

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Prepared by the City of Bozeman Finance Department

CITY OF BOZEMAN, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
JUNE 30, 2014

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PART I

INTRODUCTORY SECTION



December 22, 2014

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, 2014 is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Information related to the single audit, including the *Schedule of Expenditures of Federal Awards* and the *Auditor's Reports on Basic Financial Statements and Supplementary Schedule of Expenditures of Federal Awards, Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards, and Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*, are included in the single audit section of this report.

Management's Discussion and Analysis (MD&A) is a narrative introduction, overview and analysis written to accompany the basic financial statements and should be read in conjunction with the transmittal letter.

CITY OF BOZEMAN, MONTANA

CITY OF BOZEMAN PROFILE

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

The government provides a full range of services. These services include police and fire protection; sanitation services; water, waste water & storm water utilities; the construction and maintenance of streets and infrastructure; recreational activities; cultural events; planning and zoning; and general administrative services. The City, as a primary government, is supported or works closely with certain entities to provide these services to the citizens of the City of Bozeman. Of these entities, Bozeman Public Library Foundation, Inc. is considered a component unit subject to the requirements for inclusion as a discretely presented component unit. The City Planning Board is presented as a blended component unit. The Bozeman Public Library Board of Trustees, Senior Advisory Council and the Parking Commission are excluded from presentation in these financial statements, since their relationship with the City is strictly advisory in nature at this time.

BUDGET DEVELOPMENT PROCESS

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

The City Manager's Recommended Budget is created and submitted to the City Commission. Public work sessions are then held by the Commissioners at which time the City Manager, Administrative Services Director, and department staff explain the budget recommendations and underlying justification for the requests. The Commission also reviews departmental requests which could not be funded, as an indication of unmet needs. During (or following) the work sessions, the Commissioners may make adjustments to the proposed budget. Following any adjustments to the City Manager's budget recommendation, a tentative appropriation ordinance is prepared and a public hearing is held. The Commission may again make adjustments to the budget following the public hearing, after which time, the Commission passes the appropriation ordinance in final form.

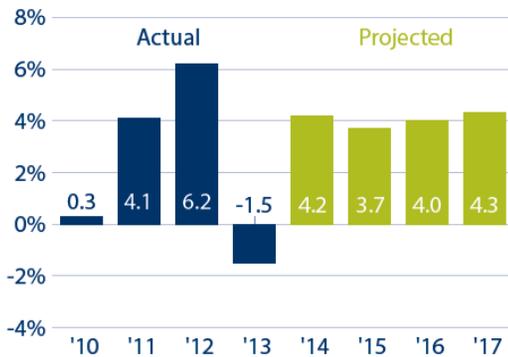
Fiscal Year 14 marked the second year in a row, where the final budget was adopted before start of the year. It was completed in late April and presented in early May with an adoption of a final budget before June 30th. This revised budget calendar was developed in Fiscal Year 13 in an effort to improve understandability of our financial plans and to improve staff and commission efficiency. The overall goal of the City's financial policies is to establish and maintain effective management of the City's financial resources.

ECONOMIC CONDITION AND OUTLOOK

The Bureau of Business and Economic Research (BBER) is the research and public service branch of the University of Montana’s School of Business Administration. The Bureau is regularly involved in a wide variety of activities, including economic analysis and forecasting. Excerpts from the Bureau’s forecasts contained in the spring 2014 issue of the Montana Business Quarterly relating to Gallatin County and City of Bozeman are stated below.

The economic growth figures for Gallatin County received a one-time boost due to the sale of RightNow Technologies to Oracle. Because of the way in which the U.S. Bureau of Labor Statistics counts things, the stock options of RightNow employees were included in reported wages during 2011 and 2012. The negative growth in 2013 is simply the arithmetic consequence of the large one-time increases in earlier years. Even after correcting for this event, Gallatin County is tied with Flathead County and trails only Bakken-fueled Yellowstone County in terms of overall economic growth since the recession trough in 2009.

**Figure 2
Actual and Projected Change
in Nonfarm Earnings, Gallatin
County, 2010-2017**



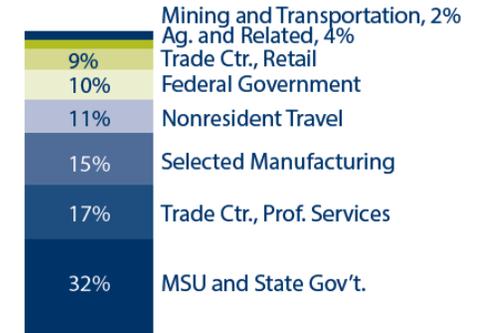
Sources: Bureau of Business and Economic Research, University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

Gallatin County’s construction industry was particularly hit hard and has recently only shown a hint of recovery. The recent growth has been due to stability in the traditional basic industries such as Montana State University, nonresident travel, and high-tech manufacturing combined with robust expansion in Bozeman’s role as a regional trade and service center.

Montana State University is the largest basic industry in Gallatin County, accounting for about 32 percent of total basic earnings. Growth in contract research rather than state funding has maintained the contribution of MSU despite wage freezes and other recession-related impacts on government. Bozeman’s high-tech sector includes firms in manufacturing and professional services (software), and accounts for another 32 percent of basic earnings.

The forecasts call for increases to be 4 percent or greater between 2014 and 2017. Gallatin County is projected to be the fastest growing urban area in the state. The end of the wage freeze at Montana State University, continued moderate recovery in construction, increases in nonresident travel as Americans once again take vacations, and strength in the high-tech industries will fuel the economic growth.

**Figure 1
Earnings in Basic Industries,
Gallatin County, 2011-2013,
Percent of Total**



Sources: Bureau of Business and Economic Research, University of Montana; Bureau of Economic Analysis, U.S. Department of Commerce.

CITY OF BOZEMAN, MONTANA

FOR THE YEAR**Significant Changes During Fiscal Year 2014:**

Increased Building Permit Activities: The Building Inspection division has seen strong permit issuance over the past 12 months. While never completely stopping, building construction significantly slowed during the recession. For fiscal year 2014, the total value of Building Permits for New Construction is approximately 130% of the previous year. Remodel and addition activity also continues to be strong. As vacant, buildable lots are consumed, we expect to see increased planning and subdivision activity. The City added building inspection staff and outside contracts mid-year to keep up with workload demands.

Increased Citizen Participation with Online City Hall Budget Forum: Online City Hall is a new interactive tool for citizens to provide feedback to the City on a variety of topics. The forum was installed in Fiscal Year 2014 as a way to utilize social media features to “welcome citizen involvement”, furthering our core value of Teamwork.

MMIA Declaratory Action: In December 2009, the Montana Supreme Court ruled against the City in our appeal of Delaney v. City of Bozeman. At issue was the City’s purchase of the Mandeville Farm property in 2003. Delaney was awarded \$3 Million. The City and Montana Municipal Interlocal Authority (MMIA) sought judicial determination on the amounts owed by each party. In April 2012, a District Court in Helena determined that the City owed the full amount. The City filed an appeal with the Montana Supreme Court. Prior to a determination by the Court, the City and MMIA settled the case. Under the terms of the settlement, the City is to pay the MMIA a total of \$2 Million over a 3 year period. The second of three payments was made in Fiscal Year 14.

Refinance of Water & Wastewater System Loans: The City has outstanding loans with the Montana Department of Natural Resources and Conservation (DNRC) to finance the construction of the Water Plant and the Water Reclamation Facility. In August 2013, the DNRC approved, and the City adopted, an interest rate reduction from 3.75% to 3.00%. The decrease will save the Water Fund an average of \$83,535 per year, totaling \$1,670,694 over the remaining life of the loan. The decrease will save the Wastewater Fund an average of \$99,047 per year, totaling \$1,782,853 over the remaining life of the loan.

Energy Saving Projects: There was an in-depth audit of City buildings and facilities for potential energy savings. The firm McKinstry was selected as the energy performance contractor for this assessment. They have very recently delivered a preliminary report that outlines a number of energy-saving projects and identifies estimated “payback” periods, where energy savings will cover the costs of the improvements. They also expect to issue another report in the fall of 2014 that will add projects to the analysis that couldn’t be considered due to time constraints in the spring.

CITY OF BOZEMAN, MONTANA

FOR THE YEAR (CONTINUED)

Gallatin College Received Voter Support: On November 4th, 2013, Gallatin County voters passed a modest property tax increase to support and expand job-training and two-year education at Gallatin College. The 1.5 mill levy will cost a median home owner \$4.15/year, raising \$370,000/year to support the College. This levy also fulfills a requirement set by the Montana Board of Regents in 2010 when the board approved putting the MSU-Bozeman campus in charge of the two-year program. As result of voter approval, the City will no longer budget 1.5 mills out of its all purpose levy/general fund.

FOR THE FUTURE

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

Storm Water Utility: In 2012 the City created its Storm Water Utility. During the last two years, the City has been working to identify assessment methodologies, infrastructure locations and conditions, and develop a funding plan for future storm water improvements. It has been decided that citizens will be assessed based on an "impervious surface" method rather than the current "meter-sized" method. The impervious surface method of assessment is expected to begin in the second half of Fiscal Year 2015.

**Beall Park Recreation Center**

Transportation System: The City's network of streets, sidewalks, and intersections continues to be a significant concern. In the developing areas of the City, expansion and completion of the system is a hurdle; in the older areas of town, reconstruction and replacement are our pressing tasks. The City plans to develop a sustainable transportation management and funding model.

Voter Approval of the Trails, Open Space, and Parks (TOP) Bond \$15 Million: In November 2012, City voters approved the issuance of \$15 Million in General Obligation Bonds to fund trail, open space, and park (TOP) projects. In December 2013, the City issued \$9.9 Million of those bonds. Since that time, nearly \$14 Million has been allocated to specific projects through a TOP application process. Staff will be working over the coming months to complete land acquisition and project construction. The City anticipates the issuance of the remaining \$5.1 Million in December of 2014.

CITY OF BOZEMAN, MONTANA

FOR THE FUTURE

Police & Municipal Court Facility: In 2014, the City swapped land with the Montana Department of Transportation for an 8-acre parcel of land on Rouse to build a new police and municipal court facility. Design of the facility was completed in fiscal year 2014. In November 2014, the City will be asking voters to approve approximately \$22 Million in General Obligation bonds plus an operations levy to build the facility and operate into the future.

Other

- Design and construction of a landfill soil gas remediation system.
- Pursue building a Bozeman convention center.
- Develop a plan for the City to get broadband for growing local businesses.
- Water Pipe Replacement Program - approximately \$1M every year for the construction of necessary water system replacement work.
- Waste Water Pipe Replacement Program – approximately \$1M every year for the construction of necessary sewer system replacement work.
- Intersection Control - approximately \$750,000 every year for improved traffic flow and safety at various intersections.
- Widen Cottonwood Road from West Babcock to Oak Street.
- Continue implementation of financial plans and asset management systems to properly maintain and replace the City’s infrastructure and facilities.



CITY OF BOZEMAN, MONTANA

FINANCIAL POLICIES

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

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

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

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

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

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

A minimum level of general fund reserve equal to 16.67% of annual revenues is maintained. This reserve is committed to be used for: cash flow purposes, accrued employee payroll benefits which are not shown as a liability, unanticipated equipment acquisition and replacement, and to enable the city to meet unexpected expenditure demands or revenue shortfalls.

FINANCIAL POLICIES (CONTINUED)

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

The city maintains its accounting records for general governmental operations on a modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when services or goods are received and liabilities incurred. Accounting records for proprietary fund types and similar trust funds are maintained on an accrual basis, with all revenues recorded when earned and expenses recorded at the time liabilities are incurred, without regard to receipt or payment of cash.

Internal Controls

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

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

OTHER INFORMATIONIndependent Audit

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

Awards

The Government Finance Officers' Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Bozeman for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 30th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgements

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

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

Sincerely,

Chris Kukulski
City Manager

Anna Rosenberry, CPA
Director of Finance

Brian LaMeres, CPA
City Controller

CITY OF BOZEMAN, MONTANA
GOVERNMENT FINANCE OFFICERS' ASSOCIATION CERTIFICATE



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Bozeman
Montana**

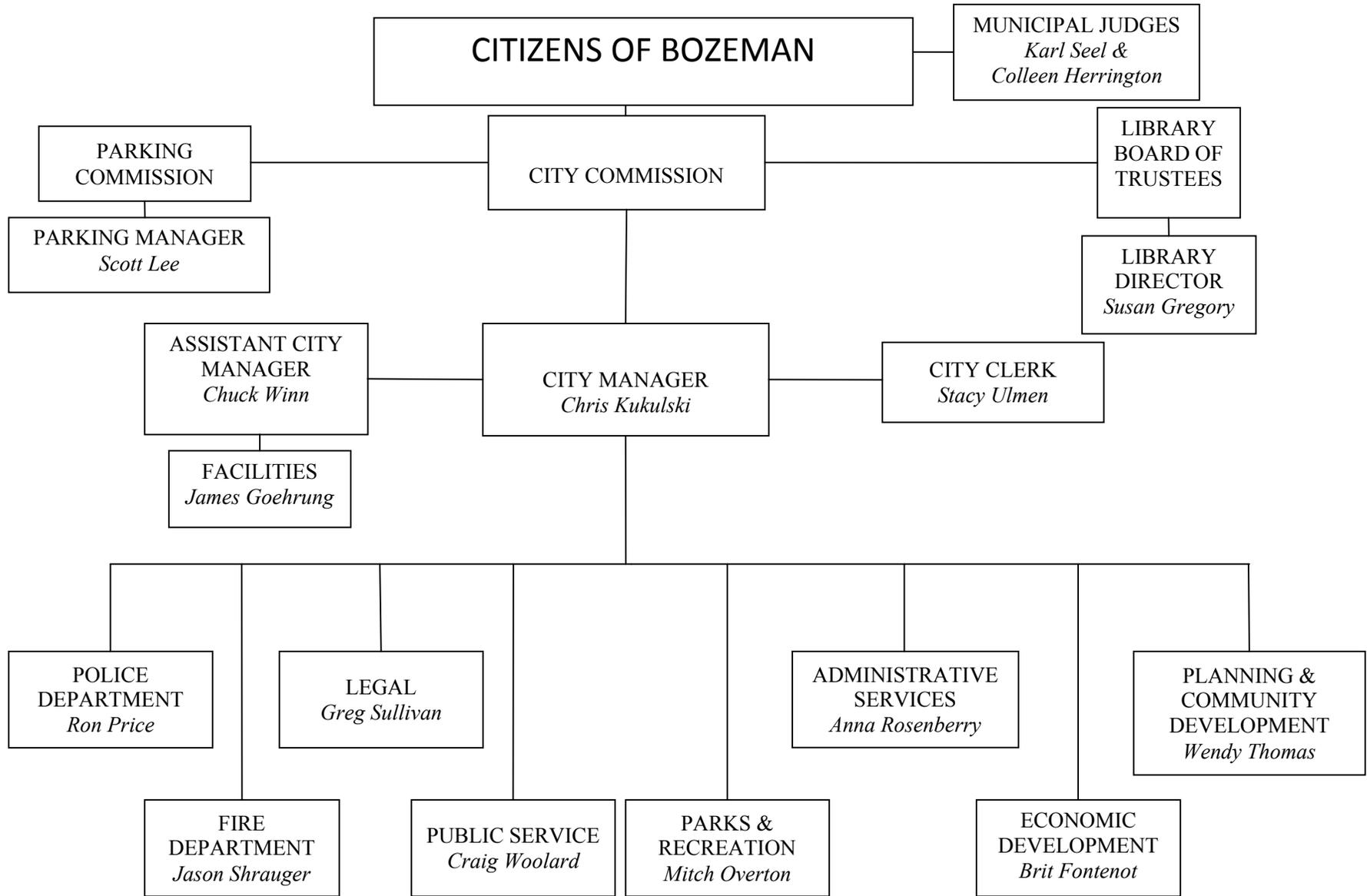
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

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

Executive Director/CEO

CITY OF BOZEMAN, MONTANA
ORGANIZATIONAL CHART



CITY OF BOZEMAN, MONTANA
CITY ELECTED OFFICIALS AND OFFICERS

ELECTED OFFICIALS

Legislative

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

Mayor
Deputy Mayor
Commissioner
Commissioner
Commissioner

Judicial

Karl Seel
Colleen Herrington

Municipal Judge
Municipal Judge

OFFICERS

Executive

Chris Kukulski
Chuck Winn
Stacy Ulmen

City Manager
Assistant City Manager
City Clerk

Department of Law

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

City Attorney
Assistant City Attorney

Department of Administrative Services

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

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

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

OFFICERS (CONTINUED)

Department of Economic Development
Brit Fontenot

Director of Economic Development

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

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

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

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

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

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

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

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

PART II
FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Bozeman, Montana (the City), as of and for the year ended June 30, 2014, 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, 2014, and the respective changes in financial position, and cash flows, where applicable, 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, and Schedule of Funding Progress - Other Postemployment Benefits (OPEB) 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 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and other supplemental information, as listed in the table of contents, are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 22, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Anderson Zurmuehlen & Co., P.C.

Bozeman, Montana
December 22, 2014

A. MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

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, 2014. Please read it in conjunction with the transmittal letter on page 1 and the City's financial statements, which begin on page 34.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 34 and 35) provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 36. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

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

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

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

- Governmental activities—Most of the City's basic services are reported here, including police, fire, public works, parks, and general administration. Property taxes, state shared revenues, court fines, and recreation fees finance most of these activities.
- Business-type activities—The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, waste water, storm water, solid waste, and parking systems are reported here.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

Reporting the City's Most Significant Funds

Fund Financial Statements

Our analysis of the City's funds begins on page 28. The fund financial statements begin on page 36 and provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law and by bond covenants. However, the City Commission establishes many other funds to help it control and manage money for particular purposes (like Street Maintenance District Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (like grants received from the Environmental Protection Agency). The City's two kinds of funds, governmental and proprietary, use different accounting approaches.

Governmental funds--Most of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation on pages 38 and 40 of the fund financial statements.

Proprietary funds--When the City charges customers for the services it provides, whether to outside customers or to other units of the City, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of the proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds. We use internal service funds (the other component of proprietary funds) to report activities that provide supplies and services for the City's other programs and activities, such as the Vehicle Maintenance Fund and Health Insurance Fund. Internal service fund activity is reported as governmental activity in the government-wide statements since this activity, the financing of goods and services for other funds of the government, is more governmental than business-type in nature.

The City as Trustee

Reporting the City's Fiduciary Responsibilities

The City is the trustee, or fiduciary, for other funds, including the Municipal Court Fund, the Montana Arts Council Fund (Montana Ballet, Bozeman Symphony Orchestra, and Big Sky Association for the Arts), and the CMC Bozeman Asbestos Site Remediation Fund. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The guidelines for the administration of these funds are contained in applicable financial agreements and/or City ordinances. These documents contain the rules governing the receipt, expenditure, and management of the City's fiduciary funds. All of the City's fiduciary activities are reported in the Statement of Fiduciary Net Position on page 46 and in the Combining Statement of Changes in Assets and Liabilities-Agency Funds on page 143. As the statements reflect, the financial activity during the year for these funds is nominal. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

THE CITY AS A WHOLE

The City's *combined* net position increased by \$13.7 million this year as compared to an \$11.3 million increase last year. The primary reason for this is that the increase in revenues, driven mainly by Charges for Services and Restricted Capital Grants & Contributions (infrastructure provided by private developers) was simply greater than the increase in expenses. The specific contributing factors are outlined in the following discussion. Our analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City's governmental and business-type activities.

The net position of the City's governmental activities increased by 7.2% (\$137 million this year compared to \$127.8 million last year). *Unrestricted* net position for governmental activities, the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements increased to \$12.1 million. The net position of the City's business-type activities increased by 2.1% (\$217.6 million compared to \$213.1 million in 2013). 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, waste water, solid waste, storm water, and parking operations.

Table 1
Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and Other Assets	\$ 56.2	\$ 46.0	\$ 23.1	\$ 22.3	\$ 79.4	\$ 68.3
Capital Assets	108.3	99.7	244.7	235.6	352.9	335.3
Total Assets	<u>\$ 164.5</u>	<u>\$ 145.7</u>	<u>\$ 267.8</u>	<u>\$ 257.9</u>	<u>\$ 432.3</u>	<u>\$ 403.6</u>
Long-term Debt Outstanding	(20.3)	(12.3)	(44.9)	(27.2)	(65.2)	(39.5)
Other Liabilities	(7.2)	(5.5)	(5.3)	(7.7)	(12.5)	(13.2)
Total Liabilities	<u>\$ (27.5)</u>	<u>\$ (17.8)</u>	<u>\$ (50.2)</u>	<u>\$ (34.9)</u>	<u>\$ (77.7)</u>	<u>\$ (52.7)</u>
Net Position:						
Net investment in capital assets	\$ 89.3	\$ 89.1	\$ 196.3	\$ 199.4	\$ 285.6	288.5
Restricted for parking capital projects	-	-	0.3	-	0.3	-
Restricted for debt service	4.0	3.8	-	2.8	4.0	6.6
Restricted for capital projects	9.4	-	-	0.3	9.4	0.3
Restricted for general government	1.0	1.0	-	-	1.0	1.0
Restricted for Public Safety	2.3	2.0	-	-	2.3	2.0
Restricted for Public Service	13.2	13.6	-	-	13.2	13.6
Restricted for Public Welfare	4.5	5.6	-	-	4.5	5.6
Nonspendable	1.3	1.2	-	-	1.3	1.2
Unrestricted	12.1	11.5	21.0	10.6	33.1	22.1
Total Net Position	<u>\$ 137.0</u>	<u>\$ 127.8</u>	<u>\$ 217.6</u>	<u>\$ 213.1</u>	<u>\$ 354.6</u>	<u>\$ 340.9</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

The City's total revenues (excluding special items) increased by 22.7% (\$13.5 million), driven primarily by a \$9.7 million increase in Restricted Capital Grants and Contributions, which included infrastructure provided by private developers. The total cost of all programs and services increased by \$11.5 million, or 23.8%. The largest contributors to this increase in expenses were Solid Waste (\$4.5 million) and Waste Water (\$2.9 million) followed by Public Service/Streets (\$2.1 million). Our analysis below separately considers the operations of governmental and business-type activities.

Table 2
Changes in Net Position
(in Millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for Services	\$ 14.0	\$ 13.4	\$ 22.3	\$ 21.3	\$ 36.3	\$ 34.7
Restricted Operating Grants & Contributions	0.5	0.4	0.0	-	0.5	0.4
Restricted Capital Grants & Contributions	4.8	0.8	5.9	0.2	10.7	1.0
General Revenues						
Property Taxes	17.6	16.4	-	-	17.6	16.4
Unrestricted Operating Grants & Contributions	7.4	6.3	-	0.5	7.4	6.8
Other General Revenues	0.6	0.2	-	-	0.6	0.2
Total Revenues	<u>44.8</u>	<u>37.5</u>	<u>28.2</u>	<u>22.0</u>	<u>73.0</u>	<u>59.5</u>
Program Expenses						
General Government	7.0	7.4	-	-	7.0	7.4
Public Safety	15.3	14.3	-	-	15.3	14.3
Public Service	6.0	3.9	-	-	6.0	3.9
Public Welfare	7.4	6.5	-	-	7.4	6.5
Interest and Fiscal Fees	0.2	0.4	-	-	0.2	0.4
Water	-	-	6.9	6.2	6.9	6.2
Waste Water	-	-	9.0	6.1	9.0	6.1
Solid Waste	-	-	7.0	2.5	7.0	2.5
Non-major activities	-	-	1.0	0.9	1.0	0.9
Total Expenses	<u>35.9</u>	<u>32.5</u>	<u>23.8</u>	<u>15.7</u>	<u>59.7</u>	<u>48.2</u>
Excess (deficiency) before special items and transfers	8.9	5.0	4.5	6.3	13.4	11.3
Sale of Capital Assets	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.2</u>	<u>-</u>
Increase (decrease) in net position	<u>\$ 9.2</u>	<u>\$ 5.0</u>	<u>\$ 4.5</u>	<u>\$ 6.3</u>	<u>\$ 13.6</u>	<u>\$ 11.3</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

Governmental Activities

Revenues for the year from governmental activities increased by 19.5% (\$7.3 million) to \$44.8 million while total expenses increased by \$3.4 million to \$35.9 million. This excess of revenues over expenses contributed to a \$9.2 million increase in the total net position for governmental activities. While revenue from charges for services and tax revenue did increase, the primary cause of this increase in net position was a substantial increase in Restricted Capital Grants & Contributions. This generally includes street infrastructure constructed by private developers which becomes part of the City's public road network and is reported as revenue in the City's financial statements. This and the other contributing factors listed below are primarily responsible for this year's increase in net position:

Charges for services increased by \$.6 million, or 4.5%, from \$13.4 million last year to \$14 million this year. Street Impact Fees were the biggest factor here, with revenues increasing by \$357,495, or 14.4%, from \$2.5 million last year to \$2.8 million this year. Secondly was the increase in Street Maintenance Assessment rates and resulting revenue increase 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. Accordingly, revenue from Street Maintenance Assessments increased by \$246,131, or 8.4%, from \$2,917,499 last year to \$3,163,630 this year.

Property Tax collections also increased by approximately \$1.2 million, or 7.3%, from \$16.4 million last year to \$17.6 million this year due to a 2.9% increase this year in the mill value (from \$83,226 to \$85,637) and a 3.8% increase in the number of property tax mills levied (from 166.75 to 173.08). Revenues in the North 7th Avenue Corridor Tax Increment Financing District increased by 14.8%, or \$96,466, from \$650,989 to \$747,455. Despite the increase in property tax revenue, this year's tax levy was still 24 mills lower than the statutory maximum allowable tax rate.

Unrestricted Operating Grants and Contributions increased by \$1.1 million, or 17.5%, from \$6.3 million last year to \$7.4 million this year mainly due a 7.7% increase in State Entitlement Share revenue from \$3.7 to 4 million and a 2.3% increase in the State's share of City employee retirement from \$2.18 million to \$2.23 million, in addition to a general increase in various federal and state grants.

Interest on Investments increased this year significantly by \$112,000, or 46%, from \$243,744 to \$355,790. This increase was not due to a change in interest rates but rather an increase in cash balances. Interest rates actually continued to decline for the 5th consecutive year, down from .82% last year to .81% this year. However, overall cash balances for Governmental Activities increased significantly this year resulting in higher interest on investments. The largest contributor was the TOP Trail Open Space Parks Program which issued \$9.9 million in debt. As of year-end a sizeable amount still remained unspent on TOP projects and thus was earning interest.

The cost of all *governmental activities* this year was \$35.9 million compared to \$32.5 million last year. However, as shown in the Statement of Activities on page 35 under Net(Expense) Revenue for Total governmental activities, the amount that our taxpayers ultimately financed for these activities through City taxes and other general revenues was only \$16,715,266 because some of the cost was paid by those who directly benefited from the programs (\$13,980,088) or by other governments and organizations that subsidized certain programs with operating and capital grants and contributions (\$457,354 + \$4,762,416 = \$5,219,770).

Overall, the City's revenues from governmental activities – including intergovernmental revenues and charges for services – increased this year from \$37.5 to \$44.8 million. Charges for services increased by \$.6 million, or 4.5%, from \$13,435,013 to \$13,980,088 mainly due to Street Impact Fees revenues increasing by \$357,500, or 14.5%, from \$2.48 million last year to \$2.84 million this year. Street Maintenance Assessments also increased by \$246,131, or 8.4%. Licenses and permits also increased by \$154,538, or 9.5%, from \$1,629,744 to \$1,784,282 mainly due to increased Building Permit construction activity.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

Overall expenses increased by \$3.4 million, or 10.5%, to \$35.9 million this year. The largest increase was in Public Service, where expenses increased by \$2.1 million, or 54%, from \$3.9 million to \$6 million due mainly to higher spending on Street Maintenance. Street maintenance expenses increased by \$579,229, or 29.3%, from \$1.98 million last year to \$2.56 million this year. Vehicle Maintenance expenses also increased by \$172,000, or 18.8%, from \$914,423 to \$1,086,227. Additionally, the GIS Geographic Information Systems function was moved from General Government to Public Service, which increased expenses this year by \$149,356. Expenses increased in Public Safety as well. Police, Fire and Building Inspection reported a combined \$1 million increase in expenses over last year, mostly due to \$767,196 in increased personnel costs as the City continued to fill the new positions authorized and funded by the Public Safety mill levy.

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.

Table 3
Governmental Activities
(in Millions)

	Total Cost of Services		Net Cost of Services	
	2014	2013	2014	2013
Police	\$ 7.9	\$ 7.7	\$ 6.3	\$ 6.0
Fire	5.6	5.6	5.0	4.7
Public Service	6.0	3.9	(1.2)	(1.0)
Library	1.6	1.5	0.9	0.9
Parks	1.3	1.2	1.2	1.2
Recreation	1.3	1.2	0.8	0.8
All Others	12.3	11.3	12.9	13.3
Totals	\$ 35.9	\$ 32.5	\$ 26.0	\$ 26.0

Business-type Activities

Total revenues of the City's business-type activities (see Table 2) increased by 28.2% (\$28.2 million in 2014 compared to \$22.0 million in 2013) while expenses increased significantly by 51.6% (\$23.8 million in 2014 compared to \$15.7 million in 2013). The increase in revenues was due primarily to a large increase in the amount of privately-constructed infrastructure that was contributed to the City by developers. This activity is recorded under Program revenues as Restricted Operating Grants & Contributions. The significant increase in expenses was due primarily to landfill soil gas remediation costs. Specific factors driving the other regular operating results include:

Water The City's water system operating revenue (charges for services) have steadily increased over the past decade as a result of both an increase in the customer base in past years and as a result of regular rate changes. The City's customer-base growth was 398 customers, or 3.7%, for this year. This growth rate is more closely in line with the 5% growth trend of 2005-2008. In updating the rate study for slower customer growth in recent years, decreased Water Impact Fee collections and new estimates of Water Plant costs, the City implemented water rate increases of 4.5% each year in fiscal years 2011, 2012, and 2013 in order to fund plant construction and other scheduled operations and maintenance costs. Accordingly the City was able to revitalize its water distribution pipe replacement program and replace or rehabilitate aging infrastructure every year instead of every two years.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

This year the Commission voted to hold rates steady and not to implement a water rate increase in light of the other tax and rate increases imposed upon City residents this year.

As would be expected with no rate increase, operating revenues increased only slightly by .83% from \$7,806,922 last year to \$7,871,386 this year due to 3.7% increase in customer base and consumption. Water impact fee revenues increased by \$179,828, or 10.8%, and cash-in-lieu of water rights revenue increased substantially by \$221,392, or 163%, from \$135,814 to \$357,206. Most significant was the contribution of infrastructure by private developers, which increased dramatically from \$156,123 last year to \$3,137,978 this year due to an upturn in construction and development. Operating expenses increased by \$448,936, or 7.5%, from \$5,991,496 last year to \$6,440,432 this year mainly due to increased personnel and operating costs. Major accomplishments projects completed during the year include spending the final \$6 million to replace/construct the City's new \$42 million Water Treatment Plant and spending \$827,776 spent on the afore-mentioned water distribution pipe replacement and rehabilitation program.

