

CITY OF BILLINGS

CITY OF BILLINGS VISION STATEMENT:

“THE MAGIC CITY: A DIVERSE, WELCOMING COMMUNITY WHERE PEOPLE PROSPER AND BUSINESS SUCCEEDS.”

WORK SESSION AGENDA

COUNCIL CHAMBERS

January 22, 2019

5:30 P.M.

CALL TO ORDER: Mayor Cole

- 1. City of Billings FY18 Comprehensive Annual Financial Report**
- Public Comment
- 2. Tax Abatement Annual Report**
- Public Comment

COUNCIL DISCUSSION:

ADJOURN:

PUBLIC COMMENT on “NON-AGENDA ITEMS”. *Speaker Sign-in required. (Restricted to ONLY items not on this printed agenda. Comments are limited to 3 minutes. Please sign the roster at the cart located at the back of the Council chambers or at the podium.)*

Note:

- This meeting is an “informal” meeting of the City Council. The content of the Agenda is subject to change at the meeting.
- In the event there is a Closed Executive Session at the end of a Work Session, the sole purpose is to discuss litigation strategy. The other parties to the case(s) discussed are not public bodies or associations as described in Section 2-3-203(1) and (2), MCA. The meeting is closed, as allowed by Section 2-3-203(4)(a), MCA, “to discuss a strategy to be followed with respect to litigation when an open meeting would have a detrimental effect on the litigating position” of the City of Billings.

Council Work Session

1.

Meeting Date: 01/22/2019

TITLE: City of Billings FY18 Comprehensive Annual Financial Report

Department: City Hall Administration

Presentation: Yes

PROBLEM/ISSUE STATEMENT

The auditor for the City of Billings, Junkermier, Clark, Campanella, Stevens, P.C. (JCCS), has completed their audit for fiscal year 2018. The lead auditor, Tyler Bryant, will be here to present his report to City Council. An electronic copy is attached. If a printed copy is desired, it can be obtained at the City Finance Department or upon request.

RECOMMENDATION

No recommendation is provided.

Attachments

FY18 CAFR



2018
FISCAL YEAR

Comprehensive
Annual Financial Report



City of
Billings, Montana

ABOUT THE COVER

The City of Billings is the largest community on the Yellowstone River. The river is an important resource, providing drinking water, irrigation, and recreational activities for people from Wyoming through North Dakota. In 2017, an average of 5.7 billion gallons of Yellowstone River water flowed past Billings every day, according to the United States Geological Survey (USGS). Flow in the river varies seasonally, peaking in Billings at almost five times the historical average in June and falling to a low of about half the historical average in January, according to the USGS. On average every day, the City of Billings Water Reclamation Facility (WRF) treats between 14 and 17 million gallons of wastewater produced by the City's residents and businesses and discharges it to the Yellowstone River.

The Montana Department of Environmental Quality (MDEQ) has determined that excess 'nutrients' such as nitrogen, phosphorous and ammonia--present in sources ranging from municipal wastewater to agricultural runoff--are generally detrimental to the health of fresh water resources, including rivers. One way that the MDEQ is limiting the amount nutrients entering rivers is to control their concentration in discharges from municipal domestic wastewater treatment plants in Montana, including the Billings WRF. As required by the MDEQ, the City is upgrading its WRF to meet more stringent discharge requirements for nitrogen, phosphorous, and ammonia. These facility upgrades will not only enable the plant to discharge cleaner water to the Yellowstone River, but also expand plant capacity for the future.

In January 2017, City Council awarded a contract worth \$61.7 million to Sletten Construction to upgrade the WRF. Existing biological processes at the plant will be converted to new processes able to sustain different biological systems capable of removing extra nitrogen and phosphorous. Existing processes must be modified and new facilities built while the existing plant continues in normal operation. The project is complex, involving carefully sequenced construction methods. A few features of the project include:

- constructing three new 140-foot diameter secondary clarifiers,
- converting existing secondary clarifiers and aeration basins into 'bioreactors',
- installing plant-wide corrosion and odor control equipment,
- installing four new 42-inch plant influent lines under Alkali Creek,
- expanding plant pumping capacity in support of the new processes,
- replacing existing critical process equipment nearing the end of its service life,
- expanding the capacity of equipment producing biosolids, and
- installing plant-wide electrical and process control upgrades.

Project work started in late in March of 2017 and is expected to be completed in the fall of 2019.

CITY OF BILLINGS, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCE DEPARTMENT

ANDREW ZOELLER, CPA
FINANCE DIRECTOR

FISCAL YEAR 2018

July 1, 2017 – June 30, 2018

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INTRODUCTORY SECTION



CITY OF BILLINGS

FINANCE DEPARTMENT

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FACSIMILE (406) 247-8608

December 28, 2017

Honorable Mayor, Members of the
City Council, City Administrator and the Citizens of the City of Billings, Montana:

The Comprehensive Annual Financial Report (CAFR) of the City of Billings, Montana (the City) for Fiscal Year ended June 30, 2018, is hereby submitted. This report was prepared by the Finance Department. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Office of Management and Budget Uniform Guidance, 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 internal controls and compliance is included in the Single Audit section of this report.

CITY OF BILLINGS PROFILE

The City of Billings was incorporated in 1882 and is located in South Central Montana along Interstate 90. The City of Billings is located in Yellowstone County, the most populous county in Montana. Billings is the largest city in the state with a 2010 Census population of 104,170 and a current estimate of 109,642.

The City of Billings operates under a Home Rule Charter, established in 1976, with a Council-Manager form of government. Policy making and legislative authority are vested in a 10 member council and mayor (Legislative Branch). The Legislative Branch is responsible for the performance of all duties and obligations imposed on the City by law. Two council members are elected from each of 5 wards for four year terms with a maximum of two consecutive terms. The mayor is elected at large for a four year term with a maximum of two consecutive terms. The Legislative Branch hires a City Administrator (Manager) to oversee the day to day operations of the City.

The City of Billings provides governmental services for public safety, utilities (including water, wastewater, and solid waste), public transportation, construction and maintenance of infrastructure, and general support services to serve the citizens of Billings.

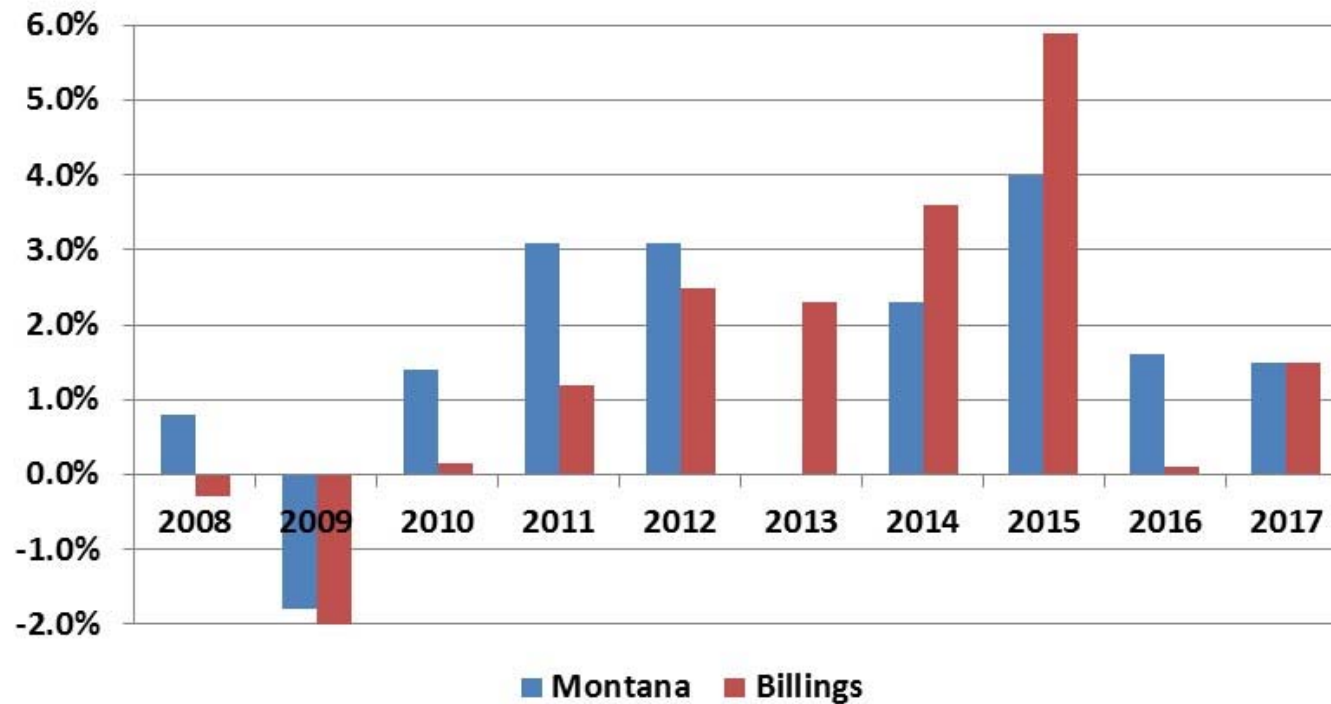
The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

Budgets are legally required and are prepared for all the City's funds. The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The City also maintains an encumbrance system as one technique of accomplishing budgetary control. Open encumbrances are reported as reservations of fund balance as of June 30, 2018. Per state law, encumbrances are automatically re-appropriated and added to the following year's adopted budget. This re-appropriation takes place without council action.

ECONOMIC CONDITION AND OUTLOOK

The University of Montana – Missoula, Bureau of Business and Economic Research publishes its Economic Outlook for selected counties in Montana. Following is some information contained in the publication. Billings has a diverse economic base composed of a variety of industries. The major industries in Billings consists of health care, construction, business services, retail, and government. Economic growth over the past decade continues to increase at a modest rate, as the following chart indicates. The reduction in Billings economy in 2016 was centered in its goods distribution and energy services employers. The continued reduced oil price brought the closure of oil related business. A big decline in construction-related wages came about as refinery projects came to a conclusion. Other major sectors, such as health care, are performing well, but the decline in distribution and energy have been hard to overcome.

Change in Nonfarm Labor Income



One of the City's largest industries is health care. Presently, the Billings Clinic Health System (approximately 4,000 employees) and Saint Vincent Healthcare (approximately 2,000 employees) employ approximately 6,000 employees. Both healthcare systems have embarked on major expansion programs that will increase the size of their facilities and their employment levels over the next several years.

LONG-TERM FINANCIAL PLANNING

The City of Billings annually completes five year plans for the General Fund, Public Safety Fund, Library Fund, Airport Fund, Transit Fund and other operating funds. Currently, the Public Safety Fund gets around 54% of its revenue from the General Fund. Through years of modest spending combined with improved property tax revenues, the General Fund balance has continued to increase or experience small decreases. As a result of continued population growth, the City will need to make many decisions related to expansion of City facilities over the next five years. This will likely use a portion of the unassigned General Fund balance. The City is also going to begin updating its strategic plan. This information will be used when completing the FY20 budget.

RELEVANT FINANCIAL POLICIES

The Billings City Council adopts three capital plans each budget year. The three plans are for technology equipment, vehicles, and capital improvements (infrastructure, buildings, building improvements, etc.). These three plans guide the City throughout the fiscal year with capital purchases.

The City Council followed the adopted growth policy by only annexing parcels contained within the boundaries of the policy. Following the policy does not over extend City services which in turn cost more money.

The City Council adopted a reserve level policy authorizing the City Administrator to establish fiscally responsible reserve minimums. The City Administrator adopted an Administrative Order with recommended reserve levels for all operating funds.

MAJOR INITIATIVES

City Council adopts annual goals before beginning budget preparations. The Council, with the help of a consultant, adjusted and adopted updated strategic goals in 2014.

- ∞ Honest, Responsive Government: Striving to be a principle-centered organization that promotes responsibility, accountability, trust, and open, accessible government.

- ∞ Comprehensive Orderly Growth: Careful consideration and management of the process of community growth.
- ∞ Transportation: Development of a comprehensive, multi-modal transportation system that supports the Growth Policy.
- ∞ Sustainable Economic Development: Economic vitality that fosters community partnerships and ensures a strong and efficient infrastructure.
- ∞ Involved, United Community: Community-wide investment in visioning and planning for the future.
- ∞ Public Safety: Provide for a safe and secure community.
- ∞ Quality of Life: Provide Library patrons with tools to become happy, informed, participating community members.
- ∞ City Infrastructure: Provide an understandable program with sustainable funding.

All City departments establish departmental goals and action plans that help to support the Council goals. Some of the major initiatives that were started or completed in the budget year are:

- Updated the Capital Improvements Plan.
- Completed multiple road construction projects.

INDEPENDENT AUDIT

The State of Montana requires a biennial audit of the basic financial statements of the City by independent certified public accountants selected by the City Council. However, the City Council has recommended that an annual audit be performed. An annual audit provides a higher level of financial management and fiscal responsibility. JCCS P.C., Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Billings, Montana’s financial statements for the year ended June 30, 2018. The independent auditors’ report is located at the front of the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Billings, Montana, for its comprehensive annual financial

report for the fiscal year ended June 30, 2017. This was the 34th consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

For the 27th consecutive year, the City received the GFOA's Award for Distinguished Budget Presentation for its 2018-2019 annual budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

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 our Accountants Jim Hauck and Donna Hjelm. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,



Andy Zoeller, CPA
Finance Director



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

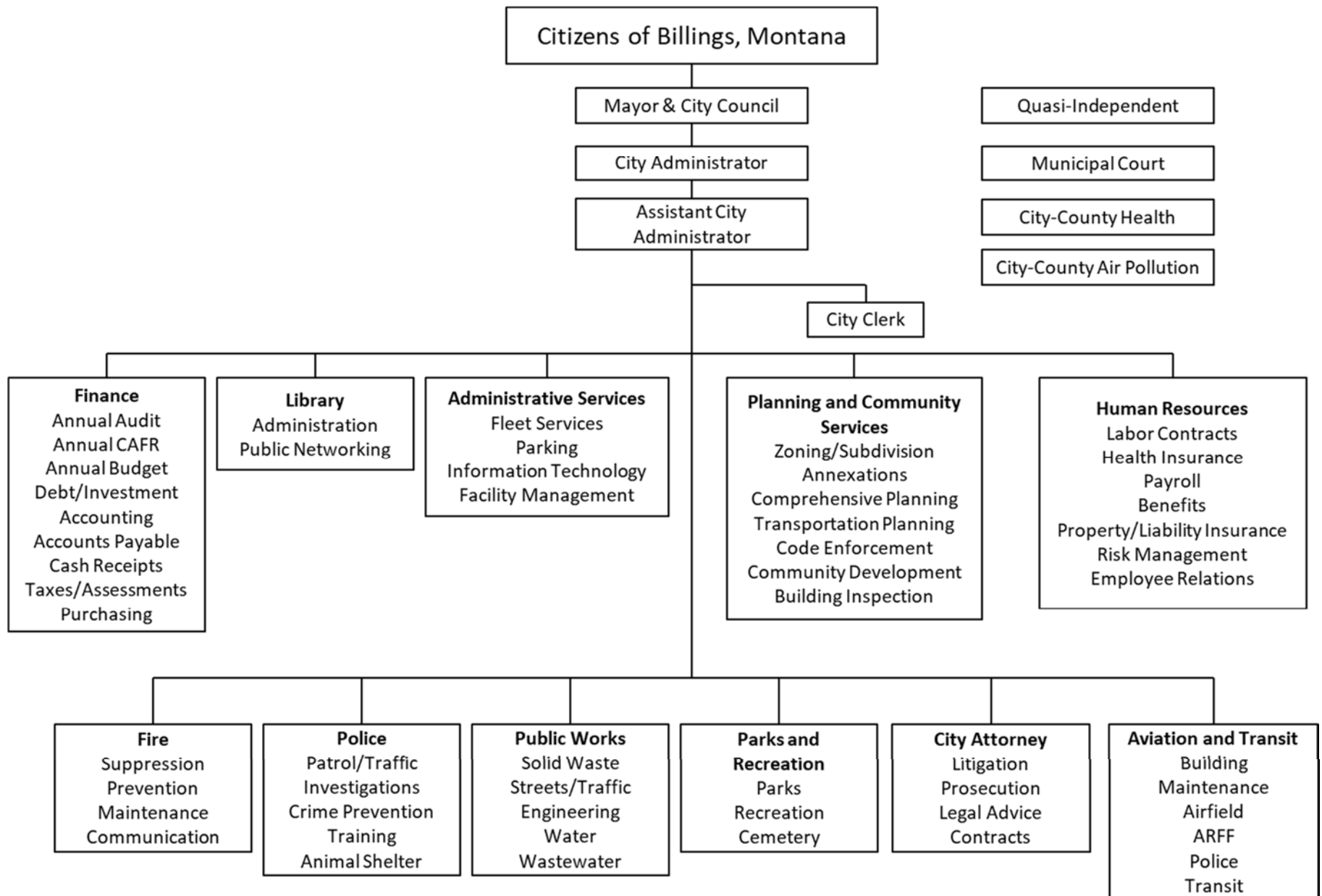
**City of Billings
Montana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morvill

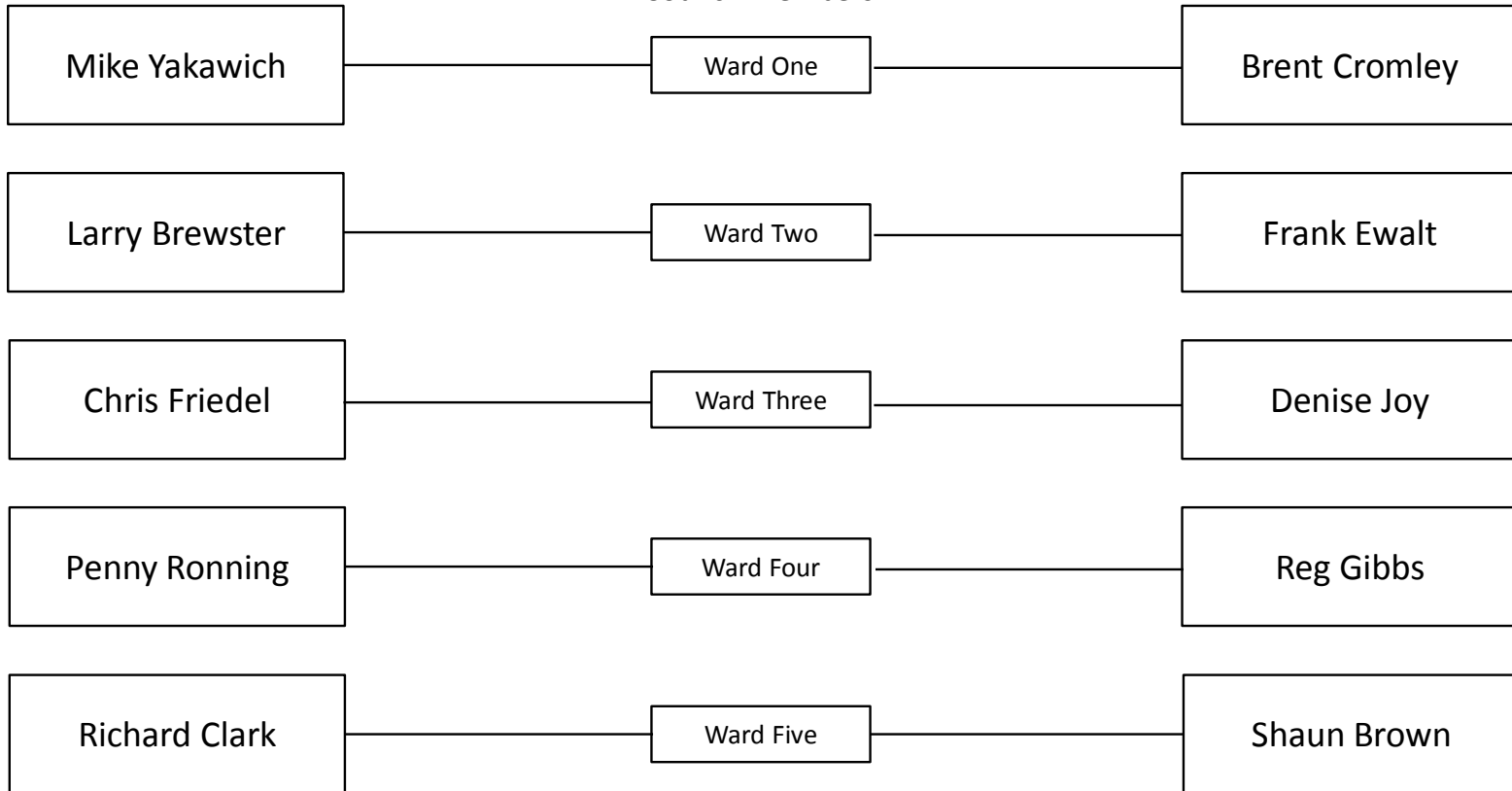
Executive Director/CEO



City of Billings, Montana
Official Roster

Mayor
Bill Cole

Council Members



FINANCIAL SECTION

**To the Honorable Mayor, Members of the City Council and City Administrator
City of Billings, Montana**

INDEPENDENT AUDITORS' REPORT

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 the City of Billings, Montana, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Billings, Montana'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.

Auditors' 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 auditors' 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 the City of Billings, Montana, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 schedules, other post-employment benefits information, and employee retirement pension benefits information (collectively, the required supplementary information) on pages 3 through 12 and 110 through 128 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government 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 the City of Billings, Montana's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

The introductory and statistical sections 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 28, 2018, on our consideration of the City of Billings, Montana'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 the 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 of Billings, Montana's internal control over financial reporting and compliance.

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana
December 28, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Billings (the City) offers the readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. In addition to this overview and analysis based on currently known facts, decisions, and conditions, the City encourages readers to consider the information presented in the City's letter of transmittal and the City's financial statements, which begin on pages i and 13 of this report, respectively.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the fiscal year end by \$749.4 Million (Net Position).
- The total fiscal year end governmental fund balance was \$103 Million as reported in the balance sheet.
- The total general fund and public safety fund balances at the fiscal year end were \$27,717,469 and \$2,190,587, respectively. More information regarding the general fund and public safety fund balances is contained in the Economic Factors and Future Outlook toward the end of the Management Discussion and Analysis (MD&A).

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of the following three components:

- 1) Government-wide Financial Statements
- 2) Fund Financial Statements
- 3) Notes to the Financial Statements

Other supplementary information is also included at the end of the Financial Section.

Government-wide Financial Statements. The government-wide statements are designed to provide readers with a broad overview of the City's finances using the accrual basis of accounting, the basis of accounting used by most private-sector businesses.

The statement of net position presents information on all of the City's assets and liabilities. The difference between assets and liabilities is reported as net position. Over time, increases and decreases in net position may provide an indication of whether the City's financial position is improving or deteriorating.

The statement of activities presents information reflecting how the City's net position has changed during the fiscal year just ended. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety – police and fire, public health, culture and recreational services, housing and economic development, and public works. The business-type activities of the City include solid waste, airport, water, wastewater, transit, parking operations, and golf course.

Fund Financial Statements. Traditional users of the City's financial statements will find the fund financial statement presentation more familiar. With the implementation of GASB 34, the focus is now on major funds rather than fund types.

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. A major fund should generally meet both of the following criteria: 1) total assets, liabilities, revenues, or expenditures/expenses are at least 10% of the corresponding total (assets, liabilities, etc.) for that fund type (i.e., governmental or enterprise funds) and 2) total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.

The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds. Governmental funds are used to report those same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statements, the fund financial statements are prepared on the modified accrual basis. Under the modified accrual basis of accounting, revenues are recognized when they become measurable and available, and expenditures are recognized when the related fund liability is incurred, with the exception of long-term debt and similar long-term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is

on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year.

Since the focus of the governmental funds is on near-term resources, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. To facilitate this comparison, reconciliations are provided for both the governmental fund balance sheet and the governmental statement of revenues, expenditures, and changes in fund balances.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and Public Safety Fund. These two funds are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor funds is provided in the form of combining statements located within the supplementary information following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its governmental funds. Budgetary comparison statements have been provided to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-20 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds: enterprise and internal service funds. The proprietary fund financial statements are prepared on the accrual basis of accounting. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its solid waste, airport, water, wastewater, transit, parking operations, and golf course. Internal service funds are used to account for activities and services performed for other organizational units within the City. These costs are allocated internally among the City's various functions. The City uses internal service funds to account for motor pool, postage and copying, information technology, health care benefits, facilities management, telephone services, radio communication services, public works administration, public works engineering, and property and liability insurance. The governmental-type functions use over 50% of these services. As such, they have been included within the governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The transit and golf course enterprise funds are considered to be non-major funds and, therefore, are combined into a single, aggregated presentation in the proprietary fund statements. Major fund reporting requirements do not apply to internal service funds; therefore, they are combined into a single, aggregated presentation in the proprietary fund statements.

The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Government-wide Financial Analysis

Net position over time may serve useful as an indicator of a government's financial position. The net position for the fiscal year ending June 30, 2018, was \$749,389,089 (assets exceeded liabilities), which was an increase of \$23,246,752.

The City's largest portion of net position reflects investment in capital assets: land, buildings, improvements other than buildings, equipment and vehicles, and infrastructure. These assets are used to provide services to the citizens of Billings and are not available for future spending. The City's investment in capital assets is reported net of related debt. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net position and Changes in Net position as of, and for, the fiscal years ended June 30, 2018, and June 30, 2017:

City of Billings, Montana's Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Current and other assets | \$ 128,119,279 | \$ 134,131,561 | \$ 164,746,727 | \$ 178,840,228 | \$ 292,866,006 | \$ 312,971,789 |
| Capital assets | 281,176,398 | 280,116,897 | 456,042,389 | 428,606,240 | 737,218,787 | 708,723,137 |
| Total assets | 409,295,677 | 414,248,458 | 620,789,116 | 607,446,468 | 1,030,084,793 | 1,021,694,926 |
| Deferred outflows | 14,963,485 | 10,358,118 | 6,308,906 | 3,868,853 | 21,272,391 | 14,226,971 |
| Long-term liabilities outstanding | 132,515,775 | 137,210,511 | 142,677,084 | 146,503,220 | 275,192,859 | 283,713,731 |
| Other liabilities | 11,646,977 | 11,003,593 | 13,369,366 | 11,768,510 | 25,016,343 | 22,772,103 |
| Total liabilities | 144,162,752 | 148,214,104 | 156,046,450 | 158,271,730 | 300,209,202 | 306,485,834 |
| Deferred inflows | 1,358,187 | 2,928,156 | 400,706 | 365,570 | 1,758,893 | 3,293,726 |
| Net position: | | | | | | |
| Net investment in capital assets | 213,236,381 | 208,499,119 | 325,090,673 | 309,890,080 | 538,327,054 | 518,389,199 |
| Restricted | 64,435,259 | 53,672,385 | 28,197,924 | 55,100,602 | 92,633,183 | 108,772,987 |
| Unrestricted | 1,066,583 | 11,292,812 | 117,362,269 | 87,687,339 | 118,428,852 | 98,980,151 |
| Total net position | \$ 278,738,223 | \$ 273,464,316 | \$ 470,650,866 | \$ 452,678,021 | \$ 749,389,089 | \$ 726,142,337 |

The restricted portion of fiscal year 2018 Net Position (12.4%) represents resources that are subject to external restrictions as to how they may be used.

City of Billings, Montana's Changes in Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|---------------|-----------------------------|---------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 38,974,596 | \$ 36,549,811 | \$ 78,132,295 | \$ 71,952,899 | \$ 117,106,891 | \$ 108,502,710 |
| Operating grants and contributions | 18,855,535 | 12,033,947 | 3,721,107 | 4,024,429 | 22,576,642 | 16,058,376 |
| Capital grants and contributions | 7,117,548 | 11,036,308 | 3,745,650 | 9,163,621 | 10,863,198 | 20,199,929 |
| General revenues: | | | | | | |
| Property taxes | 38,683,508 | 37,269,138 | 2,230,151 | 2,054,164 | 40,913,659 | 39,323,302 |
| Franchise fees | 3,851,814 | 3,833,171 | - | - | 3,851,814 | 3,833,171 |
| Business licenses | 762,297 | 763,179 | - | - | 762,297 | 763,179 |
| Unrestricted federal/state shared revenue | 17,137,975 | 16,407,062 | - | - | 17,137,975 | 16,407,062 |
| Unrestricted investment earnings | 428,152 | 227,662 | 1,498,320 | 656,677 | 1,926,472 | 884,339 |
| Gain/(Loss) on sale of property and equipment | 139,532 | 266,712 | 24,273 | 27,969 | 163,805 | 294,681 |
| Miscellaneous | (782,855) | 143,627 | 710,569 | 835,022 | (72,286) | 978,649 |
| Total revenues | 125,168,102 | 118,530,617 | 90,062,365 | 88,714,781 | 215,230,467 | 207,245,398 |

(Continued)

City of Billings, Montana's Changes in Net Position (Continued)

| | Governmental Activities | | Business-type Activities | | Total | |
|---|----------------------------|----------------|-----------------------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Expenses: | | | | | | |
| General government | 9,166,943 | 8,800,809 | - | - | 9,166,943 | 8,800,809 |
| Public safety | 52,598,618 | 45,516,446 | - | - | 52,598,618 | 45,516,446 |
| Public works | 37,155,926 | 38,203,091 | - | - | 37,155,926 | 38,203,091 |
| Public health | 1,037,576 | 1,002,363 | - | - | 1,037,576 | 1,002,363 |
| Culture and recreation | 11,457,583 | 11,269,160 | - | - | 11,457,583 | 11,269,160 |
| Housing and economic development | 5,338,458 | 5,889,765 | - | - | 5,338,458 | 5,889,765 |
| Interest on long-term debt | 2,829,762 | 2,774,845 | - | - | 2,829,762 | 2,774,845 |
| Solid Waste | - | - | 13,753,027 | 12,117,275 | 13,753,027 | 12,117,275 |
| Airport | - | - | 14,067,374 | 12,907,441 | 14,067,374 | 12,907,441 |
| Water | - | - | 20,672,758 | 19,533,689 | 20,672,758 | 19,533,689 |
| Wastewater | - | - | 14,974,704 | 14,749,957 | 14,974,704 | 14,749,957 |
| Parking | - | - | 2,502,939 | 2,401,137 | 2,502,939 | 2,401,137 |
| Transit | - | - | 5,992,999 | 5,666,518 | 5,992,999 | 5,666,518 |
| Golf Course | - | - | 435,048 | 478,030 | 435,048 | 478,030 |
| Total expenses | 119,584,866 | 113,456,479 | 72,398,849 | 67,854,047 | 191,983,715 | 181,310,526 |
| Increase in net position before transfers | 5,583,236 | 5,074,138 | 17,663,516 | 20,860,734 | 23,246,752 | 25,934,872 |
| Transfers | (309,329) | (502,126) | 309,329 | 502,126 | - | - |
| Change in net position | 5,273,907 | 4,572,012 | 17,972,845 | 21,362,860 | 23,246,752 | 25,934,872 |
| Net position, beginning of year | 273,464,316 | 269,557,281 | 452,678,021 | 431,641,795 | 726,142,337 | 701,199,076 |
| Prior period adjustment | - | (664,977) | - | (326,634) | - | (991,611) |
| Net position, end of year | \$ 278,738,223 | \$ 273,464,316 | \$ 470,650,866 | \$ 452,678,021 | \$ 749,389,089 | \$ 726,142,337 |

Governmental activities. Net Position in governmental activities increased by \$5,273,907 during fiscal year 2018. Net Position increased due to the combination of increased property tax collections and operating grants.

Business-type activities. Net Position in business-type activities increased by \$17,972,845 during fiscal year 2018. Net Position increased due to Airport, Water, and Wastewater contributed capital of \$3.7 million and charges exceeding operating expenses in Solid Waste, Water, and Wastewater by \$16.1 million.

Financial Analysis of the City's Funds

As noted previously, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The City of Billings Public Safety Fund received approximately 54% of its funding from the General Fund. Therefore, both funds are directly related. The combined fund balances for the General and Public Safety funds experienced a small increase in the current fiscal year. The small increase resulted from ongoing cost containments in the General and Public Safety funds.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position in the proprietary funds is \$118,527,651 for fiscal year ended June 30, 2018, an increase of \$30 million. The most significant increases in unrestricted net position were related to capital contributions and net operating income.

The net position of the Solid Waste Fund increased by \$1.8 million due to a net operating income of \$1.7 million. The Airport Fund's net position increased by \$1.6 million due to capital contributions of \$1.9 million. The Water Fund's net position increased by \$8.1 million due to contributed capital of \$450,000 and a net operating income of \$8.0 million. The Wastewater Fund's net position increased by \$6.7 million due to contributed capital of \$1.3 million and a net operating income of \$6.4 million. The Parking Fund's net position decreased by \$505,000 due to a net operating loss.

General Fund Budgetary Highlights

General Fund revenues were nearly the same as amounts budgeted. Variances between the final revenue budget and actual revenues received is a result of more charges for services being greater than anticipated due to an increase in participation of recreation activities. Variances between the final expenditure budget and actual expenditures resulted from vacancy savings, unused council contingency funds, and vacancy savings in the Public Safety Fund resulting in a transfer that was less than budgeted.

Capital Asset and Debt Administration

Capital Assets. The City of Billings investment in capital assets for its governmental and business-type activities as of June 30, 2018, was \$737 million (net of accumulated depreciation). The investment in capital assets includes land; construction in progress; buildings; improvements other than buildings, equipment and vehicles; and infrastructure. The City had construction commitments of \$65.8 million for the end of the current fiscal year.

City of Billings, Montana's Capital Assets (net of depreciation)

| | Governmental Activities | | Business-type Activities | | Total | |
|-----------------------------------|----------------------------|-----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 44,294,991 | \$ 43,844,673 | \$ 13,755,814 | \$ 13,755,814 | \$ 58,050,805 | \$ 57,600,487 |
| Buildings | 24,206,352 | 24,033,654 | 53,799,256 | 55,982,750 | 78,005,608 | 80,016,404 |
| Improvements other than buildings | 29,581,444 | 30,417,511 | 46,249,771 | 48,311,683 | 75,831,215 | 78,729,194 |
| Machinery and equipment | 15,156,167 | 14,740,000 | 21,616,303 | 20,423,961 | 36,772,470 | 35,163,961 |
| Infrastructure | 153,803,031 | 160,784,573 | 274,807,188 | 271,092,235 | 428,610,219 | 431,876,808 |
| Construction In progress | 14,134,409 | 6,296,486 | 45,814,057 | 19,039,797 | 59,948,466 | 25,336,283 |
| Total | \$ 281,176,394 | \$ 280,116,897 | \$ 456,042,389 | \$ 428,606,240 | \$ 737,218,783 | \$ 708,723,136 |

Additional information on the City of Billings' capital assets can be found on pages 54-57 of this report.

City of Billings, Montana's Outstanding Debt

Long-term Debt

| | Governmental Activities | | Business-type Activities | | Total | |
|--|----------------------------|----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| General obligation bonds | \$ 21,668,610 | \$ 30,109,235 | \$ - | \$ - | \$ 21,668,610 | \$ 30,109,235 |
| Refunding bonds | - | - | 2,429,542 | 3,259,105 | 2,429,542 | 3,259,105 |
| Special assessment debt with governmental commitment | 18,766,594 | 19,584,522 | - | - | 18,766,594 | 19,584,522 |
| Revenue bonds | 24,810,319 | 25,516,200 | 65,238,028 | 68,518,498 | 90,048,347 | 94,034,698 |
| Notes payable | - | 249,319 | 39,727,000 | 42,767,000 | 39,727,000 | 43,016,319 |
| Intercap notes payable | 37,572 | 42,938 | - | - | 37,572 | 42,938 |
| Capital lease payable | 2,514,688 | 2,935,470 | 3,437,007 | 3,654,924 | 5,951,695 | 6,590,394 |
| Total | \$ 67,797,783 | \$ 78,437,684 | \$ 110,831,577 | \$ 118,199,527 | \$ 178,629,360 | \$ 196,637,211 |

Long-term debt. The City of Billings had total bonded debt and notes outstanding of \$178,629,360 at the end of the current fiscal year. The majority of the debt consists of revenue bonds payable in the amount of \$132,204,889. These bonds are secured by specific revenue sources and consist mostly of loans for a major Wastewater plant project. General Obligation Bonds in the amount of \$21,668,610 of debt is backed by the full faith and credit of the government. The remaining amounts are special assessment debt in the amount of \$18,766,594, which is assessed to benefit property owners, and \$5,951,695 for capital leases.

Under the current State statutes, City general obligation bonded debt issuances are subject to a legal limitation based on 2.50% of assessed market value of the property subject to taxation. As of June 30, 2018, the City's general obligation bonded debt of \$21,668,610 was well below the legal debt limit of \$311,782,783. General obligation net bonded debt per capita equated to \$197.63.

Additional information on the City of Billings long-term debt can be found on pages 61-71 of this report.

Economic Factors and Future Outlook

The City of Billings is the largest city in Montana and serves as Montana's major trade and service center with major employment in health care, business services, and manufacturing. Most of the City's funds are in good financial condition. The funds relying on property tax struggle because of local and state tax limitations, but continue to operate with healthy reserves.

Tax growth in the City has averaged approximately 3% over the past 10 years. While this growth allows us to keep up with the current level of service provided, it doesn't allow for much expansion in services. Development and construction continue to occur in Billings, during the fiscal year there was development valued at over \$255 million within the city.

Fund balance for the General Fund are above the minimum recommended reserve level as of June 30, 2018. The recommended reserve of 29% of the annual budget was derived from analyzing 10 years of cash flow needs. These reserves are necessary because property taxes, which are the greatest source of revenue for the General Fund, are paid in two installments, November 30th and May 31st. As a result, cash balance in the fund decreases significantly in between tax payments.

The Billings City Council approved a decrease in the number of mills levied for tax year 2018 by 1.40 mills. Of the total mills levied within the City of Billings (City, County, School, and State), the City's portion is approximately 23%. The city has seen modest growth in both new construction and existing property values. We expect this trend to continue, and anticipate modest growth in property tax revenue for FY19.

