and in the utility customer base, combined with a \$106,300 increase in cash-in-lieu-of-water-rights, operating revenues increased notably by \$665,957, or 8.6% from \$7.7 million to \$8.4 million. Water impact fee revenues increased significantly by \$707,000, or 36.7% due to an increase in new and other impact-fee qualifying construction. The \$106,300 increase in cash-in-lieu of water rights revenue was a 31% increase to \$446,150 from last year's \$339,851. Contributions of infrastructure by private developers increased \$873,000, or 20.3%, from \$4,305,327 to \$5,178,425 this year due to a continued upturn in construction and development.

Operating expenses increased by \$1.3 million, or 17.4%, from \$7,457,485 last year to \$8,758,385 this year mainly due to increased Salaries and benefits costs (up \$385,000) and a \$768,000 increase in Other expenses, including \$332,900 spent on the Water Facility Plan update and \$103,800 spent on Groundwater Investigation.

Other major accomplishments and projects completed during the year include: \$673,300 spent on increased replacement of water distribution system pipes (recorded as a Capital Addition as opposed to an expense), \$305,000 in finishing touches to the new Water Plant, \$206,300 towards a new \$5.3 million gallon concrete water storage reservoir at Sourdough, and continued use of six fixed-base water meter receivers at Kenyon Dr. Water Tank, City Shops, 911 center, Laurel Glen Annex, Solid Waste office, and Nelson Story Tower at MSU, which greatly improves the efficiency of the monthly water meter reading process.

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Wastewater – Revenues in the Wastewater Fund have generally been increasing over the past 10 years and are estimated at \$8.4 million for the upcoming year. Five years ago the City borrowed significantly to construct the new Water Reclamation Facility. This debt is being repaid by system users over the next 20 years. Accordingly, the City Commission adopted a two-year rate resolution of a 6% increase for fiscal years 2012 and 2013 and 3% for fiscal years 2014 through next fiscal year 2017. As a result of the rate increase, combined with the same customer growth experienced in the water system of 337 customers, operating revenues for the year increased by \$296,575 or 3.9% from \$7,631,117 last year to \$7,927,692 this year.

Wastewater operating expenses increased by \$1.3 million, or 20.6%, from \$6,308,846 to \$7,611,043 driven by mainly by the fact that there was an unusual negative \$1.1 million adjustment (based on updated information from legal counsel following the most recent engineering update) to operating expenses last year to adjust the Bozeman Solvent Site liability (which was favorable because it actually decreased the amount of the overall liability) but no such negative adjustment occurred this year, so actual expenses recorded are back to normal. Personnel costs charged to Wastewater actually decreased this year by 2.5%, or (\$54,680), from \$2.17 million to \$2.11 million, while Repair and Maintenance increased by \$118,900, or 43.9%, from \$271,127 to \$390,034 with \$47,900 being paid out to Columbine Control Company and \$47,480 to Williams Plumbing & Heating throughout the year.

Major projects during the year also included \$225,700 contributed to the North Wallace Avenue reconstruction project and \$138,400 spent on updating the Wastewater Facility Plan.

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 40 - 41) reported a *combined* fund balance of \$53,151,127. Included in this year's total change in fund balance is a positive General Fund balance of \$6,521,099, up \$459,134, or 7.6%, from \$6,061,965. The following five separate categories of fund balance are recognized, based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts can be spent: nonspendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance. The total of the last three categories, which include only resources without a constraint on spending or for which the constraint on spending is imposed by the government itself, is termed *unrestricted fund balance*. The Government Finance Officers Association's recommends maintaining an *unrestricted general fund balance* of no less than two months of regular general fund operating revenues, or \$4,561,352 for this year. The City's ending general fund balance of \$6,521,099 exceeds this recommendation by \$1,959,747. The minimum reserve and the other assignments are detailed below, leaving an Unassigned General Fund Balance of \$979,258. 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.

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 (CONTINUED)
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The general fund balance of \$6,521,099 has been assigned as shown:

FY16 ENDING GENERAL FUND BALANCE - TOTAL:	\$ 6,521,099
ASSIGNMENTS:	
1 CIP / CAPITAL CARRY-OVER BUDGETED IN FY16 BUT NOT TO BE SPENT UNTIL FY17:	
POLICE DEPT: CIP GF050 POLICE & COURT FACILITY	\$ -
STRATEGIC PLAN	\$ 53,472
WEBSITE UPGRADE/REPLACEMENT	\$ 48,052
RECREATION DEPT: CIP GF056 POOL DESIGN	\$ 308,373
PARKS DEPT: CIP GF207 CITYWORKS HARDWARE	\$ -
FACILITIES MGMT: VARIOUS FACILITIES MANAGEMENT CIP PROJECTS	\$ 30,591
TOTAL CIP / CAPITAL-CARRY OVER ITEMS:	\$ 440,489
2 16.67% MINIMUM RESERVE LEVEL REQUIRED BY CITY CHARTER (2 MONTHS OF REVENUES):	\$ 4,561,352
3 FY17 BUDGET: FY16 YEAR-END FUND BALANCE NEEDED TO BALANCE FY17 BUDGET:	\$ 540,000
TOTAL GENERAL FUND ASSIGNMENTS:	\$ 5,541,840
UNASSIGNED GENERAL FUND BALANCE - FY16:	\$ 979,258

General fund – The City's general fund balance increased by \$459,134, or 7.6%, from \$6,061,965 last year to \$6,521,099. The City had budgeted for fund balance to actually end up being lower, at \$5.3 million, but actual revenues ended up exceeding budgeted expectations, and not as much spending occurred during the year as expected, as indicated by the TOTAL CIP / CAPITAL CARRY-OVER ITEMS in the preceding table. Other savings were realized through careful and cautious budgetary management practices implemented throughout all City departments.

Property tax revenues increased modestly in the General Fund by \$391,560, or 2.7%, from \$14,512,683 to \$14,904,243 mainly due to an increase in the number of general fund property tax mills levied (from 144.77 to 155.78) in order to balance this year's budget. Factoring into the need to levy more mills was a mill value that actually declined this year, dropping 1.5% from \$87,894 to \$86,564 after the latest property reappraisal conducted by the Montana Department of Revenue as it changed its appraisal cycle from every 6 years to every 2 years. In the prior year, the City realized a 2.6% increase in the value of the property tax mill value (from \$85,637 to \$87,894).

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Intergovernmental revenues increased by \$248,711, or 3.7%, from \$6,807,755 last year to \$7,056,466. Entitlement Share revenue accounted for \$125,852 of this increase. Montana State Entitlement Share began in 2001 as a replacement to the City's dedicated revenue sources from personal property tax reimbursements and taxes on motor vehicles, gaming, alcohol, and banking, among others. After several stagnant years of minimal or no change, Entitlement Share has increased over each of the past three years, this year increasing \$125,852, or 3.1%, from \$4 million to \$4.13 million.

The State of Montana's share of City employee retirement also showed a marginal increase of \$70,929, or 3.2%, from \$2,209,341 last year to \$2,280,269. This revenue amount is a noncash 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 \$85,153, only .3%, from \$26,815,329 to \$26,900,482. Payroll expenditures across all functions (General government, Public safety, Public service, Public welfare) increased by just over \$1 million, or 5.5% from \$18,918,290 to \$19,950,607. Salary expenditures increased as positions continued 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 \$405,038, or 7.3%, from \$5,543,476 last year to \$5,948,514. Fire Department personnel costs (net of State Share of Retirement) increased by \$138,245, or 3.5%, from \$3,983,096 last year to \$4,121,341.

However, this increase in personnel costs was more than offset by the decrease in capital outlay expenditures, which decreased by \$1,187,166, or 68.3%, from \$1,738,493 to \$551,327. Last year's much higher expenditure level was due to \$1,259,545 spent that year on the acquisition and design of the Rouse Avenue property proposed as the location for a City of Bozeman Rouse Justice Center. Notable expenditures in the general fund for the year included \$630,944 spent on the design of a new City-Gallatin County shared Law & Justice Center collocated at the current South 16th Avenue location, \$174,407 spent to purchase and equip new Police vehicles, and \$146,564 in support of the Streamline Bus System (which was an additional \$60,000 higher this year on top of one mill) and \$53,128 spent on lawn mowers for the Parks Department. The largest general fund expenditures continued to be in Public safety (Police and Fire).

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.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
June 30, 2016

The City's General Fund balance was a primary focus of a recent upgrade in the City's General Obligation Bond rating to Aa2 by Moody's Investor Services. Previously Moody's had assigned a debt rating of Aa3 in November of 2013 and a rating of Aa3 "Positive Outlook" in November of 2015 for the two issuances of Trails, Open Space, and Parks general obligation bonds. This affirmed Moody's rating assigned in May, 2012 of Aa3 to the City's General Obligation Refunding Bonds, Series 2012, issued in the amount of \$3.1 million. At the same time, Moody's also affirmed the Aa3 rating on the City's rated outstanding general obligation debt not being refunded by this issue, which included \$.6 million outstanding for the 2003 refinancing of the City's General Obligation Transportation Bonds and the remaining bonds issued in 2003 for the new Library. In each instance bond analysts looked favorably on the amount and trend of the General Fund balance in determining the City's bond rating. The recent Moody's upgrade is discussed further in the Debt section on page 34.

As shown on page 125, variances in the General Fund between the original budget of \$27,184,041 and the final budgeted total charges to appropriations of \$28,018,209 amounted to \$834,168. \$2.6 million of this was for the *Public safety* budget (from \$11,706,232 to \$14,329,732), with \$608,000 being for the shared City-County Law & Justice Center. The remaining \$2 million increase to the *Public safety* budget and the \$2.06 million decrease to *Other* both relate to opposite sides of the same budget amendment made for the State of Montana's share of Police officer and Firefighter retirement. This book-only/noncash expenditure is offset ("reimbursed") by intergovernmental revenue booked in the same amount. By design, the original \$2 million of appropriation authority was initially budgeted under *Other* to avoid confusion throughout the year, and at year-end the \$2 million is shifted to the *Public Safety* budget to cover the increase in reported expenditures required by this book-entry. Other General Fund budget amendments include \$234,350 to *Transfers to other funds*, of which \$231,500 was for a transfer to the Health Insurance Internal Service Fund of the cash returned by the Montana Municipal Interlocal Authority (MMIA) to the City of Bozeman, which the City had provided to MMIA as "seed money" for the statewide insurance pool.

Street Impact Fees Special Revenue – Fund balance decreased by \$237,792, or 1.8%, from \$12,885,310 to \$12,647,518 this year due to a significant increase in total expenditures compared to last year. Total expenditures were \$925,641 last year compared to \$4,452,729 this year, which included \$2 million spent on improving Cottonwood Road between Fallon Street and Alpha Drive, \$1.45 million spent to install a traffic signal at Durston and Cottonwood, and \$469,823 spent on right-of-way land acquisition and design work to improve the intersection at Baxter and Davis Lane. Revenues increased by \$259,282, or 6.6%, from \$3,937,241 to \$4,196,523 due to a continuing trend in increased construction and development. Construction activity for the year which required the payment of impact fees included: \$325,536 for a new dorm on the campus of Montana State University, \$189,380 for the SpringHill Suites Hotel on Baxter Lane, \$184,124 for the Talbach House Condos on Enterprise Boulevard, \$183,481 for the Stadium View Apartments near MSU campus, \$133,200 for the Stoneridge Apartments on Tschache Lane, and \$91,739 for the 5 West Mendhenhall project.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
June 30, 2016

Street Maintenance Special Revenue – Fund balance decreased by \$816,045, or 51.3%, from \$1,590,993 last year to \$774,948 this year due to expenditures and transfers-out exceeding revenues for the year. Revenues did increase by \$435,241, or 12.3%, from \$3,533,515 last year to \$3,968,756 this year, driven by a 10% increase in the street assessment rate targeted mostly at pavement maintenance. Another significant contributing factor was the continued expansion of the City's Street Maintenance Assessment program to include major street reconstruction projects; the first being the reconstruction of South 8th Avenue two years ago, followed by Story Street and North Wallace Avenue this year. With the Commission's focused goal of addressing deferred street and curb maintenance, Street Maintenance Assessment rates were increased five years ago by 18%, with the 18% allocated as follows: Continued increase to Curb Replacement Fund (2%); Debt Service Payments for the Reconstruction of South 8th Avenue (7%); Establishment of a Street Reconstruction Fund (6%); and Increase in Operating Budget (3%). Continuing the City Commission's goal of addressing deferred street maintenance, this year rates were increased 10% this year for a general revenue increase of approximately \$340,000, including adding \$200,000/year for pavement maintenance (chip seals, overlay, patching) with the overall goal of adding \$1 million over three years for additional construction projects.

As stated, the decrease in fund balance was driven primarily by expenditures and transfers-out, which combined together increased this year by \$632,493, or 14.9%, from \$4,233,573 to \$4,866,066. Major expenditures during the year included \$372,564 for a new asphalt milling machine, \$151,825 in McKinstry energy upgrades, including LED streetlights, and \$101,455 paid to provide street construction updates to the public. Major transfers-out to other funds included \$1.1 million for the reconstruction of North Wallace Avenue and \$113,792 for Story Street reconstruction.

Building Inspection Special Revenue – Fueled by continued growth in the construction sector, the City's Building Inspection division again experienced strong permit issuance over the past year. While never completely stopping, building construction significantly slowed during the recession. For the current fiscal year, the total value of building permits for new construction is 15% less than the same time frame during the previous year, but still 24% higher than the 5-year average value, and three-fold what the value reported in 2010. Indeed, revenues increased substantially this year by \$303,584, or 19.7%, from \$1,539,622 to \$1,843,206. The increase in expenditures was less significant, with a 12.3% increase of \$179,394 over last year from \$1,460,835 to \$1,640,229. Driving this increase were personnel costs, as the numerous positions that were added mid-year in FY15 became full-time positions this year. This additional staff included 2.0 FTE Building Inspectors, 1.0 FTE Permit Technician and a 1.0 FTE Senior Plans Examiner, with all of these positions being funded with building permit revenues. As a result of revenues increasing at a higher level than expenditures, fund balance increased by \$202,977, or 13.8%, from \$1,473,337 last year to \$1,676,314 this year.

SID Sinking Debt Service – Fund balance increased by 52.7%, or \$252,097, from \$478,181 to \$730,278 due to increased revenues and a decreased level of expenditures and Transfers out. Revenues from Special Improvement District (SID) assessment collections, along with fund interest income and other income, amounted to \$716,195, which was \$120,685 or 20.3% higher than last year's revenues of \$595,510. The increase was due to a \$119,400 early interest-free payoff by the Northeast Urban Renewal Tax Increment Financing (TIF) District board of the entire amount of the North Wallace Avenue Reconstruction special improvement district (SID) assessments billed to property owners within that TIF District.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
June 30, 2016

Expenditures, however, decreased by \$77,727, or 22.5%, from \$345,070 to \$267,343 mainly because fewer SID bonds were called and paid this year compared to last. For example, last year \$140,000 worth of SID bonds for the West Babcock SID were called and paid while this year that amount was \$70,000. These amounts can vary based on how much cash is accumulated within each district by the time the bond payments are due. Last year there had been an accumulation of cash in this district due to early payoffs of the entire SID amount owed, which can happen when a piece of property within the district changes ownership.

Transfers out in the SID Sinking Debt Service fund continue to be related to the City's policy of internally financing smaller street SID's instead of issuing bonds. The amounts are borrowed from the SID Revolving Fund, reported on page 142, by the SID Sinking Debt Service fund, and then the amount is transferred to the appropriate SID construction fund. Going forward the SID Sinking Debt Service fund collects assessments from the property owners and subsequently repays the SID Revolving Fund instead of repaying external bond holders. This year's Transfer out of \$196,755 was for the North Wallace Avenue Reconstruction SID, which, as stated, saw \$119,400 of that debt immediately paid off.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As shown in Table 4, at the end of 2016 the City had \$383.2 million invested in a broad range of capital assets, including police and fire equipment, buildings, park facilities, roads, and water and sewer lines. This amount represents a net increase (including additions and deductions) of roughly \$17.9 million, or 4.9% over last year. Refer to capital assets disclosure Note 7 beginning on page 65 for more information.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$ 17.6	\$ 16.9	\$ 4.9	\$ 4.9	\$ 22.5	\$ 21.8
Water Rights	-	-	2.1	2.1	2.1	2.1
Buildings	32.6	32.4	113.0	112.4	145.6	144.8
Other Structures and Improvements	1.1	1.1	30.8	30.8	31.9	31.9
Machinery & Equipment	11.7	11.3	8.1	7.6	19.8	18.8
Property under Capital Lease	0.4	0.4	0.5	0.5	0.9	0.9
Vehicle	3.5	3.2	2.0	1.9	5.5	5.1
Infrastructure	158.9	146.9	280.4	268.0	439.3	414.9
Subtotal	225.8	212.1	441.7	428.1	667.6	640.3
Accumulated Depreciation	(99.9)	(95.8)	(184.6)	(179.2)	(284.5)	(275.0)
Total Capital Assets	\$ 125.9	\$ 116.3	\$ 257.1	\$ 249.0	\$ 383.2	\$ 365.3

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
June 30, 2016

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

Cottonwood Road Widening: Fallon Street to Alpha Drive	\$	2,017,492
Traffic Signal: Durston and Cottonwood Road	\$	1,452,014
Water Line Replacement and Rehabilitation - annual distribution pipe replacement program	\$	733,406
Midtown Tax Increment Financing District (N. 7th TIF) Street Lighting	\$	722,906
Story Street Reconstruction Special Improvement District	\$	593,443
Front Load Garbage Truck Replacement (2)	\$	525,223
Trail and Open Space Bond: Trail to the M Project	\$	519,788
Baxter and Davis Lane Intersection: Right-of-Way land acquisition and design work	\$	470,657
Trail and Open Space Bond: Bozeman Ponds Project	\$	464,093
North Wallace Avenue Reconstruction Special Improvement District	\$	430,787
Midtown Tax Increment Financing District (N. 7th TIF) Broadband Conduit	\$	390,053
Street Asphalt Milling Machine	\$	372,564
Water Plant Construction - final payments: state of the art membrane filtration system	\$	305,452
Professional Building Reconfiguration / Remodeling	\$	235,097
Trail and Open Space Bond: Sports Complex	\$	231,278
Street Improvements - Gas Tax	\$	224,573

Debt – At year-end, the City had \$59.2 million in bonds and notes outstanding versus \$61.2 million last year—a decrease of \$2 million, or 3.2%, as shown in Table 5.

This decrease was due to debt repayment (\$3.3 million) exceeding new debt issued (\$1.3 million) during the year. Debt repayment included \$1.8 million for the Water Reclamation Facility; \$798,000 for the new Water Plant; \$142,000 for the Stormwater-backed landfill mitigation system loan; \$245,000 for the refinanced transportation General Obligation (GO) Bonds; \$505,000 for the TOP GO Bonds; \$195,000 for the Downtown TIF District Bonds to finance the Parking Facility; and \$228,000 in SID debt. New debt included an additional \$1.28 million drawdown of the Stormwater-backed landfill mitigation system loan and \$47,406 from the MT Board of Investments for the McKinstry LED design/retrofit energy upgrades.

General obligation debt still outstanding, which is reported under Governmental Activities, consists of \$14.27 million for the TOP Bonds along with \$1.3 million in Series 2012 Refunding Bonds issued to refinance both the Series 2003A Transportation Refunding bonds and the Series 2001A and Series 2003B Library Construction Project bonds. Debt reported under Business-Type Activities includes \$16.6 million of water revenue bonds and \$18.9 million of wastewater revenue bonds issued to finance construction of the new Water Treatment and Wastewater Reclamation Facilities.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
June 30, 2016

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".

As expressed in the fiscal year 2017 Approved Budget, City officials expect to end next fiscal year with general fund reserves totaling \$4.7 million, or 16.67% of operating revenues. This budget meets the minimum level of 16 2/3% required by City Charter, which in May of 2011 was amended to include adoption of GFOA's Best Practice for Unreserved General Fund Balance into the City's Budget Administration Ordinance.

Property taxes are the City's primary general revenue source (70.1%), followed by unrestricted grants and contributions (26.4%), and investment earnings (1.7%). Additionally, Moody's expects the City to maintain a moderate debt position given current limited debt burden, above average principal payout, and expected tax base growth. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

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

	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds (backed by the City)	\$ 15.6	\$ 16.3	\$ -	\$ -	\$ 15.6	\$ 16.3
Tax Increment Financing District (TIFD) bonds	4.6	4.8	-	-	4.6	4.8
Special Improvement District Debt	0.7	0.9	-	-	0.7	0.9
Notes Payable	0.9	1.0	-	-	0.9	1.0
Lease Payable	0.2	0.3	-	-	0.2	0.3
Water Revenue Bonds (backed by specific fee revenues)	-	-	16.6	17.4	16.6	17.4
Wastewater Revenue Bonds (backed by specific fee revenues)	-	-	18.9	20.0	18.9	20.0
Stormwater Revenue Bonds (backed by specific fee revenues)	-	-	1.4	0.2	1.4	0.2
Stormwater Lease Payable (backed by specific fee revenues)	-	-	0.4	0.4	0.4	0.4
Totals	<u>\$ 22.0</u>	<u>\$ 23.3</u>	<u>\$ 37.3</u>	<u>\$ 37.9</u>	<u>\$ 59.2</u>	<u>\$ 61.2</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
(CONTINUED)
June 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when adopting the 2016-2017 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 .7% for the last calendar year and at 1.6% over the last 12 months (as of this report date and before seasonal adjustment), with the energy index rising 3.5%, its largest advance since February of 2013. Inflation rates have historically had a significant impact on the cost of City capital projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

B. BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 39,932,277	\$ 19,441,277	\$ 59,373,554
Restricted cash and investments	15,543,924	7,909,758	23,453,682
Accrued interest	54,084	33,107	87,191
Receivables, net	6,879,736	1,847,872	8,727,608
Notes receivable	591,916	10,830	602,746
Prepaid expenses	733,166	-	733,166
Capital assets:			
Non-depreciable land and water rights	17,632,907	7,062,681	24,695,588
Other capital assets, net of depreciation	108,511,533	250,177,850	358,689,383
Total capital assets	<u>126,144,440</u>	<u>257,240,531</u>	<u>383,384,971</u>
Total assets	189,879,543	286,483,375	476,362,918
Deferred outflows of resources:			
Pension plan contributions	<u>2,158,415</u>	<u>586,193</u>	<u>2,744,608</u>
Total assets and deferred outflows of resources	<u>\$ 192,037,958</u>	<u>\$ 287,069,568</u>	<u>\$ 479,107,526</u>

(continued)

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
June 30, 2016

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable and accrued expenses	\$ 5,713,714	\$ 1,935,716	\$ 7,649,430
Unearned revenue	56,343	-	56,343
Current portion of long-term liabilities:			
Compensated absences payable	1,266,700	401,000	1,667,700
Capital leases	54,905	79,438	134,343
Closure and post-closure care costs	-	360,000	360,000
Bonds and notes	1,233,971	1,969,000	3,202,971
Long-term liabilities, due in more than one year:			
Compensated absences	487,029	198,960	685,989
Capital leases	194,596	284,311	478,907
Closure and post-closure care costs	-	2,679,671	2,679,671
Pollution remediation obligations	16,874	1,531,101	1,547,975
Other post-employment health benefits - implicit rate subsidy	1,782,516	450,064	2,232,580
Bonds and notes	20,762,340	34,968,995	55,731,335
Net pension liability	15,993,057	4,819,918	20,812,975
Total liabilities	<u>47,562,045</u>	<u>49,678,174</u>	<u>97,240,219</u>
DEFERRED INFLOWS OF RESOURCES			
Pension deferrals	<u>1,227,868</u>	<u>432,696</u>	<u>1,660,564</u>
Total deferred inflows of resources	<u>1,227,868</u>	<u>432,696</u>	<u>1,660,564</u>
NET POSITION			
Net investment in capital assets	104,093,224	221,385,655	325,478,879
Restricted:			
Restricted for parking capital projects	-	295,545	295,545
Restricted for general government	1,395,422	-	1,395,422
Restricted for public safety	3,435,423	-	3,435,423
Restricted for public service	16,081,238	-	16,081,238
Restricted for public welfare	5,503,168	-	5,503,168
Restricted for capital projects	9,230,464	1,592,613	10,823,077
Restricted for debt service	7,183,605	3,102,477	10,286,082
Unrestricted	<u>(3,674,499)</u>	<u>10,582,408</u>	<u>6,907,909</u>
Total net position	<u>\$ 143,248,045</u>	<u>\$ 236,958,698</u>	<u>\$ 380,206,743</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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	\$ 8,058,925	\$ 2,530,474	\$ 117,587	\$ -	\$ (5,410,864)		\$ (5,410,864)
Public safety	18,391,357	3,347,859	2,011,025	54,297	(12,978,176)		(12,978,176)
Public service	6,861,939	9,310,147	143,736	4,874,956	7,466,900		7,466,900
Public welfare	7,994,697	1,213,526	221,896	89,306	(6,469,969)		(6,469,969)
Interest and fiscal fees	893,470	-	-	-	(893,470)		(893,470)
Total governmental activities	<u>42,200,388</u>	<u>16,402,006</u>	<u>2,494,244</u>	<u>5,018,559</u>	<u>(18,285,579)</u>		<u>(18,285,579)</u>
Business-type activities:							
Water	9,273,395	11,751,233	54,110	5,178,425		7,710,373	7,710,373
Waste water	8,163,312	9,217,121	50,952	5,997,522		7,102,283	7,102,283
Solid waste	4,570,884	3,207,605	20,958	-		(1,342,321)	(1,342,321)
Parking	830,869	642,250	4,770	-		(183,849)	(183,849)
Stormwater	469,743	943,621	4,156	111,707		589,741	589,741
Total business-type activities	<u>23,308,203</u>	<u>25,761,830</u>	<u>134,946</u>	<u>11,287,654</u>		<u>13,876,227</u>	<u>13,876,227</u>
Total primary government	<u>\$ 65,508,591</u>	<u>\$ 42,163,836</u>	<u>\$ 2,629,190</u>	<u>\$ 16,306,213</u>	<u>(18,285,579)</u>	<u>13,876,227</u>	<u>(4,409,352)</u>
General revenues							
Property taxes					21,234,288	-	21,234,288
Unrestricted grants and contributions					7,992,180	-	7,992,180
Investment earnings					519,637	241,699	761,336
Miscellaneous					418,215	1,033,340	1,451,555
Gain on sale of assets					123,934	6,595	130,529
Transfers					1,218,036	(1,218,036)	-
Total general revenues and transfers					<u>31,506,290</u>	<u>63,598</u>	<u>31,569,888</u>
Change in net position							
					13,220,711	13,939,825	27,160,536
Net position, beginning of the year					130,027,334	223,018,873	353,046,207
Net position, end of the year					<u>\$ 143,248,045</u>	<u>\$ 236,958,698</u>	<u>\$ 380,206,743</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

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

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

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

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

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

CITY OF BOZEMAN, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 7,976,924	\$ -	\$ 887,659	\$ 1,752,709	\$ 1,178,269	\$ 28,069,841	\$ 39,865,402
Receivables:							
Property taxes	1,069,513	-	-	-	-	388,318	1,457,831
Accrued interest	6,086	17,028	-	2,529	-	28,441	54,084
Customers, net	1,554,073	6,500	87,182	-	-	516,683	2,164,438
Special assessments	-	-	140,060	-	2,943,579	40,551	3,124,190
Other governments	6,040	6,330	-	-	-	73,626	85,996
Due from other city funds	11,274	-	-	-	-	-	11,274
Advances to other city funds	-	-	-	-	-	458,208	458,208
Prepaid expenditures	-	-	-	-	-	350,625	350,625
Notes receivable	-	-	-	-	-	591,916	591,916
Restricted cash and investments	-	12,747,392	-	-	-	2,796,532	15,543,924
Total assets	<u>\$ 10,623,910</u>	<u>\$ 12,777,250</u>	<u>\$ 1,114,901</u>	<u>\$ 1,755,238</u>	<u>\$ 4,121,848</u>	<u>\$ 33,314,741</u>	<u>\$ 63,707,888</u>

(continued)

CITY OF BOZEMAN, MONTANA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
June 30, 2016