Wastewater Revenues in the Wastewater Fund have generally been increasing over the past 10 years and are estimated at \$7.2 Million for the upcoming year. Three years ago the City borrowed significantly to construct the new Water Reclamation Facility. This debt is being repaid by system users over the next 20 years. Accordingly, the City Commission adopted a two-year rate resolution of a 6% increase for the fiscal years 2012 and 2013 and 3% for this year and next year. As a result of the rate increase, combined with the same volume increase experienced in the water system which accompanied the increase in customer base of 398 customers, operating revenues for the year increased by 4.2% from \$6,916,226 last year to \$7,204,486 this year. Wastewater operating expenses increased 57.3% from \$5,273,875 last year to \$8,294,821 this year due mainly to a \$580,049, or 37.4% increase in personnel costs due to additional staffing and due to a \$1,256,304 increase in the cost estimate for the Bozeman Solvent Site based on updated information from legal counsel following the most recent engineering update. Major projects during the year included \$1.4 million spent on the collection pipe rehabilitation and replacement program, which is now done every year instead of every other year. While this was a large outlay of cash, it had relatively little effect on the operating expense amount referred to previously because these rehabilitation and replacement outlays are treated as capital costs, which are booked as assets and then expensed as depreciation on an annual basis throughout the course of the assets' service life.

Solid Waste During fiscal year 2006, the Commission discussed how the City would continue solid waste disposal services as our landfill was nearing its capacity. In a measure to reserve the remaining cell space for residential use only, the Commission closed the landfill to tipping by commercial customers and non-city residents and to any construction and demolition waste. The Landfill officially closed in June 2008. Since the closure the City's solid waste collection and disposal system revenues had been declining steadily up until this year when revenues actually increased. The Solid Waste Collection Division continues to operate residential and commercial collection, and in FY09 the Division began to provide curb-side recycling collection services. Three years ago, the garbage rates were increased 5%, to cover fuel costs, employee salary and benefit increases, and the assumption of costs that were once shared with the Landfill/Disposal division. The garbage rates increased this year by 2%.

This year saw a reversal of the trend experienced in previous years where collection revenues were declining due to a slowdown in local construction activity and corresponding demand for "roll-off" containers and associated hauling and tipping services. Operating revenues increases moderately by \$184,992, or 7.4%, from \$2,494,892 last year to \$2,679,884 this year. Operating expenses would generally follow accordingly, however this year the increase was additionally significant due to a \$2,754,601 net increase in the estimate for Landfill Post-Closure costs. Additional information is available in Footnote 21 on page 87. Regular operating expenses also increased by \$1.7 million, or 69.5%, from \$2,475,680 to \$4,195,562 primarily due to additional engineering, legal, and remediation costs associated with the Landfill Soil Gas issue described in that same footnote. As a result, total overall operating expenses increased by \$4,482,529, or 181%, from \$2,475,680 last year to \$6,958,209 this year.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

THE CITY'S FUNDS

As the City completed the year, its governmental funds (as presented in the balance sheet on pages 36-37) reported a *combined* fund balance of \$45,357,103. Included in this year's total change in fund balance is a positive General Fund balance of \$6,614,294, down \$713,079, or 9.7%, from \$7,327,375. 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 \$4,084,688 for this year. The City's ending general fund balance of \$6,614,294 exceeds this recommendation by \$2,529,606. However, as illustrated below, all but \$193,534 of this apparent surplus is already assigned to be used for specific purposes. The primary reasons for this year's General Fund surplus are explained after the table below, along with an analysis of each major fund.

The general fund balance of \$6,614,294 has been assigned as shown:

FY14 ENDING GENERAL FUND BALANCE - TOTAL:	\$ 6,614,294
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ASSIGNMENTS:

1 CIP / CAPITAL CARRY-OVER BUDGETED IN FY14 BUT NOT SPENT UNTIL FY15:

POLICE DEPT: CIP GF050 - POLICE & COURT FACILITY DESIGN	\$ 1,256,134	
RECREATION DEPT: POOL DESIGN	\$ 386,642	
BROADBAND MASTER PLAN	\$ 60,000	
SUSTAINABILITY PROJECTS	\$ 13,720	
FACILITIES MGMT: VARIOUS FACILITY PROJECTS	\$ 27,500	
TOTAL CIP / CAPITAL CARRY-OVER ITEMS:		\$ 1,743,996

2 16.67% MINIMUM RESERVE LEVEL REQUIRED BY CITY CHARTER (2 MONTHS OF REVENUES): **\$ 4,084,688**

3 FY15 BUDGET: FY14 YEAR-END FUND BALANCE NEEDED TO BALANCE FY15 BUDGET: **\$ 592,076**

TOTAL GENERAL FUND ASSIGNMENTS:	\$ 6,420,760
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UNASSIGNED GENERAL FUND BALANCE - FY14:	\$ 193,534
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CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

General Fund The City's general fund balance decreased by \$713,081, or 9.7%, from \$7,327,375 in FY13 to \$6,614,294 this year. The City had budgeted for fund balance to actually end up being \$2.5 million lower than that at \$4,094,107, but 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 noticeably in the General Fund by \$765,116, or 6.5%, from \$11,744,306 to \$12,509,422 mainly due to a 2.9% increase in the value of the property tax mill value (from \$83,226 to \$85,637) and a 5.6% increase in the number of general fund property tax mills levied (from 127.66 to 134.76). Intergovernmental revenues increased by \$293,082, or 4.6%, from \$6,277,896 last year to \$6,570,978 this year. Most of this increase was driven a long-awaited increase in Montana State Entitlement Share, which beginning in 2001 replaced the City's dedicated revenue sources from personal property tax reimbursements and taxes on motor vehicles, gaming, alcohol, and banking, among others. After several stagnant years of minimal or no change, Entitlement Share increased this year by \$277,613, or 7.8%, from \$3,561,160 to \$3,838,772. The State of Montana's share of City employee retirement also showed a marginal increase of \$42,899, or 2%, from \$2,117,333 last year to \$2,160,232 this year. This revenue amount is a non-cash book-entry only on the City's general accounting ledger, and is offset by an expenditure in the exact same amount (most of which is reported under Public Safety for the police and fire employees), which results in no change to ending fund balance. Other intergovernmental revenue activity included a \$41,797, or 8.2%, increase in Gallatin County's support of the City Library.

While overall revenues did increase, expenditures increased by a greater amount, which resulted in the \$713,081 decrease in general fund balance. Most notable was \$914,001 increase in Capital Outlay expenditures. The largest expenditures were in the Police Department, where \$473,000 was spent on engineering and design of a new Police-Court Justice Center and \$310,741 was spent on acquiring and outfitting new patrol vehicles. Public Safety salary expenditures also increased as positions continued to be filled pursuant to the public safety mill levy beginning in 2009. Police personnel costs (net of State Share of Retirement) increased by \$289,398, or 5.6%, from \$5,181,179 last year to \$5,470,577. Fire Department personnel costs (net of State Share of Retirement) increased by \$313,434, or 8.5%, from \$3,669,662 last year to \$3,983,096.

Also contributing to the strength and relative stability of the General Fund balance is the utilization of conservative budgetary practices. Conservative, yet realistic, revenue estimates, combined with departments operating within their original budgets, naturally has a favorable effect on the bottom line. Maintaining adequate reserves has several internal and external benefits. Internally, reserves can provide for cash flow needs until property tax revenues are received, reducing or eliminating the need for cash flow borrowing; provide funds to leverage state or federal grants; and provide for the unexpected. Externally, reserves tend to be viewed favorably by investors, rating agencies, and local banks with which we do business, thus benefiting rating and the potential need for lines of credit.

The City's General Fund balance was a primary focus of a recent bond ratings when Moody's Investor Services assigned a debt rating of Aa3 in November of 2013 and a rating of Aa3 "Positive Outlook" in November of 2014 for the two issuances of Trails, Open Space and Parks general obligation bonds. This affirmed Moody's rating assigned in May, 2012 of Aa3 rating to the City's General Obligation Refunding Bonds, Series 2012, issued in the amount of \$3.1 million. At the same time, Moody's also affirmed the Aa3 rating on the city's rated outstanding general obligation debt not being refunded by this issue, which included \$.6 million outstanding for the 2003 refinancing of the City's General Obligation Transportation Bonds and the remaining bonds issued in 2003 for the new Library. In each instance bond analysts looked favorably on the amount and trend of the General Fund balance in determining the City's bond rating.

As shown on page 95, variances in the General Fund between the original budget and the final budget appropriations totaled \$601,990, which increased the original appropriation budget of \$26,856,548 up to \$27,458,538. Approximately \$249,000 of this increase was for the non-cash "book entry only" expenditure previously discussed for the Public Safety budget in order to record the additional amount of the State's share of Police and Firefighter retirement in excess of

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

the \$1.9 million that was initially budgeted. As stated, this entire expenditure, including the amount requiring a budget amendment, is offset/"reimbursed" by intergovernmental revenue booked in the same amount. By design, the \$1.9 million of appropriation authority was initially budgeted under General Government and then later moved to the Public Safety budget at year-end, at which time the \$249,124 additional amount necessary to cover Police and Firefighter retirement was added as a true amendment to increase appropriation authority. This \$249,124 combined with the \$1.9 million shift from General Government accounts for the \$2.1 million overall increase to the Public Safety budget, and it also explains the \$1.9 million reduction in the budget for General Government. The \$257,821 amendment to the Capital outlay budget is related to carryover from the prior year for design and engineering of the previously mentioned Police-Court Justice Center.

Street Impact Fees Special Revenue Fund balance decreased by \$432,276, or 4.1%, from \$10,226,240 last year to \$9,793,964 this year. Revenues actually increased by \$385,292, or 15.1%, from \$2,549,257 to \$2,934,549 due to an upturn in construction and development. Construction activity for the year which required the payment of impact fees included \$513,000 for the Sundance Apartments at Baxter Meadows, \$157,608 for Country Inn & Suites, \$79,693 for the new Town Pump Gas Station & Convenience Center, and \$63,144 for HRDC's West Edge Condominiums. However, expenditures exceeded revenues for the year by \$432,276 mainly due to the City's contribution of \$3.3 million to the widening and reconstruction of College Street between 19th Avenue and Main Street/Huffine Lane.

Street Maintenance Special Revenue Fund balance increased by \$215,803, or 12.3%, from \$1,761,976 last year to \$1,977,779 this year due to revenues exceeding expenditures, even though the increase in expenditures was larger than the increase in revenues. Street Assessment total revenues increased by \$258,603, or 8.7%, from \$2,982,313 last year to \$3,240,916 this year. Driving this was continued expansion of the City's Street Maintenance Assessment program to include major street reconstruction projects; the first being the reconstruction of South 8th Avenue completed this year. With the Commission's focused goal of addressing deferred street and curb maintenance, Street Maintenance Assessment rates were increased three years ago by 18%, with the 18% allocated as follows: Continued increase to Curb Replacement Fund (2%); Debt Service Payments for the Reconstruction of South 8th Avenue (7%); Establishment of a Street Reconstruction Fund (6%); and Increase in Operating Budget (3%). Continuing the City Commission's goal of addressing deferred street maintenance, this year rates were increased 6.9% allocated as follows: 2% continued increase to Curb Replacement Fund, resulting in a \$54,000 annual increase; 3% increase to a Street Reconstruction Reserve, resulting in a \$75,000 annual increase; 1.9% increase for Other Operating needs, resulting in a \$50,000 annual increase.

Expenditures increased considerably this year by \$881,521, or 40.1%, from \$2,167,287 to \$3,048,808. Major costs included \$174,000 for the purchase of a new flex-fuel low-emission low-decibel Caterpillar front-end loader to replace the existing 1978 loader, \$123,523 to finish up the reconstruction of South 8th Avenue, and \$122,188 spent on the Micropaver Asset Management System. Additionally, debt service expenditures increased significantly this year by \$114,388, or 162%, year from \$70,531 to \$184,919 due mainly to new debt issued to help fund the reconstruction of South 8th Avenue.

Building Inspection Special Revenue The City's Building Inspection division again experienced strong permit issuance over the past year. While never completely stopping, building construction significantly slowed during the recession. However, this year the total value of Building Permits for New Construction, upon which most permit revenue calculation are based, was 136% of the previous year. Accordingly, fund balance increased by \$262,191, or 23.2%, from \$1,132,359 last year to \$1,394,550 this year. Revenues increased by \$150,695, or 11.3%, from \$1,333,048 last year to \$1,483,743 this year due to this revived increase in construction and other activity requiring a Building Permit. Total expenditures increased only moderately by \$15,379, or 1.3%, from \$1,206,173 last year to \$1,221,552 this year. However, last year's expenditures included \$226,788 for capital purchases of technology equipment, including hardware and software for electronic plan review, mobile field inspections, and an online permit portal. The reason this year's expenditure level kept pace is not due to continued capital outlays (only \$27,610 this year) but instead due to a \$123,847, or 17.4%, increase in personnel costs for the hiring of additional Building Inspectors.

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

SID Sinking Debt Service Fund balance increased by \$371,965, or 42%, from \$886,462 last year to \$1,258,427 this year. Revenues from Special Improvement District (SID) assessment collections along with fund interest income and other income amounted to \$1,063,253 which is \$226,183, or 27%, higher than last year's \$837,070. This marked increase was due to a payoff (paying the entire amount due instead of choosing to pay installments annually) of the Valley Center Road/North 19th Avenue Special Improvement District (SID) by Gallatin Center this year. Total expenditures actually decreased this year by \$206,413, or 27.4%, from \$754,173 to \$547,760 because more SID debt was paid off by the City last year than in the current year. When enough cash has accumulated in the SID Sinking Funds due to regularly-scheduled repayments, or due to one-time payoffs such as the Gallatin Center, the City can choose to call/pay some of its SID bonds early to avoid future interest costs. Because of the timing of these bond calls and the minimum amounts that can be called, this doesn't always necessarily occur in the same year that the customer makes a payoff. So any bond call made by the City related to the Gallatin Center payoff won't occur until next year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets As shown in Table 4, at the end of 2014 the City had \$352.8 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 \$17.5 million, or 5.2% over last year. Refer to capital assets disclosure Note 7 beginning on page 59 for more information.

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

	Governmental		Business-type		Totals	
	Activities		Activities			
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 11.1	\$ 10.5	\$ 4.9	\$ 4.9	\$ 16.0	\$ 15.4
Water Rights	-	-	2.1	2.1	2.1	2.1
Buildings	32.1	31.2	111.6	108.9	143.7	140.1
Other Structures and Improvements	1.2	1.2	30.8	30.8	32.0	32.0
Machinery & Equipment	11.2	9.7	6.8	6.7	18.0	16.4
Property under Capital Lease	0.3	0.3	-	-	0.3	0.3
Vehicle	3.3	3.1	1.8	1.9	5.1	5.0
Infrastructure	141.8	133.0	260.8	252.6	402.6	385.6
Subtotal	<u>201.0</u>	<u>189.0</u>	<u>418.8</u>	<u>407.9</u>	<u>619.8</u>	<u>596.9</u>
Accumulated Depreciation	<u>(92.8)</u>	<u>(89.3)</u>	<u>(174.2)</u>	<u>(172.2)</u>	<u>(267.0)</u>	<u>(261.5)</u>
Total Capital Assets	<u>\$ 108.2</u>	<u>\$ 99.7</u>	<u>\$ 244.6</u>	<u>\$ 235.7</u>	<u>\$ 352.8</u>	<u>\$ 335.4</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

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

Water Plant Construction - final payments: state of the art membrane filtration system	\$ 5,537,041
College Street widening and reconstruction: Main St. to 19th Ave - City's Share of MT Dept of Transp. Project	\$ 3,392,247
Sewer Rehabilitation and Repair - annual collection pipe replacement program	\$ 1,382,832
2013 Sutphen Ladder Truck for the Fire Department	\$ 1,159,106
Water Line Replacement and Rehabilitation - annual distribution pipe replacement program	\$ 745,292
TOP Bonds: Trails, Open Space and Parks - Bozeman Ponds Land Purchase on Fowler Lane	\$ 607,119
Police Station and Municipal Court Shared Facility: Architectural and Design Services	\$ 473,016
Street Improvements - Gas Tax	\$ 444,497
Lenco Bearcat G3 Armored Vehicle for the Police Department	\$ 250,093
North 7th Avenue Tax Increment Financing District Lighting project	\$ 235,629
Police Patrol Car Fleet Renewal: multiple SUV's and cars accessorized with technology and equipment	\$ 310,741
Development Impacts "Big Box" Fund Contribution to Haynes Ice Pavilion at Gallatin County Fairgrounds	\$ 175,000
Lindley Park Restroom Upgrade	\$ 174,211
Caterpillar Front End Loader for Street Department	\$ 174,024
Water Reclamation Facility post-construction project payments	\$ 169,712
Micropaver Asset Management System for Street Department	\$ 122,188
Bogert Swimming Pool Boiler Replacement	\$ 113,606

Debt

At year-end, the City had \$58.1 million in bonds and notes outstanding versus \$47.0 million last year – a notable increase of \$11.2 million, or 23.8%, as shown in Table 5. This increase was primarily due to the \$9.9 million in general obligation bonds issued for the \$15 million voter-approved Trails Open Space and Parks (TOP) program. The remaining \$5.1 million will be issued next year. General obligation debt, which is reported under Governmental Activities, consists of this \$9.9 million for the TOP Bonds along with \$1.8 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 \$18.1 million of water revenue bonds and \$21 million of wastewater revenue bonds issued to finance construction of the new Water Treatment and Wastewater Reclamation Facilities.

Moody's Investor Services assigned a debt rating of Aa3 in November of 2013 for the first issuance of TOP general obligation bonds. Moody's views the city's financial operations as sound, noting in their report that City officials have delivered operating surpluses in four of the last five audited financial years and that the City has a moderately-sized tax base that did not decline during the recession, in addition to a low debt burden. This affirmed the rating assigned by Moody's in May, 2012 of Aa3 to the City's General Obligation Refunding Bonds, Series 2012, issued in the amount of \$3.1 million.

As expressed in the fiscal year 2015 Approved Budget, City officials expect to end next fiscal year with general fund reserves totaling \$4.7 million, or 17.9% of operating revenues. This exceeds the minimum level of 16 2/3% required by City Charter, which in May of 2011 was amended to include adoption of

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

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 (67.8%), followed by unrestricted grants and contributions (28.7%), and investment earnings (1.4%) Moody's expects the City to maintain a moderate debt position given current moderate debt burdens, above average principal payout, and expected tax base growth. More detailed information about the City's long-term liabilities is presented in Note 9 to the financial statements.

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

	Governmental Activities		Business-type Activities		Totals	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General Obligation						
Bonds (backed by the City)	\$ 11.7	\$ 2.4	\$ -	\$ -	\$ 11.7	\$ 2.4
Tax Increment Financing						
District (TIFD) bonds	5.0	5.2	-	-	5.0	5.2
Special Improvement						
District Debt	1.2	1.8	-	-	1.2	1.8
Notes Payable	1.1	1.2	-	-	1.1	1.2
Lease Payable	0.1	0.1	-	-	0.1	0.1
Water Revenue Bonds						
(backed by specific fee revenues)	-	-	18.1	13.8	18.1	13.8
Wastewater Revenue Bonds						
(backed by specific fee revenues)	-	-	21.0	22.5	21.0	22.5
Totals	<u>\$ 19.1</u>	<u>\$ 10.7</u>	<u>\$ 39.1</u>	<u>\$ 36.3</u>	<u>\$ 58.1</u>	<u>\$ 47.0</u>

CITY OF BOZEMAN, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
JUNE 30, 2014

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's elected and appointed officials considered many factors when adopting the 2014-2015 budget for next fiscal year's tax rates and 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 that over the year US annual inflation rate was recorded at 1.7 percent, the smallest advance in 5 years, as the fall in energy prices was enough to offset higher food and shelter cost. Inflation rates will also impact the cost of future City capital projects.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

B. BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 36,304,485	\$ 17,095,305	\$ 53,399,790
Restricted cash and investments	11,409,933	4,379,735	15,789,668
Accrued interest	63,981	23,361	87,342
Receivables, net	7,728,962	1,622,960	9,351,922
Notes receivable	326,570	15,924	342,494
Prepaid expenses	388,875	-	388,875
Capital assets			
Non-depreciable land and water rights	11,127,553	6,999,716	18,127,269
Other capital assets, net of depreciation	97,144,914	237,667,206	334,812,120
Total capital assets	<u>108,272,467</u>	<u>244,666,922</u>	<u>352,939,389</u>
Total assets	<u>164,495,273</u>	<u>267,804,207</u>	<u>432,299,480</u>
LIABILITIES			
Accounts payable and accrued expenses	4,365,581	2,962,675	7,328,256
Unearned revenue	106,450	-	106,450
Current portion of long-term liabilities			
Compensated absences payable	1,198,200	349,700	1,547,900
Capital leases	33,495	-	33,495
Closure and post-closure care costs	-	177,873	177,873
Litigation settlement payable	666,667	-	666,667
Bonds and notes	803,122	1,825,000	2,628,122
Long-term liabilities, due in more than one year			
Compensated absences	510,667	168,311	678,978
Capital leases	60,681	-	60,681
Closure and post-closure care costs	-	4,061,974	4,061,974
Pollution remediation obligations	16,874	2,939,057	2,955,931
Other post-employment health benefits - implicit rate subsidy	1,548,659	381,415	1,930,074
Bonds and notes	18,168,774	37,340,565	55,509,339
Total liabilities	<u>27,479,170</u>	<u>50,206,570</u>	<u>77,685,740</u>
NET POSITION			
Net investment in capital assets	89,267,076	205,501,357	294,768,433
Nonspendable	1,269,557	-	1,269,557
Restricted:			
Restricted for parking capital projects	-	270,450	270,450
Restricted for general government	954,556	-	954,556
Restricted for public safety	2,349,030	-	2,349,030
Restricted for public service	13,219,766	-	13,219,766
Restricted for public welfare	4,686,271	-	4,686,271
Restricted for capital projects	9,369,420	-	9,369,420
Restricted for debt service	7,314,913	3,102,477	10,417,390
Unrestricted	8,585,514	8,723,353	17,308,867
Total net position	<u>\$ 137,016,103</u>	<u>\$ 217,597,637</u>	<u>\$ 354,613,740</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF ACTIVITIES
Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating	Capital	Primary Government		
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 6,989,830	\$ 2,453,015	\$ -	\$ -	\$ (4,536,815)		\$ (4,536,815)
Public safety	15,297,088	3,290,573	362,670	249,537	(11,394,308)		(11,394,308)
Public service	6,031,768	7,623,178	-	4,472,963	6,064,373		6,064,373
Public welfare	7,417,158	613,322	94,684	39,916	(6,669,236)		(6,669,236)
Interest and fiscal fees	179,280	-	-	-	(179,280)		(179,280)
Total governmental activities	<u>35,915,124</u>	<u>13,980,088</u>	<u>457,354</u>	<u>4,762,416</u>	<u>(16,715,266)</u>		<u>(16,715,266)</u>
Business-type activities							
Water	6,869,870	9,842,699	1,494	3,137,978		\$ 6,112,301	6,112,301
Waste water	8,955,592	8,462,038	1,575	2,760,945		2,268,966	2,268,966
Solid waste	6,958,209	2,725,465	1,002	-		(4,231,742)	(4,231,742)
Non major activities	966,454	872,325	5,525	-		(88,604)	(88,604)
Total business-type activities	<u>23,750,125</u>	<u>21,902,527</u>	<u>9,596</u>	<u>5,898,923</u>		<u>4,060,921</u>	<u>4,060,921</u>
Total primary government	<u>\$ 59,665,249</u>	<u>\$ 35,882,615</u>	<u>\$ 466,950</u>	<u>\$ 10,661,339</u>	<u>(16,715,266)</u>	<u>4,060,921</u>	<u>(12,654,345)</u>
General revenues							
Property taxes					17,561,022	-	17,561,022
Unrestricted grants and contributions					7,436,419	-	7,436,419
Investment earnings					355,790	-	355,790
Miscellaneous					293,884	-	293,884
Sale of capital assets					236,688	-	236,688
ARRA debt forgiveness					-	390,700	390,700
Transfers					(10,000)	10,000	-
Total general revenues and transfers					<u>25,873,803</u>	<u>400,700</u>	<u>26,274,503</u>
Change in net position					<u>9,158,537</u>	<u>4,461,621</u>	<u>13,620,158</u>
Net position, beginning of the year					127,857,566	213,136,016	340,993,582
Net position, end of the year					<u>\$ 137,016,103</u>	<u>\$ 217,597,637</u>	<u>\$ 354,613,740</u>

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

FUND FINANCIAL STATEMENTS

GOVERNMENTAL FUND FINANCIAL STATEMENTS

MAJOR GOVERNMENTAL FUNDS

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

Street Impact Fees Special Revenue Fund – this Fund accounts for the collection and expenditures associated with the street impact fees.

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

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

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

CITY OF BOZEMAN, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General Fund	Street Impact Fees Special Revenue	Street Maintenance Special Revenue	Building Inspection Special Revenue	SID Sinking Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 8,314,832	\$ -	\$ 2,085,470	\$ 1,427,347	\$ 1,405,621	\$ 22,368,796	\$ 35,602,066
Receivables:							
Property taxes	1,039,927	-	-	-	-	387,535	1,427,462
Accrued interest	10,281	23,658	3,773	3,126	-	23,143	63,981
Customers, net	1,934,272	-	3,073	112	-	663,650	2,601,107
Special assessments	276	-	151,567	-	3,349,159	47,806	3,548,808
Other governments	7,701	-	-	-	-	127,896	135,597
Advances to other city funds	-	-	-	-	-	131,726	131,726
Prepaid expenditures	-	-	-	-	-	388,875	388,875
Notes receivable	-	-	-	-	-	326,570	326,570
Restricted cash and investments	-	9,772,303	-	-	-	1,637,630	11,409,933
Total assets	<u>\$ 11,307,289</u>	<u>\$ 9,795,961</u>	<u>\$ 2,243,883</u>	<u>\$ 1,430,585</u>	<u>\$ 4,754,780</u>	<u>\$ 26,103,627</u>	<u>\$ 55,636,125</u>

CITY OF BOZEMAN, MONTANA
BALANCE SHEET (CONTINUED)
GOVERNMENTAL FUNDS
June 30, 2014

	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
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 2,436,595	\$ 1,997	\$ 150,720	\$ 24,492	\$ 29,617	\$ 1,304,431	\$ 3,947,852
Escheat property payable	47,219	-	-	-	-	17,774	64,993
Matured interest payable	-	-	-	-	-	-	-
Accrued employee benefits	258,295	-	14,290	11,543	-	17,460	301,588
Advanced from other city funds	-	-	-	-	131,726	-	131,726
Total liabilities	2,742,109	1,997	165,010	36,035	161,343	1,339,665	4,446,159
Deferred inflows of resources							
Unavailable revenue-property taxes	228,811	-	-	-	-	104,207	333,018
Unavailable revenue-special assessments	-	-	101,094	-	3,335,010	15,096	3,451,200
Unavailable revenue-deferred loans	-	-	-	-	-	326,570	326,570
Unavailable revenue-court fines	1,722,075	-	-	-	-	-	1,722,075
Total deferred inflows of resources	1,950,886	-	101,094	-	3,335,010	445,873	5,832,863
Fund balances							
Nonspendable	-	-	-	-	-	1,269,557	1,269,557
Restricted	-	9,793,964	1,977,779	1,394,550	1,258,427	19,927,526	34,352,246
Committed	-	-	-	-	-	3,075,505	3,075,505
Assigned	6,420,760	-	-	-	-	229,602	6,650,362
Unassigned	193,534	-	-	-	-	(184,101)	9,433
Total fund balances	6,614,294	9,793,964	1,977,779	1,394,550	1,258,427	24,318,089	45,357,103
Total liabilities and fund balances	\$ 11,307,289	\$ 9,795,961	\$ 2,243,883	\$ 1,430,585	\$ 4,754,780	\$ 26,103,627	\$ 55,636,125

CITY OF BOZEMAN, MONTANA
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET POSITION
 June 30, 2014

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

Fund balances - total governmental funds		\$ 45,357,103
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	201,064,643	
Less: accumulated depreciation	<u>(92,792,176)</u>	108,272,467
<p>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.</p>		
Net position	1,844,048	
Less: capital assets included in governmental activities	(1,639,697)	
Plus: accumulated depreciation included in governmental activities	418,748	
Plus: other post-employment benefits included in governmental activities	23,645	
Plus: compensated absences included in governmental activities	<u>20,515</u>	667,259
<p>Deferred inflows of resources are not available to pay for current period expenditures and, therefore, are deferred in the funds.</p>		
		5,832,863
<p>Impact fee credits do not affect current financial resources and therefore are not reported in the governmental funds.</p>		
		(106,450)
<p>Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Bonds and notes payable	(18,971,896)	
Capital lease obligations	(94,176)	
Pollution remediation obligations	(16,874)	
Post-employment health benefits	(1,548,659)	
Legal settlement	(666,667)	
Compensated absences	<u>(1,708,867)</u>	<u>(23,007,139)</u>
Net position of governmental activities		<u>\$ 137,016,103</u>

CITY OF BOZEMAN, MONTANA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNEMENTAL FUNDS
For the Year Ended June 30, 2014

	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	\$ 12,509,422	\$ -	\$ -	\$ -	\$ -	\$ 4,875,949	\$ 17,385,371
Special assessments	4,268	-	24,283	-	1,054,483	928,910	2,011,944
Licenses and permits	313,264	-	25,091	1,445,927	-	-	1,784,282
Intergovernmental	6,570,978	-	1,008	23,141	-	1,613,643	8,208,770
Charges for services	2,395,464	2,838,071	3,163,630	1,911	-	1,257,047	9,656,123
Fines and forfeitures	1,291,245	-	-	-	-	119,917	1,411,162
Interest on investments	41,578	95,678	15,714	12,643	8,770	154,703	329,086
Loan repayment	-	-	-	-	-	63,980	63,980
Other	122,699	800	11,190	121	-	152,279	287,089
Total revenues	<u>23,248,918</u>	<u>2,934,549</u>	<u>3,240,916</u>	<u>1,483,743</u>	<u>1,063,253</u>	<u>9,166,428</u>	<u>41,137,807</u>
EXPENDITURES							
Current							
General government	5,343,067	-	-	-	-	795,508	6,138,575
Public safety	12,927,866	-	-	1,193,942	-	516,078	14,637,886
Public service	319,377	18,345	2,561,885	-	-	599,163	3,498,770
Public welfare	4,881,542	-	-	-	-	1,796,805	6,678,347
Other	961,124	-	-	-	-	85,588	1,046,712
Capital outlay	1,401,317	3,348,480	302,004	27,610	-	2,974,045	8,053,456
Debt service							
Principal payments	-	-	168,142	-	474,000	840,000	1,482,142
Interest and fiscal fees	-	-	16,777	-	73,760	290,413	380,950
Total expenditures	<u>25,834,293</u>	<u>3,366,825</u>	<u>3,048,808</u>	<u>1,221,552</u>	<u>547,760</u>	<u>7,897,600</u>	<u>41,916,838</u>
Revenues over (under) expenditures	<u>(2,585,375)</u>	<u>(432,276)</u>	<u>192,108</u>	<u>262,191</u>	<u>515,493</u>	<u>1,268,828</u>	<u>(779,031)</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	2,193,678	-	-	-	-	910,109	3,103,787
Transfers out	(326,756)	-	-	-	(143,528)	(2,643,503)	(3,113,787)
Long-term debt issued	-	-	-	-	-	10,012,647	10,012,647
Sale of capital assets	5,372	-	23,695	-	-	214,025	243,092
Total other financing sources (uses)	<u>1,872,294</u>	<u>-</u>	<u>23,695</u>	<u>-</u>	<u>(143,528)</u>	<u>8,493,278</u>	<u>10,245,739</u>
Net change in fund balances	(713,081)	(432,276)	215,803	262,191	371,965	9,762,106	9,466,708
FUND BALANCE, beginning of year	<u>7,327,375</u>	<u>10,226,240</u>	<u>1,761,976</u>	<u>1,132,359</u>	<u>886,462</u>	<u>14,555,983</u>	<u>35,890,395</u>
FUND BALANCE, end of year	<u>\$ 6,614,294</u>	<u>\$ 9,793,964</u>	<u>\$ 1,977,779</u>	<u>\$ 1,394,550</u>	<u>\$ 1,258,427</u>	<u>\$ 24,318,089</u>	<u>\$ 45,357,103</u>