Financial Contact

The City's financial statements are designed to provide users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. Questions concerning any of the information presented in this report or requests for additional information should be sent to the attention of the Finance Director at the following address: P.O. Box 1178, Billings, MT 59103.

BASIC FINANCIAL STATEMENTS

CITY OF BILLINGS, MONTANA
Statement of Net Position
June 30, 2018
(Page 1 of 2)

| | Governmental Activities | Business-type Activities | Total |
|--|------------------------------------|-------------------------------------|---------------|
| <u>Assets</u> | | | |
| Cash and cash equivalents | \$ 40,551,192 | \$ 47,031,469 | \$ 87,582,661 |
| Restricted cash and cash equivalents with fiscal agent | 4,494,016 | 6,070,436 | 10,564,452 |
| Investments | 75,876,611 | 87,767,540 | 163,644,151 |
| Receivables | 11,471,214 | 13,406,205 | 24,877,419 |
| Internal balances | (5,758,751) | 5,758,751 | - |
| Inventories | 384,896 | 1,468,049 | 1,852,945 |
| Prepaid items | 14,415 | 6,350 | 20,765 |
| Property held for resale | 378,825 | - | 378,825 |
| Restricted assets: | | | |
| Temporarily restricted: | | | |
| Investments with trustee | - | 3,237,927 | 3,237,927 |
| Permanently restricted: | | | |
| Cash and cash equivalents | 246,449 | - | 246,449 |
| Investments | 460,412 | - | 460,412 |
| Capital assets: | | | |
| Land and construction in progress | 58,429,400 | 59,569,870 | 117,999,270 |
| Other capital assets, net of depreciation | 222,746,998 | 396,472,519 | 619,219,517 |
| Total capital assets | 281,176,398 | 456,042,389 | 737,218,787 |
| Total assets | 409,295,677 | 620,789,116 | 1,030,084,793 |
| <u>Deferred Outflows</u> | | | |
| Deferred charge on refunding of debt | 1,041,233 | 35,349 | 1,076,582 |
| Other post employment benefits | 1,459,189 | 729,553 | 2,188,742 |
| Pensions | 12,463,063 | 5,544,004 | 18,007,067 |
| Total deferred outflows | 14,963,485 | 6,308,906 | 21,272,391 |
| <u>Liabilities</u> | | | |
| Accounts payable | 5,187,314 | 10,373,079 | 15,560,393 |
| Accrued wages and benefits | 2,334,585 | 976,820 | 3,311,405 |
| Incurred but not reported health benefits | 907,796 | - | 907,796 |
| Accrued interest | 1,244,867 | 2,019,467 | 3,264,334 |
| Unearned Revenue | 599,415 | - | 599,415 |
| Other liabilities | 73,000 | - | 73,000 |
| Claims and judgments - due within one year | 1,300,000 | - | 1,300,000 |
| Long-term liabilities: | | | |
| Due within one year | 10,279,423 | 8,442,514 | 18,721,937 |
| Due in more than one year | 65,631,162 | 105,603,153 | 171,234,315 |
| Other post-employment benefits | 7,280,306 | 3,590,709 | 10,871,015 |
| Net pension liability | 49,324,884 | 21,686,136 | 71,011,020 |
| Landfill closure and postclosure - due in more than one year | - | 3,354,572 | 3,354,572 |
| Total liabilities | 144,162,752 | 156,046,450 | 300,209,202 |

(continued)

CITY OF BILLINGS, MONTANA
Statement of Net Position
June 30, 2018
(Page 2 of 2)

| <u>Deferred Inflows</u> | | | |
|----------------------------------|----------------------------|-----------------------------|---------------------|
| Other post employment benefits | 448,061 | 223,670 | 671,731 |
| Pensions | 910,126 | 177,036 | 1,087,162 |
| Total deferred inflows | 1,358,187 | 400,706 | 1,758,893 |
| | <u>Governmental</u> | <u>Business-type</u> | |
| | <u>Activities</u> | <u>Activities</u> | <u>Total</u> |
| | | | |
| <u>Net Position</u> | | | |
| Net investment in capital assets | 213,236,381 | 325,090,673 | 538,327,054 |
| Restricted for: | | | |
| Public works | 24,375,317 | - | 24,375,317 |
| Culture and recreation | 5,121,801 | - | 5,121,801 |
| Housing and economic development | 14,117,400 | - | 14,117,400 |
| Capital projects | 8,780,657 | 22,696,018 | 31,476,675 |
| Debt service | 11,331,533 | 5,501,906 | 16,833,439 |
| Endowments - nonexpendable | 708,551 | - | 708,551 |
| Unrestricted | 1,066,583 | 117,362,269 | 118,428,852 |
| Total net position | \$ 278,738,223 | \$ 470,650,866 | \$ 749,389,089 |

The notes to the financial statements are an integral part of this statement.

CITY OF BILLINGS, MONTANA
Statement of Activities
For The Fiscal Year Ended June 30, 2018

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|-----------------------|-------------------------|--|--|--|-----------------------------|-----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | |
| | | | | | Governmental Activities | Business-Type Activities | Total |
| Functions/Programs: | | | | | | | |
| Primary government | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 9,166,943 | \$ 3,559,914 | \$ 1,494,286 | \$ 300,000 | \$ (3,812,743) | \$ - | \$ (3,812,743) |
| Public safety | 52,598,618 | 5,166,183 | 11,514,072 | 44,423 | (35,873,940) | - | (35,873,940) |
| Public works | 37,155,926 | 27,892,037 | 1,157,746 | 4,706,058 | (3,400,085) | - | (3,400,085) |
| Public health | 1,037,576 | 55,708 | 98,242 | - | (883,626) | - | (883,626) |
| Culture and recreation | 11,457,583 | 2,269,543 | 2,199,709 | 2,067,067 | (4,921,264) | - | (4,921,264) |
| Housing and economic development | 5,338,458 | 31,211 | 2,175,717 | - | (3,131,530) | - | (3,131,530) |
| Interest on long-term debt | 2,829,762 | - | - | - | (2,829,762) | - | (2,829,762) |
| Total governmental activities | <u>119,584,866</u> | <u>38,974,596</u> | <u>18,855,535</u> | <u>7,117,548</u> | <u>(54,637,187)</u> | <u>-</u> | <u>(54,637,187)</u> |
| Business-type activities: | | | | | | | |
| Solid Waste | 13,753,027 | 15,406,549 | 3,285 | - | - | 1,656,807 | 1,656,807 |
| Airport | 14,067,374 | 12,356,337 | 708,075 | 1,935,129 | - | 932,167 | 932,167 |
| Water | 20,672,758 | 27,995,571 | 3,459 | 450,410 | - | 7,776,682 | 7,776,682 |
| Wastewater | 14,974,704 | 19,518,186 | 2,662 | 1,360,111 | - | 5,906,255 | 5,906,255 |
| Parking | 2,502,939 | 1,665,367 | 495 | - | - | (837,077) | (837,077) |
| Transit | 5,992,999 | 789,699 | 3,003,131 | - | - | (2,200,169) | (2,200,169) |
| Golf Course | 435,048 | 400,586 | - | - | - | (34,462) | (34,462) |
| Total business-type activities | <u>72,398,849</u> | <u>78,132,295</u> | <u>3,721,107</u> | <u>3,745,650</u> | <u>-</u> | <u>13,200,203</u> | <u>13,200,203</u> |
| Total primary government | <u>\$ 191,983,715</u> | <u>\$ 117,106,891</u> | <u>\$ 22,576,642</u> | <u>\$ 10,863,198</u> | <u>(54,637,187)</u> | <u>13,200,203</u> | <u>(41,436,984)</u> |
| General revenues: | | | | | | | |
| Property taxes | | | | | 38,683,508 | 2,230,151 | 40,913,659 |
| Franchise fees | | | | | 3,851,814 | - | 3,851,814 |
| Business license tax | | | | | 762,297 | - | 762,297 |
| Unrestricted federal/state shared revenue | | | | | 17,137,975 | - | 17,137,975 |
| Unrestricted investment earnings | | | | | 428,152 | 1,498,320 | 1,926,472 |
| Gain on sale of capital assets | | | | | 139,532 | 24,273 | 163,805 |
| Miscellaneous | | | | | (782,855) | 710,569 | (72,286) |
| Transfers | | | | | (309,329) | 309,329 | - |
| Total general revenues and transfers | | | | | <u>59,911,094</u> | <u>4,772,642</u> | <u>64,683,736</u> |
| Change in net position | | | | | 5,273,907 | 17,972,845 | 23,246,752 |
| Net position, beginning of year | | | | | <u>273,464,316</u> | <u>452,678,021</u> | <u>726,142,337</u> |
| Net position, end of year | | | | | <u>\$ 278,738,223</u> | <u>\$ 470,650,866</u> | <u>\$ 749,389,089</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF BILLINGS, MONTANA

Governmental Funds

Balance Sheet

June 30, 2018

| | General Fund | Public Safety Fund | Other Governmental Funds | Total Governmental Funds |
|--|----------------------|---------------------------|---------------------------------|---------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 9,616,841 | \$ 1,153,104 | \$ 24,723,281 | \$ 35,493,226 |
| Cash with fiscal agent | - | - | 4,494,016 | 4,494,016 |
| Investments | 17,875,313 | 2,097,291 | 46,252,102 | 66,224,706 |
| Receivables: | | | | |
| Property taxes | 857,206 | 855,368 | 636,447 | 2,349,021 |
| Accounts and unbilled usage | 9,042 | 43,634 | 49,691 | 102,367 |
| Delinquent special assessments | 44,164 | - | 1,153,157 | 1,197,321 |
| Special assessments receivable | - | - | 3,909,223 | 3,909,223 |
| Accrued interest | 73,045 | 5,730 | 142,118 | 220,893 |
| Notes | - | - | 2,105,410 | 2,105,410 |
| Due from other funds | 313,964 | - | 107,960 | 421,924 |
| Due from other governments | - | - | 1,117,530 | 1,117,530 |
| Inventories | - | - | 150,293 | 150,293 |
| Property held for resale | - | - | 378,825 | 378,825 |
| Total assets | \$ 28,789,575 | \$ 4,155,127 | \$ 85,220,053 | \$ 118,164,755 |
| Liabilities, Deferred Inflows and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ 458,588 | \$ 410,041 | \$ 3,957,986 | \$ 4,826,615 |
| Accrued wages & benefits | 383,103 | 1,288,198 | 398,837 | 2,070,138 |
| Due to other funds | - | - | 421,924 | 421,924 |
| Unearned Revenue | - | - | 599,321 | 599,321 |
| Other liabilities | - | - | 73,000 | 73,000 |
| Total Liabilities | \$ 841,691 | \$ 1,698,239 | \$ 5,451,068 | \$ 7,990,998 |
| Deferred inflows: | | | | |
| Unavailable Revenue | 230,415 | 266,301 | 6,691,577 | 7,188,293 |
| Fund balances: | | | | |
| Unspendable | - | - | 858,844 | 858,844 |
| Restricted | - | 2,190,587 | 61,532,678 | 63,723,265 |
| Committed | 11,857,691 | - | 10,709,058 | 22,566,749 |
| Unassigned | 15,859,778 | - | (23,172) | 15,836,606 |
| Total fund balances | 27,717,469 | 2,190,587 | 73,077,408 | 102,985,464 |
| Total liabilities, deferred inflows and fund balances | \$ 28,789,575 | \$ 4,155,127 | \$ 85,220,053 | \$ 118,164,755 |

The notes to the financial statements are an integral part of this statement.

CITY OF BILLINGS, MONTANA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

| | | |
|---|----------------------|-----------------------|
| Total <i>fund balances</i> for governmental funds | | \$ 102,985,464 |
| Total <i>net position</i> reported for governmental activities in the statement of net position is different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of: | | |
| Land | \$ 42,305,108 | |
| Buildings and improvements | 28,054,449 | |
| Improvements other than buildings | 45,011,140 | |
| Machinery and equipment | 35,424,956 | |
| Infrastructure | 304,739,035 | |
| Construction in progress | 14,134,409 | |
| Less accumulated depreciation | <u>(199,407,943)</u> | 270,261,154 |
| Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include: | | |
| Gov't deferred outflows of resources - unavailable tax revenue | 7,188,293 | |
| Gov't deferred outflows of resources - pensions | <u>11,839,946</u> | 19,028,239 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds | | |
| General obligation bonds payable | (20,325,000) | |
| add: bond premium | (1,343,679) | |
| Tax increment bonds payable | (24,825,000) | |
| less: bond discount | (38,287) | |
| add: bond premium | 52,968 | |
| Special assessment bonds payable | (18,221,828) | |
| less: bond discount | 38,952 | |
| add: bond premium | (583,788) | |
| Notes payable | (37,572) | |
| Compensated absences payable | (6,798,493) | |
| Other post-employment benefits | (6,387,635) | |
| Net pension liability | (41,913,361) | |
| Claims and judgments | (1,300,000) | |
| Accrued interest | <u>(1,220,966)</u> | (122,903,689) |
| Deferred inflow of resources related to pensions are not available to pay for current period expenditures, and therefore are not recorded in the funds | | |
| Deferred charge on refunding | 1,041,233 | |
| Pensions and OPEB | <u>(1,240,114)</u> | (198,881) |
| Internal service funds are used by the City to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position | | |
| | | <u>9,565,936</u> |
| Total net position of governmental activities | | <u>\$ 278,738,223</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF BILLINGS, MONTANA
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

| | General Fund | Public Safety Fund | Other Governmental Funds | Total Governmental Funds |
|--------------------------------------|----------------------|---------------------|--------------------------|--------------------------|
| Revenues: | | | | |
| Taxes | \$ 15,784,291 | \$ 12,647,561 | \$ 10,186,776 | \$ 38,618,628 |
| Licenses and permits | 4,626,771 | 42,297 | 1,786,643 | 6,455,711 |
| Intergovernmental | 11,211,236 | 9,420,812 | 9,593,167 | 30,225,215 |
| Charges for services | 4,310,323 | 1,578,319 | 8,724,842 | 14,613,484 |
| Fines and forfeitures | 1,499,620 | 2,400 | 335,915 | 1,837,935 |
| Special assessments | - | - | 24,318,904 | 24,318,904 |
| Other | 244,818 | 63,341 | 3,788,779 | 4,096,938 |
| Total revenues | <u>37,677,059</u> | <u>23,754,730</u> | <u>58,735,026</u> | <u>120,166,815</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 6,611,938 | - | 2,247,410 | 8,859,348 |
| Public safety | 484,756 | 45,909,479 | 3,716,611 | 50,110,846 |
| Public works | 388,257 | - | 21,537,930 | 21,926,187 |
| Public health | - | 854,351 | - | 854,351 |
| Culture and recreation | 4,189,405 | - | 4,721,172 | 8,910,577 |
| Housing and economic development | - | - | 5,216,500 | 5,216,500 |
| Capital outlay | 238,571 | 1,283,264 | 16,295,988 | 17,817,823 |
| Debt service: | | | | |
| Principal | - | 230,648 | 11,250,137 | 11,480,785 |
| Interest and fiscal charges | - | 5,854 | 2,945,085 | 2,950,939 |
| Bond issuance costs | - | - | 28,500 | 28,500 |
| Total expenditures | <u>11,912,927</u> | <u>48,283,596</u> | <u>67,959,333</u> | <u>128,155,856</u> |
| Revenues over (under) expenditures | <u>25,764,132</u> | <u>(24,528,866)</u> | <u>(9,224,307)</u> | <u>(7,989,041)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 1,258,012 | 25,999,387 | 7,244,042 | 34,501,441 |
| Transfers out | (27,577,055) | (879,934) | (6,641,092) | (35,098,081) |
| Special assessment bonds issued | - | - | 1,415,000 | 1,415,000 |
| Sale of capital assets | - | - | 139,532 | 139,532 |
| Total other financing sources (uses) | <u>(26,319,043)</u> | <u>25,119,453</u> | <u>2,157,482</u> | <u>957,892</u> |
| Net change in fund balances | (554,911) | 590,587 | (7,066,825) | (7,031,149) |
| Fund balance, beginning of year | 28,272,380 | 1,600,000 | 80,144,233 | 110,016,613 |
| Fund balance, end of year | <u>\$ 27,717,469</u> | <u>\$ 2,190,587</u> | <u>\$ 73,077,408</u> | <u>\$ 102,985,464</u> |

The notes to the financial statements are an integral part of this statement.

CITY OF BILLINGS, MONTANA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For The Fiscal Year Ended June 30, 2018
(Page 1 of 2)

| | | |
|--|---------------------|----------------|
| Net change in <i>fund balances</i> - total governmental funds | | \$ (7,031,149) |
| The change in <i>net position</i> reported for governmental activities in the statement of activities is different because: | | |
| Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period. | | |
| Capital outlay | 17,817,824 | |
| Depreciation | <u>(17,834,384)</u> | (16,560) |
| In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold. | | |
| | | (885,682) |
| Donations and developer contributions of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources. | | |
| Donations, developer contributions and other noncash increases in capital assets | | 2,701,423 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Unavailable tax revenue | (924,706) | |
| Deferred outflow of resources - pensions and OPEB | <u>3,817,338</u> | 2,892,632 |
| Proceeds from debt issues are other financing sources in the funds, but debt issues are long-term liabilities in the statement of net position. | | |
| Special assessment bond issued | | (1,415,000) |
| Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. | | |
| Bond premiums | 168,960 | |
| Bond discounts | (71,364) | |
| Deferred inflow of resource - pensions and OPEB | 1,584,358 | |
| Deferred loss on refunding | <u>(15,763)</u> | 1,666,191 |

(continued)

CITY OF BILLINGS, MONTANA
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For The Fiscal Year Ended June 30, 2018
(Page 2 of 2)

Repayment of bond principal is an expenditure in the governmental funds,
but the repayment reduces long-term liabilities in the statement of net position.

| | | |
|-------------------------|----------------|------------|
| General obligation debt | 8,310,000 | |
| Tax increment debt | 705,000 | |
| Special assessment debt | 2,211,100 | |
| Notes payable | <u>254,634</u> | 11,480,734 |

Internal service funds are used by management to charge the costs of certain activities, such as fleet management,
insurance and telecommunication, to individual funds. The net revenue (expense)
of certain internal service funds is reported with governmental activities. 237,426

Some expenses reported in the statement of activities, do not require the use of current financial
resources and, therefore, are not reported as expenditures in the governmental funds.

| | | |
|------------------------------------|----------------|--------------------|
| Compensated absences | (80,701) | |
| Other post-employment benefits | (247,741) | |
| Net Pension Liability | (4,148,867) | |
| Interest and amortization expenses | <u>121,201</u> | <u>(4,356,108)</u> |

Change in net position of governmental activities \$ 5,273,907

The notes to the financial statements are an integral part of this statement.

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Net Position (Page 1 of 2)
June 30, 2018

| | Business-type Activities | | | | | | Total | Internal Service Funds |
|--|--------------------------|----------------------|----------------------|----------------------|----------------------|---------------------------|----------------------|------------------------|
| | Solid Waste Fund | Airport Fund | Water Fund | Wastewater Fund | Parking Fund | Nonmajor Enterprise Funds | | |
| Assets | | | | | | | | |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 4,428,094 | \$ 5,062,726 | \$ 13,449,233 | \$ 23,015,943 | \$ 255,635 | \$ 819,838 | \$ 47,031,469 | \$ 5,304,415 |
| Restricted cash and cash equivalents with fiscal agent | - | 1,315,203 | 1,377,886 | 3,377,347 | - | - | 6,070,436 | - |
| Investments | 8,229,090 | 9,466,163 | 25,167,410 | 43,221,510 | 467,197 | 1,216,170 | 87,767,540 | 10,112,317 |
| Receivables: | | | | | | | | |
| Property taxes | - | - | - | - | - | 132,458 | 132,458 | - |
| Accounts and unbilled usage | 1,776,170 | 946,876 | 5,619,164 | 2,356,755 | 14,835 | 20,596 | 10,734,396 | 34,909 |
| Accrued interest | 29,101 | 36,177 | 90,667 | 88,260 | 1,300 | 5,304 | 250,809 | 34,540 |
| Notes | - | - | - | - | - | - | - | 50,000 |
| Receivables from other governments | - | 366,428 | - | - | - | 1,922,114 | 2,288,542 | - |
| Inventories | - | 49,356 | 1,253,250 | - | - | 165,443 | 1,468,049 | 234,603 |
| Prepaid items | - | - | - | 620 | - | 5,730 | 6,350 | 14,415 |
| Total current assets | <u>14,462,455</u> | <u>17,242,929</u> | <u>46,957,610</u> | <u>72,060,435</u> | <u>738,967</u> | <u>4,287,653</u> | <u>155,750,049</u> | <u>15,785,199</u> |
| Noncurrent assets: | | | | | | | | |
| Notes receivable | - | - | - | - | - | - | - | 350,000 |
| Restricted investments with trustee | 3,237,927 | - | - | - | - | - | 3,237,927 | - |
| Property and equipment: | | | | | | | | |
| Land | 493,448 | 3,402,517 | 1,799,888 | 959,585 | 5,665,085 | 1,435,291 | 13,755,814 | 1,989,883 |
| Buildings | 188,095 | 31,437,979 | 22,181,187 | 16,685,726 | 35,538,914 | 9,692,519 | 115,724,420 | 9,381,235 |
| Improvements other than buildings | 9,596,538 | 110,943,501 | 973,753 | 2,810,810 | 400,568 | 1,005,756 | 125,730,926 | 2,111,864 |
| Equipment and vehicles | 17,669,390 | 15,279,204 | 16,086,031 | 13,697,270 | 517,642 | 9,189,322 | 72,438,859 | 8,295,016 |
| Infrastructure | - | - | 248,660,973 | 185,937,403 | - | - | 434,598,376 | - |
| Construction in progress | 1,050,643 | 2,638,220 | 1,658,288 | 39,487,491 | 714,860 | 264,555 | 45,814,057 | - |
| Less: accumulated depreciation | (12,563,225) | (106,660,194) | (113,870,330) | (90,261,274) | (14,965,942) | (13,699,097) | (352,020,062) | (10,862,760) |
| Total noncurrent assets | <u>19,672,816</u> | <u>57,041,227</u> | <u>177,489,790</u> | <u>169,317,011</u> | <u>27,871,127</u> | <u>7,888,346</u> | <u>459,280,317</u> | <u>11,265,238</u> |
| Total assets | <u>34,135,271</u> | <u>74,284,156</u> | <u>224,447,400</u> | <u>241,377,446</u> | <u>28,610,094</u> | <u>12,175,999</u> | <u>615,030,366</u> | <u>27,050,437</u> |
| Deferred Outflows | | | | | | | | |
| Bond refunding | - | 35,349 | - | - | - | - | 35,349 | - |
| Other post employment benefits | 159,554 | 137,771 | 147,273 | 111,239 | 31,937 | 141,778 | 729,552 | 187,569 |
| Pensions | 1,183,320 | 1,059,213 | 1,245,993 | 958,974 | 178,305 | 918,199 | 5,544,004 | 1,894,738 |
| Total assets and deferred outflows | <u>\$ 35,478,145</u> | <u>\$ 75,516,489</u> | <u>\$225,840,666</u> | <u>\$242,447,659</u> | <u>\$ 28,820,336</u> | <u>\$ 13,235,976</u> | <u>\$621,339,271</u> | <u>\$ 29,132,744</u> |

(continued)

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Net Position (Page 2 of 2)
June 30, 2018

| | Business-type Activities | | | | | | Total | Internal Service Funds |
|---|--------------------------|----------------------|-----------------------|-----------------------|----------------------|---------------------------|--|------------------------|
| | Solid Waste Fund | Airport Fund | Water Fund | Wastewater Fund | Parking Fund | Nonmajor Enterprise Funds | | |
| Liabilities | | | | | | | | |
| Current liabilities: | | | | | | | | |
| Accounts payable | \$ 1,830,888 | \$ 812,984 | \$ 1,064,751 | \$ 6,530,952 | \$ 61,240 | \$ 72,264 | \$ 10,373,079 | \$ 360,699 |
| Accrued wages and benefits | 223,419 | 162,830 | 201,512 | 150,779 | 27,935 | 210,345 | 976,820 | 264,447 |
| Compensated absences | 511,911 | 531,186 | 621,895 | 449,087 | 37,078 | 363,968 | 2,515,125 | 1,028,379 |
| Accrued interest payable | - | - | 355,886 | 1,420,347 | 80,710 | - | 1,856,943 | 23,900 |
| Incurred but not reported health benefits | - | - | - | - | - | - | - | 907,796 |
| Notes payable | - | 86,080 | 2,054,000 | 1,064,000 | 142,076 | - | 3,346,156 | 410,000 |
| Unearned Revenue | - | - | - | - | - | - | - | 94 |
| Accrued interest payable from restricted assets | - | 162,524 | - | - | - | - | 162,524 | - |
| Revenue bonds payable from restricted assets | - | 1,160,000 | - | 1,430,000 | - | - | 2,590,000 | - |
| Total current liabilities | 2,566,218 | 2,915,604 | 4,298,044 | 11,045,165 | 349,039 | 646,577 | 21,820,647 | 2,995,315 |
| Noncurrent liabilities: | | | | | | | | |
| Compensated absences | 142,263 | 147,619 | 172,827 | 124,803 | 10,304 | 101,148 | 698,964 | 285,790 |
| Other post employment benefits | 780,511 | 670,081 | 755,131 | 516,957 | 169,033 | 698,996 | 3,590,709 | 892,671 |
| Net pension liability | 4,628,719 | 4,143,256 | 4,873,874 | 3,751,158 | 697,466 | 3,591,663 | 21,686,136 | 7,411,523 |
| Revenue bonds payable | - | 6,187,794 | - | 59,255,777 | - | - | 65,443,571 | - |
| Notes payable | - | 799,463 | 24,203,000 | 12,040,000 | 2,409,388 | - | 39,451,851 | 2,104,689 |
| Landfill closure and postclosure-payable from restricted assets | 3,354,572 | - | - | - | - | - | 3,354,572 | - |
| Total noncurrent liabilities | 8,906,065 | 11,948,213 | 30,004,832 | 75,688,695 | 3,286,191 | 4,391,807 | 134,225,803 | 10,694,673 |
| Total liabilities | 11,472,283 | 14,863,817 | 34,302,876 | 86,733,860 | 3,635,230 | 5,038,384 | 156,046,450 | 13,689,988 |
| Deferred Inflows | | | | | | | | |
| Other post employment benefits | 48,914 | 42,230 | 45,168 | 34,107 | 9,798 | 43,453 | 223,670 | 57,569 |
| Pensions | 37,787 | 33,823 | 39,788 | 30,623 | 5,694 | 29,321 | 177,036 | 60,504 |
| Total deferred inflows of resources | 86,701 | 76,053 | 84,956 | 64,730 | 15,492 | 72,774 | 400,706 | 118,073 |
| Net Position | | | | | | | | |
| Net investment in capital assets | 16,434,889 | 48,645,366 | 151,232,790 | 75,569,620 | 25,319,663 | 7,888,346 | 325,090,674 | 8,400,549 |
| Restricted for: | | | | | | | | |
| Bond and notes payable ordinance reserve | - | 2,671,044 | 1,386,571 | 1,444,291 | - | - | 5,501,906 | - |
| Capital Projects | - | 2,732,944 | - | 19,957,614 | - | 5,460 | 22,696,018 | - |
| Unrestricted | 7,484,272 | 6,527,265 | 38,833,473 | 58,677,544 | (150,049) | 231,012 | 111,603,517 | 6,924,134 |
| Total net position | 23,919,161 | 60,576,619 | 191,452,834 | 155,649,069 | 25,169,614 | 8,124,818 | 464,892,115 | 15,324,683 |
| Total liabilities, deferred inflows, and net position | \$ 35,478,145 | \$ 75,516,489 | \$ 225,840,666 | \$ 242,447,659 | \$ 28,820,336 | \$ 13,235,976 | | \$ 29,132,744 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | | | 5,758,751 | |
| | | | | | | | \$470,650,866 | |
| | | | | | | | Net position of business-type activities | |

The notes to the financial statement are an integral part of this statement

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2018

Business-type Activities

| | Solid Waste Fund | Airport Fund | Water Fund | Wastewater Fund | Parking Fund | Nonmajor Enterprise Funds | Totals | Internal Service Funds |
|---|-----------------------------|---------------------|-------------------|----------------------------|---------------------|--|---------------|-----------------------------------|
| Operating revenues: | | | | | | | | |
| Charges for services | \$ 15,410,241 | \$ 10,327,971 | \$ 28,004,884 | \$ 19,451,025 | \$ 1,658,624 | \$ 1,125,270 | \$ 75,978,015 | \$ 25,000,966 |
| Operating expenses: | | | | | | | | |
| Salaries and benefits | 5,489,680 | 4,442,104 | 5,213,174 | 3,922,596 | 818,840 | 4,243,810 | 24,130,204 | 17,662,533 |
| Supplies | 2,243,443 | 994,038 | 2,387,430 | 1,083,822 | 118,982 | 749,839 | 7,577,554 | 351,298 |
| Contracted services | 1,977,207 | 2,205,497 | 2,429,801 | 1,250,133 | 434,209 | 352,849 | 8,649,696 | 2,999,375 |
| Utilities | 84,236 | 754,967 | 1,701,214 | 1,269,276 | 90,989 | 130,086 | 4,030,768 | 535,331 |
| Other | 1,317,041 | 221,778 | 1,489,534 | 1,057,187 | 94,227 | 225,374 | 4,405,141 | 2,515,536 |
| Depreciation | 2,497,343 | 5,071,460 | 6,761,724 | 4,418,669 | 828,452 | 726,089 | 20,303,737 | 884,853 |
| Landfill closure and post-closure | 144,077 | - | - | - | - | - | 144,077 | - |
| Total operating expenses | 13,753,027 | 13,689,844 | 19,982,877 | 13,001,683 | 2,385,699 | 6,428,047 | 69,241,177 | 24,948,926 |
| Operating income (loss) | 1,657,214 | (3,361,873) | 8,022,007 | 6,449,342 | (727,075) | (5,302,777) | 6,736,838 | 52,040 |
| Nonoperating revenue (expenses): | | | | | | | | |
| Taxes | - | - | - | - | - | 2,230,151 | 2,230,151 | 26,145 |
| Intergovernmental | 3,285 | 708,075 | 3,459 | 2,662 | 495 | 3,003,131 | 3,721,107 | - |
| Interest expense | - | (377,530) | (689,881) | (1,973,021) | (116,096) | - | (3,156,528) | (54,569) |
| Interest and investment income | 112,669 | 112,485 | 333,642 | 881,981 | 5,528 | 18,278 | 1,464,583 | 112,337 |
| Customer Facility Charge | - | 857,601 | - | - | - | - | 857,601 | - |
| Passenger Facility Charge | - | 1,094,685 | - | - | - | - | 1,094,685 | - |
| Gain (loss) on sale of capital assets | 5,551 | - | 13,195 | - | - | 5,527 | 24,273 | 8,769 |
| Other | 8,142 | 631,253 | 16,628 | 5,233 | 8,566 | 21,525 | 691,347 | 59,202 |
| Total nonoperating revenue (expense) | 129,647 | 3,026,569 | (322,957) | (1,083,145) | (101,507) | 5,278,612 | 6,927,219 | 151,884 |
| Income (loss) before capital contributions and transfers | 1,786,861 | (335,304) | 7,699,050 | 5,366,197 | (828,582) | (24,165) | 13,664,057 | 203,924 |
| Capital contributions | - | 1,935,129 | 450,410 | 1,360,111 | - | - | 3,745,650 | - |
| Transfers in | - | - | - | - | 323,329 | 6,000 | 329,329 | 383,081 |
| Transfers out | - | - | - | - | - | (20,000) | (20,000) | (95,770) |
| Change in net position | 1,786,861 | 1,599,825 | 8,149,460 | 6,726,308 | (505,253) | (38,165) | 17,719,036 | 491,235 |
| Net position, beginning of year | 22,132,300 | 58,976,794 | 183,303,374 | 148,922,761 | 25,674,867 | 8,162,983 | 14,833,448 | 14,833,448 |
| Net position, end of year | \$ 23,919,161 | \$ 60,576,619 | \$ 191,452,834 | \$ 155,649,069 | \$ 25,169,614 | \$ 8,124,818 | 253,809 | \$ 15,324,683 |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds | | | | | | | 253,809 | |
| | | | | | | | \$ 17,972,845 | |

The notes to the financial statement are an integral part of this statement

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018
(Page 1 of 2)

| | Solid Waste Fund | Airport Fund | Water Fund | Wastewater Fund | Parking Fund | Nonmajor Enterprise Funds | Total | Internal Service Funds |
|--|---------------------|---------------------|----------------------|----------------------|-------------------|---------------------------------|----------------------|------------------------------|
| Cash flows from operating activities: | | | | | | | | |
| Cash received from customers and users | \$ 15,409,535 | \$ 10,330,995 | \$ 26,757,979 | \$ 19,857,558 | \$ 1,718,810 | \$ (453,528) | \$ 73,621,349 | \$ 647,857 |
| Cash received from interfund services provided | - | - | - | - | - | - | - | 24,381,672 |
| Cash received from paid to other sources | - | 97,454 | 16,628 | 5,233 | - | 621,180 | 740,495 | 63,374 |
| Cash paid to employees for services | (4,612,189) | (4,307,894) | (5,324,783) | (4,098,093) | (745,078) | (3,440,576) | (22,528,613) | (7,209,763) |
| Cash paid to suppliers and contracted services | (5,124,626) | (3,861,473) | (9,479,371) | (2,267,780) | (724,922) | (1,312,933) | (22,771,105) | (16,525,099) |
| Net cash provided (used) by operating activities | <u>5,672,720</u> | <u>2,259,082</u> | <u>11,970,453</u> | <u>13,496,918</u> | <u>248,810</u> | <u>(4,585,857)</u> | <u>29,062,126</u> | <u>1,358,041</u> |
| Cash flows from noncapital financing activities: | | | | | | | | |
| Cash received from tax revenues | - | - | - | - | - | 2,221,160 | 2,221,160 | - |
| Cash received from intergovernmental revenues | - | 480,200 | - | - | - | 3,000,582 | 3,480,782 | - |
| Cash received from local community sponsors | - | 397,911 | - | - | - | - | 397,911 | - |
| Transfers from other funds | - | - | - | - | 323,329 | - | 323,329 | - |
| Transfers to other funds | - | - | - | - | - | (20,000) | (20,000) | (95,770) |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>878,111</u> | <u>-</u> | <u>-</u> | <u>323,329</u> | <u>5,201,742</u> | <u>6,403,182</u> | <u>(95,770)</u> |
| Cash flows from capital and related financing activities: | | | | | | | | |
| Capital grants and contributions | - | 2,322,826 | - | - | - | - | 2,322,826 | - |
| Acquisition and construction of capital assets | (5,238,157) | (3,058,148) | (6,486,697) | (29,379,784) | (338,332) | (533,926) | (45,035,044) | (145,168) |
| Proceeds from sales of capital assets | 5,551 | - | - | - | - | 5,527 | 11,078 | 56,666 |
| Cash received from insurance proceeds | - | - | - | - | - | - | - | - |
| Cash paid for interest | - | (379,532) | (751,058) | (2,536,114) | (119,828) | - | (3,786,532) | (79,350) |
| Loan proceeds | - | - | - | - | - | - | - | - |
| Principal paid on bonds, notes and capital leases payable | - | (1,201,965) | (2,007,000) | (4,018,000) | (135,952) | - | (7,362,917) | (400,000) |
| Proceeds from bonds, including premium | - | - | - | - | - | - | - | - |
| Transfers from other funds | - | - | - | - | - | - | - | 383,081 |
| Facilities charges | - | 1,926,771 | - | - | - | - | 1,926,771 | - |
| Net cash provided (used) by capital and related financing activities | <u>(5,232,606)</u> | <u>(390,048)</u> | <u>(9,244,755)</u> | <u>(35,933,898)</u> | <u>(594,112)</u> | <u>(528,399)</u> | <u>(51,923,818)</u> | <u>(184,771)</u> |
| Cash flows from investing activities: | | | | | | | | |
| Cash received from interest | 136,856 | 132,842 | 402,020 | 973,421 | 7,230 | 24,175 | 1,676,544 | 130,163 |
| Sale of investments | 1,959,300 | 1,235,413 | 5,941,388 | 24,093,166 | 151,453 | 871,861 | 34,252,581 | 2,468,598 |
| Purchase of investments | (3,747,357) | (4,215,260) | (11,197,923) | (19,163,229) | (210,345) | (562,347) | (39,096,461) | (4,498,322) |
| Net cash provided (used) by investing activities | <u>(1,651,201)</u> | <u>(2,847,005)</u> | <u>(4,854,515)</u> | <u>5,903,358</u> | <u>(51,662)</u> | <u>333,689</u> | <u>(3,167,336)</u> | <u>(1,899,561)</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(1,211,087)</u> | <u>(99,860)</u> | <u>(2,128,817)</u> | <u>(16,533,622)</u> | <u>(73,635)</u> | <u>421,175</u> | <u>(19,625,846)</u> | <u>(822,061)</u> |
| Cash and cash equivalents, beginning of year | 5,639,181 | 6,477,789 | 16,955,936 | 42,926,912 | 329,270 | 1,603,441 | 73,932,529 | 6,126,476 |
| Cash and cash equivalents, end of year | <u>\$ 4,428,094</u> | <u>\$ 6,377,929</u> | <u>\$ 14,827,119</u> | <u>\$ 26,393,290</u> | <u>\$ 255,635</u> | <u>\$ 2,024,616</u> | <u>\$ 54,306,683</u> | <u>\$ 5,304,415</u> |
| Cash and cash equivalents consists of: | | | | | | | | |
| Cash and cash equivalents | \$ 4,428,094 | \$ 5,062,726 | \$ 13,449,233 | \$ 23,015,943 | \$ 255,635 | \$ 2,024,616 | \$ 48,236,247 | \$ 5,304,415 |
| Restricted cash and cash equivalents with fiscal agent | - | 1,315,203 | 1,377,886 | 3,377,347 | - | - | 6,070,436 | - |
| Cash and cash equivalents, end of year | <u>\$ 4,428,094</u> | <u>\$ 6,377,929</u> | <u>\$ 14,827,119</u> | <u>\$ 26,393,290</u> | <u>\$ 255,635</u> | <u>\$ 2,024,616</u> | <u>\$ 54,306,683</u> | <u>\$ 5,304,415</u> |

(continued)

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018
(Page 2 of 2)

| | <u>Solid Waste Fund</u> | <u>Airport Fund</u> | <u>Water Fund</u> | <u>Wastewater Fund</u> | <u>Parking Fund</u> | <u>Nonmajor Enterprise Funds</u> | <u>Total</u> | <u>Internal Service Funds</u> |
|---|-----------------------------|-------------------------|-----------------------|----------------------------|-------------------------|--|----------------------|---------------------------------------|
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | | | | |
| Operating income (loss) | \$ 1,657,214 | \$ (3,361,873) | \$ 8,022,007 | \$ 6,499,342 | \$ (727,075) | \$ (5,302,777) | \$ 6,786,838 | \$ 52,040 |
| Other nonoperating income (expense) | 8,142 | 631,253 | 16,628 | 5,233 | 8,566 | 21,525 | 691,347 | 94,117 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | | | |
| Depreciation expense | 2,497,343 | 5,071,460 | 6,761,724 | 4,418,669 | 828,452 | 726,089 | 20,303,737 | 884,853 |
| Landfill closure and postclosure | 144,007 | - | - | - | - | - | 144,007 | - |
| (Increase) decrease in receivables | (706) | (132,866) | (1,593,314) | 406,533 | 60,186 | 1,486 | (1,258,681) | 2,418 |
| (Increase) decrease in receivables from other governments & other funds | - | (224,935) | - | - | - | - | (224,935) | - |
| (Increase) decrease in inventories | - | (6,008) | 346,409 | - | - | 12,713 | 353,114 | (47,395) |
| (Increase) decrease in prepaid items | - | - | - | - | - | (362) | (362) | 1,042 |
| Increase (decrease) in accounts payable | 497,301 | 307,812 | (1,471,392) | 2,392,638 | 13,485 | (6,188) | 1,733,656 | (2,179) |
| Increase (decrease) in accrued liabilities | 869,419 | (25,761) | (111,609) | (225,497) | 65,196 | (38,343) | 533,405 | 373,145 |
| Net cash provided (used) by operating activities | <u>\$ 5,672,720</u> | <u>\$ 2,259,082</u> | <u>\$ 11,970,453</u> | <u>\$ 13,496,918</u> | <u>\$ 248,810</u> | <u>\$ (4,585,857)</u> | <u>\$ 29,062,126</u> | <u>\$ 1,358,041</u> |
| Noncash investing, capital and financing activities: | | | | | | | | |
| Increase (decrease) in investment market value | (27,661) | (35,809) | (102,217) | (91,440) | (1,839) | (5,897) | (264,863) | (29,132) |
| Contribution of capital assets | - | - | 450,410 | 1,360,111 | - | - | 1,810,521 | - |

The notes to the financial statements are an integral part of this statement.