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
<u>LIABILITIES AND FUND BALANCES</u>							
Liabilities							
Accounts payable	\$ 2,670,065	\$ 129,732	\$ 243,606	\$ 78,312	\$ (306)	\$ 2,467,252	\$ 5,588,661
Escheat property payable	55,493	-	-	-	-	20,052	75,545
Accrued employee benefits	8,800	-	708	612	-	670	10,790
Advanced from other city funds	-	-	-	-	458,208	-	458,208
Total liabilities	<u>2,734,358</u>	<u>129,732</u>	<u>244,314</u>	<u>78,924</u>	<u>457,902</u>	<u>2,487,974</u>	<u>6,133,204</u>
Deferred inflows of resources							
Unavailable revenue-property taxes	47,017	-	-	-	-	16,697	63,714
Unavailable revenue-special assessments	-	-	95,639	-	2,933,668	9,100	3,038,407
Unavailable revenue-court fines	1,321,436	-	-	-	-	-	1,321,436
Total deferred inflows of resources	<u>1,368,453</u>	<u>-</u>	<u>95,639</u>	<u>-</u>	<u>2,933,668</u>	<u>25,797</u>	<u>4,423,557</u>
Fund balances							
Nonspendable	-	-	-	-	-	1,426,575	1,426,575
Restricted	-	12,647,518	774,948	1,676,314	730,278	24,027,298	39,856,356
Committed	-	-	-	-	-	3,528,263	3,528,263
Assigned	5,541,841	-	-	-	-	1,883,557	7,425,398
Unassigned	979,258	-	-	-	-	(64,723)	914,535
Total fund balances	<u>6,521,099</u>	<u>12,647,518</u>	<u>774,948</u>	<u>1,676,314</u>	<u>730,278</u>	<u>30,800,970</u>	<u>53,151,127</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 10,623,910</u>	<u>\$ 12,777,250</u>	<u>\$ 1,114,901</u>	<u>\$ 1,755,238</u>	<u>\$ 4,121,848</u>	<u>\$ 33,314,741</u>	<u>\$ 63,707,888</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, 2016

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

Fund balances - total governmental funds		\$ 53,151,127
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.		
Governmental capital assets	\$ 226,017,916	
Less: accumulated depreciation	<u>(99,873,476)</u>	126,144,440
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		
Net position	1,243,815	
Less: capital assets included in governmental activities	(1,637,788)	
Plus: accumulated depreciation included in governmental activities	488,667	
Plus: compensated absences included in governmental activities	50,523	
Plus: net pension liability and related deferred outflows and inflows included in governmental activities	301,488	446,705
Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		4,423,557
Bond premiums are other financing source revenue in the governmental funds. They are a liability for the government-wide financial statements and amortized over the life of the issuance.		
Bond premium	(269,154)	
Less: amortization	<u>20,187</u>	(248,967)
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	(21,747,344)	
Net pension liability	(15,062,510)	
Capital lease obligations	(249,501)	
Pollution remediation obligations	(16,874)	
Post-employment health benefits	(1,782,516)	
Compensated absences	<u>(1,753,729)</u>	<u>(40,612,474)</u>
Net position of governmental activities		<u>\$ 143,248,045</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, 2016

	General	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 14,904,243	\$ -	\$ -	\$ -	\$ -	\$ 6,398,831	\$ 21,303,074
Special assessments	24	-	30,474	-	705,143	530,313	1,265,954
Licenses and permits	326,627	-	8,282	1,777,181	-	-	2,112,090
Intergovernmental	7,056,466	112,897	974	49,761	-	1,700,326	8,920,424
Charges for services	2,165,642	3,967,203	3,908,030	1,778	1,953	2,239,077	12,283,683
Fines and forfeitures	1,131,577	-	-	-	-	122,128	1,253,705
Interest on investments	41,217	115,283	10,105	17,100	8,886	287,108	479,699
Interest on loans receivable	-	-	-	-	-	38,552	38,552
Other	81,257	1,140	10,891	(2,614)	213	324,759	415,646
Total revenues	<u>25,707,053</u>	<u>4,196,523</u>	<u>3,968,756</u>	<u>1,843,206</u>	<u>716,195</u>	<u>11,641,094</u>	<u>48,072,827</u>
EXPENDITURES							
Current							
General government	6,219,840	-	-	-	-	1,098,699	7,318,539
Public safety	14,329,580	-	-	1,630,541	-	525,428	16,485,549
Public service	146,564	321,312	2,767,265	-	-	605,264	3,840,405
Public welfare	5,315,448	-	-	-	-	1,929,977	7,245,425
Other	333,963	-	-	-	-	84,468	418,431
Capital outlay	551,327	4,131,417	668,428	9,688	-	3,976,610	9,337,470
Debt service							
Principal payments	3,760	-	168,490	-	228,000	945,000	1,345,250
Interest and fiscal fees	-	-	20,398	-	39,343	833,729	893,470
Total expenditures	<u>26,900,482</u>	<u>4,452,729</u>	<u>3,624,581</u>	<u>1,640,229</u>	<u>267,343</u>	<u>9,999,175</u>	<u>46,884,539</u>
Revenues over (under) expenditures	<u>(1,193,429)</u>	<u>(256,206)</u>	<u>344,175</u>	<u>202,977</u>	<u>448,852</u>	<u>1,641,919</u>	<u>1,188,288</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	2,122,260	18,414	31,900	-	-	4,310,839	6,483,413
Transfers out	(528,172)	-	(1,241,485)	-	(196,755)	(3,530,080)	(5,496,492)
Proceeds from long term debt	-	-	47,406	-	-	-	47,406
Sale of capital assets	58,475	-	1,959	-	-	167,550	227,984
Total other financing sources (uses)	<u>1,652,563</u>	<u>18,414</u>	<u>(1,160,220)</u>	<u>-</u>	<u>(196,755)</u>	<u>948,309</u>	<u>1,262,311</u>
Net change in fund balances	459,134	(237,792)	(816,045)	202,977	252,097	2,590,228	2,450,599
FUND BALANCE, beginning of year	<u>6,061,965</u>	<u>12,885,310</u>	<u>1,590,993</u>	<u>1,473,337</u>	<u>478,181</u>	<u>28,210,742</u>	<u>50,700,528</u>
FUND BALANCE, end of year	<u>\$ 6,521,099</u>	<u>\$ 12,647,518</u>	<u>\$ 774,948</u>	<u>\$ 1,676,314</u>	<u>\$ 730,278</u>	<u>\$ 30,800,970</u>	<u>\$ 53,151,127</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, 2016

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

Net change in fund balances - total governmental funds	\$	2,450,599
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.</p>		
Expenditures for capital assets	\$	9,337,470
Donated infrastructure		4,758,546
Less: current year depreciation		<u>(4,332,569)</u>
		9,763,447
<p>Governmental funds report asset disposals as sale of capital assets for the cash received. In the statement of activities, those gains and losses must be adjusted by the assets basis, net of any depreciation.</p>		
		(105,437)
<p>The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds these amounts report the effect of premiums, discounts, and similar items when debt is first issued, whereas are deferred and amortized in the statement of activities, unless immaterial. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>		
		1,311,299
<p>Some revenues reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as revenues in governmental funds.</p>		
		(582,212)
<p>Governmental funds do not report a liability for compensated absences. The change in the liability is a current period expense.</p>		
		(83,040)
<p>Governmental funds do not report a liability for other post-employment health benefits.</p>		
		(110,027)
<p>Contributions to the pension plans in the current fiscal year are deferred outflows in the Statement of Net Position</p>		
		565,043
<p>Governmental funds do not report impact fee credits. The change in these credits during the year are charged to the statement of activities.</p>		
		3,546
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported in the governmental activities.</p>		
		<u>7,493</u>
Change in net position of governmental activities	\$	<u>13,220,711</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

MAJOR PROPRIETARY FUNDS

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

Major Enterprise Funds –

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

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

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, 2016

	Business-type Activities Enterprise Funds			Total	Governmental Activities
	Water Fund	Waste Water Fund	Nonmajor Enterprise Funds		Internal Service Funds
ASSETS					
Current assets					
Cash and investments	\$ 13,454,758	\$ 4,441,839	\$ 1,544,680	\$ 19,441,277	\$ 66,875
Receivables:					
Accrued interest	22,391	10,716	-	33,107	-
Customers, net	641,535	640,086	566,251	1,847,872	47,281
Prepaid expenses	-	-	-	-	382,541
Total current assets	<u>14,118,684</u>	<u>5,092,641</u>	<u>2,110,931</u>	<u>21,322,256</u>	<u>496,697</u>
Non-current assets					
Other assets:					
Notes receivable	-	-	10,830	10,830	-
Restricted cash and investments	4,252,597	3,306,285	350,876	7,909,758	-
Total other assets	<u>4,252,597</u>	<u>3,306,285</u>	<u>361,706</u>	<u>7,920,588</u>	<u>-</u>
Property, plant and equipment					
Nondepreciable:					
Land	162,518	693,026	4,086,995	4,942,539	-
Water rights	2,120,142	-	-	2,120,142	-
Depreciable:					
Buildings	40,488,294	59,831,980	11,793,708	112,113,982	1,401,417
Other structures and improvements	13,907,432	14,745,402	877,710	29,530,544	-
Machinery and equipment	1,547,213	2,783,019	2,331,179	6,661,411	166,059
Vehicles	581,347	694,758	3,816,325	5,092,430	70,312
Infrastructure	170,538,774	109,515,501	740,186	280,794,461	-
Property under capital lease	-	-	598,474	598,474	-
Accumulated depreciation and amortization	(102,272,457)	(72,752,227)	(9,588,768)	(184,613,452)	(488,667)
Net property, plant and equipment	<u>127,073,263</u>	<u>115,511,459</u>	<u>14,655,809</u>	<u>257,240,531</u>	<u>1,149,121</u>
Total non-current assets	131,325,860	118,817,744	15,017,515	265,161,119	1,149,121
Deferred outflows of resources					
Pension plan contributions	236,761	199,091	150,341	586,193	37,271
Total assets	<u>\$ 145,681,305</u>	<u>\$ 124,109,476</u>	<u>\$ 17,278,787</u>	<u>\$ 287,069,568</u>	<u>\$ 1,683,089</u>

continued

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
June 30, 2016

	Business-type Activities Enterprise Funds				Governmental Activities
	Water Fund	Waste Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
	Water Fund	Waste Water Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
LIABILITIES					
Current liabilities					
Accounts payable and accrued expenses	\$ 489,558	\$ 646,448	\$ 799,710	\$ 1,935,716	\$ 38,718
Compensated absences payable	120,971	169,927	110,102	401,000	50,523
Due to other city funds	-	-	-	-	11,274
Capital lease obligations due in one year	-	-	79,438	79,438	-
Closure and post-closure care costs, current portion	-	-	360,000	360,000	-
Bonds, notes, and loans payable	822,000	1,074,000	73,000	1,969,000	-
Total current liabilities	<u>1,432,529</u>	<u>1,890,375</u>	<u>1,422,250</u>	<u>4,745,154</u>	<u>100,515</u>
Noncurrent liabilities					
Closure and post-closure care costs	-	-	2,679,671	2,679,671	-
Revenue bonds due after one year	15,745,000	17,856,565	1,367,430	34,968,995	-
Compensated absences payable	141,984	43,001	13,975	198,960	-
Capital lease obligations	-	-	284,311	284,311	-
Other post-employment health benefits	190,781	130,026	129,257	450,064	-
Solvent site remediation liability	-	1,531,101	-	1,531,101	-
Net pension liability	1,899,127	1,656,389	1,264,402	4,819,918	309,188
Total noncurrent liabilities	<u>17,976,892</u>	<u>21,217,082</u>	<u>5,739,046</u>	<u>44,933,020</u>	<u>309,188</u>
Total liabilities	<u>19,409,421</u>	<u>23,107,457</u>	<u>7,161,296</u>	<u>49,678,174</u>	<u>409,703</u>
Deferred inflows of resources					
Pension deferrals	138,748	161,619	132,329	432,696	29,571
NET POSITION					
Net investment in capital assets	110,506,263	96,580,894	14,298,498	221,385,655	1,149,121
Restricted for impact capital projects	1,225,684	366,929	-	1,592,613	-
Restricted for parking capital projects	-	-	295,545	295,545	-
Restricted for debt service	1,313,885	1,788,592	-	3,102,477	-
Unrestricted	13,087,304	2,103,985	(4,608,881)	10,582,408	94,694
Total net position	<u>126,133,136</u>	<u>100,840,400</u>	<u>9,985,162</u>	<u>236,958,698</u>	<u>1,243,815</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 145,681,305</u>	<u>\$ 124,109,476</u>	<u>\$ 17,278,787</u>	<u>\$ 287,069,568</u>	<u>\$ 1,683,089</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, 2016

	Business-type Activities Enterprise Funds			Totals	Governmental Activities
	Water Fund	Waste Water Fund	Nonmajor Enterprise Funds		Internal Service Funds
OPERATING REVENUES	\$ 8,414,870	\$ 7,927,692	\$ 4,748,464	\$ 21,091,026	\$ 5,416,182
OPERATING EXPENSES					
Salaries and benefits	2,827,544	2,116,434	1,621,326	6,565,304	389,302
Materials and supplies	915,149	419,347	384,060	1,718,556	523,753
Repairs and maintenance	76,444	390,034	290,042	756,520	8,042
Utilities	249,083	548,868	483,725	1,281,676	4,827
Administrative charges	458,402	951,258	540,286	1,949,946	147,601
Insurance claims	-	-	-	-	4,458,971
Other expenses	1,650,130	713,088	803,423	3,166,641	115,413
Depreciation and amortization	2,581,633	2,472,014	608,423	5,662,070	54,519
Changes in estimated closure and post-closure care costs	-	-	1,118,864	1,118,864	-
Total operating expenses	<u>8,758,385</u>	<u>7,611,043</u>	<u>5,850,149</u>	<u>22,219,577</u>	<u>5,702,428</u>
Operating income (loss)	<u>(343,515)</u>	<u>316,649</u>	<u>(1,101,685)</u>	<u>(1,128,551)</u>	<u>(286,246)</u>
NON-OPERATING REVENUES (EXPENSES)					
Interest income	162,813	66,479	12,407	241,699	1,386
Interest expense	(515,010)	(552,269)	(21,347)	(1,088,626)	(431)
Other income	1,074,008	64,338	1,078,352	2,216,698	2,569
Intergovernmental income	54,110	50,952	29,884	134,946	7,735
Impact fees	2,262,355	1,225,091	-	3,487,446	-
Gain (loss) on disposal of assets	20,970	-	(14,375)	6,595	1,387
Total non-operating revenues (expenses)	<u>3,059,246</u>	<u>854,591</u>	<u>1,084,921</u>	<u>4,998,758</u>	<u>12,646</u>
Income (loss) before contributions and transfers	2,715,731	1,171,240	(16,764)	3,870,207	(273,600)
Contributions of infrastructure - developers	5,178,425	5,997,522	111,707	11,287,654	-
Transfers in	-	-	1,410,275	1,410,275	231,115
Transfers out	<u>(1,002,583)</u>	<u>(295,114)</u>	<u>(1,330,614)</u>	<u>(2,628,311)</u>	<u>-</u>
Change in net position	6,891,573	6,873,648	174,604	13,939,825	(42,485)
NET POSITION, beginning of year	<u>119,241,563</u>	<u>93,966,752</u>	<u>9,810,558</u>	<u>223,018,873</u>	<u>1,286,300</u>
NET POSITION, end of year	<u>\$ 126,133,136</u>	<u>\$ 100,840,400</u>	<u>\$ 9,985,162</u>	<u>\$ 236,958,698</u>	<u>\$ 1,243,815</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, 2016

	Business-type Activities			Total	Governmental
	Enterprise Funds		Total		Activities
	Water Fund	Waste Water Fund			Nonmajor Funds
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 8,420,240	\$ 7,954,877	\$ 4,628,319	\$ 21,003,436	\$ 5,030,773
Receipts from others	1,074,008	64,338	1,078,351	2,216,697	10,304
Operating loans from other City funds	-	-	-	-	11,274
Payments to suppliers	(2,905,999)	(2,582,469)	(3,403,325)	(8,891,793)	(687,036)
Payments to employees	(2,844,653)	(2,126,172)	(1,627,856)	(6,598,681)	(4,845,619)
Payments to internal service funds and administrative fees	(458,402)	(951,258)	(540,286)	(1,949,946)	(147,601)
Net cash flows from operating activities	<u>3,285,194</u>	<u>2,359,316</u>	<u>135,203</u>	<u>5,779,713</u>	<u>(627,905)</u>
CASH FLOWS FROM NON-CAPITAL					
FINANCING ACTIVITIES					
Transfers in	-	-	1,410,275	1,410,275	231,115
Transfers out	(1,002,583)	(295,114)	(1,330,614)	(2,628,311)	-
Receipts from grants and intergovernmental sources	75,080	50,952	29,884	155,916	-
Net cash flows from non-capital financing activities	<u>(927,503)</u>	<u>(244,162)</u>	<u>109,545</u>	<u>(1,062,120)</u>	<u>231,115</u>
CASH FLOWS FROM CAPITAL AND RELATED					
FINANCING ACTIVITIES					
Acquisition of capital assets	(1,546,209)	(195,241)	(811,868)	(2,553,318)	(22,914)
Principal paid on bonds, interfund loans, loans and leases	(798,000)	(1,042,000)	(70,849)	(1,910,849)	-
Interest paid on bonds, interfund loans, loans and leases	(515,010)	(552,269)	(21,347)	(1,088,626)	(431)
Proceeds from issuance of long-term debt	-	-	1,210,680	1,210,680	-
Impact fees received	2,262,355	1,225,091	-	3,487,446	-
Proceeds from sale of property, plant and equipment	-	-	30,936	30,936	1,387
Net cash flows from capital and related financing activities	<u>(596,864)</u>	<u>(564,419)</u>	<u>337,552</u>	<u>(823,731)</u>	<u>(21,958)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Collections on notes	-	-	2,650	2,650	-
Interest on investments	162,339	66,000	12,407	240,746	1,386
Net cash flows from investing activities	<u>162,339</u>	<u>66,000</u>	<u>15,057</u>	<u>243,396</u>	<u>1,386</u>
Net change in cash and investments	1,923,166	1,616,735	597,357	4,137,258	(417,362)
Cash and investments, beginning of year	<u>15,784,189</u>	<u>6,131,389</u>	<u>1,298,199</u>	<u>23,213,777</u>	<u>484,237</u>
Cash and investments, end of year	<u>\$ 17,707,355</u>	<u>\$ 7,748,124</u>	<u>\$ 1,895,556</u>	<u>\$ 27,351,035</u>	<u>\$ 66,875</u>
Classified as:					
Cash and investments	\$ 13,454,758	\$ 4,441,839	\$ 1,544,680	\$ 19,441,277	\$ 66,875
Restricted cash and investments	4,252,597	3,306,285	350,876	7,909,758	-
Totals	<u>\$ 17,707,355</u>	<u>\$ 7,748,124</u>	<u>\$ 1,895,556</u>	<u>\$ 27,351,035</u>	<u>\$ 66,875</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, 2016

	Business-type Activities			Total	Governmental
	Enterprise Funds				Activities
	Water Fund	Waste Water Fund	Nonmajor Funds		Internal Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS)					
TO NET CASH FROM OPERATING ACTIVITIES					
Operating income (loss)	\$ (343,515)	\$ 316,649	\$ (1,101,685)	\$ (1,128,551)	\$ (286,246)
Adjustments to reconcile operating income (loss)					
to net cash flows from operating activities					
Depreciation and amortization	2,581,633	2,472,014	608,423	5,662,070	54,519
Change in estimated closure and post-closure care costs	-	-	(687,040)	(687,040)	-
Change in solvent site remediation obligation	-	(314,494)	-	(314,494)	-
Other income	1,074,008	64,338	1,078,352	2,216,698	10,304
Change in assets and liabilities:					
(Increase) Decrease in:					
Accounts receivable	5,370	27,185	(120,146)	(87,591)	(2,868)
Prepaid expenses	-	-	-	-	(382,541)
Increase (Decrease) in:					
Accounts payable	(15,193)	(196,638)	363,829	151,998	(27,819)
Due from other city funds	-	-	-	-	11,274
Accrued employee benefits payable	33,136	28,289	21,222	82,647	2,654
Net pension	(50,245)	(38,027)	(27,752)	(116,024)	(7,182)
Total adjustments	<u>3,628,709</u>	<u>2,042,667</u>	<u>1,236,888</u>	<u>6,908,264</u>	<u>(341,659)</u>
Net cash flows from operating activities	<u>\$ 3,285,194</u>	<u>\$ 2,359,316</u>	<u>\$ 135,203</u>	<u>\$ 5,779,713</u>	<u>\$ (627,905)</u>
SUPPLEMENTAL CASH FLOW INFORMATION					
Noncash transactions:					
Donated infrastructure	<u>\$ 5,178,425</u>	<u>\$ 5,997,522</u>	<u>\$ 111,707</u>	<u>\$ 11,287,654</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, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 821,788
Customer receivables	<u>785</u>
Total assets	<u>\$ 822,573</u>
LIABILITIES	
Accounts payable	<u>\$ 822,573</u>
Total liabilities	<u>\$ 822,573</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, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

The City of Bozeman of Gallatin County, Montana (the City) was incorporated as a municipal corporation in 1883. The present City Code of Ordinances was adopted October 3, 2011. Under the charter, the City is governed by a mayor and commission members who comprise the City Commission. The day-to-day affairs of the City are conducted under the supervision of the City Manager, who is appointed by and serves at the pleasure of a majority of the City Commission.

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

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2016, 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, 2016:

- Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. This Statement is effective for fiscal years beginning after June 15, 2015.
- Statement No. 82, *Pension Issues, an amendment of GASB No. 67, 68, and 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement is effective for fiscal years beginning after June 15, 2016, with early application encouraged.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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, 2016

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, 2016

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, 2016

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, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds

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

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

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

Use of Restricted/Unrestricted Net Position

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

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

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

Restricted Cash and Investments

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

Use of Estimates

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

Investments Fair Value

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

Eliminations and Reclassifications

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

The City's assets are capitalized at historical cost or estimated historical cost. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. Depreciable capital assets are reported on the Statement of Net Position, net of applicable accumulated depreciation. Capital assets, which are not depreciable such as land, and construction in progress are reported separately. Depreciation expense is reported in the Statement of Activities and is calculated using the straight-line method based on the assets estimated useful life.

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

Vehicles	5 to 10 years
Machinery and equipment	5 to 30 years
Buildings	20 to 80 years
Other structures and improvements	10 to 100 years
Infrastructure	25 to 100 years

In accordance with GASB 34, the City has recorded infrastructure assets prospectively from 2005, the date of implementation, and has included infrastructure acquired prior to implementation within the four-year required period. The City defines infrastructure as the basic physical assets that allow the City to function. These assets include the street system, comprised of roads, sidewalks, curbs, and street lights; the water purification and distribution system; the sewer collection and treatment system; park and recreation lands and related improvements; stormwater conveyance system; and buildings and site amenities, including parking and landscaped areas.

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

Compensated Absences Payable

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inter-fund Receivables and Payables

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

On-Behalf Payments for Fringe Benefits

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

Budgets

Each year, the City Manager must submit to the City Commission a proposed operating budget for all budget units within the City for the fiscal year commencing July 1. This operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain citizen comments on the proposed budget. The budget is then legally adopted through passage of the appropriation resolution by the City Commission.

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

Budgets are legally required for all governmental fund types. These budgets are prepared on the same basis and using the same accounting practices as are used to account and prepare financial reports for the funds. Budgets presented in this report for comparison to actual amounts are presented in accordance with GAAP. Annual appropriated budgets are adopted for all funds and all appropriations lapse at year-end. The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level.

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

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

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

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

Fund Balance

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

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

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

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

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

On December 12, 2016, the Audit Committee accepted and approved the City Manager's recommendation for the amount of General Fund balance presented on page 29 to be assigned this fiscal year for the specific purposes listed on page 23. Included in the assigned fund balance for the general fund are assignments for the portion of the current general fund balance that is projected to be used to fund expenditures and other cash outflows in excess of the expected revenues and other cash inflows projected for the next fiscal year.

Similarly the City Manager exercised his delegated authority to assign the major Capital Projects Fund balances presented on pages 29 and 143 for the specific purposes listed on page 126.

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, 2016

NOTE 2. CASH AND INVESTMENTS

At June 30, 2016, the carrying amount of the City's deposits in local banks and investments is \$83,649,024. 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	\$ 39,932,277	\$ 15,543,924	\$ 55,476,201
Business-type activities	19,441,277	7,909,758	27,351,035
Fiduciary funds	821,788	-	821,788
	<u>\$ 60,195,342</u>	<u>\$ 23,453,682</u>	<u>\$ 83,649,024</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, 2016, the following interest rate risks and valuation inputs were associated with the City's deposits and investments.

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk Rating</u>	<u>Fair Value</u>	<u>Valuation Inputs</u>
Certificates of deposit	August 2016- April 2018	NA	\$ 9,143,719	Level 2
U.S. Government bonds	November 2016- June 2021	S&P AA+	46,699,500	Level 2
U.S. Bank Municipal Investor Account	N/A	N/A	12,536,040	Level 2
State of Montana Short Term Investment Pool Account	N/A	N/A	11,500,000	
Demand deposits	N/A	N/A	3,764,798	
Petty cash	N/A	N/A	4,967	
			<u>\$ 83,649,024</u>	

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

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

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

NOTE 3. PROPERTY TAX AND SPECIAL ASSESSMENTS REVENUE AND RECEIVABLES

Property Taxes

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

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

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

Gallatin County collects all property taxes on behalf of the City and remits collections, including penalties and interest, on a monthly basis. The County assesses a delinquency penalty of 2%. If taxes become delinquent, the County tax collector may sell the property to collect taxes due plus 0.83% per month interest.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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, 2016. 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.