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, 2014

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

Net change in fund balances - total governmental funds	\$	9,466,708
<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	\$	8,053,456
Donated infrastructure		4,447,151
Less: current year depreciation		<u>(3,961,359)</u>
		8,539,248
<p>Governmental funds report asset disposals as sale of fixed assets for the cash received. In the statement of activities, those gains and losses must be adjusted by the assets basis, net of any depreciation.</p>		
		(7,529)
<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>		
		(8,720,352)
<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>		
		(748,473)
<p>Governmental funds do not report a liability for compensated absences. The change in the liability is a current period expense.</p>		
		(164,373)
<p>Governmental funds do not report a liability for other post-employment health benefits.</p>		
		(69,026)
<p>Governmental funds do not recognize a liability for long-term legal settlements. The current year payment was recorded as an expenditure in the governmental funds. The liability and expense was previously accrued in the governmental activities.</p>		
		666,667
<p>Governmental funds do not report impact fee credits. The change in these credits during the year are charged to the statement of activities.</p>		
		5,515
<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>190,152</u>
Change in net position of governmental activities	\$	<u><u>9,158,537</u></u>

PROPRIETARY FUND FINANCIAL STATEMENTS

PROPRIETARY FUNDS

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

Enterprise Funds –

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

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

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

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Fund	Waste Water Fund	Solid Waste Fund	Non Major Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current assets						
Cash and investments	\$ 12,665,223	\$ 2,505,870	\$ 1,792,276	\$ 131,936	\$ 17,095,305	\$ 702,419
Receivables						
Accrued interest	19,916	-	3,445	-	23,361	-
Customers, net	642,721	628,169	237,006	114,326	1,622,222	15,988
Special assessments	139	55	544	-	738	-
Total current assets	<u>13,327,999</u>	<u>3,134,094</u>	<u>2,033,271</u>	<u>246,262</u>	<u>18,741,626</u>	<u>718,407</u>
Non current assets						
Other assets						
Notes receivable	-	-	-	15,924	15,924	-
Restricted cash and investments	2,195,560	1,913,725	-	270,450	4,379,735	-
Total other assets	<u>2,195,560</u>	<u>1,913,725</u>	<u>-</u>	<u>286,374</u>	<u>4,395,659</u>	<u>-</u>
Property, plant and equipment						
Nondepreciable:						
Land	162,518	754,043	3,714,577	303,436	4,934,574	-
Water rights	2,065,142	-	-	-	2,065,142	-
Depreciable:						
Buildings	39,603,915	59,534,338	868,302	11,629,362	111,635,917	1,388,583
Other structures and improvements	13,907,432	14,745,401	2,155,300	-	30,808,133	-
Machinery and equipment	1,343,122	2,582,828	2,613,695	258,196	6,797,841	167,302
Vehicles	449,076	711,682	529,231	158,581	1,848,570	83,812
Infrastructure	159,498,382	101,220,253	78,531	-	260,797,166	-
Accumulated depreciation and amortization	(97,294,170)	(68,218,589)	(5,551,796)	(3,155,866)	(174,220,421)	(418,748)
Net property, plant and equipment	<u>119,735,417</u>	<u>111,329,956</u>	<u>4,407,840</u>	<u>9,193,709</u>	<u>244,666,922</u>	<u>1,220,949</u>
Total non current assets	<u>121,930,977</u>	<u>113,243,681</u>	<u>4,407,840</u>	<u>9,480,083</u>	<u>249,062,581</u>	<u>1,220,949</u>
Total assets	<u>\$ 135,258,976</u>	<u>\$ 116,377,775</u>	<u>\$ 6,441,111</u>	<u>\$ 9,726,345</u>	<u>\$ 267,804,207</u>	<u>\$ 1,939,356</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities Enterprise Funds					Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Non Major Enterprise Funds	Total	Internal Service Funds
LIABILITIES						
Current liabilities:						
Accounts payable and accrued expenses	\$ 1,985,763	\$ 624,418	\$ 326,504	\$ 25,990	\$ 2,962,675	\$ 51,148
Compensated absences payable	96,753	174,092	57,715	21,140	349,700	-
Closure and post-closure care costs, current portion	-	-	177,873	-	177,873	-
Bonds, notes, and loans payable	780,000	1,045,000	-	-	1,825,000	-
Total current liabilities	<u>2,862,516</u>	<u>1,843,510</u>	<u>562,092</u>	<u>47,130</u>	<u>5,315,248</u>	<u>51,148</u>
Noncurrent liabilities						
Closure and post-closure care costs	-	-	4,061,974	-	4,061,974	-
Revenue bonds due after one year	17,360,000	19,980,565	-	-	37,340,565	-
Compensated absences payable	111,935	13,712	42,664	-	168,311	20,515
Other post-employment health benefits - implicit rate subsidy	162,735	109,068	80,885	28,727	381,415	23,645
Solvent site remediation liability	-	2,939,057	-	-	2,939,057	-
Total noncurrent liabilities	<u>17,634,670</u>	<u>23,042,402</u>	<u>4,185,523</u>	<u>28,727</u>	<u>44,891,322</u>	<u>44,160</u>
Total liabilities	<u>20,497,186</u>	<u>24,885,912</u>	<u>4,747,615</u>	<u>75,857</u>	<u>50,206,570</u>	<u>95,308</u>
NET POSITION						
Net investment in capital assets	101,595,417	90,304,391	4,407,840	9,193,709	205,501,357	1,220,949
Restricted for parking capital projects	-	-	-	270,450	270,450	-
Restricted for debt service	1,313,885	1,788,592	-	-	3,102,477	-
Unrestricted	11,852,488	(601,120)	(2,714,344)	186,329	8,723,353	623,099
Total net position	<u>114,761,790</u>	<u>91,491,863</u>	<u>1,693,496</u>	<u>9,650,488</u>	<u>217,597,637</u>	<u>1,844,048</u>
Total liabilities and net position	<u>\$ 135,258,976</u>	<u>\$ 116,377,775</u>	<u>\$ 6,441,111</u>	<u>\$ 9,726,345</u>	<u>\$ 267,804,207</u>	<u>\$ 1,939,356</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, 2014

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Fund	Waste Water Fund	Solid Waste Fund	Non Major Enterprise Funds	Totals	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 7,871,386	\$ 7,204,486	\$ 2,679,884	\$ 865,619	\$ 18,621,375	\$ 5,066,443
OPERATING EXPENSES						
Salaries and benefits	2,039,652	2,129,310	1,131,551	368,604	5,669,117	327,186
Materials and supplies	889,831	337,710	402,906	45,398	1,675,845	609,048
Repairs and maintenance	36,658	233,158	226,705	9,302	505,823	7,938
Utilities	217,547	469,247	407,783	30,848	1,125,425	5,028
Administrative charges	750,054	617,187	278,873	61,736	1,707,850	56,916
Insurance claims	-	-	-	-	-	3,775,898
Other expenses	471,722	2,109,139	1,598,279	135,432	4,314,572	108,916
Depreciation and amortization	2,034,968	2,399,070	149,465	315,134	4,898,637	54,197
Changes in estimated closure and post-closure care costs	-	-	2,762,647	-	2,762,647	-
Total operating expenses	6,440,432	8,294,821	6,958,209	966,454	22,659,916	4,945,127
Operating income (loss)	1,430,954	(1,090,335)	(4,278,325)	(100,835)	(4,038,541)	121,316
NON-OPERATING REVENUES (EXPENSES)						
Interest income	74,661	12,689	19,899	2,363	109,612	3,425
Interest expense	(429,438)	(660,771)	-	-	(1,090,209)	(370)
Other income	56,467	105,415	21,351	4,343	187,576	6,795
Intergovernmental income	1,494	1,575	1,002	5,525	9,596	-
Impact fees	1,839,502	1,139,448	-	-	2,978,950	-
Gain (loss) on disposal of assets	683	-	4,331	-	5,014	1,125
Total non-operating revenues (expenses)	1,543,369	598,356	46,583	12,231	2,200,539	10,975
Income (loss) before contributions and transfers	2,974,323	(491,979)	(4,231,742)	(88,604)	(1,838,002)	132,291
Contributions of infrastructure - developers	3,137,978	2,760,945	-	-	5,898,923	-
ARRA debt forgiveness	-	390,700	-	-	390,700	-
Transfers in	-	-	-	10,000	10,000	-
Change in net position	6,112,301	2,659,666	(4,231,742)	(78,604)	4,461,621	132,291
NET POSITION, beginning of year	108,649,489	88,832,197	5,925,238	9,729,092	213,136,016	1,711,757
NET POSITION, end of year	\$ 114,761,790	\$ 91,491,863	\$ 1,693,496	\$ 9,650,488	\$ 217,597,637	\$ 1,844,048

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, 2014

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds		Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$ 7,831,611	\$ 7,149,406	\$ 2,679,447	\$ 795,879	\$ 18,456,343	\$ 5,064,611
Receipts from others	56,467	105,415	21,351	4,343	187,576	6,795
Payments to suppliers	(3,165,997)	(2,249,580)	(2,423,350)	(242,596)	(8,081,523)	(719,272)
Payments to employees	(2,053,481)	(2,070,228)	(1,129,557)	(355,344)	(5,608,610)	(4,099,420)
Payments to internal service funds and administrative fees	(750,054)	(617,187)	(278,873)	(61,736)	(1,707,850)	(56,916)
Net cash flows from operating activities	<u>1,918,546</u>	<u>2,317,826</u>	<u>(1,130,982)</u>	<u>140,546</u>	<u>3,245,936</u>	<u>195,798</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES						
Transfers in	-	-	-	10,000	10,000	-
Receipts from grants and intergovernmental sources	2,177	1,575	5,333	5,525	14,610	-
Net cash flows from non-capital financing activities	<u>2,177</u>	<u>1,575</u>	<u>5,333</u>	<u>15,525</u>	<u>24,610</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets	(6,386,197)	(1,616,569)	-	(16,317)	(8,019,083)	(16,980)
Principal paid on bonds, interfund loans, loans and leases	4,388,122	(1,084,854)	-	-	3,303,268	-
Interest paid on bonds, interfund loans, loans and leases	(429,438)	(660,771)	-	-	(1,090,209)	(370)
Proceeds from issuance of long-term debt	-	-	-	-	-	-
Impact fees received	1,839,502	1,139,448	-	-	2,978,950	-
Net cash flows from capital and related financing activities	<u>(588,011)</u>	<u>(2,222,746)</u>	<u>-</u>	<u>(16,317)</u>	<u>(2,827,074)</u>	<u>(17,350)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Collections on notes	-	-	-	2,383	2,383	-
Interest on investments	86,735	31,401	18,771	2,363	139,270	3,425
Net cash flows from investing activities	<u>86,735</u>	<u>31,401</u>	<u>18,771</u>	<u>4,746</u>	<u>141,653</u>	<u>3,425</u>
Net change in cash and investments	1,419,447	128,056	(1,106,878)	144,500	585,125	181,873
Cash and investments, beginning of year	13,441,336	4,291,539	2,899,154	257,886	20,889,915	459,251
Cash and investments, end of year	<u>\$ 14,860,783</u>	<u>\$ 4,419,595</u>	<u>\$ 1,792,276</u>	<u>\$ 402,386</u>	<u>\$ 21,475,040</u>	<u>\$ 641,124</u>
Classified as:						
Cash and investments	\$ 12,665,223	\$ 2,505,870	\$ 1,792,276	\$ 131,936	\$ 17,095,305	\$ 702,419
Restricted cash and investments	2,195,560	1,913,725	-	270,450	4,379,735	-
Totals	<u>\$ 14,860,783</u>	<u>\$ 4,419,595</u>	<u>\$ 1,792,276</u>	<u>\$ 402,386</u>	<u>\$ 21,475,040</u>	<u>\$ 702,419</u>

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
Year Ended June 30, 2014

	Business-type Activities Enterprise Funds				Total	Governmental Activities
	Water Fund	Waste Water Fund	Solid Waste Fund	Nonmajor Funds		Internal Service Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:						
Operating income (loss)	\$ 1,430,954	\$ (1,090,335)	\$ (4,278,325)	\$ (100,835)	\$ (4,038,541)	\$ 121,316
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization	2,034,968	2,399,070	149,465	315,134	4,898,637	54,197
Change in estimated closure and post-closure care costs	-	-	2,754,601	-	2,754,601	-
Change in solvent site remediation obligation	-	1,256,304	-	-	1,256,304	-
Other income	56,466	105,415	21,351	4,343	187,575	6,795
Change in Assets and Liabilities:						
(Increase) Decrease in:						
Accounts receivable	(39,774)	(55,080)	(437)	(69,740)	(165,031)	(1,832)
Increase (Decrease) in:						
Accounts payable	(1,550,239)	(356,630)	220,369	463	(1,686,037)	25,746
Accrued employee benefits payable	(13,829)	59,082	1,994	13,260	60,507	
Interfund Borrowings	-	-	-	(22,079)	(22,079)	(10,424)
Total adjustments	487,592	3,408,161	3,147,343	241,381	7,284,477	74,482
Net cash from operating activities	\$ 1,918,546	\$ 2,317,826	\$ (1,130,982)	\$ 140,546	\$ 3,245,936	\$ 195,798

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.

Montana Arts Council – Accounts for pass-through grant monies given for use by the Montana Arts Council for various programs.

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

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

CITY OF BOZEMAN, MONTANA
STATEMENT OF FIDUCIARY NET POSITIONS
FIDUCIARY FUNDS
June 30, 2014

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 353,326
Customer receivables	<u>2,278</u>
Total assets	<u><u>\$ 355,604</u></u>
LIABILITIES	
Accounts payable	<u>\$ 355,604</u>
Total liabilities	<u><u>\$ 355,604</u></u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The accompanying financial statements present the financial position of the City and the various funds and fund types, the results of operations of the City and the various funds and fund types, and the cash flows of the proprietary funds. The financial statements are presented as of June 30, 2014, and for the year then ended.

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

New Accounting Pronouncements

For the fiscal year ended June 30, 2014, the City implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Reporting Entity

The City has considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability in Statement 14 *The Financial Reporting Entity* and Statement 61, *The Financial Reporting Entity: Omnibus – an Amendment of GASB Statements No. 14 and No. 34*. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

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

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

Blended Component Units

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

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

City Planning Board - The agreement forming the City Planning Board holds that it will submit its budget to the City Commission for approval and the City provides all accounting functions and is responsible for the issuance of debt. It is presented with the Special Revenue Funds.

Basis of Accounting/Measurement Focus

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

Government-Wide Financial Statements

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Government-Wide Financial Statements (Continued)

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

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

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

Governmental Fund Financial Statements

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund. A column representing internal service funds is also presented with the Proprietary Fund Financial Statements. Internal service balances and activities, however, have been combined with the governmental activities in the Government-Wide Financial Statements.

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Fiduciary Fund Financial Statements

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

Montana Arts Council – Accounts for pass-through monies received from the State of Montana to fund local chapters of cultural enhancement activities such as the Bozeman Symphony Orchestra, Montana Ballet, Mandolin Society, Intermountain Opera Association, and the Emerson Cultural Center.

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting/Measurement Focus (Continued)

Fiduciary Fund Financial Statements (Continued)

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.

Internal Service Funds

Internal Service Funds are used to account for goods and services provided by one department to other departments of the City on a cost-reimbursement basis. These direct costs and certain indirect costs are included as part of the program expense reported for the individual functions and activities of these other departments. The following Internal Service Funds are included in the Proprietary Fund Financial Statements:

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

Medical Health Insurance – Accounts for insurance premium revenues received from the various City departments and retirees, and the related costs of health, vision, and dental insurance premiums incurred by City employees and retirees.

Funds

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

Governmental Funds

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

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

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Funds (Continued)

Governmental Funds (Continued)

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

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

Proprietary Funds

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

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

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

Use of Restricted/Unrestricted Net Position

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

Cash and Investments

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

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

Restricted Cash and Investments

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

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

Eliminations and Reclassifications

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

Capital Assets

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

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

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

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences Payable

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

Inter-fund Receivables and Payables

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

On-Behalf Payments for Fringe Benefits

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

Budgets

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

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets (Continued)

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

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

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

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

On December 15, 2014, the City Commission accepted and approved the City Manager's recommendation for the amount of General Fund balance presented on page 33 to be assigned this fiscal year for the specific purposes listed on page 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 Nonmajor Capital Projects Fund balances presented on pages 33 and 108 for the for the specific purposes listed on page 87.

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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In funds other than governmental, net position represent the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

NOTE 2. CASH AND INVESTMENTS

At June 30, 2014, the carrying amount of the City's deposits in local banks and investments is \$69,542,784. Interest bearing account balances are covered by the Federal Depository Insurance Corporation (FDIC) up to \$250,000 per bank, per depositor. In additional, all noninterest bearing transaction account balances are fully insured by FDIC coverage. The remaining balances are covered by collateral held by the pledging bank's agent in the City's name.

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

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Governmental activities	\$ 36,304,485	\$ 11,409,933	\$ 47,714,418
Business-type activities	17,095,305	4,379,735	21,475,040
Fiduciary funds	353,326	-	353,326
	<u>\$ 53,753,116</u>	<u>\$ 15,789,668</u>	<u>\$ 69,542,784</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.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 2. CASH AND INVESTMENTS (CONTINUED)

On June 30, 2014, the book value approximated the fair value of the investments, therefore no unrealized gain or loss was recorded for the year. The following table provides information about the interest rate risks associated with the City's deposits and investments.

<u>Investment</u>	<u>Maturities</u>	<u>Credit Risk Rating</u>	<u>Fair Value</u>
U.S. Government bonds	Jul 2014 - Jun 2015	S&P AA+	\$ 6,201,289
U.S. Government bonds	Jul 2015 - Jun 2016	S&P AA+	2,129,038
U.S. Government bonds	Jul 2017 - Jun 2018	S&P AA+	47,365,190
U.S. Bank Municipal Investor Account	N/A	N/A	1,160,450
U.S. Bank ICS Account	N/A	N/A	3,000,658
STIP Account	N/A	N/A	8,000,000
Demand deposits	N/A	N/A	1,680,114
Petty cash	N/A	N/A	6,045
			\$ 69,542,784

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

NOTE 3. PROPERTY TAX 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 .83% per month interest.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 3. PROPERTY TAX AND SPECIAL ASSESSMENTS REVENUE AND RECEIVABLES (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 OF RESOURCES

Deferred inflows of resources in the General Fund represent outstanding general property taxes at June 30, 2014. These amounts are reported as revenue in the Government-Wide Financial Statements in the period in which they are levied. Deferred revenues in Special Revenue Funds represent either revenues received but not considered earned or amounts to be received in the future that are recorded as receivables but not yet earned. The deferred revenues in Debt Service Funds represent future assessments to be received to meet the related debt obligation.

NOTE 5. PREPAID RENT (OPERATING LEASE)

On October 22, 1992, the City signed a memorandum of understanding with Gallatin County, Montana, in which the City agreed to lease space from the County's Law and Justice Center for the City Police Department and Municipal Court. The City paid to the County \$765,000 during the renovation of the building which started 1993. The \$765,000 constitutes rent for four rental terms of ten years each. During the term of the lease and renewal of the lease, the principal balance of \$765,000 will be decreased by equal annual rental payments in the amount of \$19,125. If the City and County mutually agree to terminate the lease after the second ten-year term, the County will refund \$382,500, to the City for the unused portion of the rent. The lease began when renovations were complete on November 1, 1994. For the year ended June 30, 2014, rent expenditure was \$19,125 regarding this lease.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 6. NOTES RECEIVABLE

The City had the following loans in funds:

Special Revenue Funds:

Economic Development Loan Fund	\$ 212,056
Community Housing Fund	\$ 62,500
Housing Revolving Loan Fund	\$ 16,721
Departmental Special Revenues	\$ 35,293

Enterprise Funds

Parking Fund	\$ 15,924
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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, 2014, depreciation expense on capital assets was charged to the functions and programs as follows:

Governmental Activities:

General Government	\$ 284,427
Public Safety	543,331
Public Services	2,440,821
Public Welfare	692,780
Total depreciation expense - governmental activities	<u>\$ 3,961,359</u>

Business-type Activities:

Parking	\$ 285,490
Storm Water	29,644
Water	2,034,968
Waste Water	2,399,070
Solid Waste	149,465
Total depreciation expense - business-type activities	<u>\$ 4,898,637</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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, 2014, consisted of the following:

	June 30, 2013	Additions	Disposals	Transfers	June 30, 2014
Governmental Activities:					
Non-depreciable					
Land	\$ 10,483,143	\$ 644,410	\$ -	\$ -	\$ 11,127,553
Depreciable					
Buildings	31,205,271	925,851	(12,047)	-	32,119,075
Other structures and improvements	1,210,726	-	-	-	1,210,726
Machinery and equipment	9,643,097	1,878,386	(292,748)	-	11,228,735
Property under capital lease	329,435	-	-	-	329,435
Vehicles	3,096,305	334,825	(150,034)	-	3,281,096
Infrastructure	133,033,910	8,734,113	-	-	141,768,023
Total	189,001,887	12,517,585	(454,829)	-	201,064,643
Accumulated depreciation	(89,278,117)	(3,961,359)	447,300	-	(92,792,176)
Total governmental activities	<u>\$ 99,723,770</u>	<u>\$ 8,556,226</u>	<u>\$ (7,529)</u>	<u>\$ -</u>	<u>\$ 108,272,467</u>
Business-type Activities:					
Non-depreciable					
Land	\$ 4,934,574	\$ -	\$ -	\$ -	\$ 4,934,574
Water rights	2,065,142	-	-	-	2,065,142
Depreciable					
Buildings	108,858,591	5,641,160	(2,863,831)	-	111,635,920
Other structures and improvements	30,821,362	-	(13,229)	-	30,808,133
Machinery and equipment	6,712,063	100,377	(14,605)	-	6,797,835
Vehicles	1,846,618	21,750	(19,798)	-	1,848,570
Infrastructure	252,642,442	8,154,724	-	-	260,797,166
Total	407,880,792	13,918,011	(2,911,463)	-	418,887,340
Accumulated depreciation	(172,233,244)	(4,898,637)	2,911,463	-	(174,220,418)
Total business-type activities	<u>\$ 235,647,548</u>	<u>\$ 9,019,374</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,666,922</u>
Total capital assets	<u>\$ 335,371,318</u>	<u>\$ 17,575,600</u>	<u>\$ (7,529)</u>	<u>\$ -</u>	<u>\$ 352,939,389</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 7. CAPITAL ASSETS (CONTINUED)

Changes in accumulated depreciation are as follows for the year ended June 30, 2014:

	June 30, 2013	Additions	Disposals	Transfers	June 30, 2014
Governmental Activities:					
Buildings	\$ (12,657,391)	\$ (818,641)	\$ 4,518	\$ -	\$ (13,471,514)
Other structures and improvements	(1,003,889)	(28,275)	-	-	(1,032,164)
Machinery and equipment	(7,687,605)	(587,069)	292,748	-	(7,981,926)
Property under capital lease	(116,652)	(25,195)	-	-	(141,847)
Vehicles	(2,706,712)	(151,501)	150,034	-	(2,708,179)
Infrastructure	(65,105,868)	(2,350,678)	-	-	(67,456,546)
Total governmental activities	<u>(89,278,117)</u>	<u>(3,961,359)</u>	<u>447,300</u>	<u>-</u>	<u>(92,792,176)</u>
Business-type Activities:					
Buildings	(10,502,982)	(1,953,313)	2,863,831	-	(9,592,464)
Other structures and improvements	(26,357,249)	(525,221)	13,229	-	(26,869,241)
Machinery and equipment	(5,706,077)	(255,577)	14,605	-	(5,947,049)
Vehicles	(1,714,056)	(34,840)	19,798	-	(1,729,098)
Infrastructure	(127,952,880)	(2,129,686)	-	-	(130,082,566)
Total business-type activities	<u>(172,233,244)</u>	<u>(4,898,637)</u>	<u>2,911,463</u>	<u>-</u>	<u>(174,220,418)</u>
Total accumulated depreciation	<u>\$ (261,511,361)</u>	<u>\$ (8,859,996)</u>	<u>\$ 3,358,763</u>	<u>\$ -</u>	<u>\$ (267,012,594)</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, 2014

NOTE 8. COMPENSATED ABSENCES (CONTINUED)

	<u>Balance</u> <u>June 30, 2013</u>	<u>Incurred</u>	<u>Satisfied</u>	<u>Balance</u> <u>June 30, 2014</u>
Compensated absences				
Governmental Activities	\$ 1,544,494	\$ 1,362,564	\$ (1,198,191)	\$ 1,708,867
Business-type Activities	476,581	391,128	(349,698)	518,011
Total compensated absences	<u>\$ 2,021,075</u>	<u>\$ 1,753,692</u>	<u>\$ (1,547,889)</u>	<u>\$ 2,226,878</u>
	<u>Due within one</u> <u>year</u>	<u>Due after one</u> <u>year</u>	<u>Total</u>	
Compensated absences				
Governmental Activities	\$ 1,198,200	\$ 510,667	\$ 1,708,867	
Business-type Activities	349,700	168,311	518,011	
Total compensated absences	<u>\$ 1,547,900</u>	<u>\$ 678,978</u>	<u>\$ 2,226,878</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, 2014:

	<u>Balance</u> <u>June 30, 2013</u>	<u>Issuances</u>	<u>Repayments</u>	<u>Balance</u> <u>June 30, 2014</u>
General obligation bonds	\$ 2,445,000	\$ 9,900,000	\$ (660,000)	\$ 11,685,000
Tax increment financing bonds	5,195,000	-	(180,000)	5,015,000
Special assessment debt	1,659,500	-	(474,000)	1,185,500
Intercap notes payable	1,198,823	-	(112,427)	1,086,396
Totals	<u>\$ 10,498,323</u>	<u>\$ 9,900,000</u>	<u>\$ (1,426,427)</u>	<u>\$ 18,971,896</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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	\$ 465,000	\$ 11,220,000	\$ 11,685,000
Tax increment financing bonds	190,000	4,825,000	5,015,000
Special assessment debt	25,000	1,160,500	1,185,500
Intercap notes payable	123,122	963,274	1,086,396
	<u>\$ 803,122</u>	<u>\$ 18,168,774</u>	<u>\$ 18,971,896</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%	\$ 1,785,000	\$ 240,000
General Obligation TOP Bonds, Series 2013 serial maturities through 2034	2.00%	<u>9,900,000</u>	<u>225,000</u>
Total general obligations bonds		<u>\$ 11,685,000</u>	<u>\$ 465,000</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 9. LONG-TERM DEBT (CONTINUED)

Governmental Activities Long Term Debt (Continued)

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 465,000	\$ 522,556	\$ 987,556
2016	640,000	346,600	986,600
2017	655,000	332,025	987,025
2018	665,000	321,925	986,925
2019	795,000	324,103	1,119,103
2020-2024	2,195,000	1,074,772	3,269,772
2025-2026	6,270,000	1,572,774	7,842,774
	<u>\$ 11,685,000</u>	<u>\$ 4,494,755</u>	<u>\$ 16,179,755</u>

Tax Increment Financing Bonds - Tax Increment Financing (TIF) Bonds are not general obligations, but are special limited obligations of the City. The Series 2007 Bonds, the premium, and the interest thereon are not a charge against the general credit or taxing powers of the City. The bonds are payable solely, and equally and ratably from the tax increment revenues received by the City from its Downtown Bozeman Improvement District. If the incremental revenues are insufficient to pay the principal and interest due on the TIF bonds when due, such payment shortfall shall not constitute a default under the TIF agreement. If and when the incremental revenues are sufficient, the City shall pay the amount of any shortfall to the paying agent and registrar without any penalty interest or premium thereon. Due to the uncertainty of the future tax increment receipts, future payments on the TIF bonds may vary from the summary of debt service requirements. Annual debt services requirements to maturity for the TIF bonds are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 190,000	\$ 235,088	\$ 425,088
2016	195,000	228,288	423,288
2017	205,000	220,488	425,488
2018	210,000	212,288	422,288
2019	220,000	203,573	423,573
2020-2024	1,255,000	736,981	1,991,981
2025-2029	1,585,000	424,915	2,009,915
2030-2032	1,155,000	192,750	1,347,750
	<u>\$ 5,015,000</u>	<u>\$ 2,454,371</u>	<u>\$ 7,469,371</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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, 2013	Issuances	Repayments	Balance June 30, 2014
Special assessment bonds	\$ 1,325,000	\$ -	\$ (450,000)	\$ 875,000
Note Payable to Department of Natural Resources and Conservation, #WRF-05067	63,500	-	(4,000)	59,500
Note Payable to Department of Natural Resources and Conservation, #SRF-05132	271,000	-	(20,000)	251,000
	<u>\$ 1,659,500</u>	<u>\$ -</u>	<u>\$ (474,000)</u>	<u>\$ 1,185,500</u>

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

Year ending June 30,	Notes Payable		
	Principal	Interest	Total
2015	\$ 25,000	\$ 6,080	\$ 31,080
2016	28,000	5,570	33,570
2017	26,500	5,020	31,520
2018	30,000	4,470	34,470
2019	29,500	3,875	33,375
2020-2024	171,500	9,765	181,265
	<u>\$ 310,500</u>	<u>\$ 34,780</u>	<u>\$ 345,280</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 9. LONG-TERM DEBT (CONTINUED)

Governmental Activities Long Term Debt (Continued)

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

Year ending June 30,	<u>Bonds</u>
2017	\$ 60,000
2018	60,000
2019	65,000
2020-2024	480,000
2025-2029	<u>210,000</u>
	<u>\$ 875,000</u>

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

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

Intercap Loans – The City entered in a loan agreement with the Montana Board of Investments to partially finance the reconstruction of South Eight Avenue. This intercap loan payable had a balance outstanding at June 30, 2014 as follows:

	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
Note payable to Montana Board of Investments in uneven semi-annual installments including interest at variable rates through August 2022	<u>\$ 123,122</u>	<u>\$ 963,274</u>	<u>\$ 1,086,396</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 9. LONG-TERM DEBT (CONTINUED)

Governmental Activities Long Term Debt (Continued)

The debt service requirements for the intercap loan at June 30, 2014 are as follows:

Year ending June 30,	Principal	Interest	Total
2015	\$ 123,122	\$ 31,670	\$ 154,792
2016	124,355	27,867	152,222
2017	125,602	24,228	149,830
2018	126,862	20,450	147,312
2019	128,134	16,635	144,769
2020-2023	458,321	27,620	485,941
	<u>\$ 1,086,396</u>	<u>\$ 148,470</u>	<u>\$ 1,234,866</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, 2014 are as follows:

	Balance June 30, 2013	Issuances	Repayments and settlements	Balance June 30, 2014	Due in One Year	Long Term Portion
State Revolving Fund Revenue Bond - 12247						
Series 2011A, serial maturities through 2032, 3% interest rate	\$ 9,491,000	\$ -	\$ (390,000)	\$ 9,101,000	\$ 403,000	\$ 8,698,000
State Revolving Fund Revenue Bond - 13291						
Series 2011B, serial maturities through 2032, 3% interest rate	4,260,878	5,139,122	(361,000)	9,039,000	377,000	8,662,000
	<u>\$ 13,751,878</u>	<u>\$ 5,139,122</u>	<u>\$ (751,000)</u>	<u>\$ 18,140,000</u>	<u>\$ 780,000</u>	<u>\$ 17,360,000</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, 2014.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 9. LONG-TERM DEBT (CONTINUED)

Business-type Activities Long Term Debt (Continued)

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 780,000	\$ 360,710	\$ 1,140,710
2016	807,000	344,980	1,151,980
2017	833,000	328,710	1,161,710
2018	862,000	311,910	1,173,910
2019	891,000	294,520	1,185,520
2020-2024	4,930,000	1,190,520	6,120,520
2025-2029	5,827,000	658,450	6,485,450
2030-2032	3,210,000	100,050	3,310,050
	<u>\$ 18,140,000</u>	<u>\$ 3,589,850</u>	<u>\$ 21,729,850</u>
Due within one year	\$ 780,000		
Due after one year	<u>17,360,000</u>		
	<u>\$ 18,140,000</u>		

The revenue bond ordinance specifies that the City shall establish various restricted asset accounts and distribute the net revenues for the water fund to the restricted asset accounts and set user rates at levels which will generate minimum net revenues, as defined. The revenue bond ordinances specify that City management and/or the City Commission shall take corrective actions to bring the City into compliance with the revenue bond ordinances, if necessary, and that bondholder shall have the right to institute proceedings, judicial or otherwise, to enforce the covenants of the revenue bond ordinances. The City is in compliance with applicable covenants as of June 30, 2014.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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, 2014 are as follows:

	Interest Rate	Balance June 30, 2013	Repayments and settlements	Balance June 30, 2014	Due in One Year	Long Term Portion
Waste Water State Revolving -10252						
Series 2010B, serial maturities through 2030	1.75%	\$ 304,000	\$ (16,000)	\$ 288,000	\$ 16,000	\$ 272,000
Waste Water Reclamation Facility Revenue Bonds - 10230,						
Series 2010D, serial maturities through 2030	3.00%	8,308,000	(395,000)	7,913,000	407,000	7,506,000
Waste Water Reclamation Facility Revenue Bonds - 10262,						
Series 2010F, serial maturities through 2030	3.00%	729,000	(34,000)	695,000	34,000	661,000
Waste Water Reclamation Facility Revenue Bonds ARRA A- 10251,						
Series 2010A, serial maturities through 2030	0.00%	390,700	(390,700)	-	-	-
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%	885,081	(38,081)	847,000	40,000	807,000
Waste Water Reclamation Facility Revenue Bonds - 11292,						
Series 2010G, serial maturities through 2031	3.00%	2,726,338	(134,773)	2,591,565	153,000	2,438,565
Waste Water Reclamation Facility Revenue Bonds - 11281						
Series 2010H, serial maturities through 2031	3.00%	8,774,000	(467,000)	8,307,000	395,000	7,912,000
		<u>\$ 22,501,119</u>	<u>\$(1,475,554)</u>	<u>\$21,025,565</u>	<u>\$1,045,000</u>	<u>\$19,980,565</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 9. LONG-TERM DEBT (CONTINUED)

Business-type Activities Long Term Debt (Continued)

Waste Water Revenue Bonds (Continued)

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

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,045,000	\$ 423,320	\$ 1,468,320
2016	1,079,000	402,300	1,481,300
2017	1,113,000	380,600	1,493,600
2018	1,150,000	358,184	1,508,184
2019	1,185,000	335,059	1,520,059
2020-2024	6,500,000	1,302,770	7,802,770
2025-2029	7,161,565	586,685	7,748,250
2030-2032	1,792,000	24,696	1,816,696
	<u>\$ 21,025,565</u>	<u>\$ 3,813,614</u>	<u>\$ 24,839,179</u>
Due within one year	\$ 1,045,000		
Due after one year	<u>19,980,565</u>		
	<u>\$ 21,025,565</u>		

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, 2014, the Revenue Bond outstanding had an aggregate principal amount payable of \$305,964.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 10. CAPITAL LEASE OBLIGATIONS

On February 24, 2009, the City entered into a lease for an Elgin Street Sweeper. The lease term is five years payable in annual installments of \$27,900 at 6.3%. The total amount capitalized of \$143,905 represents the present value of the future lease payments. The payments for this obligation are being recorded in the street maintenance fund. This lease was paid off during the year ended June 30, 2014.

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

The capital lease balance outstanding for governmental activities at June 30, 2014 is as follows:

	Balance June 30, 2013	Issuances	Repayments	Balance June 30, 2014
Street Sweeper	\$ 26,315	\$ -	\$ (26,315)	\$ -
2012 Street Sweeper	123,577	-	(29,401)	94,176
	<u>\$ 149,892</u>	<u>\$ -</u>	<u>\$ (55,716)</u>	<u>\$ 94,176</u>

The following is a schedule, by year, of future minimum lease payments under capital lease, together with the present value of minimum lease payments at June 30, 2014:

Year ending June 30,	Governmental Activities
2015	\$ 33,495
2016	33,495
2017	33,495
Less amount representing interest	<u>(6,309)</u>
Present value of future minimum lease payments	<u>\$ 94,176</u>

The property under capital lease for governmental activities and the corresponding accumulated depreciation at June 30, 2014, is as follows:

	Governmental Activities
Machinery and equipment	\$ 329,435
Less: accumulated depreciation	<u>(141,847)</u>
	<u>\$ 187,588</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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 which are not restricted for any project or other purpose.

In the Fund Financial Statements, commitments and assignments segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various commitments and assignments are established by actions of the City Commission and Management and can be increased, reduced or eliminated by similar actions. Refer to Note 25 for a further disclosure related to net position classifications.

NOTE 12. DEFICIT FUND BALANCES

At June 30, 2014, no individual reporting funds had deficit fund balances.

NOTE 13. DEFERRED COMPENSATION PLAN

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

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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 2014 and 2013 total payroll and covered payroll for all retirement plans were \$19,562,240 and \$18,551,066, respectively. Financial information for all three plans is reported in the Public Employees' Retirement Board's published *Comprehensive Annual Financial Report* for the fiscal year end. It is available from the PERD at 100 North Park Avenue, Suite 220, P.O. Box 200131, Helena, MT 59620-0131. The authority to establish, amend and provide cost of living adjustments to all three plans is assigned to the State legislature. The authority to establish and amend contribution rates to all three plans is also assigned to the State legislature.

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

Public Employees' Retirement System (PERS)

All City employees, except firefighters and police officers, are provided pension benefits by this multi-employer plan. Funding is provided by participating units of government and their covered employees. Plan members are required to contribute 7.9% of their compensation (6.9% if hired prior to July 1, 2011). The City contributes 8.07% and the State of Montana contributes 0.1% (on behalf of the City), of members' compensation. One hundred percent of required contributions were made for all three years. Total covered payroll for the City and total contributions to the plan by the employees and by the City for the year ended June 30, 2014 and the two previous years is presented in the following table:

June 30	Payroll	Contributions	Contributions	Contributions
2014	\$ 12,352,840	\$ 975,874	\$ 996,874	\$ 12,353
2013	11,471,294	793,196	811,021	11,471
2012	11,066,629	768,957	782,411	11,067

Defined Benefit Retirement Plan (DBRP) - Participants become eligible for benefits after age 60 and 5 years of service, after age 65 regardless of service, or 30 years of service regardless of age. The benefit is 1/56 of the final compensation for each year of credited service, paid as a modified cash refund annuity. A participant is eligible for early retirement benefits after age 50 and 5 years of service or after 25 years of service regardless of age. Rights become vested after 5 years of service.

Defined Contribution Retirement Plan (DCRP) - Participants may elect the defined contribution plan, in which the contributions into the plan are known, but the benefit is not. The retirement benefit received is based upon account balance, which is determined by contributions made plus investment earnings, or losses, less administrative costs. The total number of participating employees in both the defined benefit and defined contribution plans at the City at June 30, 2014 is 239.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

Firefighters' Unified Retirement System (FURS)

Funding is provided by units of local government, their covered employees and the State of Montana. Plan members are required to contribute 10.7% of monthly compensation, since all employees have elected to be covered under the guaranteed annual benefit adjustment (GABA). The City contributes 14.36% and the State of Montana contributes 32.61% of members' compensation. One hundred percent of required contributions were made for all three years. On-behalf payments of fringe benefits for the government's employees were recognized as revenues and expenditures/expenses during the period. Total covered payroll for the City and total contributions to the plan by the employees and by the City for the year ended June 30, 2014 and the two previous years is presented in the following table:

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2014	\$ 3,150,081	\$ 337,059	\$ 452,352	\$ 1,027,241
2013	2,862,805	306,320	411,099	933,561
2012	2,876,756	307,596	413,102	938,110

Participants are eligible for benefits after 5 years of service and age 50. The benefit for participants hired prior to July 1, 1981 who have attained 50 years of age and 20 years of service is 50% of the monthly salary last received by the participant. Also, an additional 1% for each year of service in excess of 20 years, not to exceed a maximum of 60% of the recipient's latest monthly salary. A participant hired on or after July 1, 1981, or who retires prior to completion of 20 years of service, receives a benefit equal to 2.5% of average salary for each year of service, not to exceed 60%. Salary is averaged over the last 36 months for those hired on or after July 1, 1981. Rights become vested after 5 years of service. The total number of participating employees at the City of Bozeman at June 30, 2014 is 45.

Municipal Police Officers' Retirement System (MPORS)

Funding is provided by local units of government, their covered employees, and the State of Montana. Plan members are required to contribute 9% of their compensation. The City contributes 14.41% and the State of Montana contributes 29.37% of members' compensation. One hundred percent of required contributions were made for all three years. Total covered payroll for the City and total contributions to the plan by the employees and by the City for the year ended June 30, 2014 and the two previous years is presented in the following table:

Year Ended June 30	Covered Payroll	Employee Contributions	Employer Contributions	State Contributions
2014	\$ 4,059,319	\$ 365,339	\$ 584,948	\$ 1,192,222
2013	4,216,967	379,527	607,665	1,238,523
2012	3,474,328	312,047	500,651	1,050,410

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 14. EMPLOYEE BENEFIT PLANS (CONTINUED)

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

Participants are eligible for retirement benefits after 20 years of service and age 50. The minimum age requirement does not apply to participants first employed prior to July 1, 1975. The benefit is 1/2 of average monthly salary during the highest 36 consecutive months of earnings plus 1% of average monthly salary for each additional year of service in excess of 20 years, to a maximum of 60%. Benefits are paid as a modified cash refund annuity. Rights become vested after 5 years of service. The total number of participating employees at the City at June 30, 2014 is 60.

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, 2014, the City has 35 retired members receiving benefits.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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

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

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

Annual required contribution	\$ 252,049
Interest on net OPEB obligation	73,679
Adjustment to annual required contribution	<u>(106,521)</u>
Annual OPEB cost (expense)	219,207
Contributions made	<u>(131,104)</u>
Increase in net OPEB obligation	88,103
Net OPEB obligation - beginning of year	<u>1,841,971</u>
Net OPEB obligation - end of year	<u>\$ 1,930,074</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, 2014 and the two 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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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

The June 30, 2014 year end OPEB obligation is reported in the City's funds as follows:

<u>Functions/Programs</u>	<u>Expenses</u>
Primary Government:	
Governmental activities:	
General government	\$ 13,892
Public safety	26,603
Public service	6,156
Public welfare	22,371
Total governmental activities	<u>69,022</u>
Business-type activities:	
Water	6,589
Waste water	7,290
Solid waste	3,048
Parking	1,508
Storm water	646
Total business-type activities	<u>19,081</u>
Total primary government	<u>\$ 88,103</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, 2014

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

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a)/c)
7/1/2011	\$ -	\$ 2,203,253	\$ 2,203,253	0.0%	12788780	17.2
7/1/2013	\$ -	\$ 2,002,345	\$ 2,002,345	0.0%	Not available	Not available

Actuarial Methods and Assumptions. The City's actuarial valuation is completed on a biennial frequency, provided no significant events have occurred warranting new measurement. The City completed the valuation for fiscal year 2013, with an estimate provided for fiscal year 2014. For fiscal year 2014, an estimated valuation was derived based on the 2013 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, 2013, the most recent valuation date, the City's actuarially accrued liability (AAL) for benefits was \$2,202,345. The AAL by status breakdown is shown below:

	Fiscal 2012	Fiscal 2013	Fiscal 2014
Actives	N/A	\$ 1,223,031	N/A
Retirees, Dependents and Surviving Spouses	N/A	779,314	N/A
Total AAL	N/A	\$ 2,002,345	N/A
Normal Cost	N/A	\$ 131,013	N/A
Impact on Statement of Activities			
Annual OPEB Cost	\$ 234,397	\$ 221,212	\$ 219,207
Impact on Statement of Net Assets			
Assumed Contributions	\$ 113,273	\$ 108,703	\$ 131,104
Net OPEB Obligation at June 30	\$ 1,729,462	\$ 1,841,971	\$ 1,930,074
<u>Participant Information</u>			
Actives	N/A	309	N/A
Retirees, Dependents and Surviving Spouses	N/A	73	N/A
Total	N/A	382	N/A

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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

The following key assumptions were chosen by the City:

1. Discount Rate: 4.0%
2. Inflation Rate: 3.0%
3. Expected Long Term Rate of Return on Assets: 4.0%
4. Health Care Claim and Contribution Trend Rates: 7.5% for 2012, 7.0% for 2013, 6.5% for 2014, 6.0% for 2015, 5.5% for 2016, 5.0% for 2017, 5.0% for 2018 and thereafter.
5. Average Salary Increase: 4.0%
6. Retirement Rates: Based upon the separate rates used to value the pension obligations for Police Officers, Firefighters, and all other employees, respectively.
7. Retiree Participation Rate: 30%
8. Marital Assumption: For future retirees, 60% of participants are assumed to be married, with husbands 3 years older than wives.

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

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

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

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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, 2014, the City has entered into joint venture contractual arrangements, as described below.

911 Communication Center

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

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

City-County Drug Forfeitures

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

Montana Municipal Interlocal Authority

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

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 17. RESTRICTED ASSETS

At June 30, 2014, the balances of restricted asset accounts for business-type activities are as follows:

	Business-Type Activities				Total
	Water Fund	Waste Water Fund	Solid Waste Fund	Parking Fund	
Restricted by revenue bond covenants					
For bond reserve	\$ 1,313,885	\$ 1,788,592	\$ -	\$ -	\$ 3,102,477
Restricted by ordinance					
Cash in lieu of parking	-	-	-	270,450	270,450
	<u>\$ 1,313,885</u>	<u>\$ 1,788,592</u>	<u>\$ -</u>	<u>\$ 270,450</u>	<u>\$ 3,372,927</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, 2014 follows:

Transfers To	Transfers From		
	General Fund	Nonmajor Governmental	Total
General Fund	\$ -	\$ 2,193,678	\$ 2,193,678
Nonmajor Governmental	326,756	583,353	910,109
Parking Enterprise	-	10,000	10,000
Total	<u>\$ 326,756</u>	<u>\$ 2,787,031</u>	<u>\$ 3,113,787</u>

Transfers are used to (1) move revenues from the fund that statute or budgets requires to collect them to the fund that statute or budgets require to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) to transfer non-restricted interest income from the permanent fund to the general fund.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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

A summary of advances from/to other funds at June 30, 2014, is as follows:

	Advances to other City funds	Advances from other City funds
Major Funds		
SID Sinking Debt Service	\$ -	\$ 131,726
Nonmajor Governmental Funds		
SID Revolving Debt Service	131,726	-
	\$ 131,726	\$ 131,726

There are no due from/due to balances as of June 30, 2014. Interfund balances reported as due from or due to other funds are usually a result of transfers for reporting purposes to cover negative cash balances within a fund. These transfers are reversed as cash becomes available in a fund where cash previously had been in a deficit.

NOTE 19. RISK MANAGEMENT

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

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, 2014, 2013, and 2012.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 19. RISK MANAGEMENT (CONTINUED)

Public Entity Risk Pools

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

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

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

NOTE 20. CONTINGENCIES

Arnone, et al., v. City of Bozeman

This case was filed in August 2014, and is pending in the Montana Eighteenth Judicial District Court, Gallatin County. In this case, the Plaintiffs allege that the City and its Commissioners passed an ordinance without the authority to do so. The City has filed a Motion to Dismiss the individual commissioners. The City plans to file for a Motion for Summary Judgment by the end of 2014. At this time, it is not possible to estimate the likelihood of success in this case. The City's exposure would be limited to potential attorney fees incurred by the plaintiffs.

Plaintiff v. City of Bozeman

Plaintiff alleges a grievance with the City regarding her termination. Case is scheduled for binding arbitration in 2014. The parties have agreed to resolve this matter and are negotiating a settlement agreement. The settlement amount is not likely to be significant to the overall financial position of the City.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 20. CONTINGENCIES (CONTINUED)

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

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

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

Story Mill Landfill Claims

The City has been named in several claims made by residential property owners located near the now closed Story Mill landfill. One of the claimant groups has filed a complaint in the Gallatin County District Court. As of the date of these statements, the complaint has not been served on the City. These claims are dated between January 2014 and May 2014, and allege damages incurred in connection with the development, operation, and closure of the landfill, and the development of certain residential subdivisions in the area. Given the preliminary status of these claims, it is not possible to estimate a likely outcome or possible loss.

On December 15, 2014, the City was made aware that the City's insurer, the Montana Municipal Interlocal Authority (MMIA), filed a complaint for declaratory relief requesting a Montana state district court determine whether indemnity and defense exist for these claims under the MMIA Memorandum of Liability Coverage and the XL America, Inc. supplemental pollution policy obtained by the MMIA on the City's behalf. As of December 15, 2014 the complaint has not been served on the City.

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

The City continues to assert liability coverage exists for these claims under the MMIA/XL program including both the MMIA Memorandum and the XL America, Inc. policy and as such the City asserts indemnity and defense should be provided to the City for all claims related to the Story Mill landfill under the MMIA/XL program. The City will continue to assert coverage exists under the XL America, Inc. insurance agreement for remediation and legal expenses.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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 \$4,239,847, which is its estimate of future landfill closure and post-closure care costs as of June 30, 2014. 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.

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	\$ 15,523,559
Capital assets	<u>118,900,865</u>
Total assets	<u>\$ 134,424,424</u>
Current liabilities	\$ 1,753,936
Noncurrent liabilities	<u>18,708,606</u>
Total liabilities	<u>20,462,542</u>
Net investment in capital assets	100,760,866
Restricted for debt service	1,313,885
Unrestricted	<u>11,887,131</u>
Total net assets	<u>113,961,882</u>
Total liabilities and net assets	<u>\$ 134,424,424</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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

Condensed Statement of Revenues, Expenses and Changes in Net Assets

OPERATING REVENUES AND EXPENSES

Operating revenues	\$ 7,871,386
Operating expenses	
Depreciation	1,987,791
Other operating	4,388,234
Total operating expenses	<u>6,376,025</u>
Operating loss	<u>1,495,361</u>

NONOPERATING REVENUES (EXPENSES)

Interest income	80,548
Interest expense	(429,438)
Grant income	1,494
Gain on sale of assets	683
Contributions of infrastructure	3,194,445
Transfers	1,811,402
Total nonoperating revenues	<u>4,659,134</u>
Change in net position	6,154,495
Net position, beginning of year	<u>107,807,387</u>
Net position, end of year	<u>\$ 113,961,882</u>

Condensed Statement of Cash Flows

Net cash provided by operating activities	\$ 1,877,585
Net cash flows from capital and related financing activities	1,811,402
Net cash flows from noncapital and financing activities	(2,350,088)
Net cash flows from investing activities	80,548
Net change in cash flows	<u>1,419,447</u>
Beginning cash and equivalents	<u>13,441,336</u>
Ending cash and equivalents	<u>\$ 14,860,783</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

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 Wastewater Impact Fee Fund have recorded impact fee credits amounting to \$33,232, \$106,450, and \$135,751, respectively, as of June 30, 2014. The Fire Impact Fee Fund does not have any outstanding credits. The following impact fee revenues were collected and expensed/expended during fiscal year 2014:

	Beginning balances	Impact fees	Other income	Expenses, expenditures and transfers	Ending balances
Fire	\$ 167,942	\$ 296,261	\$ 2,428	\$ (2,634)	\$ 463,997
Water	842,103	1,839,502	-	(1,881,695)	799,910
Waste water	274,244	1,139,448	-	(1,162,555)	251,137
Streets	10,226,240	2,838,071	96,478	(3,366,825)	9,793,964
Total	<u>\$ 11,510,529</u>	<u>\$ 6,113,282</u>	<u>\$ 98,906</u>	<u>\$ (6,413,709)</u>	<u>\$ 11,309,008</u>

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

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 \$2,591,609 in remediation costs and \$1,042,899 to the MDEQ for its cost recovery, for a total of \$3,634,508. Reduced by its insurer's reimbursement, the amount is \$2,939,057. This liability is recorded in the Waste Water Fund.

CMC Asbestos Bozeman CECRA Facility

In 2001, the City purchased the former CMC Heartland Partners property, the main portion of the CMC Asbestos Bozeman CECRA Facility ("Facility"), in order to build a new public library. The City submitted a Voluntary Cleanup Plan ("VCP") pursuant to Montana statutes, to the Department of Environmental Quality ("DEQ") in order to remediate contamination within the Facility. The DEQ approved the City's VCP on December 20, 2002. The City implemented the VCP and its addendums and submitted a Voluntary Cleanup Completion Report for the CMC East Main Depot Site in August 2004. In 2003, at the commencement of the remedial activity, the City of Bozeman petitioned the DEQ for an allocation of liability at the facility. Montana statutes provide a voluntary process (CALA) that allows potentially liable parties to petition for an allocation of liability as an alternative to the strict, joint and several liability scheme included in state law. CALA involves negotiations designed to allocate liability among persons involved at the facility, including bankrupt or defunct persons, referred to as the "orphan shares." CALA also provides the funding for the orphan share of the cost of remediation. An agreement was reached that allocates 79% liability to the orphan shares.

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 24. POLLUTION REMEDIATION OBLIGATIONS (CONTINUED)

CMC Asbestos Bozeman CECRA Facility (Continued)

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

The allocation agreement requires the City to complete remedial actions at the facility. The City retained the services of an environmental engineering firm, Tetra Tech, to prepare a Supplemental Investigation (SI) Work Plan. The plan was approved by the DEQ and implemented from December 2007 through June 2008. Tetra Tech’s Final SI Report was submitted to DEQ on June 20, 2008. This report describes the contaminated soils remaining at the Facility and provides recommendations for corrective actions. The recommendation for corrective action involves a DEQ-approved Addendum to the City’s original Voluntary Cleanup Plan.

At the City’s request, the DEQ made a hardship determination for the City on August 8, 2007, pursuant to state statute. This hardship determination means that the City is eligible to have all of its ongoing actual documented remedial action costs reimbursed, subject to eligibility, as soon as the City expends the money.

Montana law provides that costs may not be reimbursed until all remedial actions are complete. To date, all payments from DEQ to the City for the initial remedial action have been received, leaving no estimated remaining reimbursement amount.

On September 29, 2013, the City entered into an agreement with Olive & Wallace, LLC to remediate the Former Harrington’s property, including the small portion of potential asbestos on a property-line light post shared with the adjacent Story Distributing site. The agreement releases the City from any liability for amounts beyond what the State’s Orphan Share Fund will provide. The agreement also calls for the City to act as a “pass through” for payments from the Orphan Share Fund to the property owner. Clean-up activities occurred in the spring and summer of 2014. The final status of the property cleanup is still pending with the DEQ. When DEQ determines that the property is sufficiently cleared of contaminants, the City’s remediation liability will be adjusted.

As of June 30, 2014, the City has accrued \$16,874 on the entity-wide financials for governmental activities, which is the potential remediation liability net of projected recoveries.

CITY OF BOZEMAN, MONTANA
 NOTES TO FINANCIAL STATEMENTS (CONTINUED)
 June 30, 2014

NOTE 25. NET POSITION COMPOSITION

The table presented below displays the City's fund balances by major purpose as displayed on page 33 of the governmental funds balance sheet.

	<u>General Fund</u>	<u>Street Impact Fees Special Revenue</u>	<u>Street Maintenance Special Revenue</u>	<u>Building Inspection Special Revenue</u>	<u>SID Sinking Debt Service</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable							
Prepays	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 388,875	\$ 388,875
Cemetery perpetual care	-	-	-	-	-	880,682	880,682
Total nonspendable	-	-	-	-	-	1,269,557	1,269,557
Restricted							
General government-Planning	-	-	-	-	-	728,073	728,073
General government-Health Insurance	-	-	-	-	-	226,483	226,483
Public safety	-	-	-	1,394,550	-	954,480	2,349,030
Public service	-	9,793,964	1,977,779	-	-	-	11,771,743
Public service - Gas Tax & Com. Transp.	-	-	-	-	-	780,909	780,909
Public service - Lighting Districts	-	-	-	-	-	672,470	672,470
Public welfare - Tax Increment Districts	-	-	-	-	-	3,500,384	3,500,384
Public welfare - Econ Develop Loan Fund	-	-	-	-	-	646,981	646,981
Public welfare - Tree Maint. District	-	-	-	-	-	232,927	232,927
Public welfare - other	-	-	-	-	-	93,923	93,923
Capital projects-Trail Open Space Parks	-	-	-	-	-	9,369,420	9,369,420
Debt service	-	-	-	-	1,258,427	-	1,258,427
Debt service-SID Revolving Fund	-	-	-	-	-	2,721,476	2,721,476
Total restricted	-	9,793,964	1,977,779	1,394,550	1,258,427	19,927,526	34,352,246
Committed							
General government	-	-	-	-	-	1,259,399	1,259,399
Public safety	-	-	-	-	-	461,530	461,530
Public service	-	-	-	-	-	22,680	22,680
Public welfare	-	-	-	-	-	1,331,896	1,331,896
Total committed	-	-	-	-	-	3,075,505	3,075,505
Assigned							
General government	592,076	-	-	-	-	30,052	622,128
Capital projects	1,743,996	-	-	-	-	-	1,743,996
Debt service	-	-	-	-	-	199,550	199,550
Budget ordinance minimum 16.67%	4,084,688	-	-	-	-	-	4,084,688
Total assigned	6,420,760	-	-	-	-	229,602	6,650,362
Unassigned	193,534	-	-	-	-	(184,101)	9,433
Total fund balances	\$ 6,614,294	\$ 9,793,964	\$ 1,977,779	\$ 1,394,550	\$ 1,258,427	\$ 24,318,089	\$ 45,357,103

CITY OF BOZEMAN, MONTANA
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
June 30, 2014

NOTE 26. SUBSEQUENT EVENTS

Land Exchange

In July 2014, the City traded a 12-acre parcel of land on Frontage Road for an 8-acre parcel of land on Rouse Avenue owned by the Montana Department of Transportation. The land exchange was executed for a contemplated location for a new City justice center. In connection with the exchange, the City paid \$966,535.

Trails, Open Space, and Parks (TOPs) Bonds

In October 2014, the City issued \$5,100,000 of general obligation bonds for future trails, open space and parks projects. In addition, the City expended \$2,000,000 in capital outlay from the TOPs Bonds for construction of a sports complex.

C. REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF FUNDING PROGRESS - OTHER POST-EMPLOYMENT HEALTHCARE BENEFITS
 For the Year Ended June 30, 2014

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2013 for the Retiree Health Plan are as follows:

ANNUAL OPEB COST				
Retiree Health Plan	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost	Net OPEB Obligation
	6/30/2012	\$ 234,397	48.33%	\$ 1,729,462
	6/30/2013	\$ 221,212	49.14%	\$ 1,841,971
	6/30/2014	\$ 219,207	59.81%	\$ 1,930,074

The funded status of the plan was as follows:

FUNDED STATUS	
(a) Actuarial accrued liability (AAL)	\$ 2,002,345
(b) Actuarial value of plan assets (UAAL)	-
Unfunded actuarial accrued liability (funding excess) [(a) - (b)]	<u>\$ 2,002,345</u>
Funded ratio (b) / (a)	0.0%
(c) Covered payroll	Not available
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ({(a) - (b)} / (c))	Not available

SCHEDULE OF FUNDING PROGRESS							
Retiree Medical Plan	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
	7/1/2011	\$ -	\$ 2,203,253	\$ 2,203,253	0%	\$ 12,788,780	17.2%
	7/1/2013	\$ -	\$ 2,002,345	\$ 2,002,345	0%	Not available	Not available

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 GENERAL FUND
 For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 7,327,377	\$ 7,327,377	\$ 7,327,377	\$ -
Resources (inflows):				
Taxes	12,419,986	12,419,986	12,509,422	89,436
Special assessments	-	-	4,268	4,268
Licenses and permits	285,370	285,370	313,264	27,894
Intergovernmental	6,167,861	6,183,749	6,570,978	387,229
Charges for services	2,115,729	2,158,729	2,395,464	236,735
Fines and forfeitures	1,199,500	1,199,500	1,291,245	91,745
Sale of assets	-	-	5,372	5,372
Interest on investments	35,000	35,000	41,578	6,578
Transfers from other funds	2,184,293	2,184,293	2,193,678	9,385
Other	41,500	41,500	122,699	81,199
Amounts available for appropriation	<u>31,776,616</u>	<u>31,835,504</u>	<u>32,775,345</u>	<u>939,841</u>
Charges to appropriations (outflows):				
Current				
General government	5,445,677	5,537,177	5,343,067	194,110
Public safety	10,997,642	13,128,917	12,927,866	201,051
Public service	273,759	319,759	319,377	382
Public welfare	4,959,425	4,962,425	4,881,542	80,883
Other	3,008,946	1,029,521	961,124	68,397
Capital outlay	1,896,913	2,154,734	1,401,317	753,417
Debt service	-	-	-	-
Transfers to other funds	274,186	326,005	326,756	(751)
Total charges to appropriations	<u>26,856,548</u>	<u>27,458,538</u>	<u>26,161,049</u>	<u>1,297,489</u>
Budgetary fund balance, June 30	<u>\$ 4,920,068</u>	<u>\$ 4,376,966</u>	<u>\$ 6,614,296</u>	<u>\$ 2,237,330</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS - STREET IMPACT FEES SPECIAL REVENUE
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 10,226,240	\$ 10,226,240	\$ 10,226,240	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	921,000	921,000	2,838,071	1,917,071
Fines and forfeitures	-	-	-	-
Interest on investments	60,000	60,000	95,678	35,678
Transfers from other funds	-	-	-	-
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-
Other	-	-	800	800
Amounts available for appropriation	<u>11,207,240</u>	<u>11,207,240</u>	<u>13,160,789</u>	<u>1,953,549</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	20,000	18,345	1,655
Public welfare	-	-	-	-
Capital outlay	350,000	3,480,000	3,348,480	131,520
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>350,000</u>	<u>3,500,000</u>	<u>3,366,825</u>	<u>133,175</u>
Budgetary fund balance, June 30	<u>\$ 10,857,240</u>	<u>\$ 7,707,240</u>	<u>\$ 9,793,964</u>	<u>\$ 2,086,724</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS - STREET MAINTENANCE SPECIAL REVENUE
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 1,761,976	\$ 1,761,976	\$ 1,761,976	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	20,000	20,000	24,283	4,283
Licenses and permits	15,000	15,000	25,091	10,091
Intergovernmental	-	-	1,008	1,008
Charges for services	3,107,999	3,107,999	3,163,630	55,631
Fines and forfeitures	-	-	-	-
Interest on investments	15,000	15,000	15,714	714
Transfers from other funds	-	-	-	-
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of fixed assets	-	-	23,695	23,695
Other	-	-	11,190	11,190
Amounts available for appropriation	<u>4,919,975</u>	<u>4,919,975</u>	<u>5,026,587</u>	<u>106,612</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	2,368,206	2,568,206	2,561,885	6,321
Public welfare	-	-	-	-
Capital outlay	1,205,383	1,215,383	302,004	913,379
Debt service	255,000	255,000	184,919	70,081
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>3,828,589</u>	<u>4,038,589</u>	<u>3,048,808</u>	<u>989,781</u>
Budgetary fund balance, June 30	<u>\$ 1,091,386</u>	<u>\$ 881,386</u>	<u>\$ 1,977,779</u>	<u>\$ 1,096,393</u>

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL
 OTHER MAJOR FUNDS - BUILDING INSPECTION SPECIAL REVENUE
 Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	Budgetary Basis	Final Budget Positive (Negative)
Budgetary fund balance, July 1	\$ 1,132,359	\$ 1,132,359	\$ 1,132,359	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Licenses and permits	1,153,700	1,153,700	1,445,927	292,227
Intergovernmental	-	-	23,141	23,141
Charges for services	-	-	1,911	1,911
Fines and forfeitures	-	-	-	-
Interest on investments	7,000	7,000	12,643	5,643
Transfers from other funds	-	-	-	-
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-
Other	-	-	121	121
Amounts available for appropriation	<u>2,293,059</u>	<u>2,293,059</u>	<u>2,616,102</u>	<u>323,043</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	1,128,610	1,195,610	1,193,942	1,668
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	100,000	100,000	27,610	72,390
Debt service	-	-	-	-
Transfers to other funds	-	-	-	-
Total charges to appropriations	<u>1,228,610</u>	<u>1,295,610</u>	<u>1,221,552</u>	<u>74,058</u>
Budgetary fund balance, June 30	<u>\$ 1,064,449</u>	<u>\$ 997,449</u>	<u>\$ 1,394,550</u>	<u>\$ 397,101</u>

CITY OF BOZEMAN, MONTANA
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 Year Ended June 30, 2014

	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	\$ 32,775,345	\$ 13,160,789	\$ 5,026,587	\$ 2,616,102
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.	(7,327,377)	(10,226,240)	(1,761,976)	(1,132,359)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes.	(2,193,678)	-	-	-
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	(5,372)	-	(23,695)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 23,248,918	\$ 2,934,549	\$ 3,240,916	\$ 1,483,743
Uses/outflows of resources				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 26,161,049	\$ 3,366,825	3,048,808	1,221,552
Differences - budget to GAAP:				
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	(326,756)	-	-	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 25,834,293	\$ 3,366,825	\$ 3,048,808	\$ 1,221,552

D. SUPPLEMENTAL INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TIF N 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 PROJECTS FUNDS

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

PERMANENT FUNDS

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

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2014

	Special Revenue Funds			
	Departmental	City Planning Board	Health-Medical Insurance	Community Transportation
ASSETS				
Cash and cash equivalents	\$ 1,880,698	\$ 503,741	\$ 140,083	\$ 123,991
Receivables				
Property taxes	5,427	12,559	122,909	-
Accrued interest	-	-	-	-
Customers, net	-	-	-	-
Special assessments	-	-	-	-
Other governments	127,896	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	35,293	-	-	-
Restricted cash and cash equivalents	25,000	266,397	-	-
	<u>\$ 2,074,314</u>	<u>\$ 782,697</u>	<u>\$ 262,992</u>	<u>\$ 123,991</u>
Total assets	<u>\$ 2,074,314</u>	<u>\$ 782,697</u>	<u>\$ 262,992</u>	<u>\$ 123,991</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds			
	Departmental Special Revenues	City Planning Board	Health-Medical Insurance	Community Transportation
Liabilities:				
Accounts payable	185,682	41,575	-	660
Escheat property payable	-	-	-	-
Accrued employee benefits payable	528	9,909	-	-
Total liabilities	<u>186,210</u>	<u>51,484</u>	<u>-</u>	<u>660</u>
Deferred inflows of resources:				
Unavailable revenue-property taxes	1,563	3,140	36,509	-
Unavailable revenue-special assessments	-	-	-	-
Unavailable revenue-deferred loans	35,293	-	-	-
Unavailable revenue-court fines	-	-	-	-
Total deferred inflows of resources	<u>36,856</u>	<u>3,140</u>	<u>36,509</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	150,387	728,073	226,483	123,331
Committed	1,884,442	-	-	-
Assigned	-	-	-	-
Unassigned	(183,581)	-	-	-
Total fund balances	<u>1,851,248</u>	<u>728,073</u>	<u>226,483</u>	<u>123,331</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,074,314</u>	<u>\$ 782,697</u>	<u>\$ 262,992</u>	<u>\$ 123,991</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
ASSETS				
Cash and cash equivalents	\$ 657,578	\$ 258,335	\$ -	\$ 2,406,234
Receivables				
Property taxes	-	-	-	121,207
Accrued interest	-	-	-	3,697
Customers, net	-	-	-	-
Special assessments	-	14,197	-	2,024
Other governments	-	-	-	-
Others	-	-	-	-
Advances to other city funds	-	-	-	-
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	464,142	-
	\$ 657,578	\$ 272,532	\$ 464,142	\$ 2,533,162
Total assets	\$ 657,578	\$ 272,532	\$ 464,142	\$ 2,533,162

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
Liabilities:				
Accounts payable	-	28,208	145	774,972
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	4,055	-	-
Total liabilities	-	32,263	145	774,972
Deferred inflows of resources:				
Unavailable revenue-property taxes	-	-	-	40,821
Unavailable revenue-special assessments	-	7,342	-	-
Unavailable revenue-deferred loans	-	-	-	-
Unavailable revenue-security agreement	-	-	-	-
Total deferred inflows of resources	-	7,342	-	40,821
Fund balances:				
Nonspendable	-	-	-	-
Restricted	657,578	232,927	463,997	1,717,369
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	657,578	232,927	463,997	1,717,369
Total liabilities, deferred inflows of resources, and fund balances	\$ 657,578	\$ 272,532	\$ 464,142	\$ 2,533,162

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
ASSETS					
Cash and cash equivalents	\$ -	\$ 347,768	\$ 5,317	\$ 21,038	\$ 154,531
Receivables					
Property taxes	-	-	-	-	-
Accrued interest	-	-	-	-	-
Customers, net	646,981	-	-	9,929	-
Special assessments	-	-	-	-	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	-
Notes receivable	212,056	62,500	16,721	-	-
Restricted cash and cash equivalents	-	-	-	-	-
	<u>\$ 859,037</u>	<u>\$ 410,268</u>	<u>\$ 22,038</u>	<u>\$ 30,967</u>	<u>\$ 154,531</u>
Total assets					(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
Liabilities:					
Accounts payable	-	-	-	719	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	2,968	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,687</u>	<u>-</u>
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	-	-	-	-
Unavailable revenue-special assessments	-	-	-	-	-
Unavailable revenue-deferred loans	212,056	62,500	16,721	-	-
Unavailable revenue-security agreement	-	-	-	-	-
Total deferred inflows of resources	<u>212,056</u>	<u>62,500</u>	<u>16,721</u>	<u>-</u>	<u>-</u>
Fund balances:					
Nonspendable	-	-	-	-	-
Restricted	646,981	-	5,317	27,280	-
Committed	-	347,768	-	-	154,531
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	<u>646,981</u>	<u>347,768</u>	<u>5,317</u>	<u>27,280</u>	<u>154,531</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 859,037</u>	<u>\$ 410,268</u>	<u>\$ 22,038</u>	<u>\$ 30,967</u>	<u>\$ 154,531</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds				
	Law and Justice Center	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
ASSETS					
Cash and cash equivalents	\$ -	\$ 1,453,714	\$ 319,148	\$ 384,070	\$ 2,688
Receivables					
Property taxes	-	50,693	7,171	-	20,396
Accrued interest	-	-	-	-	-
Customers, net	-	-	-	5,920	-
Special assessments	-	-	-	-	-
Other governments	-	-	-	-	-
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	388,875	-	-	-	-
Notes receivable	-	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-	-
	<u>\$ 388,875</u>	<u>\$ 1,504,407</u>	<u>\$ 326,319</u>	<u>\$ 389,990</u>	<u>\$ 23,084</u>
Total assets					(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds				
	Law and Justice Center	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
Liabilities:					
Accounts payable	-	37,247	8,931	-	-
Escheat property payable	-	-	-	-	-
Accrued employee benefits payable	-	-	-	-	-
Total liabilities	-	37,247	8,931	-	-
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	909	624	-	5,074
Unavailable revenue-special assessments	-	-	-	-	-
Unavailable revenue-deferred loans	-	-	-	-	-
Unavailable revenue-security agreement	-	-	-	-	-
Total deferred inflows of resources	-	909	624	-	5,074
Fund balances:					
Nonspendable	388,875	-	-	-	-
Restricted	-	1,466,251	316,764	389,990	-
Committed	-	-	-	-	18,010
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total fund balances	388,875	1,466,251	316,764	389,990	18,010
Total liabilities, deferred inflows of resources, and fund balances	\$ 388,875	\$ 1,504,407	\$ 326,319	\$ 389,990	\$ 23,084

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds				
	Tourism Business Improvement	Street Lighting	Park Land	Municipal Court Restitution	Total
ASSETS					
Cash and cash equivalents	\$ 186,412	\$ 686,998	\$ 303,852	\$ 18,879	\$ 9,855,075
Receivables					
Property taxes	-	-	-	-	340,362
Accrued interest	-	-	-	-	3,697
Customers, net	-	820	-	-	663,650
Special assessments	19,081	12,504	-	-	47,806
Other governments	-	-	-	-	127,896
Others	-	-	-	-	-
Advances to other city funds	-	-	-	-	-
Prepaid expenditures	-	-	-	-	388,875
Notes receivable	-	-	-	-	326,570
Restricted cash and cash equivalents	-	-	-	-	755,539
	<u>\$ 205,493</u>	<u>\$ 700,322</u>	<u>\$ 303,852</u>	<u>\$ 18,879</u>	<u>\$ 12,509,470</u>
Total assets	<u>\$ 205,493</u>	<u>\$ 700,322</u>	<u>\$ 303,852</u>	<u>\$ 18,879</u>	<u>\$ 12,509,470</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Special Revenue Funds				Total
	Tourism Business Improvement	Street Lighting	Park Land	Municipal Court Restitution	
Liabilities:					
Accounts payable	186,412	27,852	-	1,000	1,293,403
Escheat property payable	-	-	-	17,774	17,774
Accrued employee benefits payable	-	-	-	-	17,460
Total liabilities	186,412	27,852	-	18,774	1,328,637
Deferred inflows of resources:					
Unavailable revenue-property taxes	-	-	-	-	88,640
Unavailable revenue-special assessments	7,754	-	-	-	15,096
Unavailable revenue-deferred loans	-	-	-	-	326,570
Unavailable revenue-security agreement	-	-	-	-	-
Total deferred inflows of resources	7,754	-	-	-	430,306
Fund balances:					
Nonspendable	-	-	-	-	388,875
Restricted	11,327	672,470	-	105	7,836,630
Committed	-	-	303,852	-	2,708,603
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	(183,581)
Total fund balances	11,327	672,470	303,852	105	10,750,527
Total liabilities, deferred inflows of resources, and fund balances	\$ 205,493	\$ 700,322	\$ 303,852	\$ 18,879	\$ 12,509,470

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Total
ASSETS				
Cash and cash equivalents	\$ 2,474,971	\$ 78,512	\$ -	\$ 2,553,483
Receivables				
Property taxes	-	47,173	-	47,173
Accrued interest	4,661	-	-	4,661
Customers, net	-	-	-	-
Special assessments	-	-	-	-
Other governments	-	-	-	-
Others	-	-	-	-
Advances to other city funds	131,726	-	-	131,726
Prepaid expenditures	-	-	-	-
Notes receivable	-	-	-	-
Restricted cash and cash equivalents	-	-	-	-
	<u>\$ 2,611,358</u>	<u>\$ 125,685</u>	<u>\$ -</u>	<u>\$ 2,737,043</u>
Total assets				(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Debt Service Funds			
	SID Revolving	G.O. Bonds	TIF Bonds	Total
Liabilities:				
Accounts payable	-	-	-	-
Escheat property payable	-	-	-	-
Accrued employee benefits payable	-	-	-	-
Total liabilities	-	-	-	-
Deferred inflows of resources:				
Unavailable revenue-property taxes	-	15,567	-	15,567
Unavailable revenue-special assessments	-	-	-	-
Unavailable revenue-deferred loans	-	-	-	-
Unavailable revenue-security agreement	-	-	-	-
Total deferred inflows of resources	-	15,567	-	15,567
Fund balances:				
Nonspendable	-	-	-	-
Restricted	2,611,358	110,118	-	2,721,476
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	2,611,358	110,118	-	2,721,476
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,611,358</u>	<u>\$ 125,685</u>	<u>\$ -</u>	<u>\$ 2,737,043</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>General Improvements</u>	<u>Perpetual Cemetery Care</u>	
ASSETS			
Cash and cash equivalents	\$ 9,960,238	\$ -	\$ 22,368,796
Receivables			
Property taxes	-	-	387,535
Accrued interest	14,785	-	23,143
Customers, net	-	-	663,650
Special assessments	-	-	47,806
Other governments	-	-	127,896
Others	-	-	-
Advances to other city funds	-	-	131,726
Prepaid expenditures	-	-	388,875
Notes receivable	-	-	326,570
Restricted cash and cash equivalents	-	882,091	1,637,630
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 9,975,023</u>	<u>\$ 882,091</u>	<u>\$ 26,103,627</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 June 30, 2014

	Capital Projects Fund	Permanent Fund	Total Nonmajor Governmental Funds
	General Improvements	Perpetual Cemetery Care	
Liabilities:			
Accounts payable	9,619	1,409	1,304,431
Escheat property payable	-	-	17,774
Accrued employee benefits payable	-	-	17,460
Total liabilities	<u>9,619</u>	<u>1,409</u>	<u>1,339,665</u>
Deferred inflows of resources:			
Unavailable revenue-property taxes	-	-	104,207
Unavailable revenue-special assessments	-	-	15,096
Unavailable revenue-deferred loans	-	-	326,570
Unavailable revenue-security agreement	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>445,873</u>
Fund balances:			
Nonspendable	-	880,682	1,269,557
Restricted	9,369,420	-	19,927,526
Committed	366,902	-	3,075,505
Assigned	229,602	-	229,602
Unassigned	(520)	-	(184,101)
Total fund balances	<u>9,965,404</u>	<u>880,682</u>	<u>24,318,089</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,975,023</u>	<u>\$ 882,091</u>	<u>\$ 26,103,627</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2014

	Special Revenue Funds			
	Departmental	City Planning Board	Health-Medical Insurance	Community Transportation
REVENUES				
Taxes	\$ 100,913	\$ 170,047	\$ 1,901,150	\$ -
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	586,918	106,061	-	25,812
Charges for services	30,575	416,017	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	15,112	3,446	365	812
Loan repayment	5,167	-	-	-
Other	109,797	12,624	-	-
Total revenues	<u>848,482</u>	<u>708,195</u>	<u>1,901,515</u>	<u>26,624</u>
EXPENDITURES				
Current				
General government	-	727,730	-	-
Public safety	239,427	-	-	-
Public service	11,238	-	-	162
Public welfare	321,791	-	-	-
Other	85,588	-	-	-
Capital outlay	318,303	8,916	-	29,879
Debt service				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>976,347</u>	<u>736,646</u>	<u>-</u>	<u>30,041</u>
Revenues over (under) expenditures	<u>(127,865)</u>	<u>(28,451)</u>	<u>1,901,515</u>	<u>(3,417)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	84,900	184,036	-	30,150
Transfers out	(70,691)	-	(2,124,374)	-
Long-term debt issued	-	-	-	-
Sale of capital assets	3,905	-	-	-
Total other financing sources (uses)	<u>18,114</u>	<u>184,036</u>	<u>(2,124,374)</u>	<u>30,150</u>
Net change in fund balance	(109,751)	155,585	(222,859)	26,733
FUND BALANCES, beginning of year	<u>1,960,999</u>	<u>572,488</u>	<u>449,342</u>	<u>96,598</u>
FUND BALANCES, end of year	<u>\$ 1,851,248</u>	<u>\$ 728,073</u>	<u>\$ 226,483</u>	<u>\$ 123,331</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2014

	Special Revenue Funds			
	Gas Tax Apportionment	Tree Maintenance	Fire Impact Fees	Downtown Improvement District
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ 817,363
Special assessments	-	1,877	-	120,153
Licenses and permits	-	-	-	-
Intergovernmental	655,654	1,052	-	45,437
Charges for services	-	425,148	296,261	-
Fines and forfeitures	-	-	-	-
Interest on investments	3,983	1,696	2,428	14,951
Loan repayment	-	-	-	-
Other	-	11,903	-	-
Total revenues	<u>659,637</u>	<u>441,676</u>	<u>298,689</u>	<u>997,904</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	2,635	-
Public service	202,125	-	-	-
Public welfare	-	455,940	-	350,839
Other	-	-	-	-
Capital outlay	444,497	15,592	-	-
Debt service				
Principal	-	-	-	-
Interest and fiscal fees	-	-	-	-
Total expenditures	<u>646,622</u>	<u>471,532</u>	<u>2,635</u>	<u>350,839</u>
Revenues over (under) expenditures	<u>13,015</u>	<u>(29,856)</u>	<u>296,054</u>	<u>647,065</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(433,438)
Long-term debt issued	-	-	-	-
Sale of capital assets	-	10,570	-	-
Total other financing sources (uses)	<u>-</u>	<u>10,570</u>	<u>-</u>	<u>(433,438)</u>
Net change in fund balances	13,015	(19,286)	296,054	213,627
FUND BALANCES, beginning of year	<u>644,563</u>	<u>252,213</u>	<u>167,943</u>	<u>1,503,742</u>
FUND BALANCES, end of year	<u>\$ 657,578</u>	<u>\$ 232,927</u>	<u>\$ 463,997</u>	<u>\$ 1,717,369</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2014

	Special Revenue Funds				
	Economic Development Revolving Loan	Community Housing	Housing Revolving Loan Fund	Drug Forfeitures	City-County Drug Forfeitures
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	133,525	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	45,885	-
Interest on investments	802	2,555	62	311	1,126
Loan repayment	48,620	5,000	5,193	-	-
Other	-	-	-	-	-
Total revenues	<u>49,422</u>	<u>7,555</u>	<u>5,255</u>	<u>179,721</u>	<u>1,126</u>
EXPENDITURES					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	221,737	-
Public service	-	-	-	-	-
Public welfare	41,000	40,000	14,400	-	-
Other	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>41,000</u>	<u>40,000</u>	<u>14,400</u>	<u>221,737</u>	<u>-</u>
Revenues over (under) expenditures	<u>8,422</u>	<u>(32,445)</u>	<u>(9,145)</u>	<u>(42,016)</u>	<u>1,126</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	42,819	-	-	-
Transfers out	-	-	-	-	-
Long-term debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>42,819</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	8,422	10,374	(9,145)	(42,016)	1,126
FUND BALANCES, beginning of year	<u>638,559</u>	<u>337,394</u>	<u>14,462</u>	<u>69,296</u>	<u>153,405</u>
FUND BALANCES, end of year	<u>\$ 646,981</u>	<u>\$ 347,768</u>	<u>\$ 5,317</u>	<u>\$ 27,280</u>	<u>\$ 154,531</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2014

	Special Revenue Funds				
	Law and Justice Center	TIF N 7th Corridor	TIF N.E. Urban Renewal	Victim/Witness Advocate	Fire Department Equipment
REVENUES					
Taxes	\$ -	\$ 747,455	\$ 106,872	\$ -	\$ 337,202
Special assessments	-	-	-	-	-
Licenses and permits	-	-	-	-	-
Intergovernmental	-	19,067	201	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	74,032	-
Interest on investments	-	6,578	2,048	2,950	359
Loan repayment	-	-	-	-	-
Other	-	6,077	-	-	-
Total revenues	<u>-</u>	<u>779,177</u>	<u>109,121</u>	<u>76,982</u>	<u>337,561</u>
EXPENDITURES					
Current					
General government	-	-	-	67,778	-
Public safety	19,125	-	-	-	33,154
Public service	-	-	-	-	-
Public welfare	-	49,049	49,835	-	-
Other	-	-	-	-	-
Capital outlay	-	235,554	-	-	1,156,535
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>19,125</u>	<u>284,603</u>	<u>49,835</u>	<u>67,778</u>	<u>1,189,689</u>
Revenues over (under) expenditures	<u>(19,125)</u>	<u>494,574</u>	<u>59,286</u>	<u>9,204</u>	<u>(852,128)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	-
Transfers out	-	(10,000)	(5,000)	-	-
Long-term debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(10,000)</u>	<u>(5,000)</u>	<u>-</u>	<u>-</u>
Net change in fund balance	(19,125)	484,574	54,286	9,204	(852,128)
FUND BALANCES, beginning of year	<u>408,000</u>	<u>981,677</u>	<u>262,478</u>	<u>380,786</u>	<u>870,138</u>
FUND BALANCES, end of year	<u>\$ 388,875</u>	<u>\$ 1,466,251</u>	<u>\$ 316,764</u>	<u>\$ 389,990</u>	<u>\$ 18,010</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2014

	Special Revenue Funds				Totals
	Tourism Business Improvement	Street Lighting	Park Land	Municipal Court Restitution	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 4,181,002
Special assessments	434,969	371,911	-	-	928,910
Licenses and permits	-	-	-	-	-
Intergovernmental	-	-	-	-	1,573,727
Charges for services	-	-	-	-	1,168,001
Fines and forfeitures	-	-	-	-	119,917
Interest on investments	-	5,001	2,190	1	66,776
Loan repayment	-	-	-	-	63,980
Other	-	-	10,435	-	150,836
Total revenues	<u>434,969</u>	<u>376,912</u>	<u>12,625</u>	<u>1</u>	<u>8,253,149</u>
EXPENDITURES					
Current					
General government	-	-	-	-	795,508
Public safety	-	-	-	-	516,078
Public service	-	385,638	-	-	599,163
Public welfare	431,137	-	-	-	1,753,991
Other	-	-	-	-	85,588
Capital outlay	-	-	-	-	2,209,276
Debt service					
Principal	-	-	-	-	-
Interest and fiscal fees	-	-	-	-	-
Total expenditures	<u>431,137</u>	<u>385,638</u>	<u>-</u>	<u>-</u>	<u>5,959,604</u>
Revenues over (under) expenditures	<u>3,832</u>	<u>(8,726)</u>	<u>12,625</u>	<u>1</u>	<u>2,293,545</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	-	341,905
Transfers out	-	-	-	-	(2,643,503)
Long-term debt issued	-	-	-	-	-
Sale of capital assets	-	-	-	-	14,475
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,287,123)</u>
Net change in fund balance	3,832	(8,726)	12,625	1	6,422
FUND BALANCES, beginning of year	<u>7,495</u>	<u>681,196</u>	<u>291,227</u>	<u>104</u>	<u>10,744,105</u>
FUND BALANCES, end of year	<u>\$ 11,327</u>	<u>\$ 672,470</u>	<u>\$ 303,852</u>	<u>\$ 105</u>	<u>\$ 10,750,527</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2014

	Debt Service Funds			Totals
	SID Revolving	G.O. Bonds	TIF Bonds	
REVENUES				
Taxes	\$ -	\$ 694,947	\$ -	\$ 694,947
Special assessments	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	18,854	-	-	18,854
Loan repayment	-	-	-	-
Other	1,443	-	-	1,443
Total revenues	<u>20,297</u>	<u>694,947</u>	<u>-</u>	<u>715,244</u>
EXPENDITURES				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	660,000	180,000	840,000
Interest and fiscal fees	-	46,975	243,438	290,413
Total expenditures	<u>-</u>	<u>706,975</u>	<u>423,438</u>	<u>1,130,413</u>
Revenues over (under) expenditures	<u>20,297</u>	<u>(12,028)</u>	<u>(423,438)</u>	<u>(415,169)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	143,528	-	423,438	566,966
Transfers out	-	-	-	-
Long-term debt issued	-	-	-	-
Sale of capital assets	-	-	-	-
Total other financing sources (uses)	<u>143,528</u>	<u>-</u>	<u>423,438</u>	<u>566,966</u>
Net change in fund balance	163,825	(12,028)	-	151,797
FUND BALANCES, beginning of year	<u>2,447,533</u>	<u>122,146</u>	<u>-</u>	<u>2,569,679</u>
FUND BALANCES, end of year	<u>\$ 2,611,358</u>	<u>\$ 110,118</u>	<u>\$ -</u>	<u>\$ 2,721,476</u>

(continued)

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES-
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2014

	<u>Capital Projects Fund</u>	<u>Permanent Fund</u>	Total Nonmajor Governmental Funds
	General Improvements	Cemetery Perpetual Care	
REVENUES			
Taxes	\$ -	\$ -	\$ 4,875,949
Special assessments	-	-	928,910
Licenses and permits	-	-	-
Intergovernmental	39,916	-	1,613,643
Charges for services	-	89,046	1,257,047
Fines and forfeitures	-	-	119,917
Interest on investments	62,967	6,106	154,703
Loan repayment	-	-	63,980
Other	-	-	152,279
Total revenues	<u>102,883</u>	<u>95,152</u>	<u>9,166,428</u>
EXPENDITURES			
Current			
General government	-	-	795,508
Public safety	-	-	516,078
Public service	-	-	599,163
Public welfare	42,814	-	1,796,805
Other	-	-	85,588
Capital outlay	764,769	-	2,974,045
Debt service			
Principal	-	-	840,000
Interest and fiscal fees	-	-	290,413
Total expenditures	<u>807,583</u>	<u>-</u>	<u>7,897,600</u>
Revenues over (under) expenditures	<u>(704,700)</u>	<u>95,152</u>	<u>1,268,828</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	1,238	-	910,109
Transfers out	-	-	(2,643,503)
Long-term debt issued	10,012,647	-	10,012,647
Sale of capital assets	199,550	-	214,025
Total other financing sources (uses)	<u>10,213,435</u>	<u>-</u>	<u>8,493,278</u>
Net change in fund balance	9,508,735	95,152	9,762,106
FUND BALANCES, beginning of year	<u>456,669</u>	<u>785,530</u>	<u>14,555,983</u>
FUND BALANCES, end of year	<u>\$ 9,965,404</u>	<u>\$ 880,682</u>	<u>\$ 24,318,089</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, 2014

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance with Final Budget
	Original	Final		Positive (Negative)
Budgetary fund balance, July 1	\$ 886,462	\$ 886,462	\$ 886,462	\$ -
Resources (inflows):				
Taxes	-	-	-	-
Special assessments	1,619,500	1,619,500	1,054,483	(565,017)
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Interest on investments	-	-	8,770	8,770
Transfers from other funds	-	-	-	-
Proceeds from long term debt	-	-	-	-
Premium on bonds issued	-	-	-	-
Proceeds from the sale of fixed assets	-	-	-	-
Other	-	-	-	-
Amounts available for appropriation	<u>2,505,962</u>	<u>2,505,962</u>	<u>1,949,715</u>	<u>(556,247)</u>
Charges to appropriations (outflows):				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public service	-	-	-	-
Public welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	1,464,500	1,464,500	547,760	916,740
Transfers to other funds	155,000	155,000	143,528	11,472
Total charges to appropriations	<u>1,619,500</u>	<u>1,619,500</u>	<u>691,288</u>	<u>928,212</u>
Budgetary fund balance, June 30	<u>\$ 886,462</u>	<u>\$ 886,462</u>	<u>\$ 1,258,427</u>	<u>\$ 371,965</u>

CITY OF BOZEMAN, MONTANA
 NOTE TO BUDGET TO ACTUAL STATEMENT-OTHER MAJOR FUNDS
 Year Ended June 30, 2014

	<u>SID Sinking Fund</u>
Sources/inflows of resources	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 1,949,715
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.	(886,462)
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>\$ 1,063,253</u>
Uses/outflows of resources	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 691,288
Differences - budget to GAAP:	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes.	<u>(143,528)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 547,760</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, 2014

	Special Revenue Funds					
	Departmental Special Revenues			City Planning Board		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 130,891	\$ 100,913	\$ (29,978)	\$ 169,782	\$ 170,047	\$ 265
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	515,000	586,918	71,918	101,480	106,061	4,581
Charges for services	15,547	30,575	15,028	146,700	416,017	269,317
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	18,100	15,112	(2,988)	-	3,446	3,446
Loan repayment	-	5,167	5,167	-	-	-
Other	27,000	109,797	82,797	16,000	12,624	(3,376)
Total revenues	<u>706,538</u>	<u>848,482</u>	<u>141,944</u>	<u>433,962</u>	<u>708,195</u>	<u>274,233</u>
EXPENDITURES - BUDGET						
UNIT	<u>1,320,141</u>	<u>976,347</u>	<u>343,794</u>	<u>782,979</u>	<u>736,646</u>	<u>46,333</u>
Revenues over (under) expenditures	<u>(613,603)</u>	<u>(127,865)</u>	<u>485,738</u>	<u>(349,017)</u>	<u>(28,451)</u>	<u>320,566</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	75,000	84,900	9,900	199,036	184,036	(15,000)
Transfers out	(71,500)	(70,691)	809	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	3,905	3,905	-	-	-
Total other financing sources (uses)	<u>3,500</u>	<u>18,114</u>	<u>14,614</u>	<u>199,036</u>	<u>184,036</u>	<u>(15,000)</u>
Revenues and other sources over (under) expenditures	<u>\$ (610,103)</u>	<u>(109,751)</u>	<u>\$ 500,352</u>	<u>\$ (149,981)</u>	<u>155,585</u>	<u>\$ 305,566</u>
FUND BALANCES, beginning of year		<u>1,960,999</u>			<u>572,488</u>	
FUND BALANCES, end of year		<u>\$ 1,851,248</u>			<u>\$ 728,073</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, 2014