CITY OF BILLINGS, MONTANA
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2018

| | <u>Assets</u> | <u>Agency Funds</u> |
|---------------------------|---------------------------|--------------------------------|
| Cash and cash equivalents | | \$ 11,066 |
| Total assets | | <u>\$ 11,066</u> |
| | <u>Liabilities</u> | |
| Accounts payable | | \$ 11,066 |
| Total liabilities | | <u>\$ 11,066</u> |

The notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

I. Summary of Significant Accounting Policies

The financial statements of the City of Billings (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The City's significant accounting policies are described below.

A. Reporting Entity

The City of Billings financial statements include those separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 61. GASB Statement No. 61 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the organization's governing body must be appointed by the City, and either a) the City must be able to impose its will, or b) the City may potentially benefit financially or be financially responsible for the organization. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Data from these units are combined with data of the primary government.

Blended Component Unit – The Par 3 Golf Course (Golf Course) is governed by the City Council. Debt issuance authorizations are approved by the City Council. The Golf Course is reported as an enterprise fund. Complete financial statements for the Golf Course may be obtained at the entity's administrative offices:

Par 3 Golf Course: 19 South 19th Street West, Billings, MT 59102

The City has no discretely presented component units.

The City provides a full range of municipal services. Included are parks and recreation, streets and traffic control, sanitation, public transit, airport, water, wastewater, library, community development, public safety (police and fire protection), and general administrative services.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Related Organization – The City Council is responsible for appointing the members of the governing boards of the Billings Housing Authority. The City Council approves through resolution the Tourism Business Improvement District (TBID) and the Downtown Business Improvement District (DBID) annual budgets. However, the City is not able to impose its will on the three entities. Nor is there a potential for the three entities to provide specific financial benefits to, or impose specific financial burdens on, the City. As a result, the Billings Housing Authority, the TBID, and the DBID are considered related organizations and not component units of the City.

B. Government-wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of a government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods and services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include a) charges for services and b) operating or capital grants and contributions that are restricted to a particular function. Taxes and other items not classified as program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, intergovernmental revenue, charges for service, special assessments, and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund

The General Fund is used to account for resources traditionally associated with the government which are not required legally or by sound financial management to be accounted for in another fund.

Public Safety

The Public Safety Fund accounts for the Police Department operations, including the Animal Control, and the Fire Department operations. Major revenue sources include property taxes, intergovernmental and transfers from the General Fund.

The City reports the following major proprietary funds:

Solid Waste Fund

The Solid Waste Fund accounts for the operations of the City's garbage collection and landfill activities.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Airport Fund

The Airport Fund accounts for the Billings Logan International Airport operations and for all the resources received and used for acquisition and development of airport capital improvements and equipment.

Water Fund

The Water Fund accounts for the operations of the City's water system.

Wastewater Fund

The Wastewater Fund accounts for the operations of the City's wastewater system.

Parking Fund

The Parking Fund accounts for the operations of the City's public parking, which includes four parking garages and on-street parking in the downtown district.

In addition, the City reports for the following fund types:

Internal Service Funds

The internal service funds account for fleet services, postage and copying, information technology, health care benefits, telephone services, liability and property insurance, radio communication services, facilities management, public works administration, and public works engineering on a cost reimbursement basis.

Fiduciary Funds

The fiduciary funds are used to account for assets held by the City as an agent for private organizations or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City currently has four such funds including the Downtown Business Improvement District, Tourism Business Improvement

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

District, and License Plate Fund. These funds receive money from either Yellowstone County or a trust fund, and the City remits the monies to the appropriate BID or grantee as prescribed by either state law or a grant agreement.

The City has prepared its government-wide and proprietary fund financial statements in accordance with all applicable GASB pronouncements.

As a general rule, the City has eliminated the effect of interfund activity from the government-wide financial statements. Exceptions to this general rule are charges between the government's water, wastewater, and solid waste functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Other interfund activities not eliminated are indirect general and administrative costs that are allocated to other funds. Therefore, certain indirect costs are included in the program expenses reported for individual functions and activities.

Amounts reported as program revenues include: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds report operating revenues and expenses separately from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal on-going operations. The principal operating revenues of the City's enterprise funds and internal service funds are charges to customers for sales and services. The Transit fund also receives property tax revenue and operating grants to support its operations. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position or Equity

1. Cash and Cash Equivalents and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Generally, cash resources of the individual funds are combined to form a pool of cash and investments which are managed by the City's finance director. Investments and cash equivalents consist primarily of U.S. Treasury and U.S. agency obligations, certificate of deposits, and State of Montana Short-Term Investment Pool (STIP).

Certificates of deposit are reported at cost. Investments are carried at fair value in all funds. The fair value of investments is determined monthly and is based on current market prices. Changes in the fair value of investments are recognized in revenue at the end of each month.

Interest income earned as a result of pooling and changes in the fair value of investments, are distributed to the appropriate funds utilizing a formula based on the average book value of cash and investments of each fund.

According to GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investments Pools," STIP is considered an external investment pool. The STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle." This pool is managed to preserve principal, while obtaining money market-type returns and 24-hour liquidity. Funds may be invested for one or more days. Although not registered with the Securities and Exchange Commission (SEC) as an investment company, STIP is managed similar to money market funds that are governed by SEC rule 2a7 of the Investment Company Act of 1940. As a 2a7-like pool, the STIP utilizes an amortized cost unit value to report net assets. The portfolio may include asset-backed securities, commercial paper, corporate, U.S. Government direct obligations, U.S. Government agency securities, repurchase agreements, institutional money market funds, certificates of deposit, and variable-rate (floating-rate) instruments. Investments must have a maximum maturity of 397 days or less, unless they are variable rate security. The portfolio is carried at amortized cost or book value with a constant unit value of \$1.00.

Asset-backed securities represent debt securities collateralized by a pool of mortgage and non-mortgage assets, such as trade and loan receivables, equipment leases, credit cards, etc. Commercial paper is unsecured short-term debt with maturities ranging from 1 to 270 days. U.S. Government direct obligations include U.S. Treasury securities and debt explicitly guaranteed by the U.S. Government. U.S. Government agency securities include U.S. Government and mortgage-backed securities. Repurchase agreements (REPOs) represent an agreement between a seller and a buyer, usually of U.S. Government securities, whereby the seller agrees to repurchase the securities at an agreed upon price and stated time. Variable rate securities pay a variable rate of interest until maturity. The STIP portfolio's variable rate securities reset to LIBOR (London Interbank Offered Rate).

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The City issues warrants in payment of its obligations. When the warrants are presented to the Finance department, the City transfers funds to redeem the warrants. Cash balances are reported net of outstanding warrants.

2. Receivables and Payables

All outstanding balances between funds are reported as “due to/from other funds” (current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported as “internal balances.”

Under its Home Rule Charter, the City is permitted to levy taxes at a maximum rate for payment for general governmental services and payment of principal and interest on long-term general obligation debt. The City is currently levying at the rate of 163.12 mills.

All property within the City limits is assessed on taxable market value. Property taxes are in two installments, due on November 30th and May 31st of each fiscal year. Payments not received on or before these dates are considered delinquent and accrue interest at a monthly compounding rate of 5/6 of 1% per month from and after such delinquency until paid, plus 2% as a penalty. Property taxes are attached as an enforceable lien on the property. Notice of foreclosure is filed with the County Clerk and Recorder five years from the date of delinquency. Property tax revenue is budgeted for the ensuing fiscal year.

Notes receivable are reported net of allowances for amounts deemed uncollectible. Allowances are computed from receivables net of amounts collected in the 60 days subsequent to June 30, 2018. Estimates for uncollectible amounts at June 30, 2018, based on net receivables are as follows: \$30,000 for Downtown Revolving Loans based upon historical experience and 100% of notes receivable that are in default. Personal property tax is exempt from this process as an amount cannot be estimated as this tax is not levied. There is no allowance calculated for real property taxes, as any uncollected amount results in a lien on the property.

3. Inventories and Prepaid Items

Inventories of supplies are recorded at cost. Inventories that are held for sale in proprietary funds are stated at the lower of cost (average cost method) or market. The cost of inventory is recorded as an expenditure at the time the inventory items are purchased in governmental funds.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Governmental Activities:

A portion of the proceeds from cemetery plot sales are classified as permanently restricted assets. State statutes require that the investment earnings from such permanently restricted assets are used for the care, maintenance, and improvement of such cemetery lots and the grounds, roads, walks, and avenues leading thereto.

Business-type Activities:

Certain proceeds of the City's enterprise fund, notes payable, and closure, post-closure costs for the landfill, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in either separate bank accounts or a separate fund within the City's pooled cash, and their use is limited by applicable covenants.

In the Airport fund the "revenue bond operations and maintenance" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments. The "revenue bond replacement and depreciation" account is used to report resources set aside to meet unexpected contingencies or to fund asset replacements.

The Airport fund's restricted assets consist of amounts restricted by bond covenants and Federal Aviation Administration (FAA) requirements. In Water and Wastewater, the notes payable ordinance reserve account is used to set aside resources from operations for debt service. The following table reports restricted assets:

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

| | |
|--------------------------------------|--------------------|
| Series 2010A Revenue Refunding Bonds | |
| Debt service reserve | \$ 764,000 |
| Maintenance and operating reserve | 1,182,000 |
| Capital replacement reserve | 225,000 |
| | |
| Series 2010B Revenue Bonds | |
| Debt service reserve | 500,044 |
| | |
| Solid Waste Closure/Post-Closure | 3,237,927 |
| | |
| Passenger Facility Charges | 1,230,913 |
| Customer Facility Charges | 1,511,700 |
| Transit Grantor Restriction | <u>5,460</u> |
| Total Restricted Assets | <u>\$8,657,044</u> |

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$5,000 for equipment and vehicles and \$25,000 for construction projects including non-building, building, and infrastructure.

In the case of the initial capitalization of general infrastructure assets (i.e. those reported by governmental activities) the City chose to include assets from 1980 forward to comply with GASB 34. The City estimated historical cost for the initial reporting of these assets through back trending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Interest incurred during the construction phase of capital assets for proprietary funds is included as part of the capitalized value of the assets constructed. Interest expense was capitalized as follows:

| <u>Fund</u> | <u>Total</u> <u>Interest Expense</u> | <u>Capitalized</u> <u>Interest</u> | <u>Construction Project</u> |
|-----------------|---|---------------------------------------|--|
| Airport Fund | \$ 385,491 | \$ 7,961 | Concourse B Upgrades, and Project Runway 10R28L Shift From East End To West End. |
| Water Fund | 724,926 | 35,045 | Leavens Reservoir Liner Project, 2018 Water Replacement Projects, Zone 4 North Fox Pump Station Impr. Project, King Ave. West Water Project, Poet Street Water Replacements and 2017 Water Projects. |
| Wastewater Fund | 2,507,989 | 534,968 | 2018 Sewer Replacement Projects, WWTP Nutrient Upgrade, 2017 Sewer Projects, King Ave. West Sewer project. |

Property and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

| <u>Asset</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 5-50 |
| Improvements other than buildings | 5-50 |
| Equipment and vehicles | 3-30 |
| Infrastructure | 10-50 |

6. Property Held for Resale

Property purchased for Urban Renewal Development is reported at the lower of cost or estimated net realizable value in the Special Improvement Districts Debt Service Fund and nonmajor governmental funds.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

7. Compensated Absences

Employees earn vacation leave at the rate of 120 hours per year for the first 10 years. During years 11 to 21, employees earn vacation leave at an increasing rate, reaching 192 hours in year 21. There is no requirement that annual leave be taken, but the maximum permissible accumulation is two times the annual accrual as of the first pay period in January.

Full time employees earn 96 hours of sick leave per year, which may be accumulated without limit. Upon separation, employees are paid 25% of the remaining balance at their current rate of pay.

All accumulated vacation and 25% of accumulated sick leave are accrued when incurred in the government-wide and proprietary financial statements. This liability, which totals \$11,326,753 at June 30, 2018, includes the related FICA, Medicare, and retirement costs. The unrecorded accumulated sick leave benefits total \$10,207,925 at June 30, 2018.

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations, such as notes payable, are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing sources. Discounts on debt issuances are reported as other financing uses, while bond premiums are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

9. Pensions

The Montana Public Employee Retirement Administration (MPERA) prepares its financial statements using the accrual basis of accounting. For the purposes of measuring the Net Pension Liability, deferred inflows of resources and deferred outflows of resources related to pensions, and Pension Expense, information about the fiduciary net position and additions to/deductions

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

from fiduciary net position have been determined on the same accrual basis as they are reported by MPERA. Investments are reported at fair value. MPERA adheres to all applicable Governmental Accounting Standards Board (GASB) statements.

10. Fund Balance

Governmental funds fund balances can be classified into five categories. The categories are unspendable, restricted, committed, assigned and unassigned.

The following table displays the City's fund balances by major purpose as displayed on page 16 of the governmental funds balance sheet. GASB Statement 54 requires the disclosure of the purpose of each major fund.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

| | <u>Major Special Revenue</u> | | <u>All Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|-----------------------------|--------------------------------------|--------------------------|---|---|
| | <u>General Fund</u> | <u>Public Safety</u> | | |
| Unspendable | | | | |
| Cemetery Perpetual Care | \$ - | \$ - | \$ 708,551 | \$ 708,551 |
| Nonspendable form | - | - | 150,293 | 150,293 |
| Restricted | | | | |
| Building Inspection | - | - | 2,475,387 | 2,475,387 |
| Tax Increment Districts | - | - | 11,399,070 | 11,399,070 |
| Roads and Streets | - | - | 15,830,000 | 15,830,000 |
| Grants | - | - | 1,858,591 | 1,858,591 |
| Cemetery Improvements | - | - | 167,771 | 167,771 |
| Emergency 911 | - | - | 3,094,943 | 3,094,943 |
| Public Safety | - | 2,190,587 | - | 2,190,587 |
| Planning | - | - | 615,587 | 615,587 |
| Library | - | - | 1,172,752 | 1,172,752 |
| Street & Traffic | - | - | 4,021,998 | 4,021,998 |
| Light Maintenance Districts | - | - | 1,654,078 | 1,654,078 |
| Park Maintenance Districts | - | - | 3,105,450 | 3,105,450 |
| Debt Service | - | - | 7,356,394 | 7,356,394 |
| Capital Projects | - | - | 8,780,657 | 8,780,657 |
| Committed | | | | |
| General Government | 11,857,691 | - | - | 11,857,691 |
| Arterial | - | - | 5,934,448 | 5,934,448 |
| Park Programs | - | - | 2,568,265 | 2,568,265 |
| Animal Shelter Donations | - | - | 38,220 | 38,220 |
| Library | - | - | 1,039,987 | 1,039,987 |
| Downtown Revolving Loan | - | - | 570,753 | 570,753 |
| Ball Field Maintenance | - | - | 557,385 | 557,385 |
| Unassigned | | | | |
| General Government | 15,859,778 | - | - | 15,859,778 |
| Grants | - | - | (23,172) | (23,172) |
| Total Fund Balances | <u>\$ 27,717,469</u> | <u>\$ 2,190,587</u> | <u>\$ 73,077,408</u> | <u>\$ 102,985,464</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The unspendable category includes balances that cannot be spent because the balance is not in a spendable form or there are legal or contractual restrictions on the balance.

The restricted category contains balances that are restricted for specific purposes by enabling legislation, external resource providers such as creditors or grantors, or laws or regulations of other governments.

The committed category contains balances pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The Billings City Council is that authority that makes these commitments by passing an ordinance or resolution.

Resolution number 10-18914 was passed by City Council designating committed fund balances:

“Exhibit A

“Recommended Fund and Working Capital Balances Policy

“Recommended Fund and Working Capital Balances policy statement:

“The City shall use recommended Fund and Working Balances for certain funds as a best practice. Fund Balance (“Assigned”) and Working Capital Balance (“Assigned”) will be the designations for accounting purposes.

“Recommended balances purpose:

“The policy is necessary to provide sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, offset revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.

“Recommended balances implementation authority:

“Upon adoption of this Statement of Policy, the City of Billings Council authorizes the City Administrator to establish recommended balance procedures which may be necessary to support the policy statement and adopt such documents by Administrative Order. The City Administrator

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

will review the procedures with the City Council at a work session every five years or as deemed necessary prior to the five years.

"The balance in the General Fund column represents a minimum fund balance per Administrative Order Number 112. The minimum balance is necessary because of how property taxes get billed. The City needs five months of reserves to cover payroll and operating expenses due to the timing of tax receipt collection.

"Pursuant to this Administrative Order, I hereby establish the following procedures regarding City of Billings recommended fund and working capital balances.

"City Council adopted by resolution on February 22, 2010, establishing a policy for recommended balances authorizing the City Administrator to adopt procedures by Administrative Order.

"Minimum recommended balance expressed as a percent to total budget less capital is as follows:

| "FUND DESCRIPTION | % of Budget (less capital) |
|----------------------------|---------------------------------------|
| FUND BALANCE | |
| Billed on Taxes | |
| General Operating | 29% |
| Public Safety | 0% |
| City County Planning | 13% |
| City County Library | 25% |
| Street Maintenance | 42% |
| Street Lights Maintenance | 42% |
| Park Maintenance Districts | 70% |
| Other Revenues | |
| Building Inspection | 25% |
| Street/Traffic Operating | 4%" |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The assigned category is for balances constrained by an official who the governing body has delegated the authority to assign amounts to be used for specific purposes. The City Administrator is the official that would assign amounts for specific purposes per the City Charter.

The unassigned category is the residual classification for the General Fund. A negative unassigned fund balance occurs when expenditures exceed amounts that are unspendable, restricted, and committed fund balances.

The Library Fund has amounts in the restricted and committed categories. The restricted portion is the part of fund balance that voters approved through specific mills. The committed portion of fund balance is part of the City's general mills that City Council has authorized to go to the Library. There is no distinction between the two regarding expenditures as they both are available for operations.

The General Fund has amounts in the committed and unassigned categories. The flow assumption for the General Fund is that the unassigned balance is used for expenditures first.

The Public Safety Fund has amounts restricted for Police, Fire, and Animal control purposes.

In accordance with GASB 54, fund balances are classified as unspendable, restricted, committed, and unassigned. When expenditures are incurred, the City will determine, on a case-by-case basis, which classification of funds are to be used, taking into account any requirements of grant agreements, contracts, business circumstances, and other constraints. If no restrictions exist, the order of spending of resources will be unassigned, committed, and lastly, restricted.

11. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has three items that qualify for reporting in this category. They are the deferred charge on refunding, the deferred amount related to pensions, and the deferred amount related to other post-employment benefits,

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

as a result of the adoption of GASB 75. These are reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items which qualify for reporting in this category. The item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report deferred revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The items, *pensions and OPEB*, are reported only on the accrual statements, and are a result of the City's adoption of GASB 68 and GASB 75.

The changes in net pension liability are recorded as deferred inflows of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and difference between expected or actual experience), are amortized over the weighted average remaining service life of all participants in the respective pension plan, and are recorded as a component of pension expense beginning with the period in which they are incurred.

Projected earnings on pension investments are recognized as a component of pension expense. Differences between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflows of resources and are amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

E. New Accounting Pronouncements

The following Governmental Accounting Standards Board (GASB) Statements have been implemented in the current financial statements:

Statement No. 75 "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions." The provisions of the statement are effective for the current reporting period, but were early implemented in the prior fiscal year.

Statement No. 85 "Omnibus 2017" The provisions of the statement are effective for the current reporting period.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Funds with deficit fund balances at June 30, 2018, are listed below. The deficit fund balances do not represent any type of legal violation.

| <u>Fund</u> | <u>Deficit</u> |
|---------------------------------|----------------|
| Nonmajor Special Revenue Funds: | |
| Municipal Court Grants | \$ 23,172 |
| Internal Service Funds | |
| Information Technology | 476,888 |
| Public Works Administration | 822,862 |
| Public Works Engineering | 1,884,131 |

The Municipal Court Grants deficit fund balance will be eliminated by a transfer during Fiscal Year 2019. The internal service funds deficit net position will likely not be removed as it is largely a result of the net pension and other post-employment benefits liabilities.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

III. Detailed Notes on All Funds

A. Cash and Cash Equivalents and Investments

Cash and investments as of June 30, 2018, consist of the following:

| | |
|---|----------------------|
| Deposits in local banks | \$ 30,648,126 |
| Outstanding checks and reconciling items | (2,052,003) |
| Montana State Short Term Investment Pool (STIP) | <u>59,232,987</u> |
| | <u>\$ 87,829,110</u> |

Investments:

| | |
|---|-----------------------|
| US Government and US Agency Obligations | \$ 156,740,272 |
| Certificates of deposits | <u>10,602,218</u> |
| | <u>\$ 167,342,490</u> |

Cash and investments as of June 30, 2018, are classified in the statement of net position as follows:

| | |
|---|----------------------|
| Cash and cash equivalents | \$ 87,582,661 |
| Cash and cash equivalents, permanently restricted | <u>246,449</u> |
| | <u>\$ 87,829,110</u> |

| | |
|-------------------------------------|-----------------------|
| Investments | \$ 163,644,151 |
| Investments, temporarily restricted | 3,237,927 |
| Investments, permanently restricted | <u>460,412</u> |
| | <u>\$ 167,342,490</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Investments Authorized by the Montana Code and the City's Investment Policy

Under the City's investment policy and in accordance with Montana law, the City is restricted to investing funds in specific types of investment instruments. The following are the types of permitted instruments:

- U.S. government and U.S. agency obligations.
- Interest-bearing savings accounts, certificates of deposit, and time deposits insured by the Federal Deposit Insurance Corporation of which are at least 50% collateralized.
- State of Montana Short Term Investment Pool (STIP).
- U.S. Government security money market mutual funds.
- Short-term discount obligations of the Federal National Mortgage Association.
- Repurchase agreements where there is a master repurchase agreement and collateral held by a third party.

Fair Value

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

The City has the following recurring fair value measurements as of June 30, 2018:

U.S. Treasury securities of \$154,259,856 million using quoted market prices (Level 1 inputs)

The remainder of the City's investments are not required to be measured at fair value.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The City’s investments are not highly sensitive to interest rate fluctuations. The City employs a “buy and hold” investment strategy whereby investments are held to maturity at which time the investment is redeemed at par.

One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities, so a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

| Investment Type | <u>Totals</u> | 12 months or <u>Less</u> | 13 to 24 <u>Months</u> | 25 to 60 <u>Months</u> | Over 60 <u>Months</u> |
|---------------------------------|----------------------|-----------------------------|---------------------------|---------------------------|--------------------------|
| US Treasury Notes | \$ 2,480,416 | \$ 274,622 | \$ 97,953 | \$ 2,107,841 | \$ - |
| US Government Agency Securities | 154,259,856 | 87,828,157 | 51,174,710 | 15,256,989 | - |
| Certificates of Deposit | 10,602,218 | 2,602,218 | - | 8,000,000 | - |
| | <u>\$167,342,490</u> | <u>\$90,704,997</u> | <u>\$51,272,663</u> | <u>\$25,364,830</u> | <u>\$ -</u> |

Credit Risk

Under the City’s investment policy, safety of principal is the foremost objective of the City of Billings. Each investment transaction shall seek to first ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value.

The investment portfolio for the City shall be designed to attain a market average rate of return throughout budgetary and economic cycles, taking into account the government’s investment risk constraints and the cash flow characteristics of the portfolio.

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2018, the City’s investments in U.S. Government Agency Securities were rated AAA by Moody’s Investors Service or by Standard and Poor. Of those not rated, there was an implied AAA rating. Although the Montana Short Term Investment Pool (STIP) investments have been rated by investments security type, STIP, as an external investment pool, has not been rated by the

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Nationally Recognized Statistical Rating Organizations. More information on STIP is available at the Montana Department of Commerce Board of Investments website at <http://www.investmentmt.com/Programs/STIP>.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer that represent 5% or more of the total City's investments are as follows (other than STIP):

| <u>Issuer</u> | <u>Investment Type</u> | <u>Total</u> | |
|----------------------------------|---------------------------|--------------|--------|
| Federal Farm Credit | Federal agency securities | 42,163,495 | 27.61% |
| Federal Home Loan Bank | Federal agency securities | 32,283,142 | 21.14% |
| Federal Home Loan Mortgage Corp. | Federal agency securities | 63,983,701 | 41.89% |
| Federal National Mortgage Assn. | Federal agency securities | 14,307,019 | 9.37% |

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2018, the City had no exposure to custodial credit risk, because all of the City's deposits with financial institutions were insured or collateralized, which is allowed by State law.

City policy requires that the City obtain securities for the uninsured portion of the deposits as follows:

- 1) Securities equal 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or
- 2) Securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%.

The City of Billings complies with policies set by state statutes.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the City will not be able to recover the value of its investment or collateral securities that are in the possession of

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

another party. City policy requires investments to be collateralized by the actual security held in safekeeping by the primary agent. As of June 30, 2018, none of the City's investments are exposed to custodial credit risk because all counterparties provide insurance in excess of the investments held.

Restricted Cash and Cash Equivalents with Fiscal Agent

Cash of \$10,564,452 is restricted by bond covenants or for specific purposes as follows:

| | |
|---------------------------|---------------------|
| Current debt service: | |
| Nonmajor government funds | 4,494,015 |
| Airport fund | 1,315,203 |
| Water fund | 1,377,886 |
| Wastewater fund | <u>3,377,348</u> |
| Total | <u>\$10,564,452</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

B. Receivables

Receivables as of year-end for the City's individual major funds, nonmajor funds, and internal service funds in the aggregate are presented below. See footnote I, D, 2 regarding the collectability of accounts receivable.

| | General Fund | Public Safety Fund | Non-Major Governmental Funds | Internal Service Funds | Governmental Activities Total |
|------------------------|-------------------------|-----------------------------------|---|---------------------------------------|--|
| Taxes | \$ 857,206 | \$ 855,368 | \$ 636,447 | \$ - | \$ 2,349,021 |
| Accounts | 9,042 | 43,634 | 49,691 | 34,909 | 137,276 |
| Special assessments | 44,164 | - | 5,062,380 | - | 5,106,544 |
| Accrued interest | 73,045 | 5,730 | 142,118 | 34,540 | 255,433 |
| Notes | - | - | 2,105,410 | 400,000 | 2,505,410 |
| From other governments | - | - | 1,117,530 | - | 1,117,530 |
| TOTAL | \$ 983,457 | \$ 904,732 | \$ 9,113,576 | \$ 469,449 | \$ 11,471,214 |

| | Solid Waste Fund | Airport Fund | Water Fund | Wastewater Fund | Parking Fund | Non-Major Enterprise Funds | Business-type Activities Total |
|------------------------|-----------------------------|-------------------------|-----------------------|----------------------------|-------------------------|---|---|
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 132,458 | \$ 132,458 |
| Accounts | 1,776,170 | 946,876 | 5,619,164 | 2,356,755 | 14,835 | 20,596 | 10,734,396 |
| Accrued interest | 29,101 | 36,177 | 90,667 | 88,260 | 1,300 | 5,304 | 250,809 |
| From other governments | - | 366,428 | - | - | - | 1,922,114 | 2,288,542 |
| TOTAL | \$ 1,805,271 | \$ 1,349,481 | \$ 5,709,831 | \$ 2,445,015 | \$ 16,135 | \$ 2,080,472 | \$ 13,406,205 |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> |
|---------------------------------------|---------------------|
| Delinquent property taxes receivable: | |
| General fund | \$ 196,118 |
| Public safety fund | 266,301 |
| Nonmajor governmental funds | 250,484 |
| Special assessments not yet due: | |
| General fund | 34,297 |
| Nonmajor governmental funds | 4,335,527 |
| Notes receivable not yet due: | |
| Nonmajor governmental funds | <u>2,105,566</u> |
| Total | <u>\$ 7,188,293</u> |

C. Operating Lease Receivable

The City's Airport leases a portion of its property to commercial airlines, commercial air freight haulers, car rental companies, concessionaires, fixed-base operators who service the aviation industry, private hangar owners, Federal and State governmental agencies whose main function is wildland fire suppression, and the Transportation Security Agency. Lease agreements with the Airlines and certain U.S. Government agencies are cancelable, all other leases are non-cancelable. The Airport's leases consist of the following:

Cancelable:

Operating lease agreements with the airlines for landing fees and terminal building rentals are adjusted annually based on compensatory and residual formulas, which are defined in the lease agreement. The terminal building rents are

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

calculated using a compensatory formula to recover certain operating, capital, and debt service costs. The landing fee rates are calculated based on a residual methodology by which landing fees plus terminal rents plus non-airline revenues cover all of the Airport's costs. Thus, keeping the Airport fiscally whole each year. The lease terms are for the period of July 1, 2013 through June 30, 2019 and allows the lessee to terminate with 180 days' written notice. Fiscal Year 2018 revenues for landing fees and terminal building rents totaled \$1,160,777 and \$2,231,460 respectively.

Operating lease agreements with a U.S. Government agency consist of two leases for ground and building space. Each agreement allows the lessee to terminate with 60 days' written notice. Each lease's term is for a ten-year period – one ending August 31, 2022 and the other ending April 30, 2029. Fiscal Year 2018 payments totaled \$151,659.

Non-cancelable:

Fixed minimum rentals with annual increases based on CPI-U.

Agreements under which the Airport received revenue from the operation of concessions located on Airport property which provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum. Payments contingent on gross receipts that are associated with these non-cancelable leases totaled \$6,488,122 for the fiscal year ended June 30, 2018.

The acquisition costs and accumulated depreciation for the above described leased property follows:

| | <u>Acquisition Cost</u> | <u>Accumulated Depreciation</u> |
|-----------------------------------|-----------------------------|-------------------------------------|
| Land | \$ 90,768 | \$ - |
| Building | 21,462,861 | 16,003,367 |
| Improvements other than Buildings | 5,587,332 | 2,435,831 |
| Equipment | 2,631,195 | 1,389,532 |
| Total | <u>\$ 29,772,156</u> | <u>\$19,828,730</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

At June 30, 2018, minimum future rents and fees to be received under the non-cancelable leases or concession agreements for each fiscal year are as follows:

Year Ending June 30:

| | | |
|-----------|----|-------------------|
| 2019 | \$ | 4,423,540 |
| 2020 | | 4,300,886 |
| 2021 | | 4,243,974 |
| 2022 | | 1,835,962 |
| 2023 | | 680,606 |
| 2024-2028 | | 2,583,494 |
| 2029-2033 | | 973,377 |
| 2034-2038 | | 715,255 |
| 2039-2041 | | 37,183 |
| Total | \$ | <u>19,794,277</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

D. Capital Assets

Capital asset activity for the year ended June 30, 2018, was as follows:

| Governmental activities: | <u>Balance</u> <u>June 30, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfer In/Out</u> | <u>Balance</u> <u>June 30, 2018</u> |
|--|--|---------------------|-------------------|------------------------|--|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 43,844,673 | \$ 450,318 | \$ - | \$ - | \$ 44,294,991 |
| Construction in Progress | 6,296,486 | 14,197,809 | 862,576 | (5,497,310) | 14,134,409 |
| Total capital assets, not being depreciated | <u>50,141,159</u> | <u>14,648,127</u> | <u>862,576</u> | <u>(5,497,310)</u> | <u>58,429,400</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 36,483,276 | 337,238 | - | 615,170 | 37,435,684 |
| Improvements other than Buildings | 46,413,097 | 39,094 | - | 670,813 | 47,123,004 |
| Equipment | 42,989,787 | 3,380,646 | 2,737,237 | 86,778 | 43,719,974 |
| Infrastructure | 298,273,197 | 2,259,312 | - | 4,206,526 | 304,739,035 |
| Total capital assets, being depreciated | <u>424,159,357</u> | <u>6,016,290</u> | <u>2,737,237</u> | <u>5,579,287</u> | <u>433,017,697</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 12,449,622 | 779,710 | - | - | 13,229,332 |
| Improvements other than Buildings | 15,995,586 | 1,545,974 | - | - | 17,541,560 |
| Equipment | 28,249,787 | 2,946,180 | 2,714,137 | 81,977 | 28,563,807 |
| Infrastructure | 137,488,624 | 13,447,380 | - | - | 150,936,004 |
| Total accumulated depreciation | <u>194,183,619</u> | <u>18,719,244</u> | <u>2,714,137</u> | <u>81,977</u> | <u>210,270,703</u> |
| Total capital assets, being depreciated, net | <u>229,975,738</u> | <u>(12,702,954)</u> | <u>23,100</u> | <u>5,497,310</u> | <u>222,746,994</u> |
| Governmental activities capital assets, net | <u>\$ 280,116,897</u> | <u>\$ 1,945,173</u> | <u>\$ 885,676</u> | <u>\$ -</u> | <u>\$ 281,176,394</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

| Business-type activities: | Balance <u>June 30, 2017</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfer In/Out</u> | Balance <u>June 30, 2018</u> |
|--|---------------------------------|----------------------|------------------|------------------------|---------------------------------|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 13,755,814 | \$ - | \$ - | \$ - | \$ 13,755,814 |
| Construction in Progress | 19,039,797 | 27,601,569 | - | (827,309) | 45,814,057 |
| Total capital assets, not being depreciated | <u>32,795,611</u> | <u>27,601,569</u> | <u>-</u> | <u>(827,309)</u> | <u>59,569,871</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 115,534,057 | 235,910 | 45,547 | - | 115,724,420 |
| Improvements other than Buildings | 123,240,491 | 1,918,210 | - | 572,225 | 125,730,926 |
| Equipment | 71,079,001 | 5,343,699 | 4,314,714 | 330,873 | 72,438,859 |
| Infrastructure | 422,193,896 | 12,651,458 | 246,978 | - | 434,598,376 |
| Total capital assets, being depreciated | <u>732,047,445</u> | <u>20,149,277</u> | <u>4,607,239</u> | <u>903,098</u> | <u>748,492,581</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | 59,551,307 | 2,408,444 | 34,587 | - | 61,925,164 |
| Improvements other than Buildings | 74,928,808 | 4,552,347 | - | - | 79,481,155 |
| Equipment | 50,655,039 | 4,406,442 | 4,314,714 | 75,789 | 50,822,556 |
| Infrastructure | 151,101,661 | 8,936,505 | 246,978 | - | 159,791,188 |
| Total accumulated depreciation | <u>336,236,815</u> | <u>20,303,738</u> | <u>4,596,279</u> | <u>75,789</u> | <u>352,020,063</u> |
| Total capital assets, being depreciated, net | <u>395,810,630</u> | <u>(154,461)</u> | <u>10,960</u> | <u>827,309</u> | <u>396,472,518</u> |
| Business-type activities capital assets, net | <u>\$ 428,606,241</u> | <u>\$ 27,447,108</u> | <u>\$ 10,960</u> | <u>\$ -</u> | <u>\$ 456,042,389</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Depreciation expense was charged to functions/programs of the government as follows:

| | |
|--|----------------------|
| Governmental activities: | |
| General Government | \$ 51,826 |
| Public Safety | 1,383,433 |
| Public Works | 14,228,747 |
| Public Health | 85,107 |
| Culture & recreation | 2,009,031 |
| Housing and community development | 76,240 |
| Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets | <u>884,860</u> |
| Total depreciation expense - governmental activities | <u>\$ 18,719,244</u> |
| Business-type activities: | |
| Solid Waste | \$ 2,497,343 |
| Airport | 5,071,460 |
| Water | 6,761,724 |
| Wastewater | 4,418,669 |
| Parking | 828,452 |
| Transit | 661,109 |
| Golf Course | <u>64,980</u> |
| Total depreciation expense - business-type activities | <u>\$ 20,303,737</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Construction Commitments

The City has active construction projects as of June 30, 2018. At year end, the City's commitments with the contractors, rounded to the nearest thousand, are as follows:

| | |
|----------------------------------|-----------------|
| General Fund | \$ 96 |
| Public Safety Fund | 359 |
| Solid Waste Fund | 2,770 |
| Airport Fund | 3,362 |
| Water Fund | 3,448 |
| Wastewater Fund | 40,701 |
| Nonmajor Enterprise Funds | 631 |
| Nonmajor Governmental Funds | 14,356 |
| Nonmajor Internal Services Funds | 79 |
| | <u>\$65,802</u> |

Infrastructure is being funded by Gas Tax, Storm Sewer assessments, and Arterial Fee assessments. Transportation Enhancement projects will be reimbursed by federal grants. Water and Wastewater projects are financed by user fees and bonds. Airport projects are being funded by grants, passenger facility charges, and charges for service. Solid Waste projects are being funded by user fees.