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, 2016, rent expenditure was \$19,125 regarding this lease.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 6. NOTES RECEIVABLE

The City had the following notes receivable:

<u>Special Revenue Funds</u>	
Economic Development Loan Fund	\$ 506,249
Community Housing Fund	78,739
Housing Revolving Loan Fund	6,928
<u>Enterprise Funds</u>	
Parking Fund	10,830

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, 2016, depreciation expense on capital assets was charged to the functions and programs as follows:

Governmental Activities:	
General Government	\$ 286,345
Public Safety	559,680
Public Services	2,781,335
Public Welfare	705,209
Total depreciation expense - governmental activities	<u>\$ 4,332,569</u>
Business-type Activities:	
Parking	\$ 290,091
Storm Water	81,149
Water	2,581,633
Waste Water	2,472,014
Solid Waste	237,183
Total depreciation expense - business-type activities	<u>\$ 5,662,070</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 7. CAPITAL ASSETS (CONTINUED)

All capital assets of the City are depreciable with the exception of land, and construction in process, when applicable. Capital assets activity of the City for the year ended June 30, 2016, consisted of the following:

	June 30, 2015	Additions	Disposals	Transfers	June 30, 2016
GOVERNMENTAL ACTIVITIES					
Non-depreciable:					
Land	\$ 16,887,829	\$ 844,189	\$ (99,111)	\$ -	\$ 17,632,907
Depreciable:					
Buildings	32,410,407	158,251	-	-	32,568,658
Other structures and improvements	1,148,427	-	-	-	1,148,427
Machinery and equipment	11,322,575	710,262	(287,043)	-	11,745,794
Property under capital lease	435,737	-	-	-	435,737
Vehicles	3,188,785	370,742	(20,400)	(754)	3,538,373
Infrastructure	146,912,547	12,035,473	-	-	158,948,020
Total	212,306,307	14,118,917	(406,554)	(754)	226,017,916
Accumulated depreciation	(95,842,778)	(4,332,569)	301,117	754	(99,873,476)
Total governmental activities	<u>\$ 116,463,529</u>	<u>\$ 9,786,348</u>	<u>\$ (105,437)</u>	<u>\$ -</u>	<u>\$ 126,144,440</u>
BUSINESS-TYPE ACTIVITIES					
Non-depreciable:					
Land	\$ 4,873,558	\$ 94,749	\$ (25,768)	\$ -	\$ 4,942,539
Water rights	2,120,142	-	-	-	2,120,142
Depreciable:					
Buildings	112,431,720	559,976	-	-	112,991,696
Other structures and improvements	30,808,133	-	-	-	30,808,133
Machinery and equipment	7,646,509	664,912	(185,922)	-	8,125,499
Property under capital lease	519,943	-	-	-	519,943
Vehicles	1,915,373	123,918	(47,573)	754	1,992,472
Infrastructure	267,975,681	12,377,876	-	-	280,353,557
Total	428,291,059	13,821,431	(259,263)	754	441,853,981
Accumulated depreciation	(179,184,119)	(5,662,070)	233,493	(754)	(184,613,450)
Total business-type activities	<u>\$ 249,106,940</u>	<u>\$ 8,159,361</u>	<u>\$ (25,770)</u>	<u>\$ -</u>	<u>\$ 257,240,531</u>
Total capital assets	<u>\$ 365,570,469</u>	<u>\$ 17,945,709</u>	<u>\$ (131,207)</u>	<u>\$ -</u>	<u>\$ 383,384,971</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 7. CAPITAL ASSETS (CONTINUED)

Changes in accumulated depreciation are as follows for the year ended June 30, 2016:

	June 30, 2015	Additions	Disposals	Transfers	June 30, 2016
GOVERNMENTAL ACTIVITIES					
Buildings	\$ (14,301,481)	\$ (832,742)	\$ -	\$ -	\$ (15,134,223)
Other structures and improvements	(1,023,265)	(22,238)	-	-	(1,045,503)
Machinery and equipment	(8,018,483)	(544,189)	286,582	-	(8,276,090)
Property under capital lease	(52,660)	(31,106)	-	-	(83,766)
Vehicles	(2,523,344)	(220,329)	14,535	754	(2,728,384)
Infrastructure	(69,923,545)	(2,681,965)	-	-	(72,605,510)
Total governmental activities	<u>\$ (95,842,778)</u>	<u>\$ (4,332,569)</u>	<u>\$ 301,117</u>	<u>\$ 754</u>	<u>\$ (99,873,476)</u>
BUSINESS-TYPE ACTIVITIES					
Buildings	\$ (11,828,972)	\$ (2,347,945)	\$ -	\$ -	\$ (14,176,917)
Other structures and improvements	(27,321,150)	(451,909)	-	-	(27,773,059)
Machinery and equipment	(5,879,493)	(431,617)	185,920	-	(6,125,190)
Property under capital lease	(25,997)	(25,679)	47,573	-	(4,103)
Vehicles	(1,822,227)	(51,994)	-	(754)	(1,874,975)
Infrastructure	(132,306,280)	(2,352,926)	-	-	(134,659,206)
Total business-type activities	<u>(179,184,119)</u>	<u>(5,662,070)</u>	<u>233,493</u>	<u>(754)</u>	<u>(184,613,450)</u>
Total accumulated depreciation	<u>\$ (275,026,897)</u>	<u>\$ (9,994,639)</u>	<u>\$ 534,610</u>	<u>\$ -</u>	<u>\$ (284,486,926)</u>

NOTE 8. COMPENSATED ABSENCES

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 8. COMPENSATED ABSENCES (CONTINUED)

	Balance June 30, 2015	Incurred	Satisfied	Balance June 30, 2016
Compensated absences:				
Governmental activities	\$ 1,670,689	\$ 1,349,782	\$ (1,266,742)	\$ 1,753,729
Business-type activities	550,966	450,041	(401,047)	599,960
Total compensated absences	<u>\$ 2,221,655</u>	<u>\$ 1,799,823</u>	<u>\$ (1,667,789)</u>	<u>\$ 2,353,689</u>
	Due within one year	Due after one year	Total	
Compensated absences:				
Governmental activities	\$ 1,266,700	\$ 487,029	\$ 1,753,729	
Business-type activities	401,000	198,960	599,960	
Total compensated absences	<u>\$ 1,667,700</u>	<u>\$ 685,989</u>	<u>\$ 2,353,689</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, 2016:

	Balance June 30, 2015	Issuances and Additions	Repayments and Deletions	Balance June 30, 2016
General obligation bonds	\$ 16,320,000	\$ -	\$ (750,000)	\$ 15,570,000
Tax increment financing bonds	4,825,000	-	(195,000)	4,630,000
Special assessment debt	890,500	-	(228,000)	662,500
Intercap notes payable	963,274	47,409	(125,839)	884,844
Subtotal bonds and notes	22,998,774	47,409	(1,298,839)	21,747,344
Bond premiums	262,425		(13,458)	248,967
Compensated absences	1,670,689	1,349,782	(1,266,742)	1,753,729
Other post employment benefits liability	1,672,489	110,027	-	1,782,516
Net pension liability	14,414,020	1,579,037	-	15,993,057
Totals	<u>\$ 41,018,397</u>	<u>\$ 3,086,255</u>	<u>\$ (2,579,039)</u>	<u>\$ 41,525,613</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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	\$ 860,000	\$ 14,710,000	\$ 15,570,000
Tax increment financing bonds	205,000	4,425,000	4,630,000
Special assessment debt	27,000	635,500	662,500
Intercap notes payable	128,513	756,331	884,844
Bond premiums	13,458	235,509	248,967
Subtotal bonds and notes	1,233,971	20,762,340	21,996,311
Compensated absences	1,266,700	487,029	1,753,729
Other post employment benefits liability	-	1,782,516	1,782,516
Net pension liability	-	15,993,057	15,993,057
Totals	<u>\$ 2,500,671</u>	<u>\$ 39,024,942</u>	<u>\$ 41,525,613</u>

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

	Interest Rate	Amount	Due within one year
General Obligation Refunding Bonds, series 2012 serial maturities through 2021	1.50%	\$ 1,300,000	\$ 250,000
General Obligation TOP Bonds, Series 2013 serial maturities through 2034	2.00%	9,280,000	405,000
General Obligation TOP Bonds, Series 2014 serial maturities through 2035	1.00%	4,990,000	205,000
Total general obligations bonds		<u>\$ 15,570,000</u>	<u>\$ 860,000</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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>
2017	\$ 860,000	\$ 498,738	\$ 1,358,738
2018	875,000	481,538	1,356,538
2019	895,000	464,038	1,359,038
2020	910,000	446,138	1,356,138
2021	925,000	426,863	1,351,863
2022-2026	3,565,000	1,842,138	5,407,138
2027-2031	4,225,000	1,182,100	5,407,100
2032-2036	3,315,000	296,600	3,611,600
	<u>\$ 15,570,000</u>	<u>\$ 5,638,153</u>	<u>\$ 21,208,153</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>
2017	\$ 205,000	\$ 220,488	\$ 425,488
2018	210,000	212,288	422,288
2019	220,000	203,573	423,573
2020	230,000	194,222	424,222
2021	240,000	184,103	424,103
2022-2026	1,375,000	743,098	2,118,098
2027-2031	1,745,000	371,263	2,116,263
2032	405,000	20,250	425,250
	<u>\$ 4,630,000</u>	<u>\$ 2,149,285</u>	<u>\$ 6,779,285</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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, 2015	Issuances	Repayments	Balance June 30, 2016
Special assessment bonds	\$ 605,000	\$ -	\$ (200,000)	\$ 405,000
Note Payable to Department of Natural Resources and Conservation, #WRF-05067	54,500	-	-	54,500
Note Payable to Department of Natural Resources and Conservation, #SRF-05132	231,000	-	(28,000)	203,000
	<u>\$ 890,500</u>	<u>\$ -</u>	<u>\$ (228,000)</u>	<u>\$ 662,500</u>

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

<u>Year ending June 30,</u>	Notes Payable		
	Principal	Interest	Total
2017	\$ 26,500	\$ 5,020	\$ 31,520
2018	30,000	4,470	34,470
2019	29,500	3,875	33,375
2020	32,000	3,270	35,270
2021	32,000	2,630	34,630
2022-2023	107,500	3,865	111,365
	<u>\$ 257,500</u>	<u>\$ 23,130</u>	<u>\$ 280,630</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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>
2017	\$ -
2018	-
2019	65,000
2020	65,000
2021	65,000
2022-2026	210,000
	<u>\$ 405,000</u>

Substantially all special assessment bonds mature 18 to 20 years after the date of issuance but are redeemable at the option of the City whenever cash is available in the respective funds for each issue. The City follows the policy of early redemption on these bonds. Accordingly, a schedule of future interest payments through maturity of the bonds is deemed to be not meaningful and has been excluded.

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

Intercept Loans – The City entered in a loan agreement with the Montana Board of Investments to partially finance the reconstruction of South Eight Avenue. This intercept loan payable had a balance outstanding at June 30, 2016, 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>\$ 128,513</u>	<u>\$ 756,328</u>	<u>\$ 884,841</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 9. LONG-TERM DEBT (CONTINUED)

Governmental Activities Long-Term Debt (Continued)

The debt service requirements for the intercap loan at June 30, 2016, are as follows:

<u>Year ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 128,513	\$ 24,228	\$ 152,741
2018	129,809	20,450	150,259
2019	131,118	16,635	147,753
2020	132,440	12,781	145,221
2021	133,774	8,889	142,663
2022-2026	214,071	5,950	220,021
2027	15,116	-	15,116
	<u>\$ 884,841</u>	<u>\$ 88,933</u>	<u>\$ 973,774</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, 2016, are as follows:

	<u>Balance</u>		<u>Repayments</u>	<u>Balance</u>		<u>Long-Term</u>
	<u>June 30, 2015</u>	<u>Issuances</u>	<u>and Settlements</u>	<u>June 30, 2015</u>	<u>Due in One Year</u>	<u>Portion</u>
State Revolving Fund Revenue Bond - 12247						
Series 2011A, serial maturities through 2032, 3% interest rate	\$ 8,698,000	\$ -	\$ (415,000)	\$ 8,283,000	\$ 427,000	\$ 7,856,000
State Revolving Fund Revenue Bond - 13291						
Series 2011B, serial maturities through 2032, 3% interest rate	8,667,000	-	(383,000)	8,284,000	395,000	7,889,000
	<u>\$ 17,365,000</u>	<u>\$ -</u>	<u>\$ (798,000)</u>	<u>\$ 16,567,000</u>	<u>\$ 822,000</u>	<u>\$ 15,745,000</u>

The revenue bond ordinances specifies that the City shall establish various restricted asset accounts and distribute the net revenues for the water fund to the restricted asset accounts and set user rates at levels which will generate minimum net revenues, as defined. The revenue bond ordinances specify that City management and/or the City Commission shall take corrective actions to bring the City into compliance with the revenue bond ordinances, if necessary, and that bondholders shall have the right to institute proceedings, judicial or otherwise, to enforce the covenants of the revenue bond ordinances. The City is in compliance with applicable covenants as of June 30, 2016.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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>
2017	\$ 822,000	\$ 327,260	\$ 1,149,260
2018	847,000	310,700	1,157,700
2019	872,000	293,630	1,165,630
2020	898,000	276,060	1,174,060
2021	926,000	257,960	1,183,960
2022-2026	5,065,000	998,490	6,063,490
2027-2031	5,877,000	456,420	6,333,420
2032	1,260,000	21,970	1,281,970
	<u>\$ 16,567,000</u>	<u>\$ 2,942,490</u>	<u>\$ 19,509,490</u>
Due within one year	\$ 822,000		
Due after one year	15,745,000		
	<u>\$ 16,567,000</u>		

The revenue bond ordinance specifies that the City shall establish various restricted asset accounts and distribute the net revenues for the water fund to the restricted asset accounts and set user rates at levels that will generate minimum net revenues, as defined. The revenue bond ordinances specify that City management and/or the City Commission shall take corrective actions to bring the City into compliance with the revenue bond ordinances, if necessary, and that bondholder shall have the right to institute proceedings, judicial or otherwise, to enforce the covenants of the revenue bond ordinances. The City is in compliance with applicable covenants as of June 30, 2016.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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, 2016, are as follows:

	<u>Interest Rate</u>	<u>Balance June 30, 2015</u>	<u>Repayments and Settlements</u>	<u>Balance June 30, 2016</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%	\$ 272,000	\$ (16,000)	\$ 256,000	\$ 17,000	\$ 239,000
Waste Water Reclamation Facility Revenue Bonds - 10230,						
Series 2010D, serial maturities through 2030	3.00%	7,506,000	(420,000)	7,086,000	433,000	6,653,000
Waste Water Reclamation Facility Revenue Bonds - 10262,						
Series 2010F, serial maturities through 2030	3.00%	661,000	(36,000)	625,000	36,000	589,000
Waste Water Reclamation Facility Revenue Bonds ARRA A- 10261,						
Series 2010E, serial maturities through 2030	0.00%	384,000	-	384,000	-	384,000
Waste Water Reclamation Facility Revenue Bonds - 11291,						
Series 2010C, serial maturities through 2031	3.00%	807,000	(42,000)	765,000	43,000	722,000
Waste Water Reclamation Facility Revenue Bonds - 11292,						
Series 2010G, serial maturities through 2031	3.00%	2,430,565	(121,000)	2,309,565	125,000	2,184,565
Waste Water Reclamation Facility Revenue Bonds - 11281						
Series 2010H, serial maturities through 2031	3.00%	7,912,000	(407,000)	7,505,000	420,000	7,085,000
		<u>\$ 19,972,565</u>	<u>\$ (1,042,000)</u>	<u>\$ 18,930,565</u>	<u>\$ 1,074,000</u>	<u>\$ 17,856,565</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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>
2017	\$ 1,074,000	\$ 380,600	\$ 1,454,600
2018	1,109,000	358,184	1,467,184
2019	1,141,000	335,059	1,476,059
2020	1,175,000	311,224	1,486,224
2021	1,211,000	286,669	1,497,669
2022-2026	6,648,000	1,037,058	7,685,058
2027-2031	6,572,565	279,201	6,851,766
	<u>\$ 18,930,565</u>	<u>\$ 2,987,995</u>	<u>\$ 21,918,560</u>
Due within one year	\$ 1,074,000		
Due after one year	<u>17,856,565</u>		
	<u>\$ 18,930,565</u>		

Stormwater Revenue Bonds

Waste Water revenue bonds outstanding at June 30, 2016, 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, 2015</u>	<u>Issuances</u>	<u>Repayments and Settlements</u>	<u>Balance June 30, 2016</u>	<u>Due in One Year</u>	<u>Long-Term Portion</u>
Stormwater System Revenue Bond, Series 2015	2.00%	\$ 229,750	\$ 1,281,680	\$ (71,000)	\$ 1,440,430	\$ 73,000	\$ 1,367,430

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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, 2016, the Revenue Bond outstanding had an aggregate principal amount payable of \$270,149.

NOTE 10. CAPITAL LEASE OBLIGATIONS

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

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 10. CAPITAL LEASE OBLIGATIONS (CONTINUED)

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

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

The capital lease balance outstanding at June 30, 2016, is as follows:

	Balance June 30, 2015	Issuances	Repayments	Balance June 30, 2016
Governmental Activities:				
2012 Street Sweeper	\$ 63,802	\$ -	\$ (31,381)	\$ 32,421
Caterpillar 2014	216,651	-	(12,233)	204,418
Savin Copier 2015	15,459	-	(2,797)	12,662
	<u>\$ 295,912</u>	<u>\$ -</u>	<u>\$ (46,411)</u>	<u>\$ 249,501</u>
Business-Type Activities:				
2015 Street Sweeper	\$ 125,035	\$ -	\$ (23,411)	\$ 101,624
2015 Vactor Vacuum Truck	309,563	-	(47,438)	262,125
	<u>\$ 434,598</u>	<u>\$ -</u>	<u>\$ (70,849)</u>	<u>\$ 363,749</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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, 2016:

<u>Year ending June 30.</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$ 54,905	\$ 85,345
2018	21,410	85,345
2019	21,411	85,345
2020	173,132	85,345
2021	-	57,812
Less amount representing interest	<u>(21,357)</u>	<u>(35,443)</u>
Present value of future minimum lease payments	<u>\$ 249,501</u>	<u>\$ 363,749</u>

The property under capital lease and the corresponding accumulated depreciation at June 30, 2016, is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Machinery and equipment	\$ 435,737	\$ 519,943
Less: accumulated depreciation	<u>(83,766)</u>	<u>(77,991)</u>
	<u>\$ 351,971</u>	<u>\$ 441,952</u>

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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 11. CLASSIFICATION OF NET POSITION (CONTINUED)

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, 2016, the following fund had a deficit fund balance: Stormwater fund (\$513,605).

The deficit fund balance in the Stormwater fund is due to a transfer out of \$1,234,760 to the Solid Waste fund of the proceeds of a partial drawdown of a \$2.135 million loan from the State of Montana Revolving Loan fund in order to identify and put in place a system to limit the migration of volatile organic compounds from the landfill (refer to Note 20). The Loan is secured by the Stormwater fund but will be repaid through a property tax levy deduction, so this deficit will be eliminated by transfers in from the General fund of this property tax revenue. Additionally, budgeted revenues in the Stormwater fund are estimated to exceed budgeted expenses in the upcoming year, so the budget surplus will also serve to eliminate this deficit. As of the report date, the deficit in the Stormwater fund has been reduced to (\$222,613).

NOTE 13. DEFERRED COMPENSATION PLAN

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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 2016 and 2015 total payroll and covered payroll for all retirement plans were \$20,234,004 and \$21,311,975, respectively. Financial information for all three plans is reported in the Public Employees' Retirement Board's published *Comprehensive Annual Financial Report* for the fiscal year-end. It is available from the PERD at 100 North Park Avenue, Suite 220, P.O. Box 200131, Helena, MT 59620-0131. The authority to establish, amend, and provide cost of living adjustments to all three plans is assigned to the State legislature. The authority to establish and amend contribution rates to all three plans is also assigned to the State legislature.

Public Employees' Retirement System (PERS)

Plan Description

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

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

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS)

Summary of Benefits

Eligibility for benefit

Service retirement:

Hired prior to July 1, 2011:	Age 60, 5 years of membership service; Age 65, regardless of membership service; or Any age, 30 years of membership service.
Hired on or after July 1, 2011:	Age 65, 5 years of membership services; Age 70, regardless of membership service.

Early retirement, actuarially reduced:

Hired prior to July 1, 2011:	Age 50, 5 years of membership service; or Any age, 25 years of membership service.
Hired on or after July 1, 2011:	Age 55, 5 years of membership service.

Vesting

5 years of membership service

Member's highest average compensation (HAC)

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

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

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, 2016

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

Rates are specified by state law for periodic member and employer contributions 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 to the plan. Member and employer contribution rates are shown in the table below.

1. Member contributions to the system of 7.90% 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. State and University System employers are required to contribute 8.27% of members' compensation.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The portion of employer contributions allocated to the PCR are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Overview of Contributions (Continued)

3. Non Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes a portion of Coal Severance Tax income and earnings from the Coal Trust Permanent Trust Fund

Fiscal Year	Member		State & Universities	Local Government	School Districts		
			Employer	Employer	State	Employer	State
	Hired <7/01/11	Hired >7/01/11					
2016	7.9%	7.9%	8.370%	8.270%	0.10%	8.00%	0.370%
2015	7.9%	7.9%	8.270%	8.170%	0.10%	7.90%	0.370%
2014	7.9%	7.9%	8.170%	8.070%	0.10%	7.80%	0.370%
2012-2013	6.9%	7.9%	7.170%	7.070%	0.10%	6.80%	0.370%
2010-2011	6.9%		7.170%	7.070%	0.10%	6.80%	0.370%
2008-2009	6.9%		7.035%	6.935%	0.10%	6.80%	0.235%
2000-2007	6.9%		6.900%	6.800%	0.10%	6.80%	0.100%

Stand-Alone Statements

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions

The total pension liability (TPL) was determined by an actuarial valuation date of June 30, 2014, with update procedures to roll forward the TPL to June 30, 2015. There were several significant assumptions and other inputs used to measure the total pension liability. The actuarial assumptions used in the June 30, 2014, valuation were based on the results of the last actuarial experience study, dated May 2010, for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

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

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

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - a) 1.5% for each year PERS is funded at or above 90%;
 - b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - c) 0% whenever the amortization period for PERS is 40 years or more.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Actuarial Assumptions (Continued)

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

Discount Rate

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. 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, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the System. The most recent analysis, performed for the period of fiscal years 2003 through 2009, is outlined in a report dated June 2010 and is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by an investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Summarized in the table below are best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

Sensitivity Analysis

	1.0% Decrease at 6.75%	Current Discount Rate	1.0% Increase at 8.75%
City of Bozeman's proportion	\$20,664,965	\$13,403,285	\$7,270,964

The above table presents the net pension liability (NPL) calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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

Pension Amounts

GASB Statement 68, Paragraph 74 requires that when employees are provided benefits through more than one pension system, whether provided through cost-sharing, single-employer, or agent pension plans, the employer must combine the amounts reported as a total or aggregate for all pensions.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Statement 68, which became effective June 30, 2015, includes requirements for employers to record and report their proportionate share of the collective NPL, pension expense, and deferred inflows and deferred outflows of resources associated with pensions.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the employers. Due to the existence of this special funding situation, 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 State of Montana also has a funding situation that is not special funding whereby the State general fund provides contributions from the coal tax severance fund. All employers are required to report the portion of coal tax severance income and earnings attributable to the employer.

The TPL used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to the measurement date of June 30, 2015. For most employers, their June 30, 2016, reporting will use the 2016 reporting values presented in these notes.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Net Pension Liability (Continued)

	Net Pension Liability as of 6/30/16	Net Pension Liability as of 6/30/15	Percent of Collective NPL as of 6/30/16	Percent of Collective NPL as of 6/30/15	Change in Percent of Collective NPL
City of Bozeman Proportionate Share	\$ 13,403,285	\$ 11,401,613	0.9588350%	0.9150490%	0.0437860%
State of Montana Proportionate Share associated	\$ 164,637	\$ 139,231	0.0117780%	0.0111740%	0.0006040%
Total	\$ 13,567,922	\$ 11,540,844	0.9706130%	0.9262230%	0.0443900%

The table above displays the employer proportionate share of the NPL and the employer's proportion of NPL for June 30, 2015 and 2016. The employer's proportion of the NPL was based on the employer's contributions received by PERS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all PERS' participating employers. As of the employer's reporting date the employer recorded a liability of \$ 13,403,285 and the employer's proportionate share was 0.958835%.

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

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

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

Pension Expense

At June 30, 2016, the employer recognized a pension expense of \$1,063,870 for its proportionate share of the PERS' pension expense. The employer also recognized grant revenue of \$10,230 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the employer and grant revenue of \$321,664 from the coal tax fund.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Public Employees' Retirement System (PERS) (Continued)

Recognition of Deferred Inflows and Outflows

At June 30, 2016, the employer reported its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 81,091
Changes in assumptions	\$ -	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 1,134,731
Changes in proportion differences between employer contributions and proportionate share of contributions	\$ 528,216	\$ -
Employer contributions subsequent to the measurement date	\$ 1,052,437	\$ -
Total	\$ 1,580,653	\$ 1,215,822

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL beginning in the year ended June 30, 2017.

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

Year ended June 30:	Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to pension expense
2017	\$ (325,970)
2018	\$ (325,970)
2019	\$ (330,787)
2020	\$ 295,122
2021	\$ -
Thereafter	\$ -

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS)

Plan Description

The Firefighters' Unified Retirement System (FURS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established in 1981, and governed by Title 19, chapters 2 & 13, MCA. This plan provides retirement benefits to firefighters employed by first- and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001. Benefits are established by state law and can only be amended by the Legislature. The FURS provides retirement, disability, and death benefits to plan members and their beneficiaries.

Summary of Benefits

Eligibility for benefit

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

Vesting

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

Member's highest average compensation (HAC)

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

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

Compensation Cap

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

Monthly benefit formula

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service).

Overview of Contributions

Rates are specified by state law for periodic member and employer contributions 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 to the plan. Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		Employer State	
	Non-GABA	GABA		
1998 - 2016	9.50%	10.70%	14.36%	32.61%
1997	7.80%		14.36%	32.61%

Stand-Alone Statements

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Actuarial Assumptions

The TPL used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to June 30, 2015. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

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

Guaranteed Annual Benefit Adjustment (GABA)

Members hired on or after July 1, 1997, or those electing GABA - after the member has completed 12 full months of retirement, the member's benefit increases by a maximum of 3% each January, inclusive of all other adjustments to the member's benefit.

Minimum Benefit Adjustment (non-GABA)

Members hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than ½ the compensation of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of membership service).

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Discount Rate

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under the Montana Code Annotated. The State contributes 32.61% of salaries paid by employers. Based on those assumptions, the 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 2123. 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.

Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the System. The most recent analysis, performed for the period of fiscal years 2003 through 2009, is outlined in a report dated June 2010 and is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by an investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Summarized in the table above are best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Sensitivity Analysis

	1.0% Decrease to 6.75%	Current Discount Rate	1.0% Increase to 8.75%
City's proportion	\$4,015,455	\$2,489,054	\$1,245,152

The above table presents the NPL calculated using the discount rate of 7.75%, as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

Summary of Significant Accounting Policies

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

Pension Amount Totals

GASB Statement 68, Paragraph 74 requires that when employees are provided benefits through more than one pension system, whether provided through cost-sharing, single-employer or agent pension plans, the employer must combine the amounts reported as a total or aggregate for all pensions.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Firefighters' Unified Retirement System (FURS). Statement 68, which became effective June 30, 2015, includes requirements for employers 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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Net Pension Liability (Continued)

FURS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to FURS on behalf of the employers. Due to the existence of this special funding situation, 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 total pension liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to the measurement date of June 30, 2015. For most employers, their June 30, 2016, reporting will use the 2016 reporting values presented in these notes.

	NPL as of 6/30/16	NPL as of 6/30/15	Percent of Collective NPL as of 6/30/16	Percent of Collective NPL as of 6/30/15	Change in Percent of Collective NPL
City Proportionate Share	\$ 2,489,054	\$ 2,361,551	2.4336400%	2.4192110%	0.0144290%
State of Montana Proportionate Share associated with Employer	\$ 5,543,784	\$ 5,327,544	5.4203640%	5.4576220%	-0.0372580%
Total	\$ 8,032,838	\$ 7,689,095	7.8540040%	7.8768330%	-0.0228290%

The Table above displays the employer proportionate share of the NPL and the employer's proportion of NPL for June 30, 2015 and 2016. The employer's proportion of the NPL was based on the employer's contributions received by FURS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all FURS' participating employers. As of the employer's reporting date, the employer recorded a liability of \$2,489,054, and the employer's proportionate share was 2.43364%.

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

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

Pension Expense

	Pension Expense as of 6/30/16	Pension Expense as of 6/30/15
City's Proportionate Share	\$ 276,847	\$ 262,159
State of Montana Proportionate Share associated with the Employer	\$ 600,192	\$ 591,417
Total	\$ 877,039	\$ 853,576

At June 30, 2016, the employer recognized its proportionate share of the FURS' pension expense of \$877,039. The employer also recognized grant revenue of \$600,192 for the support provided by the State of Montana for the proportionate share of the pension expense that is associated with the employer.

Recognition of Deferred Inflows and Outflows

At June 30, 2016, the employer reported its proportionate share of FURS' deferred outflows of resources and deferred inflows of resources related to FURS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 3,243
Changes in assumptions	\$ -	\$ -
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 150,454
Changes in proportion differences between employer contributions and proportionate share of contributions	\$ 14,069	\$ -
Difference between actual and expected contributions	\$ -	\$ -
Contributions paid to PERS subsequent to the measurement date	\$ 477,250	\$ -
Total	\$ 491,319	\$ 153,697

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL beginning in the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in Pension Expense as follows:

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2017	\$ (64,939)
2018	\$ (64,939)
2019	\$ (64,939)
2020	\$ 53,025
2021	\$ 2,165
Thereafter	\$ -

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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. The balance held by MPERA for MPORS DROP participants as of June 30, 2016 was approximately 7 million.

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

Summary of Benefits

Eligibility for benefit

20 years of membership service, regardless of age

Age 50, 5 years of membership service.

Vesting

Death and disability rights are vested immediately

5 years of membership service for all other rights

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS) (Continued)

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

Member's highest average compensation (HAC)

Hired prior to July 1, 1977 - average monthly compensation of final year of service;

Hired on or after July 1, 1977 – final average compensation (FAC) for last consecutive 36 months.

Compensation Cap

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

Monthly benefit formula

2.5% of FAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

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

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

Discount Rate

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under the Montana Code Annotated. The State contributes 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 2123. 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, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Target Allocations

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash Equivalents	2.00%	-0.25%
Domestic Equity	36.00%	4.55%
Foreign Equity	18.00%	6.10%
Fixed Income	24.00%	1.25%
Private Equity	12.00%	8.00%
Real Estate	8.00%	4.25%

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

Summarized in the table above are best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015.

Sensitivity Analysis

	1.0% Decrease to 6.75%	Current Discount Rate	1.0% Increase to 8.75%
City's proportion	\$6,947,191	\$4,920,638	\$3,121,565

The above table presents the NPL calculated using the discount rate of 7.75% as well as what the NPL would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Summary of Significant Accounting Policies

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

Pension Amount Totals

GASB Statement 68, Paragraph 74 requires that when employees are provided benefits through more than one pension system, whether provided through cost-sharing, single-employer or agent pension plans, the employer must combine the amounts reported as a total or aggregate for all pensions.

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers are required to recognize and report certain amounts associated with their participation in the Municipal Police Officers' Retirement System (MPORS). GASB Statement 68, which became effective June 30, 2015, includes requirements for employers 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. MPORS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to MPORS on behalf of the employers. Due to the existence of this special funding situation, the State is required to report a proportionate share of a local government' collective NPL that is associated with the non-State employer. The Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of June 30, 2014, with update procedures to roll forward the TPL to the measurement date of June 30, 2015. For most employers, their June 30, 2016 reporting will use the 2016 reporting values presented in these notes.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Net Pension Liability (Continued)

	NPL as of 6/30/2016	NPL as of 6/30/2015	Percent of Collective NPL as of 6/30/2016	Percent of Collective NPL as of 6/30/2015	Change in Percent of Collective NPL
City Proportionate Share	\$ 4,920,638.02	\$ 4,746,932.65	2.974620%	3.020909%	-0.046289%
State of Montana Proportionate Share associated with Employer	\$ 9,969,680.40	\$ 9,589,371.45	6.026863%	6.102597%	-0.075734%
Total	\$ 14,890,318.42	\$ 14,336,304.10	9.001483%	9.123506%	-0.122023%

The Table above displays the employer proportionate share of the NPL and the employer's proportion of NPL for June 30, 2015 and 2016. The employer's proportion of the NPL was based on the employer's contributions received by MPORS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all MPORS' participating employers. As of the employer's reporting date the employer recorded a liability of \$4,920,638, and the employer's proportionate share was 2.97462%.