	Special Revenue Funds					
	Health-Medical Insurance			Community Transportation		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 1,982,204	\$ 1,901,150	\$ (81,054)	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	25,812	25,812
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	365	365	-	812	812
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>1,982,204</u>	<u>1,901,515</u>	<u>(80,689)</u>	<u>-</u>	<u>26,624</u>	<u>26,624</u>
EXPENDITURES - BUDGET						
UNIT	-	-	-	30,515	30,041	474
Revenues over (under) expenditures	<u>1,982,204</u>	<u>1,901,515</u>	<u>(80,689)</u>	<u>(30,515)</u>	<u>(3,417)</u>	<u>27,098</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	30,150	30,150	-
Transfers out	(2,178,484)	(2,124,374)	54,110	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(2,178,484)</u>	<u>(2,124,374)</u>	<u>54,110</u>	<u>30,150</u>	<u>30,150</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (196,280)</u>	<u>(222,859)</u>	<u>\$ (26,579)</u>	<u>\$ (365)</u>	<u>26,733</u>	<u>\$ 27,098</u>
FUND BALANCES, beginning of year		<u>449,342</u>			<u>96,598</u>	
FUND BALANCES, end of year		<u>\$ 226,483</u>			<u>\$ 123,331</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, 2014

	Special Revenue Funds					
	Gas Tax Apportionment			Tree Maintenance		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	4,000	1,877	(2,123)
Licenses and permits	-	-	-	-	-	-
Intergovernmental	650,400	655,654	5,254	-	1,052	1,052
Charges for services	-	-	-	420,745	425,148	4,403
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	4,000	3,983	(17)	2,000	1,696	(304)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	6,000	11,903	5,903
Total revenues	<u>654,400</u>	<u>659,637</u>	<u>5,237</u>	<u>432,745</u>	<u>441,676</u>	<u>8,931</u>
EXPENDITURES - BUDGET						
UNIT	<u>703,000</u>	<u>646,622</u>	<u>56,378</u>	<u>545,609</u>	<u>471,532</u>	<u>74,077</u>
Revenues over (under) expenditures	<u>(48,600)</u>	<u>13,015</u>	<u>61,615</u>	<u>(112,864)</u>	<u>(29,856)</u>	<u>83,008</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	10,570	10,570
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,570</u>	<u>10,570</u>
Revenues and other sources over (under) expenditures	<u>\$ (48,600)</u>	<u>13,015</u>	<u>\$ 61,615</u>	<u>\$ (112,864)</u>	<u>(19,286)</u>	<u>\$ 93,578</u>
FUND BALANCES, beginning of year		<u>644,563</u>			<u>252,213</u>	
FUND BALANCES, end of year		<u>\$ 657,578</u>			<u>\$ 232,927</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, 2014

	Special Revenue Funds					
	Fire Impact Fees Special Revenue			Downtown Improvement District		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	-	\$ 1,425,195	\$ 817,363	\$ (607,832)
Special assessments	-	-	-	120,000	120,153	153
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	31,158	45,437	14,279
Charges for services	190,000	296,261	106,261	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	2,428	2,428	11,000	14,951	3,951
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>190,000</u>	<u>298,689</u>	<u>108,689</u>	<u>1,587,353</u>	<u>997,904</u>	<u>(589,449)</u>
EXPENDITURES - BUDGET						
UNIT	<u>3,500</u>	<u>2,635</u>	<u>865</u>	<u>1,672,600</u>	<u>350,839</u>	<u>1,321,761</u>
Revenues over (under) expenditures	<u>186,500</u>	<u>296,054</u>	<u>109,554</u>	<u>(85,247)</u>	<u>647,065</u>	<u>732,312</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	(438,388)	(433,438)	4,950
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(438,388)</u>	<u>(433,438)</u>	<u>4,950</u>
Revenues and other sources over (under) expenditures	<u>\$ 186,500</u>	<u>296,054</u>	<u>\$ 109,554</u>	<u>\$ (523,635)</u>	<u>213,627</u>	<u>\$ 737,262</u>
FUND BALANCES, beginning of year		<u>167,943</u>			<u>1,503,742</u>	
FUND BALANCES, end of year		<u>\$ 463,997</u>			<u>\$ 1,717,369</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, 2014

	Special Revenue Funds					
	Economic Development Revolving Loan Fund			Community Housing		
	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	-	802	802	3,000	2,555	(445)
Loan repayment	-	48,620	48,620	5,000	5,000	-
Other	-	-	-	-	-	-
Total revenues	-	49,422	49,422	8,000	7,555	(445)
EXPENDITURES - BUDGET						
UNIT	41,000	41,000	-	47,000	40,000	7,000
Revenues over (under) expenditures	(41,000)	8,422	49,422	(39,000)	(32,445)	6,555
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	42,819	42,819	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	42,819	42,819	-
Revenues and other sources over (under) expenditures	\$ (41,000)	8,422	\$ 49,422	\$ 3,819	10,374	\$ 6,555
FUND BALANCES, beginning of year		638,559			337,394	
FUND BALANCES, end of year		\$ 646,981			\$ 347,768	

(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, 2014

	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	-	-	-	56,000	133,525	77,525
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	50,000	45,885	(4,115)
Interest on investments	750	62	(688)	-	311	311
Loan repayment	4,950	5,193	243	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>5,700</u>	<u>5,255</u>	<u>(445)</u>	<u>106,000</u>	<u>179,721</u>	<u>73,721</u>
EXPENDITURES - BUDGET						
UNIT	<u>14,400</u>	<u>14,400</u>	<u>-</u>	<u>225,452</u>	<u>221,737</u>	<u>3,715</u>
Revenues over (under) expenditures	<u>(8,700)</u>	<u>(9,145)</u>	<u>(445)</u>	<u>(119,452)</u>	<u>(42,016)</u>	<u>77,436</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	90,000	-	(90,000)
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	14,462	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>14,462</u>	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>
Revenues and other sources over (under) expenditures	<u>\$ (8,700)</u>	<u>(9,145)</u>	<u>\$ (445)</u>	<u>\$ (29,452)</u>	<u>(42,016)</u>	<u>\$ (12,564)</u>
FUND BALANCES, beginning of year		<u>14,462</u>			<u>69,296</u>	
FUND BALANCES, end of year		<u>\$ 5,317</u>			<u>\$ 27,280</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, 2014

	Special Revenue Funds					
	City-County Drug Forfeitures			Law and Justice Center		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	500	-	(500)	-	-	-
Interest on investments	1,500	1,126	(374)	-	-	-
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>2,000</u>	<u>1,126</u>	<u>(874)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES - BUDGET						
UNIT	-	-	-	20,000	19,125	875
Revenues over (under) expenditures	<u>2,000</u>	<u>1,126</u>	<u>(874)</u>	<u>(20,000)</u>	<u>(19,125)</u>	<u>875</u>
OTHER FINANCING SOURCES						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ 2,000</u>	1,126	<u>\$ (874)</u>	<u>\$ (20,000)</u>	(19,125)	<u>\$ 875</u>
FUND BALANCES, beginning of year		<u>153,405</u>			<u>408,000</u>	
FUND BALANCES, end of year		<u>\$ 154,531</u>			<u>\$ 388,875</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, 2014

	Special Revenue Funds					
	TIF N 7th Corridor			TIF N.E. Urban Renewal		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ 645,000	\$ 747,455	\$ 102,455	\$ 79,000	\$ 106,872	\$ 27,872
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	19,067	19,067	-	201	201
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	7,500	6,578	(922)	1,600	2,048	448
Loan repayment	-	-	-	-	-	-
Other	-	6,077	6,077	-	-	-
Total revenues	<u>652,500</u>	<u>779,177</u>	<u>126,677</u>	<u>80,600</u>	<u>109,121</u>	<u>28,521</u>
EXPENDITURES - BUDGET UNIT	<u>856,849</u>	<u>284,603</u>	<u>572,246</u>	<u>92,400</u>	<u>49,835</u>	<u>42,565</u>
Revenues over (under) expenditures	<u>(204,349)</u>	<u>494,574</u>	<u>698,923</u>	<u>(11,800)</u>	<u>59,286</u>	<u>71,086</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	(10,000)	(10,000)	-	(5,000)	(5,000)	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (214,349)</u>	<u>484,574</u>	<u>\$ 698,923</u>	<u>\$ (16,800)</u>	<u>54,286</u>	<u>\$ 71,086</u>
FUND BALANCES, beginning of year		<u>981,677</u>			<u>262,478</u>	
FUND BALANCES, end of year		<u>\$ 1,466,251</u>			<u>\$ 316,764</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, 2014

	Special Revenue Funds					
	Victim/Witness Advocate			Fire Department Equipment		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 339,564	\$ 337,202	\$ (2,362)
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	65,000	74,032	9,032	-	-	-
Interest on investments	3,500	2,950	(550)	1,000	359	(641)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>68,500</u>	<u>76,982</u>	<u>8,482</u>	<u>340,564</u>	<u>337,561</u>	<u>(3,003)</u>
EXPENDITURES - BUDGET						
UNIT	<u>125,000</u>	<u>67,778</u>	<u>57,222</u>	<u>1,214,864</u>	<u>1,189,689</u>	<u>25,175</u>
Revenues over (under) expenditures	<u>(56,500)</u>	<u>9,204</u>	<u>65,704</u>	<u>(874,300)</u>	<u>(852,128)</u>	<u>22,172</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>\$ (56,500)</u>	<u>9,204</u>	<u>\$ 65,704</u>	<u>\$ (874,300)</u>	<u>(852,128)</u>	<u>\$ 22,172</u>
FUND BALANCES, beginning of year		<u>380,786</u>			<u>870,138</u>	
FUND BALANCES, end of year		<u>\$ 389,990</u>			<u>\$ 18,010</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, 2014

	Special Revenue Funds					
	Tourism Business Improvement District			Street Lighting		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	435,000	434,969	(31)	150,000	371,911	221,911
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	-	-	-	5,001	5,001
Loan repayment	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>435,000</u>	<u>434,969</u>	<u>(31)</u>	<u>150,000</u>	<u>376,912</u>	<u>226,912</u>
EXPENDITURES - BUDGET						
UNIT	<u>435,000</u>	<u>431,137</u>	<u>3,863</u>	<u>388,300</u>	<u>385,638</u>	<u>2,662</u>
Revenues over (under) expenditures	<u>-</u>	<u>3,832</u>	<u>3,832</u>	<u>(238,300)</u>	<u>(8,726)</u>	<u>229,574</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>\$ -</u>	<u>3,832</u>	<u>\$ 3,832</u>	<u>\$ (238,300)</u>	<u>(8,726)</u>	<u>\$ 229,574</u>
FUND BALANCES, beginning of year		<u>7,495</u>			<u>681,196</u>	
FUND BALANCES, end of year		<u>\$ 11,327</u>			<u>\$ 672,470</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, 2014

	Special Revenue Funds					
	Park Land			Municipal Court Restitution		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-
Interest on investments	-	2,190	2,190	-	1	1
Loan repayment	-	-	-	-	-	-
Other	-	10,435	10,435	-	-	-
Total revenues	-	12,625	12,625	-	1	1
EXPENDITURES - BUDGET UNIT	-	-	-	-	-	-
Revenues over (under) expenditures	-	12,625	12,625	-	1	1
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Long-term debt issued	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	12,625	\$ 12,625	\$ -	1	\$ 1
FUND BALANCES, beginning of year		291,227			104	
FUND BALANCES, end of year		\$ 303,852			\$ 105	

(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, 2014

	Special Revenue Funds		
	Total		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 4,771,636	\$ 4,181,002	\$ (590,634)
Special assessments	709,000	928,910	219,910
Licenses and permits	-	-	-
Intergovernmental	1,354,038	1,573,727	219,689
Charges for services	772,992	1,168,001	395,009
Fines and forfeitures	115,500	119,917	4,417
Interest on investments	53,950	66,776	12,826
Loan repayment	9,950	63,980	54,030
Other	49,000	150,836	101,836
Total revenues	<u>7,836,066</u>	<u>8,253,149</u>	<u>417,083</u>
EXPENDITURES - BUDGET			
UNIT	<u>8,518,609</u>	<u>5,959,604</u>	<u>2,559,005</u>
Revenues over (under) expenditures	<u>(682,543)</u>	<u>2,293,545</u>	<u>2,976,088</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	437,005	341,905	(95,100)
Transfers out	(2,703,372)	(2,643,503)	59,869
Long-term debt issued	-	-	-
Sale of capital assets	-	14,475	14,475
Total other financing sources (uses)	<u>(2,266,367)</u>	<u>(2,287,123)</u>	<u>(20,756)</u>
Revenues and other sources over (under) expenditures	<u>\$ (2,948,910)</u>	6,422	<u>\$ 2,955,332</u>
FUND BALANCES, beginning of year		10,744,105	
FUND BALANCES, end of year		<u>\$ 10,750,527</u>	

(continued)

CITY OF BOZEMAN, MONTANA
 SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
 NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
 Year Ended June 30, 2014

	Debt Service Funds					
	SID Revolving			G.O. Bonds		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 706,500	\$ 694,947	\$ (11,553)
Interest on investments	20,000	18,854	(1,146)	-	-	-
Loan repayment	-	-	-	-	-	-
Other	11,240	1,443	-	-	-	-
Total revenue	<u>31,240</u>	<u>20,297</u>	<u>(1,146)</u>	<u>706,500</u>	<u>694,947</u>	<u>(11,553)</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service						
Principal	-	-	-	660,000	660,000	-
Interest and fiscal fees	-	-	-	50,500	46,975	3,525
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>710,500</u>	<u>706,975</u>	<u>3,525</u>
Revenues over (under) expenditures	<u>31,240</u>	<u>20,297</u>	<u>(10,943)</u>	<u>(4,000)</u>	<u>(12,028)</u>	<u>(8,028)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	-	143,528	143,528	-	-	-
Transfers out	(200,000)	-	200,000	-	-	-
Total other financing sources (uses)	<u>(200,000)</u>	<u>143,528</u>	<u>343,528</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues and other sources over (under) expenditures	<u>\$ (168,760)</u>	<u>163,825</u>	<u>\$ 332,585</u>	<u>\$ (4,000)</u>	<u>(12,028)</u>	<u>\$ (8,028)</u>
FUND BALANCES, beginning of year		<u>2,447,533</u>			<u>122,146</u>	
FUND BALANCES, end of year		<u>\$ 2,611,358</u>			<u>\$ 110,118</u>	

(continued)

CITY OF BOZEMAN, MONTANA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
Year Ended June 30, 2014

	Debt Service Funds					
	TIF Bonds			Total		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ 706,500	\$ 694,947	\$ (11,553)
Interest on investments	-	-	-	20,000	18,854	(1,146)
Loan repayment	-	-	-	-	-	-
Other	-	-	-	11,240	1,443	(9,797)
Total revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>737,740</u>	<u>715,244</u>	<u>(22,496)</u>
EXPENDITURES						
Other	-	-	-	-	-	-
Debt service						
Principal	175,000	180,000	(5,000)	835,000	840,000	(5,000)
Interest and fiscal fees	253,388	243,438	9,950	303,888	290,413	13,475
Total expenditures	<u>428,388</u>	<u>423,438</u>	<u>4,950</u>	<u>1,138,888</u>	<u>1,130,413</u>	<u>8,475</u>
Revenues over (under) expenditures	<u>(428,388)</u>	<u>(423,438)</u>	<u>4,950</u>	<u>(401,148)</u>	<u>(415,169)</u>	<u>(14,021)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	428,388	423,438	(4,950)	428,388	566,966	138,578
Transfers out	-	-	-	(200,000)	-	200,000
Total other financing sources (uses)	<u>428,388</u>	<u>423,438</u>	<u>(4,950)</u>	<u>228,388</u>	<u>566,966</u>	<u>338,578</u>
Revenues and other sources over (under) expenditures	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (172,760)</u>	<u>151,797</u>	<u>\$ 324,557</u>
FUND BALANCES, beginning of year		<u>-</u>			<u>2,569,679</u>	
FUND BALANCES, end of year		<u>\$ -</u>			<u>\$ 2,721,476</u>	

(continued)

CITY OF BOZEMAN, MONTANA
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS (CONTINUED)
Year Ended June 30, 2014

	Capital Projects Fund			Permanent Fund		
	General Improvements			Cemetery Perpetual Care		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Intergovernmental	\$ -	\$ 39,916	\$ 39,916	\$ -	\$ -	\$ -
Charges for services	-	-	-	80,000	89,046	9,046
Interest on investments	-	62,967	62,967	8,000	6,106	(1,894)
Total revenues	-	102,883	102,883	88,000	95,152	7,152
EXPENDITURES - BUDGET						
UNIT	5,041,380	807,583	4,233,797	-	-	-
Revenues over (under) expenditures	(5,041,380)	(704,700)	4,336,680	88,000	95,152	7,152
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	5,000,000	10,012,647	5,012,647	-	-	-
Sale of fixed assets	-	199,550	-	-	-	-
Total other financing sources (uses)	5,000,000	10,213,435	5,013,885	-	-	-
Revenues and other sources over (under) expenditures	<u>\$ (41,380)</u>	9,508,735	<u>\$ 9,550,115</u>	<u>\$ 88,000</u>	95,152	<u>\$ 7,152</u>
FUND BALANCES, beginning of year		<u>456,669</u>			<u>785,530</u>	
FUND BALANCES, end of year		<u>\$ 9,965,404</u>			<u>\$ 880,682</u>	

COMBINING NONMAJOR PROPRIETARY FUNDS

NONMAJOR PROPRIETARY FUNDS

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET POSITION
 NON MAJOR PROPRIETARY FUNDS
 June 30, 2014

	Business-type Activities Enterprise Funds		
	Parking Fund	Stormwater Fund	Total
ASSETS			
Current assets			
Cash and investments	\$ 15,095	\$ 116,841	\$ 131,936
Receivables			
Customers, net	86,331	27,995	114,326
Total current assets	<u>101,426</u>	<u>144,836</u>	<u>246,262</u>
Non current assets			
Other assets			
Notes receivable	15,924	-	15,924
Restricted cash and investments	270,450	-	270,450
Total other assets	<u>286,374</u>	<u>-</u>	<u>286,374</u>
Property, plant and equipment, net			
Nondepreciable:			
Land	303,436	-	303,436
Depreciable:			
Buildings	11,629,362	-	11,629,362
Other structures and improvements	-	-	-
Machinery and equipment	98,918	159,278	258,196
Vehicles	62,753	95,828	158,581
Infrastructure			-
Accumulated depreciation and amortization	<u>(3,016,098)</u>	<u>(139,768)</u>	<u>(3,155,866)</u>
Net property, plant and equipment	<u>9,078,371</u>	<u>115,338</u>	<u>9,193,709</u>
Total non current assets	<u>9,364,745</u>	<u>115,338</u>	<u>9,480,083</u>
Total assets	<u>\$ 9,466,171</u>	<u>\$ 260,174</u>	<u>\$ 9,726,345</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF NET POSITION (CONTINUED)
 NON MAJOR PROPRIETARY FUNDS
 June 30, 2014

	Business-type Activities		
	Enterprise Funds		
	Parking Fund	Stormwater Fund	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accrued expenses	\$ 21,268	\$ 4,722	\$ 25,990
Compensated absences payable	17,431	3,709	21,140
Total current liabilities	<u>38,699</u>	<u>8,431</u>	<u>47,130</u>
Noncurrent liabilities			
Other post-employment health benefits - implicit rate subsidy	<u>26,900</u>	<u>1,827</u>	<u>28,727</u>
Total noncurrent liabilities	<u>26,900</u>	<u>1,827</u>	<u>28,727</u>
Total liabilities	<u>65,599</u>	<u>10,258</u>	<u>75,857</u>
NET POSITION			
Net Investment in capital assets	9,078,371	115,338	9,193,709
Restricted for impact capital projects	-	-	-
Restricted for parking capital projects	270,450	-	270,450
Restricted for debt service	-	-	-
Unrestricted	<u>51,751</u>	<u>134,578</u>	<u>186,329</u>
Total net position	<u>9,400,572</u>	<u>249,916</u>	<u>9,650,488</u>
Total liabilities and net position	<u>\$ 9,466,171</u>	<u>\$ 260,174</u>	<u>\$ 9,726,345</u>

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 - NON MAJOR PROPRIETARY FUNDS
 Year Ended June 30, 2014

	Business-type Activities Enterprise Funds		
	Parking Fund	Stormwater Fund	Totals
OPERATING REVENUES			
Charges for services	\$ 602,838	\$ 262,781	\$ 865,619
OPERATING EXPENSES			
Salaries and benefits	272,241	96,363	368,604
Materials and supplies	43,851	1,547	45,398
Repairs and maintenance	9,302	-	9,302
Utilities	29,890	958	30,848
Administrative charges	60,750	986	61,736
Other expenses	103,750	31,682	135,432
Depreciation and amortization	285,490	29,644	315,134
Changes in estimated closure and post- closure care costs	-	-	-
Total operating expenses	805,274	161,180	966,454
Operating income (loss)	(202,436)	101,601	(100,835)
NON-OPERATING REVENUES (EXPENSES)			
Interest income	1,933	430	2,363
Interest expense	-	-	-
Other income	4,343	-	4,343
Intergovernmental income	205	5,320	5,525
Impact fees	-	-	-
Gain (loss) on disposal of assets	-	-	-
Total non-operating revenues (expenses)	6,481	5,750	12,231
Income (loss) before contributions and transfers	(195,955)	107,351	(88,604)
Contributions of infrastructure - developers	-	-	-
Transfers in	10,000	-	10,000
Transfers out	-	-	-
Change in net position	(185,955)	107,351	(78,604)
NET POSITION, beginning of year	9,586,527	142,565	9,729,092
NET POSITION, end of year	\$ 9,400,572	\$ 249,916	\$ 9,650,488

CITY OF BOZEMAN, MONTANA
STATEMENT OF CASH FLOWS - NON-MAJOR PROPRIETARY FUNDS
Year Ended June 30, 2014

	Parking Fund	Stormwater Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 539,545	\$ 256,334	\$ 795,879
Receipts from others	4,343	-	4,343
Operating loans from other funds	-	-	-
Payments to suppliers	(207,873)	(34,723)	(242,596)
Payments to employees	(262,127)	(93,217)	(355,344)
Payments to internal service funds and administrative fees	(60,750)	(986)	(61,736)
Net cash flows from operating activities	<u>13,138</u>	<u>127,408</u>	<u>140,546</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers in	10,000	-	10,000
Transfers out	-	-	-
Receipts from grants and intergovernmental sources	205	5,320	5,525
Net cash flows from non-capital financing activities	<u>10,205</u>	<u>5,320</u>	<u>15,525</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition of capital assets	-	(16,317)	(16,317)
Principal paid on bonds, interfund loans, loans and leases	-	-	-
Interest paid on bonds, interfund loans, loans and leases	-	-	-
Proceeds from issuance of long-term debt	-	-	-
Impact fees received	-	-	-
Proceeds from sale of property, plant and equipment	-	-	-
Net cash flows from capital and related financing activities	<u>-</u>	<u>(16,317)</u>	<u>(16,317)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Collections on notes	2,383	-	2,383
Interest on investments	1,933	430	2,363
Net cash flows from investing activities	<u>4,316</u>	<u>430</u>	<u>4,746</u>
Net change in cash and investments	27,659	116,841	144,500
Cash and investments, beginning of year	<u>257,886</u>	<u>-</u>	<u>257,886</u>
Cash and investments, end of year	<u>\$ 285,545</u>	<u>\$ 116,841</u>	<u>\$ 402,386</u>
Classified as:			
Cash and investments	\$ 15,095	\$ 116,841	\$ 131,936
Restricted cash and investments	<u>270,450</u>	<u>-</u>	<u>270,450</u>
Totals	<u>\$ 285,545</u>	<u>\$ 116,841</u>	<u>\$ 402,386</u>

CITY OF BOZEMAN, MONTANA
STATEMENT OF CASH FLOWS - NON MAJOR PROPRIETARY FUNDS (CONTINUED)
Year Ended June 30, 2014

	Parking Fund	Stormwater Fund	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
Operating income (loss)	\$ (202,436)	\$ 101,601	\$ (100,835)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation and amortization	285,490	29,644	315,134
Other income	4,343	-	4,343
Change in Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(63,293)	(6,447)	(69,740)
Other governments receivable	-	-	-
Increase (Decrease) in:			
Accounts payable	(3,061)	3,524	463
Accrued employee benefits payable	10,114	3,146	13,260
Interfund Borrowings	(18,019)	(4,060)	(22,079)
Total adjustments	215,574	25,807	241,381
Net cash provided (used) by operating activities	\$ 13,138	\$ 127,408	\$ 140,546

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, 2014

	Vehicle Maintenance Shop	Medical Health Insurance	Total
ASSETS			
Current assets			
Cash and equivalents	\$ 467,538	\$ 234,881	\$ 702,419
Customer receivables, net	-	15,988	15,988
Total current assets	467,538	250,869	718,407
Machinery and equipment	167,302	-	167,302
Vehicles	83,812	-	83,812
Buildings	1,388,583	-	1,388,583
Less: accumulated depreciation	(418,748)	-	(418,748)
Net property, plant, and equipment	1,220,949	-	1,220,949
Total assets	\$ 1,688,487	\$ 250,869	\$ 1,939,356
LIABILITIES			
Current liabilities			
Accounts payable	\$ 51,148	\$ -	\$ 51,148
Compensated absences payable	20,515	-	20,515
Other post-employment health benefits - implicit rate subsidy	23,645	-	23,645
Total current liabilities	95,308	-	95,308
NET POSITION			
Net investment in capital assets	1,220,949	-	1,220,949
Unrestricted	372,230	250,869	623,099
Total net position	\$ 1,593,179	\$ 250,869	\$ 1,844,048

CITY OF BOZEMAN, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 INTERNAL SERVICE FUNDS
 Year Ended June 30, 2014

	Vehicle Maintenance <u>Shop</u>	Medical Health <u>Insurance</u>	<u>Total</u>
OPERATING REVENUES			
Charges for services	\$ 959,472	\$ 4,106,971	\$ 5,066,443
OPERATING EXPENSES			
Salaries and benefits	327,186	-	327,186
Materials and supplies	609,048	-	609,048
Repairs and maintenance	7,938	-	7,938
Utilities	5,028	-	5,028
Administrative charges	56,916	-	56,916
Insurance claims	-	3,775,898	3,775,898
Other expenses	25,914	83,002	108,916
Depreciation	54,197	-	54,197
 Total operating expenses	 <u>1,086,227</u>	 <u>3,858,900</u>	 <u>4,945,127</u>
 Operating income (loss)	 <u>(126,755)</u>	 <u>248,071</u>	 <u>121,316</u>
NON-OPERATING REVENUES (EXPENSES)			
Interest income	3,425	-	3,425
Interest expense	-	(370)	(370)
Other income	3,627	3,168	6,795
Sale of assets	1,125	-	1,125
 Total non-operating revenue (expenses)	 <u>8,177</u>	 <u>2,798</u>	 <u>10,975</u>
 Change in net position	 (118,578)	 250,869	 132,291
 NET POSITION, beginning of year	 <u>1,711,757</u>	 <u>-</u>	 <u>1,711,757</u>
 NET POSITION, end of year	 <u>\$ 1,593,179</u>	 <u>\$ 250,869</u>	 <u>\$ 1,844,048</u>

CITY OF BOZEMAN, MONTANA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
Year Ended June 30, 2014

	Vehicle Maintenance Shop	Medical Health Insurance	Total
CASH FLOWS FROM OPERATIONS:			
Receipts from customers	\$ 959,472	\$ 4,105,139	\$ 5,064,611
Receipts from others	3,627	3,168	6,795
Operating loans from other City funds	-	-	-
Payments to suppliers	(622,114)	(97,158)	(719,272)
Payments to employees	(323,522)	(3,775,898)	(4,099,420)
Payments to Internal Service Funds and administrative fees	(56,916)	-	(56,916)
Net Cash Flows From Operating Activities	(39,453)	235,251	195,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Additions to property, plant and equipment	(16,980)	-	(16,980)
Proceeds from sale of capital assets	1,125	-	1,125
Interest paid on bonds, interfund loans, loans and leases	-	(370)	(370)
Net Cash Flows From Capital and Related Financing Activities	(15,855)	(370)	(16,225)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest on investments	3,423	-	3,423
Net Increase (Decrease) in Cash and Cash Equivalents	(51,885)	234,881	182,996
CASH AND EQUIVALENTS, beginning of year	519,423	-	519,423
CASH AND EQUIVALENTS, end of year	\$ 467,538	\$ 234,881	\$ 702,419

(continued)

CITY OF BOZEMAN, MONTANA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
Year Ended June 30, 2014

	Vehicle Maintenance Shop	Medical Health Insurance	Total
	<u> </u>	<u> </u>	<u> </u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FROM OPERATING ACTIVITIES:			
OPERATING INCOME (LOSS)	\$ (126,755)	\$ 248,071	\$ 121,316
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	54,197	-	54,197
Other income	3,627	3,168	6,795
Changes in assets and liabilities:			
(Increase) Decrease in:			
Customer receivables	-	(1,832)	(1,832)
Prepaid expenses	-	-	-
Increase (Decrease) in:			
Accounts payable	25,814	(68)	25,746
Compensated absences payable	3,664	(14,088)	(10,424)
Interfund borrowings	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total adjustments	87,302	(12,820)	74,482
Net cash provided (used) by operating activities	<u>\$ (39,453)</u>	<u>\$ 235,251</u>	<u>\$ 195,798</u>

AGENCY FUND STATEMENTS

AGENCY FUNDS

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

Montana Arts Council – Accounts for pass-through monies received from the State of Montana to fund local chapters of cultural enhancement activities such as the Bozeman Symphony Orchestra, Montana Ballet, Mandolin Society, Intermountain Opera Association, and the Emerson Cultural Center.

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

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

CITY OF BOZEMAN, MONTANA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 June 30, 2014

	<u>Montana Arts Council</u>	<u>Municipal Court</u>	<u>CMC Bozeman Site Remediation</u>	<u>Total Agency Funds</u>
ASSETS				
Cash and cash equivalents	\$ -	\$ 353,326	\$ -	\$ 353,326
Customer receivables	<u>-</u>	<u>705</u>	<u>1,573</u>	<u>2,278</u>
Total assets	<u>\$ -</u>	<u>\$ 354,031</u>	<u>\$ 1,573</u>	<u>\$ 355,604</u>
LIABILITIES				
Accounts payable	<u>-</u>	<u>\$ 354,031</u>	<u>\$ 1,573</u>	<u>\$ 355,604</u>
Total liabilities	<u>\$ -</u>	<u>\$ 354,031</u>	<u>\$ 1,573</u>	<u>\$ 355,604</u>

CITY OF BOZEMAN, MONTANA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year ended June 30, 2014

		Montana Arts Council			
		Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS					
Cash and cash equivalents	\$	9,812	\$ 1,090	\$ (10,902)	\$ -
Total assets	\$	<u>9,812</u>	<u>\$ 1,090</u>	<u>\$ (10,902)</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$	9,812	\$ 1,090	\$ (10,902)	\$ -
Total liabilities	\$	<u>9,812</u>	<u>\$ 1,090</u>	<u>\$ (10,902)</u>	<u>\$ -</u>
		Municipal Court			
		Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS					
Cash and cash equivalents	\$	301,556	\$ 51,770	\$ -	\$ 353,326
Customer receivables		335	370		705
Total assets	\$	<u>301,891</u>	<u>\$ 52,140</u>	<u>\$ -</u>	<u>\$ 354,031</u>
LIABILITIES					
Accounts payable	\$	301,891	\$ 52,140	\$ -	\$ 354,031
Total liabilities	\$	<u>301,891</u>	<u>\$ 52,140</u>	<u>\$ -</u>	<u>\$ 354,031</u>

CITY OF BOZEMAN, MONTANA
 AGENCY FUNDS
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year ended June 30, 2014

		CMC Bozeman Site Remediation			
		Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
ASSETS					
Cash and cash equivalents	\$	-	\$ 125,174	\$ (125,174)	\$ -
Customer receivables		-	1,573	-	1,573
Total assets		\$ -	\$ 126,747	\$ (125,174)	\$ 1,573
LIABILITIES					
Accounts payable	\$	-	\$ 126,747	\$ (125,174)	\$ 1,573
Total liabilities		\$ -	\$ 126,747	\$ (125,174)	\$ 1,573

PART III

STATISTICAL SECTION

Statistical Section

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

Contents Page

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time

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.