Other Commitments

At June 30, 2018, the Water fund had commitments of \$2.1 million for water main and sewer replacement on North 27th Street.

At June 30, 2018, the Arterial fund had commitments of \$4 million for improvements to Central Avenue from 32nd Avenue to Shiloh Road.

At June 30, 2018, the Landfill had commitments of \$2.7 million for a drop off facility.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

E. Interfund Receivables, Payables, and Transfers

The composition of inter-fund balances as of June 30, 2018, is as follows:

Due to/from other funds:

| | | |
|-----------------------------|-----------------------------|------------------|
| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
| General Fund | Nonmajor Governmental Funds | \$ 313,964 |
| Nonmajor Governmental Funds | Nonmajor Governmental Funds | <u>107,960</u> |
| Totals | | <u>\$421,924</u> |

During the course of its operation, the City has numerous transactions between funds to finance operations, reimbursable grants, debt service, and capital outlay in advance of loan proceeds.

Interfund transfers:

| | Transfers in: | | | | | | |
|-----------------------------|---------------------|--------------------------|-----------------------------------|-------------------|--------------------------------|---------------------|---------------------|
| | General Fund | Public Safety Fund | Nonmajor Governmental Funds | Parking Fund | Nonmajor Enterprise Fund | Internal Service | Total |
| Transfers Out: | | | | | | | |
| General | \$ - | \$ 25,999,387 | \$ 1,577,668 | \$ - | \$ - | \$ - | \$27,577,055 |
| Public Safety | - | - | 879,934 | - | - | - | 879,934 |
| Nonmajor Governmental Funds | 1,258,012 | - | 4,766,440 | 323,329 | 6,000 | 287,311 | 6,641,092 |
| Nonmajor Enterprise Fund | - | - | 20,000 | - | - | - | 20,000 |
| Subtotal | <u>1,258,012</u> | <u>25,999,387</u> | <u>7,244,042</u> | <u>323,329</u> | <u>6,000</u> | <u>287,311</u> | <u>35,118,081</u> |
| Internal Service Funds | - | - | - | - | - | 95,770 | 95,770 |
| Total | <u>\$ 1,258,012</u> | <u>\$ 25,999,387</u> | <u>\$ 7,244,042</u> | <u>\$ 323,329</u> | <u>\$ 6,000</u> | <u>\$ 383,081</u> | <u>\$35,213,851</u> |

Transfers are made for funding projects, meeting debt service requirements, grant matches, and distributing interest earnings between funds. Public Safety receives funding from the General Fund by a transfer.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

F. Capital Lease Obligations

Governmental Activities:

Capital Lease Payable – Billings Operation Center – On March 1, 2003, the City entered into a capital lease to partially finance the construction of the Billings Operation Center. In 2013, the City paid in full this obligation and issued Certificates of Participation to refinance the Billings Operation Center. The term of the lease ends September 2023.

Business-Type Activities:

Capital Lease Payable – Park II (Business-Type Activities) – On September 1, 2006, the City signed a capital lease obligation to finance the construction of an expansion of the Park II Parking Garage which is a six level parking structure located in the heart of downtown Billings. In September 2012, Park 4 Garage was sold and the proceeds of the sale were applied to reduce the debt of the Park II loan. This reduced the remaining capital lease obligation from \$4,756,651 to \$2,640,384 and reduced interest expense by \$780,057 over the life of the lease.

Capital Lease Payable – Airport (Business-Type Activities) – On September 12, 2011, the City Council approved the Investment Grade energy audit findings. Because of this audit, the City undertook energy efficiency improvements to various buildings and facilities at the Airport and within certain City-owned parking garages. The City entered into an energy performance contract with McKinstry Essention Inc. to complete the improvements and signed a Purchase Lease Agreement with U.S. Bancorp to finance the improvements over the next 10 years.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The assets acquired through capital leases are as follows:

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|--------------------------|--------------------------------|---------------------------------|
| Assets: | | |
| Buildings | \$6,600,000 | \$5,930,000 |
| Accumulated Depreciation | <u>(1,848,000)</u> | <u>(2,141,389)</u> |
| Total | <u>\$4,752,000</u> | <u>\$3,788,611</u> |

The following is a schedule, by year, of the future minimum lease payments at June 30, 2018:

| <u>Year ending June 30</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> |
|---|--------------------------------|---------------------------------|
| 2019 | 475,550 | 201,961 |
| 2020 | 478,025 | 201,961 |
| 2021 | 475,125 | 201,961 |
| 2022 | 476,850 | 201,961 |
| 2023 | 473,200 | 201,961 |
| 2024-2028 | 213,150 | 1,009,803 |
| 2029-2033 | - | 1,009,803 |
| Total minimum lease payments | <u>2,591,900</u> | <u>3,029,411</u> |
| Less: Amount representing interest | <u>(201,900)</u> | <u>(852,968)</u> |
| Present value of minimum lease payments | <u>\$ 2,390,000</u> | <u>\$ 2,176,443</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

G. Long-Term Debt

Governmental Activities:

General Obligation Bonds Payable – The City issued general obligation bonds to provide funds for governmental activities for the acquisition and construction of major capital improvements. General obligation bonds are the direct obligations and pledge the full faith and credit of the City. At June 30, 2018, the outstanding general obligation bonded indebtedness of the City, serviced by the City’s debt service funds, was as follows:

| | |
|--|----------------------|
| General Obligation Bonds Series 2010, issued in the total aggregate amount of \$1,080,000 and interest ranging from 2.00%-3.00%, due July 1, 2020, payable in annual installments of \$105,000 to \$115,000. | \$ 335,000 |
| General Obligation Bonds Series 2004A, issued in the total aggregate amount of \$3,460,000 and interest rate is 3.00%, due July 1, 2024, payable in annual installments of \$245,000 to \$345,000, callable on or after July 1, 2021. | 2,170,000 |
| General Obligation Bonds Series 2015, issued in the total aggregate amount of \$6,270,000 and interest ranging from 2.00%-3.50%, due July 1, 2027. These bonds were issued to refund General Obligation Bonds Series 2007A on July 1, 2018. | 6,270,000 |
| General Obligation Bonds Series 2012, issued in the total aggregate amount of \$15,460,000 and interest ranging from 2.00% - 4.00%, due July 1, 2032, payable in annual installments of \$620,000 to \$860,000, callable on or after July 1, 2021. | <u>11,550,000</u> |
| | <u>\$ 20,325,000</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Tax Increment Bonds Payable – At June 30, 2018, the outstanding tax increment bonds indebtedness of the City was as follows:

| | |
|---|---------------------|
| Tax Increment Revenue Bonds Series 2013, issued in the total aggregate amount of \$13,210,000 and interest ranging from 2.50%-6.50%, due July 1, 2038, payable in annual installments of \$387,813 to \$967,750. The City issued tax increment bonds to provide funds for the construction of the Empire Parking Garage and retail space. | \$ 12,155,000 |
| Tax Increment Refunding Bonds Series 2015, issued in the total aggregate amount of \$5,170,000 and interest ranging from 2.00%-4.38%, due July 1, 2039, payable in annual installments of \$125,000 to \$330,000. These bonds were issued to retire the debt for the Special Improvement District 1385 bonds. | 4,895,000 |
| Tax Increment Revenue Bonds Series 2015, issued in the total aggregate amount of \$3,165,000 and interest ranging from 2.00%-4.65%, due July 1, 2039, payable in annual installments of \$85,000 to \$200,000. The bond proceeds were used for improvements in the East Billings Urban Renewal District. | 2,990,000 |
| Tax Increment Revenue Bonds 2016, issued in the total aggregate amount of \$4,935,000 and interest ranging from 2.00% to 3.75%, due July 1, 2040, payable in annual installments of \$150,000 to \$295,000. The bonds were issued for reconstruct and sewer improvements in the South Billings Urban Renewal District. | <u>4,785,000</u> |
| | <u>\$24,825,000</u> |

Special Assessment Debt With Government Commitment – Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within the special improvement district. State Law states, “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.” However, since the City of Billings is governed by its Charter, the voters must approve all levy increases. The cash reserve balance in the special improvement districts funds must equal at least 10% of the principal amount of bonds outstanding. The bonds are issued with specified maturity dates, but must be called and repaid earlier, at par value plus accrued interest, if the related special assessments are collected.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The various bonds outstanding at June 30, 2018, are as follows:

| | |
|---|----------------------|
| Special improvement districts, issued in the total aggregate amount of \$7,709,000 and interest ranging from 2.80%-6.00%, payable from the special improvement districts fund in varying installments to 2030. | \$ 2,770,828 |
| Sidewalk and curb districts, issued in the total aggregate amount of \$4,613,000 and interest ranging from 3.25%-5.40%, payable from the sidewalk and curb districts fund in varying installments to 2030. | 2,821,000 |
| Storm Sewer Revenue Bonds Series 2013, issued in the total aggregate amount of \$4,270,000 and interest ranging from 3.00%-5.00%, payable from the storm sewer fund in varying installments to 2033, callable on or after July 1, 2023. | 3,675,000 |
| Storm Sewer Revenue Bonds Series 2015, issued in the total aggregate amount of \$9,615,000 and interest ranging from 2.00%-5.00%, payable from the Storm Sewer fund in varying installments to 2035, callable on or after July 1, 2025. | <u>8,955,000</u> |
| | <u>\$ 18,221,828</u> |

Business-Type Activities:

Notes Payable – The Montana Department of Natural Resources and Conservation (DNRC) authorized the issuance of notes payable for various construction and rehabilitation projects related to the water and wastewater systems as noted in the following table. All notes are due in semi-annual installments with terms of 20 years. The covenants of both the water and wastewater notes require that funds be set aside in reserve for the delinquency of the debt. The required reserve is the highest amount of principal and interest for any annual debt service over the 20 year note payable for Wastewater, and half of the highest annual debt service payment for Water. The amounts reserved as of June 30, 2018, are \$1,444,291 for Wastewater and \$1,386,571 for Water.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

| | <u>Amount</u> | <u>Interest Rate</u> | <u>Maturity Date</u> |
|------------------------------|---------------|----------------------|----------------------|
| Wastewater: | | | |
| Headworks Building | \$ 4,515,000 | 2.25% | July 1, 2025 |
| Briarwood Sewer | \$ 7,400,000 | 3.00% | July 1, 2028 |
| Ultra-violet System | \$ 2,900,000 | 3.00% | July 1, 2030 |
| Ultra-violet System | \$ 816,000 | 3.00% | July 1, 2030 |
| Wastewater Replacement Lines | \$ 5,387,000 | 3.00% | July 1, 2029 |
| Wastewater Replacement Lines | \$ 359,300 | 1.75% | July 1, 2029 |
| 5 Mile Lift Station | \$ 3,100,000 | 3.00% | July 1, 2033 |
| Water: | | | |
| Filter Building | \$17,300,000 | 2.25% | July 1, 2025 |
| Water Replacement Lines | \$ 2,750,000 | 3.00% | July 1, 2029 |
| Water Replacement Lines | \$ 333,700 | 1.75% | July 1, 2029 |
| Zone 4 Water Lines | \$ 7,412,000 | 3.00% | July 1, 2029 |
| 2010 Water Replacement Lines | \$ 2,800,000 | 3.00% | July 1, 2030 |
| Zone 3 Water Lines | \$ 3,100,000 | 3.00% | July 1, 2032 |
| Zone 3 Chapple Reservoir | \$ 6,100,000 | 3.00% | July 1, 2034 |
| Briarwood Reservoir | \$ 3,700,000 | 2.50% | July 1, 2035 |

The amounts outstanding as of June 30, 2018, are as follows:

| | <u>Due within one year</u> | <u>Due after one year</u> | <u>Total</u> |
|------------|--------------------------------|-------------------------------|---------------------|
| Wastewater | <u>\$ 1,063,000</u> | <u>\$12,407,000</u> | <u>\$13,470,000</u> |
| Water | <u>\$ 2,058,000</u> | <u>\$24,199,000</u> | <u>\$26,257,000</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Revenue Bonds Payable – At June 30, 2018, the outstanding revenue bonded indebtedness of the City was as follows:

| | |
|--|---------------------|
| 2010A Airport Revenue Refunding Bonds, issued in the total aggregate amount of \$7,640,000 and interest ranging from 2.50%-5.00%, due July 1, 2020, payable in annual installments of \$670,000 to \$895,000. The bonds are not subject to optional redemption prior to their stated maturities. | \$ 2,425,000 |
| Deferred amount on bond refunding | <u>(35,349)</u> |
| | 2,389,651 |
| Less current portion | <u>(860,000)</u> |
| Total | \$ <u>1,529,651</u> |

The 2010A bonds are secured by Airport Net Revenues, which are the Airport's "Gross Revenues" remaining after provision for payment of maintenance and operating expenses. "Gross Revenues" do not include bond proceeds; Airport Improvement Plan (AIP) grants; Customer Facility Charges (CFCs) and Passenger Facility Charges (PFCs) and interest thereon; and proceeds from the sale of Airport assets.

| | |
|---|---------------------|
| 2010B Airport Revenue Refunding Bonds issued in the aggregate amount of \$6,525,000, and interest ranging from 3.00%-4.37% due July 1, 2030, payable in annual installments of \$235,000 to \$475,000, callable on or after July 1, 2021. | \$ 4,915,000 |
| Less current portion | <u>(300,000)</u> |
| Total | \$ <u>4,615,000</u> |

The 2010B bonds are secured by CFCs, which are charges imposed on the automobile rentals at the Airport and, to the extent CFCs are not sufficient to pay debt service, by Airport Net Revenues on a parity with the 2010A bonds.

The 2010A and 2010B bonds are special, limited obligations of the City, and the owners may not look to the general or any other fund of the City for payment of principal, premium, or interest thereof.

Revenue bond ordinances include various restrictive covenants. The 2010A and 2010B bond covenants require that revenues and CFC collections equal at least 125% of the debt service requirement for each fiscal year. The more significant reserve covenants require reserves for debt service, facilities and equipment replacement, and for operations. The City is in compliance with all covenants as of June 30, 2018.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The revenue bond ordinance restrictions are as follows:

| | <u>Airport Fund</u> |
|------------------------------|---------------------|
| 2010A Debt Service | \$ 764,000 |
| 2010B Debt Service | 500,044 |
| Replacement and depreciation | 225,000 |
| Operations and Maintenance | <u>1,182,000</u> |
| | <u>\$ 2,671,044</u> |

The City issued Series 2010B revenue bonds to finance its car wash facility and Series 2010A refunding revenue bonds to refund bonds issued to remodel the terminal building. The Airport Fund accounts for all airport activities, which include CFC collections and expenses, PFC collections (\$1,094,685) and expenses, AIP grants, and all other Airport operations. However, investors in the Series 2010B revenue bonds rely on the revenue generated by CFC collections (\$857,601) and investors in the 2010A revenue bonds rely on airport operating revenues net of AIP grants and CFC and PFC collections.

| | |
|---|----------------------|
| 2017 Sewer System Revenue Bonds, issued in the aggregate amount of \$56,505,000 and interest ranging from 2.00% - 5.00%, due July 1, 2036, payable in annual installments of \$1,430,000 to \$5,125,000, callable on or after July 1, 2027. | \$ 53,520,000 |
| Less current portion | <u>(1,430,000)</u> |
| Total | <u>\$ 52,090,000</u> |

The City will covenant to impose sewer charges on all customers of the system to provide revenues sufficient to pay the principal and interest on the bonds. A surety bond, together with the balance in the reserve account, will satisfy the reserve requirement.

Defeased Debt – In prior years, the City defeased certain revenue and special assessment bonds by the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City’s financial statements. At June 30, 2018, there were no bonds.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Summary of Debt Maturities – Annual debt service principal and interest payments required on all outstanding debt at June 30, 2018, are as follows:

GOVERNMENTAL ACTIVITIES

| Year ending June 30 | General Obligation Bonds | | Tax Increment | | Special Assessment Bonds | |
|------------------------|-----------------------------|---------------------|---------------------------|----------------------|-----------------------------|--------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2019 | 1,750,000 | 660,350 | 730,000 | 1,079,732 | 716,461 | 712,743 |
| 2020 | 1,790,000 | 613,625 | 750,000 | 1,057,133 | 834,368 | 685,114 |
| 2021 | 1,835,000 | 554,675 | 775,000 | 1,031,015 | 1,095,324 | 650,087 |
| 2022 | 1,760,000 | 501,200 | 795,000 | 1,001,530 | 1,429,831 | 620,374 |
| 2023 | 1,795,000 | 447,825 | 830,000 | 969,840 | 1,393,892 | 537,504 |
| 2024-2028 | 7,385,000 | 1,382,925 | 4,725,000 | 4,266,536 | 6,053,952 | 1,949,898 |
| 2029-2033 | 4,010,000 | 351,150 | 5,975,000 | 3,032,387 | 4,473,000 | 852,944 |
| 2034-2038 | - | - | 7,435,000 | 1,512,411 | 2,225,000 | 105,703 |
| 2039-2043 | - | - | 2,810,000 | 118,748 | - | - |
| | <u>\$ 20,325,000</u> | <u>\$ 4,511,750</u> | <u>\$24,825,000</u> | <u>\$ 14,069,332</u> | <u>\$ 18,221,828</u> | <u>\$6,114,367</u> |
| | Intercap Notes Payable | | Capital Lease Payable-BOC | | | |
| | Principal | Interest | Principal | Interest | | |
| 2019 | 5,366 | 453 | 410,000 | 65,550 | | |
| 2020 | 5,366 | 386 | 425,000 | 53,025 | | |
| 2021 | 5,366 | 319 | 435,000 | 40,125 | | |
| 2022 | 5,366 | 252 | 450,000 | 26,850 | | |
| 2023 | 5,366 | 185 | 670,000 | 16,350 | | |
| 2024-2028 | 10,742 | 167 | - | - | | |
| 2029-2033 | - | - | - | - | | |
| 2034-2038 | - | - | - | - | | |
| | <u>\$ 37,572</u> | <u>\$ 1,762</u> | <u>\$ 2,390,000</u> | <u>\$ 201,900</u> | | |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Changes in Long-Term Obligations – During the year ended June 30, 2018, the following changes occurred in liabilities reported in the long-term obligations:

| | <u>Balance June 30, 2017</u> | <u>Issued/ Accrued</u> | <u>Refunded/ Redeemed/ Matured</u> | <u>Balance June 30, 2018</u> | <u>Due within one year</u> |
|---|----------------------------------|----------------------------|--|----------------------------------|--------------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds: | | | | | |
| Series 2010 Parks | \$ 445,000 | \$ - | \$ 110,000 | \$ 335,000 | \$ 110,000 |
| Add: premium received | 11,297 | - | 2,825 | 8,472 | - |
| Series 2004A Streets | 2,440,000 | - | 270,000 | 2,170,000 | 275,000 |
| Add: premium received | 152,901 | - | 19,112 | 133,789 | - |
| Series 2007A Ballpark | 6,945,000 | - | 6,945,000 | - | - |
| Series 2007B Ballpark | 190,000 | - | 190,000 | - | - |
| Add: premium received | 9,221 | - | 9,221 | - | - |
| Series 2015 Refunding | 6,270,000 | - | - | 6,270,000 | 555,000 |
| Add: premium received | 484,443 | - | 48,444 | 435,999 | - |
| Series 2012 Library | 12,345,000 | - | 795,000 | 11,550,000 | 810,000 |
| Add: premium received | 816,373 | - | 51,023 | 765,350 | - |
| Tax Increment 2013 | 12,470,000 | - | 315,000 | 12,155,000 | 325,000 |
| Add: premium received | 41,768 | - | 3,481 | 38,287 | - |
| Less: bond discount | (1,939) | - | (162) | (1,777) | - |
| Tax Increment 2015 | 5,045,000 | - | 150,000 | 4,895,000 | 155,000 |
| Less: bond discount | (22,856) | - | (1,039) | (21,817) | - |
| Tax Increment 2015-EBURD | 3,080,000 | - | 90,000 | 2,990,000 | 100,000 |
| Less: bond discount | (30,737) | - | (1,397) | (29,340) | - |
| Tax Increment 2016 | 4,935,000 | - | 150,000 | 4,785,000 | 150,000 |
| Less: bond discount | (36) | - | (2) | (34) | - |
| Special assessment debt with governmental commitment | 19,017,928 | 1,415,000 | 2,211,100 | 18,221,828 | 716,461 |
| Less: bond discounts | (52,116) | - | (13,164) | (38,952) | - |
| Add: premium received | 618,710 | - | 34,992 | 583,718 | - |
| Intercap notes payable | 42,938 | - | 5,366 | 37,572 | 5,366 |
| Notes payable | 249,319 | - | 249,319 | (0) | - |
| Capital lease payable | 2,790,000 | - | 400,000 | 2,390,000 | 410,000 |
| Add: premium received | 145,470 | - | 20,782 | 124,688 | - |
| Compensated absences | 7,944,703 | 7,237,477 | 7,069,516 | 8,112,664 | 6,667,596 |
| Total governmental activities | <u>\$ 86,382,387</u> | <u>\$ 8,652,477</u> | <u>\$ 19,124,417</u> | <u>\$ 75,910,447</u> | <u>\$ 10,279,423</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

| | <u>Balance</u> <u>June 30, 2017</u> | <u>Issued/ Accrued</u> | <u>Refunded/ Redeemed/ Matured</u> | <u>Balance</u> <u>June 30, 2018</u> | <u>Due within one year</u> |
|---------------------------------|--|----------------------------|--|--|--------------------------------|
| Business Activities: | | | | | |
| Notes Payable | | | | | |
| Water from DNRC | \$ 8,674,000 | \$ - | \$ 937,000 | \$ 7,737,000 | \$ 958,000 |
| Water from DNRC-ARRA Part B | 222,000 | - | 16,000 | 206,000 | 16,000 |
| Water from DNRC- Rehab | 1,922,000 | - | 129,000 | 1,793,000 | 133,000 |
| Water from DNRC-Zone 4 | 4,669,000 | - | 313,000 | 4,356,000 | 322,000 |
| Water from DNRC-Waterlines | 1,646,000 | - | 101,000 | 1,545,000 | 103,000 |
| Wastewater from DNRC-Briarwood | 4,219,000 | - | 312,000 | 3,907,000 | 323,000 |
| Wastewater from DNRC | 2,264,000 | - | 245,000 | 2,019,000 | 250,000 |
| Wastewater from DNRC | 239,000 | - | 18,000 | 221,000 | 18,000 |
| Wastewater from DNRC | 2,875,000 | - | 193,000 | 2,682,000 | 198,000 |
| Wastewater from DNRC-UV | 1,753,000 | - | 107,000 | 1,646,000 | 111,000 |
| Wastewater from DNRC-UV | 605,000 | - | 37,000 | 568,000 | 38,000 |
| Wastewater from DNRC-5 Mile | 2,548,000 | - | 121,000 | 2,427,000 | 125,000 |
| Water from DNRC-Zone 3 | 2,399,000 | - | 123,000 | 2,276,000 | 127,000 |
| Water from DNRC-Zone 3 Chapple | 5,521,000 | - | 244,000 | 5,277,000 | 252,000 |
| Water from DNRC-Briarwood | 3,211,000 | - | 144,000 | 3,067,000 | 147,000 |
| Sewer System Revenue | 56,505,000 | - | 2,985,000 | 53,520,000 | 1,430,000 |
| Add: premium received | 7,139,765 | - | 339,989 | 6,799,776 | - |
| Capital lease payable - Park II | 2,277,070 | - | 100,631 | 2,176,439 | 105,109 |
| Capital lease payable - Parking | 410,346 | - | 35,321 | 375,025 | 36,967 |
| Airport Series 2010A Refunding | 3,250,000 | - | 825,000 | 2,425,000 | 860,000 |
| Add: premium received | 9,105 | - | 4,563 | 4,542 | - |
| Airport Series 2010B Revenue | 5,210,000 | - | 295,000 | 4,915,000 | 300,000 |
| Add: premium received | 3,722 | - | 470 | 3,252 | - |
| Capital lease payable - Airport | 967,508 | - | 81,965 | 885,543 | 74,314 |
| Compensated absences | <u>3,439,971</u> | <u>2,608,656</u> | <u>2,834,538</u> | <u>3,214,089</u> | <u>2,515,124</u> |
| Total business type activities | <u>\$ 121,979,487</u> | <u>\$ 2,608,656</u> | <u>\$ 10,542,477</u> | <u>\$ 114,045,666</u> | <u>\$ 8,442,514</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Governmental activities include internal service fund liabilities for capital lease payable, compensated absences, and intercap notes payable. Internal service fund compensated absences totaled \$1,226,911 and \$1,314,169 at June 30, 2017 and 2018, respectively and are generally liquidated by the related internal service fund. Compensated absences for the remaining governmental activities are generally liquidated by the general fund and other governmental funds.

Arbitrage – The Tax Reform Act of 1986 (ACT) substantially revised the treatment to be afforded to earnings on the proceeds of tax-exempt debt and now requires the City to calculate and remit rebatable arbitrage earnings to the Internal Revenue Service. Certain City debt and interest earned on the proceeds thereof are subject to the requirements of the Act. At June 30, 2018, the City had no arbitrage rebate liability for its governmental and business-type activities.

H. Post-Employment Healthcare Benefits

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 75, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the full liability occurred in fiscal year 2017, the year that GASB 75 was implemented. A separate postemployment benefit plan report is not prepared for the health insurance plan.

Plan Description. The City provides continuous medical insurance coverage for eligible participants enrolled in the City sponsored plan, a single-employer plan, called the City of Billings Employee Benefit Plan (the Plan). Total plan contributions paid by the City in 2018 were 10.0% of total payroll and benefits. The retiree benefits are provided in the form of an implicit rate subsidy where pre 65 retirees and a closed group of post 65 retirees receive health insurance coverage by paying a combined retiree/active rate. Dental and life insurance benefits are also provided on a fully contributory basis. The Plan does not prepare separate financial statements, but is included in the City's CAFR and reported as an internal service fund as City Health Insurance Fund. A Plan Document describing the Plan in its entirety, including contribution rates, eligibility, etc., can be obtained from the Human Resources Department of the City of Billings.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Retirement eligibility is determined based upon the employee’s retirement system and is as follows:

Police and Fire employees:

Must complete a minimum of 20 years of membership service and be actively employed and covered by the City’s medical plan prior to retirement.

All Other Employees:

Must complete a minimum of 25 years of membership service at any age OR complete a minimum of 5 years of membership service at a minimum age of 50, plus the employee must be actively employed and covered by the City’s medical plan prior to retirement.

Eligible retirees receive pre 65 health care coverage through one of two self-insured medical plans: Plan C and Plan D. A closed group of retirees age 65 and older are enrolled in one of the plans.

The number of participants as of July 1, 2017, the effective date of the biennial OPEB valuation, follows. There have been no significant changes in the number covered or the type of coverage since that date.

| | |
|-------------------|------------|
| Active employees | 888 |
| Retired employees | <u>102</u> |
| Total | <u>990</u> |

Funding Policy. The City currently pays for post-employment healthcare benefits on a pay-as-you-go basis. Although the City has studied the establishment of trusts that would be used to accumulate and invest assets necessary to pay for any accumulated liability on an actuarial basis, these financial statements assume that pay-as-you-go funding will continue. The amount of covered payroll related to the plan for the year ending June 30, 2018, is \$51,621,000. The ratio of the FY 2018 net OPEB liability to annual covered payroll is 0.21.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Annual OPEB Cost and Net OPEB Liability. The City's other post-employment benefit (OPEB) cost (expense) is calculated based on the Entry Age Normal cost method based on a level percentage of projected salary, in accordance with the parameters of GASB Statement 75. The following table shows sources of changes in the net OPEB liability for the City:

| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability |
|---|----------------------------|--------------------------------|----------------------------|
| Total OPEB Liability – Start of Year | \$10,461,921 | \$ - | \$10,461,921 |
| Changes for the year | | | |
| Service cost | 577,256 | - | 577,256 |
| Interest cost | 416,118 | - | 416,118 |
| Changes of benefit term | - | - | - |
| Differences between expected and actual experience | - | - | - |
| Changes in assumptions or other inputs (Other changes, separately identified if significant) | (10,723) | - | (10,723) |
| Contributions – employer | - | - | - |
| Net Investment Income | - | - | - |
| Benefit payments | (573,556) | - | (573,556) |
| Admin Expense | - | - | - |
| Net change in total OPEB liability | <u>\$409,095</u> | <u>-</u> | <u>\$409,095</u> |
| Total OPEB Liability – End of Year | <u>\$10,871,015</u> | <u>\$-</u> | <u>\$10,871,015</u> |

The annual OPEB expense recognized in fiscal year 2018 is as follows:

| | |
|--|---------------------------|
| Service Cost | \$ 577,258 |
| Interest Cost | 416,118 |
| Changes of benefit terms | - |
| Current recognized deferred outflows/(inflows) | |
| Difference between expected and actual experience | (\$ 122,905) |
| Changes in assumptions or other inputs (Other changes, separately identified, if significant) | 404,623 |
| Total Expense | <u>\$1,275,093</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Recognition of the deferred outflows and inflows will occur in future periods and are, therefore, reported on the Statement of Net Position as required by GASB Statement 75. The detailed schedule of deferred outflows and inflows related to the OPEB liability is as follows:

| | Deferred Outflows of Resources | Deferred Inflow of Resources |
|--|---------------------------------------|-------------------------------------|
| Differences between actual and expected experience | - | (\$ 662,459) |
| Changes of assumptions | <u>\$ 2,188,742</u> | <u>(9,272)</u> |
| Total | <u>\$ 2,188,742</u> | <u>(\$ 671,731)</u> |

Actuarial Methods and Assumptions. Projections of benefits for financial reporting are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point.

Actuarial valuations of an ongoing plan involve 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 employer contributions to the health insurance plan, 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 liabilities for benefits. The City has elected not to fund this liability.

The actuarial 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.

In the July 1, 2016, actuarial valuation, the liabilities were computed using the entry age normal based on level percentage of projected salary. The actuarial assumptions utilized a 3.87% discount rate. Because the plan is unfunded, the discount rate is based on the index rate for 20-year tax exempt general obligation bonds with an average rating of AA or higher. The valuation assumes a 7% healthcare cost trend increase for fiscal year 2017-2018, reduced each year until an ultimate health care cost trend rate of 4.65% is reached.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The contribution to the Plan by the City is determined annually by the City’s Health Insurance Committee with the aid of a consultant and subsequently approved and adopted through the City’s budget process.

The Plan may be modified by the Health Insurance Committee.

Sensitivity Analysis. Sensitivity measurements of the net OPEB liability based on health care cost trends and discount rates:

Healthcare cost trend sensitivity analysis

| | Net OPEB Liability | % Difference |
|---------------|---------------------------|---------------------|
| 1% Decrease | \$ 9,131,000 | -16% |
| Current Trend | \$10,871,000 | 0% |
| 1% Increase | \$11,877,000 | 9% |

Discount Rate trend sensitivity analysis

| | Net OPEB Liability | % Difference |
|--------------------|---------------------------|---------------------|
| 1% Increase 4.87% | \$ 9,076,000 | -17% |
| Current Trend 3.87 | \$10,871,000 | 0% |
| 1% Decrease 2.87% | \$11,984,000 | 10% |

IV. Other Notes

A. Risk Management

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; medical insurance costs of employees; pollution liability; and natural disasters.

For general liability and injuries to employees, the City has elected to participate in the Montana Municipal Interlocal Authority – Liability Coverage (MMIA – Liability Program) and the Montana Municipal Interlocal Authority – Workers’ Compensation (MMIA – Workers’ Compensation) programs. These entities are public entity risk pools currently operating as common risk management and coverage programs, pursuant to their formation by Interlocal Agreements under the Interlocal Cooperation Act. The City pays annual assessments to the MMIA – Liability Program and the MMIA – Workers’ Compensation for its general liability and workers’ compensation coverage. There have been no significant changes to levels of coverage from the previous year.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The MMIA – Liability coverage has specific exclusions for airfield operations; subsequently the City's airport fund annually purchases a separate general liability insurance policy to provide liability coverage for the airport's operations. This policy is provided through a private insurance company. It provides coverage up to \$100 million per occurrence.

For damage to and destruction of buildings and facilities, the City has elected to insure its buildings and facilities with insurance purchased from a private carrier. Such insurance has a deductible of \$100,000 per occurrence. The rateable exposure limit is \$659,299,728 (inclusive of Business Income Coverage) with a blanket policy limit of \$500 million, underwritten by Affiliated FM Insurance Company. There have been no significant changes to levels of insurance from the previous year, and settlement payments have not exceeded insurance coverage during the current year or the two previous fiscal years.

In addition, the City also elected to purchase, at various limits, Crime Coverage. The Crime Coverage protects against loss in the event of employee theft, computer fraud, computer program data restoration, funds transfer fraud, claim expense, and faithful performance of duty.

The City has established a medical self-insurance fund to pay medical claims of the City's employees and their covered dependents. Revenues to the plan from the various funds and employee contributions are recorded as a charge for service in the City health insurance fund, an internal service fund. Medical claims over \$215,000 per individual per calendar year are covered through a private insurance carrier. The fund records health care costs as expenses when claims are incurred; including incurred but not reported (IBNR) claims. The fund establishes claims liabilities, including IBNR, based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that modify past experience. Claims liabilities include only specific, incremental claim adjustment expenses. Estimated recoveries on claims are evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Following is a summary of the changes in the balances of health insurance claim liabilities, which are included in accrued liabilities in the Combined Balance Sheet, during fiscal years 2016, 2017, and 2018:

| | Beginning-of- fiscal-year <u>liability</u> | Incurred claims and claim administrative <u>expenses</u> | Payments of claims and claim administrative <u>expenses</u> | End-of- fiscal-year <u>liability</u> |
|-----------|--|---|--|--|
| 2015-2016 | 750,000 | 11,186,393 | 10,936,393 | 1,000,000 |
| 2016-2017 | 1,000,000 | 11,689,018 | 11,939,018 | 750,000 |
| 2017-2018 | 750,000 | 10,461,124 | 10,303,328 | 907,796 |

Retired employees may continue their health care coverage through the City’s group health plan until the month end of their 65th birthday. In compliance with COBRA, the City also allows terminated employees to continue their health care coverage for 18 months past the date of termination.

Approximately 97 retired and terminated employees participated in the City’s health plan. Claims paid in excess of premiums received for these participants totaled approximately \$259,621 for the fiscal year ended June 30, 2018. There have been no material changes in health insurance coverage from the previous year. The City has a two-tiered health insurance plan. The amount of employee contributions is based on the level of coverage chosen from the two tiers. Beginning January 1, 2012, the City implemented a two-tiered health insurance plan and will have only one area hospital in-network. These changes were completed using the RFP process and were approved and implemented by the Health Insurance Committee in order to reduce health care costs and avoid increases in premiums for both the City and employees.

All risk management activities are accounted for in the internal service funds. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Coverage limits and the deductibles on the commercial policies have not changed materially from the previous year.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

B. Pollution Remediation

Effective July 1, 2008, the City implemented the provisions of GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The City has determined that the implementation of GASB 49 had no material effect on prior year financial statements.

C. Subsequent Events

On September 5, 2018, a negotiated sale was held for the sale of Special Improvement District (SID) 1405 bonds and Tax Increment bonds for the East Billings Urban Renewal District. D.A. Davidson purchased both series. SID 1405 bonds will be paid from the assessments levied against the property owners in the district. The terms of the SID bonds are 15 years with an interest rate of 3.53%. The Tax Increment bonds will be paid from the tax increment funds from the district for a term of 20 years at 3.80% interest.

D. Claims and Judgments

The City is involved with numerous other lawsuits from other claimants. Based on past claims history and management’s best estimates, the City expects to pay approximately \$1,300,000 for insurance deductibles and amounts not covered by insurance.