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

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

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

Pension Expense

	Pension Expense as of 6/30/16	Pension Expense as of 6/30/15
City's Proportionate Share	\$ 478,745	\$ 510,604
State of Montana Proportionate Share associated with the City	\$ 1,013,945	\$ 1,031,481
Total	\$ 1,492,690	\$ 1,542,086

At June 30, 2016, the employer recognized its proportionate share of the MPORS' Pension Expense of \$1,492,690. The employer also recognized grant revenue of \$1,013,945 for the support provided by the State of Montana for the proportionate share of the pension expense that is associated with the employer.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Recognition of Deferred Inflows and Outflows

At June 30, 2016, the employer reported its proportionate share of MPORS' deferred outflows of resources and deferred inflows of resources related to MPORS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected experience	\$ -	\$ 44,939
Changes in assumptions	\$ -	\$ -
Difference between projected and actual earnings on pension plan investments	\$ -	\$ 184,858
Changes in proportion differences between employer contributions and proportionate share of contributions	\$ -	\$ 61,250
Contributions paid to PERS subsequent to the measurement date	\$ 638,568	
Total	\$ 638,568	\$ 291,047

Amounts reported as deferred outflows of resources related to pensions resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the NPL beginning in the year ended June 30, 2017.

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

Year ended June 30:	Amount recognized in Pension Expense as an increase or (decrease) to Pension Expense
2017	\$ (117,477)
2018	\$ (117,477)
2019	\$ (117,477)
2020	\$ 61,386
2021	\$ -
Thereafter	\$ -

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 15. POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS

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

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

Funding Policy. The plan is unfunded by the City and plan members receiving benefits contribute 100 percent of their cost of the benefits on a pay-as-you-go basis. The City plan's administratively established retiree medical, dental, and vision premiums vary between \$37 and \$912 per month depending on the medical plan selected, family coverage, and Medicare eligibility. The plan provides different coinsurance amounts depending on whether members use preferred, non-preferred, or other hospitals. For a single individual, after an annual deductible of \$300 for most non-Medicare-eligible retirees, the plan reimburses 70% for the first \$500 medical claims and 100% thereafter. For a family, after an annual deductible of \$600 for most non-Medicare-eligible retirees, the plan reimburses 70% for the first \$1,000 medical claims and 100% thereafter. For fiscal year ended June 30, 2016, the City has 35 retired members receiving benefits.

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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

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

Annual required contribution	\$ 330,107
Interest on net OPEB obligation	83,556
Adjustment to annual required contribution	<u>(120,801)</u>
Annual OPEB cost (expense)	292,862
Contributions made	<u>(149,183)</u>
Increase in net OPEB obligation	143,679
Net OPEB obligation - beginning of year	<u>2,088,900</u>
Net OPEB obligation - end of year	<u><u>\$ 2,232,579</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for fiscal year ended June 30, 2016, and the five preceding fiscal years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 234,397	48.33%	\$ 1,729,462
June 30, 2013	221,212	49.14%	1,841,971
June 30, 2014	219,207	59.81%	1,930,074
June 30, 2015	295,694	46.29%	2,088,900
June 30, 2016	292,862	50.94%	2,232,579

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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

The June 30, 2016, 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	\$ 23,325
Public safety	46,504
Public service	8,391
Public welfare	31,807
Total governmental activities	<u>110,027</u>
Business-type activities:	
Water	13,582
Waste water	10,054
Solid waste	5,996
Parking	2,194
Storm water	1,826
Total business-type activities	<u>33,652</u>
Total primary government	<u>\$ 143,679</u>

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
7/1/2010	\$ -	\$ 2,203,253	\$ 2,203,253	0.0%	\$ 22,051,261	9.99%
7/1/2012	-	2,002,345	2,002,345	0.0%	23,885,569	8.38%
7/1/2014	-	2,675,667	2,675,667	0.0%	26,884,822	9.95%

Actuarial Methods and Assumptions. The City's actuarial valuation is completed on a biennial frequency, provided no significant events have occurred warranting new measurement. The City completed the valuation for fiscal year 2014, with an estimate provided for fiscal year 2016. For fiscal year 2016, an estimated valuation was derived based on the 2014 actual costs and participants. As a result of this biennial valuation, we have marked the fields as "n/a" where actual financial data was not used to generate the estimate. As of July 1, 2014, the most recent valuation date, the City's actuarially accrued liability (AAL) for benefits was \$2,675,667. The AAL by status breakdown is shown below:

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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

The following key assumptions were chosen by the City:

1. Discount Rate: 4.0%
2. Inflation Rate: 2.5%
3. Expected Long-Term Rate of Return on Assets: NA
4. Health Care Claim and Contribution Trend Rates: 7% in fiscal year 2016, decreasing annually, to 4% in fiscal year 2035.
5. Average Salary Increase: 4.0%
6. Retirement Rates: Based upon the separate rates used to value the pension obligations for Police Officers, Firefighters, and all other employees, respectively.
7. Retiree Participation Rate: 30%
8. Marital Assumption: For future retirees, 60% of participants are assumed to be married, with husbands 3 years older than wives.

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

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 16. JOINT VENTURE AGREEMENTS

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

Joint ventures are legal entities or other organizations that result in a contractual arrangement and that are owned, operated, or governed by two or more participants. Each participant retains both an ongoing financial interest and an ongoing financial responsibility. As of June 30, 2016, the City has entered into joint venture contractual arrangements, as described below.

911 Communication Center

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

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

City-County Drug Forfeitures

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 16. JOINT VENTURE AGREEMENTS (CONTINUED)

Montana Municipal Interlocal Authority

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

NOTE 17. RESTRICTED NET POSITION

At June 30, 2016, the balances of restricted net position for business-type activities are as follows:

	Business-Type Activities				Total
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Enterprise	
Restricted by revenue bond covenants:					
For bond reserve	\$ 1,313,885	\$ 1,788,592	\$ -	\$ -	\$ 3,102,477
Restricted by ordinance:					
Cash in lieu of parking	-	-	-	295,545	295,545
Impact fees	1,462,948	1,392,561	-	-	2,855,509
	<u>\$ 2,776,833</u>	<u>\$ 3,181,153</u>	<u>\$ -</u>	<u>\$ 295,545</u>	<u>\$ 6,253,531</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, 2016, follows:

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, 2016

NOTE 18. INTERFUND TRANSFERS AND ASSETS/LIABILITIES

		Transfers From							Total
		Governmental Funds				Proprietary Fund			
		General Fund	Street Maintenance	SID Debt Service	Nonmajor Governmental	Water	Waste Water	Storm Water	
Transfers To	General Fund	\$ -	\$ -	\$ -	\$ 2,122,260	\$ -	\$ -	\$ -	\$ 2,122,260
	Street Impact Fees	-	18,414	-	-	-	-	-	18,414
	Street Maintenance	-	-	-	31,900	-	-	-	31,900
	Non-major Governmental	157,057	1,223,071	196,755	1,340,405	1,002,583	295,114	95,854	4,310,839
	Solid Waste Enterprise	-	-	-	-	-	-	1,234,760	1,234,760
	Parking Enterprise	-	-	-	30,000	-	-	-	30,000
	Stormwater Enterprise	140,000	-	-	5,515	-	-	-	145,515
	Health Insurance Internal Service	231,115	-	-	-	-	-	-	231,115
Total	<u>\$ 528,172</u>	<u>\$ 1,241,485</u>	<u>\$ 196,755</u>	<u>\$ 3,530,080</u>	<u>\$ 1,002,583</u>	<u>\$ 295,114</u>	<u>\$ 1,330,614</u>	<u>\$ 8,124,803</u>	

A summary of advances and due from/to other funds at June 30, 2016, is as follows:

	<u>Advances to other City funds</u>	<u>Advances from other City funds</u>
Major Funds:		
SID Sinking Debt Service	\$ -	\$ 458,208
Non-major Governmental Funds:		
SID Revolving Debt Service	458,208	-
	<u>\$ 458,208</u>	<u>\$ 458,208</u>
	<u>Due from other City funds</u>	<u>Due to other City funds</u>
Major Funds:		
General fund	\$ 11,274	\$ -
Internal Service Funds		
Medical Health Insurance	-	11,274
	<u>\$ 11,274</u>	<u>\$ 11,274</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.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 19. RISK MANAGEMENT

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

Commercial Policies

Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years. The premiums for the policies are allocated between the City's Enterprise Funds and the General Fund. Premiums are subsidized through a special purpose property tax levy, based on total appropriations. Settled claims resulting from these risks did not exceed commercial insurance coverage during the three years ended June 30, 2016, 2015, and 2014.

Public Entity Risk Pools

In 1986, the City joined together with other Montana cities to form the Montana Municipal Interlocal Authority, which established a workers' compensation plan and a tort liability plan. Both public entity risk pools currently operate as common risk management and insurance programs for the member governments.

The liability limits for damages in tort action are \$750,000 per claim and \$1.5 million per occurrence, and \$12.5 million per occurrence for any claim that is not subject to the limitations on governmental liability, as described in Montana Code Annotated Section 2-9-108 (the Statute) or any successor statute, either as matter of law, by operation of the Statute, or by a judicial determination that the Statute is inapplicable or is otherwise invalid, with \$11,250 deductible per occurrence. State tort law limits the City's liability to \$1.5 million. The City pays premiums for its employee injury insurance coverage, which is allocated to the employer funds based on total salaries and wages. The agreements for formation of the pools provide that they will be self-sustaining through member premiums. The tort liability plan and workers' compensation program issued debt of \$4.41 million and \$6.155 million, respectively, to immediately finance the necessary insurance reserves. All members signed a contingent note for a pro rata share of this liability in case operating revenues were insufficient to cover the debt service; the debt was retired in 2011.

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 20. CONTINGENCIES

Story Mill Landfill Claims

In 2014, the City was named in three lawsuits by residential property owners located on or near the now closed Story Mill landfill. All three cases related to presence and claimed effects of volatile organic compounds (VOCs) in the soil and groundwater outside the boundaries of the landfill. Last year the City obtained approval from the Montana Department of Environmental Quality for a corrective measures assessment and comprehensive remediation system.

The three lawsuits themselves all asserted claims for “restoration damages,” referring to restoring the property to its pre-contamination state to the greatest degree possible, diminution in value or stigma damages, property damage, physical injuries, and emotional distress including fear of future injury. All three cases were filed in Gallatin County.

These three lawsuits were settled in the summer of 2016. The City’s contribution to the settlement will be \$750,000 (\$300,000 of which is in the form of a foregone liability program credit). As such, the City’s required cash contribution to settlement will be \$450,000. Payment by all defendants to the three plaintiff groups in sum totals \$7,500,000 with \$2,500,000 to be provided by the other defendants (exclusive of Gallatin County and the State of Montana) and \$5,000,000 (inclusive of the City’s share) to be provided through settlement of the insurance coverage dispute in MMIA v. City of Bozeman.

At the time of this settlement, however, it was known that there were potential additional claimants who could assert the same types of claims as were made in the three settled cases. Additional claims have now been recently asserted and presently there are three active claims asserted by individual property owners. The claims asserted relate to presence and claimed effects of VOC’s in the soil and groundwater outside the boundaries of the landfill. The claims are principally for diminution in value or stigma damages and property damage. This City does not believe there will be an unfavorable outcome and intends to vigorously resolve these cases. It is not possible presently to state any estimated range of loss.

The City is involved with several other lawsuits, which arise out of the normal course of operations by the City. Management of the City intends to vigorously defend each claim and believes no material losses will be incurred on such claims.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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 \$3,039,671, which is its estimate of future landfill closure and post-closure care costs as of June 30, 2016. 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	\$ (92,880)
Capital assets, net of depreciation	<u>4,501,902</u>
Total assets	<u><u>\$ 4,409,022</u></u>
Current liabilities	\$ 488,224
Closure and post-closure care cost	<u>3,039,671</u>
Total liabilities	<u><u>3,527,895</u></u>
Restricted for debt service	<u>881,127</u>
Total net position	<u><u>881,127</u></u>
Total liabilities and net position	<u><u>\$ 4,409,022</u></u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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	\$ <u> -</u>
Operating expenses	
Depreciation	46,063
Change in post closure cost estimate	1,118,864
Other operating	<u>307,706</u>
Total operating expenses	<u>1,472,633</u>
Operating loss	<u>(1,472,633)</u>

Non-operating revenues (expenses):

Interest expense	(7,595)
Other income	1,016,820
Transfers	<u>1,234,760</u>
Total non-operating revenues	<u>2,243,985</u>

Change in net position	771,352
Net position, beginning of year	<u>109,775</u>
Net position, end of year	<u>\$ 881,127</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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	\$ 16,908,333
Capital assets	126,311,367
Other assets	<u>236,761</u>
Total assets	<u>\$ 143,456,461</u>
Current liabilities	\$ 1,338,814
Non-current liabilities	<u>18,089,033</u>
Total liabilities	<u>19,427,847</u>
Net investment in capital assets	109,744,367
Restricted for debt service	1,313,885
Unrestricted	<u>12,970,362</u>
Total net position	<u>124,028,614</u>
Total liabilities and net position	<u>\$ 143,456,461</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

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	<u>\$ 8,414,870</u>
Operating expenses:	
Depreciation	2,534,184
Other operating	<u>5,793,961</u>
Total operating expenses	<u>8,328,145</u>
Operating loss	<u>86,725</u>
Non-operating revenues (expenses)	
Interest income	157,013
Interest expense	(515,010)
Grant income	54,110
Gain on sale of assets	20,970
Contributions of infrastructure	5,178,425
Other income	1,074,008
Transfers	<u>730,167</u>
Total non-operating revenues	<u>6,699,683</u>
Change in net position	6,786,408
Net position, beginning of year	<u>117,242,206</u>
Net position, end of year	<u>\$ 124,028,614</u>

Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 3,646,797
Net cash flows from capital and related financing activities	730,167
Net cash flows from noncapital and financing activities	(2,848,075)
Net cash flows from investing activities	<u>157,013</u>
Net change in cash flows	1,685,902
Beginning cash and equivalents	<u>14,558,505</u>
Ending cash and equivalents	<u>\$ 16,244,407</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

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, \$59,890, and \$129,042, respectively, as of June 30, 2016. The Fire Impact Fee Fund does not have any outstanding credits. The following impact fee revenues were collected and expensed/expended during fiscal year 2016:

	Beginning Balances	Impact Fees	Other Income	Expenses, Expenditures, and Transfers	Ending Balances
Fire	\$ 892,205	\$ 338,461	\$ 9,787	\$ (2,965)	\$ 1,237,488
Water	1,999,359	2,262,355	5,799	(2,162,988)	2,104,525
Waste water	599,357	1,225,091	7,798	(64,785)	1,767,461
Streets	12,885,310	3,967,203	229,320	(4,452,728)	12,629,105
Total	<u>\$ 16,376,231</u>	<u>\$ 7,793,110</u>	<u>\$ 252,704</u>	<u>\$ (6,683,466)</u>	<u>\$ 17,738,579</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 24. POLLUTION REMEDIATION OBLIGATIONS

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

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

The Montana Department of Environmental Quality (MDEQ) issued the Record of Decision (ROD) for the Bozeman Solvent Site (BSS) in August 2011. The Administrative Order of Consent (AOC) was finalized in January 2012. The ROD and AOC specifically delineate the remediation to be completed for the BSS. The AOC serves as the legal mechanism for the implementation of the selected remedies identified in the ROD. Though remediation may be completed relatively quickly, monitoring of the site will continue for a period of up to 30 years. ATC and Associates, Inc. serves as the Project Engineer for the potentially liable parties (the City of Bozeman and CVS Pharmacy, Inc.). Based on the selected remedies identified in the ROD, ATC has completed a long-term cost projection for the project. The long-term cost projection for the City is \$2,355,974 in remediation costs. Reduced by its insurer's reimbursement, the amount is \$1,531,101. 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. The City has an ongoing claim against the State orphan share for the orphan share funds' proportional share of these post-closure clean-up costs. In addition, all other parties are still liable for their proportional share of the clean-up. The result is that should additional work be required at the Facility, the City will only be liable for 1% of the total post-closure clean-up costs.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2016

NOTE 25. NET POSITION COMPOSITION

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

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable							
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 350,625	\$ 350,625
Cemetery perpetual care	-	-	-	-	-	1,075,950	1,075,950
Total nonspendable	-	-	-	-	-	1,426,575	1,426,575
Restricted							
General government-Planning	-	-	-	-	-	1,067,197	1,067,197
General government-Health Insurance	-	-	-	-	-	328,120	328,120
General government-other	-	-	-	-	-	105	105
Public safety - Building Inspection	-	-	-	1,676,314	-	-	1,676,314
Public safety-Fire Impact	-	-	-	-	-	1,237,487	1,237,487
Public safety-Victim Witness	-	-	-	-	-	377,255	377,255
Public safety-other	-	-	-	-	-	144,367	144,367
Public service	-	12,647,518	774,948	-	-	1,008,036	14,430,502
Public service - Gas Tax	-	-	-	-	-	957,235	957,235
Public service - Community Transportation	-	-	-	-	-	66,564	66,564
Public service - Lighting Districts	-	-	-	-	-	587,641	587,641
Public welfare - Tax Increment Districts	-	-	-	-	-	3,896,766	3,896,766
Public welfare - Econ Develop Loan Fund	-	-	-	-	-	857,430	857,430
Public welfare - Tree Maint. District	-	-	-	-	-	243,495	243,495
Public welfare - other	-	-	-	-	-	505,477	505,477
Capital projects-Trail Open Space Parks	-	-	-	-	-	9,230,464	9,230,464
Debt service-SID Sinking	-	-	-	-	730,278	-	730,278
Debt service-SID Revolving Fund	-	-	-	-	-	3,386,700	3,386,700
Debt service-GO Bonds	-	-	-	-	-	132,959	132,959
Total restricted	-	12,647,518	774,948	1,676,314	730,278	24,027,298	39,856,356
Committed							
General government	-	-	-	-	-	1,280,674	1,280,674
Public safety	-	-	-	-	-	1,099,940	1,099,940
Public service	-	-	-	-	-	23,062	23,062
Public welfare	-	-	-	-	-	865,745	865,745
Capital projects	-	-	-	-	-	258,842	258,842
Debt service	-	-	-	-	-	-	-
Total committed	-	-	-	-	-	3,528,263	3,528,263
Assigned							
General government	540,000	-	-	-	-	-	540,000
Capital projects	440,489	-	-	-	-	1,883,557	2,324,046
Debt service	-	-	-	-	-	-	-
Budget ordinance minimum 16.67%	4,561,352	-	-	-	-	-	4,561,352
Total assigned	5,541,841	-	-	-	-	1,883,557	7,425,398
Unassigned	979,258	-	-	-	-	(64,723)	914,535
Total net position	\$ 6,521,099	\$ 12,647,518	\$ 774,948	\$ 1,676,314	\$ 730,278	\$ 30,800,970	\$ 53,151,127

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2016

NOTE 26. SUBSEQUENT EVENTS

Subsequent to year end, the City settled the lawsuits related to the Story Mill Landfill claims, as described in Note 20.

In August of 2016, the City sold the 85 acre North Park property, with a cost basis of \$3.8 million, for gross proceeds of \$1.6 million to a local development company.

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

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF FUNDING PROGRESS – OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
 Year Ended June 30, 2016

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2016, for the Retiree Health Plan are as follows:

ANNUAL OPEB COST				
Retiree Health Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost	Net OPEB Obligation
	6/30/2014	\$ 219,207	59.81%	\$ 1,930,074
	6/30/2015	\$ 295,694	46.29%	\$ 2,232,579
	6/30/2016	\$ 292,862	50.39%	\$ 2,232,579

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 2,675,667
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 2,675,667</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	\$ 26,884,822
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ((a) - (b)) / (c)	9.95%

SCHEDULE OF FUNDING PROGRESS							
Retiree Medical Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
	7/1/2010	\$ -	\$ 2,203,253	\$ 2,203,253	0%	\$ 22,051,261	9.99%
	7/1/2012	\$ -	\$ 2,002,345	\$ 2,002,345	0%	\$ 23,885,569	8.38%
	7/1/2014	\$ -	\$ 2,675,667	\$ 2,675,667	0%	\$ 26,884,822	9.95%

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND SCHEDULE OF CONTRIBUTIONS
 Year Ended June 30, 2016

Schedule of Proportionate Share of the Net Pension Liability:	PERS	
	2016	2015
Employer's proportion of the net pension liability	\$ 13,403,285	\$ 11,401,613
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	9.58835%	0.91505%
State of MT proportionate share of the net pension liability associated with the Employer	\$ 164,637	\$ 139,231
Total	\$ 13,567,922	\$ 11,540,844
Employer's covered-employee payroll	\$ 11,189,797	\$ 10,358,342
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	119.7810%	110.0720%
Plan fiduciary net position the total pension liability (as a percentage)	78.4000%	79.9000%

Schedule of Contributions:	PERS	
	2016	2015
Contractually required contributions	\$ 1,052,437	\$ 904,184
Contributions in relation to the contractually required contributions	\$ 1,052,437	\$ 904,184
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 12,238,920	\$ 10,358,342
Contributions of covered-employee payroll (as a percentage)	8.5990%	8.7290%

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND SCHEDULE OF CONTRIBUTIONS (CONTINUED)
 Year Ended June 30, 2016

Schedule of Proportionate Share of the Net Pension Liability:	FURS	
	2016	2015
Employer's proportion of the net pension liability	\$ 2,489,054	\$ 2,361,550
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	2.42336%	2.41921%
State of MT proportionate share of the net pension liability associated with the Employer	\$ 5,543,784	\$ 5,327,544
Total	\$ 8,032,838	\$ 7,689,094
Employer's covered-employee payroll	\$ 3,270,451	\$ 3,142,481
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	76.1070%	75.1490%
Plan fiduciary net position the total pension liability (as a percentage)	76.9000%	76.7000%

Schedule of Contributions:	FURS	
	2016	2015
Contractually required contributions	\$ 477,250	\$ 478,776
Contributions in relation to the contractually required contributions	\$ 477,250	\$ 478,776
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 3,338,041	\$ 3,270,451
Contributions of covered-employee payroll (as a percentage)	14.0290%	14.6390%

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
 AND SCHEDULE OF CONTRIBUTIONS (CONTINUED)
 Year Ended June 30, 2016

Schedule of Proportionate Share of the Net Pension Liability:	MPORS	
	2016	2015
Employer's proportion of the net pension liability	\$ 4,920,638	\$ 4,746,933
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	2.97462%	3.02091%
State of MT proportionate share of the net pension liability associated with the Employer	\$ 9,969,680	\$ 9,589,371
Total	\$ 14,890,318	\$ 14,336,304
Employer's covered-employee payroll	\$ 4,116,930	\$ 4,053,265
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	119.5220%	117.1140%
Plan fiduciary net position the total pension liability (as a percentage)	66.9000%	67.0000%

Schedule of Contributions:	MPORS	
	2016	2015
Contractually required contributions	\$ 638,568	\$ 596,791
Contributions in relation to the contractually required contributions	\$ 638,568	\$ 596,791
Contribution deficiency (excess)	\$ -	\$ -
Employer's covered-employee payroll	\$ 4,353,897	\$ 4,116,930
Contributions of covered-employee payroll (as a percentage)	14.6670%	14.5397%

CITY OF BOZEMAN, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES
Year Ended June 30, 2016

CHANGE OF BENEFIT TERMS

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

2013 Legislative Changes:

Working Retirees – House Bill – PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap – House Bill 97, effective July 1, 2013

All PERS, FURS, and MPORS members hired on or after July 1, 2013 are subject to 110% annual cap on compensation considered as part of a member's highest or final average compensation.

All bonuses paid to PERS, FURS and MPORS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

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

PERS Guaranteed Annual Benefit Adjustment (GABA)

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

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

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES
 Year Ended June 30, 2016

CHANGE OF BENEFIT TERMS (CONTINUED)

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.

2015 Legislative Changes - FURS: none

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION - PENSION PLAN CHANGES
 Year Ended June 30, 2016

CHANGE OF BENEFIT TERMS (CONTINUED)

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.

CHANGES IN ACTUARIAL ASSUMPTIONS AND METHODS

Method and assumptions used in calculations of actuarially determined contributions

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

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

The following changes were adopted in 2013 based on the 2013 Economic Experience study:

	PERS, FURS, MPORS
General Wage Growth*	4.00%
*Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense, and including inflation

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

	PERS	FURS and MPORS
General Wage Growth*	4.25%	4.25%
*Includes inflation at	3.00%	3.00%
Merit increase	Not applicable	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market	4-year smoothed market
Actuarial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUE, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - BUDGET TO ACTUAL – GENERAL FUND
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 6,061,967	\$ 6,061,967	\$ 6,061,967	\$ -
Resources (inflows):				
Taxes	14,628,972	14,628,972	14,904,243	275,271
Special assessments	-	-	24	24
Licenses and permits	309,859	309,859	326,627	16,768
Intergovernmental	6,845,679	6,845,679	7,056,466	210,787
Charges for services	1,994,995	1,994,995	2,165,642	170,647
Fines and forfeitures	1,203,500	1,203,500	1,131,577	(71,923)
Sale of assets	-	-	58,475	58,475
Interest on investments	45,000	45,000	41,217	(3,783)
Transfers from other funds	2,272,004	2,272,004	2,122,260	(149,744)
Other	68,100	68,100	81,257	13,157
Amounts available for appropriation	<u>33,430,076</u>	<u>33,430,076</u>	<u>33,949,755</u>	<u>519,679</u>
Charges to appropriations (outflows):				
Current				
General government	6,341,341	6,376,909	6,219,840	157,069
Public safety	11,706,232	14,329,732	14,329,580	152
Public service	140,331	146,831	146,564	267
Public welfare	5,481,847	5,478,997	5,315,448	163,549
Other	2,548,040	481,140	333,963	147,177
Capital outlay	672,000	672,000	551,327	120,673
Debt service	-	4,000	3,760	240
Transfers to other funds	294,250	528,600	528,172	428
Total charges to appropriations	<u>27,184,041</u>	<u>28,018,209</u>	<u>27,428,654</u>	<u>589,555</u>
Budgetary fund balance, June 30	<u>\$ 6,246,035</u>	<u>\$ 5,411,867</u>	<u>\$ 6,521,101</u>	<u>\$ 1,109,234</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, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 12,885,310	\$ 12,885,310	\$ 12,885,310	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	112,897	112,897
Charges for services	2,236,375	2,236,375	3,967,203	1,730,828
Fines and forfeitures	-	-	-	-
Interest on investments	94,500	94,500	115,283	20,783
Transfers from other funds	-	-	18,414	18,414
Proceeds from long-term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	1,140	1,140
Amounts available for appropriation	<u>15,216,185</u>	<u>15,216,185</u>	<u>17,100,247</u>	<u>1,884,062</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	224,000	321,500	321,312	188
Public welfare	-	-	-	-
Capital outlay	8,825,640	8,728,140	4,131,417	4,596,723
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>9,049,640</u>	<u>9,049,640</u>	<u>4,452,729</u>	<u>4,596,911</u>
Budgetary fund balance, June 30	<u>\$ 6,166,545</u>	<u>\$ 6,166,545</u>	<u>\$ 12,647,518</u>	<u>\$ 6,480,973</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, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,590,993	\$ 1,590,993	\$ 1,590,993	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	21,950	21,950	30,474	8,524
Licenses and permits	17,600	17,600	8,282	(9,318)
Intergovernmental	-	-	974	974
Charges for services	4,082,124	4,082,124	3,908,030	(174,094)
Fines and forfeitures	-	-	-	-
Interest on investments	17,450	17,450	10,105	(7,345)
Transfers from other funds	31,900	31,900	31,900	-
Proceeds from long-term debt	-	-	47,406	47,406
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	1,959	1,959
Other	-	-	10,891	10,891
Amounts available for appropriation	<u>5,762,017</u>	<u>5,762,017</u>	<u>5,641,014</u>	<u>(121,003)</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	2,710,413	2,767,913	2,767,265	648
Public welfare	-	-	-	-
Capital outlay	1,426,498	767,898	668,428	99,470
Debt service	184,822	188,922	188,888	34
Transfers to other funds	626,500	1,242,000	1,241,485	515
Total charges to appropriations	<u>4,948,233</u>	<u>4,966,733</u>	<u>4,866,066</u>	<u>100,667</u>
Budgetary fund balance, June 30	<u>\$ 813,784</u>	<u>\$ 795,284</u>	<u>\$ 774,948</u>	<u>\$ (20,336)</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS – BUILDING INSPECTION SPECIAL REVENUE
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,473,337	\$ 1,473,337	\$ 1,473,337	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	1,599,402	1,599,402	1,777,181	177,779
Intergovernmental	-	-	49,761	49,761
Charges for services	6,050	6,050	1,778	(4,272)
Fines and forfeitures	-	-	-	-
Interest on investments	13,000	13,000	17,100	4,100
Transfers from other funds	-	-	-	-
Proceeds from long- term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	(2,614)	(2,614)
Amounts available for appropriation	<u>3,091,789</u>	<u>3,091,789</u>	<u>3,316,543</u>	<u>224,754</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	1,930,496	1,929,496	1,630,541	298,955
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	-	10,000	9,688	312
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>1,930,496</u>	<u>1,939,496</u>	<u>1,640,229</u>	<u>299,267</u>
Budgetary fund balance, June 30	<u>\$ 1,161,293</u>	<u>\$ 1,152,293</u>	<u>\$ 1,676,314</u>	<u>\$ 524,021</u>