This information is unaudited

FINANCIAL TRENDS SECTION

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

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Net investment in capital assets	8,409,053	22,987,166	77,734,584	80,873,924	83,707,824	84,113,904	88,844,404	88,500,437	89,081,484	89,267,076
Restricted	12,343,248	5,242,903	546,916	9,254,307	7,699,511	8,082,181	20,962,038	20,797,365	27,255,029	35,621,803
Unrestricted	21,077,779	25,537,959	28,481,673	23,443,921	20,871,106	25,076,908	16,049,044	15,470,543	11,521,053	12,127,224
Total governmental activities	<u>\$ 41,830,080</u>	<u>\$ 53,768,028</u>	<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>
Business-type activities										
Net investment in capital assets	28,124,307	28,416,015	154,227,534	177,379,168	188,077,778	189,965,189	188,180,889	192,485,459	199,394,551	205,501,357
Restricted	11,041,147	13,462,443	17,099,866	18,322,089	19,775,588	9,044,280	12,660,466	11,446,886	3,098,125	3,372,927
Unrestricted	12,284,379	12,899,363	16,550,235	17,547,218	11,936,119	16,069,597	12,382,018	2,809,558	10,643,337	8,723,353
Total business-type activities	<u>\$ 51,449,833</u>	<u>\$ 54,777,821</u>	<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>
Primary government										
Net investment in capital assets	36,533,360	51,403,181	231,962,118	258,253,092	271,785,602	274,079,093	277,025,293	280,985,896	288,476,035	294,768,433
Restricted	23,384,395	18,705,346	17,646,782	27,576,396	27,475,099	17,126,461	33,622,504	32,244,251	30,353,154	38,994,730
Unrestricted	33,362,158	38,437,322	45,031,908	40,991,139	32,807,225	41,146,505	28,431,062	18,280,101	22,164,390	20,850,577
Total primary government net posit	<u>\$ 93,279,913</u>	<u>\$ 108,545,849</u>	<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>

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

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses										
Governmental Activities:										
General Government	4,986,413	5,666,069	5,733,371	6,969,181	6,629,783	6,299,831	6,122,190	8,706,665	7,373,368	6,989,830
Public Safety	8,834,875	9,858,055	10,488,873	11,183,637	11,556,016	12,382,157	12,859,702	13,215,680	14,340,301	15,297,088
Public Service	3,475,067	4,163,644	8,511,308	8,979,085	10,130,184	9,703,594	9,190,515	8,174,461	3,939,061	6,031,768
Public Welfare	4,372,959	5,477,065	5,536,741	5,412,192	6,465,940	6,915,557	7,500,727	7,249,008	6,518,822	7,417,158
Interest and Fiscal Fees	709,178	550,296	549,667	649,226	737,762	714,714	679,652	636,478	433,766	179,280
Total Governmental Activities Expenses	<u>\$ 22,378,492</u>	<u>\$ 25,715,129</u>	<u>\$ 30,819,960</u>	<u>\$ 33,193,321</u>	<u>\$ 35,519,685</u>	<u>\$ 36,015,853</u>	<u>\$ 36,352,786</u>	<u>\$ 37,982,292</u>	<u>\$ 32,605,318</u>	<u>\$ 35,915,124</u>
Business-Type Activities:										
Water	4,292,503	4,824,505	10,490,811	11,150,266	11,872,984	12,016,149	11,649,639	11,674,222	6,154,746	6,869,870
Waste Water	4,246,156	4,586,959	7,376,348	8,061,412	10,293,894	9,143,077	10,128,397	10,203,165	6,121,663	8,955,592
Solid Waste	2,720,738	3,547,902	3,283,135	2,574,651	2,687,590	2,561,124	2,578,109	2,584,899	2,475,680	6,958,209
Non-Major Activities					766,454	967,077	991,712	990,229	852,561	966,454
Total Business-Type Activities Expenses	<u>11,259,397</u>	<u>12,959,366</u>	<u>21,150,294</u>	<u>21,786,329</u>	<u>25,620,922</u>	<u>24,687,427</u>	<u>25,347,857</u>	<u>25,452,515</u>	<u>15,604,650</u>	<u>23,750,125</u>
Total Primary Government Expenses	<u>\$ 33,637,889</u>	<u>\$ 38,674,495</u>	<u>\$ 51,970,254</u>	<u>\$ 54,979,650</u>	<u>\$ 61,140,607</u>	<u>\$ 60,703,280</u>	<u>\$ 61,700,643</u>	<u>\$ 63,434,807</u>	<u>\$ 48,209,968</u>	<u>\$ 59,665,249</u>
Program Revenues										
Governmental Activities:										
Charges for Services:										
General Government	1,261,652	1,496,818	2,023,362	2,237,962	1,795,469	2,774,869	2,870,443	1,949,125	1,966,966	2,453,015
Public Safety	1,898,531	1,984,642	3,712,280	3,575,133	3,500,929	2,414,893	2,684,724	2,638,811	3,219,231	3,290,573
Public Service	10,302,583	9,217,198	5,361,852	4,858,444	4,790,460	3,742,856	4,454,492	4,983,420	6,655,604	7,623,178
Public Welfare	567,471	718,162	704,790	713,342	779,841	399,280	451,960	1,102,896	1,593,212	613,322
Operating Grants and Contributions	360,980	502,198	409,263	502,863	439,131	693,342	1,114,835	566,586	406,239	457,354
Capital Grants and Contributions	513,034	1,380,553	18,694,375	7,153,103	8,219,791	5,307,118	7,867,093	635,758	844,935	4,762,416
Total Governmental Activities Program Revenues	<u>\$ 14,904,251</u>	<u>\$ 15,299,571</u>	<u>\$ 30,905,922</u>	<u>\$ 19,040,847</u>	<u>\$ 19,525,621</u>	<u>\$ 15,332,358</u>	<u>\$ 19,443,547</u>	<u>\$ 11,876,596</u>	<u>\$ 14,686,187</u>	<u>\$ 19,199,858</u>
Business-Type Activities										
Charges for Services:										
Water	6,547,228	7,434,574	8,604,498	8,222,724	7,221,378	6,986,247	7,064,571	7,921,483	9,585,939	9,842,699
Waste Water	6,074,615	6,430,206	7,052,987	6,918,132	6,052,668	6,505,119	6,930,036	7,488,473	8,560,438	8,852,738
Solid Waste	3,648,930	2,582,437	2,428,230	2,608,662	2,391,641	2,716,981	2,569,607	2,570,644	2,532,676	2,725,465
Non-Major Activities	-	-	-	-	467,607	326,820	417,114	382,968	644,672	872,325
Operating Grants and Contributions	36,129	-	-	-	-	-	-	-	-	9,596
Capital Grants and Contributions:	1,595,805	1,624,237	26,464,222	29,405,599	6,465,230	3,621,051	6,589,612	566,138	156,123	5,898,923
Total Business Activities Program Revenues	<u>17,902,707</u>	<u>18,071,454</u>	<u>44,549,937</u>	<u>47,155,117</u>	<u>22,598,524</u>	<u>20,156,218</u>	<u>23,570,940</u>	<u>18,929,706</u>	<u>21,479,848</u>	<u>28,201,746</u>
Total Primary Government Program Revenues	<u>\$ 32,806,958</u>	<u>\$ 33,371,025</u>	<u>\$ 75,455,859</u>	<u>\$ 66,195,964</u>	<u>\$ 42,124,145</u>	<u>\$ 35,488,576</u>	<u>\$ 43,014,487</u>	<u>\$ 30,806,302</u>	<u>\$ 36,166,035</u>	<u>\$ 47,401,604</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense) / Revenue										
Governmental Activities	(7,474,241)	(10,415,558)	85,962	(14,152,474)	(15,994,064)	(20,683,495)	(16,909,239)	(26,105,696)	(17,919,131)	(16,715,266)
Business-Type Activities	6,643,310	5,112,088	23,399,643	25,368,788	(3,022,398)	(4,531,209)	(1,776,917)	(6,522,809)	5,875,198	4,060,921
Total Primary Government Net Expense	<u>\$ (830,931)</u>	<u>\$ (5,303,470)</u>	<u>\$ 23,485,605</u>	<u>\$ 11,216,314</u>	<u>\$ (19,016,462)</u>	<u>\$ (25,214,704)</u>	<u>\$ (18,686,156)</u>	<u>\$ (32,628,505)</u>	<u>\$ (12,043,933)</u>	<u>\$ (12,654,345)</u>
General Revenues and Other Changes in Net Position										
Governmental Activities:										
Taxes										
Property Taxes	10,437,702	11,137,006	11,836,748	12,070,765	14,629,230	15,501,316	16,342,053	15,716,055	16,429,959	17,561,022
Unrestricted Grants and Contributions	4,910,306	5,163,288	5,375,807	5,617,243	6,125,789	6,284,467	6,782,383	6,898,717	6,342,884	7,436,419
Investment Earnings	606,120	852,222	1,093,115	1,362,790	671,859	352,378	301,424	283,090	243,744	355,790
Miscellaneous	2,422,805	3,416,890	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790	155,484	-	293,884
Sale of Capital Assets	-	-	490,637	51,342	68,057	761,952	(8,168)	4,414	1,765	236,688
Transfers of Capital Assets	-	-	-	-	(6,311,324)	-	-	(2,088)	-	-
Transfers	-	1,784,100	489,780	-	(3,249,929)	521,863	517,250	(37,136)	(10,000)	(10,000)
Extraordinary Items	(2,231,410)	-	-	-	-	-	-	-	-	-
Total Governmental Activities	<u>\$ 16,145,523</u>	<u>\$ 22,353,506</u>	<u>\$ 21,226,243</u>	<u>\$ 20,961,453</u>	<u>\$ 14,700,353</u>	<u>\$ 25,678,047</u>	<u>\$ 25,491,732</u>	<u>\$ 23,018,536</u>	<u>\$ 23,008,352</u>	<u>\$ 25,873,803</u>
Business-Type Activities:										
Unrestricted Grants and Contributions	-	-	3,182	2,052	2,155	342,653	438,475	2,115	508,912	-
Transfers of Capital Assets	-	-	-	-	6,311,324	-	-	2,088	-	-
ARRA debt forgiveness	-	-	-	-	-	-	-	-	-	390,700
Transfers	-	(1,784,100)	(489,780)	-	3,249,929	(521,863)	(517,251)	37,136	10,000	10,000
Extraordinary Items	(2,899,924)	-	-	-	-	-	-	-	-	-
Total Business-Type Activities	<u>(2,899,924)</u>	<u>(1,784,100)</u>	<u>(486,598)</u>	<u>2,052</u>	<u>9,563,408</u>	<u>(179,210)</u>	<u>(78,776)</u>	<u>41,339</u>	<u>518,912</u>	<u>400,700</u>
Total Primary Government	<u>\$ 13,245,599</u>	<u>\$ 20,569,406</u>	<u>\$ 20,739,645</u>	<u>\$ 20,963,505</u>	<u>\$ 24,263,761</u>	<u>\$ 25,498,837</u>	<u>\$ 25,412,956</u>	<u>\$ 23,059,875</u>	<u>\$ 23,527,264</u>	<u>\$ 26,274,503</u>
Change in Net Position										
Governmental Activities	8,671,282	11,937,948	21,312,205	6,808,979	(1,293,711)	4,994,552	8,582,493	(3,087,160)	5,089,221	9,158,537
Business-Type Activities	3,743,386	3,327,988	22,913,045	25,370,840	6,541,010	(4,710,419)	(1,855,693)	(6,481,470)	6,394,110	4,461,621
Total Primary Government	<u>\$ 12,414,668</u>	<u>\$ 15,265,936</u>	<u>\$ 44,225,250</u>	<u>\$ 32,179,819</u>	<u>\$ 5,247,299</u>	<u>\$ 284,133</u>	<u>\$ 6,726,800</u>	<u>\$ (9,568,630)</u>	<u>\$ 11,483,331</u>	<u>\$ 13,620,158</u>

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Fund										
Reserved	11,687	5,725	3,000	3,000	63,000	-				
Unreserved	3,996,600	3,173,374	4,367,538	4,516,814	5,301,397	5,119,400				
Nonspendable							-	-	-	-
Restricted							-	-	-	-
Committed							-	-	-	-
Assigned							5,991,388	7,062,964	7,327,375	6,420,760
Unassigned							905,862	264,091	-	193,534
Total general fund	<u>4,008,287</u>	<u>3,179,099</u>	<u>4,370,538</u>	<u>4,519,814</u>	<u>5,364,397</u>	<u>5,119,400</u>	<u>6,897,250</u>	<u>7,327,055</u>	<u>7,327,375</u>	<u>6,614,294</u>
All Other Governmental										
Reserved	1,606,904	2,164,698	2,996,832	3,045,231	2,660,918	6,597,569				
Unreserved, reported in:										
Special revenue funds	16,296,309	9,776,823	13,205,328	13,723,846	12,516,240	14,916,152				
Capital projects funds	4,545,867	6,598,235	-	2,884,553	-	1,793,287				
Debt service funds	-	-	-	-	-	-				
Nonspendable							999,464	1,113,484	1,193,530	1,269,557
Restricted							19,962,574	19,683,881	26,061,499	19,927,526
Committed							3,278,422	3,463,714	851,322	3,075,505
Assigned							58,419	-	-	229,602
Unassigned							-	(51,586)	456,669	(184,101)
Total all other governmental funds	<u>22,449,080</u>	<u>18,539,756</u>	<u>16,202,160</u>	<u>19,653,630</u>	<u>15,177,158</u>	<u>23,307,008</u>	<u>24,298,879</u>	<u>24,209,493</u>	<u>28,563,020</u>	<u>24,318,089</u>

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

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

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Taxes	10,480,668	11,222,034	11,853,872	12,004,946	14,451,954	15,055,844	16,634,924	16,057,318	16,540,972	17,385,371
Special assessments	2,478,024	1,931,261	1,866,717	1,793,813	1,633,896	1,643,500	1,866,272	1,898,007	1,752,615	2,011,944
Licenses and permits	1,566,812	1,653,546	1,762,086	1,351,887	1,140,831	958,590	1,308,378	1,214,705	1,629,744	1,784,282
Intergovernmental	5,784,320	7,046,039	6,115,697	9,642,918	7,102,049	7,900,176	8,299,803	7,697,637	7,586,007	8,208,770
Charges for service	5,818,566	6,347,087	7,403,739	6,748,891	6,468,006	5,790,382	6,629,507	6,891,594	8,806,969	9,656,123
Fines and forfeitures	1,443,468	1,461,398	1,746,213	1,644,767	1,597,236	1,518,481	1,441,383	1,364,617	1,394,652	1,411,162
Interest on investments	545,805	848,909	1,068,802	1,360,914	671,859	352,378	300,516	281,239	239,778	329,086
loan repayment	426,076	291,338	10,193	19,849	9,985	10,401	193,302	306,385	157,069	63,980
Other	2,421,201	3,412,410	1,940,156	1,859,313	2,766,671	2,256,071	1,556,790	155,484	394,677	287,089
Total revenues	30,964,940	34,214,022	33,767,475	36,427,298	35,842,487	35,485,823	38,230,875	35,866,986	38,502,483	41,137,807
Expenditures										
General government	5,006,986	5,309,637	5,577,810	6,153,838	5,946,355	5,690,488	5,939,771	6,266,566	7,276,839	6,138,575
Public safety	8,535,646	9,494,622	10,160,291	10,778,917	11,056,742	11,709,170	12,137,616	12,513,270	13,822,691	14,637,886
Public service	2,363,585	2,276,802	3,060,672	3,020,855	2,976,711	2,702,510	3,002,021	2,738,066	2,805,612	3,498,770
Public welfare	4,320,299	5,099,873	4,315,086	4,819,758	5,161,997	4,916,828	6,435,916	6,184,073	6,216,387	6,678,347
Other	-	-	-	-	-	-	-	-	15,776	1,046,712
Capital outlay	6,417,671	18,374,651	11,397,365	12,205,040	9,380,742	4,248,758	3,299,017	3,881,388	2,782,435	8,053,456
Debt service										
Principal	6,788,969	989,041	833,158	2,013,232	1,138,051	1,194,819	1,611,087	3,235,664	1,826,126	1,482,142
Interest & Fiscal Fees	709,178	570,360	549,667	649,662	738,198	715,150	680,088	666,082	445,736	380,950
Total expenditures	34,142,334	42,135,050	35,894,049	39,641,302	36,398,796	31,177,723	33,105,516	35,485,109	35,191,602	41,916,838
Excess of revenues over (under) expenditures	(3,177,394)	(7,921,028)	(2,126,574)	(3,214,004)	(556,309)	4,308,100	5,125,359	381,877	3,310,881	(779,031)
Other Financing Sources (Uses)										
Proceeds from borrowing	4,804,467	1,376,869	-	-	-	-	-	-	-	-
Transfers in	5,497,553	17,619,744	4,565,896	4,604,100	8,394,126	10,857,332	6,985,734	3,482,550	4,291,417	3,103,787
Transfers out	(5,497,553)	(15,835,644)	(4,076,116)	(4,604,100)	(11,733,378)	(11,033,925)	(7,255,505)	(3,821,010)	(4,454,505)	(3,113,787)
Issuance of debt				6,554,166	177,346	890,000	-	3,357,798	1,203,279	10,012,647
Premium on Bonds Issued				10,896	-	-	-	-	-	-
Payments to Refunded Bond Escrow Agent								(3,120,000)	-	-
Sales of capital assets	1,604	1,483	490,637	249,688	86,326	766,922	10,555	59,204	2,775	243,092
Total other financing sources (uses)	4,806,071	3,162,452	980,417	6,814,750	(3,075,580)	1,480,329	(259,216)	(41,458)	1,042,966	10,245,739
Extraordinary items										
Net change in fund balances	\$ 1,628,677	\$ (4,758,576)	\$ (1,146,157)	\$ 3,600,746	\$ (3,631,889)	\$ 5,788,429	\$ 4,866,143	\$ 340,419	\$ 4,353,847	\$ 9,466,708
Debt service as a percentage of noncapital expenditures	27.0%	6.6%	5.6%	9.7%	6.9%	7.1%	7.7%	12.3%	7.0%	5.5%

REVENUE CAPACITY SECTION

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

<u>Fiscal Year Ended June 30,</u>	<u>Residential Property</u>	<u>Commercial & Industrial Property</u>	<u>Other Property</u>	<u>Total Taxable Assessed Value **</u>	<u>Total Direct Tax Rate</u>	<u>Total Market Value *</u>	<u>Assessed Taxable Value ** as a Percentage of Total Market Value</u>
2005	29,671,600	20,134,300	3,179,100	52,985,000	171.99	1,571,989,123	3.371%
2006	32,515,280	22,063,940	3,483,780	58,063,000	168.26	1,758,938,187	3.301%
2007	35,419,440	24,034,620	3,794,940	63,249,000	163.42	1,959,659,877	3.228%
2008	38,629,360	26,212,780	4,138,860	68,981,000	154.18	2,192,163,035	3.147%
2009	41,539,680	28,187,640	4,450,680	74,178,000	171.16	2,407,420,224	3.081%
2010	43,842,400	29,750,200	4,697,400	78,290,000	170.19	2,655,766,251	2.948%
2011	45,023,440	30,551,620	4,823,940	80,399,000	168.75	2,827,548,097	2.843%
2012	45,954,720	31,183,560	4,923,720	82,062,000	166.75	2,994,740,226	2.740%
2013	46,606,560	31,625,880	4,993,560	83,226,000	166.75	3,176,282,865	2.620%
2014	47,956,720	32,542,060	5,138,220	85,637,000	173.08	3,386,295,608	2.529%

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

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

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

** Includes tax-exempt property

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

Fiscal Year Ended <u>June 30,</u>	<u>Taxable Market Value</u>	<u>Full Taxable Value</u>	<u>Incremental Value for All Tax Increment Districts</u>	<u>Net Taxable Value (excludes Tax Increment Districts Incremental Values)</u>	<u>Taxable Value for Open Space Purposes</u>
2007	1,959,659,877	64,133,892	884,321	63,249,571	n/a *
2008	2,192,163,035	70,016,605	1,035,352	68,981,253	n/a *
2009	2,407,420,224	75,458,468	1,280,371	74,178,097	n/a *
2010	2,655,766,251	80,850,582	2,560,601	78,289,981	n/a *
2011	2,827,058,097	83,309,165	2,910,650	80,398,515	n/a *
2012	2,994,740,226	85,345,227	3,282,766	82,062,461	n/a *
2013	3,176,282,865	86,934,533	3,708,138	83,226,395	n/a *
2014	3,386,295,608	89,650,917	4,013,561	85,637,356	85,615,328

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

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

* No certified value available, first certification available for FY2014

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

Fiscal Year Ended <u>June 30,</u>	<u>BOZEMAN DOWNTOWN</u>			<u>NORTHEAST URBAN RENEWAL DISTRICT</u>			<u>NORTH 7TH CORRIDOR</u>		
	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>
2007	1,833,875	884,321	2,718,196	-	-	-	-	-	-
2008	1,858,491	931,030	2,789,521	423,054	48,790	471,844	2,886,997	55,532	2,942,529
2009	1,858,491	1,115,768	2,974,259	423,054	71,287	494,341	2,886,997	93,316	2,980,313
2010	1,328,695	1,947,249	3,275,944	423,054	104,987	528,041	2,886,997	450,625	3,337,622
2011	1,328,695	2,060,807	3,389,502	423,054	135,162	558,216	2,886,997	664,127	3,551,124
2012	1,328,695	2,251,286	3,579,981	423,054	133,197	556,251	2,886,997	840,137	3,727,134
2013	1,328,695	2,396,293	3,724,988	423,054	150,217	573,271	2,886,997	1,084,216	3,971,213
2014	1,328,695	2,586,963	3,915,658	423,054	172,608	595,662	2,886,997	1,193,297	4,080,294

Fiscal Year Ended <u>June 30,</u>	<u>MANDEVILLE FARM INDUSTRIAL</u>			<u>BOZEMAN TECHNOLOGY</u>			<u>TOTAL</u>		
	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>	<u>Base Taxable</u>	<u>Incremental Taxable</u>	<u>Total Taxable</u>
2007	-	-	-	-	-	-	1,833,875	884,321	2,718,196
2008	-	-	-	-	-	-	5,168,542	1,035,352	6,203,894
2009	-	-	-	-	-	-	5,168,542	1,280,371	6,448,913
2010	12,059	57,740	69,799	-	-	-	4,650,805	2,560,601	7,211,406
2011	12,059	50,554	62,613	-	-	-	4,650,805	2,910,650	7,561,455
2012	12,059	58,146	70,205	-	-	-	4,650,805	3,282,766	7,933,571
2013	12,059	77,412	89,471	-	-	-	4,650,805	3,708,138	8,358,943
2014	12,059	60,693	72,752	417	-	417	4,651,222	4,013,561	8,664,783

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

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

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

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

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

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

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

<u>Taxing Entity</u>	Fiscal Year						
	2008	2009	2010	2011	2012	2013	2014
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00	40.00	40.00
Gallatin County Operating and Bond	79.50	79.78	85.19	89.94	88.69	87.40	88.38
Open Space Bond	4.17	4.63	5.81	6.14	5.99	4.89	4.90
County-Wide School	97.05	100.26	94.02	95.74	95.61	96.47	101.28
Bozeman High School District	65.34	71.40	69.05	75.34	73.48	71.81	73.16
Bozeman Elementary School District	118.51	141.13	130.49	121.55	123.38	131.45	145.25
City of Bozeman	154.18	171.16	170.19	168.75	166.75	166.75	173.08
TOTAL	558.75	608.36	594.75	597.46	593.90	598.77	626.05
<u>Exempt from Tax Increment</u>							
University Millage	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Gallatin Conservation District	1.06	1.04	1.01	0.99	1.00	0.98	0.97
County-Wide Planning	2.43	2.58	2.50	2.40	2.40	2.39	2.39

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

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

CITY OF BOZEMAN, MONTANA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Past Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended <u>June 30,</u>	Basic <u>Rate</u>	General Obligation Debt <u>Service</u>	Total Direct Tax <u>Rate</u>	Bozeman School <u>District</u>	Gallatin <u>County</u>	State of <u>Montana</u>
2005	158.67	13.32	171.99	264.68	194.15	46.00
2006	155.89	12.37	168.26	265.55	196.74	46.00
2007	152.07	11.35	163.42	182.74	197.36	46.00
2008	142.98	11.20	154.18	183.85	205.40	46.00
2009	160.59	10.57	171.16	212.53	210.14	46.00
2010	160.18	10.01	170.19	199.54	210.25	46.00
2011	158.96	9.79	168.75	196.89	217.21	46.00
2012	157.19	9.56	166.75	196.86	215.77	46.00
2013	158.38	8.37	166.75	203.26	215.10	46.00
2014	164.83	8.25	173.08	218.41	221.00	46.00

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

CITY OF BOZEMAN, MONTANA
 PRINCIPAL PROPERTY TAX PAYERS
 Current Year and Nine Years Ago

	2014			2005		
	<u>Taxpayer</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>
Northwestern Energy - Transmission & Distribution	3,668,602	1	4.28%	3,131,556	1	5.91%
Qwest Corporation	1,040,298	2	1.21%	991,162	2	1.87%
Bresnan Communications	813,246	3	0.95%			
Verizon Wireless	555,252	4	0.65%			
Harry Daum - Gallatin Mall	500,755	5	0.58%	501,727	3	0.95%
Stone Ridge Partners LLC	468,297	6	0.55%			
J & D Family Limited Partnership	350,638	7	0.41%			
Bridger Peaks Holding LLC	350,440	8	0.41%	322,035	5	0.61%
First Security Bank	349,000	9	0.41%	221,399	10	0.42%
Wal-Mart Stores Inc	338,929	10	0.40%	403,388	4	0.76%
Costco Wholesale				279,596	6	0.53%
Bozeman Deaconess Foundation				249,318	7	0.47%
Home Depot				224,814	8	0.42%
POB Gallatin LP				223,520	9	0.42%
Total	\$ 8,435,457		9.85%	\$ 6,548,515		12.36%
Total City Taxable Assessed Value	\$ 85,637,000			\$ 52,985,000		

Source: Gallatin County Treasurer

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

<u>Taxpayer</u>	<u>Business</u>	<u>2014</u>			<u>2013</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	288,194	1	7.36%	270,239	1	7.25%
Moose Point LP	Commercial Property Developer	127,174	2	3.25%	126,591	2	3.40%
F&H, LLC	Property Investor/Developer	121,512	3	3.10%	78,209	7	2.10%
777 Building	Multi Tennant Office Retail Building	113,093	4	2.89%	115,894	3	3.11%
M & J Cowdrey LLC	Property Investor/Developer	108,799	5	2.78%	103,658	4	2.78%
Atlantic Financial Group Ltd.	Bank	88,769	6	2.27%	89,124	5	2.39%
Downtowner Group LLC	Business Support Services	83,096	7	2.12%	78,892	6	2.12%
American Bank of MT Wells Fargo Bank	Bank	82,490	8	2.11%	77,438	8	2.08%
Callender Street LLP	Design-Construction Oversight	69,106	9	1.76%	65,358	10	1.75%
Martel Plaza Ltd.	Multi Story Office Building	65,881	10	1.68%	65,392	9	1.76%
Total		<u>\$ 1,148,114</u>		<u>29.32%</u>	<u>\$ 1,070,795</u>		<u>28.75%</u>
Total Downtown BID Taxable Assessed Value		<u>\$ 3,915,658</u>			<u>\$ 3,724,988</u>		

Source: Gallatin County Treasurer

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	9,112,890	8,825,662	96.85%	285,746	9,111,407	99.98%
2006	9,769,893	9,490,225	97.14%	203,827	9,694,052	99.22%
2007	10,336,467	10,227,386	98.94%	106,611	10,333,998	99.98%
2008	10,635,491	10,324,653	97.08%	239,140	10,563,793	99.33%
2009	12,696,306	12,493,145	98.40%	149,497	12,642,642	99.58%
2010	13,324,175	12,415,922	93.18%	887,241	13,303,163	99.84%
2011	13,567,611	13,001,537	95.83%	492,141	13,493,678	99.46%
2012	13,683,839	13,108,003	95.79%	238,749	13,346,752	97.54%
2013	13,878,293	13,633,347	98.24%	61,554	13,694,901	98.68%
2014	14,821,724	14,482,502	97.71%	-	14,482,502	97.71%

Source: Gallatin County
 City Manager's Final Adopted Budget

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

	<u>Fiscal Year</u>									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Type of Customer										
Residential	1,286,670	1,318,837	1,437,114	1,379,115	1,516,359	1,224,164	1,181,195	1,323,816	1,513,986	1,433,833
Government	26,966	27,640	62,913	49,623	66,253	51,168	48,228	49,349	59,589	52,448
MSU	287,923	295,121	298,352	260,232	254,891	228,789	227,019	235,965	233,484	213,698
Commercial	694,515	711,878	659,831	626,846	670,961	571,223	568,474	602,352	638,337	607,444
Total	2,296,074	2,353,476	2,458,209	2,315,816	2,508,464	2,075,343	2,024,916	2,211,481	2,445,396	2,307,423
Total direct rate per 1,000 HCF	\$ 1,753.67	\$ 2,055.72	\$ 2,190.03	\$ 2,478.36	\$ 2,495.43	\$ 2,679.44	\$ 2,787.06	\$ 2,887.40	\$ 2,955.66	\$ 3,053.40

Source: City of Bozeman Finance Department

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

Fiscal Year Ended June 30,	Water		Sewer	
	Monthly Base Rate	Rate per 1,000 Gallons	Monthly Base Rate	Rate per 1,000 Gallons
2005	\$ 10.42	\$ 16.83	\$ 8.59	\$ 14.20
2006	\$ 11.46	\$ 18.53	\$ 9.88	\$ 16.30
2007	\$ 12.60	\$ 19.74	\$ 10.87	\$ 18.00
2008	\$ 12.60	\$ 19.74	\$ 11.17	\$ 18.50
2009	\$ 12.60	\$ 19.74	\$ 12.13	\$ 20.10
2010	\$ 13.00	\$ 20.37	\$ 13.37	\$ 22.15
2011	\$ 13.42	\$ 21.02	\$ 14.73	\$ 24.41
2012	\$ 14.02	\$ 21.96	\$ 15.61	\$ 25.87
2013	\$ 14.65	\$ 22.95	\$ 16.55	\$ 27.42
2014	\$ 14.65	\$ 22.95	\$ 17.56	\$ 29.10