Changes in Claims and Judgments:

| <u>Fiscal Year</u> | <u>Beginning of Fiscal Year</u> | <u>Changes in the Estimate for Claims of Prior Periods</u> | <u>Claims Incurred During Year</u> | <u>Payments of Claims</u> | <u>End of Fiscal Year</u> | <u>Amount Due Within One Year</u> |
|--------------------|---------------------------------|--|------------------------------------|---------------------------|---------------------------|-----------------------------------|
| 2016 | <u>\$ 1,300,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,300,000</u> | <u>\$ 1,300,000</u> |
| 2017 | <u>\$ 1,300,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,300,000</u> | <u>\$ 1,300,000</u> |
| 2018 | <u>\$ 1,300,000</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,300,000</u> | <u>\$ 1,300,000</u> |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

E. Contingent Liabilities

1. Landfill Closure and Post-closure

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 thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on the estimate of landfill capacity used as of each balance sheet date. The \$3,354,572 reported as landfill closure and post-closure care liability at June 30, 2018, represents the cumulative amount reported to date based on the use of approximately 51% of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$3.2 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2018. Revised closure costs were completed during fiscal year 2018, which slightly increased the total estimated remaining costs for closure and post-closure care. The City expects to close the landfill in 40 years, in the year 2058. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has established an irrevocable solid waste management financial assurance trust. The City is required to make payments into the trust over the life of the landfill to provide funds for closure and post-closure care. In fiscal year 2018, \$74,989 was paid into, or earned by, the trust. The cumulative amount of payments of \$3,237,927 is reported as restricted investments at June 30, 2018.

| | <u>Balance June 30, 2017</u> | <u>Accrual Amount</u> | <u>Balance June 30, 2018</u> |
|----------------------------------|----------------------------------|---------------------------|----------------------------------|
| Net change in Landfill Liability | <u>\$ 3,210,565</u> | <u>\$ 144,007</u> | <u>\$ 3,354,572</u> |

2. Lawsuits

The City is involved with numerous other lawsuits, from other claimants, which arise out of the normal course of operations by the City. Management has accrued for any deductibles and amounts not covered by the City insurance carriers.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The City of Billings was sued by a group of employed police officers several years ago. The District Court issued a summary judgment which the plaintiffs believe will result in favor of the officers. MMIA does not offer coverage for this claim. The judgment did not itemize the amount for the claim. Although the City is vigorously defending this claim, the City has estimated that the summary judgment could result in up to \$1,200,000 due to the officers, including attorney fees, penalties, and interest. This amount has been reflected in the Statement of Position and Statement of Activities.

The City believes that the current accrual for claims and judgments is sufficient in the event of settlements related to these lawsuits.

3. Grants

The City has federal and state grants for specific purposes that are subject to annual audits and other periodic reviews by grantor agencies. Such reviews could result in requests for reimbursement by grantor agencies for costs which may be disallowed as appropriate expenses under the grant terms. Management of the City believes disallowances, if any, will not be material.

F. Conduit Debt

The City has authorized the issuance of certain bonds in its name to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying government-wide financial statements. The only requirement for this type of issue is to request the amount needed for City approval; and when completely paid or called, they must notify the City of this event.

As of June 30, 2018, there were 3 series of industrial revenue bonds outstanding. The aggregate principal amount payable for the 3 series issued was approximately \$9.0 million at June 30, 2018.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

G. Pension Plans

The City of Billings contributes to four separate pension plans which cover substantially all full-time employees. They are the Public Employees' Retirement System-defined benefit retirement plan (PERS-DBRP), Public Employees' Retirement System-defined contribution plan (PERS-DCRP), Firefighters' Unified Retirement System (FURS), and the Municipal Police Officers' Retirement System (MPORS). The PERS-DCRP is a defined contribution plan, and the other plans are defined benefit pension systems. All plans are administered by the Public Employment Retirement Board (PERB). The City's financial statements include on-behalf contributions made by the State of Montana as described in the following plan descriptions.

1. **PERS-defined benefit retirement plan (DBRP)**

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers are required to recognize and report certain amounts associated with their participation in the Public Employees' Retirement System (PERS). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Inflows of Resources associated with pensions.

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

The State of Montana, as the non-employer contributing entity, paid to the Plan additional contributions that qualify as special funding. Those employers who received special funding are counties, cities & towns, school districts & high schools, and other governmental agencies.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Not Special Funding

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

The proportionate shares of the employer’s and the State of Montana’s NPL for June 30, 2018, and 2017, are displayed below. The employer’s proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The State’s proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total State contributions paid.

The employer recorded a liability of \$51,226,313 and the employer’s proportionate share was 2.6302 percent.

| | Net Pension Liability as of 6/30/2018 | Net Pension Liability as of 6/30/2017 | Percent of Collective NPL as of 6/30/2018 | Percent of Collective NPL as of 6/30/2017 | Change in Percent of Collective NPL |
|---|--|--|--|--|--|
| City of Billings’ Proportionate Share | \$ 51,226,313 | \$ 41,741,337 | 2.6302% | 2.4505% | 0.1796% |
| State of Montana Proportionate Share associated with the Employer | \$ 681,883 | \$ 510,031 | 3.4752% | 3.1315% | 0.3436% |
| Total | \$ 51,908,196 | \$ 42,251,368 | 6.1053% | 5.5821% | 0.5233% |

Changes in actuarial assumptions and methods:

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

Changes in benefit terms:

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

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

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date, there were some changes in the proportion that may have an effect on the employer's proportionate share of the collective NPL.

Pension Expense

| | Pension Expense as of 6/30/2018 | Pension Expense as of 6/30/2017 |
|---|------------------------------------|------------------------------------|
| City of Billings' Proportionate Share of PERS | \$ 6,311,469 | \$ 2,896,600 |
| State of Montana Proportionate Share associated with the Employer | \$ 36,353 | \$ 42,741 |
| Grant Revenue - State of Montana Coal Tax for employer | \$ 732,801 | \$ 731,319 |
| Total | \$ 7,080,623 | \$ 3,670,660 |

At June 30, 2018, the employer recognized its proportionate share of the PERS Pension Expense of \$ 6,311,469. The employer also recognized grant revenue of \$ 36,353 for the State of Montana proportionate share of the Pension Expense associated with the employer. Additionally, the employer recognized grant revenue of \$ 732,801 from the Coal Severance Tax Fund. *(Two years of pension expense are documented in the above table, but are not necessary for the employer's disclosures.)*

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Recognition of Deferred Inflows and Outflows

At June 30, 2018, the employer recognized its proportionate share of Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---------------------------------------|--------------------------------------|
| Expected vs. Actual Experience | \$ 1,261,543 | \$ 74,147 |
| Projected Investment Earnings vs. Actual Investment Earnings | \$ - | \$ 344,039 |
| Changes in Assumptions | \$ 7,002,101 | \$ - |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | \$ 1,961,345 | \$ - |
| Employer Contributions subsequent to the measurement date | \$ 2,870,885 | |
| Total | \$ 13,095,874 | \$ 418,186 |

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

| For the Reporting Year ended June 30: | Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense |
|--|--|
| 2018 | \$ 1,814,563 |
| 2019 | \$ 4,005,677 |
| 2020 | \$ 3,115,547 |
| 2021 | \$ (1,090,329) |
| 2022 | \$ - |
| Thereafter | \$ - |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Plan Description

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

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

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

Summary of Benefits

Eligibility for benefit and benefit formulas

Service retirement:

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

Early Retirement (actuarially reduced):

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

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

- 1) Retire before January 1, 2016, and accumulate less than 2 years of additional service credit or retire on or after January 1, 2016, and accumulate less than 5 years' additional service credit:
 - a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

- b. No service credit for second employment;
 - c. Start the same benefit amount the month following termination; and
 - d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.
- 2) Retire before January 1, 2016, and accumulate at least 2 years of additional service credit:
- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
 - b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.
- 3) Retire on after January 1, 2016, and accumulate 5 years or more years of service credit:
- a. The same retirement as prior to the return to service;
 - b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
 - c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

5 years of membership service.

Member's highest average compensation (HAC)

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

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

Compensation Cap

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

Monthly benefit formula

- 1) Members hired prior to July 1, 2011:
- a. Less than 25 years of membership service: 1.785% of HAC per year of service credit;
 - b. 25 years of membership service or more: 2% of HAC per year of service credit.
- 2) Members hired on or after July 1, 2011:
- a. Less than 10 years of membership service: 1.5% of HAC per year of service credit;
 - b. 10 years of more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
 - c. 30 years or more of membership service: 2% of HAC per year of service credit.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Guaranteed Annual Benefit Adjustment (GABA)

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

3% for members hired prior to July 1, 2007

1.5% for members hired between July 1, 2007, and June 30, 2013

Members hired on or after July 1, 2013:

- a. 1.5% for each year PERS is funded at or above 90%;
- b. 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
- c. 0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

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

| Fiscal Year | Member | | State & Universities | Local Government | State | School Districts | |
|-------------|----------------|----------------|----------------------|------------------|-------|------------------|--------|
| | | | Employer | Employer | | Employer | State |
| | Hired <7/01/11 | Hired >7/01/11 | | | | | |
| 2018 | 7.9% | 7.9% | 8.570% | 8.470% | 0.10% | 8.20% | 0.370% |
| 2017 | 7.9% | 7.9% | 8.470% | 8.370% | 0.10% | 8.10% | 0.370% |
| 2016 | 7.9% | 7.9% | 8.370% | 8.270% | 0.10% | 8.00% | 0.370% |
| 2015 | 7.9% | 7.9% | 8.270% | 8.170% | 0.10% | 7.90% | 0.370% |
| 2014 | 7.9% | 7.9% | 8.170% | 8.070% | 0.10% | 7.80% | 0.370% |
| 2012-2013 | 6.9% | 7.9% | 7.170% | 7.070% | 0.10% | 6.80% | 0.370% |
| 2010-2011 | 6.9% | | 7.170% | 7.070% | 0.10% | 6.80% | 0.370% |
| 2008-2009 | 6.9% | | 7.035% | 6.935% | 0.10% | 6.80% | 0.235% |
| 2000-2007 | 6.9% | | 6.900% | 6.800% | 0.10% | 6.80% | 0.100% |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years and remains below the 25 years following the reduction of both the additional employer and member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes a portion of the Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

Stand-Alone Statements

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year ended. It is available from the PERB at 100 North Park, PO Box 200131, Helena MT 59620-0131, 406-444-3154. <http://mpera.mt.gov/annualReports.shtml>

Actuarial Assumptions

The TPL used to calculate the NPL was determined by an actuarial valuation date of June 30, 2016, with update procedures to roll forward the TPL to June 30, 2017. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2017, valuation were based on the results of the

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

last actuarial experience study, dated May 2017 for the six-year period July 1, 2010, to June 30, 2016. Among those assumptions were the following:

| | |
|--|-----------|
| Investment Return (net of admin expense) | 7.65% |
| Admin Expense as % of Payroll | 0.26% |
| General Wage Growth* | 3.50% |
| *includes Inflation at | 2.75% |
| Merit Increases | 0 to 6.3% |
| Postretirement Benefit Increases | |

Guaranteed Annual Benefit Adjustment (GABA)

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

3% for members hired prior to July 1, 2007

1.5% for members hired between July 1, 2007 and June 30, 2013

Members hired on or after July 1, 2013

- 1.5% for each year PERS is funded at or above 90%;
- 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
- 0% whenever the amortization period for PERS is 40 years or more.

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary

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Notes to Financial Statements

net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the System. The most recent analysis, performed for the period of fiscal years 2010 through 2016, is outlined in a report dated June 2017 and is located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized below.

| Asset Class | Target Asset Allocation | Real Rate of Return Arithmetic Basis | Long-Term Expected Real Rate of Return |
|--------------------|--------------------------------|---|---|
| | (a) | (b) | (a) x (b) |
| Cash Equivalents | 2.6% | 4.00% | 0.10% |
| Domestic Equity | 36.0% | 4.55% | 1.64% |
| Foreign Equity | 18.0% | 6.35% | 1.14% |
| Fixed Income | 23.4% | 1.00% | 0.23% |
| Private Equity | 12.0% | 7.75% | 0.93% |
| Real Estate | 8.0% | 4.00% | 0.32% |
| Total | 100% | | 4.37 |
| | | Inflation | 2.75% |
| | | Portfolio Return Expectation | 7.12% |

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Notes to Financial Statements

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change in the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate of 1.00% lower or 1.00% higher than the current rate.

| | 1.0% Decrease (6.75%) | Current Discount Rate | 1.0% Increase (8.75%) |
|---|----------------------------------|----------------------------------|----------------------------------|
| Employer's Net Pension Liability | \$74,606,746 | \$51,226,313 | \$31,600,209 |

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable.

Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

2. Firefighters' Unified Retirement System (FURS)

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Firefighters' Unified Retirement System (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. This report provides information for employers who are using a June 30, 2017, measurement date for the 2018 reporting.

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Notes to Financial Statements

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

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

The proportionate shares of the employer’s and the State of Montana’s NPL for June 30, 2018, and 2017 are displayed below. The employer’s proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The State’s proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total State contributions paid.

The employer recorded a liability of \$7,217,811 and the employer’s proportionate share was 6.3855 percent.

| | Net Pension Liability as of 6/30/2018 | Net Pension Liability as of 6/30/2017 | Percent of Collective NPL as of 6/30/2018 | Percent of Collective NPL as of 6/30/2017 | Change in Percent of Collective NPL |
|---|--|--|--|--|--|
| City of Billings’ Proportionate Share | \$ 7,217,811 | \$ 7,366,593 | 6.3855% | 6.4499% | (0.0644%) |
| State of Montana Proportionate Share associated with the Employer | \$ 16,390,864 | \$ 16,690,380 | 14.5008% | 14.6133% | (0.1125%) |
| Total | \$ 23,608,675 | \$ 24,056,973 | 20.8863% | 21.0632% | (0.1769%) |

Changes in actuarial assumptions and methods:

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

- Lowered the interest rate from 7.75% to 7.65%.
- Lowered the inflation rate from 3.00% to 2.75%.

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Notes to Financial Statements

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

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

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

Changes in benefit terms:

Effective July1, 2017, the following benefit changes were:

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

Changes in proportionate share: Between the measurement date of the collective NPL and the employer’s reporting date there were some changes in proportion that may have an effect on the employer’s proportionate share of the collective NPL.

Pension Expense

| | Pension Expense as of 6/30/2018 | Pension Expense as of 6/30/2017 |
|---|--|--|
| City of Billings’ Proportionate Share of FURS | \$ 1,049,572 | \$ 931,680 |
| Employer Grant Revenue - State of Montana Proportionate Share for the Employer | \$ 3,112,913 | \$ 2,163,760 |
| Total | \$ 4,162,485 | \$ 3,095,440 |

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Notes to Financial Statements

At June 30, 2018, the employer recognized its proportionate share of the FURS' Pension Expense of \$ 1,049,572. The employer also recognized grant revenue of \$ 3,112,913 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

Recognition of deferred inflows and outflows

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Expected vs. Actual Experience | \$ 47,552 | \$ 54,585 |
| Projected Investment Earnings vs. Actual Investment Earnings | \$ 5,951 | \$ - |
| Changes in Assumptions | \$ 900,118 | \$ - |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | \$ - | \$ 176,129 |
| Employer Contributions subsequent to the measurement date | \$ 1,429,502 | |
| Total | \$ 2,383,123 | \$ 230,714 |

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

| For the Reporting Year ended <u>June 30:</u> | Amount of deferred outflows and deferred inflows recognized in future years as an <u>increase or (decrease) to Pension Expense</u> |
|---|--|
| 2018 | \$ 77,922 |
| 2019 | \$ 382,442 |
| 2020 | \$ 248,994 |
| 2021 | \$ 5,144 |
| Thereafter | \$ 189,534 |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Plan Description

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

Summary of Benefits

Eligibility for benefit and benefit formulas

Service retirement:

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

Early Retirement:

- Age 50 with 5 years of membership service

Vesting

5 years' membership service for all other rights.

Member's compensation period used in benefit calculation

- Hired prior to July 1, 1981 and not electing GABA: highest monthly compensation (HMC);
- Hired on or after June 30, 1981 and those electing GABA: highest average compensation (HAC) during any consecutive 36 months.
- Part-time firefighter: 15% of regular compensation of a newly confirmed full-time firefighter.

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Notes to Financial Statements

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA – and has been retired for at least 12 months - the member’s benefit increases by 3% each January.

Minimum Benefit Adjustment (non-GABA)

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

Overview of Contributions

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

| Fiscal Year | Member | | Employer | State |
|--------------------|-----------------|-------------|-----------------|--------------|
| | Non-GABA | GABA | | |
| 1998 - 2018 | 9.50% | 10.70% | 14.36% | 32.61% |
| 1997 | 7.80% | | 14.36% | 32.61% |

Stand-Alone Statements

The financial statements of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan’s fiduciary net position. The reports are available from the

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or the MPERA website at <http://mpera.mt.gov/index.shtml>

Actuarial Assumptions

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

| | |
|--|------------|
| Investment Return (net of admin expense) | 7.65% |
| Admin Expense as % of Payroll | 0.23% |
| General Wage Growth* | 3.50% |
| *includes Inflation at | 2.75% |
| Merit Increases | 0% to 6.3% |
| Post Retirement Increases | |

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

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

Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 using scale BB, males set back 1 year.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables.

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Notes to Financial Statements

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board’s funding policy, which established the contractually required rates under the Montana Code Annotated. The State contributed 32.61% of the salaries paid by employers. Based on those assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long- term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2010 through 2016, was outlined in a report dated June 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized below.

| Asset Class | Target Asset Allocation | Real Rate of Return Arithmetic Basis | Long-Term Expected Real Rate of Return |
|------------------------------|--------------------------------|---|---|
| | (a) | (b) | (a) x (b) |
| Cash Equivalents | 2.6% | 4.00% | 0.10% |
| Domestic Equity | 36.0% | 4.55% | 1.64% |
| Foreign Equity | 18.0% | 6.35% | 1.14% |
| Fixed Income | 23.4% | 1.00% | 0.23% |
| Private Equity | 12.0% | 7.75% | 0.93% |
| Real Estate | 8.0% | 4.00% | 0.32% |
| Total | 100.0% | | 4.37% |
| Inflation | | | 2.75% |
| Portfolio Return Expectation | | | 7.12% |

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Notes to Financial Statements

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

Sensitivity Analysis

The sensitivity of the NPL to the discount rate is shown in the table below. A small change in the discount rate can create a significant change the liability. The NPL was calculated using the discount rate of 7.65%, as well as what the NPL would be if it were calculated using a discount rate 1.00% lower or 1.00% higher than the current rate.

| | 1.0% Decrease | Current Discount | 1.0% Increase |
|--|----------------------|-------------------------|----------------------|
| | 6.65% | Rate | (8.65%) |
| City of Billings' Net Pension Liability | \$ 11,994,186 | \$ 7,217,811 | \$ 3,358,751 |

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable.

Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

3. Municipal Police Officers' Retirement System (MPORS)

Net Pension Liability

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Municipal Police Officers' Retirement System (the Plan). Employers are required to record and report the proportionate

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share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. This report provides information for employers who are using a June 30, 2017, measurement date for the 2018 reporting.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2018, was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

MPORS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to MPORS on behalf of the employers. Due to the existence of this special funding situation, employers are required to report the portion of the State of Montana’s proportionate share of the collective Net Pension Liability that is associated with the employer.

The proportionate shares of the employer’s and the State of Montana’s NPL for June 30, 2018, and 2017, are displayed below. The employer’s proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The State’s proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid.

The employer recorded a liability of \$12,566,878 and employer’s proportionate share was 7.0635 percent.

| | Net Pension Liability as of 6/30/2018 | Net Pension Liability as of 6/30/2017 | Percent of Collective NPL as of 6/30/2018 | Percent of Collective NPL as of 6/30/2017 | Change in Percent of Collective NPL |
|---|--|--|--|--|--|
| City of Billings’ Proportionate Share | \$ 12,566,878 | \$ 12,571,489 | 7.0635% | 6.9836% | 0.0799% |
| State of Montana Proportionate Share associated with the Employer | \$ 25,613,434 | \$ 24,954,951 | 14.3966% | 13.8628% | 0.5338% |
| Total | \$ 38,180,312 | \$ 37,526,440 | 21.4601% | 20.8464% | 0.6137% |

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Notes to Financial Statements

Changes in actuarial assumptions and methods:

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

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

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

- Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount will vary from year to year based on the prior year's actual administrative expenses.
- To be consistent with the wage base growth change, the payroll growth assumption for amortization as a level percent of pay was reduced from 4.00% to 3.5 %.

Changes in benefit terms:

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

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

Changes in proportionate share: Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

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Notes to Financial Statements

Pension Expense

| | Pension Expense as of 6/30/2018 | Pension Expense as of 6/30/2017 |
|---|--|--|
| City of Billings' Proportionate Share of MPORS | \$ 1,458,889 | \$ 1,280,613 |
| State of Montana Proportionate Share associated with the Employer | \$ 3,102,334 | \$ 2,674,032 |
| Total | \$ 4,561,223 | \$ 3,954,645 |

At June 30, 2018, the employer recognized its proportionate share of the MPORS' Pension Expense of \$ 1,458,889. The employer also recognized grant revenue of \$ 3,102,334 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer. *(Two years of pension expense are documented in the above table, but are not necessary for the employer's disclosures.)*

Recognition of Deferred Inflows and Outflows

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Expected vs. Actual Experience | \$ - | \$ 428,788 |
| Projected Investment Earnings vs. Actual Investment Earnings | \$ 10,922 | \$ - |
| Changes in Assumptions | \$ 848,236 | \$ - |
| Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | \$ - | \$ 9,473 |
| Employer Contributions subsequent to the measurement date | \$ 1,668,906 | |
| Total | \$ 2,528,064 | \$ 438,260 |

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

| For the Reporting Year ended <u>June 30:</u> | Amount of deferred outflows and deferred inflows recognized in future years as an <u>increase or (decrease) to Pension Expense</u> |
|---|--|
| 2018 | \$ (17,884) |
| 2019 | \$ 358,359 |
| 2020 | \$ 275,229 |
| 2021 | \$ (185,333) |
| 2022 | \$ - |
| Thereafter | \$ - |

Plan Description

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Summary of Benefits

Eligibility for benefit and benefit formulas

Service retirement

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

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

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

Vesting

5 years of membership service.

Member's final average compensation (FAC)

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Compensation Cap

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

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.

Minimum benefit adjustment (non-GABA)

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

Overview of Contributions

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

| Fiscal Year | Member | | | | Employer | State |
|-------------|---------------|----------------|----------------|---------------------|----------|--------|
| | Hired <7/1/75 | Hired >6/30/75 | Hired >6/30/79 | Hired >6/30/97 GABA | | |
| 2000-2018 | 5.80% | 7.00% | 8.50% | 9.00% | 14.41% | 29.37% |
| 1998-1999 | 7.80% | 9.00% | 10.50% | 11.00% | 14.41% | 29.37% |
| 1997 | 7.80% | 9.00% | 10.50% | | 14.36% | 29.37% |

Stand-Alone Statements

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Actuarial Assumptions

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

| | |
|--|------------|
| Investment Return (net of admin expense) | 7.65% |
| Admin Expense as % of Payroll | 0.24% |
| General Wage Growth* | 3.50% |
| *includes Inflation at | 2.75% |
| Merit Increases | 0% to 6.6% |
| Post Retirement Increases | |

Guaranteed Annual Benefit Adjustment (GABA)

Hired on or after July 1, 1997, or those electing GABA, and has been retired for at least 12 months, a GABA will be made each year in January equal to 3%.

Minimum Benefit Adjustment (non-GABA)

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

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back on year for males.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables.

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 29.37% of the salaries paid by employers. Based on those

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

assumptions, the Plan’s fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2124. Therefore, the long- term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2010 through 2016, was outlined in a report dated May 2017 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2017, are summarized below.

| Asset Class | Target Asset Allocation | Real Rate of Return Arithmetic Basis | Long-Term Expected Real Rate of Return |
|--------------------|--------------------------------|---|---|
| | (a) | (b) | (a) x (b) |
| Cash Equivalents | 2.6% | 4.00% | 0.10% |
| Domestic Equity | 36.0% | 4.55% | 1.64% |
| Foreign Equity | 18.0% | 6.35% | 1.14% |
| Fixed Income | 23.4% | 1.00% | 0.23% |
| Private Equity | 12.0% | 7.75% | 0.93% |
| Real Estate | 8.0% | 4.00% | 0.32% |
| Total | 100.0% | | 4.37% |
| | | Inflation | 2.75% |
| | | Portfolio Return Expectation | 7.12% |

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Sensitivity Analysis

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

| | 1.0% Decrease (6.65%) | Current Discount Rate | 1.0% Increase (8.65%) |
|---|----------------------------------|----------------------------------|----------------------------------|
| City of Billings' Net Pension Liability | \$18,297,859 | \$12,566,878 | \$7,971,839 |

Summary of Significant Accounting Policies

MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable.

Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

4. PERS-defined contributions retirement plan (DCRP)

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

At the plan level for the measurement period ended June 30, 2017, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 300 employers that have participants in the PERS-DCRP totaled \$396,650.

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information

CITY OF BILLINGS, MONTANA
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018

| | Original Budget | Final Budget | Actual | Variance |
|--------------------------------------|-----------------------|-----------------------|----------------------|-----------------------|
| Revenues: | | | | |
| Taxes | \$ 15,832,390 | \$ 15,832,390 | \$ 15,784,291 | \$ 48,099 |
| Licenses and permits | 4,657,745 | 4,657,745 | 4,626,771 | 30,974 |
| Intergovernmental | 11,062,540 | 11,062,540 | 11,211,236 | (148,696) |
| Charges for services | 3,926,741 | 3,926,741 | 4,310,323 | (383,582) |
| Fines and forfeitures | 1,657,113 | 1,657,113 | 1,499,620 | 157,493 |
| Other | 148,000 | 148,000 | 244,818 | (96,818) |
| Total revenues | <u>37,284,529</u> | <u>37,284,529</u> | <u>37,677,059</u> | <u>(392,530)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | \$ 6,977,913 | \$ 7,203,413 | \$ 6,611,938 | \$ 591,475 |
| Public safety | 607,590 | 607,590 | 484,756 | 122,834 |
| Public works | 429,692 | 429,692 | 388,257 | 41,435 |
| Public health | - | - | - | - |
| Culture and recreation | 4,502,103 | 4,517,103 | 4,189,405 | 327,698 |
| Capital outlay | 712,500 | 821,600 | 238,571 | 583,029 |
| Debt service: | | | | |
| Total expenditures | <u>13,229,798</u> | <u>13,579,398</u> | <u>11,912,927</u> | <u>1,666,471</u> |
| Revenues over (under) expenditures | <u>24,054,731</u> | <u>23,705,131</u> | <u>25,764,132</u> | <u>(2,059,001)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 2,504,840 | 2,504,840 | 1,258,012 | 1,246,828 |
| Transfers out | (27,658,790) | (27,798,790) | (27,577,055) | (221,735) |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>(25,153,950)</u> | <u>(25,293,950)</u> | <u>(26,319,043)</u> | <u>1,025,093</u> |
| Net change in fund balances | <u>\$ (1,099,219)</u> | <u>\$ (1,588,819)</u> | <u>(554,911)</u> | <u>\$ (1,033,908)</u> |
| Fund balance, beginning of year | | | <u>28,272,380</u> | |
| Fund balance, end of year | | | <u>\$ 27,717,469</u> | |

The notes to the financial statements are an integral part of this statement.

Required Supplemental Information

CITY OF BILLINGS, MONTANA

Major Special Revenue Fund - Public Safety

Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual

For the Fiscal Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|----------------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | |
| Taxes | \$ 12,680,422 | \$ 12,680,422 | \$ 12,647,561 | \$ 32,861 |
| Licenses and permits | 23,000 | 23,000 | 42,297 | (19,297) |
| Intergovernmental | 2,593,456 | 2,593,456 | 2,771,250 | (177,794) |
| Charges for services | 1,426,371 | 1,426,371 | 1,578,320 | (151,949) |
| Fines and forfeitures | 2,400 | 2,400 | 2,400 | - |
| Other | 33,772 | 33,772 | 63,340 | (29,568) |
| Total revenues | <u>16,759,421</u> | <u>16,759,421</u> | <u>17,105,168</u> | <u>(345,747)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Public safety | 39,346,043 | 39,572,071 | 39,259,917 | 312,154 |
| Public health | 931,235 | 931,235 | 854,351 | 76,884 |
| Capital outlay | 1,349,432 | 1,446,762 | 1,283,264 | 163,498 |
| Debt service: | | | | |
| Principal | 230,903 | 230,903 | 230,648 | 255 |
| Interest and fiscal charges | 5,600 | 5,600 | 5,854 | (254) |
| Total expenditures | <u>41,863,213</u> | <u>42,186,571</u> | <u>41,634,034</u> | <u>552,537</u> |
| Revenues over (under) expenditures | <u>(25,103,792)</u> | <u>(25,427,150)</u> | <u>(24,528,866)</u> | <u>(898,284)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 26,022,737 | 26,162,737 | 25,999,387 | 163,350 |
| Transfers out | (1,025,910) | (1,025,910) | (879,934) | (145,976) |
| Total other financing sources (uses) | <u>24,996,827</u> | <u>25,136,827</u> | <u>25,119,453</u> | <u>17,374</u> |
| Net change in fund balances | <u>\$ (106,965)</u> | <u>\$ (290,323)</u> | <u>590,587</u> | <u>\$ (880,910)</u> |
| Fund balance, beginning of year | | | 1,600,000 | |
| Fund balance, end of year | | | <u>\$ 2,190,587</u> | |

The notes to the financial statements are an integral part of this statement.

Required Supplemental Information

A. Budgetary Information

Budgets are legally required and are prepared for all the City's governmental funds. Except for on-behalf payments by the State of Montana for pension plan contributions, these budgets are prepared on the same basis and use the same accounting practices as are used to account for and prepare financial reports for the governmental funds, consistent with accounting principles generally accepted in the United States of America.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1) On or before June 1st, all departments and agencies of the City submit requests for appropriations to the city administrator so that a budget may be prepared.
- 2) Before June 10th, the proposed budget and tax levy must be submitted to the city clerk and then is presented to the city council for review and approval.
- 3) The council holds public hearings and a final budget and tax levy must be prepared, adopted, and submitted to the county auditor, no later than the first Thursday in September or within 30 calendar days of receiving certified taxable values from the Montana Department of Revenue.

The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. The city council may amend the budget at the fund level by reducing appropriations when (1) a shortfall is anticipated and budgeted revenues occur resulting in expenditures for the year exceeding actual revenues and available cash balances or, (2) savings result from unanticipated adjustments in projected expenditures. Amended appropriations are made at the total expenditure, or fund level, and public hearings are required.

Annual appropriated budgets are adopted for all the City's funds, and all annual appropriations lapse at fiscal yearend. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year end will be re-appropriated and honored during the subsequent year. The annual appropriated budget was amended during the year. The major amendments were for the General Fund; Public Safety Fund; Nonmajor Special Revenue Funds: Development Services Grants Fund; Library Fund; Storm Sewer; North 27th Street Tax Increment Operating; South Tax Increment Operating; East Tax Increment Operating; Transportation Enhancement; Arterial Streets; Bikepath Donation; Attorney Grants; EOC 911; Fire Grants; Gas Tax; Park District 1; Park Maintenance; Nonmajor Debt Service Funds: Sidewalk Debt Service; Nonmajor Capital Project Funds: New Library Construction Fund; Storm Sewer Construction; Special

Required Supplemental Information

Improvement Districts; and Sidewalk and Curb Districts Fund; Capital Replacement Fund; Rose Park Pool Construction Fund; Enterprise Funds: Airport Fund, Water Fund, Transit Fund, and Solid Waste Fund; and Internal Service Funds: Central Telephone Services Fund, Information Technology Fund, and Facilities Management Fund.

Management can transfer appropriations between and among expenditure classes of salaries and benefits, operations and maintenance, capital outlay, interest and debt redemption, or miscellaneous without city council approval or a public hearing, provided that no salary shall be increased above the amount appropriated. As a matter of management accountability, the city council is informed of all appropriation transfers.

Spending control is established by the total amount of expenditures budgeted for the fund, but management control is exercised at budgetary line item levels. Individual fund budgets are the same as the appropriation amounts.

B. Reconciliation of Budgetary Revenues and Expenditures and GAAP Revenues and Expenditures

| | Public Safety Fund |
|---|-----------------------|
| <u>Revenues</u> | |
| Actual amounts (budgetary basis) "Total revenues" from the budget | \$ 17,105,168 |
| Differences-budget to GAAP: | |
| On-behalf payments by the State of Montana for pension plan contributions are not a budgetary resource but are revenues for financial reporting purposes | 6,649,562 |
| Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds | \$ 23,754,730 |
| <u>Expenditures</u> | |
| Actual amounts (budgetary basis) "Total expenditures" from the budget | \$ 41,634,034 |
| Differences-budget to GAAP: | |
| On-behalf payments by the State of Montana for pension plan contributions are not a budgetary outflow but are expenditures for financial reporting purposes | 6,649,562 |
| Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds | \$ 48,283,596 |

Required Supplemental Information

C. Other Post-Employment Benefits Liability

Actuarial Assumptions and Methods

Valuation Date July 1, 2016

Discount Rate 3.86% per annum

For unfunded plans: Discount rate is based on index rate for 20-year tax-exempt general obligation bonds with an average rating of AA/Aa or higher [Bond Buyer 20-Bond GO Index]. For fully funded plans: Discount rate is based on expected long-term rate of return on plan investments where assets are projected to cover all future benefit payments.

Salary Increase Rate 3.0% per annum

Inflation Rate 3.0% per annum

Census Data The census was provided by the City as April 2017.

Marriage Rate The assumed number of eligible spouses is based on the current information in the census provided.

Spouse Age Male spouses are assumed to be three years older than female spouses.

Medicare Eligibility All current and future retirees are assumed to be eligible for Medicare at age 65.

Actuarial Cost Method Entry Age Normal based on level percentage of projected salary.

Amortization Method

Experience gains and losses are amortized over a closed period of 7 years starting on June 30, 2017, equal to the average remaining service of active and inactive plan members (who have no future service). *Investment* gains and losses are amortized over a closed period of five years starting on June 30, 2017. This does not apply to the City.

Mortality Rates

RP-2014 trended back 8 years using scale MP-14 and projected generationally using scale MP-16, applied on a gender-specific basis for the City of Billings.

Required Supplemental Information

Plan Participation Percentage

It is assumed that 50% of all employees and their dependents who are eligible for early retiree benefits will participate in the retiree medical plan. The participation was derived from 4 years of historical participation information. This assumes that a one-time, irrevocable election to participate is made at retirement.

Health Care Cost Trend Rate

The health care cost trend assumptions are used to project the cost of health care in future years. The following annual trends are based on the current SOA published Getzen Long Term Healthcare Cost Trends Model and HCA Consulting trend study. The initial trends were set based on a combination of employer history, trend surveys, and professional judgment. The ultimate healthcare trend rate is 4.65%. Administrative costs are assumed to trend at 4.5%.

| Year | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
|--------|------|------|------|------|------|------|------|------|------|------|------|------|
| Med/Rx | 7.0% | 6.5% | 6.0% | 5.5% | 5.0% | 5.2% | 5.4% | 5.6% | 5.7% | 5.9% | 6.1% | 6.1% |

Per Capita Health Claim Cost

Expected retiree claim costs were developed using 24 months of historical claim experience through December 2016. The annual age 60 and 70 claim costs for retirees and their spouses are as follows:

| Per Capita Cost | Age 60 | Age 70 |
|------------------------|----------|----------|
| Plan C – Standard Plan | \$ 9,189 | \$ 3,016 |
| Plan D – HDHP | \$ 8,479 | N/A |

Non-Claim Expenses

Non-claim expenses are based on the current amounts charged per retired employee. These amounts are provided in the table below and are trended at the levels shown in the “Health Care Cost Trend Rate” table.

| Expense Type | Per Retiree per Month |
|-----------------------------|-----------------------|
| Specific Stop Loss Premium | \$52.73 |
| Benefit Plan Management Fee | \$26.05 |

Plan Election Percentage

The percentage of retirees electing each of the plans available is shown in the table below. These estimates are based on the current retiree elections.

| Plan Name | % Election |
|---------------|------------|
| Standard Plan | 86% |
| HDHP Plan | 14% |

Required Supplemental Information

Age Based Morbidity

The assumed per capita health claim costs are adjusted to reflect expected increases related to age and gender. These increases are based on a 2013 Society of Actuaries study, with sample rates shown below:

| Sample Age | Male | Female |
|-------------------|-------------|---------------|
| 45 | 4.6% | 1.6% |
| 50 | 6.2% | 4.2% |
| 55 | 5.4% | 2.4% |
| 60 | 4.7% | 3.6% |
| 65 | 1.7% | 2.4% |
| 70 | 1.8% | 2.0% |
| 75 | 1.2% | 1.3% |
| 80 | 0.8% | 1.1% |

Retirement Age

Sample retirement ages and associated probabilities are provided in the table below. These values are based on the 2016 Actuarial Valuations of the Public Employees' Retirement System of the State of Montana, the Municipal Police Officers' Retirement System of the State of Montana, and the Firefighters' Unified Retirement System of the State of Montana.

| Age | <30 | >30 years or Age 60 and 25 Years | Police | Fire |
|------------|---------------|--|---------------|-------------|
| <50 | 0% | 10% | 12% | 5% |
| 50-54 | 3% | 10% | 15% | 10% |
| 55 | 3% | 15% | 20% | 25% |
| 56 | 4% | 15% | 20% | 25% |
| 57 | 5% | 15% | 20% | 25% |
| 58 | 5% | 15% | 20% | 25% |
| 59 | 6% | 15% | 20% | 25% |
| 60 | 8% | 15% | 20% | 50% |
| 61 | 15% | 15% | 20% | 50% |
| 62 | 25% | 25% | 100% | 50% |
| 63-64 | 15% | 15% | 100% | 100% |
| 65-66 | 30% | 30% | 100% | 100% |
| 67-69 | 25% | 25% | 100% | 100% |
| 70 | 100% | 100% | 100% | 100% |

Required Supplemental Information

Termination

The rate of withdrawal is based on the withdrawal assumption used in the 2016 Actuarial Valuations of the Public Employees' Retirement System of the State of Montana, the Municipal Police Officers' Retirement System of the State of Montana, and the Firefighters' Unified Retirement System of the State of Montana. The rate of withdrawal for reasons other than death and retirement is dependent on an employee's age and years of service. Sample rates are provided below:

| Years of Service | Police | Fire | Other |
|-------------------------|---------------|-------------|--------------|
| 0 | 15% | 4% | 25% |
| 1 | 10% | 4% | 20% |
| 2 | 10% | 2% | 15% |
| 3 | 10% | 2% | 10% |
| 4 | 5% | 2% | 10% |
| 5-9 | 5% | 2% | 5% |
| 10-14 | 2% | 2% | 5% |
| 15+ | 1% | 1% | 2% |

Valuation of Excise Tax

An active/retiree blended pre-65 plan cost is projected at health care cost trend and compared to the excise tax cost threshold beginning in 2020 and continuing thereafter. The City will be liable for 40% of the difference between plan costs and the cost threshold, when the plan costs are greater than the cost threshold. Excise tax is not applied to Medicare retiree coverage.