CITY OF BOZEMAN, MONTANA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY INFORMATION
Year Ended June 30, 2016

	General Fund	Street Impact Fees	Street Maintenance	Building Inspection
Sources/inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 33,949,755	\$ 17,100,247	\$ 5,641,014	\$ 3,316,543
Differences - budget to GAAP:				
The fund balance at the beginning of the year is a budgetary resource but is not a current-year revenue for financial reporting purposes.	(6,061,967)	(12,885,310)	(1,590,993)	(1,473,337)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,122,260)	(18,414)	(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	-	-	(47,406)	-
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	(58,475)	-	(1,959)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 25,707,053</u>	<u>\$ 4,196,523</u>	<u>\$ 3,968,756</u>	<u>\$ 1,843,206</u>
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 27,428,654	\$ 4,452,729	\$ 4,866,066	\$ 1,640,229
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(528,172)	-	(1,241,485)	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 26,900,482</u>	<u>\$ 4,452,729</u>	<u>\$ 3,624,581</u>	<u>\$ 1,640,229</u>

D. SUPPLEMENTAL INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT SERVICE FUNDS

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

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

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

CAPITAL IMPROVEMENT FUNDS

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

PERMANENT FUNDS

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

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2016

	Special Revenue Funds			
	Departmental	City		
		Planning Board	Health-Medical Insurance	Community Transportation
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,018,924	\$ 633,909	\$ 218,580	\$ 1,617
Receivables:				
Property taxes	4,366	8,751	117,801	-
Accrued interest	-	-	-	-
Customers, net	4,968	-	-	108,185
Special assessments	-	-	-	-
Other governments	73,626	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	25,000	457,039	-	-
Total assets	<u>\$ 2,126,884</u>	<u>\$ 1,099,699</u>	<u>\$ 336,381</u>	<u>\$ 109,802</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 133,620	\$ 31,490	\$ -	\$ 43,238
Escheat property payable	-	-	-	-
Accrued employee benefits payable	16	346	-	-
Total liabilities	<u>133,636</u>	<u>31,836</u>	<u>-</u>	<u>43,238</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	327	666	8,261	-
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>327</u>	<u>666</u>	<u>8,261</u>	<u>-</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	182,226	1,067,197	328,120	66,564
Committed	1,875,418	-	-	-
Assigned	-	-	-	-
Unassigned	(64,723)	-	-	-
Total fund balances	<u>1,992,921</u>	<u>1,067,197</u>	<u>328,120</u>	<u>66,564</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,126,884</u>	<u>\$ 1,099,699</u>	<u>\$ 336,381</u>	<u>\$ 109,802</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2016

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
<u>ASSETS</u>				
Cash and cash equivalents	\$ 954,601	\$ 261,719	\$ -	\$ 2,570,451
Receivables:				
Property taxes	-	-	-	121,383
Accrued interest	-	-	-	2,502
Customers, net	2,634	-	-	-
Special assessments	-	13,615	-	3,651
Other governments	-	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	1,238,167	-
Total assets	<u>\$ 957,235</u>	<u>\$ 275,334</u>	<u>\$ 1,238,167</u>	<u>\$ 2,697,987</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 22,534	\$ 680	\$ 1,018,622
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	205	-	-
Total liabilities	<u>-</u>	<u>22,739</u>	<u>680</u>	<u>1,018,622</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	-	-	-
Unavailable revenue-special assessments	-	9,100	-	-
Total deferred inflows of resources	<u>-</u>	<u>9,100</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	957,235	243,495	1,237,487	1,679,365
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>957,235</u>	<u>243,495</u>	<u>1,237,487</u>	<u>1,679,365</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 957,235</u>	<u>\$ 275,334</u>	<u>\$ 1,238,167</u>	<u>\$ 2,697,987</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2016

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ 492,717	\$ 1,319	\$ 35,991	\$ 157,075
Receivables:					
Property taxes	-	12,602	-	-	-
Accrued interest	-	-	-	-	-
Customers, net	351,181	-	-	3,840	-
Special assessments	-	-	-	-	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Notes receivable	506,249	78,739	6,928	-	-
Restricted cash and cash equivalents	-	-	-	-	-
Total assets	<u>\$ 857,430</u>	<u>\$ 584,058</u>	<u>\$ 8,247</u>	<u>\$ 39,831</u>	<u>\$ 157,075</u>
<u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ 5,226	\$ 28,667
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	103	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,329</u>	<u>28,667</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Unavailable revenue-property taxes	-	515	-	-	-
Unavailable revenue-special assessments	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>515</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>FUND BALANCES</u>					
Nonspendable	-	-	-	-	-
Restricted	857,430	-	8,247	34,502	-
Committed	-	583,543	-	-	128,408
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>857,430</u>	<u>583,543</u>	<u>8,247</u>	<u>34,502</u>	<u>128,408</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 857,430</u>	<u>\$ 584,058</u>	<u>\$ 8,247</u>	<u>\$ 39,831</u>	<u>\$ 157,075</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2016

	Special Revenue Funds					
	Law and Justice Center	Street Arterial and Collector District	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
ASSETS						
Cash and cash equivalents	\$ -	\$ 995,022	\$ 2,028,639	\$ 530,849	\$ 403,375	\$ 666,680
Receivables:						
Property taxes	-	-	27,345	11,213	-	17,450
Accrued interest	-	-	2,424	-	-	-
Customers, net	-	-	-	-	4,907	-
Special assessments	-	13,150	-	-	-	-
Other governments	-	-	-	-	-	-
Others	-	-	-	-	-	-
Advances to other city funds	-	-	-	-	-	-
Prepaid expenditures	350,625	-	-	-	-	-
Notes receivable	-	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-	-
Total assets	<u>\$ 350,625</u>	<u>\$ 1,008,172</u>	<u>\$ 2,058,408</u>	<u>\$ 542,062</u>	<u>\$ 408,282</u>	<u>\$ 684,130</u>
LIABILITIES						
Accounts payable	\$ -	\$ 137	\$ 221,147	\$ 160,472	\$ 31,027	\$ 788
Escheat property payable	-	-	-	-	-	-
Accrued employee benefits payable	-	-	-	-	-	-
Total liabilities	<u>-</u>	<u>137</u>	<u>221,147</u>	<u>160,472</u>	<u>31,027</u>	<u>788</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue-property taxes	-	-	1,450	-	-	1,290
Unavailable revenue-special assessments	-	-	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>1,450</u>	<u>-</u>	<u>-</u>	<u>1,290</u>
FUND BALANCES						
Nonspendable	350,625	-	-	-	-	-
Restricted	-	1,008,035	1,835,811	381,590	377,255	-
Committed	-	-	-	-	-	682,052
Assigned	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total fund balances	<u>350,625</u>	<u>1,008,035</u>	<u>1,835,811</u>	<u>381,590</u>	<u>377,255</u>	<u>682,052</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 350,625</u>	<u>\$ 1,008,172</u>	<u>\$ 2,058,408</u>	<u>\$ 542,062</u>	<u>\$ 408,282</u>	<u>\$ 684,130</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2016

	Special Revenue Funds			
	Street Lighting	Park Land	Municipal Court Restitution	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 605,685	\$ 424,870	\$ 21,157	\$ 13,023,180
Receivables:				
Property taxes	-	-	-	320,911
Accrued interest	-	-	-	4,926
Customers, net	-	-	-	475,715
Special assessments	10,135	-	-	40,551
Other governments	-	-	-	73,626
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	350,625
Notes receivable	-	-	-	591,916
Restricted cash and cash equivalents	-	-	-	1,720,206
Total assets	<u>\$ 615,820</u>	<u>\$ 424,870</u>	<u>\$ 21,157</u>	<u>\$ 16,601,656</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 28,179	\$ -	\$ 1,000	\$ 1,726,827
Escheat property payable	-	-	20,052	20,052
Accrued employee benefits payable	-	-	-	670
Total liabilities	<u>28,179</u>	<u>-</u>	<u>21,052</u>	<u>1,747,549</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	-	-	12,509
Unavailable revenue-special assessments	-	-	-	9,100
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,609</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	350,625
Restricted	587,641	424,870	105	11,277,175
Committed	-	-	-	3,269,421
Assigned	-	-	-	-
Unassigned	-	-	-	(64,723)
Total fund balances	<u>587,641</u>	<u>424,870</u>	<u>105</u>	<u>14,832,498</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 615,820</u>	<u>\$ 424,870</u>	<u>\$ 21,157</u>	<u>\$ 16,601,656</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2016

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Total
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,924,604	\$ 70,240	\$ -	\$ 2,994,844
Receivables:				
Property taxes	-	67,407	-	67,407
Accrued interest	3,888	-	-	3,888
Customers, net	-	-	-	-
Special assessments	-	-	-	-
Other governments	-	-	-	-
Others	-	-	-	-
Advances to other city funds	458,208	-	-	458,208
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
Total assets	<u>\$ 3,386,700</u>	<u>\$ 137,647</u>	<u>\$ -</u>	<u>\$ 3,524,347</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 500	\$ -	\$ 500
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	-	-	-
Total liabilities	<u>-</u>	<u>500</u>	<u>-</u>	<u>500</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>				
Unavailable revenue-property taxes	-	4,188	-	4,188
Unavailable revenue-special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>4,188</u>	<u>-</u>	<u>4,188</u>
<u>FUND BALANCES</u>				
Nonspendable	-	-	-	-
Restricted	3,386,700	132,959	-	3,519,659
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>3,386,700</u>	<u>132,959</u>	<u>-</u>	<u>3,519,659</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,386,700</u>	<u>\$ 137,647</u>	<u>\$ -</u>	<u>\$ 3,524,347</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2016

	Capital Projects	Permanent Fund	Total Nonmajor Governmental Funds
	Construction	Perpetual Cemetery Care	
<u>ASSETS</u>			
Cash and cash equivalents	\$ 12,051,817	\$ -	\$ 28,069,841
Receivables:			
Property taxes	-	-	388,318
Accrued interest	19,627	-	28,441
Customers, net	39,223	1,745	516,683
Special assessments	-	-	40,551
Other governments	-	-	73,626
Others	-	-	-
Advances to other city funds	-	-	458,208
Prepaid expenditures	-	-	350,625
Notes receivable	-	-	591,916
Restricted cash and cash equivalents	-	1,076,326	2,796,532
Total assets	<u>\$ 12,110,667</u>	<u>\$ 1,078,071</u>	<u>\$ 33,314,741</u>
<u>LIABILITIES</u>			
Accounts payable	\$ 737,804	\$ 2,121	\$ 2,467,252
Escheat property payable	-	-	20,052
Accrued employee benefits payable	-	-	670
Total liabilities	<u>737,804</u>	<u>2,121</u>	<u>2,487,974</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Unavailable revenue-property taxes	-	-	16,697
Unavailable revenue-special assessments	-	-	9,100
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>25,797</u>
<u>FUND BALANCES</u>			
Nonspendable	-	1,075,950	1,426,575
Restricted	9,230,464	-	24,027,298
Committed	258,842	-	3,528,263
Assigned	1,883,557	-	1,883,557
Unassigned	-	-	(64,723)
Total fund balances	<u>11,372,863</u>	<u>1,075,950</u>	<u>30,800,970</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,110,667</u>	<u>\$ 1,078,071</u>	<u>\$ 33,314,741</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 Year ended June 30, 2016

	Special Revenue Funds			
	Departmental	City	Health-Medical Insurance	Community Transportation
		Planning Board		
REVENUES				
Taxes	\$ 124,100	\$ 172,383	\$ 2,334,153	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	464,457	145,697	-	116,410
Charges for services	31,850	774,337	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	17,807	6,774	-	4,788
Interest on loans receivable	-	-	-	-
Other	198,548	54,549	-	-
Total revenues	<u>836,762</u>	<u>1,153,740</u>	<u>2,334,153</u>	<u>121,198</u>
EXPENDITURES				
Current:				
General government	-	1,017,254	-	-
Public safety	230,794	-	-	-
Public service	-	-	-	-
Public welfare	333,820	-	-	-
Other	82,662	-	1,806	-
Capital outlay	117,933	-	-	154,630
Debt service:				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>765,209</u>	<u>1,017,254</u>	<u>1,806</u>	<u>154,630</u>
Revenues over (under) expenditures	<u>71,553</u>	<u>136,486</u>	<u>2,332,347</u>	<u>(33,432)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	152,471	-	-
Transfers out	-	-	(2,185,079)	(439,470)
Sale of capital assets	-	-	-	107,300
Total other financing sources (uses)	<u>-</u>	<u>152,471</u>	<u>(2,185,079)</u>	<u>(332,170)</u>
Net change in fund balance	71,553	288,957	147,268	(365,602)
FUND BALANCES, beginning of year	<u>1,921,368</u>	<u>778,240</u>	<u>180,852</u>	<u>432,166</u>
FUND BALANCES, end of year	<u>\$ 1,992,921</u>	<u>\$ 1,067,197</u>	<u>\$ 328,120</u>	<u>\$ 66,564</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 985,532
Special assessments	-	1,093	-	120,508
Licenses and permits	-	-	-	-
Intergovernmental	676,439	988	-	56,050
Charges for services	-	453,313	338,461	-
Fines and forfeitures	-	-	-	-
Interest on investments	6,844	1,876	9,787	16,927
Interest on loans receivable	-	-	-	-
Other	-	1,735	-	1,500
Total revenues	<u>683,283</u>	<u>459,005</u>	<u>348,248</u>	<u>1,180,517</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	2,966	-
Public service	197,366	-	-	-
Public welfare	-	433,107	-	576,077
Other	-	-	-	-
Capital outlay	224,573	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>421,939</u>	<u>433,107</u>	<u>2,966</u>	<u>576,077</u>
Revenues over (under) expenditures	<u>261,344</u>	<u>25,898</u>	<u>345,282</u>	<u>604,440</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(797,116)
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(797,116)</u>
Net change in fund balance	261,344	25,898	345,282	(192,676)
FUND BALANCES, beginning of year	<u>695,891</u>	<u>217,597</u>	<u>892,205</u>	<u>1,872,041</u>
FUND BALANCES, end of year	<u>\$ 957,235</u>	<u>\$ 243,495</u>	<u>\$ 1,237,487</u>	<u>\$ 1,679,365</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
REVENUES					
Taxes	\$ -	\$ 257,191	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	111,699	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	55,879	1,830
Interest on investments	360	3,452	-	202	1,379
Interest on loans receivable	33,991	600	247	-	-
Other	-	10,030	-	-	-
Total revenues	<u>34,351</u>	<u>271,273</u>	<u>247</u>	<u>167,780</u>	<u>3,209</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	-
Public safety	-	-	-	243,876	28,667
Public service	-	-	-	-	-
Public welfare	32,000	101,225	-	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>32,000</u>	<u>101,225</u>	<u>-</u>	<u>243,876</u>	<u>28,667</u>
Revenues over (under) expenditures	<u>2,351</u>	<u>170,048</u>	<u>247</u>	<u>(76,096)</u>	<u>(25,458)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	110,598	-
Transfers out	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,598</u>	<u>-</u>
Net change in fund balance	2,351	170,048	247	34,502	(25,458)
FUND BALANCES, beginning of year	<u>855,079</u>	<u>413,495</u>	<u>8,000</u>	<u>-</u>	<u>153,866</u>
FUND BALANCES, end of year	<u>\$ 857,430</u>	<u>\$ 583,543</u>	<u>\$ 8,247</u>	<u>\$ 34,502</u>	<u>\$ 128,408</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Special Revenue Funds					
	Law and Justice Center	Street Arterial and Collector District	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
REVENUES						
Taxes	\$ -	\$ -	\$ 686,023	\$ 148,335	\$ -	\$ 344,501
Special assessments	-	915	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	37,926	1,353	-	-
Charges for services	-	565,286	-	-	-	-
Fines and forfeitures	-	-	-	-	64,419	-
Interest on investments	-	2,759	16,392	3,999	3,670	4,471
Interest on loans receivable	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>-</u>	<u>568,960</u>	<u>740,341</u>	<u>153,687</u>	<u>68,089</u>	<u>348,972</u>
EXPENDITURES						
Current:						
General government	-	-	-	-	81,445	-
Public safety	19,125	-	-	-	-	-
Public service	-	395	-	-	-	-
Public welfare	-	-	197,665	151,634	-	-
Other	-	-	-	-	-	-
Capital outlay	-	-	1,112,959	20,000	-	39,355
Debt service:						
Principal	-	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-	-
Total expenditures	<u>19,125</u>	<u>395</u>	<u>1,310,624</u>	<u>171,634</u>	<u>81,445</u>	<u>39,355</u>
Revenues over (under) expenditures	<u>(19,125)</u>	<u>568,565</u>	<u>(570,283)</u>	<u>(17,947)</u>	<u>(13,356)</u>	<u>309,617</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	439,470	343,479	-	-	-
Transfers out	-	-	(41,515)	(35,000)	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>439,470</u>	<u>301,964</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(19,125)	1,008,035	(268,319)	(52,947)	(13,356)	309,617
FUND BALANCES, beginning of year	<u>369,750</u>	<u>-</u>	<u>2,104,130</u>	<u>434,537</u>	<u>390,611</u>	<u>372,435</u>
FUND BALANCES, end of year	<u>\$ 350,625</u>	<u>\$ 1,008,035</u>	<u>\$ 1,835,811</u>	<u>\$ 381,590</u>	<u>\$ 377,255</u>	<u>\$ 682,052</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Special Revenue Funds				Totals
	Tourism Business Improvement	Street Lighting	Park Land	Municipal Court Restitution	
	REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 5,052,218
Special assessments		407,797	-	-	530,313
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	1,611,019
Charges for services	-	-	-	-	2,163,247
Fines and forfeitures	-	-	-	-	122,128
Interest on investments	-	5,274	3,626	-	110,387
Interest on loans receivable	-	-	-	-	34,838
Other	-	-	43,197	-	309,559
Total revenues	<u>-</u>	<u>413,071</u>	<u>46,823</u>	<u>-</u>	<u>9,933,709</u>
EXPENDITURES					
Current:					
General government	-	-	-	-	1,098,699
Public safety	-	-	-	-	525,428
Public service	-	407,503	-	-	605,264
Public welfare	27,981	-	-	-	1,853,509
Other	-	-	-	-	84,468
Capital outlay	-	-	-	-	1,669,450
Debt service:					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>27,981</u>	<u>407,503</u>	<u>-</u>	<u>-</u>	<u>5,836,818</u>
Revenues over (under) expenditures	<u>(27,981)</u>	<u>5,568</u>	<u>46,823</u>	<u>-</u>	<u>4,096,891</u>
OTHER FINANCING SOURCES (USES)					
Transfers in		-	-	-	1,046,018
Transfers out	-	(31,900)	-	-	(3,530,080)
Sale of capital assets	-	-	-	-	107,300
Total other financing sources (uses)	<u>-</u>	<u>(31,900)</u>	<u>-</u>	<u>-</u>	<u>(2,376,762)</u>
Net change in fund balance	(27,981)	(26,332)	46,823	-	1,720,129
FUND BALANCES, beginning of year	<u>27,981</u>	<u>613,973</u>	<u>378,047</u>	<u>105</u>	<u>13,112,369</u>
FUND BALANCES, end of year	<u>\$ -</u>	<u>\$ 587,641</u>	<u>\$ 424,870</u>	<u>\$ 105</u>	<u>\$ 14,832,498</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Totals
REVENUES				
Taxes	\$ -	\$ 1,346,613	\$ -	\$ 1,346,613
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	26,315	929	-	27,244
Interest on loans receivable	3,714	-	-	3,714
Other	-	-	-	-
Total revenues	<u>30,029</u>	<u>1,347,542</u>	<u>-</u>	<u>1,377,571</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	750,000	195,000	945,000
Interest and fiscal fees	-	605,091	228,638	833,729
Total expenditures	<u>-</u>	<u>1,355,091</u>	<u>423,638</u>	<u>1,778,729</u>
Revenues over (under) expenditures	<u>30,029</u>	<u>(7,549)</u>	<u>(423,638)</u>	<u>(401,158)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	423,638	423,638
Transfers out	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>423,638</u>	<u>423,638</u>
Net change in fund balance	30,029	(7,549)	-	22,480
FUND BALANCES, beginning of year	<u>3,356,671</u>	<u>140,508</u>	<u>-</u>	<u>3,497,179</u>
FUND BALANCES, end of year	<u>\$ 3,386,700</u>	<u>\$ 132,959</u>	<u>\$ -</u>	<u>\$ 3,519,659</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Capital Projects	Permanent Fund Cemetery	Total Nonmajor Governmental Funds
	Construction	Perpetual Care	
REVENUES			
Taxes	\$ -	\$ -	\$ 6,398,831
Special assessments	-	-	530,313
Licenses and permits	-	-	-
Intergovernmental	89,307	-	1,700,326
Charges for services	-	75,830	2,239,077
Fines and forfeitures	-	-	122,128
Interest on investments	140,297	9,180	287,108
Interest on loans receivable	-	-	38,552
Other	15,200	-	324,759
Total revenues	<u>244,804</u>	<u>85,010</u>	<u>11,641,094</u>
EXPENDITURES			
Current:			
General government	-	-	1,098,699
Public safety	-	-	525,428
Public service	-	-	605,264
Public welfare	76,468	-	1,929,977
Other	-	-	84,468
Capital outlay	2,307,160	-	3,976,610
Debt service:			
Principal	-	-	945,000
Interest and fiscal fees	-	-	833,729
Total expenditures	<u>2,383,628</u>	<u>-</u>	<u>9,999,175</u>
Revenues over (under) expenditures	<u>(2,138,824)</u>	<u>85,010</u>	<u>1,641,919</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,841,183	-	4,310,839
Transfers out	-	-	(3,530,080)
Sale of capital assets	60,250	-	167,550
Total other financing sources (uses)	<u>2,901,433</u>	<u>-</u>	<u>948,309</u>
Net change in fund balance	762,609	85,010	2,590,228
FUND BALANCES, beginning of year	<u>10,610,254</u>	<u>990,940</u>	<u>28,210,742</u>
FUND BALANCES, end of year	<u>\$ 11,372,863</u>	<u>\$ 1,075,950</u>	<u>\$ 30,800,970</u>

BUDGET TO ACTUAL SCHEDULES OTHER MAJOR FUNDS

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
 OTHER MAJOR FUNDS – SID SINKING FUND
 Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with
	Original	Final		Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 478,181	\$ 478,181	\$ 478,181	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	616,449	616,449	705,143	88,694
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	1,953	1,953
Fines and forfeitures	-	-	-	-
Interest on investments	9,940	9,940	8,886	(1,054)
Transfers from other funds	-	-	-	-
Proceeds from long-term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of capital assets	-	-	-	-
Other	-	-	213	213
Amounts available for appropriation	<u>1,104,570</u>	<u>1,104,570</u>	<u>1,194,376</u>	<u>89,806</u>
Charges to appropriations (outflows):				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	379,800	379,800	267,343	112,457
Transfers to other funds	<u>10,700</u>	<u>197,700</u>	<u>196,755</u>	<u>945</u>
Total charges to appropriations	<u>390,500</u>	<u>577,500</u>	<u>464,098</u>	<u>113,402</u>
Budgetary fund balance, June 30	<u>\$ 714,070</u>	<u>\$ 527,070</u>	<u>\$ 730,278</u>	<u>\$ 203,208</u>

CITY OF BOZEMAN, MONTANA
 NOTE TO BUDGET TO ACTUAL STATEMENT - OTHER MAJOR FUNDS
 Year Ended June 30, 2016

	<u>SID Sinking Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,194,376
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.	(478,181)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	-
The proceeds from the issuance of long-term debt are a budgetary resource but are a other financing source for financial reporting purposes	-
The proceeds from the sale of assets are budgetary resources but are regarded as a special item, rather than revenue, for financial reporting purposes	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 716,195</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 464,098
Differences - budget to GAAP:	
 Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	 (196,755)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 267,343</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, 2016

	Special Revenue Funds					
	Departmental Special Revenues			City Planning Board		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 116,428	\$ 124,100	\$ 7,672	\$ 178,125	\$ 172,383	\$ (5,742)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	346,133	464,457	118,324	109,225	145,697	36,472
Charges for services	27,500	31,850	4,350	461,150	774,337	313,187
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	1,230	17,807	16,577	3,000	6,774	3,774
Loan repayment	-	-	-	-	-	-
Other	59,150	198,548	139,398	13,000	54,549	41,549
Total revenues	<u>550,441</u>	<u>836,762</u>	<u>286,321</u>	<u>764,500</u>	<u>1,153,740</u>	<u>389,240</u>
EXPENDITURES - BUDGET UNIT	<u>798,569</u>	<u>765,209</u>	<u>33,360</u>	<u>1,215,809</u>	<u>1,017,254</u>	<u>198,555</u>
Revenues over (under) expenditures	<u>(248,128)</u>	<u>71,553</u>	<u>319,681</u>	<u>(451,309)</u>	<u>136,486</u>	<u>587,795</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	164,228	152,471	(11,757)
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>164,228</u>	<u>152,471</u>	<u>(11,757)</u>
Revenues and other sources over (under) expenditures	<u>\$ (248,128)</u>	<u>71,553</u>	<u>\$ 319,681</u>	<u>\$ (287,081)</u>	<u>288,957</u>	<u>\$ 576,038</u>
FUND BALANCES, beginning of year		<u>1,921,368</u>			<u>778,240</u>	
FUND BALANCES, end of year		<u>\$ 1,992,921</u>			<u>\$ 1,067,197</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, 2016

	Special Revenue Funds					
	Health-Medical Insurance			Community Transportation		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 2,346,544	\$ 2,334,153	\$ (12,391)	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	239,548	116,410	(123,138)
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	4,788	4,788
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>2,346,544</u>	<u>2,334,153</u>	<u>(12,391)</u>	<u>239,548</u>	<u>121,198</u>	<u>(118,350)</u>
EXPENDITURES - BUDGET UNIT	<u>1,850</u>	<u>1,806</u>	<u>44</u>	<u>239,548</u>	<u>154,630</u>	<u>84,918</u>
Revenues over (under) expenditures	<u>2,344,694</u>	<u>2,332,347</u>	<u>(12,347)</u>	<u>-</u>	<u>(33,432)</u>	<u>(33,432)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(2,344,694)	(2,185,079)	159,615	(439,500)	(439,470)	30
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	107,300	107,300
Total other financing sources (uses)	<u>(2,344,694)</u>	<u>(2,185,079)</u>	<u>159,615</u>	<u>(439,500)</u>	<u>(332,170)</u>	<u>107,330</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>147,268</u>	<u>\$ 147,268</u>	<u>\$ (439,500)</u>	<u>(365,602)</u>	<u>\$ 73,898</u>
FUND BALANCES, beginning of year		<u>180,852</u>			<u>432,166</u>	
FUND BALANCES, end of year		<u>\$ 328,120</u>			<u>\$ 66,564</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, 2016

	Special Revenue Funds					
	Gas Tax Apportionment			Tree Maintenance		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	1,350	1,093	(257)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	658,500	676,439	17,939	250	988	738
Charges for services	-	-	-	451,496	453,313	1,817
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	3,900	6,844	2,944	1,600	1,876	276
Loan repayment	-	-	-	-	-	-
Other	-	-	-	6,000	1,735	(4,265)
Total revenues	<u>662,400</u>	<u>683,283</u>	<u>20,883</u>	<u>460,696</u>	<u>459,005</u>	<u>(1,691)</u>
EXPENDITURES - BUDGET UNIT	<u>1,121,500</u>	<u>421,939</u>	<u>699,561</u>	<u>473,051</u>	<u>433,107</u>	<u>39,944</u>
Revenues over (under) expenditures	<u>(459,100)</u>	<u>261,344</u>	<u>720,444</u>	<u>(12,355)</u>	<u>25,898</u>	<u>38,253</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>\$ (459,100)</u>	<u>261,344</u>	<u>\$ 720,444</u>	<u>\$ (12,355)</u>	<u>25,898</u>	<u>\$ 38,253</u>
FUND BALANCES, beginning of year		<u>695,891</u>			<u>217,597</u>	
FUND BALANCES, end of year		<u>\$ 957,235</u>			<u>\$ 243,495</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Special Revenue Funds					
	Fire Impact Fees Special Revenue			Downtown Improvement District		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	-	\$ 762,113	\$ 985,532	\$ 223,419
Special assessments	-	-	-	132,200	120,508	(11,692)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	45,436	56,050	10,614
Charges for services	265,000	338,461	73,461	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	9,787	9,787	11,000	16,927	5,927
Loan repayment	-	-	-	-	-	-
Other	-	-	-	14,500	1,500	(13,000)
Total revenues	<u>265,000</u>	<u>348,248</u>	<u>83,248</u>	<u>965,249</u>	<u>1,180,517</u>	<u>215,268</u>
EXPENDITURES - BUDGET UNIT	<u>3,000</u>	<u>2,966</u>	<u>34</u>	<u>1,263,100</u>	<u>576,077</u>	<u>687,023</u>
Revenues over (under) expenditures	<u>262,000</u>	<u>345,282</u>	<u>83,282</u>	<u>(297,851)</u>	<u>604,440</u>	<u>902,291</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(797,200)	(797,116)	84
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(797,200)</u>	<u>(797,116)</u>	<u>84</u>
Revenues and other sources over (under) expenditures	<u>\$ 262,000</u>	<u>345,282</u>	<u>\$ 83,282</u>	<u>\$ (1,095,051)</u>	<u>(192,676)</u>	<u>\$ 902,375</u>
FUND BALANCES, beginning of year		<u>892,205</u>			<u>1,872,041</u>	
FUND BALANCES, end of year		<u>\$ 1,237,487</u>			<u>\$ 1,679,365</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, 2016