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

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

DEBT CAPACITY

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

Fiscal Year Ended <u>June 30,</u>	<u>Governmental Activities</u>				<u>Business-Type Activities</u>		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			
2005	6,800,000	235,628	6,065,600	-	1,150,633	-	14,251,861	2.66%	\$ 446.40
2006	6,325,000	159,286	7,004,769	-	700,412	-	14,189,467	2.42%	\$ 426.37
2007	5,840,000	79,198	6,736,700	-	226,460	-	12,882,358	2.00%	\$ 369.84
2008	5,340,000	-	5,601,000	6,000,000	143,729	-	17,084,729	2.43%	\$ 475.32
2009	4,815,000	-	5,211,000	5,850,000	56,615	-	15,932,615	1.97%	\$ 431.39
2010	4,275,000	851,071	4,819,000	5,695,000	28,992	7,902,127	23,571,191	2.72%	\$ 632.27
2011	3,710,000	509,705	4,351,500	5,535,000	-	24,017,080	38,123,285	4.65%	\$ 1,021.69
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	1,801,498	5,195,000	13,751,878	22,501,119	46,893,319	5.56%	\$ 1,210.06
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

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

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

Fiscal Year Ended June 30,	General Bonded Debt Outstanding			Percentage of	
	General Obligation Bonds	Tax Increment Financing District Bonds	Total	Actual Taxable Value of Property	Per Capita
2005	6,800,000	-	12,865,600	24.3%	\$ 402.98
2006	6,325,000	-	13,329,769	23.0%	\$ 400.53
2007	5,840,000	-	12,576,700	19.9%	\$ 361.07
2008	5,340,000	6,000,000	11,340,000	16.4%	\$ 315.49
2009	4,815,000	5,850,000	10,665,000	14.4%	\$ 288.77
2010	4,275,000	5,695,000	9,970,000	12.7%	\$ 267.44
2011	3,710,000	5,535,000	9,245,000	11.5%	\$ 247.76
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

Source: City Manager's Final Adopted Budget

CITY OF BOZEMAN, MONTANA
DIRECT & OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

	Debt Outstanding as of June 30, 2013	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<u>Overlapping Bonded Indebtedness</u>			
Gallatin County:			
Various issues outstanding	\$ 52,127,491	36%	\$ 18,649,508
Bozeman School District #7:			
Various issues outstanding	81,050,687	31%	\$ 25,106,449
Subtotal overlapping debt			\$ 43,755,957
<u>City of Bozeman, Montana</u>			
Direct Debt	18,971,896	100%	\$ 18,971,896
Total Direct & Overlapping Debt			62,727,853

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

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

Sources:

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

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

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt limit*	26,559,967	29,591,000	34,755,653	54,804,000	60,185,000	66,375,000	70,688,000	74,875,000	76,450,000	84,657,000
Total net debt applicable to limit	(3,750,411)	(6,568,569)	(5,595,558)	(5,423,128)	(4,842,905)	\$ (4,295,240)	\$ (3,638,239)	\$ (3,386,727)	\$ (3,643,823)	\$ (12,771,396)
Legal debt margin	<u>\$22,809,556</u>	<u>\$23,022,431</u>	<u>\$29,160,095</u>	<u>\$49,380,872</u>	<u>\$55,342,095</u>	<u>\$62,079,760</u>	<u>\$67,049,761</u>	<u>\$71,488,273</u>	<u>\$72,806,177</u>	<u>\$71,885,604</u>
Total net debt applicable to the limit as a percentage of debt limit	14.1%	22.2%	16.1%	9.9%	8.0%	6.5%	5.1%	4.5%	4.8%	15.1%

*2.5% of total market value of taxable property of \$3.386 Billion

Source: City Manager's Final Adopted Budget

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

Fiscal Year Ended June 30,	Water Revenue Bonds					Special Assessment Bonds			
	Utility Service Charges	Less: Operating Expenses	Debt Service		Coverage	Special Assessment Collections	Debt Service		
			Principal	Interest			Principal	Interest	Coverage
2005	4,429,294	(2,647,507)	(431,666)	(65,963)	1,284,158	588,887	(2,951,200)	(364,814)	(2,727,127)
2006	5,401,069	(2,866,140)	(450,220)	(45,317)	2,039,392	1,472,058	(437,700)	(297,876)	736,482
2007	6,124,533	(3,114,053)	(473,952)	(23,391)	2,513,137	1,428,084	(268,069)	(309,119)	850,896
2008	6,163,883	(3,769,941)	(82,731)	(10,231)	2,300,981	1,178,846	(1,135,700)	(278,393)	(235,247)
2009	5,938,745	(3,770,800)	(87,009)	(5,978)	2,074,958	1,022,641	(390,000)	(241,395)	391,246
2010	5,860,144	(3,950,566)	(27,622)	(2,440)	1,879,516	989,977	(392,000)	(223,763)	374,214
2011	6,013,211	(3,869,048)	(28,992)	(1,070)	2,114,101	1,134,049	(467,500)	(211,204)	455,345
2012	6,814,990	(4,063,529)	(159,000)	(6,405)	2,586,056	858,699	(2,082,000)	(192,320)	(1,415,621)
2013	7,806,922	(4,364,506)	(502,000)	(163,250)	2,777,166	820,090	(650,975)	(103,198)	65,917
2014	7,871,386	(4,405,464)	(751,000)	(429,438)	2,285,484	1,054,483	(474,000)	(73,760)	506,723

Fiscal Year Ended June 30,	Waste Water Revenue Bonds				
	Utility Service Charges	Less: Operating Expenses	Debt Service		Coverage
			Principal	Interest	
2005	3,388,716	(2,608,972)	-	-	779,744
2006	3,839,157	(2,675,004)	-	-	1,164,153
2007	4,262,052	(2,792,274)	-	-	1,469,778
2008	4,739,702	(2,981,164)	-	-	1,758,538
2009	4,905,772	(4,843,180)	-	-	62,592
2010	5,389,070	(3,468,705)	(166,300)	(69,470)	1,684,594
2011	5,939,996	(4,183,596)	(606,000)	(494,298)	656,102
2012	6,385,404	(3,784,420)	(883,000)	(857,842)	860,141
2013	6,916,226	(3,947,821)	(1,465,227)	(847,778)	655,400
2014	7,204,486	(5,895,751)	(1,084,854)	(660,771)	(436,891)

CITY OF BOZEMAN, MONTANA
 DEBT SERVICE REQUIREMENTS AND COVERAGE FOR DOWNTOWN TAX INCREMENT DISTRICT
 Past Seven 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	1,147,962	424,288	2.71
2011	1,078,809	423,088	2.55
2012	773,724	421,688	1.83
2013	863,567	425,088	2.03
2014	877,751	423,088	2.07

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

As of June 30, 2014

<u>Bond Issue</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Bonds Outstanding</u>	<u>Cash Balance</u>	<u>Assessments Outstanding</u>	<u>Delinquent Assessments</u>
SID 669	\$ 1,160,000	7/1/2020	315,000	75,491	303,208	1,556
SID 683	1,372,000	7/1/2024	420,000	77,485	581,465	6,426
SID 684	1,376,869	7/1/2025	140,000	29,458	639,176	2,065
SID 675, 676, 677, 678	3,001,000	7/1/2024	-	254,390	1,063,991	2,052
TOTAL	<u>\$ 6,909,869</u>		<u>\$ 875,000</u>	<u>\$ 436,824</u>	<u>\$ 2,587,841</u>	<u>\$ 12,100</u>

CITY OF BOZEMAN, MONTANA
REVOLVING FUND BALANCE AND BOND SECURED THEREBY
Past Eight 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

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

<u>Fiscal Year</u>	<u>Assessment Billing</u>	<u>Total Annual Collections</u>
2007	\$ 1,040,977	1,428,085
2008	1,074,991	1,178,846
2009	951,885	1,022,641
2010	915,398	989,977
2011	871,180	1,134,049
2012	750,418	858,699
2013	741,886	820,090
2014	676,613	1,054,484

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
2005	31,926	3.5%	\$ 535,279,901	\$ 19,575	26.1	49.4%	5,198	3.0%
2006	33,280	4.1%	\$ 585,880,500	\$ 20,553	26.3	49.5%	5,332	2.5%
2007	34,832	4.5%	\$ 643,862,953	\$ 21,581	26.5	49.5%	5,356	2.2%
2008	35,944	3.1%	\$ 703,013,220	\$ 23,387	27.2	53.7%	5,432	2.7%
2009	36,933	2.7%	\$ 808,624,803	\$ 26,313	27.0	52.7%	5,463	4.6%
2010	37,280	0.9%	\$ 866,396,960	\$ 25,909	26.0	50.6%	5,509	5.8%
2011	37,314	0.1%	\$ 819,014,169	\$ 25,611	27.2	50.1%	5,679	5.6%
2012	38,116	2.1%	\$ 803,487,262	\$ 24,709	27.2	53.9%	5,810	5.0%
2013	38,753	1.6%	\$ 843,399,480	\$ 25,608	27.1	55.4%	5,994	4.5%
2014	38,860	0.3%	\$ 852,165,042	\$ 26,427	26.8	53.3%	6,216	3.6%

Sources:

Bozeman Area Chamber of Commerce
 Bozeman Public Schools
 U.S. Census Bureau

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

June 2014		June 2005	
<u>Private Employers By Class</u>	<u>Employer Class Size</u>	<u>Private Employers By Class</u>	<u>Employer Class Size</u>
Bozeman Deaconess Hospital	9	Bozeman Deaconess Hospital	8
Oracle America	7	Capital Opportunities (Home Care Services)	7
Wal Mart	7	Murdoch's Ranch & Home Supply	7
Albertson's	6	Wal-Mart	7
Bridger Bowl	6	Albertsons	6
Community Food Co-Op	6	Big Sky Publishing (Lone Peak Lookout)	6
Costco	6	Community Food Coop	6
Federal Premium Ammunition	6	Costco	6
First Security Bank	6	First Security Bank	6
First Student	6	The Home Depot	6
GranTree Inn	6	JTL Group	6
Kenyon Noble Lumber & Hardware	6	JWT Restaurant Group (Old Chicago Restaurant)	6
Korman Marketing Group	6	Kenyon Noble Lumber & Hardware	6
Martel Construction	6	Martel Construction	6
McDonalds	6	Montana Conservation Corps	6
Murdoch's Ranch & Home Supply	6	Ressler Motor Co	6
Ressler Motor	6	Right Now Technologies	6
Town & Country Foods	6	Schlauch Bottcher Construction	6
Town Pump Convenience Stores	6	Simkins Hallin Lumber	6
Zoot Enterprises	6	Williams Plumbing and Heating	6
<u>Public Employers By Class</u>	<u>Employer Class Size</u>	<u>Public Employers By Class</u>	<u>Employer Class Size</u>
Montana State University	9	Montana State University	9
School District #7	9	Bozeman School District	8
Belgrade School District	8	Gallatin School District #44	7
City of Bozeman	7	1st & 2nd Class Post Offices	5
Department of Agriculture	7	Department of Transportation	5
Gallatin County	7	Gallatin County	5

Class 6 - 100 to 249 Employees Class 7 - 250 to 499 Employees Class 8 - 500 to 999 Employees Class 9 - 1,000+ Employees
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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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
City Commission	4.00	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10	2.10
City Manager *	7.50	9.50	9.50	10.50	10.50	11.50	11.50	8.00	8.00	5.00
Municipal Court	6.00	6.00	6.00	7.00	7.00	7.50	8.50	8.50	8.50	8.50
City Attorney	6.00	6.00	6.00	7.00	6.00	11.50	7.00	7.00	7.00	7.00
Administrative Services	-	-	-	-	-	-	-	-	-	19.00
Finance *	16.00	16.00	16.00	10.00	10.00	8.75	8.75	10.00	11.00	-
Information Technology *	-	-	-	6.00	6.00	5.88	5.88	6.00	6.00	-
Community Development	12.70	12.70	12.70	15.20	13.70	12.20	12.20	8.75	9.00	8.00
Building Maintenance	2.55	2.55	2.55	3.05	3.55	3.55	3.55	3.00	3.50	3.50
Total General Government	<u>54.75</u>	<u>54.85</u>	<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>
Public Safety										
Police Department	49.75	52.75	54.75	57.75	62.75	71.75	71.75	71.25	72.75	72.75
Fire Department	29.25	29.25	31.25	34.25	45.25	41.75	41.75	41.75	43.75	45.75
Building Inspection	15.05	15.05	15.55	16.55	13.55	9.55	10.55	10.55	10.55	12.55
Parking	2.75	2.75	3.75	3.75	4.75	4.75	4.75	4.50	4.50	5.50
Total Public Safety	<u>96.80</u>	<u>99.80</u>	<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>
Public Services										
Public Services Administration / Engineering	7.15	7.15	7.15	8.15	8.15	8.15	8.15	10.00	10.00	12.00
Streets	13.62	13.62	15.62	15.62	17.62	17.62	17.62	17.62	17.62	18.62
Storm Water	-	-	-	-	-	-	-	-	1.00	1.00
Water Treatment Plant	9.27	9.27	9.27	9.27	9.27	9.27	9.27	9.77	9.77	11.27
Water Operations	14.12	14.62	14.62	15.62	16.62	15.62	15.62	15.62	15.62	15.62
Wastewater Operations	7.75	9.25	9.25	10.25	11.25	10.25	10.25	10.25	10.25	11.25
Wastewater Plant	14.87	14.87	14.87	14.87	15.87	15.87	15.87	15.87	16.37	17.47
Solid Waste Collection/Recycling	11.74	11.74	12.74	15.74	15.74	15.74	15.74	15.74	15.74	15.74
Solid Waste Disposal	7.66	7.66	7.66	2.00	-	-	-	-	-	-
Vehicle Maintenance	3.50	3.50	4.00	3.00	4.00	5.00	5.00	5.00	5.00	5.00
Total Public Services	<u>89.68</u>	<u>91.68</u>	<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>
Public Welfare										
Cemetery (numerous short terms)	5.25	5.25	5.25	5.75	5.75	5.75	5.75	3.33	3.33	3.33
Parks (numerous short terms)	11.95	11.95	12.95	13.45	13.45	13.45	13.45	11.77	11.77	11.77
Forestry	3.60	3.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60	4.60
Library	19.66	19.66	19.66	20.66	21.66	21.66	21.66	21.66	21.56	23.11
Recreation (numerous short terms)	14.65	14.65	14.65	14.90	15.00	15.00	15.00	15.83	15.83	16.83
Community Services	1.00	1.00	1.00	2.00	1.00	2.00	2.00	2.00	2.00	4.00
Total Public Welfare	<u>56.11</u>	<u>56.11</u>	<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>
Total of all Funds	<u>297.34</u>	<u>302.44</u>	<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>

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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Finance										
SID Statements	10,443	11,086	11,086	14,919	15,000	15,816	16,000	16,000	16,200	16,700
Utility Bills	111,463	111,463	112,775	134,460	134,000	135,000	135,000	135,000	138,000	141,000
Accounts Payable Checks Processed	11,216	13,211	11,387	13,301	12,218	12,076	12,122	11,962	12,519	11,989
Business Licenses	3,362	3,577	3,711	3,825	3,836	3,789	3,986	3,886	3,831	3,861
Police										
Number of Officers	42	47	45	51	52	55	56	60	63	63
Calls for Service	36,842	39,790	40,758	42,728	45,145	43,385	45,131	45,358	47,361	47,854
Arrests	2,106	2,299	2,524	2,581	2,853	2,338	2,325	2,152	2,096	3,464
Traffic Citation Issued **	n/a	n/a	n/a	n/a	n/a	3,311	4,504	5,234	5,205	5,397
Traffic Stops **	n/a	n/a	n/a	n/a	n/a	10,702	10,036	9,358	10,629	10,754
Traffic Crashes	1,521	1,666	1,780	1,519	1,302	1,194	1,486	1,264	1,320	1,750
Fire										
Fires, Hazardous Conditions & Rupture/Explosions	280	230	242	230	248	248	278	278	309	340
Emergency Medical Services/Rescue	1,270	1,373	1,454	1,658	1,441	1,441	1,483	1,483	1,941	2,051
Service Calls	55	96	118	148	145	145	187	187	145	212
Building Inspection										
Commercial Permits:										
Number	766	860	1,015	972	1,047	961	1,535	1,420	1,305	1,238
Value (Millions)	90.91	90.62	140.95	151.50	140.50	70.41	106.90	95.03	69.64	90.27
Residential Permits:										
Number	2,493	2,067	1,775	1,710	1,571	1,543	3,613	2,421	2,338	2,650
Value (Millions)	151.65	173.96	181.89	141.22	79.67	67.02	72.57	89.74	146.32	191.72
Water										
New Service Main Taps	39	76	79	15	39	16	3	20	41	50
Meter Replacement/Repair	120	844	663	878	368	650	467	279	113	200
Water Main Breaks/Repairs	6	5	8	5	6	4	1	6	4	6
Wastewater										
Main Line Flushing (in Miles)	134	101	95	110	90	81	78.26	90	47	90
New Infrastructure TV (in Miles)	6	10	19	4.8	1	1	1	1	2.6	12
New Service Taps	41	29	37	22	15	5	4	4	17	25
Solid Waste Collection & Recycling										
Residential Accounts	5,800	6,310	6,608	6,779	6,957	7,130	7,092	7,240	7,470	7,869
Commercial Customers	200	211	239	254	262	268	271	281	265	258
Recycling Customers	-	-	-	484	881	965	970	1,000	1,135	1,601
Annual Tonnage Collected: Collections Program	9,000	11,171	11,953	11,879	10,397	10,657	10,920	11,248	10,695	10,960
Vehicle Maintenance										
Work Orders Processed	1,300	1,068	1,070	974	870	1,005	1,435	1,473	1,646	1,717
Gallons of Oil Disposed	14,500	11,384	10,000	9,350	9,350	9,175	9,445	8,751	8,640	8,740
Parks										
Park Reservations	330	340	340	360	221	280	319	320	350	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,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units (Cars)	15	16	17	18	19	20	20	20	20	20
Patrol Units (Motorcycles)	4	4	4	4	4	4	4	4	4	4
Fire										
Stations	2	2	2	2	3	3	3	3	3	3
Fire Trucks	5	5	5	5	5	6	6	6	6	7
Streets										
Street & Alley Mileage	188.694	196.773	229.905	234.736	242.650	246.951	254.565	254.957	255.769	259.133
Lane Miles Painted	41.0	35.0	40.0	42.0	34.8	40.0	40.3	41.0	37.0	43.0
Number of Signs Installed/Repaired	649	756	652	652	732	750	722	1120	669	700
Water										
Water Mains (Miles)	218.87	230.15	247.23	250.16	253.73	256.32	257.51	261.33	264.61	267.28
Fire Hydrants	1,973	2,045	2,206	2,238	2,274	2,308	2,324	2,351	2,388	2,406
Wastewater										
Sanitary Sewers (Miles)	171.29	179.45	198.17	200.01	201.37	205.00	205.00	207.56	210.22	211.51
Number of Manholes	3,397	3,571	3,888	3,946	3,988	4,034	4,080	4,084	4,154	4,185
Solid Waste										
Number of Collection Vehicles	5	6	8	7	8	8	8	8	8	8
Number of Roll-off Trucks	1	1	2	3	4	4	4	4	4	4
Number of Recycling Trucks	0	0	0	0	1	1	1	1	1	2
Number of Compost Collection Trucks	2	2	2	2	2	2	2	2	2	2
Parks										
Formal Turf Acres	250	258	258	265	120	120	125	125	125	125
Natural Parkland Acres	118	110	110	115	205	205	210	220	220	220
Miles of Trails	25	45	45	50	50	54	55	55	55	61

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

PART IV

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

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

CITY OF BOZEMAN, MONTANA
SCHEDULE OF EXPENDITURES FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR	CFDA	Grant Award	Balance June 30, 2013	Grant Revenue Received	Grant Revenue Accrued	Total Revenue	Federal Awards Expended	Balance June 30, 2014
<u>U.S. Department of Justice</u>								
Rural Domestic Violence Assistance Program	16.589	\$ 185,477	\$ -	\$ 122,581	\$ 62,896	\$ 185,477	\$ 185,477	\$ -
Passed through Gallatin County:								
Missouri River Drug Task Force	16.738	94,442	-	84,513	9,929	94,442	94,442	-
Bullet-Proof Vest Partnership	16.607	4,374	-	1,717	2,657	4,374	4,374	-
Passed through MT Dept of Justice, Board of Crime Control								
JAG: Crime Scene Computer and Software	16.738	573	-	573	-	573	573	-
JAG: Police Rifles 2013-DJ-BX-0772	16.738	15,513	-	15,513	-	15,513	15,513	-
<u>U.S. Department of Homeland Security,</u>								
<u>FEMA Federal Emergency Management Agency</u>								
Passed through the Montana Department of Military Affairs								
Bearcat EMW-2013-SS-00064 Police HS Response Vehicle	97.067	249,537	-	249,537	-	249,537	249,537	-
<u>U.S. Department of Transportation</u>								
Passed through MT Dept. of Transportation: Traffic Safety								
Highway Traffic Safety								
STEP-Bozeman Occupant Protection: 00-03-09-02	20.600	18,123	-	13,079	5,044	18,123	18,123	-
Passed through MT Dept. of Transportation:								
CTEP Community Transportation Enhancement Projects								
STPE 16(90) - Bicycle / Pedestrian Paths	20.205	25,812	-	25,812	-	25,812	25,812	-
<u>U.S. Department of Interior</u>								
Passed through the Historical Society:								
Historic Preservation	15.904	5,225	-	5,225	-	5,225	5,225	-
<u>U.S. Environmental Protection Agency</u>								
Passed through MT Department of Environmental Quality								
Protecting Bozeman's Waters:								
Stormwater Education and Outreach	66.460	5,280	-	1,605	3,675	5,280	5,280	-
Total Federal Financial Assistance		\$ 604,356	\$ -	\$ 520,155	\$ 84,202	\$ 604,356	\$ 604,356	\$ -

CITY OF BOZEMAN, MONTANA
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 JUNE 30, 2014

NOTE 1. REPORTING ENTITY

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

NOTE 2. BASIS OF ACCOUNTING

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

NOTE 3. NON-CASH TRANSACTIONS

The City had no non-cash transactions in the accompanying schedule of expenditures of federal awards.

NOTE 4. SUBRECIPIENTS

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

The Help Center (SACC)	\$	40,701
Haven		40,506
Guardian Ad Litem		5,160
Gallatin County		36,350
	<u>\$</u>	<u>122,717</u>

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, 2014, which collectively comprise the City's basic financial statements and have issued our report thereon, dated December 22, 2014.

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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs we identified a deficiency in internal controls that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as **2014-01** to be a material weakness.

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. See Finding **2014-01**.

City of Bozeman Response to Findings

City of Bozeman's response to the finding identified in our audit are described in the accompanying schedule. City of Bozeman's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 22, 2014



ANDERSON ZURMUEHLEN & CO., P.C. • CERTIFIED PUBLIC ACCOUNTANTS & BUSINESS ADVISORS
 MEMBER: AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS • MSI GLOBAL ALLIANCE INDEPENDENT MEMBER FIRM

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

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

Report on Compliance on Major Federal Program

We have audited City of Bozeman's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of City of Bozeman's major federal programs for the year ended June 30, 2014. City of Bozeman's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Bozeman complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings **2014-02** and **2014-03**. Our opinion on each major federal program is not modified with respect to these matters.

The City of Bozeman's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Bozeman's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2014-03 to be a material weakness.

The City of Bozeman's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Bozeman's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
December 22, 2014

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major programs:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

CITY OF BOZEMAN, MONTANA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
 Year Ended June 30, 2014

Section II – Financial Statement Findings

2014-01 Budgetary Amendments

Criteria: Montana Code Annotated (MCA) 7-6-4006-4 requires that the governing body may amend the budget during the fiscal year by conducting public hearings at regularly scheduled meetings. City of Bozeman Commission Resolution No. 4449 allows the City Manager budget amendment authority for expenditures related to federal grants accepted and approved by the City Commission.

Condition: The City did not accept and approve this federal grant during fiscal year ended June 30, 2014. No budget amendment was approved by the City Commission during the fiscal year ended June 30, 2014 for this expenditure. The budgetary approval occurred in October 2014, the time at which this administrative oversight was discovered.

Context: The City was the recipient of a federal award for the purchase of a police emergency response vehicle under CFDA 97.067. Under this award, the City expended \$249,537. All other budgets were approved in accordance with the criteria set forth in MCA and by Resolution No. 4449.

Effect: The City did not follow established guidelines for approving budgetary appropriations in relation to this expenditure.

Cause: The City did not have adequate processes to ensure compliance with the requirements described above.

Recommendation: The City should establish procedures to ensure the entire population of budgetary appropriations are approved timely and in accordance with established requirements.

City of Bozeman's Response: We agree with the auditor's comments and have already put a new Administrative Order in place to help ensure this doesn't happen again. Administrative Order No. 2014-01, adopted September 30, 2014 and entitled "Adoption of Grant Application and Reception Policy", requires that the appropriate department director provide written notification to the City Manager and City Commission within 30 days of all grant applications exceeding \$20,000. The Order also requires that all grant agreements exceeding \$20,000 must be authorized by the City Commission. In Audit Finding 2014-01, the Finance Department had actually processed and posted a Budget Amendment in a timely manner. However, this Amendment was processed unknowingly without authorization, as it was incorrectly assumed by the Finance Department that this amendment fell under Section 4 of the annual Budget Appropriation Commission Resolution No. 4449, adopted for fiscal year 2014 by the City Commission, which states: "Pursuant to Sections 7-6-4006 and 7-6-4012, M.C.A., the City Commission hereby delegates appropriation and budget amendment authority to the City Manager for the expenditures from.....federal.....grants accepted and approved by the City Commission.....". Thus, the underlying problem was that the federal grant in this case had not been accepted and approved by the City Commission. Administrative Order 2014-01 ensures that such a federal grant will indeed be accepted and approved by the City Commission going forward. To help ensure that the entire population of budgetary appropriations is approved timely and in accordance with established requirements, the Finance Department will apply a higher level of scrutiny to any and all proposed Budget Amendments and will not make any assumptions whatsoever that established prerequisite criteria have been met. Steps taken will include, but are not limited to: reviewing all Grant Routing Cover Sheets, which is a tool created to facilitate compliance with the new Grant Application and Reception Policy; and, where applicable, confirming that large expenditures were scheduled in a Capital Improvement Plan adopted by the City Commission.

CITY OF BOZEMAN, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014

Section III – Federal Award Finding and Questioned Costs

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

Criteria: The Federal Funding Accountability and Transparency Act (FFATA) requires that recipients of Federal awards report first-tier subaward data to the FFATA Subaward Reporting System (FSRS), for subgrants above \$25,000.

Condition: The City prepared, but did submit, the reports required under FFATA.

Context: The City was the recipient of a federal award for Rural Domestic Violence Assistance. To execute the operational objectives of this program, the City entered into sub recipient agreements with five entities. Under these agreements, \$359,286 is to be passed through as subgrants.

Effect: The City did not comply with the reporting requirements of FFATA.

Cause: The City's internal control processes over FFATA reporting were adequately designed, but not properly executed or monitored.

Recommendation: The City should establish additional monitoring procedures over the completeness of FFATA reporting.

City of Bozeman's Response: We agree with the auditor's comments and the City will establish additional monitoring procedures over the completeness of FFATA reporting. Rather than assume that the department receiving the grant will complete and submit the required FFATA reports, and rather than assume that the department receiving the grant is correct in their interpretation of when a FFATA submission is required, the Finance Department will instead oversee the FFATA reporting process.

CITY OF BOZEMAN, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014

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

Criteria: 2 Code of Federal Regulations (CFR), Part 225 requires that when an employee works on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. This documentation is required when employees work on more than one federal award or a Federal award and a non-Federal award, or two or more activities.

Condition: The City's did not maintain appropriate personnel activity reports demonstrating cost allocation between Federal and non-Federal time and effort. Appropriate documentation supporting cost allocations between Federal and non-Federal time and effort for subgrantees was not obtained.

Context: The City expended \$185,477 under this award during the fiscal year ended June 30, 2014. Of these expenditures, \$134,386 represents expenditures for personnel costs, both direct and for subgrantees.

Effect: Actual time and effort expended on Federal and non-Federal programs cannot be reasonably assured.

Cause: The City's internal control processes did not meet the criteria set forth at 2 CFR, Part 225.

Recommendation: The City should establish additional documentation practices to demonstrate time and effort for employees and surecipients working in more than one activity or objective.

City of Bozeman's Response: We agree with the auditor's comments and the City will establish additional documentation practices to demonstrate time and effort for employee and subrecipients working in more than one activity or objective. Corrective measures include establishing a common uniform timesheet to be filled out by all grant employees and subrecipients which will be readily identifiable as being in compliance with the criteria set for in 2 CFR, Part 225, as opposed to the varied and often confusing timesheets which are currently being submitted by grant sub-recipients.

CITY OF BOZEMAN, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2014

Prior year findings:

None

To the Board of City Commissioners
Bozeman, Montana

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Bozeman (the City) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards *Government Auditing Standards* and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 9, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. During 2014, the City adopted the following new accounting policy:

- GASB 65 – Items Previously Reported as Assets and Liabilities

We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were: (i) valuation of the solvent site remediation liability in the waste water fund, which is based on an engineer's projection of the long term costs; (ii) valuation of post-closure costs for the landfill, which is based on an engineer's estimate of landfill post-closure care costs; (iii) depreciation expense, which is based on management's estimate of useful lives of fixed assets and (iv) the liability for the other post-employment benefits which is based on an actuarial study. We evaluated the key factors and assumptions used to develop these estimates and determined that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was the Other Post Employment Benefit disclosure in Note 15 to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes corrected misstatements of the financial statements.

Disagreements with Management

For purposes of this letter, a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 22, 2014

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis, the budgetary comparison – General Fund and Special Revenue Major Funds, and Schedule of Funding Progress – Other Postemployment Benefits, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining fund statements, other budgetary comparison reports, and the schedule of expenditures of federal awards, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory or statistical sections, which accompany the financial statements but are not RSI. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Internal Control

In planning and performing our audit of the City of Bozeman as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the schedule but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we have not expressed an opinion on the effectiveness of the City's internal controls.

In accordance with Government Auditing Standards, we have also issued 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.

In addition, we have audited the City's compliance requirements under OMB Circular A-133 and have issued our report on the City's compliance for each major program and on internal control over compliance required by OMB Circular A-133.

However, during our audit we became aware of other matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 22, 2014, on the financial statements of the City, and represent recommendations or areas of emphasis regarding internal controls.

2014-A – Adjusting Journal Entries

We proposed, and management accepted, journal entries to correct the classification of an internal loan between the SID Revolving Fund and the SID Debt Service Fund. In addition, we proposed an adjustment to properly reflect these balances in the government-wide statement of net position. The effect of this entry affected prior period balances by an amount not material to the overall financial statements. We recommend management develop key procedures to review the government-wide financial statements.

Restriction on Use

This information is intended solely for the use of the Board of City Commissioners and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
December 22, 2014

CITY OF BOZEMAN
Schedule of Corrected Misstatements
June 30, 2014

Fund	Account	Debit	Credit
GLTDAG	SID debt payable	\$131,726	
	Amount to be provided		\$131,726
SID Revolving	Transfers		143,529
	Loan repayment income	11,803	
	Notes receivable		131,726
	Advances to	131,726	
	Deferred revenue	131,726	
SID Debt Service	Principal		11,803
	Advances from		131,726
	Transfers	143,529	
Government-wide	Net assets – beginning		238,472
	General government	238,472	