Pre-Medicare Plan Costs for Excise Tax

The annual plan costs assumed in the valuation of excise tax are based on the City's current premium information and plan enrollment. The current average for employees is \$6,000 and for spouses is \$6,200.

Excise Tax Thresholds

The 2018 annual threshold costs for excise tax are as follows:

| | |
|-----------------------|----------|
| Active Single | \$10,200 |
| Active Family | \$27,500 |
| Pre-65 Retiree Single | \$11,850 |
| Pre-65 Retiree Family | \$30,950 |

On December 18, 2015, a bill was signed delaying the excise tax for two years. The above thresholds will soon be updated to reflect this two-year delay. The active and pre-65 retiree thresholds have been weighted.

Required Supplemental Information

**Required Supplemental OPEB Information
Other Post Employment Benefits Liability
Last Ten Fiscal Years ¹
(Dollar amounts in Thousands)**

| | <u>2018</u> | <u>2017</u> |
|---|------------------|-----------------|
| Present Value of Future Benefits | | |
| Actives | \$ 13,457 | \$12,984 |
| Retirees | <u>2,350</u> | <u>2,797</u> |
| Total | \$ 15,807 | \$15,781 |
| | <u>2018</u> | <u>2017</u> |
| Total OPEB Liability | | |
| Actives | \$ 7,964 | \$ 7,665 |
| Retirees | 2,907 | 2,797 |
| Total OPEB Liability (TOL) | 10,871 | 10,462 |
| Fiduciary Net Position (FNP) | <u>-</u> | <u>-</u> |
| Net OPEB Liability (NOL) | \$ 10,871 | \$10,462 |
| Covered-employee payroll | 51,621 | 49,636 |
| NOL as a % of covered payroll | 21.1% | 21.1% |
| | <u>2018</u> | <u>2017</u> |
| Total OPEB Expense | | |
| Service cost | \$ 577 | \$ 556 |
| Interest cost | 416 | 320 |
| Changes of benefit terms | - | - |
| Current recognized deferred outflows/(inflows) | | |
| Difference between actual and expected experience | (123) | (123) |
| Changes in assumptions or other inputs | 405 | 406 |
| Other changes, separately identified, if significant | <u>-</u> | <u>-</u> |
| Total Expense | \$ 1,275 | \$ 1,159 |

¹ In FY2017, The City of Billings adopted GASB 75. See Notes to Financial Statements.

Required Supplemental Information

D. Schedules of the City's Proportionate Share of the Net Pension Liability

**Schedule of the City's Proportionate Share of the Net Pension Liability
Public Employees Retirement System (PERS)
Last Ten Fiscal Years ¹
(Dollar amounts in Thousands)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|----------------------|----------------------|----------------------|
| Employer's proportion of the net pension liability | 51,226 | 41,741 | 34,676 |
| Employer's proportionate share of the net pension liability associated with the Employer (as a percentage) | 2.63% | 2.45% | 2.48% |
| State of MT proportionate share of the net pension liability associated with the Employer | <u>682</u> | <u>510</u> | <u>426</u> |
| Total | <u><u>51,908</u></u> | <u><u>42,251</u></u> | <u><u>35,102</u></u> |
| Employer's employee payroll | 32,627 | 29,353 | 28,950 |
| Employer's proportionate share of the net pension liability as of its employee payroll (as a percentage) | 157.01% | 142.20% | 119.78% |
| Plan fiduciary net position the total pension liability (as a percentage) | 73.75% | 74.71% | 78.40% |

¹ In FY2015, The City of Billings adopted GASB 68. See Notes to Financial Statements.

Required Supplemental Information

**Schedule of the City's Proportionate Share of the Net Pension Liability
Firefighters' Unified Retirement System (FURS)
Last Ten Fiscal Years ¹
(Dollar amounts in Thousands)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|---------------|---------------|---------------|
| Employer's proportion of the net pension liability | 7,218 | 7,367 | 6,829 |
| Employer's proportionate share of the net pension liability associated with the Employer (as a percentage) | 6.39% | 6.45% | 6.68% |
| State of MT proportionate share of the net pension liability associated with the Employer | 16,391 | 16,690 | 15,210 |
| Total | <u>23,609</u> | <u>24,057</u> | <u>22,039</u> |
| Employer's employee payroll | 9,546 | 9,083 | 8,973 |
| Employer's proportionate share of the net pension liability as of its employee payroll (as a percentage) | 75.61% | 81.11% | 76.11% |
| Plan fiduciary net position the total pension liability (as a percentage) | 77.77% | 75.48% | 76.90% |

¹ In FY2015, The City of Billings adopted GASB 68. See Notes to Financial Statements.

**Schedule of the City's Proportionate Share of the Net Pension Liability
Municipal Police Officers' Retirement System (MPORS)
Last Ten Fiscal Years ¹
(Dollar amounts in Thousands)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|---------------|---------------|---------------|
| Employer's proportion of the net pension liability | 12,567 | 12,571 | 11,661 |
| Employer's proportionate share of the net pension liability associated with the Employer (as a percentage) | 7.06% | 6.98% | 7.05% |
| State of MT proportionate share of the net pension liability associated with the Employer | 25,613 | 24,955 | 23,627 |
| Total | <u>38,180</u> | <u>37,526</u> | <u>35,288</u> |
| Employer's employee payroll | 10,538 | 9,859 | 9,757 |
| Employer's proportionate share of the net pension liability as of its employee payroll (as a percentage) | 119.25% | 127.52% | 119.52% |
| Plan fiduciary net position the total pension liability (as a percentage) | 68.34% | 65.62% | 66.90% |

¹ In FY2015, The City of Billings adopted GASB 68. See Notes to Financial Statements.

Required Supplemental Information

E. Schedules of the City's Contributions

**Schedule of the City's Contributions
Public Employees Retirement System (PERS)
Last Ten Fiscal Years ¹
(Dollar amounts in Thousands)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|-------------|
| Contractually required contributions | 2,871 | 2,731 | 2,453 |
| Contributions in relation to the contractually required contributions | 2,871 | 2,731 | 2,536 |
| Contribution deficiency (excess) | - | - | - |
| Employer's employee payroll | 33,893 | 32,627 | 29,353 |
| Contributions of employee payroll (as a percentage) | 8.47% | 8.37% | 8.64% |

¹ In FY2015, The City of Billings adopted GASB 68. See Notes to Financial Statements.

**Schedule of the City's Contributions
Firefighters' Unified Retirement System (FURS)
Last Ten Fiscal Years ¹
(Dollar amounts in Thousands)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|-------------|
| Contractually required contributions | 1,430 | 1,371 | 1,299 |
| Contributions in relation to the contractually required contributions | 1,430 | 1,371 | 1,299 |
| Contribution deficiency (excess) | - | - | - |
| Employer's employee payroll | 9,955 | 9,546 | 9,083 |
| Contributions of employee payroll (as a percentage) | 14.36% | 14.36% | 14.30% |

¹ In FY2015, The City of Billings adopted GASB 68. See Notes to Financial Statements.

Required Supplemental Information

**Schedule of the City's Contributions
Municipal Police Officers' Retirement System (MPORS)
Last Ten Fiscal Years ¹
(Dollar amounts in Thousands)**

| | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|---|-------------|-------------|-------------|
| Contractually required contributions | 1,669 | 1,522 | 1,446 |
| Contributions in relation to the contractually required contributions | 1,669 | 1,522 | 1,446 |
| Contribution deficiency (excess) | - | - | - |
| Employer's employee payroll | 11,588 | 10,538 | 9,859 |
| Contributions of employee payroll (as a percentage) | 14.40% | 14.44% | 14.67% |

¹ In FY2015, The City of Billings adopted GASB 68. See Notes to Financial Statements.

**Notes to Required Supplementary Information
for the year ended June 30, 2017 (as of Measurement Date)**

Changes of Benefit Terms

The following changes to the PERS plan provisions were made as identified:

2015 Legislative Changes:

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

Second Retirement Benefit – for PERS

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

Required Supplemental Information

- 3) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - a. Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - b. No service credit for second employment;
 - c. Start same benefit amount the month following termination; and
 - d. GABA starts again the January immediately following second retirement.
- 4) For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
 - a. Member receives the same retirement benefit as prior to return to service;
 - b. Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - c. GABA starts on both benefits in January after member receives original and new benefit for 12 months.

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

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

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47% and the 1.00% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

2017 Legislative Changes:

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

Working Retiree Limitations – for PERS

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

Terminating Employers – Recovery of actuarial costs – for PERS

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

Refunds

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

Family Law Orders

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

Disabled PERS Defined Contribution (DC) Members

Required Supplemental Information

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

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

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

1. FY2018 - \$31.386 million
2. FY2019 - \$31.958 million
3. Beginning July 1, 2019 through at least June 30, 2025, 101% of the contribution from the previous year from the general fund to the PERS defined benefit trust fund, as follows:
 - a. FY2020 - \$32.277 million
 - b. FY2021 - \$32.600 million
 - c. FY2022 - \$32.926 million
 - d. FY2023 - \$33.255 million
 - e. FY2024 - \$33.588 million
 - f. FY2025 - \$33.924 million

Changes of Benefit Terms

The following changes to the MPORS plan provisions were made as identified:

2015 Legislative Changes:

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

MPORS DROP Survivor Benefits - for MPORS

Allow statutory beneficiary (spouse or dependent child) of a deceased DROP participant to receive a DROP benefit and a survivorship benefit rather than accumulated contributions or a lump sum payment. 19-9-1206(1), MCA.

2017 Legislative Changes:

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

Working Retiree Limitations – for MPORS

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

Required Supplemental Information

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

Second Retirement Benefit – for MPORS

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

Terminating Employers – Recovery of actuarial costs – for MPORS

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

Refunds

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

Family Law Orders

Required Supplemental Information

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

Changes of Benefit Terms

The following changes to the FURS plan provision were made as identified:

2015 Legislative Changes:

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

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

2017 Legislative Changes:

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

Working Retiree Limitations – for FURS

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

Second Retirement Benefit – for FURS

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

Required Supplemental Information

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

Terminating Employers – Recovery of actuarial costs – for FURS

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

Refunds

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

Family Law Orders

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

Eligibility to Participate – for FURS Part-Paid Firefighters

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

Required Supplemental Information

Changes in Actuarial Assumptions and Methods for All Plans

Method and assumptions used in calculations of actuarially determined contributions

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

| | |
|-------------------------------|--|
| General Wage Growth* | 3.50% |
| Investment Rate of Return* | 7.65% |
| *Includes inflation at | 2.75% |
| Merit salary increases | 0% to 4.80% |
| Asset valuation method | 4-year smoothed market |
| Actuarial cost method | Entry age Normal |
| Amortization method | Level percentage of payroll, open |
| Mortality (Healthy members) | For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year |
| Mortality (Disabled members) | For Males and Females: RP 2000 Combined Mortality Table |
| Admin Expense as % of Payroll | PERS: 0.26%; MPORS: 0.24 FURS: 0.26% |

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

SUPPLEMENTAL INFORMATION

MAJOR FUNDS
BUDGET AND ACTUAL SCHEDULES

CITY OF BILLINGS, MONTANA

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual

For the Fiscal Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|----------------------------|-----------------------|----------------------|-----------------------|
| Revenues: | | | | |
| Taxes | \$ 15,832,390 | \$ 15,832,390 | \$ 15,784,291 | \$ 48,099 |
| Licenses and permits | 4,657,745 | 4,657,745 | 4,626,771 | 30,974 |
| Intergovernmental | 11,062,540 | 11,062,540 | 11,211,236 | (148,696) |
| Charges for services | 3,926,741 | 3,926,741 | 4,310,323 | (383,582) |
| Fines and forfeitures | 1,657,113 | 1,657,113 | 1,499,620 | 157,493 |
| Other | 148,000 | 148,000 | 244,818 | (96,818) |
| Total revenues | <u>37,284,529</u> | <u>37,284,529</u> | <u>37,677,059</u> | <u>(392,530)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries and benefits | 8,647,830 | 8,647,830 | 7,866,191 | 781,639 |
| Operations and maintenance | 3,869,468 | 4,109,968 | 3,808,165 | 301,803 |
| Capital outlay | 712,500 | 821,600 | 238,571 | 583,029 |
| Total expenditures | <u>13,229,798</u> | <u>13,579,398</u> | <u>11,912,927</u> | <u>1,666,471</u> |
| Revenues over (under) expenditures | <u>24,054,731</u> | <u>23,705,131</u> | <u>25,764,132</u> | <u>(2,059,001)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 2,504,840 | 2,504,840 | 1,258,012 | 1,246,828 |
| Transfers out | (27,658,790) | (27,798,790) | (27,577,055) | (221,735) |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>(25,153,950)</u> | <u>(25,293,950)</u> | <u>(26,319,043)</u> | <u>1,025,093</u> |
| Net change in fund balances | <u>\$ (1,099,219)</u> | <u>\$ (1,588,819)</u> | <u>(554,911)</u> | <u>\$ (1,033,908)</u> |
| Fund balance, beginning of year | | | 28,272,380 | |
| Fund balance, end of year | | | <u>\$ 27,717,469</u> | |

CITY OF BILLINGS, MONTANA
Major Special Revenue Fund - Public Safety
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|----------------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | |
| Taxes | \$ 12,680,422 | \$ 12,680,422 | \$ 12,647,561 | \$ 32,861 |
| Licenses and permits | 23,000 | 23,000 | 42,297 | (19,297) |
| Intergovernmental | 2,593,456 | 2,593,456 | 2,771,250 | (177,794) |
| Charges for services | 1,426,371 | 1,426,371 | 1,578,320 | (151,949) |
| Fines and forfeitures | 2,400 | 2,400 | 2,400 | - |
| Other | 33,772 | 33,772 | 63,340 | (29,568) |
| Total revenues | <u>16,759,421</u> | <u>16,759,421</u> | <u>17,105,168</u> | <u>(345,747)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries and benefits | 34,734,068 | 34,808,068 | 34,497,701 | 310,367 |
| Operations and maintenance | 5,543,210 | 5,695,238 | 5,616,567 | 78,671 |
| Capital outlay | 1,349,432 | 1,446,762 | 1,283,264 | 163,498 |
| Debt service: | | | | |
| Principal | 230,903 | 230,903 | 230,648 | 255 |
| Interest and fiscal charges | 5,600 | 5,600 | 5,854 | (254) |
| Total expenditures | <u>41,863,213</u> | <u>42,186,571</u> | <u>41,634,034</u> | <u>552,537</u> |
| Revenues over (under) expenditures | <u>(25,103,792)</u> | <u>(25,427,150)</u> | <u>(24,528,866)</u> | <u>(898,284)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 26,022,737 | 26,162,737 | 25,999,387 | 163,350 |
| Transfers out | (1,025,910) | (1,025,910) | (879,934) | (145,976) |
| Total other financing sources (uses) | <u>24,996,827</u> | <u>25,136,827</u> | <u>25,119,453</u> | <u>17,374</u> |
| Net change in fund balances | <u>\$ (106,965)</u> | <u>\$ (290,323)</u> | <u>590,587</u> | <u>\$ (880,910)</u> |
| Fund balance, beginning of year | | | 1,600,000 | |
| Fund balance, end of year | | | <u>\$ 2,190,587</u> | |

NONMAJOR GOVERNMENT FUNDS

NONMAJOR SPECIAL REVENUE FUNDS

The special revenue funds are used to account for the proceeds of specific revenue sources that are administratively or legally restricted to expenditures for specified purposes.

NONMAJOR DEBT SERVICE FUNDS

The debt service funds are used to account for the accumulation of resources for, and payment of, interest, principal and related costs on bonded general long-term debt.

NONMAJOR CAPITAL PROJECTS FUNDS

The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds) and the construction of public improvements that are financed through assessments to individual property owners.

NONMAJOR PERMANENT FUND

The Permanent fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the reporting government's programs.

CITY OF BILLINGS, MONTANA
Nonmajor Government Funds
Combining Balance Sheet
June 30, 2018

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Fund | Total Nonmajor Governmental Funds |
|--|--------------------------------------|-------------------------------|---------------------------------------|---------------------------|--|
| Assets | | | | | |
| Cash and cash equivalents | \$ 19,826,970 | \$ 1,356,362 | \$ 3,293,500 | \$ 246,449 | \$ 24,723,281 |
| Cash with fiscal agent | 1,275,207 | 3,218,809 | - | - | 4,494,016 |
| Investments | 37,075,005 | 2,525,043 | 6,191,642 | 460,412 | 46,252,102 |
| Receivables: | | | | | |
| Property taxes | 483,444 | 153,003 | - | - | 636,447 |
| Accounts and unbilled usage | 49,691 | - | - | - | 49,691 |
| Delinquent special assessments | 1,072,639 | 80,518 | - | - | 1,153,157 |
| Special assessments receivable | - | 3,909,223 | - | - | 3,909,223 |
| Accrued interest | 119,223 | 5,734 | 15,471 | 1,690 | 142,118 |
| Notes | 2,105,410 | - | - | - | 2,105,410 |
| Due from other funds | 107,960 | - | - | - | 107,960 |
| Due from other governments | 1,117,530 | - | - | - | 1,117,530 |
| Inventories | 150,293 | - | - | - | 150,293 |
| Property held for resale | 35,000 | 155,997 | 187,828 | - | 378,825 |
| Total assets | <u>\$ 63,418,372</u> | <u>\$ 11,404,689</u> | <u>\$ 9,688,441</u> | <u>\$ 708,551</u> | <u>\$ 85,220,053</u> |
| Liabilities, Deferred Inflows and Fund Balances | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 3,158,162 | \$ - | \$ 799,824 | \$ - | \$ 3,957,986 |
| Accrued wages & benefits | 398,837 | - | - | - | 398,837 |
| Unearned Revenue | 599,321 | - | - | - | 599,321 |
| Other liabilities | - | 73,000 | - | - | 73,000 |
| Due to other funds | 313,964 | - | 107,960 | - | 421,924 |
| Total liabilities | <u>4,470,284</u> | <u>73,000</u> | <u>907,784</u> | <u>-</u> | <u>5,451,068</u> |
| Deferred inflows: | | | | | |
| Unavailable Revenue | 2,716,282 | 3,975,295 | - | - | 6,691,577 |
| Fund balance: | | | | | |
| Unspendable | 150,293 | - | - | 708,551 | 858,844 |
| Restricted | 45,395,627 | 7,356,394 | 8,780,657 | - | 61,532,678 |
| Committed | 10,709,058 | - | - | - | 10,709,058 |
| Unassigned | (23,172) | - | - | - | (23,172) |
| Total fund balances | <u>56,231,806</u> | <u>7,356,394</u> | <u>8,780,657</u> | <u>708,551</u> | <u>73,077,408</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 63,418,372</u> | <u>\$ 11,404,689</u> | <u>\$ 9,688,441</u> | <u>\$ 708,551</u> | <u>\$ 85,220,053</u> |

CITY OF BILLINGS, MONTANA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

| | Special Revenue Funds | Debt Service Funds | Capital Projects Funds | Permanent Fund | Total Nonmajor Governmental Funds |
|--------------------------------------|--------------------------------------|-------------------------------|---------------------------------------|---------------------------|--|
| Revenues: | | | | | |
| Taxes | \$ 8,115,072 | \$ 2,071,704 | \$ - | \$ - | \$ 10,186,776 |
| Licenses and permits | 1,786,643 | - | - | - | 1,786,643 |
| Intergovernmental | 9,593,167 | - | - | - | 9,593,167 |
| Charges for services | 8,709,885 | - | - | 14,957 | 8,724,842 |
| Fines and forfeitures | 335,915 | - | - | - | 335,915 |
| Special assessments | 22,547,616 | 1,771,288 | - | - | 24,318,904 |
| Other | 2,295,519 | 366,907 | 1,120,492 | 5,861 | 3,788,779 |
| Total revenues | <u>53,383,817</u> | <u>4,209,899</u> | <u>1,120,492</u> | <u>20,818</u> | <u>58,735,026</u> |
| Expenditures: | | | | | |
| Current: | | | | | |
| General government | 2,228,382 | 17,143 | 1,885 | - | 2,247,410 |
| Public safety | 3,706,912 | - | 9,699 | - | 3,716,611 |
| Public works | 21,435,812 | - | 102,118 | - | 21,537,930 |
| Culture and recreation | 4,721,172 | - | - | - | 4,721,172 |
| Housing and economic development | 5,205,687 | - | 10,813 | - | 5,216,500 |
| Capital outlay | 13,120,890 | - | 3,175,098 | - | 16,295,988 |
| Debt service: | | | | | |
| Principal | 723,671 | 10,526,466 | - | - | 11,250,137 |
| Interest and fiscal charges | 1,102,209 | 1,842,876 | - | - | 2,945,085 |
| Bond issuance costs | - | - | 28,500 | - | 28,500 |
| Total expenditures | <u>52,244,735</u> | <u>12,386,485</u> | <u>3,328,113</u> | <u>-</u> | <u>67,959,333</u> |
| Revenues over (under) expenditures | <u>1,139,082</u> | <u>(8,176,586)</u> | <u>(2,207,621)</u> | <u>20,818</u> | <u>(9,224,307)</u> |
| Other financing sources (uses): | | | | | |
| Transfers in | 3,142,181 | 551,261 | 3,550,600 | - | 7,244,042 |
| Transfers out | (5,149,377) | (1,462,187) | (25,688) | (3,840) | (6,641,092) |
| Special assessment bonds issued | - | - | 1,415,000 | - | 1,415,000 |
| Sale of capital assets | 107,682 | - | 31,850 | - | 139,532 |
| Total other financing sources (uses) | <u>(1,899,514)</u> | <u>(910,926)</u> | <u>4,971,762</u> | <u>(3,840)</u> | <u>2,157,482</u> |
| Net change in fund balances | (760,432) | (9,087,512) | 2,764,141 | 16,978 | (7,066,825) |
| Fund balance, beginning of year | 56,992,238 | 16,443,906 | 6,016,516 | 691,573 | 80,144,233 |
| Fund balance, end of year | <u>\$ 56,231,806</u> | <u>\$ 7,356,394</u> | <u>\$ 8,780,657</u> | <u>\$ 708,551</u> | <u>\$ 73,077,408</u> |

NONMAJOR SPECIAL REVENUE FUNDS

The City's non-major special revenue funds and their purposes are:

- The Gas Tax Fund accounts for revenues received from the State of Montana gasoline tax.
- The EOC 911 Fund accounts for monies received from the State of Montana 911 program.
- The Animal Shelter Donations Fund accounts for donations to the Animal Shelter for specific purposes.
- The Development Services Grants Fund accounts for revenues from the Federal government for community and housing related programs.
- The Library Fund accounts for operations of the Billings Library.
- The Cemetery Improvements Fund accounts for expansion projects at the cemetery.
- The Street Maintenance Districts Fund accounts for various street programs.
- The Road Maintenance District Fund accounts for special assessments that support maintenance for an emergency route in and out of Briarwood Subdivision.
- The Light Maintenance Districts Fund accounts for the maintenance of street lighting systems within several such districts in the City.
- The Park Maintenance Districts Fund accounts for revenues and expenditures which are related to parks maintenance within the various districts of the City.
- The North 27th Street Tax Increment Operating Fund accounts for revenues from property tax levies on increased taxable values in the North 27th Street Tax Increment District. Amounts collected are used for the benefit of the tax increment district from which collections were assessed. Major revenue sources include property tax and revenue bond proceeds.

- The South Tax Increment Operating Fund accounts for revenues from property tax levies in the South Tax Increment District, not including the Miller Crossing properties, on increased values. Amounts collected are used for the benefit of the tax increment district from which collections were assessed.
- The East Tax Increment Operating Fund accounts for revenues from property tax levies on increased taxable values in the East Tax Increment District. Amounts collected are used for the benefit of the tax increment district from which collections were assessed.
- The Parks Program Fund accounts for revenues and expenditures related to park acquisitions and park improvements.
- The Police Programs Fund accounts for the following programs: Montana Board of Crime Control, Justice Assistant Grants, High Intensity Drug Traffic Area, Technology Grants, Homeland Security Grants, Internet Crimes Against Children, Highway Traffic Safety Grants, Community Police Officer, and other law enforcement related programs.
- The Amend Park Fund accounts for funds designated for the maintenance of Amend Park.
- The City-County Planning Fund, through an inter-local agreement, accounts for the operation of the Planning Department, which promotes the health, safety, convenience, and welfare of the Community.
- The Building Inspection Fund accounts for building permits and inspections for private construction in the City.
- The Street & Traffic Fund accounts for street cleaning, snow removal, minor street repairs, signage, street striping, forestry, and traffic signal maintenance.
- The City Attorney Grants Fund accounts for grants from the Montana Board of Crime Control that includes the Victim/Witness Grant and Domestic Violence Unit Grant to supplement the City Attorney's efforts.
- The Fire Programs Fund accounts for the Regional HazMat Team, grants, donations, and other fire related programs.
- The Municipal Court Grants Fund is funded by grants.
- The Downtown Revolving Loan Program Fund accounts for low-interest loans to qualified property owners located in downtown Billings. Loans are funded by local banks and the City of Billings.
- Baseball Field/Stadium Donations for Capital Maintenance Fund accounts for donations to fund future capital maintenance for the new baseball field/stadium.

- The Arterial Fees Fund complements other funds in the construction of arterial streets within the City.
- The Ballpark Repair Fund accounts for minor repairs at the ballpark facility.
- The Park District 1 Fund accounts for the city-wide park assessment, maintenance, and improvements.

CITY OF BILLINGS, MONTANA
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2018
 (Page 1 of 4)

| | Gas Tax Fund | EOC 911 Fund | Animal Shelter Donations Fund | Development Services Grants Fund | Library Fund | Cemetery Improvements Fund | Street Maintenance Districts Fund | Road Maintenance District 6 Fund |
|--|---------------------|---------------------|-------------------------------|----------------------------------|---------------------|----------------------------|-----------------------------------|----------------------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 2,261,943 | \$ 1,260,518 | \$ 13,143 | \$ 1 | \$ 786,874 | \$ 59,990 | \$ 1,195,731 | \$ 2,933 |
| Cash with fiscal agent | - | - | - | - | - | - | - | - |
| Investments | 4,227,973 | 2,334,091 | 24,987 | (674) | 1,463,169 | 112,329 | 2,238,658 | 5,528 |
| Receivables: | | | | | | | | |
| Property taxes | - | - | - | - | 65,258 | - | - | - |
| Accounts and unbilled usage | 15,223 | - | - | - | - | - | - | - |
| Delinquent special assessments | - | - | - | - | - | - | 433,296 | 146 |
| Accrued interest | - | 11,310 | 90 | 31 | 4,656 | 402 | 10,603 | - |
| Notes | - | - | - | 165,195 | - | - | - | - |
| Due from other funds | 107,960 | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | 494,066 | 90,955 | - | - | - |
| Inventories | - | - | - | - | - | - | - | - |
| Property held for resale | - | - | - | 35,000 | - | - | - | - |
| Total assets | <u>\$ 6,613,099</u> | <u>\$ 3,605,919</u> | <u>\$ 38,220</u> | <u>\$ 693,619</u> | <u>\$ 2,410,912</u> | <u>\$ 172,721</u> | <u>\$ 3,878,288</u> | <u>\$ 8,607</u> |
| Liabilities, Deferred Inflows and Fund Balances | | | | | | | | |
| Liabilities: | | | | | | | | |
| Accounts payable | \$ 299,062 | \$ 509,813 | \$ - | \$ 20,780 | \$ 101,681 | \$ 4,950 | \$ - | \$ - |
| Accrued wages & benefits | 2,753 | 1,163 | - | 14,273 | 79,123 | - | - | - |
| Due to other funds | - | - | - | 284,545 | - | - | - | - |
| Unearned Revenue | 599,321 | - | - | - | - | - | - | - |
| Total liabilities | <u>901,136</u> | <u>510,976</u> | <u>-</u> | <u>319,598</u> | <u>180,804</u> | <u>4,950</u> | <u>-</u> | <u>-</u> |
| Deferred inflows: | | | | | | | | |
| Unavailable Revenue | - | - | - | 165,195 | 17,369 | - | 170,366 | 36 |
| Fund balances: | | | | | | | | |
| Unspendable | - | - | - | - | - | - | - | - |
| Restricted | 5,711,963 | 3,094,943 | - | 208,826 | 1,172,752 | 167,771 | 3,707,922 | 8,571 |
| Committed | - | - | 38,220 | - | 1,039,987 | - | - | - |
| Unassigned | - | - | - | - | - | - | - | - |
| Total fund balances | <u>5,711,963</u> | <u>3,094,943</u> | <u>38,220</u> | <u>208,826</u> | <u>2,212,739</u> | <u>167,771</u> | <u>3,707,922</u> | <u>8,571</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 6,613,099</u> | <u>\$ 3,605,919</u> | <u>\$ 38,220</u> | <u>\$ 693,619</u> | <u>\$ 2,410,912</u> | <u>\$ 172,721</u> | <u>\$ 3,878,288</u> | <u>\$ 8,607</u> |

(continued)

CITY OF BILLINGS, MONTANA
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2018
 (Page 2 of 4)

| | Light Maintenance Districts Fund | Park Maintenance Districts Fund | Storm Sewer Fund | North 27th Street Tax Increment Operating Fund | South Tax Increment Operating Fund | East Tax Increment Operating Fund | Parks Program Fund |
|--|---|--|---------------------|--|---|--|--------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 602,586 | \$ 229,719 | \$ 2,315,677 | \$ 637,922 | \$ 2,688,318 | \$ 384,181 | \$ 830,297 |
| Cash with fiscal agent | - | - | - | 639,391 | 476,497 | 159,319 | - |
| Investments | 1,130,706 | 432,988 | 4,338,054 | 1,196,661 | 5,033,668 | 720,951 | 1,552,877 |
| Receivables: | | | | | | | |
| Property taxes | - | - | - | 161,076 | 209,469 | 47,641 | - |
| Accounts and unbilled usage | - | - | - | - | - | - | - |
| Delinquent special assessments | 95,061 | 30,528 | 215,183 | - | - | - | - |
| Accrued interest | 5,253 | 1,202 | 17,155 | 3,231 | 16,536 | 3,047 | 5,489 |
| Notes | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - |
| Due from other governments | - | - | - | - | - | - | - |
| Inventories | - | - | - | - | - | - | - |
| Property held for resale | - | - | - | - | - | - | - |
| Total assets | \$ 1,833,606 | \$ 694,437 | \$ 6,886,069 | \$ 2,638,281 | \$ 8,424,488 | \$ 1,315,139 | \$ 2,388,663 |
| Liabilities, Deferred Inflows and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 152,254 | \$ 30,713 | \$ 396,512 | \$ - | \$ 706,249 | \$ 88,651 | \$ 51,548 |
| Accrued wages & benefits | - | - | - | - | - | - | - |
| Due to other funds | - | - | - | - | - | - | - |
| Unearned Revenue | - | - | - | - | - | - | - |
| Total liabilities | 152,254 | 30,713 | 396,512 | - | 706,249 | 88,651 | 51,548 |
| Deferred inflows: | | | | | | | |
| Unavailable Revenue | 27,274 | 9,382 | 88,013 | 115,188 | 52,069 | 16,681 | - |
| Fund balances: | | | | | | | |
| Unspendable | - | - | - | - | - | - | - |
| Restricted | 1,654,078 | 654,342 | 6,401,544 | 2,523,093 | 7,666,170 | 1,209,807 | - |
| Committed | - | - | - | - | - | - | 2,337,115 |
| Unassigned | - | - | - | - | - | - | - |
| Total fund balances | 1,654,078 | 654,342 | 6,401,544 | 2,523,093 | 7,666,170 | 1,209,807 | 2,337,115 |
| Total liabilities, deferred inflows and fund balances | \$ 1,833,606 | \$ 694,437 | \$ 6,886,069 | \$ 2,638,281 | \$ 8,424,488 | \$ 1,315,139 | \$ 2,388,663 |

(continued)

CITY OF BILLINGS, MONTANA
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2018
 (Page 3 of 4)

| | Police Programs Fund | Amend Park Fund | City-County Planning Fund | Building Inspection Fund | Street & Traffic Fund | City Attorney Grants Fund | Fire Programs Fund |
|--|----------------------------|--------------------|---------------------------------|--------------------------------|--------------------------|------------------------------|--------------------------|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 472,946 | \$ 80,470 | \$ 155,308 | \$ 873,579 | \$ 1,509,376 | \$ 1 | \$ 91,579 |
| Cash with fiscal agent | - | - | - | - | - | - | - |
| Investments | 887,437 | 150,392 | 290,760 | 1,640,371 | 2,787,918 | (171) | 171,650 |
| Receivables: | | | | | | | |
| Property taxes | - | - | - | - | - | - | - |
| Accounts and unbilled usage | - | - | - | 34,468 | - | - | - |
| Delinquent special assessments | - | - | - | - | - | - | - |
| Accrued interest | 1,600 | 554 | 1,090 | 5,726 | 7,023 | (4) | 638 |
| Notes | - | - | - | - | - | - | - |
| Due from other funds | - | - | - | - | - | - | - |
| Due from other governments | 166,828 | - | 323,919 | - | - | 14,553 | - |
| Inventories | - | - | - | - | 150,293 | - | - |
| Property held for resale | - | - | - | - | - | - | - |
| Total assets | <u>\$ 1,528,811</u> | <u>\$ 231,416</u> | <u>\$ 771,077</u> | <u>\$ 2,554,144</u> | <u>\$ 4,454,610</u> | <u>\$ 14,379</u> | <u>\$ 263,867</u> |
| Liabilities, Deferred Inflows and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 137,310 | \$ 266 | \$ 117,978 | \$ 26,767 | \$ 109,803 | \$ - | \$ 3,464 |
| Accrued wages & benefits | 5,488 | - | 37,512 | 51,990 | 172,516 | 11,030 | - |
| Due to other funds | - | - | - | - | - | - | - |
| Unearned Revenue | - | - | - | - | - | - | - |
| Total liabilities | <u>142,798</u> | <u>266</u> | <u>155,490</u> | <u>78,757</u> | <u>282,319</u> | <u>11,030</u> | <u>3,464</u> |
| Deferred inflows: | | | | | | | |
| Unavailable Revenue | - | - | - | - | - | - | - |
| Fund balances: | | | | | | | |
| Unspendable | - | - | - | - | 150,293 | - | - |
| Restricted | 1,386,013 | - | 615,587 | 2,475,387 | 4,021,998 | 3,349 | 260,403 |
| Committed | - | 231,150 | - | - | - | - | - |
| Unassigned | - | - | - | - | - | - | - |
| Total fund balances | <u>1,386,013</u> | <u>231,150</u> | <u>615,587</u> | <u>2,475,387</u> | <u>4,172,291</u> | <u>3,349</u> | <u>260,403</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 1,528,811</u> | <u>\$ 231,416</u> | <u>\$ 771,077</u> | <u>\$ 2,554,144</u> | <u>\$ 4,454,610</u> | <u>\$ 14,379</u> | <u>\$ 263,867</u> |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2018

(Page 4 of 4)

| | Municipal Court Grant Fund | Downtown Revolving Loan Fund | Baseball Field/Stadium Donations for Capital Maintenance Fund | Arterial Fees Fund | Ballpark Repair Fund | Park District 1 Fund | Total Nonmajor Special Revenue Funds |
|--|----------------------------------|------------------------------------|--|-----------------------|-------------------------|-------------------------|--|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 4,670 | \$ 198,937 | \$ 183,429 | \$ 2,104,001 | \$ 10,400 | \$ 872,441 | \$ 19,826,970 |
| Cash with fiscal agent | - | - | - | - | - | - | 1,275,207 |
| Investments | 8,810 | 370,248 | 342,702 | 3,963,340 | 19,600 | 1,629,982 | 37,075,005 |
| Receivables: | | | | | | | |
| Property taxes | - | - | - | - | - | - | 483,444 |
| Accounts and unbilled usage | - | - | - | - | - | - | 49,691 |
| Delinquent special assessments | - | - | - | 197,240 | - | 101,185 | 1,072,639 |
| Accrued interest | - | 1,568 | 1,254 | 14,565 | - | 6,204 | 119,223 |
| Notes | - | 1,940,215 | - | - | - | - | 2,105,410 |
| Due from other funds | - | - | - | - | - | - | 107,960 |
| Due from other governments | 27,209 | - | - | - | - | - | 1,117,530 |
| Inventories | - | - | - | - | - | - | 150,293 |
| Property held for resale | - | - | - | - | - | - | 35,000 |
| Total assets | <u>\$ 40,689</u> | <u>\$ 2,510,968</u> | <u>\$ 527,385</u> | <u>\$ 6,279,146</u> | <u>\$ 30,000</u> | <u>\$ 2,609,812</u> | <u>\$ 63,418,372</u> |
| Liabilities, Deferred Inflows and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 28,940 | \$ - | \$ - | \$ 279,224 | \$ - | \$ 92,197 | \$ 3,158,162 |
| Accrued wages & benefits | 5,502 | - | - | - | - | 17,487 | 398,837 |
| Due to other funds | 29,419 | - | - | - | - | - | 313,964 |
| Unearned Revenue | - | - | - | - | - | - | 599,321 |
| Total liabilities | <u>63,861</u> | <u>-</u> | <u>-</u> | <u>279,224</u> | <u>-</u> | <u>109,684</u> | <u>4,470,284</u> |
| Deferred inflows: | | | | | | | |
| Unavailable Revenue | - | 1,940,215 | - | 65,474 | - | 49,020 | 2,716,282 |
| Fund balances: | | | | | | | |
| Unspendable | - | - | - | - | - | - | 150,293 |
| Restricted | - | - | - | - | - | 2,451,108 | 45,395,627 |
| Committed | - | 570,753 | 527,385 | 5,934,448 | 30,000 | - | 10,709,058 |
| Unassigned | (23,172) | - | - | - | - | - | (23,172) |
| Total fund balances | <u>(23,172)</u> | <u>570,753</u> | <u>527,385</u> | <u>5,934,448</u> | <u>30,000</u> | <u>2,451,108</u> | <u>56,231,806</u> |
| Total liabilities, deferred inflows and fund balances | <u>\$ 40,689</u> | <u>\$ 2,510,968</u> | <u>\$ 527,385</u> | <u>\$ 6,279,146</u> | <u>\$ 30,000</u> | <u>\$ 2,609,812</u> | <u>\$ 63,418,372</u> |