	Special Revenue Funds					
	Economic Development Revolving Loan Fund			Community Housing		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 241,158	\$ 257,191	\$ 16,033
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	360	360	2,850	3,452	602
Loan repayment	48,500	33,991	(14,509)	9,500	600	(8,900)
Other	-	-	-	-	10,030	10,030
Total revenues	<u>48,500</u>	<u>34,351</u>	<u>(14,149)</u>	<u>253,508</u>	<u>271,273</u>	<u>17,765</u>
EXPENDITURES - BUDGET UNIT	<u>32,000</u>	<u>32,000</u>	<u>-</u>	<u>101,400</u>	<u>101,225</u>	<u>175</u>
Revenues over (under) expenditures	<u>16,500</u>	<u>2,351</u>	<u>(14,149)</u>	<u>152,108</u>	<u>170,048</u>	<u>17,940</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>\$ 16,500</u>	<u>2,351</u>	<u>\$ (14,149)</u>	<u>\$ 152,108</u>	<u>170,048</u>	<u>\$ 17,940</u>
FUND BALANCES, beginning of year		<u>855,079</u>			<u>413,495</u>	
FUND BALANCES, end of year		<u>\$ 857,430</u>			<u>\$ 583,543</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, 2016

	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	-	-	-	54,000	111,699	57,699
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	73,000	55,879	(17,121)
Interest on investments	50	-	(50)	-	202	202
Loan repayment	5,275	247	(5,028)	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>5,325</u>	<u>247</u>	<u>(5,078)</u>	<u>127,000</u>	<u>167,780</u>	<u>40,780</u>
EXPENDITURES - BUDGET UNIT						
	-	-	-	244,039	243,876	163
Revenues over (under) expenditures	<u>5,325</u>	<u>247</u>	<u>(5,078)</u>	<u>(117,039)</u>	<u>(76,096)</u>	<u>40,943</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	110,562	110,598	36
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,562</u>	<u>110,598</u>	<u>36</u>
Revenues and other sources over (under) expenditures	<u>\$ 5,325</u>	<u>247</u>	<u>\$ (5,078)</u>	<u>\$ (6,477)</u>	<u>34,502</u>	<u>\$ 40,979</u>
FUND BALANCES, beginning of year						
		<u>8,000</u>			<u>-</u>	
FUND BALANCES, end of year						
		<u>\$ 8,247</u>			<u>\$ 34,502</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, 2016

	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	-	1,830	1,830	-	-	-
Interest on investments	-	1,379	1,379	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	-	3,209	3,209	-	-	-
EXPENDITURES - BUDGET UNIT	29,000	28,667	333	19,125	19,125	-
Revenues over (under) expenditures	(29,000)	(25,458)	3,542	(19,125)	(19,125)	-
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>\$ (29,000)</u>	<u>(25,458)</u>	<u>\$ 3,542</u>	<u>\$ (19,125)</u>	<u>(19,125)</u>	<u>\$ -</u>
FUND BALANCES, beginning of year		<u>153,866</u>			<u>369,750</u>	
FUND BALANCES, end of year		<u>\$ 128,408</u>			<u>\$ 350,625</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, 2016

	Special Revenue Funds					
	Street Arterial and Collector District			TIF N 7th Corridor		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 719,213	\$ 686,023	\$ (33,190)
Special assessments	575,996	915	(575,081)	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	37,926	37,926
Charges for services	-	565,286	565,286	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	2,759	2,759	8,800	16,392	7,592
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	575,996	568,960	(7,036)	728,013	740,341	12,328
EXPENDITURES - BUDGET UNIT	1,000,496	395	1,000,101	1,310,980	1,310,624	356
Revenues over (under) expenditures	(424,500)	568,565	993,065	(582,967)	(570,283)	12,684
OTHER FINANCING SOURCES						
Transfers in	-	439,470	439,470	-	343,479	343,479
Transfers out	-	-	-	(41,600)	(41,515)	85
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	439,470	439,470	(41,600)	301,964	343,564
Revenues and other sources over (under) expenditures	<u>\$ (424,500)</u>	1,008,035	<u>\$ 1,432,535</u>	<u>\$ (624,567)</u>	(268,319)	<u>\$ 356,248</u>
FUND BALANCES, beginning of year		-			2,104,130	
FUND BALANCES, end of year		<u>\$ 1,008,035</u>			<u>\$ 1,835,811</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, 2016

	Special Revenue Funds					
	TIF N.E. Urban Renewal			Victim/Witness Advocate		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 85,000	\$ 148,335	\$ 63,335	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	1,353	1,353	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	76,800	64,419	(12,381)
Interest on investments	1,800	3,999	2,199	3,000	3,670	670
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>86,800</u>	<u>153,687</u>	<u>66,887</u>	<u>79,800</u>	<u>68,089</u>	<u>(11,711)</u>
EXPENDITURES - BUDGET UNIT	<u>386,002</u>	<u>171,634</u>	<u>214,368</u>	<u>140,000</u>	<u>81,445</u>	<u>58,555</u>
Revenues over (under) expenditures	<u>(299,202)</u>	<u>(17,947)</u>	<u>281,255</u>	<u>(60,200)</u>	<u>(13,356)</u>	<u>46,844</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	(35,000)	(35,000)	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (334,202)</u>	<u>(52,947)</u>	<u>\$ 281,255</u>	<u>\$ (60,200)</u>	<u>(13,356)</u>	<u>\$ 46,844</u>
FUND BALANCES, beginning of year		<u>434,537</u>			<u>390,611</u>	
FUND BALANCES, end of year		<u>\$ 381,590</u>			<u>\$ 377,255</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, 2016

	Fire Department Equipment			Street Lighting		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 321,324	\$ 344,501	\$ 23,177	\$ -	\$ -	\$ -
Special assessments	-	-	-	368,160	407,797	39,637
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	600	4,471	3,871	-	5,274	5,274
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	321,924	348,972	27,048	368,160	413,071	44,911
EXPENDITURES - BUDGET UNIT	40,000	39,355	645	418,205	407,503	10,702
Revenues over (under) expenditures	281,924	309,617	27,693	(50,045)	5,568	55,613
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(31,900)	(31,900)	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	(31,900)	(31,900)	-
Revenues and other sources over (under) expenditures	<u>\$ 281,924</u>	309,617	<u>\$ 27,693</u>	<u>\$ (81,945)</u>	(26,332)	<u>\$ 55,613</u>
FUND BALANCES, beginning of year		372,435			613,973	
FUND BALANCES, end of year		<u>\$ 682,052</u>			<u>\$ 587,641</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, 2016

	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	-	3,626	3,626	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	43,197	43,197	-	-	-
Total revenues	-	46,823	46,823	-	-	-
EXPENDITURES - BUDGET UNIT	-	-	-	-	-	-
Revenues over (under) expenditures	-	46,823	46,823	-	-	-
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>46,823</u>	<u>\$ 46,823</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES, beginning of year		378,047			105	
FUND BALANCES, end of year		<u>\$ 424,870</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, 2016

	Special Revenue Funds		
	Total		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 4,769,905	\$ 5,052,218	\$ 282,313
Special assessments	1,077,706	530,313	(547,393)
Licenses and permits	-	-	-
Intergovernmental	1,453,092	1,611,019	157,927
Charges for services	1,205,146	2,163,247	958,101
Fines and forfeitures	149,800	122,128	(27,672)
Interest on investments	37,830	110,387	72,557
Loan repayment	63,275	34,838	(28,437)
Other	92,650	309,559	216,909
Total revenues	<u>8,849,404</u>	<u>9,933,709</u>	<u>1,084,305</u>
EXPENDITURES - BUDGET UNIT	<u>8,837,674</u>	<u>5,808,837</u>	<u>3,028,837</u>
Revenues over (under) expenditures	<u>11,730</u>	<u>4,124,872</u>	<u>4,113,142</u>
OTHER FINANCING SOURCES			
Transfers in	274,790	1,046,018	771,228
Transfers out	(3,689,894)	(3,530,080)	159,814
Long-term debt issued	-	-	-
Sale of capital assets	-	107,300	107,300
Total other financing sources (uses)	<u>(3,415,104)</u>	<u>(2,376,762)</u>	<u>1,038,342</u>
Revenues and other sources over (under) expenditures	<u>\$ (3,403,374)</u>	<u>1,748,110</u>	<u>\$ 5,151,484</u>
FUND BALANCES, beginning of year		13,084,388	
FUND BALANCES, end of year		<u>\$ 14,832,498</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, 2016

	Debt Service Funds					
	SID Revolving			G.O. Bonds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 1,353,891	\$ 1,346,613	\$ (7,278)
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	19,000	26,315	7,315	-	929	929
Loan repayment	-	3,714	3,714	-	-	-
Other	-	-	-	-	-	-
Total revenue	<u>19,000</u>	<u>30,029</u>	<u>11,029</u>	<u>1,353,891</u>	<u>1,347,542</u>	<u>(6,349)</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	750,000	750,000	-
Interest and fiscal fees	-	-	-	605,091	605,091	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,355,091</u>	<u>1,355,091</u>	<u>-</u>
Revenues over (under) expenditures	<u>19,000</u>	<u>30,029</u>	<u>11,029</u>	<u>(1,200)</u>	<u>(7,549)</u>	<u>(6,349)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	18,235	-	(18,235)	-	-	-
Transfers out	(626,500)	-	626,500	-	-	-
Total other financing sources (uses)	<u>(608,265)</u>	<u>-</u>	<u>608,265</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (589,265)</u>	<u>30,029</u>	<u>\$ 619,294</u>	<u>\$ (1,200)</u>	<u>(7,549)</u>	<u>\$ (6,349)</u>
FUND BALANCES, beginning of year		<u>3,356,671</u>			<u>140,508</u>	
FUND BALANCES, end of year		<u>\$ 3,386,700</u>			<u>\$ 132,959</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, 2016

	Debt Service Funds					Variance Positive (Negative)
	TIF Bonds			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 1,353,891	\$ 1,346,613	\$ (7,278)
Special assessments	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Interest on investments	-	-	-	19,000	27,244	8,244
Loan repayment	-	-	-	-	3,714	3,714
Other	-	-	-	-	-	-
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,372,891</u>	<u>1,377,571</u>	<u>4,680</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service:						
Principal	195,000	195,000	-	945,000	945,000	-
Interest and fiscal fees	228,638	228,638	-	833,729	833,729	-
Total expenditures	<u>423,638</u>	<u>423,638</u>	<u>-</u>	<u>1,778,729</u>	<u>1,778,729</u>	<u>-</u>
Revenues over (under) expenditures	<u>(423,638)</u>	<u>(423,638)</u>	<u>-</u>	<u>(405,838)</u>	<u>(401,158)</u>	<u>4,680</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	422,088	423,638	1,550	440,323	423,638	(16,685)
Transfers out	-	-	-	(626,500)	-	626,500
Total other financing sources (uses)	<u>422,088</u>	<u>423,638</u>	<u>1,550</u>	<u>(186,177)</u>	<u>423,638</u>	<u>609,815</u>
Revenues and other sources over (under) expenditures	<u>\$ (1,550)</u>	<u>-</u>	<u>\$ 1,550</u>	<u>\$ (592,015)</u>	<u>22,480</u>	<u>\$ 614,495</u>
FUND BALANCES, beginning of year		<u>-</u>			<u>3,497,179</u>	
FUND BALANCES, end of year		<u>\$ -</u>			<u>\$ 3,519,659</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, 2016

	Capital Projects Funds		
	Construction		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	-	-	-
Intergovernmental	-	89,307	89,307
Charges for services	-	-	-
Interest on investments	-	140,297	140,297
Loan repayment	-	-	-
Other	-	15,200	15,200
Total revenue	<u>-</u>	<u>244,804</u>	<u>244,804</u>
EXPENDITURES			
Other	77,000	76,468	532
Capital outlay	8,112,250	2,307,160	5,805,090
Total expenditures	<u>8,189,250</u>	<u>2,383,628</u>	<u>5,805,622</u>
Revenues over (under) expenditures	<u>(8,189,250)</u>	<u>(2,138,824)</u>	<u>6,050,426</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,253,000	2,841,183	1,588,183
Transfers out	-	-	-
Long term debt issuance	4,900,000	-	(4,900,000)
Sale of capital assets	-	60,250	60,250
Total other financing sources (uses)	<u>6,153,000</u>	<u>2,901,433</u>	<u>(3,251,567)</u>
Revenues and other sources over (under) expenditures	<u>\$ (2,036,250)</u>	<u>762,609</u>	<u>\$ 2,798,859</u>
FUND BALANCES, beginning of year		<u>10,610,254</u>	
FUND BALANCES, end of year		<u>\$ 11,372,863</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, 2016

	Permanent Fund		
	Cemetery Perpetual Care		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ -	\$ -	\$ -
Charges for services	100,000	75,830	(24,170)
Interest on investments	6,000	9,180	3,180
Total revenues	<u>106,000</u>	<u>85,010</u>	<u>(20,990)</u>
EXPENDITURES - BUDGET UNIT	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>106,000</u>	<u>85,010</u>	<u>(20,990)</u>
OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 106,000</u>	85,010	<u>\$ (20,990)</u>
FUND BALANCES, beginning of year		<u>990,940</u>	
FUND BALANCES, end of year		<u>\$ 1,075,950</u>	

COMBINING NONMAJOR PROPRIETARY FUNDS

NONMAJOR PROPRIETARY FUNDS

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

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, 2016

	Business-type Activities			Total
	Enterprise Funds			
	Parking Fund	Stormwater Fund	Solid Waste Fund	
ASSETS				
Current assets				
Cash and investments	\$ 261,842	\$ 546,900	\$ 735,938	\$ 1,544,680
Receivables:				
Customers, net	128,040	121,039	317,172	566,251
Total current assets	<u>389,882</u>	<u>667,939</u>	<u>1,053,110</u>	<u>2,110,931</u>
Non-current assets				
Other assets:				
Notes receivable	10,830	-	-	10,830
Restricted cash and investments	295,545	55,331	-	350,876
Total other assets	<u>306,375</u>	<u>55,331</u>	<u>-</u>	<u>361,706</u>
Property, plant and equipment, net				
Nondepreciable:				
Land	303,436	-	3,783,559	4,086,995
Depreciable:				
Buildings	11,793,708	-	-	11,793,708
Other structures and improvements	-	-	877,710	877,710
Machinery and equipment	27,974	147,905	2,155,300	2,331,179
Vehicles	86,057	110,874	3,619,394	3,816,325
Infrastructure	47,058	173,692	519,436	740,186
Property under capital lease	-	519,943	78,531	598,474
Accumulated depreciation and amortization	(3,543,204)	(282,777)	(5,762,787)	(9,588,768)
Net property, plant and equipment	<u>8,715,029</u>	<u>669,637</u>	<u>5,271,143</u>	<u>14,655,809</u>
Total non current assets	<u>9,021,404</u>	<u>724,968</u>	<u>5,271,143</u>	<u>15,017,515</u>
Deferred outflows of resources				
Pension plan contributions	23,707	12,634	114,000	150,341
Total assets	<u>\$ 9,434,993</u>	<u>\$ 1,405,541</u>	<u>\$ 6,438,253</u>	<u>\$ 17,278,787</u>

continued

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET POSITION
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 June 30, 2016

	Business-type Activities			Total
	Enterprise Funds			
	Parking Fund	Stormwater Fund	Solid Waste Fund	
LIABILITIES				
Current liabilities				
Accounts payable and accrued expenses	\$ 159,418	\$ 9,339	\$ 630,953	\$ 799,710
Compensated absences payable	9,570	12,572	87,960	110,102
Capital lease obligations payable in one year	-	79,438	-	79,438
Closure and post-closure care costs, current portion	-	-	360,000	360,000
Bonds and leases payable in one year	-	73,000	-	73,000
Total current liabilities	<u>168,988</u>	<u>174,349</u>	<u>1,078,913</u>	<u>1,422,250</u>
Noncurrent liabilities				
Closure and post-closure care costs	-	-	2,679,671	2,679,671
Capital lease obligations	-	284,311	-	284,311
Revenue bonds due after one year	-	1,367,430	-	1,367,430
Compensated absences payable	299	4,669	9,007	13,975
Other post-employment health benefits	30,740	4,888	93,629	129,257
Net pension liability	198,630	84,772	981,000	1,264,402
Total noncurrent liabilities	<u>229,669</u>	<u>1,746,070</u>	<u>3,763,307</u>	<u>5,739,046</u>
Total liabilities	<u>398,657</u>	<u>1,920,419</u>	<u>4,842,220</u>	<u>7,161,296</u>
Deferred inflows of resources				
Pension deferrals	20,299	(5,132)	117,162	132,329
NET POSITION				
Net Investment in capital assets	8,715,029	312,326	5,271,143	14,298,498
Restricted for impact capital projects	-	-	-	-
Restricted for parking capital projects	295,545	-	-	295,545
Restricted for debt service	-	-	-	-
Unrestricted	5,463	(822,072)	(3,792,272)	(4,608,881)
Total net position	<u>9,016,037</u>	<u>(509,746)</u>	<u>1,478,871</u>	<u>9,985,162</u>
Total liabilities and net position	<u>\$ 9,434,993</u>	<u>\$ 1,405,541</u>	<u>\$ 6,438,253</u>	<u>\$ 17,278,787</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2016

	Enterprise Funds			Totals
	Parking Fund	Stormwater Fund	Solid Waste Fund	
OPERATING REVENUES	\$ 597,238	\$ 943,621	\$ 3,207,605	\$ 4,748,464
OPERATING EXPENSES				
Salaries and benefits	270,783	225,803	1,124,740	1,621,326
Materials and supplies	21,442	26,301	336,317	384,060
Repairs and maintenance	34,490	383	255,169	290,042
Utilities	24,086	1,487	458,152	483,725
Administrative charges	58,491	21,597	460,198	540,286
Other expenses	131,486	91,676	580,261	803,423
Depreciation and amortization	290,091	81,149	237,183	608,423
Changes in estimated closure and post- closure care costs	-	-	1,118,864	1,118,864
Total operating expenses	<u>830,869</u>	<u>448,396</u>	<u>4,570,884</u>	<u>5,850,149</u>
Operating income (loss)	<u>(233,631)</u>	<u>495,225</u>	<u>(1,363,279)</u>	<u>(1,101,685)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest income	5,271	5,996	1,140	12,407
Interest expense	-	(21,347)	-	(21,347)
Other income	45,012	-	1,033,340	1,078,352
Intergovernmental income	4,770	4,156	20,958	29,884
Gain (loss) on sale of assets	-	(19,543)	5,168	(14,375)
Total non-operating revenues (expenses)	<u>55,053</u>	<u>(30,738)</u>	<u>1,060,606</u>	<u>1,084,921</u>
Income (loss) before contributions and transfers	(178,578)	464,487	(302,673)	(16,764)
Contributions of infrastructure - developers	-	111,707	-	111,707
Transfers in	30,000	145,515	1,234,760	1,410,275
Transfers out	-	(1,330,614)	-	(1,330,614)
Change in net position	<u>(148,578)</u>	<u>(608,905)</u>	<u>932,087</u>	<u>174,604</u>
NET POSITION, beginning of year	<u>9,164,615</u>	<u>99,159</u>	<u>546,784</u>	<u>9,810,558</u>
NET POSITION, end of year	<u>\$ 9,016,037</u>	<u>\$ (509,746)</u>	<u>\$ 1,478,871</u>	<u>\$ 9,985,162</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 NONMAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2016

	Parking Fund	Stormwater Fund	Solid Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 583,285	\$ 865,176	\$ 3,179,858	\$ 4,628,319
Receipts from others	45,011	-	1,033,340	1,078,351
Payments to suppliers	(112,942)	(123,756)	(3,166,627)	(3,403,325)
Payments to employees	(270,039)	(223,710)	(1,134,107)	(1,627,856)
Payments to internal service funds and administrative fees	(58,491)	(21,597)	(460,198)	(540,286)
Net cash flows from operating activities	<u>186,824</u>	<u>496,113</u>	<u>(547,734)</u>	<u>135,203</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in	30,000	145,515	1,234,760	1,410,275
Transfers out	-	(1,330,614)	-	(1,330,614)
Receipts from grants and intergovernmental sources	4,770	4,156	20,958	29,884
Net cash flows from non-capital financing activities	<u>34,770</u>	<u>(1,180,943)</u>	<u>1,255,718</u>	<u>109,545</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(24,037)	(80,034)	(707,797)	(811,868)
Principal paid on bonds, interfund loans, loans and leases	-	(70,849)	-	(70,849)
Interest paid on bonds, interfund loans, loans and leases	-	(21,347)	-	(21,347)
Proceeds from issuance of long-term debt	-	1,210,680	-	1,210,680
Proceeds from sale of property, plant and equipment	-	-	30,936	30,936
Net cash flows from capital and related financing activities	<u>(24,037)</u>	<u>1,038,450</u>	<u>(676,861)</u>	<u>337,552</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Collections on notes	2,650	-	-	2,650
Interest on investments	5,271	5,996	1,140	12,407
Net cash flows from investing activities	<u>7,921</u>	<u>5,996</u>	<u>1,140</u>	<u>15,057</u>
Net change in cash and investments	205,478	359,616	32,263	597,357
Cash and investments, beginning of year	<u>351,909</u>	<u>242,615</u>	<u>703,675</u>	<u>1,298,199</u>
Cash and investments, end of year	<u>\$ 557,387</u>	<u>\$ 602,231</u>	<u>\$ 735,938</u>	<u>\$ 1,895,556</u>

continued

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 NONMAJOR PROPRIETARY FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Parking Fund	Stormwater Fund	Solid Waste Fund	Total
Cash and investments classified as:				
Cash and investments	\$ 261,842	\$ 546,900	\$ 735,938	\$ 1,544,680
Restricted cash and investments	295,545	55,331	-	350,876
Totals	<u>\$ 557,387</u>	<u>\$ 602,231</u>	<u>\$ 735,938</u>	<u>\$ 1,895,556</u>
Noncash transactions: donated infrastructure	<u>\$ -</u>	<u>\$ 111,707</u>	<u>\$ -</u>	<u>\$ 111,707</u>
RECONCILIATION OF OPERATING LOSS				
TO NET CASH FROM OPERATING ACTIVITIES:				
Operating income (loss)	<u>\$ (233,631)</u>	<u>\$ 495,225</u>	<u>\$ (1,363,279)</u>	<u>\$ (1,101,685)</u>
Adjustments to reconcile operating loss				
to net cash from operating activities:				
Depreciation and amortization	290,091	81,149	237,183	608,423
Change in estimated closure costs	-	-	(687,040)	(687,040)
Other income	45,012	-	1,033,340	1,078,352
Change in assets and liabilities:				
(Increase) decrease in:				
Accounts receivable	(13,954)	(78,445)	(27,747)	(120,146)
Increase (decrease) in:				
Accounts payable	98,562	(3,909)	269,176	363,829
Accrued employee benefits payable	5,174	5,954	10,094	21,222
Net pension liabilities	(4,430)	(3,861)	(19,461)	(27,752)
Total adjustments	<u>420,455</u>	<u>888</u>	<u>815,545</u>	<u>1,236,888</u>
Net cash from operating activities	<u>\$ 186,824</u>	<u>\$ 496,113</u>	<u>\$ (547,734)</u>	<u>\$ 135,203</u>

INTERNAL SERVICE FUND STATEMENTS

INTERNAL SERVICE FUNDS

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

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

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

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET POSITION
 INTERNAL SERVICE FUNDS
 June 30, 2016

	Vehicle Maintenance Shop	Medical Health Insurance	Total
ASSETS			
Current assets			
Cash and equivalents	\$ 66,875	\$ -	\$ 66,875
Customer receivables, net	21	47,260	47,281
Prepaid expenses	-	382,541	382,541
Total current assets	<u>66,896</u>	<u>429,801</u>	<u>496,697</u>
Property, plant, and equipment			
Machinery and equipment	166,059	-	166,059
Vehicles	70,312	-	70,312
Buildings	1,401,417	-	1,401,417
Less: accumulated depreciation	(488,667)	-	(488,667)
Net property, plant, and equipment	<u>1,149,121</u>	<u>-</u>	<u>1,149,121</u>
Deferred outflows of resources			
Pension plan contributions	37,271	-	37,271
Total assets and deferred outflows of resources	<u>\$ 1,253,288</u>	<u>\$ 429,801</u>	<u>\$ 1,683,089</u>
LIABILITIES			
Current liabilities			
Accounts payable	\$ 37,599	\$ 1,119	\$ 38,718
Compensated absences payable	50,523	-	50,523
Due to other city funds	-	11,274	11,274
Total current liabilities	<u>88,122</u>	<u>12,393</u>	<u>100,515</u>
Non-current liabilities			
Net pension liability	<u>309,188</u>	<u>-</u>	<u>309,188</u>
Total liabilities	<u>397,310</u>	<u>12,393</u>	<u>409,703</u>
Deferred inflows of resources			
Pension deferrals	<u>29,571</u>	<u>-</u>	<u>29,571</u>
NET POSITION			
Net investment in capital assets	1,149,121	-	1,149,121
Unrestricted	(322,714)	417,408	94,694
	<u>826,407</u>	<u>417,408</u>	<u>1,243,815</u>
	<u>\$ 1,253,288</u>	<u>\$ 429,801</u>	<u>\$ 1,683,089</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2016

	Vehicle Maintenance Shop	Medical Health Insurance	Total
OPERATING REVENUES	\$ 869,879	\$ 4,546,303	\$ 5,416,182
OPERATING EXPENSES			
Salaries and benefits	389,302	-	389,302
Materials and supplies	523,753	-	523,753
Repairs and maintenance	8,042	-	8,042
Utilities	4,827	-	4,827
Administrative charges	147,601	-	147,601
Insurance claims	-	4,458,971	4,458,971
Other expenses	22,525	92,888	115,413
Depreciation	54,519	-	54,519
Total operating expenses	<u>1,150,569</u>	<u>4,551,859</u>	<u>5,702,428</u>
Operating income (loss)	<u>(280,690)</u>	<u>(5,556)</u>	<u>(286,246)</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	1,386	-	1,386
Interest expense	-	(431)	(431)
Other income	129	2,440	2,569
Intergovernmental income	7,735	-	7,735
Sale of assets	1,387	-	1,387
Total non-operating revenue (expenses)	<u>10,637</u>	<u>2,009</u>	<u>12,646</u>
Income before transfers	(270,053)	(3,547)	(273,600)
Transfers in	-	231,115	231,115
Change in net position	(270,053)	227,568	(42,485)
NET POSITION, beginning of year	<u>1,096,460</u>	<u>189,840</u>	<u>1,286,300</u>
NET POSITION, end of year	<u>\$ 826,407</u>	<u>\$ 417,408</u>	<u>\$ 1,243,815</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2016

	Vehicle Maintenance <u>Shop</u>	Medical Health <u>Insurance</u>	<u>Total</u>
CASH FLOWS FROM OPERATIONS			
Receipts from customers	\$ 869,858	\$ 4,160,915	\$ 5,030,773
Receipts from others	7,864	2,440	10,304
Operating loans from other City funds	-	11,274	11,274
Payments to suppliers	(595,108)	(91,928)	(687,036)
Payments to employees	(386,648)	(4,458,971)	(4,845,619)
Payments to Internal Service Funds and administrative fees	<u>(147,601)</u>	<u>-</u>	<u>(147,601)</u>
Net cash flows from operating activities	<u>(251,635)</u>	<u>(376,270)</u>	<u>(627,905)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Additions to property, plant and equipment	(22,914)	-	(22,914)
Proceeds from sale of capital assets	1,387	-	1,387
Interest paid on bonds, interfund loans, loans and leases	<u>-</u>	<u>(431)</u>	<u>(431)</u>
Net cash flows from capital and related financing activities	<u>(21,527)</u>	<u>(431)</u>	<u>(21,958)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	<u>-</u>	<u>231,115</u>	<u>231,115</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest on investments	<u>1,386</u>	<u>-</u>	<u>1,386</u>
Net increase (decrease) in cash and cash equivalents	(271,776)	(145,586)	(417,362)
CASH AND EQUIVALENTS, beginning of year	<u>338,651</u>	<u>145,586</u>	<u>484,237</u>
CASH AND EQUIVALENTS, end of year	<u>\$ 66,875</u>	<u>\$ -</u>	<u>\$ 66,875</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CASH FLOWS -
 INTERNAL SERVICE FUNDS (CONTINUED)
 Year Ended June 30, 2016

	Vehicle Maintenance Shop	Medical Health Insurance	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (280,690)	\$ (5,556)	\$ (286,246)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	54,519	-	54,519
Other income	7,864	2,440	10,304
Changes in assets and liabilities:			
(Increase) decrease in:			
Customer receivables	(21)	(2,847)	(2,868)
Prepaid expenses	-	(382,541)	(382,541)
Increase (decrease) in:			
Accounts payable	(28,779)	960	(27,819)
Due to other city funds	-	11,274	11,274
Compensated absences payable	2,654	-	2,654
Net pension	(7,182)	-	(7,182)
Total adjustments	29,055	(370,714)	(341,659)
Net cash from operating activities	\$ (251,635)	\$ (376,270)	\$ (627,905)

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, 2016

	<u>Municipal Court</u>	<u>CMC Bozeman Site Remediation</u>	<u>Tourism Business Improvement</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and cash equivalents	\$ 353,598	\$ -	\$ 468,190	\$ 821,788
Customer receivables	785	-	-	785
Total assets	<u>\$ 354,383</u>	<u>\$ -</u>	<u>\$ 468,190</u>	<u>\$ 822,573</u>
LIABILITIES				
Accounts payable	\$ 354,383	\$ -	\$ 468,190	\$ 822,573
Total liabilities	<u>\$ 354,383</u>	<u>\$ -</u>	<u>\$ 468,190</u>	<u>\$ 822,573</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES –
 AGENCY FUNDS
 Year Ended June 30, 2016

	Municipal Court			
	Balance	Additions	Deletions	Balance
	June 30, 2015			June 30, 2016
ASSETS				
Cash and cash equivalents	\$ 343,108	\$ 10,490	\$ -	\$ 353,598
Customer receivables	-	785		785
Interfund receivable	-	-	-	-
Total assets	<u>\$ 343,108</u>	<u>\$ 11,275</u>	<u>\$ -</u>	<u>\$ 354,383</u>
LIABILITIES				
Accounts payable	\$ 343,108	\$ 11,275	\$ -	\$ 354,383
Total liabilities	<u>\$ 343,108</u>	<u>\$ 11,275</u>	<u>\$ -</u>	<u>\$ 354,383</u>
	CMC Bozeman Site Remediation			
	Balance	Additions	Deletions	Balance
	June 30, 2015			June 30, 2016
ASSETS				
Cash and cash equivalents	\$ 30,920	\$ (30,920)	\$ -	\$ -
Customer receivables	-	-	-	-
Total assets	<u>\$ 30,920</u>	<u>\$ (30,920)</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 30,920	\$ (30,920)	\$ -	\$ -
Total liabilities	<u>\$ 30,920</u>	<u>\$ (30,920)</u>	<u>\$ -</u>	<u>\$ -</u>
	Tourism Business Improvement District Site Remediation			
	Balance	Additions	Deletions	Balance
	June 30, 2015			June 30, 2016
ASSETS				
Cash and cash equivalents	\$ -	\$ 468,190	\$ -	\$ 468,190
Customer receivables	-	-	-	-
Total assets	<u>\$ -</u>	<u>\$ 468,190</u>	<u>\$ -</u>	<u>\$ 468,190</u>
LIABILITIES				
Accounts payable	\$ -	\$ 468,190	\$ -	\$ 468,190
Total liabilities	<u>\$ -</u>	<u>\$ 468,190</u>	<u>\$ -</u>	<u>\$ 468,190</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

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.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

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.

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.

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.

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

FINANCIAL TRENDS SECTION

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental activities										
Net investment in capital assets	\$ 77,734,584	\$ 80,873,924	\$ 83,707,824	\$ 84,113,904	\$ 88,844,404	\$ 88,500,437	\$ 89,081,484	\$ 89,267,076	\$ 93,409,850	\$ 104,342,191
Restricted	546,916	9,254,307	7,699,511	8,082,181	20,962,038	20,797,365	27,255,029	35,621,803	41,755,126	42,829,320
Unrestricted	28,481,673	23,443,921	20,871,106	25,076,908	16,049,044	15,470,543	11,521,053	12,127,224	(5,137,642)	(3,923,466)
Total governmental activities	<u>\$ 106,763,173</u>	<u>\$ 113,572,152</u>	<u>\$ 112,278,441</u>	<u>\$ 117,272,993</u>	<u>\$ 125,855,486</u>	<u>\$ 124,768,345</u>	<u>\$ 127,857,566</u>	<u>\$ 137,016,103</u>	<u>\$ 130,027,334</u>	<u>\$ 143,248,045</u>
Business-type activities										
Net investment in capital assets	\$ 154,227,534	\$ 177,379,168	\$ 188,077,778	\$ 189,965,189	\$ 188,180,889	\$ 192,485,459	\$ 199,394,551	\$ 205,501,357	\$ 211,419,777	\$ 221,385,655
Restricted	17,099,866	18,322,089	19,775,588	9,044,280	12,660,466	11,446,886	3,098,125	3,372,927	4,977,984	4,990,635
Unrestricted	16,550,235	17,547,218	11,936,119	16,069,597	12,382,018	2,809,558	10,643,337	8,723,353	6,619,399	10,582,408
Total business-type activities	<u>\$ 187,877,635</u>	<u>\$ 213,248,475</u>	<u>\$ 219,789,485</u>	<u>\$ 215,079,066</u>	<u>\$ 213,223,373</u>	<u>\$ 206,741,903</u>	<u>\$ 213,136,013</u>	<u>\$ 217,597,637</u>	<u>\$ 223,017,160</u>	<u>\$ 236,958,698</u>
Primary government										
Net investment in capital assets	\$ 231,962,118	\$ 258,253,092	\$ 271,785,602	\$ 274,079,093	\$ 277,025,293	\$ 280,985,896	\$ 288,476,035	\$ 294,768,433	\$ 304,829,627	\$ 325,727,846
Restricted	17,646,782	27,576,396	27,475,099	17,126,461	33,622,504	32,244,251	30,353,154	38,994,730	46,733,110	47,819,955
Unrestricted	45,031,908	40,991,139	32,807,225	41,146,505	28,431,062	18,280,101	22,164,390	20,850,577	1,481,757	6,658,942
Total primary government net position	<u>\$ 294,640,808</u>	<u>\$ 326,820,627</u>	<u>\$ 332,067,926</u>	<u>\$ 332,352,059</u>	<u>\$ 339,078,859</u>	<u>\$ 331,510,248</u>	<u>\$ 340,993,579</u>	<u>\$ 354,613,740</u>	<u>\$ 353,044,494</u>	<u>\$ 380,206,743</u>

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Expenses										
Governmental Activities:										
General Government	\$ 5,733,371	\$ 6,969,181	\$ 6,629,783	\$ 6,299,831	\$ 6,122,190	\$ 8,706,665	\$ 7,373,368	\$ 6,989,830	\$ 7,417,644	\$ 8,058,925
Public Safety	10,488,873	11,183,637	11,556,016	12,382,157	12,859,702	13,215,680	14,340,301	15,297,088	17,023,578	18,391,357
Public Service	8,511,308	8,979,085	10,130,184	9,703,594	9,190,515	8,174,461	3,939,061	6,031,768	6,458,930	6,861,939
Public Welfare	5,536,741	5,412,192	6,465,940	6,915,557	7,500,727	7,249,008	6,518,822	7,417,158	7,579,653	7,994,697
Interest and Fiscal Fees	549,667	649,226	737,762	714,714	679,652	636,478	433,766	179,280	824,266	893,470
Total Governmental Activities Expenses	<u>30,819,960</u>	<u>33,193,321</u>	<u>35,519,685</u>	<u>36,015,853</u>	<u>36,352,786</u>	<u>37,982,292</u>	<u>32,605,318</u>	<u>35,915,124</u>	<u>39,304,071</u>	<u>42,200,388</u>
Business-Type Activities:										
Water	10,490,811	11,150,266	11,872,984	12,016,149	11,649,639	11,674,222	6,154,746	6,869,870	7,995,910	9,273,395
Waste Water	7,376,348	8,061,412	10,293,894	9,143,077	10,128,397	10,203,165	6,121,663	8,955,592	6,940,983	8,163,312
Nonmajor Activities	3,283,135	2,574,651	3,454,044	3,528,201	3,569,821	3,575,128	3,328,241	7,924,663	4,407,212	5,871,496
Total Business-Type Activities Expenses	<u>21,150,294</u>	<u>21,786,329</u>	<u>25,620,922</u>	<u>24,687,427</u>	<u>25,347,857</u>	<u>25,452,515</u>	<u>15,604,650</u>	<u>23,750,125</u>	<u>19,344,105</u>	<u>23,308,203</u>
Total Primary Government Expenses	<u>\$ 51,970,254</u>	<u>\$ 54,979,650</u>	<u>\$ 61,140,607</u>	<u>\$ 60,703,280</u>	<u>\$ 61,700,643</u>	<u>\$ 63,434,807</u>	<u>\$ 48,209,968</u>	<u>\$ 59,665,249</u>	<u>\$ 58,648,176</u>	<u>\$ 65,508,591</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	\$ 2,023,362	\$ 2,237,962	\$ 1,795,469	\$ 2,774,869	\$ 2,870,443	\$ 1,949,125	\$ 1,966,966	\$ 2,453,015	\$ 1,947,445	\$ 2,530,474
Public Safety	3,712,280	3,575,133	3,500,929	2,414,893	2,684,724	2,638,811	3,219,231	3,290,573	3,211,911	3,347,859
Public Service	5,361,852	4,858,444	4,790,460	3,742,856	4,454,492	4,983,420	6,655,604	7,623,178	8,784,447	9,310,147
Public Welfare	704,790	713,342	779,841	399,280	451,960	1,102,896	1,593,212	613,322	1,097,845	1,213,526
Operating Grants and Contributions	409,263	502,863	439,131	693,342	1,114,835	566,586	406,239	457,354	2,254,052	2,494,244
Capital Grants and Contributions	18,694,375	7,153,103	8,219,791	5,307,118	7,867,093	635,758	844,935	4,762,416	2,960,051	5,018,559
Total Governmental Activities Program Revenues	<u>30,905,922</u>	<u>19,040,847</u>	<u>19,525,621</u>	<u>15,332,358</u>	<u>19,443,547</u>	<u>11,876,596</u>	<u>14,686,187</u>	<u>19,199,858</u>	<u>20,255,751</u>	<u>23,914,809</u>
Business-Type Activities										
Charges for Services:										
Water	8,604,498	8,222,724	7,221,378	6,986,247	7,064,571	7,921,483	9,585,939	9,842,699	9,969,058	11,935,016
Waste Water	7,052,987	6,918,132	6,052,668	6,505,119	6,930,036	7,488,473	8,560,438	8,852,738	9,008,247	9,283,600
Non-Major Activities	2,428,230	2,608,662	2,859,248	3,043,801	2,986,721	2,953,612	3,177,348	3,597,790	3,844,793	5,824,848
Operating Grants and Contributions	-	-	-	-	-	-	-	9,596	123,439	134,946
Capital Grants and Contributions:	26,464,222	29,405,599	6,465,230	3,621,051	6,589,612	566,138	156,123	5,898,923	6,385,418	11,287,654
Total Business-Type Activities Program Revenues	<u>44,549,937</u>	<u>47,155,117</u>	<u>22,598,524</u>	<u>20,156,218</u>	<u>23,570,940</u>	<u>18,929,706</u>	<u>21,479,848</u>	<u>28,201,746</u>	<u>29,330,955</u>	<u>38,466,064</u>
Total Primary Government Program Revenues	<u>\$ 75,455,859</u>	<u>\$ 66,195,964</u>	<u>\$ 42,124,145</u>	<u>\$ 35,488,576</u>	<u>\$ 43,014,487</u>	<u>\$ 30,806,302</u>	<u>\$ 36,166,035</u>	<u>\$ 47,401,604</u>	<u>\$ 49,586,706</u>	<u>\$ 62,380,873</u>

continued

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense) / Revenue										
Governmental Activities	\$ 85,962	\$ (14,152,474)	\$ (15,994,064)	\$ (20,683,495)	\$ (16,909,239)	\$ (26,105,696)	\$ (17,919,131)	\$ (16,715,266)	\$ (19,048,320)	\$ (18,285,579)
Business-Type Activities	23,399,643	25,368,788	(3,022,398)	(4,531,209)	(1,776,917)	(6,522,809)	5,875,198	4,060,921	9,986,850	15,157,861
Total Primary Government Net Expense	\$ 23,485,605	\$ 11,216,314	\$ (19,016,462)	\$ (25,214,704)	\$ (18,686,156)	\$ (32,628,505)	\$ (12,043,933)	\$ (12,654,345)	\$ (9,061,470)	\$ (3,127,718)
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	\$ 11,836,748	\$ 12,070,765	\$ 14,629,230	\$ 15,501,316	\$ 16,342,053	\$ 15,716,055	\$ 16,429,959	\$ 17,561,022	\$ 20,203,718	\$ 21,234,288
Unrestricted Grants and Contributions	5,375,807	5,617,243	6,125,789	6,284,467	6,782,383	6,898,717	6,342,884	7,436,419	7,699,711	7,992,180
Investment Earnings	1,093,115	1,362,790	671,859	352,378	301,424	283,090	243,744	355,790	403,151	519,637
Miscellaneous	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790	155,484	-	293,884	374,966	418,215
Sale of Capital Assets	490,637	51,342	68,057	761,952	(8,168)	4,414	1,765	236,688	-	123,934
Transfers of Capital Assets	-	-	(6,311,324)	-	-	(2,088)	-	-	-	-
Transfers	489,780	-	(3,249,929)	521,863	517,250	(37,136)	(10,000)	(10,000)	(410,016)	1,218,036
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
Total Governmental Activities	21,226,243	20,961,453	14,700,353	25,678,047	25,491,732	23,018,536	23,008,352	25,873,803	28,271,530	31,506,290
Business-Type Activities:										
Unrestricted Grants and Contributions	3,182	2,052	2,155	342,653	438,475	2,115	508,912	-	-	-
Transfers of Capital Assets	-	-	6,311,324	-	-	2,088	-	-	-	-
ARRA Debt Forgiveness	-	-	-	-	-	-	-	390,700	-	-
Transfers	(489,780)	-	3,249,929	(521,863)	(517,251)	37,136	10,000	10,000	380,347	(1,218,036)
Extraordinary Items	-	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	(486,598)	2,052	9,563,408	(179,210)	(78,776)	41,339	518,912	400,700	380,347	(1,218,036)
Total Primary Government	\$ 20,739,645	\$ 20,963,505	\$ 24,263,761	\$ 25,498,837	\$ 25,412,956	\$ 23,059,875	\$ 23,527,264	\$ 26,274,503	\$ 28,651,877	\$ 30,288,254
Change in Net Position										
Governmental Activities	\$ 21,312,205	\$ 6,808,979	\$ (1,293,711)	\$ 4,994,552	\$ 8,582,493	\$ (3,087,160)	\$ 5,089,221	\$ 9,158,537	\$ 9,223,211	\$ 13,220,711
Business-Type Activities	22,913,045	25,370,840	6,541,010	(4,710,419)	(1,855,693)	(6,481,470)	6,394,110	4,461,621	10,367,197	13,939,825
Total Primary Government	\$ 44,225,250	\$ 32,179,819	\$ 5,247,299	\$ 284,133	\$ 6,726,800	\$ (9,568,630)	\$ 11,483,331	\$ 13,620,158	\$ 19,590,408	\$ 27,160,536

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Fund:										
Reserved	\$ 3,000	\$ 3,000	\$ 63,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	4,367,538	4,516,814	5,301,397	5,119,400						
Nonspendable										
Restricted										
Committed										
Assigned					5,991,388	7,062,964	7,327,375	6,420,760	4,887,652	5,541,841
Unassigned					905,862	264,091	-	193,534	1,174,313	979,258
Total general fund	<u>\$ 4,370,538</u>	<u>\$ 4,519,814</u>	<u>\$ 5,364,397</u>	<u>\$ 5,119,400</u>	<u>\$ 6,897,250</u>	<u>\$ 7,327,055</u>	<u>\$ 7,327,375</u>	<u>\$ 6,614,294</u>	<u>\$ 6,061,965</u>	<u>\$ 6,521,099</u>
All Other Governmental:										
Reserved	\$ 2,996,832	\$ 3,045,231	\$ 2,660,918	\$ 6,597,569	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	13,205,328	13,723,846	12,516,240	14,916,152						
Capital projects funds	-	2,884,553	-	1,793,287						
Debt service funds	-	-	-	-						
Nonspendable					999,464	1,113,484	1,193,530	1,269,557	1,360,690	1,426,575
Restricted					19,962,574	19,683,881	26,061,499	19,927,526	12,546,935	39,856,356
Committed					3,278,422	3,463,714	851,322	3,075,505	3,088,936	3,528,263
Assigned					58,419	-	-	229,602	-	7,425,398
Unassigned					-	(51,586)	456,669	(184,101)	(97,173)	914,535
Total all other governmental funds	<u>\$ 16,202,160</u>	<u>\$ 19,653,630</u>	<u>\$ 15,177,158</u>	<u>\$ 23,307,008</u>	<u>\$ 24,298,879</u>	<u>\$ 24,209,493</u>	<u>\$ 28,563,020</u>	<u>\$ 24,318,089</u>	<u>\$ 16,899,388</u>	<u>\$ 53,151,127</u>

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 11,853,872	\$ 12,004,946	\$ 14,451,954	\$ 15,055,844	\$16,634,924	\$16,057,318	\$ 16,540,972	\$17,385,371	\$20,404,236	\$21,303,074
Special assessments	1,866,717	1,793,813	1,633,896	1,643,500	1,866,272	1,898,007	1,752,615	2,011,944	1,578,855	1,265,954
Licenses and permits	1,762,086	1,351,887	1,140,831	958,590	1,308,378	1,214,705	1,629,744	1,784,282	1,827,842	2,112,090
Intergovernmental	6,115,697	9,642,918	7,102,049	7,900,176	8,299,803	7,697,637	7,586,007	8,208,770	8,562,937	8,920,424
Charges for service	7,403,739	6,748,891	6,468,006	5,790,382	6,629,507	6,891,594	8,806,969	9,656,123	10,629,791	12,283,683
Fines and forfeitures	1,746,213	1,644,767	1,597,236	1,518,481	1,441,383	1,364,617	1,394,652	1,411,162	1,305,166	1,253,705
Interest on investments	1,068,802	1,360,914	671,859	352,378	300,516	281,239	239,778	329,086	370,305	479,699
Loan repayment	10,193	19,849	9,985	10,401	193,302	306,385	157,069	63,980	29,929	38,552
Other	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790	155,484	394,677	287,089	363,274	415,646
Total revenues	33,767,475	36,427,298	35,842,487	35,485,823	38,230,875	35,866,986	38,502,483	41,137,807	45,072,335	48,072,827
Expenditures										
General government	5,577,810	6,153,838	5,946,355	5,690,488	5,939,771	6,266,566	7,276,839	6,138,575	6,594,474	7,318,539
Public safety	10,160,291	10,778,917	11,056,742	11,709,170	12,137,616	12,513,270	13,822,691	14,637,886	15,086,695	16,485,549
Public service	3,060,672	3,020,855	2,976,711	2,702,510	3,002,021	2,738,066	2,805,612	3,498,770	3,786,283	3,840,405
Public welfare	4,315,086	4,819,758	5,161,997	4,916,828	6,435,916	6,184,073	6,216,387	6,678,347	6,927,365	7,245,425
Other	-	-	-	-	-	-	15,776	1,046,712	1,113,340	418,431
Capital outlay	11,397,365	12,205,040	9,380,742	4,248,758	3,299,017	3,881,388	2,782,435	8,053,456	9,905,333	9,337,470
Debt service:										
Principal	833,158	2,013,232	1,138,051	1,194,819	1,611,087	3,235,664	1,826,126	1,482,142	1,121,593	1,345,250
Interest & Fiscal Fees	549,667	649,662	738,198	715,150	680,088	666,082	445,736	380,950	824,266	893,470
Total expenditures	35,894,049	39,641,302	36,398,796	31,177,723	33,105,516	35,485,109	35,191,602	41,916,838	45,359,349	46,884,539
Excess of revenues over (under) expenditures	(2,126,574)	(3,214,004)	(556,309)	4,308,100	5,125,359	381,877	3,310,881	(779,031)	(287,014)	1,188,288
Other Financing Sources (Uses)										
Proceeds from borrowing	-	-	-	-	-	-	-	-	-	-
Transfers in	4,565,896	4,604,100	8,394,126	10,857,332	6,985,734	3,482,550	4,291,417	3,103,787	4,816,671	6,483,413
Transfers out	(4,076,116)	(4,604,100)	(11,733,378)	(11,033,925)	(7,255,505)	(3,821,010)	(4,454,505)	(3,113,787)	(5,197,018)	(5,496,492)
Issuance of debt	-	6,554,166	177,346	890,000	-	3,357,798	1,203,279	10,012,647	5,619,361	47,406
Premium on Bonds Issued	-	10,896	-	-	-	-	-	-	-	-
Payments to Refunded Bond Escrow Agent	-	-	-	-	-	(3,120,000)	-	-	-	-
Sales of capital assets	490,637	249,688	86,326	766,922	10,555	59,204	2,775	243,092	64,855	227,984
Total other financing sources (uses)	980,417	6,814,750	(3,075,580)	1,480,329	(259,216)	(41,458)	1,042,966	10,245,739	5,303,869	1,262,311
Extraordinary items										
Net change in fund balances	\$ (1,146,157)	\$ 3,600,746	\$ (3,631,889)	\$ 5,788,429	\$ 4,866,143	\$ 340,419	\$ 4,353,847	\$ 9,466,708	\$ 5,016,855	\$ 2,450,599
Debt service as a percentage of noncapital expenditures	5.6%	9.7%	6.9%	7.1%	7.7%	12.3%	7.0%	5.5%	5.5%	6.0%

REVENUE CAPACITY SECTION

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

Fiscal Year Ended June 30,	Residential Property	Commercial & Industrial Property	Other Property	Total Taxable Assessed Value **	Total Direct Tax Rate	Total Market Value *	Assessed Taxable Value ** as a Percentage of Total Market Value
2007	\$ 35,419,440	\$ 24,034,620	\$ 3,794,940	\$ 63,249,000	163.42	\$1,959,659,877	3.228%
2008	38,629,360	26,212,780	4,138,860	68,981,000	154.18	2,192,163,035	3.147%
2009	41,539,680	28,187,640	4,450,680	74,178,000	171.16	2,407,420,224	3.081%
2010	43,842,400	29,750,200	4,697,400	78,290,000	170.19	2,655,766,251	2.948%
2011	45,023,440	30,551,620	4,823,940	80,399,000	168.75	2,827,548,097	2.843%
2012	45,954,720	31,183,560	4,923,720	82,062,000	166.75	2,994,740,226	2.740%
2013	46,606,560	31,625,880	4,993,560	83,226,000	166.75	3,176,282,865	2.620%
2014	47,956,720	32,542,060	5,138,220	85,637,000	173.08	3,386,295,608	2.529%
2015	50,978,520	31,641,840	5,273,640	87,894,000	188.76	3,598,269,877	2.443%
2016	50,207,224	31,163,105	5,193,851	86,564,180	210.16	5,698,588,679	1.519%

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

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

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

** Includes tax-exempt property

CITY OF BOZEMENA, MONTANA
CITY TAXABLE MARKET AND TAXABLE VALUES
Past Nine 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
2007	\$ 1,959,659,877	\$ 64,133,892	\$ 884,321	\$ 63,249,571	n/a *
2008	2,192,163,035	70,016,605	1,035,352	68,981,253	n/a *
2009	2,407,420,224	75,458,468	1,280,371	74,178,097	n/a *
2010	2,655,766,251	80,850,582	2,560,601	78,289,981	n/a *
2011	2,827,058,097	83,309,165	2,910,650	80,398,515	n/a *
2012	2,994,740,226	85,345,227	3,282,766	82,062,461	n/a *
2013	3,176,282,865	86,934,533	3,708,138	83,226,395	n/a *
2014	3,386,295,608	89,650,917	4,013,561	85,637,356	85,615,328
2015	3,598,269,877	92,081,322	4,186,781	87,894,541	90,735,030
2016	5,698,588,679	90,787,797	4,223,617	86,564,180	234,985,893

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

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

* No certified value available, first certification available for FY2014

CITY OF BOZEMENA, MONTANA
TAX INCREMENT DISTRICT TAXABLE VALUATION DETAIL
Past Nine Fiscal Years

Fiscal Year Ended June 30,	BOZEMAN DOWNTOWN			NORTHEAST URBAN RENEWAL DISTRICT			NORTH 7TH CORRIDOR		
	Base Taxable	Incremental Taxable	Total Taxable	Base Taxable	Incremental Taxable	Total Taxable	Base Taxable	Incremental Taxable	Total Taxable
2007	1,833,875	884,321	2,718,196	-	-	-	-	-	-
2008	1,858,491	931,030	2,789,521	423,054	48,790	471,844	2,886,997	55,532	2,942,529
2009	1,858,491	1,115,768	2,974,259	423,054	71,287	494,341	2,886,997	93,316	2,980,313
2010	1,328,695	1,947,249	3,275,944	423,054	104,987	528,041	2,886,997	450,625	3,337,622
2011	1,328,695	2,060,807	3,389,502	423,054	135,162	558,216	2,886,997	664,127	3,551,124
2012	1,328,695	2,251,286	3,579,981	423,054	133,197	556,251	2,886,997	840,137	3,727,134
2013	1,328,695	2,396,293	3,724,988	423,054	150,217	573,271	2,886,997	1,084,216	3,971,213
2014	1,328,695	2,586,963	3,915,658	423,054	172,608	595,662	2,886,997	1,193,297	4,080,294
2015	1,328,695	2,718,220	4,046,915	423,054	190,579	613,633	2,886,997	1,225,604	4,112,601
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
Fiscal Year Ended June 30,	MANDEVILLE FARM INDUSTRIAL			BOZEMAN TECHNOLOGY			TOTAL		
	Base Taxable	Incremental Taxable	Total Taxable	Base Taxable	Incremental Taxable	Total Taxable	Base Taxable	Incremental Taxable	Total Taxable
2007	-	-	-	-	-	-	1,833,875	884,321	2,718,196
2008	-	-	-	-	-	-	5,168,542	1,035,352	6,203,894
2009	-	-	-	-	-	-	5,168,542	1,280,371	6,448,913
2010	12,059	57,740	69,799	-	-	-	4,650,805	2,560,601	7,211,406
2011	12,059	50,554	62,613	-	-	-	4,650,805	2,910,650	7,561,455
2012	12,059	58,146	70,205	-	-	-	4,650,805	3,282,766	7,933,571
2013	12,059	77,412	89,471	-	-	-	4,650,805	3,708,138	8,358,943
2014	12,059	60,693	72,752	417	-	417	4,651,222	4,013,561	8,664,783
2015	12,059	52,376	64,435	417	3	420	4,651,222	4,186,782	8,838,004
2016	12,059	55,211	67,270	417	-	417	4,651,222	4,223,617	8,874,839

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

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

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

Fiscal Year Ended June 30,	Downtown Bozeman Improvement District			City Taxable Value (Excluding ALL tax increment district valuations)	The District's Incremental Taxable Value as Percentage of City's Taxable Value
	Taxable Market Value of Property in the District	Taxable Value of Property in the District	Incremental Taxable Value		
2007	\$ 88,480,413	\$ 2,718,196	\$ 884,321	\$ 63,249,571	1.40%
2008	94,996,536	2,789,521	931,030	68,981,253	1.35%
2009	98,234,423	2,974,259	1,115,768	74,178,097	1.50%
2010	110,487,369	3,275,944	1,947,249	78,289,981	2.49%
2011	119,431,550	3,389,502	2,060,807	80,398,515	2.56%
2012	129,285,686	3,579,981	2,251,286	82,062,461	2.74%
2013	142,099,662	3,724,988	2,396,293	83,226,395	2.88%
2014	153,063,721	3,915,658	2,586,963	85,367,356	3.03%
2015	190,128,511	4,046,915	2,718,220	87,894,541	3.09%
2016	259,138,001	4,227,246	2,898,551	86,564,180	3.35%

Source: Based on information provided by Gallatin County and Montana Department of Revenue
Note: Property is assessed by the State Department of Revenue every six years.