CITY OF BILLINGS, MONTANA
 Nonmajor Special Revenue Funds
 Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
 For the Year Ended June 30, 2018
 (Page 1 of 4)

| | Gas Tax Fund | EOC 911 Fund | Animal Shelter Donations Fund | Development Services Grants Fund | Library Fund | Cemetery Improvements Fund | Street Maintenance Districts Fund | Road Maintenance District 6 Fund |
|--|---------------------|---------------------|-------------------------------------|--|---------------------|----------------------------------|---|--|
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 1,114,115 | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | 2,512,618 | 1,104,570 | - | 1,230,384 | 1,347,843 | - | - | - |
| Charges for services | - | - | - | 31,211 | 15,843 | 13,594 | - | - |
| Fines and forfeitures | - | - | - | - | 69,675 | - | - | - |
| Special assessments | - | - | - | - | - | - | 8,692,848 | 2,840 |
| Other | 535,655 | 49,751 | 315 | 559,200 | 105,782 | 1,405 | 30,787 | - |
| Total revenues | <u>3,048,273</u> | <u>1,154,321</u> | <u>315</u> | <u>1,820,795</u> | <u>2,653,258</u> | <u>14,999</u> | <u>8,723,635</u> | <u>2,840</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| General government | - | - | - | - | - | - | - | - |
| Public safety | - | 552,018 | - | - | - | - | - | - |
| Public works | 2,489,069 | - | - | - | - | 14,750 | 7,075,254 | 18 |
| Culture and recreation | - | - | - | - | 3,301,570 | - | - | - |
| Housing and economic development | - | - | - | 2,169,963 | - | - | - | - |
| Capital outlay | 687,433 | 4,326,578 | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>3,176,502</u> | <u>4,878,596</u> | <u>-</u> | <u>2,169,963</u> | <u>3,301,570</u> | <u>14,750</u> | <u>7,075,254</u> | <u>18</u> |
| Revenues over (under) expenditures | <u>(128,229)</u> | <u>(3,724,275)</u> | <u>315</u> | <u>(349,168)</u> | <u>(648,312)</u> | <u>249</u> | <u>1,648,381</u> | <u>2,822</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 1,500,000 | 276,145 | - | 127,914 | 960,551 | - | - | - |
| Transfers out | - | (276,145) | - | (68,800) | (20,495) | - | (1,500,000) | - |
| Sale of capital assets | - | - | - | 100,871 | 51 | - | - | - |
| Total other financing sources (uses) | <u>1,500,000</u> | <u>-</u> | <u>-</u> | <u>159,985</u> | <u>940,107</u> | <u>-</u> | <u>(1,500,000)</u> | <u>-</u> |
| Net change in fund balances | <u>1,371,771</u> | <u>(3,724,275)</u> | <u>315</u> | <u>(189,183)</u> | <u>291,795</u> | <u>249</u> | <u>148,381</u> | <u>2,822</u> |
| Fund balance, beginning of year | 4,340,192 | 6,819,218 | 37,905 | 398,009 | 1,920,944 | 167,522 | 3,559,541 | 5,749 |
| Fund balance, end of year | <u>\$ 5,711,963</u> | <u>\$ 3,094,943</u> | <u>\$ 38,220</u> | <u>\$ 208,826</u> | <u>\$ 2,212,739</u> | <u>\$ 167,771</u> | <u>\$ 3,707,922</u> | <u>\$ 8,571</u> |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
(Page 2 of 4)

| | Light Maintenance Districts Fund | Park Maintenance Districts Fund | Storm Sewer Fund | North 27th Street Tax Increment Operating Fund | South Tax Increment Operating Fund | East Tax Increment Operating Fund | Parks Program Fund |
|--|---|---------------------------------------|---------------------|--|---|--|-----------------------|
| Revenues: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 2,576,015 | \$ 3,137,106 | \$ 807,661 | \$ - |
| Licenses and permits | - | - | 5,200 | - | - | - | - |
| Intergovernmental | - | - | - | 211,821 | 256,218 | 146,654 | - |
| Charges for services | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - |
| Special assessments | 2,394,921 | 1,086,860 | 4,216,969 | - | - | - | - |
| Other | 39,427 | 3,104 | 137,119 | 8,540 | 51,524 | 9,376 | 87,328 |
| Total revenues | <u>2,434,348</u> | <u>1,089,964</u> | <u>4,359,288</u> | <u>2,796,376</u> | <u>3,444,848</u> | <u>963,691</u> | <u>87,328</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | - | - | - | - |
| Public safety | - | - | - | - | - | - | - |
| Public works | 2,399,860 | - | 1,484,319 | - | - | - | - |
| Culture and recreation | - | 867,413 | - | - | - | - | 56,127 |
| Housing and economic development | - | - | - | 1,766,574 | 410,434 | 340,123 | - |
| Capital outlay | - | - | 1,442,346 | - | 1,381,834 | 497,317 | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | 315,000 | 300,000 | 90,000 | 18,671 |
| Interest and fiscal charges | - | - | - | 635,073 | 346,344 | 119,537 | 1,255 |
| Total expenditures | <u>2,399,860</u> | <u>867,413</u> | <u>2,926,665</u> | <u>2,716,647</u> | <u>2,438,612</u> | <u>1,046,977</u> | <u>76,053</u> |
| Revenues over (under) expenditures | <u>34,488</u> | <u>222,551</u> | <u>1,432,623</u> | <u>79,729</u> | <u>1,006,236</u> | <u>(83,286)</u> | <u>11,275</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | 2,376 | - | - | - | - | - | 26,957 |
| Transfers out | (2,376) | - | (1,013,500) | (323,329) | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | 6,760 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>(1,013,500)</u> | <u>(323,329)</u> | <u>-</u> | <u>-</u> | <u>33,717</u> |
| Net change in fund balances | 34,488 | 222,551 | 419,123 | (243,600) | 1,006,236 | (83,286) | 44,992 |
| Fund balance, beginning of year | <u>1,619,590</u> | <u>431,791</u> | <u>5,982,421</u> | <u>2,766,693</u> | <u>6,659,934</u> | <u>1,293,093</u> | <u>2,292,123</u> |
| Fund balance, end of year | <u>\$ 1,654,078</u> | <u>\$ 654,342</u> | <u>\$ 6,401,544</u> | <u>\$ 2,523,093</u> | <u>\$ 7,666,170</u> | <u>\$ 1,209,807</u> | <u>\$ 2,337,115</u> |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018
(Page 3 of 4)

| | Police Programs Fund | Amend Park Fund | City-County Planning Fund | Building Inspection Fund | Street & Traffic Fund | City Attorney Grants Fund | Fire Programs Fund |
|--|-------------------------------------|----------------------------|--------------------------------------|---|--------------------------------------|--------------------------------------|-----------------------------------|
| Revenues: | | | | | | | |
| Taxes | \$ - | \$ - | \$ 480,175 | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | 33,900 | 1,747,543 | - | - | - |
| Intergovernmental | 459,166 | - | 882,333 | - | 679,804 | 69,694 | 403,023 |
| Charges for services | 125,237 | 18,274 | 273,541 | - | 8,226,165 | - | 6,020 |
| Fines and forfeitures | 209,518 | - | - | - | - | 56,722 | - |
| Special assessments | - | - | - | - | - | - | - |
| Other | 55,863 | 1,891 | 5,466 | 25,395 | 45,861 | (4) | 24,645 |
| Total revenues | <u>849,784</u> | <u>20,165</u> | <u>1,675,415</u> | <u>1,772,938</u> | <u>8,951,830</u> | <u>126,412</u> | <u>433,688</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | 1,579,067 | - | - | 305,694 | - |
| Public safety | 966,231 | - | - | 1,778,422 | - | - | 410,241 |
| Public works | - | - | - | - | 7,809,126 | - | - |
| Culture and recreation | - | 597 | - | - | - | - | - |
| Housing and economic development | - | - | - | - | - | - | - |
| Capital outlay | 42,017 | - | - | 26,706 | 1,234,050 | - | - |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - |
| Total expenditures | <u>1,008,248</u> | <u>597</u> | <u>1,579,067</u> | <u>1,805,128</u> | <u>9,043,176</u> | <u>305,694</u> | <u>410,241</u> |
| Revenues over (under) expenditures | <u>(158,464)</u> | <u>19,568</u> | <u>96,348</u> | <u>(32,190)</u> | <u>(91,346)</u> | <u>(179,282)</u> | <u>23,447</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | 48,531 | - | - | 169,707 | - |
| Transfers out | - | (1,890) | (40,472) | - | (207,502) | - | - |
| Sale of capital assets | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>(1,890)</u> | <u>8,059</u> | <u>-</u> | <u>(207,502)</u> | <u>169,707</u> | <u>-</u> |
| Net change in fund balances | <u>(158,464)</u> | <u>17,678</u> | <u>104,407</u> | <u>(32,190)</u> | <u>(298,848)</u> | <u>(9,575)</u> | <u>23,447</u> |
| Fund balance, beginning of year | <u>1,544,477</u> | <u>213,472</u> | <u>511,180</u> | <u>2,507,577</u> | <u>4,471,139</u> | <u>12,924</u> | <u>236,956</u> |
| Fund balance, end of year | <u>\$ 1,386,013</u> | <u>\$ 231,150</u> | <u>\$ 615,587</u> | <u>\$ 2,475,387</u> | <u>\$ 4,172,291</u> | <u>\$ 3,349</u> | <u>\$ 260,403</u> |

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2018

(Page 4 of 4)

| | Municipal Court Grant Fund | Downtown Revolving Loan Fund | Baseball Field/Stadium Donations for Capital Maintenance Fund | Arterial Fees Fund | Ballpark Repair Fund | Park District 1 Fund | Total Nonmajor Special Revenue Funds |
|--|----------------------------------|------------------------------------|--|-----------------------|-------------------------|-------------------------|--|
| Revenues: | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 8,115,072 |
| Licenses and permits | - | - | - | - | - | - | 1,786,643 |
| Intergovernmental | 287,311 | - | - | 1,728 | - | - | 9,593,167 |
| Charges for services | - | - | - | - | - | - | 8,709,885 |
| Fines and forfeitures | - | - | - | - | - | - | 335,915 |
| Special assessments | - | - | - | 4,136,895 | - | 2,016,283 | 22,547,616 |
| Other | - | 304,675 | 64,297 | 41,133 | - | 106,984 | 2,295,519 |
| Total revenues | <u>287,311</u> | <u>304,675</u> | <u>64,297</u> | <u>4,179,756</u> | <u>-</u> | <u>2,123,267</u> | <u>53,383,817</u> |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | 343,621 | - | - | - | - | - | 2,228,382 |
| Public safety | - | - | - | - | - | - | 3,706,912 |
| Public works | - | - | - | 163,416 | - | - | 21,435,812 |
| Culture and recreation | - | - | 20,372 | - | - | 475,093 | 4,721,172 |
| Housing and economic development | - | 518,593 | - | - | - | - | 5,205,687 |
| Capital outlay | - | - | - | 2,389,051 | - | 1,093,558 | 13,120,890 |
| Debt service: | | | | | | | |
| Principal | - | - | - | - | - | - | 723,671 |
| Interest and fiscal charges | - | - | - | - | - | - | 1,102,209 |
| Total expenditures | <u>343,621</u> | <u>518,593</u> | <u>20,372</u> | <u>2,552,467</u> | <u>-</u> | <u>1,568,651</u> | <u>52,244,735</u> |
| Revenues over (under) expenditures | <u>(56,310)</u> | <u>(213,918)</u> | <u>43,925</u> | <u>1,627,289</u> | <u>-</u> | <u>554,616</u> | <u>1,139,082</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | - | 30,000 | - | 3,142,181 |
| Transfers out | - | - | - | - | - | (1,694,868) | (5,149,377) |
| Sale of capital assets | - | - | - | - | - | - | 107,682 |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>30,000</u> | <u>(1,694,868)</u> | <u>(1,899,514)</u> |
| Net change in fund balances | (56,310) | (213,918) | 43,925 | 1,627,289 | 30,000 | (1,140,252) | (760,432) |
| Fund balance, beginning of year | 33,138 | 784,671 | 483,460 | 4,307,159 | - | 3,591,360 | 56,992,238 |
| Fund balance, end of year | <u>\$ (23,172)</u> | <u>\$ 570,753</u> | <u>\$ 527,385</u> | <u>\$ 5,934,448</u> | <u>\$ 30,000</u> | <u>\$ 2,451,108</u> | <u>\$ 56,231,806</u> |

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 1 of 15)

| | Gas Tax Fund | | | | EOC 911 Fund | | | |
|--------------------------------------|---------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | 2,364,867 | 2,364,867 | 2,512,618 | (147,751) | 984,000 | 984,000 | 1,104,570 | (120,570) |
| Charges for services | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 20,000 | 20,000 | 535,655 | (515,655) | 39,000 | 39,000 | 49,751 | (10,751) |
| Total revenues | <u>2,384,867</u> | <u>2,384,867</u> | <u>3,048,273</u> | <u>(663,406)</u> | <u>1,023,000</u> | <u>1,023,000</u> | <u>1,154,321</u> | <u>(131,321)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | 67,549 | 67,549 | 687,433 | (619,884) | 32,449 | 32,449 | 31,390 | 1,059 |
| Operations and maintenance | 272,930 | 272,930 | 2,421,044 | (2,148,114) | 894,665 | 894,665 | 520,628 | 374,037 |
| Capital outlay | 4,070,000 | 6,398,056 | 68,025 | 6,330,031 | 6,029,687 | 6,206,670 | 4,326,578 | 1,880,092 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>4,410,479</u> | <u>6,738,535</u> | <u>3,176,502</u> | <u>3,562,033</u> | <u>6,956,801</u> | <u>7,133,784</u> | <u>4,878,596</u> | <u>2,255,188</u> |
| Revenues over (under) expenditures | <u>(2,025,612)</u> | <u>(4,353,668)</u> | <u>(128,229)</u> | <u>(4,225,439)</u> | <u>(5,933,801)</u> | <u>(6,110,784)</u> | <u>(3,724,275)</u> | <u>(2,386,509)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 1,500,000 | 1,500,000 | 1,500,000 | - | - | - | 276,145 | (276,145) |
| Transfers out | - | - | - | - | - | - | (276,145) | 276,145 |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>1,500,000</u> | <u>1,500,000</u> | <u>1,500,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u><u>\$(525,612)</u></u> | <u><u>\$(2,853,668)</u></u> | <u><u>1,371,771</u></u> | <u><u>\$(4,225,439)</u></u> | <u><u>\$(5,933,801)</u></u> | <u><u>\$(6,110,784)</u></u> | <u><u>(3,724,275)</u></u> | <u><u>\$(2,386,509)</u></u> |
| Fund balance, beginning of year | | | 4,340,192 | | | | 6,819,218 | |
| Fund balance, end of year | | | <u><u>\$5,711,963</u></u> | | | | <u><u>\$ 3,094,943</u></u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 2 of 15)

| | Animal Shelter Donation Fund | | | | Development Services Grant Fund | | | |
|---|-------------------------------------|-------------------------|------------------|-------------------|--|-----------------------|-------------------|---------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | 1,233,436 | 1,268,336 | 1,230,384 | 37,952 |
| Charges for services | - | - | - | - | 20,000 | 37,985 | 32,701 | 5,284 |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 703 | 703 | 315 | 388 | 250,600 | 250,600 | 658,581 | (407,981) |
| Total revenues | 703 | 703 | 315 | 388 | 1,504,036 | 1,556,921 | 1,921,666 | (364,745) |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | - | - | - | - | 381,996 | 381,996 | 377,123 | 4,873 |
| Operations and maintenance | 6,000 | 6,000 | - | 6,000 | 931,440 | 2,418,813 | 1,792,840 | 625,973 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | 6,000 | 6,000 | - | 6,000 | 1,313,436 | 2,800,809 | 2,169,963 | 630,846 |
| Revenues over (under) expenditures | (5,297) | (5,297) | 315 | (5,612) | 190,600 | (1,243,888) | (248,297) | (995,591) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 60,000 | 60,000 | 127,914 | (67,914) |
| Transfers out | - | - | - | - | - | - | (68,800) | 68,800 |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 60,000 | 60,000 | 59,114 | 886 |
| Net change in fund balances | \$ (5,297) | \$ (5,297) | 315 | \$ (5,612) | \$ 250,600 | \$ (1,183,888) | (189,183) | \$ (994,705) |
| Fund balance, beginning of year | | | 37,905 | | | | 398,009 | |
| Fund balance, end of year | | | <u>\$ 38,220</u> | | | | <u>\$ 208,826</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 3 of 15)

| | Library Fund | | | | Cemetery Improvements Fund | | | |
|--------------------------------------|----------------------------|-------------------------|---------------------|---------------------|-----------------------------------|-------------------------|-------------------|--------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$1,096,330 | \$1,096,330 | \$ 1,114,115 | \$ (17,785) | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | 1,314,932 | 1,314,932 | 1,347,843 | (32,911) | - | - | - | - |
| Charges for services | 13,325 | 13,325 | 15,843 | (2,518) | 14,000 | 14,000 | 13,595 | 405 |
| Fines and forfeitures | 74,850 | 74,850 | 69,675 | 5,175 | - | - | - | - |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 114,867 | 114,867 | 105,833 | 9,034 | 920 | 920 | 1,404 | (484) |
| Total revenues | <u>2,614,304</u> | <u>2,614,304</u> | <u>2,653,309</u> | <u>(39,005)</u> | <u>14,920</u> | <u>14,920</u> | <u>14,999</u> | <u>(79)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | 2,328,853 | 2,328,853 | 2,233,479 | 95,374 | - | - | - | - |
| Operations and maintenance | 1,308,816 | 1,320,411 | 1,068,091 | 252,320 | 25,000 | 25,000 | 14,750 | 10,250 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>3,637,669</u> | <u>3,649,264</u> | <u>3,301,570</u> | <u>347,694</u> | <u>25,000</u> | <u>25,000</u> | <u>14,750</u> | <u>10,250</u> |
| Revenues over (under) expenditures | <u>(1,023,365)</u> | <u>(1,034,960)</u> | <u>(648,261)</u> | <u>(386,699)</u> | <u>(10,080)</u> | <u>(10,080)</u> | <u>249</u> | <u>(10,329)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 986,696 | 986,696 | 960,551 | 26,145 | - | - | - | - |
| Transfers out | (20,495) | (20,495) | (20,495) | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>966,201</u> | <u>966,201</u> | <u>940,056</u> | <u>26,145</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (57,164)</u> | <u>\$ (68,759)</u> | <u>291,795</u> | <u>\$ (360,554)</u> | <u>\$ (10,080)</u> | <u>\$ (10,080)</u> | <u>249</u> | <u>\$ (10,329)</u> |
| Fund balance, beginning of year | | | 1,920,944 | | | | 167,522 | |
| Fund balance, end of year | | | <u>\$ 2,212,739</u> | | | | <u>\$ 167,771</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018
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| | Street Maintenance Districts Fund | | | | Road Maintenance Dist. 6 Fund | | | |
|--------------------------------------|-----------------------------------|---------------------|--------------------|---------------------|-------------------------------|-----------------|-----------------|--------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | 7,833,000 | 7,833,000 | 8,692,848 | (859,848) | 2,875 | 2,875 | 2,840 | 35 |
| Other | 10,400 | 10,400 | 30,787 | (20,387) | - | - | - | - |
| Total revenues | <u>7,843,400</u> | <u>7,843,400</u> | <u>8,723,635</u> | <u>(880,235)</u> | <u>2,875</u> | <u>2,875</u> | <u>2,840</u> | <u>35</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | - | - | - | - | - | - | - | - |
| Operations and maintenance | 6,540,258 | 7,075,258 | 7,075,254 | 4 | 17 | 17 | 18 | (1) |
| Capital outlay | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>6,540,258</u> | <u>7,075,258</u> | <u>7,075,254</u> | <u>4</u> | <u>17</u> | <u>17</u> | <u>18</u> | <u>(1)</u> |
| Revenues over (under) expenditures | <u>1,303,142</u> | <u>768,142</u> | <u>1,648,381</u> | <u>(880,239)</u> | <u>2,858</u> | <u>2,858</u> | <u>2,822</u> | <u>36</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | (1,500,000) | (1,500,000) | (1,500,000) | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(1,500,000)</u> | <u>(1,500,000)</u> | <u>(1,500,000)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (196,858)</u> | <u>\$ (731,858)</u> | <u>148,381</u> | <u>\$ (880,239)</u> | <u>\$ 2,858</u> | <u>\$ 2,858</u> | <u>2,822</u> | <u>\$ 36</u> |
| Fund balance, beginning of year | | | 3,559,541 | | | | 5,749 | |
| Fund balance, end of year | | | <u>\$3,707,922</u> | | | | <u>\$ 8,571</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 5 of 15)

| | Light Maintenance Districts Fund | | | | Park Maintenance Districts Fund | | | |
|--------------------------------------|----------------------------------|---------------------------|----------------------------|---------------------------|---------------------------------|---------------------------|--------------------------|---------------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | 2,300,000 | 2,300,000 | 2,394,921 | (94,921) | 1,002,975 | 1,002,975 | 1,086,860 | (83,885) |
| Other | 6,000 | 6,000 | 39,427 | (33,427) | 200 | 200 | 3,104 | (2,904) |
| Total revenues | <u>2,306,000</u> | <u>2,306,000</u> | <u>2,434,348</u> | <u>(128,348)</u> | <u>1,003,175</u> | <u>1,003,175</u> | <u>1,089,964</u> | <u>(86,789)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | - | - | - | - | - | - | - | - |
| Operations and maintenance | 2,533,814 | 2,533,814 | 2,399,860 | 133,954 | 1,114,055 | 1,114,055 | 867,413 | 246,642 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>2,533,814</u> | <u>2,533,814</u> | <u>2,399,860</u> | <u>133,954</u> | <u>1,114,055</u> | <u>1,114,055</u> | <u>867,413</u> | <u>246,642</u> |
| Revenues over (under) expenditures | <u>(227,814)</u> | <u>(227,814)</u> | <u>34,488</u> | <u>(262,302)</u> | <u>(110,880)</u> | <u>(110,880)</u> | <u>222,551</u> | <u>(333,431)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u><u>\$(227,814)</u></u> | <u><u>\$(227,814)</u></u> | <u>34,488</u> | <u><u>\$(262,302)</u></u> | <u><u>\$(110,880)</u></u> | <u><u>\$(110,880)</u></u> | <u>222,551</u> | <u><u>\$(333,431)</u></u> |
| Fund balance, beginning of year | | | 1,619,590 | | | | 431,791 | |
| Fund balance, end of year | | | <u><u>\$ 1,654,078</u></u> | | | | <u><u>\$ 654,342</u></u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 6 of 15)

| | Storm Sewer Fund | | | | North 27th Street Tax Increment Operating Fund | | | |
|--------------------------------------|---------------------|-----------------------|---------------------|----------------------|--|-------------------|--------------------|-------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$3,231,156 | \$ 3,231,156 | \$2,576,015 | \$ 655,141 |
| Licenses and permits | 10,000 | 10,000 | 5,200 | 4,800 | - | - | - | - |
| Intergovernmental | - | - | - | - | 212,000 | 212,000 | 211,821 | 179 |
| Charges for services | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | 4,075,000 | 4,075,000 | 4,216,969 | (141,969) | - | - | - | - |
| Other | 37,452 | 37,452 | 137,119 | (99,667) | 5,300 | 5,300 | 8,540 | (3,240) |
| Total revenues | <u>4,122,452</u> | <u>4,122,452</u> | <u>4,359,288</u> | <u>(236,836)</u> | <u>3,448,456</u> | <u>3,448,456</u> | <u>2,796,376</u> | <u>652,080</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | - | - | - | - | - | - | - | - |
| Operations and maintenance | 1,409,052 | 1,445,920 | 1,484,319 | (38,399) | 1,763,081 | 1,937,613 | 1,766,574 | 171,039 |
| Capital outlay | 2,605,000 | 5,353,165 | 1,442,346 | 3,910,819 | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | 315,000 | 315,000 | 315,000 | - |
| Interest and fiscal charges | - | - | - | - | 635,872 | 635,872 | 635,073 | 799 |
| Total expenditures | <u>4,014,052</u> | <u>6,799,085</u> | <u>2,926,665</u> | <u>3,872,420</u> | <u>2,713,953</u> | <u>2,888,485</u> | <u>2,716,647</u> | <u>171,838</u> |
| Revenues over (under) expenditures | <u>108,400</u> | <u>(2,676,633)</u> | <u>1,432,623</u> | <u>(4,109,256)</u> | <u>734,503</u> | <u>559,971</u> | <u>79,729</u> | <u>480,242</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | (1,015,000) | (1,015,000) | (1,013,500) | (1,500) | (323,329) | (323,329) | (323,329) | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(1,015,000)</u> | <u>(1,015,000)</u> | <u>(1,013,500)</u> | <u>(1,500)</u> | <u>(323,329)</u> | <u>(323,329)</u> | <u>(323,329)</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (906,600)</u> | <u>\$ (3,691,633)</u> | <u>419,123</u> | <u>\$(4,110,756)</u> | <u>\$ 411,174</u> | <u>\$ 236,642</u> | <u>(243,600)</u> | <u>\$ 480,242</u> |
| Fund balance, beginning of year | | | 5,982,421 | | | | 2,766,693 | |
| Fund balance, end of year | | | <u>\$ 6,401,544</u> | | | | <u>\$2,523,093</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 7 of 15)

| | South Tax Increment Operating Fund | | | | East Tax Increment Operating Fund | | | |
|--------------------------------------|------------------------------------|-----------------------|---------------------|-----------------------|-----------------------------------|-------------------|--------------------|-------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$2,381,086 | \$ 2,381,086 | \$ 3,137,106 | \$ (756,020) | \$ 724,100 | \$ 724,100 | \$ 807,660 | \$ (83,560) |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | 256,000 | 256,000 | 256,218 | (218) | 146,000 | 146,000 | 146,654 | (654) |
| Charges for services | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 24,000 | 24,000 | 51,524 | (27,524) | 3,504,600 | 3,504,600 | 9,378 | 3,495,222 |
| Total revenues | <u>2,661,086</u> | <u>2,661,086</u> | <u>3,444,848</u> | <u>(783,762)</u> | <u>4,374,700</u> | <u>4,374,700</u> | <u>963,692</u> | <u>3,411,008</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | - | - | - | - | - | - | - | - |
| Operations and maintenance | 289,681 | 645,301 | 410,434 | 234,867 | 334,114 | 334,114 | 340,123 | (6,009) |
| Capital outlay | 2,200,000 | 2,772,991 | 1,381,834 | 1,391,157 | 3,500,000 | 3,500,000 | 497,317 | 3,002,683 |
| Debt service: | | | | | | | | |
| Principal | 300,000 | 300,000 | 300,000 | - | 90,000 | 90,000 | 90,000 | - |
| Interest and fiscal charges | 348,500 | 348,500 | 346,344 | 2,156 | 121,000 | 121,000 | 119,538 | 1,462 |
| Total expenditures | <u>3,138,181</u> | <u>4,066,792</u> | <u>2,438,612</u> | <u>1,628,180</u> | <u>4,045,114</u> | <u>4,045,114</u> | <u>1,046,978</u> | <u>2,998,136</u> |
| Revenues over (under) expenditures | <u>(477,095)</u> | <u>(1,405,706)</u> | <u>1,006,236</u> | <u>(2,411,942)</u> | <u>329,586</u> | <u>329,586</u> | <u>(83,286)</u> | <u>412,872</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (477,095)</u> | <u>\$ (1,405,706)</u> | <u>1,006,236</u> | <u>\$ (2,411,942)</u> | <u>\$ 329,586</u> | <u>\$ 329,586</u> | <u>(83,286)</u> | <u>\$ 412,872</u> |
| Fund balance, beginning of year | | | 6,659,934 | | | | 1,293,093 | |
| Fund balance, end of year | | | <u>\$ 7,666,170</u> | | | | <u>\$1,209,807</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 8 of 15)

| | Park Program Fund | | | | Police Program Fund | | | |
|--------------------------------------|----------------------------|----------------------------|---------------------------|----------------------------|---------------------------|----------------------------|---------------------------|-------------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | 498,232 | 498,232 | 459,166 | 39,066 |
| Charges for services | - | - | - | - | 152,059 | 152,059 | 125,237 | 26,822 |
| Fines and forfeitures | - | - | - | - | 81,000 | 81,000 | 209,518 | (128,518) |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 193,805 | 193,805 | 94,088 | 99,717 | 358,980 | 358,980 | 55,863 | 303,117 |
| Total revenues | <u>193,805</u> | <u>193,805</u> | <u>94,088</u> | <u>99,717</u> | <u>1,090,271</u> | <u>1,090,271</u> | <u>849,784</u> | <u>240,487</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | - | - | - | - | 648,777 | 648,777 | 254,222 | 394,555 |
| Operations and maintenance | 546,997 | 600,408 | 56,127 | 544,281 | 521,797 | 555,797 | 712,009 | (156,212) |
| Capital outlay | - | - | - | - | - | - | 42,017 | (42,017) |
| Debt service: | | | | | | | | |
| Principal | 16,000 | 16,000 | 18,671 | (2,671) | - | - | - | - |
| Interest and fiscal charges | 3,000 | 3,000 | 1,255 | 1,745 | - | - | - | - |
| Total expenditures | <u>565,997</u> | <u>619,408</u> | <u>76,053</u> | <u>543,355</u> | <u>1,170,574</u> | <u>1,204,574</u> | <u>1,008,248</u> | <u>196,326</u> |
| Revenues over (under) expenditures | <u>(372,192)</u> | <u>(425,603)</u> | <u>18,035</u> | <u>(443,638)</u> | <u>(80,303)</u> | <u>(114,303)</u> | <u>(158,464)</u> | <u>44,161</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 5,000 | 5,000 | 26,957 | (21,957) | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>5,000</u> | <u>5,000</u> | <u>26,957</u> | <u>(21,957)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u><u>\$ (367,192)</u></u> | <u><u>\$ (420,603)</u></u> | <u><u>44,992</u></u> | <u><u>\$ (465,595)</u></u> | <u><u>\$ (80,303)</u></u> | <u><u>\$ (114,303)</u></u> | <u><u>(158,464)</u></u> | <u><u>\$ 44,161</u></u> |
| Fund balance, beginning of year | | | 2,292,123 | | | | 1,544,477 | |
| Fund balance, end of year | | | <u><u>\$2,337,115</u></u> | | | | <u><u>\$1,386,013</u></u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018

(Page 9 of 15)

| | Amend Park Fund | | | |
|--------------------------------------|----------------------------|-------------------------|-------------------|-------------------|
| | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - |
| Intergovernmental | - | - | - | - |
| Charges for services | 102,000 | 102,000 | 18,274 | 83,726 |
| Fines and forfeitures | - | - | - | - |
| Special assessments | - | - | - | - |
| Other | 1,910 | 1,910 | 1,891 | 19 |
| Total revenues | <u>103,910</u> | <u>103,910</u> | <u>20,165</u> | <u>83,745</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Salaries and benefits | - | - | - | - |
| Operations and maintenance | 181,315 | 181,315 | 597 | 180,718 |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest and fiscal charges | - | - | - | - |
| Total expenditures | <u>181,315</u> | <u>181,315</u> | <u>597</u> | <u>180,718</u> |
| Revenues over (under) expenditures | <u>(77,405)</u> | <u>(77,405)</u> | <u>19,568</u> | <u>(96,973)</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | (1,000) | (1,000) | (1,890) | 890 |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>(1,000)</u> | <u>(1,000)</u> | <u>(1,890)</u> | <u>890</u> |
| Net change in fund balances | <u>\$ (78,405)</u> | <u>\$ (78,405)</u> | <u>17,678</u> | <u>\$(96,083)</u> |
| Fund balance, beginning of year | | | 213,472 | |
| Fund balance, end of year | | | <u>\$ 231,150</u> | |