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

	Fiscal Year							
	2009	2010	2011	2012	2013	2014	2015	2016
Taxing Entity								
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00	40.00	40.00	40.00
Gallatin County Operating and Bond	79.78	85.19	89.94	88.69	87.40	88.38	89.55	99.77
Open Space Bond	4.63	5.81	6.14	5.99	4.89	4.90	4.95	5.03
County-Wide School	100.26	94.02	95.74	95.61	96.47	101.28	99.94	106.85
Bozeman High School District	71.40	69.05	75.34	73.48	71.81	73.16	72.97	76.76
Bozeman Elementary School District	141.13	130.49	121.55	123.38	131.45	145.25	143.70	151.15
City of Bozeman	171.16	170.19	168.75	166.75	166.75	173.08	188.76	210.16
Total Taxing Entity	608.36	594.75	597.46	593.90	598.77	626.05	639.87	689.72
Exempt from Tax Increment								
University Millage	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
County-Wide Planning	2.58	2.50	2.40	2.40	2.39	2.39	2.35	2.39

Source: Based on information provided by Gallatin County and Montana Department of Revenue
 Note: Property is assessed by the State Department of Revenue every six years.

CITY OF BOZEMENA, 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
2007	152.07	11.35	163.42	182.74	197.36	46.00
2008	142.98	11.20	154.18	183.85	205.40	46.00
2009	160.59	10.57	171.16	212.53	210.14	46.00
2010	160.18	10.01	170.19	199.54	210.25	46.00
2011	158.96	9.79	168.75	196.89	217.21	46.00
2012	157.19	9.56	166.75	196.86	215.77	46.00
2013	158.38	8.37	166.75	203.26	215.10	46.00
2014	164.83	8.25	173.08	218.41	221.00	46.00
2015	177.52	11.24	188.76	216.67	215.78	46.00
2016	194.51	15.65	210.16	227.91	241.69	46.00

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

CITY OF BOZEMENA, MONTANA
 PRINCIPAL PROPERTY TAX PAYERS
 Current Year and Ten Years Ago

<u>Taxpayer</u>	<u>2016</u>			<u>2007</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Northwestern Energy - Transmission & Distribution	\$ 4,203,090	1	4.86%	\$ 3,291,272	1	5.20%
Centurylink, Inc. (Qwest)	736,068	2	0.85%	1,462,577	2	2.31%
Bresnan Communications	708,027	3	0.82%			
Verizon Wireless	495,140	6	0.57%			
Harry Daum - Gallatin Mall	444,051	4	0.51%	518,025	3	0.82%
Stone Ridge Partners LLC	417,262	5	0.48%			
Mitchell Development & Investment	390,752	9	0.45%			
First Security Bank	362,625	7	0.42%			
J & D Family Limited Partnership	349,579	8	0.40%			
Bridger Peaks Holding LLC	348,926	10	0.40%	275,786	9	0.44%
Bozeman Deaconess Foundation				422,509	4	0.67%
Wal-Mart Stores Inc				389,417	5	0.62%
Highgate Bozeman LLC				317,174	6	0.50%
Montana Rail Link				304,394	10	0.48%
Bomont LLC				294,798	7	0.47%
Costco Wholesale				283,730	8	0.45%
Total	<u>\$ 8,455,520</u>		<u>9.77%</u>	<u>\$ 7,559,682</u>		<u>11.95%</u>
Total City Taxable Assessed Value	<u>\$ 86,564,180</u>			<u>\$ 63,249,000</u>		

Source: Gallatin County Treasurer

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

	<u>Taxpayer</u>	<u>Business</u>	<u>2016</u>			<u>2015</u>		
			<u>Total Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
	First Security Bank	Bank	\$ 228,171	1	5.40%	\$ 301,257	1	7.44%
	F&H, LLC	Property Investor/Developer	128,240	2	3.03%	124,572	3	3.08%
	Moose Point LP	Commercial Property Developer	110,531	3	2.61%	128,407	2	3.17%
	777 Building	Multi Tennant Office Retail Building	107,477	4	2.54%	111,161	5	2.75%
	Atlantic Financial Group Ltd.	Bank	89,991	5	2.13%	88,937	6	2.20%
	Downtown Group LLC	Business Support Services	89,618	6	2.12%	88,531	7	2.19%
	M & J Cowdrey LLC	Property Investor/Developer	88,667	7	2.10%	114,091	4	2.82%
	777 LLC & UND 50%	Property Investor/Developer	71,497	8	1.69%			
	First Security Bank of Bozeman	Bank	69,695	9	1.65%			
	Baxter Main LLC	Commercial	62,268	10	1.47%			
	American Bank of MT Wells Fargo Bank	Bank				87,555	8	2.16%
	Callender Street LLP	Design-Construction Oversight				72,769	9	1.80%
	Martel Plaza Ltd.	Multi Story Office Building			0.00%	66,691	10	1.65%
	Total		<u>\$ 1,046,155</u>		<u>24.75%</u>	<u>\$ 1,183,971</u>		<u>29.26%</u>
	Total Downtown BID Taxable Assessed Value		<u>\$ 4,227,246</u>			<u>\$ 4,046,915</u>		

Source: Gallatin County Treasurer

CITY OF BOZEMENA, 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
2007	\$ 10,336,467	\$ 10,227,386	98.94%	\$ 106,611	\$ 10,333,998	99.98%
2008	10,635,491	10,324,653	97.08%	239,140	10,563,793	99.33%
2009	12,696,306	12,493,145	98.40%	149,497	12,642,642	99.58%
2010	13,324,175	12,415,922	93.18%	887,241	13,303,163	99.84%
2011	13,567,611	13,001,537	95.83%	492,141	13,493,678	99.46%
2012	13,683,839	13,108,003	95.79%	238,749	13,346,752	97.54%
2013	13,878,293	13,633,347	98.24%	61,554	13,694,901	98.68%
2014	14,821,724	14,482,502	97.71%	-	14,482,502	97.71%
2015	16,590,871	15,795,913	95.21%	155,126	15,951,039	96.14%
2016	18,191,892	18,009,556	99.00%	-	18,009,556	99.00%

Source: Gallatin County
City Manager's Final Adopted Budget

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

Type of Customer	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Residential	\$ 1,437,114	\$ 1,379,115	\$ 1,516,359	\$ 1,224,164	\$ 1,181,195	\$ 1,323,816	\$ 1,513,986	\$ 1,433,833	\$ 1,385,140	\$ 1,493,192
Government	62,913	49,623	66,253	51,168	48,228	49,349	59,589	52,448	53,165	51,923
MSU	298,352	260,232	254,891	228,789	227,019	235,965	233,484	213,698	210,107	208,618
Commercial	659,831	626,846	670,961	571,223	568,474	602,352	638,337	607,444	599,193	610,741
Total	\$ 2,458,209	\$ 2,315,816	\$ 2,508,464	\$ 2,075,343	\$ 2,024,916	\$ 2,211,481	\$ 2,445,396	\$ 2,307,423	\$ 2,247,605	\$ 2,364,474
Total direct rate per 1,000 HCF	\$ 2,190.03	\$ 2,478.36	\$ 2,495.43	\$ 2,679.44	\$ 2,787.06	\$ 2,887.40	\$ 2,955.66	\$ 3,053.40	\$ 3,105.14	\$ 2,951.66

Source: City of Bozeman Finance Department

CITY OF BOZEMENA, 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
2007	\$ 12.60	\$ 19.74	\$ 10.87	\$ 18.00
2008	\$ 12.60	\$ 19.74	\$ 11.17	\$ 18.50
2009	\$ 12.60	\$ 19.74	\$ 12.13	\$ 20.10
2010	\$ 13.00	\$ 20.37	\$ 13.37	\$ 22.15
2011	\$ 13.42	\$ 21.02	\$ 14.73	\$ 24.41
2012	\$ 14.02	\$ 21.96	\$ 15.61	\$ 25.87
2013	\$ 14.65	\$ 22.95	\$ 16.55	\$ 27.42
2014	\$ 14.65	\$ 22.95	\$ 17.56	\$ 29.10
2015	\$ 14.65	\$ 22.95	\$ 17.56	\$ 29.10
2016	\$ 15.39	\$ 24.11	\$ 18.63	\$ 30.87

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

Sources: City of Bozeman, Montana Commission Resolution 3804
City of Bozeman, Montana Commission Resolution 3805
City of Bozeman, Montana Commission Resolution 3929
City of Bozeman, Montana Commission Resolution 3930
City of Bozeman, Montana Commission Resolution 4042
City of Bozeman, Montana Commission Resolution 4043
City of Bozeman, Montana Commission Resolution 4184
City of Bozeman, Montana Commission Resolution 4185
City of Bozeman, Montana Commission Resolution 4327
City of Bozeman, Montana Commission Resolution 4328
City of Bozeman, Montana Commission Resolution 4454

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	Special Assessment Bonds	Tax Increment Financing Bonds	Water Revenue Bonds	Wastewater State of MT RLF Loans				
2007	\$ 5,840,000	\$ 79,198	\$ 6,736,700	\$ -	\$ 226,460	\$ -	\$ 12,882,358	2.00%	\$ 369.84	
2008	5,340,000	-	5,601,000	6,000,000	143,729	-	17,084,729	2.43%	\$ 475.32	
2009	4,815,000	-	5,211,000	5,850,000	56,615	-	15,932,615	1.97%	\$ 431.39	
2010	4,275,000	851,071	4,819,000	5,695,000	28,992	7,902,127	23,571,191	2.72%	\$ 632.27	
2011	3,710,000	509,705	4,351,500	5,535,000	-	24,017,080	38,123,285	4.65%	\$ 1,021.69	
2012	3,080,000	306,727	2,269,500	5,370,000	182,577	23,853,427	35,062,231	4.36%	\$ 919.88	
2013	2,445,000	1,198,823	1,659,500	5,195,000	13,751,878	22,501,119	46,751,320	5.54%	\$ 1,206.39	
2014	11,685,000	1,086,396	1,185,500	5,015,000	18,140,000	21,025,565	58,137,461	6.82%	\$ 1,496.07	
2015	16,320,000	963,274	890,500	4,825,000	17,365,000	19,972,565	60,336,339	7.11%	\$ 1,448.30	
2016	15,570,000	884,841	662,500	4,630,000	16,567,000	18,930,565	57,244,906	6.74%	\$ 1,318.86	

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 Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Tax Increment Financing District Bonds	Total		
2007	\$ 5,840,000	\$ -	\$ 12,576,700	19.9%	\$ 361.07
2008	5,340,000	6,000,000	11,340,000	16.4%	\$ 315.49
2009	4,815,000	5,850,000	10,665,000	14.4%	\$ 288.77
2010	4,275,000	5,695,000	9,970,000	12.7%	\$ 267.44
2011	3,710,000	5,535,000	9,245,000	11.5%	\$ 247.76
2012	3,080,000	5,370,000	8,450,000	10.3%	\$ 221.69
2013	2,445,000	5,195,000	7,640,000	9.2%	\$ 197.15
2014	11,685,000	5,015,000	16,700,000	19.5%	\$ 429.75
2015	16,320,000	4,825,000	21,145,000	24.1%	\$ 507.56
2016	15,570,000	4,630,000	20,200,000	23.3%	\$ 465.38

Source: City Manager's Final Adopted Budget

CITY OF BOZEMAN, MONTANA
DIRECT & OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

	Debt Outstanding as of June 30, 2016	Estimated Percentage Applicable ⁽¹⁾	Estimated Share of Overlapping Debt
<u>Overlapping Bonded Indebtedness</u>			
Gallatin County:			
Various issues outstanding	\$ 48,637,635	36%	\$ 17,426,572
Bozeman School District #7:			
Various issues outstanding	<u>99,605,844</u>	31%	<u>30,769,973</u>
Subtotal overlapping debt			48,196,545
<u>City of Bozeman, Montana</u>			
Direct Debt	<u>\$ 15,570,000</u>	100%	<u>15,570,000</u>
Total Direct & Overlapping Debt			<u>\$ 63,766,545</u>

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

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

Sources:

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

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

	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Debt limit*	\$ 34,755,653	\$ 54,804,000	\$ 60,185,000	\$ 66,375,000	\$ 70,688,000	\$ 74,875,000	\$ 76,450,000	\$ 84,657,000	\$ 84,500,000	\$ 142,464,717
Total net debt applicable to limit	(5,595,558)	(5,423,128)	(4,842,905)	(4,295,240)	(3,638,239)	(3,386,727)	(3,643,823)	(12,771,396)	(15,356,726)	(16,454,841)
Legal debt margin	\$ 29,160,095	\$ 49,380,872	\$ 55,342,095	\$ 62,079,760	\$ 67,049,761	\$ 71,488,273	\$ 72,806,177	\$ 71,885,604	\$ 69,143,274	\$ 126,009,876
Total net debt applicable to the limit as a percentage of debt limit	16.1%	9.9%	8.0%	6.5%	5.1%	4.5%	4.8%	15.1%	18.2%	11.6%

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

Source: City Manager's Final Adopted Budget

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

Fiscal Year Ended 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	
2007	6,124,533	(3,114,053)	(473,952)	(23,391)	2,513,137	1,428,084	(268,069)	(309,119)	850,896
2008	6,163,883	(3,769,941)	(82,731)	(10,231)	2,300,981	1,178,846	(1,135,700)	(278,393)	(235,247)
2009	5,938,745	(3,770,800)	(87,009)	(5,978)	2,074,958	1,022,641	(390,000)	(241,395)	391,246
2010	5,860,144	(3,950,566)	(27,622)	(2,440)	1,879,516	989,977	(392,000)	(223,763)	374,214
2011	6,013,211	(3,869,048)	(28,992)	(1,070)	2,114,101	1,134,049	(467,500)	(211,204)	455,345
2012	6,814,990	(4,063,529)	(159,000)	(6,405)	2,586,056	858,699	(2,082,000)	(192,320)	(1,415,621)
2013	7,806,922	(4,364,506)	(502,000)	(163,250)	2,777,166	820,090	(650,975)	(103,198)	65,917
2014	7,871,386	(4,405,464)	(751,000)	(429,438)	2,285,484	1,054,483	(474,000)	(73,760)	506,723
2015	7,748,913	(4,973,926)	(775,000)	(538,425)	1,461,562	586,116	(295,000)	(50,070)	241,046
2016	8,414,870	(6,176,752)	(798,000)	(515,010)	925,108	705,143	(228,000)	(39,343)	437,800

Fiscal Year Ended June 30.	Waste Water Revenue Bonds				
	Utility Service Charges	Less: Operating Expenses	Debt Service		Coverage
			Principal	Interest	
2007	4,262,052	(2,792,274)	-	-	1,469,778
2008	4,739,702	(2,981,164)	-	-	1,758,538
2009	4,905,772	(4,843,180)	-	-	62,592
2010	5,389,070	(3,468,705)	(166,300)	(69,470)	1,684,594
2011	5,939,996	(4,183,596)	(606,000)	(494,298)	656,102
2012	6,385,404	(3,784,420)	(883,000)	(857,842)	860,141
2013	6,916,226	(3,947,821)	(1,465,227)	(847,778)	655,400
2014	7,204,486	(5,895,751)	(1,084,854)	(660,771)	(436,891)
2015	7,631,117	(3,914,454)	(1,053,000)	(632,268)	2,031,395
2016	7,927,692	(5,139,029)	(1,042,000)	(552,269)	1,194,394

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

Fiscal Year Ended June 30,	Revenues Available for Debt Service	Annual Debt Service Payment	Coverage
2008	\$ 585,839	\$ 416,223	1.41
2009	742,192	425,288	1.75
2010	1,209,378	424,288	2.85
2011	1,135,166	423,088	2.68
2012	1,266,104	421,688	3.00
2013	1,497,572	425,088	3.52
2014	1,644,960	423,088	3.89
2015	1,853,725	425,888	4.35
2016	2,066,749	423,288	4.88

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

As of June 30, 2016

Bond Issue	Original Amount	Maturity Date	Bonds Outstanding	Cash Balance	Assessments Outstanding	Delinquent Assessments
SID 669	\$ 1,160,000	7/1/2020	\$ 255,000	\$ 65,975	\$ 250,503	\$ 5,544
SID 683	1,372,000	7/1/2024	280,000	13,809	515,402	6,967
SID 684	1,376,869	7/1/2025	70,000	56,903	568,709	1,321
TOTAL	<u>\$ 3,908,869</u>		<u>\$ 605,000</u>	<u>\$ 136,687</u>	<u>\$ 1,334,614</u>	<u>\$ 13,832</u>

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

Fiscal Year Ended June 30,	Revolving Fund Cash Balance	Principal Amount of Bonds
2007	\$ 569,446	\$ 6,271,200
2008	629,510	5,155,000
2009	647,235	4,785,000
2010	1,228,197	4,415,000
2011	3,160,685	3,970,000
2012	3,190,244	1,910,000
2013	2,443,769	1,468,529
2014	2,474,971	1,006,726
2015	2,948,129	1,009,724
2016	2,924,604	863,208

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

Fiscal Year	Assessment Billing	Total Annual Collections
2007	\$ 1,040,977	\$ 1,428,085
2008	1,074,991	1,178,846
2009	951,885	1,022,641
2010	915,398	989,977
2011	871,180	1,134,049
2012	750,418	858,699
2013	741,886	820,090
2014	676,613	1,054,484
2015	538,697	586,116
2016	543,351	705,143

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
2007	34,832	4.5%	\$ 643,862,953	\$ 21,581	26.5	49.5%	5,356	2.2%
2008	35,944	3.1%	703,013,220	23,387	27.2	53.7%	5,432	2.7%
2009	36,933	2.7%	808,624,803	26,313	27.0	52.7%	5,463	4.6%
2010	37,280	0.9%	866,396,960	25,909	26.0	50.6%	5,509	5.8%
2011	37,314	0.1%	819,014,169	25,611	27.2	50.1%	5,679	5.6%
2012	38,116	2.1%	803,487,262	24,709	27.2	53.9%	5,810	5.2%
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%

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 2016		June 2007	
Private Employers By Class	Employer Class Size	Private Employers By Class	Employer Class Size
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	8
Oracle America	7	Home Care Services	8
Town Pump Convenience Stores	7	Kenyon Noble Lumber & Hardware	7
Wal Mart	7	Right Now Technologies	7
Albertson's	6	Wal-Mart	7
Barnard Construction	6	Albertsons	6
Best Western Gran Tree Inn	6	Bozeman Daily Chronicle	6
Bridger Bowl	6	Community Food Coop	6
Community Food Co-Op	6	Costco	6
Costco	6	First Security Bank	6
First Student	6	JTL group Inc - Belgrade	6
JC Billion	6	Laidlaw Transit	6
Kenyon Noble Lumber & Hardware	6	Martel Construction	6
Korman Marketing Group	6	Murdoch's Ranch & Home Supply	6
Martel Construction	6	Ressler Motor Co	6
McDonalds	6	Simkins Hallin Lumber	6
Murdoch's Ranch & Home Supply	6	Town and Country Foods	6
Ressler Motor	6	Williams Plumbing and Heating	6
Rosauers Super Markets	6	Zoot Enterprises	6
Target	6		
Town & Country Foods	6		
Zoot Enterprises	6		
Public Employers By Class	Employer Class Size	Public Employers By Class	Employer Class Size
Montana State University	9	Montana State University	9
School District #7	9	Bozeman School District	8
Belgrade School District	8	City of Bozeman	7
City of Bozeman	7	Gallatin County	7
Department of Agriculture	7		
Gallatin County	7		

Class 6 - 100 to 249 Employees
 Class 7 - 250 to 499 Employees
 Class 8 - 500 to 999 Employees
 Class 9 - 1,000+ Employees

Source: Montana Department of Labor & Industry

OPERATING INFORMATION

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government										
City Commission	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
City Manager *	9.50	10.50	10.50	11.50	11.50	8.00	8.00	5.00	5.00	6.00
Municipal Court	6.00	7.00	7.00	7.50	8.50	8.50	8.50	8.50	9.00	8.50
City Attorney	6.00	7.00	6.00	11.50	7.00	7.00	7.00	7.00	9.00	10.20
Administrative Services	-	-	-	-	-	-	-	19.00	21.00	21.50
Finance *	16.00	10.00	10.00	8.75	8.75	10.00	11.00	-	-	-
Information Technology *	-	6.00	6.00	5.88	5.88	6.00	6.00	-	-	-
Community Development	12.70	15.20	13.70	12.20	12.20	8.75	9.00	8.00	12.60	11.60
Building Maintenance	2.55	3.05	3.55	3.55	3.55	3.00	3.50	3.50	3.50	3.50
Total General Government	<u>54.85</u>	<u>60.85</u>	<u>58.85</u>	<u>62.98</u>	<u>59.48</u>	<u>53.35</u>	<u>55.10</u>	<u>53.10</u>	<u>62.20</u>	<u>63.40</u>
Public Safety										
Police Department	54.75	57.75	62.75	71.75	71.75	71.25	72.75	72.75	72.25	71.70
Fire Department	31.25	34.25	45.25	41.75	41.75	41.75	43.75	45.75	45.00	46.00
Building Inspection	15.55	16.55	13.55	9.55	10.55	10.55	10.55	12.55	14.00	18.50
Parking	3.75	3.75	4.75	4.75	4.75	4.50	4.50	5.50	6.00	6.00
Total Public Safety	<u>105.30</u>	<u>112.30</u>	<u>126.30</u>	<u>127.80</u>	<u>128.80</u>	<u>128.05</u>	<u>131.55</u>	<u>136.55</u>	<u>137.25</u>	<u>142.20</u>
Public Services										
Public Services Administration / Engineering	7.15	8.15	8.15	8.15	8.15	10.00	10.00	12.00	6.58	10.25
Streets	15.62	15.62	17.62	17.62	17.62	17.62	17.62	18.62	16.20	18.85
Storm Water	-	-	-	-	-	-	1.00	1.00	4.00	6.25
Water Treatment Plant	9.27	9.27	9.27	9.27	9.27	9.77	9.77	11.27	12.75	10.50
Water Operations	14.62	15.62	16.62	15.62	15.62	15.62	15.62	15.62	17.33	14.45
Wastewater Operations	9.25	10.25	11.25	10.25	10.25	10.25	10.25	11.25	13.09	13.30
Wastewater Plant	14.87	14.87	15.87	15.87	15.87	15.87	16.37	17.47	15.50	14.75
Solid Waste Collection/Recycling	12.74	15.74	15.74	15.74	15.74	15.74	15.74	15.74	15.90	15.15
Solid Waste Disposal	7.66	2.00	-	-	-	-	-	-	-	-
Vehicle Maintenance	4.00	3.00	4.00	5.00	5.00	5.00	5.00	5.00	5.00	6.50
Total Public Services	<u>95.18</u>	<u>94.52</u>	<u>98.52</u>	<u>97.52</u>	<u>97.52</u>	<u>99.87</u>	<u>101.37</u>	<u>107.97</u>	<u>106.35</u>	<u>110.00</u>
Public Welfare										
Cemetery (numerous short terms)	5.25	5.75	5.75	5.75	5.75	3.33	3.33	3.33	4.90	5.04
Parks (numerous short terms)	12.95	13.45	13.45	13.45	13.45	11.77	11.77	11.77	15.40	14.51
Forestry	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	5.95	5.65
Library	19.66	20.66	21.66	21.66	21.66	21.66	21.56	23.11	23.41	26.02
Recreation (numerous short terms)	14.65	14.90	15.00	15.00	15.00	15.83	15.83	16.83	16.83	23.55
Community Services	1.00	2.00	1.00	2.00	2.00	2.00	2.00	4.00	3.50	3.50
Total Public Welfare	<u>58.11</u>	<u>61.36</u>	<u>61.46</u>	<u>62.46</u>	<u>62.46</u>	<u>59.19</u>	<u>59.09</u>	<u>63.64</u>	<u>69.99</u>	<u>78.27</u>
Total of all Funds	<u>313.44</u>	<u>329.03</u>	<u>345.13</u>	<u>350.76</u>	<u>348.26</u>	<u>340.46</u>	<u>347.11</u>	<u>361.26</u>	<u>375.79</u>	<u>393.87</u>

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,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Finance										
SID Statements	11,086	14,919	15,000	15,816	16,000	16,000	16,200	16,424	16,506	16,893
Utility Bills	112,775	134,460	134,000	135,000	135,000	135,000	138,000	155,000	162,000	166,000
Accounts Payable Checks Processed	11,387	13,301	12,218	12,076	12,122	11,962	12,519	10,453	11,098	11,000
Business Licenses	3,711	3,825	3,836	3,789	3,986	3,886	3,831	3,779	4,164	4,200
Police										
Number of Officers	45	51	52	55	56	60	63	63	61	60
Calls for Service	40,758	42,728	45,145	43,385	45,131	45,358	47,361	48,542	46,290	47,400
Arrests	2,524	2,581	2,853	2,338	2,325	2,152	2,096	2,165	2,195	2,078
Misdemeanor Citations Issued - includes traffic **	n/a	n/a	n/a	3,311	4,504	5,234	5,205	6,045	6,169	6,390
Traffic Stops **	n/a	n/a	n/a	10,702	10,036	9,358	10,629	8,210	7,757	7,482
Traffic Crashes	1,780	1,519	1,302	1,194	1,486	1,264	1,320	1,469	1,601	1,792
Fire										
Fires, Hazardous Conditions & Rupture/Explosions	242	230	248	248	278	278	309	340	296	349
Emergency Medical Services/Rescue	1,454	1,658	1,441	1,441	1,483	1,483	1,941	2,051	2,032	2,424
Service Calls	118	148	145	145	187	187	145	212	202	244
Building Inspection										
Commercial Permits:										
Number	1,015	972	1,047	961	1,535	1,420	1,305	1,165	1,560	1,200
Value (Millions)	140.95	151.50	140.50	70.41	106.90	95.03	69.64	90.27	\$98.02	\$65.00
Residential Permits:										
Number	1,775	1,710	1,571	1,543	3,613	2,421	2,338	2,911	2,836	3,500
Value (Millions)	181.89	141.22	79.67	67.02	72.57	89.74	146.32	130.68	\$191.97	\$130
Water										
New Service Main Taps	79	15	39	16	3	20	41	57	70	60
Meter Replacement/Repair	663	878	368	650	467	279	113	479	1006	1500
Water Main Breaks/Repairs	8	5	6	4	1	6	4	7	5	6
Wastewater										
Main Line Flushing (in Miles)	95	110	90	81	78.26	90	47	30	90	60
New Infrastructure TV (in Miles)	19	4.8	1	1	1	1	2.6	2	8	11
New Service Taps	37	22	15	5	4	4	17	37	44	45
Solid Waste Collection & Recycling										
Residential Accounts	6,608	6,779	6,957	7,130	7,092	7,240	7,470	7,869	8,369	8,878
Commercial Customers	239	254	262	268	271	281	265	258	265	270
Recycling Customers	-	484	881	965	970	1,000	1,135	1,601	2,100	2,663
Annual Tonnage Collected: Collections Program	11,953	11,879	10,397	10,657	10,920	11,248	10,695	10,960	11,457	11,691
Vehicle Maintenance										
Work Orders Processed	1,070	974	870	1,005	1,435	1,473	1,646	1,717	1,549	1,453
Gallons of Oil Disposed	10,000	9,350	9,350	9,175	9,445	8,751	8,640	8,740	8,969	7,395
Parks										
Park Reservations	340	360	221	280	319	320	350	400	400	400

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

** Not used as an operating indicator until 2010

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

	Fiscal Year Ended June 30,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (Cars)	17	18	19	20	20	20	20	20	22	21
Patrol Units (Motorcycles)	4	4	4	4	4	4	4	4	2	3
Fire										
Stations	2	2	3	3	3	3	3	3	3	3
Fire Trucks	5	5	5	6	6	6	6	7	7	7
Streets										
Street & Alley Mileage	229.905	234.736	242.650	246.951	254.565	254.957	255.769	252	253	254
Lane Miles Painted	40.0	42.0	34.8	40.0	40.3	41.0	37.0	34.6	49.2	50.0
Number of Signs Installed/Repaired	652	652	732	750	722	1120	669	798	600	600
Water										
Water Mains (Miles)	247.23	250.16	253.73	256.32	257.51	261.33	264.61	267.28	268.57	274.89
Fire Hydrants	2,206	2,238	2,274	2,308	2,324	2,351	2,388	2,406	2,419	2,511
Wastewater										
Sanitary Sewers (Miles)	198.17	200.01	201.37	205.00	205.00	207.56	210.22	211.51	212.53	219.14
Number of Manholes	3,888	3,946	3,988	4,034	4,080	4,084	4,154	4,185	4,219	4,360
Solid Waste										
Number of Collection Vehicles	8	7	8	8	8	8	8	8	8	8
Number of Roll-off Trucks	2	3	4	4	4	4	4	4	4	4
Number of Recycling Trucks	0	0	1	1	1	1	1	2	2	2
Number of Compost Collection Trucks	2	2	2	2	2	2	2	2	2	2
Parks										
Formal Turf Acres	258	265	120	120	125	125	125	125	126	140
Natural Parkland Acres	110	115	205	205	210	220	220	220	220	220
Miles of Trails	45	50	50	54	55	55	55	61	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, 2016, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 29, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
December 29, 2016