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 10 of 15)

| | City-County Planning Fund | | | | Building Inspection Fund | | | |
|--------------------------------------|----------------------------------|-------------------------|-------------------|---------------------|---------------------------------|-------------------------|--------------------|---------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ 470,000 | \$ 470,000 | \$ 480,175 | \$ (10,175) | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | 27,400 | 27,400 | 33,900 | (6,500) | 1,353,550 | 1,353,550 | 1,747,543 | (393,993) |
| Intergovernmental | 781,969 | 781,969 | 882,333 | (100,364) | - | - | - | - |
| Charges for services | 247,936 | 247,936 | 273,541 | (25,605) | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 1,200 | 1,200 | 5,466 | (4,266) | 14,000 | 14,000 | 25,395 | (11,395) |
| Total revenues | <u>1,528,505</u> | <u>1,528,505</u> | <u>1,675,415</u> | <u>(146,910)</u> | <u>1,367,550</u> | <u>1,367,550</u> | <u>1,772,938</u> | <u>(405,388)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | 1,010,167 | 1,010,167 | 946,873 | 63,294 | 1,332,734 | 1,332,734 | 1,241,446 | 91,288 |
| Operations and maintenance | 661,391 | 727,444 | 632,194 | 95,250 | 609,256 | 613,656 | 536,976 | 76,680 |
| Capital outlay | - | - | - | - | - | - | 26,706 | (26,706) |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>1,671,558</u> | <u>1,737,611</u> | <u>1,579,067</u> | <u>158,544</u> | <u>1,941,990</u> | <u>1,946,390</u> | <u>1,805,128</u> | <u>141,262</u> |
| Revenues over (under) expenditures | <u>(143,053)</u> | <u>(209,106)</u> | <u>96,348</u> | <u>(305,454)</u> | <u>(574,440)</u> | <u>(578,840)</u> | <u>(32,190)</u> | <u>(546,650)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | 1,031 | 1,031 | 48,531 | (47,500) | - | - | - | - |
| Transfers out | (5,472) | (5,472) | (40,472) | 35,000 | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(4,441)</u> | <u>(4,441)</u> | <u>8,059</u> | <u>(12,500)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (147,494)</u> | <u>\$ (213,547)</u> | <u>104,407</u> | <u>\$ (317,954)</u> | <u>\$ (574,440)</u> | <u>\$ (578,840)</u> | <u>(32,190)</u> | <u>\$ (546,650)</u> |
| Fund balance, beginning of year | | | 511,180 | | | | 2,507,577 | |
| Fund balance, end of year | | | <u>\$ 615,587</u> | | | | <u>\$2,475,387</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 11 of 15)

| | Street & Traffic Fund | | | | City Attorney Grants Fund | | | |
|--------------------------------------|----------------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|--------------------|------------------------|------------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | 641,873 | 641,873 | 679,804 | (37,931) | 70,385 | 70,385 | 69,694 | 691 |
| Charges for services | 7,608,500 | 7,608,500 | 8,226,165 | (617,665) | - | - | - | - |
| Fines and forfeitures | - | - | - | - | 60,000 | 60,000 | 56,722 | 3,278 |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 30,000 | 30,000 | 45,861 | (15,861) | - | - | (4) | 4 |
| Total revenues | <u>8,280,373</u> | <u>8,280,373</u> | <u>8,951,830</u> | <u>(671,457)</u> | <u>130,385</u> | <u>130,385</u> | <u>126,412</u> | <u>3,973</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | 4,043,044 | 4,043,044 | 3,983,814 | 59,230 | 315,998 | 315,998 | 303,735 | 12,263 |
| Operations and maintenance | 3,125,958 | 3,648,700 | 3,825,312 | (176,612) | 2,905 | 2,905 | 1,959 | 946 |
| Capital outlay | 1,770,626 | 2,249,935 | 1,234,050 | 1,015,885 | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>8,939,628</u> | <u>9,941,679</u> | <u>9,043,176</u> | <u>898,503</u> | <u>318,903</u> | <u>318,903</u> | <u>305,694</u> | <u>13,209</u> |
| Revenues over (under) expenditures | <u>(659,255)</u> | <u>(1,661,306)</u> | <u>(91,346)</u> | <u>(1,569,960)</u> | <u>(188,518)</u> | <u>(188,518)</u> | <u>(179,282)</u> | <u>(9,236)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 188,518 | 188,518 | 169,707 | 18,811 |
| Transfers out | (207,502) | (207,502) | (207,502) | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(207,502)</u> | <u>(207,502)</u> | <u>(207,502)</u> | <u>-</u> | <u>188,518</u> | <u>188,518</u> | <u>169,707</u> | <u>18,811</u> |
| Net change in fund balances | <u><u>\$ (866,757)</u></u> | <u><u>\$(1,868,808)</u></u> | <u><u>(298,848)</u></u> | <u><u>\$(1,569,960)</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>(9,575)</u></u> | <u><u>\$ 9,575</u></u> |
| Fund balance, beginning of year | | | 4,471,139 | | | | 12,924 | |
| Fund balance, end of year | | | <u><u>\$4,172,291</u></u> | | | | <u><u>\$ 3,349</u></u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 12 of 15)

| | Fire Program Fund | | | | Municipal Court Grant Fund | | | |
|--------------------------------------|----------------------------|-------------------------|-------------------|---------------------|-----------------------------------|-------------------------|--------------------|------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | 22,084 | 22,084 | 403,023 | (380,939) | 606,714 | 606,714 | 287,311 | 319,403 |
| Charges for services | - | - | 6,021 | (6,021) | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 6,500 | 6,500 | 24,645 | (18,145) | - | - | - | - |
| Total revenues | <u>28,584</u> | <u>28,584</u> | <u>433,689</u> | <u>(405,105)</u> | <u>606,714</u> | <u>606,714</u> | <u>287,311</u> | <u>319,403</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | 24,000 | 24,000 | 7,814 | 16,186 | 229,402 | 229,402 | 170,288 | 59,114 |
| Operations and maintenance | 98,908 | 466,649 | 402,428 | 64,221 | 377,312 | 377,312 | 173,333 | 203,979 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>122,908</u> | <u>490,649</u> | <u>410,242</u> | <u>80,407</u> | <u>606,714</u> | <u>606,714</u> | <u>343,621</u> | <u>263,093</u> |
| Revenues over (under) expenditures | <u>(94,324)</u> | <u>(462,065)</u> | <u>23,447</u> | <u>(485,512)</u> | <u>-</u> | <u>-</u> | <u>(56,310)</u> | <u>56,310</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (94,324)</u> | <u>\$ (462,065)</u> | <u>23,447</u> | <u>\$ (485,512)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>(56,310)</u> | <u>\$ 56,310</u> |
| Fund balance, beginning of year | | | 236,956 | | | | 33,138 | |
| Fund balance, end of year | | | <u>\$ 260,403</u> | | | | <u>\$ (23,172)</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 13 of 15)

| | Downtown Revolving Loan Fund | | | | Baseball Field / Stadium Donation For Capital Maintenance Fund | | | |
|--------------------------------------|------------------------------|---------------------------|--------------------------|---------------------------|--|--------------------------|--------------------------|--------------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 204,812 | 204,812 | 304,675 | (99,863) | 63,000 | 63,000 | 64,297 | (1,297) |
| Total revenues | <u>204,812</u> | <u>204,812</u> | <u>304,675</u> | <u>(99,863)</u> | <u>63,000</u> | <u>63,000</u> | <u>64,297</u> | <u>(1,297)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | - | - | - | - | - | - | - | - |
| Operations and maintenance | 554,987 | 554,987 | 518,593 | 36,394 | 100,638 | 100,638 | 20,372 | 80,266 |
| Capital outlay | - | - | - | - | - | - | - | - |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | <u>554,987</u> | <u>554,987</u> | <u>518,593</u> | <u>36,394</u> | <u>100,638</u> | <u>100,638</u> | <u>20,372</u> | <u>80,266</u> |
| Revenues over (under) expenditures | <u>(350,175)</u> | <u>(350,175)</u> | <u>(213,918)</u> | <u>(136,257)</u> | <u>(37,638)</u> | <u>(37,638)</u> | <u>43,925</u> | <u>(81,563)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | - | - | - | - |
| Net change in fund balances | <u><u>\$(350,175)</u></u> | <u><u>\$(350,175)</u></u> | <u><u>(213,918)</u></u> | <u><u>\$(136,257)</u></u> | <u><u>\$(37,638)</u></u> | <u><u>\$(37,638)</u></u> | <u><u>43,925</u></u> | <u><u>\$(81,563)</u></u> |
| Fund balance, beginning of year | | | 784,671 | | | | 483,460 | |
| Fund balance, end of year | | | <u><u>\$ 570,753</u></u> | | | | <u><u>\$ 527,385</u></u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 14 of 15)

| | Arterial Fees Fund | | | | Ballpark Repair Fund | | | |
|---|----------------------------|----------------------|------------------|----------------------|-----------------------------|-------------------------|------------------|--------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Licenses and permits | - | - | - | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - | - | - | - |
| Charges for services | - | - | - | - | - | - | - | - |
| Fines and forfeitures | - | - | - | - | - | - | - | - |
| Special assessments | 3,970,000 | 3,970,000 | 4,136,895 | (166,895) | - | - | - | - |
| Other | 15,000 | 15,000 | 42,861 | (27,861) | - | - | - | - |
| Total revenues | 3,985,000 | 3,985,000 | 4,179,756 | (194,756) | - | - | - | - |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | - | - | - | - | - | - | - | - |
| Operations and maintenance | 122,378 | 122,378 | 163,416 | (41,038) | - | - | - | - |
| Capital outlay | 6,005,229 | 7,372,777 | 2,389,051 | 4,983,726 | 30,000 | 30,000 | - | 30,000 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | - | - | - | - |
| Interest and fiscal charges | - | - | - | - | - | - | - | - |
| Total expenditures | 6,127,607 | 7,495,155 | 2,552,467 | 4,942,688 | 30,000 | 30,000 | - | 30,000 |
| Revenues over (under) expenditures | (2,142,607) | (3,510,155) | 1,627,289 | (5,137,444) | (30,000) | (30,000) | - | (30,000) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 30,000 | 30,000 | 30,000 | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - | 30,000 | 30,000 | 30,000 | - |
| Net change in fund balances | \$(2,142,607) | \$(3,510,155) | 1,627,289 | \$(5,137,444) | \$ - | \$ - | 30,000 | \$ (30,000) |
| Fund balance, beginning of year | | | 4,307,159 | | | | - | |
| Fund balance, end of year | | | 5,934,448 | | | | \$ 30,000 | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018
(Page 15 of 15)

| | Park District 1 Fund | | | | Total Nonmajor Special Revenue Funds | | | |
|--------------------------------------|-----------------------------|-----------------------------|----------------------------|-----------------------------|--------------------------------------|------------------------------|----------------------------|------------------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 7,902,672 | \$ 7,902,672 | \$ 8,115,071 | \$ (212,399) |
| Licenses and permits | - | - | - | - | 1,390,950 | 1,390,950 | 1,786,643 | (395,693) |
| Intergovernmental | - | - | - | - | 9,132,492 | 9,167,392 | 9,591,439 | (424,047) |
| Charges for services | - | - | - | - | 8,157,820 | 8,175,805 | 8,711,377 | (535,572) |
| Fines and forfeitures | - | - | - | - | 215,850 | 215,850 | 335,915 | (120,065) |
| Special assessments | 2,040,000 | 2,040,000 | 2,016,283 | 23,717 | 21,223,850 | 21,223,850 | 22,547,616 | (1,323,766) |
| Other | 13,000 | 13,000 | 106,984 | (93,984) | 4,916,249 | 4,916,249 | 2,403,440 | 2,512,809 |
| Total revenues | <u>2,053,000</u> | <u>2,053,000</u> | <u>2,123,267</u> | <u>(70,267)</u> | <u>52,939,883</u> | <u>52,992,768</u> | <u>53,491,501</u> | <u>(498,733)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Salaries and benefits | 308,462 | 308,462 | 303,867 | 4,595 | 10,723,431 | 10,723,431 | 10,541,484 | 181,947 |
| Operations and maintenance | 461,982 | 461,982 | 171,226 | 290,756 | 24,788,747 | 28,438,082 | 27,375,890 | 1,062,192 |
| Capital outlay | 1,190,000 | 1,947,690 | 1,093,558 | 854,132 | 27,400,542 | 35,831,284 | 12,501,482 | 23,329,802 |
| Debt service: | | | | | | | | |
| Principal | - | - | - | - | 721,000 | 721,000 | 723,671 | (2,671) |
| Interest and fiscal charges | - | - | - | - | 1,108,372 | 1,108,372 | 1,102,210 | 6,162 |
| Total expenditures | <u>1,960,444</u> | <u>2,718,134</u> | <u>1,568,651</u> | <u>1,149,483</u> | <u>64,742,092</u> | <u>76,822,169</u> | <u>52,244,737</u> | <u>24,577,432</u> |
| Revenues over (under) expenditures | <u>92,556</u> | <u>(665,134)</u> | <u>554,616</u> | <u>(1,219,750)</u> | <u>(11,802,209)</u> | <u>(23,829,401)</u> | <u>1,246,764</u> | <u>(25,076,165)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 2,771,245 | 2,771,245 | 2,863,660 | (92,415) |
| Transfers out | (1,860,000) | (1,860,000) | (1,694,868) | (165,132) | (4,932,798) | (4,932,798) | (4,870,856) | (61,942) |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>(1,860,000)</u> | <u>(1,860,000)</u> | <u>(1,694,868)</u> | <u>(165,132)</u> | <u>(2,161,553)</u> | <u>(2,161,553)</u> | <u>(2,007,196)</u> | <u>(154,357)</u> |
| Net change in fund balances | <u><u>\$(1,767,444)</u></u> | <u><u>\$(2,525,134)</u></u> | <u><u>(1,140,252)</u></u> | <u><u>\$(1,384,882)</u></u> | <u><u>\$(13,885,357)</u></u> | <u><u>\$(25,912,549)</u></u> | <u><u>(760,432)</u></u> | <u><u>\$(25,134,439)</u></u> |
| Fund balance, beginning of year | | | 3,591,360 | | | | 56,992,238 | |
| Fund balance, end of year | | | <u><u>\$ 2,451,108</u></u> | | | | <u><u>\$56,231,806</u></u> | |

NONMAJOR DEBT SERVICE FUNDS

The City's non-major debt service funds are their purposes are:

- The Series 2012 Library Fund accounts for the payment of debt issued for the construction of the new library building.
- The Storm Sewer Fund accounts for the payment of debt used for the construction of storm sewers.
- The Series 2010 Parks Fund accounts for payment of debt used for City-wide park improvements.
- The Series 2004A Street Improvements Fund accounts for payment of debt used for City-wide street improvements.
- The Series 2007B Baseball Field/Stadium Fund accounts for payment of debt used for the construction of certain portions of the new baseball field and stadium that will be donated from individual pledges.
- The Series 2015 GO Refunding Fund accounts for the advanced crossover refunding debt that will be used to refund the 2007A GO debt.
- The Special Improvement Districts Fund accounts for the accumulation for and payment of special assessment debt used for the construction of projects within special improvement districts.
- The Sidewalk and Curb Districts Fund accounts for the accumulation for and payment of special assessment debt used for the construction of sidewalks and curbs.

CITY OF BILLINGS, MONTANA
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2018

| | Series 2012 Library Fund | Storm Sewer Fund | Series 2010 Parks Fund | Series 2004A Street Improvements Fund | Series 2007B Baseball Field/Stadium Fund | Series 2015 G.O. Refunding Fund | Special Improvement Districts Fund | Sidewalk Curb Districts Fund | Total Nonmajor Debt Service Funds |
|--|---|-----------------------------|---------------------------------------|--|---|--|---|---|--|
| Assets | | | | | | | | | |
| Cash and cash equivalents | \$ 15,044 | \$ 352,795 | \$ 4,011 | \$ 7,800 | \$ 75,687 | \$ 2,975 | \$ 830,511 | \$ 67,539 | \$ 1,356,362 |
| Cash with fiscal agent | 1,011,925 | 778,422 | 114,750 | 307,550 | - | 655,525 | 257,563 | 93,074 | 3,218,809 |
| Investments | 25,172 | 657,643 | 5,615 | 13,943 | 143,140 | 9,331 | 1,541,382 | 128,817 | 2,525,043 |
| Receivables: | | | | | | | | | |
| Property taxes | 66,664 | - | 8,439 | 24,893 | - | 53,007 | - | - | 153,003 |
| Delinquent special assessments | - | - | - | - | - | - | 65,045 | 15,473 | 80,518 |
| Special assessments receivable | - | - | - | - | - | - | 2,552,108 | 1,357,115 | 3,909,223 |
| Accrued interest | 1,850 | 2,108 | 229 | 556 | (395) | 698 | 381 | 307 | 5,734 |
| Property held for resale | - | - | - | - | - | - | 155,997 | - | 155,997 |
| Total assets | \$ 1,120,655 | \$ 1,790,968 | \$ 133,044 | \$ 354,742 | \$ 218,432 | \$ 721,536 | \$ 5,402,987 | \$ 1,662,325 | \$ 11,404,689 |
| Liabilities, Deferred Inflows and Fund Balances | | | | | | | | | |
| Liabilities: | | | | | | | | | |
| Other liabilities | - | - | - | - | - | - | 63,000 | 10,000 | 73,000 |
| Total liabilities | - | - | - | - | - | - | 63,000 | 10,000 | 73,000 |
| Deferred Inflows: | | | | | | | | | |
| Unavailable Revenue | 21,350 | - | 2,678 | 7,810 | 78 | 17,416 | 2,565,470 | 1,360,493 | 3,975,295 |
| Fund balances: | | | | | | | | | |
| Restricted | 1,099,305 | 1,790,968 | 130,366 | 346,932 | 218,354 | 704,120 | 2,774,517 | 291,832 | 7,356,394 |
| Total fund balances | 1,099,305 | 1,790,968 | 130,366 | 346,932 | 218,354 | 704,120 | 2,774,517 | 291,832 | 7,356,394 |
| Total liabilities, deferred inflows and fund balances | \$ 1,120,655 | \$ 1,790,968 | \$ 133,044 | \$ 354,742 | \$ 218,432 | \$ 721,536 | \$ 5,402,987 | \$ 1,662,325 | \$ 11,404,689 |

CITY OF BILLINGS, MONTANA
Nonmajor Debt Service Funds
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

| | Series 2012 Library Fund | Storm Sewer Fund | Series 2010 Parks Fund | Series 2004A Street Improvements Fund | Series 2007B Baseball Field/Stadium Fund | Series 2015 G.O. Refunding Fund | Special Improvement Districts Fund | Sidewalk and Curb Districts Fund | Total Nonmajor Debt Service Funds |
|--------------------------------------|-------------------------------------|-----------------------------|-----------------------------------|--|---|--|---|---|--|
| Revenues: | | | | | | | | | |
| Taxes | \$ 904,736 | \$ - | \$ 115,103 | \$ 341,069 | \$ - | \$ 710,796 | \$ - | \$ - | \$ 2,071,704 |
| Special assessments | - | - | - | - | - | - | 1,411,393 | 359,895 | 1,771,288 |
| Other | 304,699 | 5,917 | 545 | 1,281 | 50,783 | 871 | 1,768 | 1,043 | 366,907 |
| Total revenues | <u>1,209,435</u> | <u>5,917</u> | <u>115,648</u> | <u>342,350</u> | <u>50,783</u> | <u>711,667</u> | <u>1,413,161</u> | <u>360,938</u> | <u>4,209,899</u> |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| General government | 5,336 | 1,700 | - | 462 | 1,874 | 5,412 | - | 2,359 | 17,143 |
| Debt service: | | | | | | | | | |
| Principal | 795,000 | 530,000 | 110,000 | 270,000 | 190,000 | 6,945,000 | 1,351,466 | 335,000 | 10,526,466 |
| Interest and fiscal charges | 416,125 | 476,528 | 13,919 | 72,480 | 2,850 | 603,582 | 176,598 | 80,794 | 1,842,876 |
| Total expenditures | <u>1,216,461</u> | <u>1,008,228</u> | <u>123,919</u> | <u>342,942</u> | <u>194,724</u> | <u>7,553,994</u> | <u>1,528,064</u> | <u>418,153</u> | <u>12,386,485</u> |
| Revenues over (under) expenditures | <u>(7,026)</u> | <u>(1,002,311)</u> | <u>(8,271)</u> | <u>(592)</u> | <u>(143,941)</u> | <u>(6,842,327)</u> | <u>(114,903)</u> | <u>(57,215)</u> | <u>(8,176,586)</u> |
| Other financing sources: | | | | | | | | | |
| Transfers in | - | 1,013,500 | - | - | - | - | (494,303) | 32,064 | 551,261 |
| Transfers out | - | - | - | - | - | - | (1,462,187) | - | (1,462,187) |
| Total other financing sources (uses) | <u>-</u> | <u>1,013,500</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,956,490)</u> | <u>32,064</u> | <u>(910,926)</u> |
| Net change in fund balances | (7,026) | 11,189 | (8,271) | (592) | (143,941) | (6,842,327) | (2,071,393) | (25,151) | (9,087,512) |
| Fund balance, beginning of year | <u>1,106,331</u> | <u>1,779,779</u> | <u>138,637</u> | <u>347,524</u> | <u>362,295</u> | <u>7,546,447</u> | <u>4,845,910</u> | <u>316,983</u> | <u>16,443,906</u> |
| Fund balance, end of year | <u>\$ 1,099,305</u> | <u>\$ 1,790,968</u> | <u>\$ 130,366</u> | <u>\$ 346,932</u> | <u>\$ 218,354</u> | <u>\$ 704,120</u> | <u>\$ 2,774,517</u> | <u>\$291,832</u> | <u>\$ 7,356,394</u> |

CITY OF BILLINGS, MONTANA

Nonmajor Debt Service Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual

For the Fiscal Year Ended June 30, 2018

(Page 1 of 5)

| | Series 2012 Library Fund | | | | Storm Sewer Fund | | | |
|------------------------------------|--------------------------|--------------------|---------------------|--------------------|--------------------|--------------------|---------------------|-------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ 886,534 | \$ 886,534 | \$ 904,736 | \$ (18,202) | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 302,300 | 302,300 | 304,700 | (2,400) | 1,000 | 1,000 | 5,917 | (4,917) |
| Total revenues | <u>1,188,834</u> | <u>1,188,834</u> | <u>1,209,436</u> | <u>(20,602)</u> | <u>1,000</u> | <u>1,000</u> | <u>5,917</u> | <u>(4,917)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Operations and maintenance | 7,977 | 7,977 | 5,337 | 2,640 | 5,484 | 5,484 | 4,584 | 900 |
| Debt service: | | | | | | | | |
| Principal | 795,000 | 795,000 | 795,000 | - | 530,000 | 530,000 | 530,000 | - |
| Interest and fiscal charges | 416,125 | 416,125 | 416,125 | - | 473,694 | 473,694 | 473,644 | 50 |
| Total expenditures | <u>1,219,102</u> | <u>1,219,102</u> | <u>1,216,462</u> | <u>2,640</u> | <u>1,009,178</u> | <u>1,009,178</u> | <u>1,008,228</u> | <u>950</u> |
| Revenues over (under) expenditures | <u>(30,268)</u> | <u>(30,268)</u> | <u>(7,026)</u> | <u>(23,242)</u> | <u>(1,008,178)</u> | <u>(1,008,178)</u> | <u>(1,002,311)</u> | <u>(5,867)</u> |
| Other financing sources: | | | | | | | | |
| Transfers in | - | - | - | - | 1,015,000 | 1,015,000 | 1,013,500 | 1,500 |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources | - | - | - | - | 1,015,000 | 1,015,000 | 1,013,500 | 1,500 |
| Net change in fund balances | <u>\$ (30,268)</u> | <u>\$ (30,268)</u> | <u>(7,026)</u> | <u>\$ (23,242)</u> | <u>\$ 6,822</u> | <u>\$ 6,822</u> | <u>11,189</u> | <u>\$ (4,367)</u> |
| Fund balance, beginning of year | | | 1,106,331 | | | | 1,779,779 | |
| Fund balance, end of year | | | <u>\$ 1,099,305</u> | | | | <u>\$ 1,790,968</u> | |

(continued)

CITY OF BILLINGS, MONTANA

Nonmajor Debt Service Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual

For the Fiscal Year Ended June 30, 2018

(Page 2 of 5)

| | Series 2010 Parks Fund | | | | Series 2004A Street Improvements Fund | | | |
|------------------------------------|------------------------|--------------------|-------------------|-------------------|---------------------------------------|--------------------|-------------------|--------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ 111,717 | \$ 111,717 | \$ 115,103 | \$ (3,386) | \$ 333,351 | \$ 333,351 | \$ 341,069 | \$ (7,718) |
| Special assessments | - | - | - | - | - | - | - | - |
| Other | 210 | 210 | 546 | (336) | 680 | 680 | 1,279 | (599) |
| Total revenues | <u>111,927</u> | <u>111,927</u> | <u>115,649</u> | <u>(3,722)</u> | <u>334,031</u> | <u>334,031</u> | <u>342,348</u> | <u>(8,317)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Operations and maintenance | 5,672 | 5,672 | 2,832 | 2,840 | 6,086 | 6,086 | 3,440 | 2,646 |
| Debt service: | | | | | | | | |
| Principal | 110,000 | 110,000 | 110,000 | - | 270,000 | 270,000 | 270,000 | - |
| Interest and fiscal charges | 11,088 | 11,088 | 11,088 | - | 69,450 | 69,450 | 69,500 | (50) |
| Total expenditures | <u>126,760</u> | <u>126,760</u> | <u>123,920</u> | <u>2,840</u> | <u>345,536</u> | <u>345,536</u> | <u>342,940</u> | <u>2,596</u> |
| Revenues over (under) expenditures | <u>(14,833)</u> | <u>(14,833)</u> | <u>(8,271)</u> | <u>(6,562)</u> | <u>(11,505)</u> | <u>(11,505)</u> | <u>(592)</u> | <u>(10,913)</u> |
| Other financing sources: | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | - | - |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ (14,833)</u> | <u>\$ (14,833)</u> | <u>(8,271)</u> | <u>\$ (6,562)</u> | <u>\$ (11,505)</u> | <u>\$ (11,505)</u> | <u>(592)</u> | <u>\$ (10,913)</u> |
| Fund balance, beginning of year | | | 138,637 | | | | 347,524 | |
| Fund balance, end of year | | | <u>\$ 130,366</u> | | | | <u>\$ 346,932</u> | |

(continued)

CITY OF BILLINGS, MONTANA

Nonmajor Debt Service Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual

For the Fiscal Year Ended June 30, 2018

(Page 3 of 5)

Series 2007B Baseball Field / Stadium Fund

| | Original Budget | Final Budget | Actual | Variance |
|--------------------------------------|----------------------------|---------------------|-------------------|-------------------|
| Revenues: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | - | - |
| Other | 205,500 | 205,500 | 50,783 | 154,717 |
| Total revenues | 205,500 | 205,500 | 50,783 | 154,717 |
| Expenditures: | | | | |
| Current: | | | | |
| Operations and maintenance | 4,818 | 4,818 | 1,874 | 3,100 |
| Debt service: | | | | |
| Principal | 190,000 | 190,000 | 190,000 | - |
| Interest and fiscal charges | 2,950 | 2,950 | 2,850 | 100 |
| Total expenditures | 197,768 | 197,768 | 194,724 | 3,044 |
| Revenues over (under) expenditures | 7,732 | 7,732 | (143,941) | 151,673 |
| Other financing sources: | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total other financing sources | - | - | - | - |
| Net change in fund balances | \$ 7,732 | \$ 7,732 | (143,941) | \$ 151,673 |
| Fund balance, beginning of year | | | 362,295 | |
| Fund balance, end of year | | | \$ 218,354 | |

(continued)

CITY OF BILLINGS, MONTANA

Nonmajor Debt Service Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual

For the Fiscal Year Ended June 30, 2018

(Page 4 of 5)

| | Series 2015 G.O. Refunding Fund | | | | Special Improvement Districts Fund | | | |
|------------------------------------|---------------------------------|----------------------|--------------------|-------------------|------------------------------------|----------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ 695,533 | \$ 695,533 | \$ 710,796 | \$ (15,263) | \$ - | \$ - | \$ - | \$ - |
| Special assessments | - | - | - | - | 1,332,000 | 1,332,000 | 1,411,393 | (79,393) |
| Other | 572,500 | 572,500 | 871 | 571,629 | 2,300 | 2,300 | 1,768 | 532 |
| Total revenues | <u>1,268,033</u> | <u>1,268,033</u> | <u>711,667</u> | <u>556,366</u> | <u>1,334,300</u> | <u>1,334,300</u> | <u>1,413,161</u> | <u>(78,861)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Operations and maintenance | 11,200 | 11,200 | 5,412 | 5,788 | 69,300 | 69,300 | - | 69,300 |
| Debt service: | | | | | | | | |
| Principal | 6,945,000 | 6,945,000 | 6,945,000 | - | 1,320,000 | 1,320,000 | 1,351,466 | (31,466) |
| Interest and fiscal charges | 726,750 | 726,750 | 603,582 | 123,168 | 233,300 | 233,300 | 176,598 | 56,702 |
| Total expenditures | <u>7,682,950</u> | <u>7,682,950</u> | <u>7,553,994</u> | <u>128,956</u> | <u>1,622,600</u> | <u>1,622,600</u> | <u>1,528,064</u> | <u>94,536</u> |
| Revenues over (under) expenditures | <u>(6,414,917)</u> | <u>(6,414,917)</u> | <u>(6,842,327)</u> | <u>427,410</u> | <u>(288,300)</u> | <u>(288,300)</u> | <u>(114,903)</u> | <u>(173,397)</u> |
| Other financing sources: | | | | | | | | |
| Transfers in | - | - | - | - | - | - | (494,303) | 494,303 |
| Transfers out | - | - | - | - | (2,500,000) | (2,500,000) | (1,462,187) | (1,037,813) |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(2,500,000)</u> | <u>(2,500,000)</u> | <u>(1,956,490)</u> | <u>(543,510)</u> |
| Net change in fund balances | <u>\$(6,414,917)</u> | <u>\$(6,414,917)</u> | <u>(6,842,327)</u> | <u>\$ 427,410</u> | <u>\$(2,788,300)</u> | <u>\$(2,788,300)</u> | <u>(2,071,393)</u> | <u>\$ (716,907)</u> |
| Fund balance, beginning of year | | | 7,546,447 | | | | 4,845,910 | |
| Fund balance, end of year | | | <u>\$ 704,120</u> | | | | <u>\$ 2,774,517</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Debt Service Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018

(Page 5 of 5)

| | Sidewalk and Curb Districts Fund | | | | Total Nonmajor Debt Service Funds | | | |
|------------------------------------|----------------------------------|--------------------|-------------------|--------------------|-----------------------------------|-----------------------|---------------------|-------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 2,027,135 | \$ 2,027,135 | \$ 2,071,704 | \$ (44,569) |
| Special assessments | 338,000 | 338,000 | 359,895 | (21,895) | 1,670,000 | 1,670,000 | 1,771,288 | (101,288) |
| Other | 200 | 200 | 1,042 | (842) | 1,084,690 | 1,084,690 | 366,906 | 717,784 |
| Total revenues | <u>338,200</u> | <u>338,200</u> | <u>360,937</u> | <u>(22,737)</u> | <u>4,781,825</u> | <u>4,781,825</u> | <u>4,209,898</u> | <u>571,927</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Operations and maintenance | - | - | 2,358 | (2,358) | 110,537 | 110,537 | 25,837 | 84,856 |
| Debt service: | | | | | | | | |
| Principal | 275,000 | 335,000 | 335,000 | - | 10,435,000 | 10,495,000 | 10,526,466 | (31,466) |
| Interest and fiscal charges | 87,850 | 87,850 | 80,794 | 7,056 | 2,021,207 | 2,021,207 | 1,834,181 | 187,026 |
| Total expenditures | <u>362,850</u> | <u>422,850</u> | <u>418,152</u> | <u>4,698</u> | <u>12,566,744</u> | <u>12,626,744</u> | <u>12,386,484</u> | <u>240,260</u> |
| Revenues over (under) expenditures | <u>(24,650)</u> | <u>(84,650)</u> | <u>(57,215)</u> | <u>(27,435)</u> | <u>(7,784,919)</u> | <u>(7,844,919)</u> | <u>(8,176,586)</u> | <u>331,667</u> |
| Other financing sources: | | | | | | | | |
| Transfers in | - | - | 32,064 | (32,064) | 1,015,000 | 1,015,000 | 551,261 | 463,739 |
| Transfers out | - | - | - | - | (2,500,000) | (2,500,000) | (1,462,187) | (1,037,813) |
| Total other financing sources | <u>-</u> | <u>-</u> | <u>32,064</u> | <u>(32,064)</u> | <u>(1,485,000)</u> | <u>(1,485,000)</u> | <u>(910,926)</u> | <u>(574,074)</u> |
| Net change in fund balances | <u>\$ (24,650)</u> | <u>\$ (84,650)</u> | <u>(25,151)</u> | <u>\$ (59,499)</u> | <u>\$ (9,245,269)</u> | <u>\$ (9,329,919)</u> | <u>(9,087,512)</u> | <u>\$ 905,741</u> |
| Fund balance, beginning of year | | | 316,983 | | | | 16,443,906 | |
| Fund balance, end of year | | | <u>\$ 291,832</u> | | | | <u>\$ 7,356,394</u> | |

NONMAJOR CAPITAL PROJECTS FUNDS

The City's non-major capital projects funds and their purposes are:

- The Urban Renewal Property Acquisition Fund is used to account for the local urban renewal projects.
- The Sidewalk and Curb Districts Fund accounts for the construction of sidewalks and curbs.
- The Special Improvement Districts Fund accounts for the construction of streets, water, and wastewater trunk lines.
- The Capital Replacement Fund is used for capital replacement for governmental funds.
- The Rose Park Pool Construction Fund will be used to reconstruct the bathrooms and concession areas that were damaged by fire.
- The Dog Park Construction Fund accounts for the construction of the new dog park in the Billings' Heights.

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2018

| | Urban Renewal Property Acquisition Fund | Sidewalk and Curb Districts Fund | Special Improvements Districts Fund | Capital Replacement Fund | Rose Park Pool Construction Fund | Dog Park Construction Fund | Total Nonmajor Capital Projects Funds |
|--|--|---|--|---|---|---|--|
| Assets | | | | | | | |
| Cash and cash equivalents | \$ 22,071 | \$ 391,187 | \$ 255,815 | \$ 2,547,200 | \$ 75,633 | \$ 1,594 | \$ 3,293,500 |
| Cash with fiscal agent | | - | | | | | - |
| Investments | 41,428 | 737,265 | 482,132 | 4,785,267 | 142,545 | 3,005 | 6,191,642 |
| Receivables: | | | | | | | |
| Accrued interest | 158 | - | - | 15,313 | - | - | 15,471 |
| Property held for resale | 187,828 | - | - | - | - | - | 187,828 |
| Total assets | \$ 251,485 | \$ 1,128,452 | \$ 737,947 | \$ 7,347,780 | \$ 218,178 | \$ 4,599 | \$ 9,688,441 |
| Liabilities and Fund Balances | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ - | \$ 131,269 | \$ 205,585 | \$ 272,808 | \$ 190,162 | \$ - | \$ 799,824 |
| Due to other funds | - | 23 | 107,937 | - | - | - | 107,960 |
| Total Liabilities | - | 131,292 | 313,522 | 272,808 | 190,162 | - | 907,784 |
| Fund balance (deficit) | | | | | | | |
| Restricted | 251,485 | 997,160 | 424,425 | 7,074,972 | 28,016 | 4,599 | 8,780,657 |
| Total fund balance (deficit) | 251,485 | 997,160 | 424,425 | 7,074,972 | 28,016 | 4,599 | 8,780,657 |
| Total liabilities and fund balances | \$ 251,485 | \$ 1,128,452 | \$ 737,947 | \$ 7,347,780 | \$ 218,178 | \$ 4,599 | \$ 9,688,441 |

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018

| | Urban Renewal Property Acquisition Fund | Sidewalk and Curb Districts Fund | Special Improvements Districts Fund | Capital Replacement Fund | Rose Park Pool Construction Fund | Dog Park Construction Fund | Total Nonmajor Capital Projects Funds |
|---|---|--|---|--------------------------------|---|----------------------------------|---|
| Revenues: | | | | | | | |
| Other | \$ 2,430 | \$ 78,139 | \$ 988,506 | \$ 51,117 | \$ - | \$ 300 | \$ 1,120,492 |
| Total revenues | 2,430 | 78,139 | 988,506 | 51,117 | - | 300 | 1,120,492 |
| Expenditures: | | | | | | | |
| Current: | | | | | | | |
| General government | - | - | - | 1,885 | - | - | 1,885 |
| Public safety | - | - | - | 9,699 | - | - | 9,699 |
| Public works | - | 102,118 | - | - | - | - | 102,118 |
| Housing and economic development | 10,813 | - | - | - | - | - | 10,813 |
| Capital outlay | - | 221,940 | 564,081 | 570,328 | 1,818,749 | - | 3,175,098 |
| Debt service: | | | | | | | |
| Bond issuance costs | - | 28,500 | - | - | - | - | 28,500 |
| Total expenditures | 10,813 | 352,558 | 564,081 | 581,912 | 1,818,749 | - | 3,328,113 |
| Revenues over (under) expenditures | (8,383) | (274,419) | 424,425 | (530,795) | (1,818,749) | 300 | (2,207,621) |
| Other financing sources (uses): | | | | | | | |
| Transfers in | - | - | - | 1,855,732 | 1,694,868 | - | 3,550,600 |
| Transfers out | - | (25,688) | - | - | - | - | (25,688) |
| Special assessment bonds issued | - | 1,415,000 | - | - | - | - | 1,415,000 |
| Sale of capital assets | - | - | - | 31,850 | - | - | 31,850 |
| Total other financing sources (uses) | - | 1,389,312 | - | 1,887,582 | 1,694,868 | - | 4,971,762 |
| Net change in fund balances | (8,383) | 1,114,893 | 424,425 | 1,356,787 | (123,881) | 300 | 2,764,141 |
| Fund balance (deficit), beginning of year | 259,868 | (117,733) | - | 5,718,185 | 151,897 | 4,299 | 6,016,516 |
| Fund balance (deficit), end of year | \$ 251,485 | \$ 997,160 | \$ 424,425 | \$ 7,074,972 | \$ 28,016 | \$ 4,599 | \$ 8,780,657 |

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018

(Page 1 of 4)

| | <u>Urban Renewal Property Acquisition Fund</u> | | | | <u>Sidewalk and Curb Districts Fund</u> | | | |
|---|--|-------------------------|-------------------|--------------------|---|----------------------|-------------------|-----------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
| Revenues: | | | | | | | | |
| Other | \$ 440 | \$ 440 | \$ 2,431 | \$ (1,991) | \$ 467,000 | \$ 467,000 | \$1,493,139 | \$(1,026,139) |
| Total revenues | <u>440</u> | <u>440</u> | <u>2,431</u> | <u>(1,991)</u> | <u>467,000</u> | <u>467,000</u> | <u>1,493,139</u> | <u>(1,026,139)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Operations and maintenance | 9,764 | 9,764 | 10,814 | (1,050) | - | - | 102,118 | (102,118) |
| Capital outlay | 50,000 | 50,000 | - | 50,000 | 455,000 | 1,941,556 | 221,940 | 1,719,616 |
| Debt service: | | | | | | | | |
| Bond issuance costs | - | - | - | - | 12,000 | 12,000 | 28,500 | (16,500) |
| Total expenditures | <u>59,764</u> | <u>59,764</u> | <u>10,814</u> | <u>48,950</u> | <u>467,000</u> | <u>1,953,556</u> | <u>352,558</u> | <u>1,600,998</u> |
| Revenues over (under) expenditures | <u>(59,324)</u> | <u>(59,324)</u> | <u>(8,383)</u> | <u>(50,941)</u> | <u>-</u> | <u>(1,486,556)</u> | <u>1,140,581</u> | <u>(2,627,137)</u> |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | - | - | - | - |
| Transfers out | - | - | - | - | - | - | (25,688) | 25,688 |
| Special assessment bonds issued | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(25,688)</u> | <u>25,688</u> |
| Net change in fund balances | <u>\$ (59,324)</u> | <u>\$ (59,324)</u> | <u>(8,383)</u> | <u>\$ (50,941)</u> | <u>\$ -</u> | <u>\$(1,486,556)</u> | <u>1,114,893</u> | <u>\$ (2,601,449)</u> |
| Fund balance (deficit), beginning of year | | | 259,868 | | | | (117,733) | |
| Fund balance (deficit), end of year | | | <u>\$ 251,485</u> | | | | <u>\$ 997,160</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018

(Page 2 of 4)

| | Special Improvement Districts Fund | | | | Capital Replacement Fund | | | |
|---|------------------------------------|----------------------|-------------------|----------------------|--------------------------|-------------------|---------------------|---------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Other | \$1,785,000 | \$1,785,000 | \$ 988,506 | \$ 796,494 | \$ 28,101 | \$ 28,101 | \$ 82,968 | \$ (54,867) |
| Total revenues | <u>1,785,000</u> | <u>1,785,000</u> | <u>988,506</u> | <u>796,494</u> | <u>28,101</u> | <u>28,101</u> | <u>82,968</u> | <u>(54,867)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Operations and maintenance | - | - | - | - | 1,885 | 1,885 | 11,585 | (9,700) |
| Capital outlay | 1,725,000 | 4,725,000 | 564,081 | 4,160,919 | 569,420 | 703,995 | 570,328 | 133,667 |
| Debt service: | | | | | | | | |
| Bond issuance costs | 60,000 | 60,000 | - | 60,000 | - | - | - | - |
| Total expenditures | <u>1,785,000</u> | <u>4,785,000</u> | <u>564,081</u> | <u>4,220,919</u> | <u>571,305</u> | <u>705,880</u> | <u>581,913</u> | <u>123,967</u> |
| Revenues over (under) expenditures | - | (3,000,000) | 424,425 | (3,424,425) | (543,204) | (677,779) | (498,945) | (178,834) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 1,157,900 | 1,157,900 | 1,855,732 | (697,832) |
| Transfers out | - | - | - | - | - | - | - | - |
| Special assessment bonds issued | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,157,900</u> | <u>1,157,900</u> | <u>1,855,732</u> | <u>(697,832)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$(3,000,000)</u> | <u>424,425</u> | <u>\$(3,424,425)</u> | <u>\$ 614,696</u> | <u>\$ 480,121</u> | <u>1,356,787</u> | <u>\$ (876,666)</u> |
| Fund balance (deficit), beginning of year | | | - | | | | 5,718,185 | |
| Fund balance (deficit), end of year | | | <u>\$ 424,425</u> | | | | <u>\$ 7,074,972</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018

(Page 3 of 4)

Rose Park Pool Construction Fund

| | Original Budget | Final Budget | Actual | Variance |
|---|----------------------------|---------------------|------------------|-------------------|
| Revenues: | | | | |
| Other | \$1,860,000 | \$1,860,000 | \$1,694,868 | \$ 165,132 |
| Total revenues | <u>1,860,000</u> | <u>1,860,000</u> | <u>1,694,868</u> | <u>165,132</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Operations and maintenance | - | - | - | - |
| Capital outlay | 1,860,000 | 1,866,453 | 1,818,749 | 47,704 |
| Debt service: | | | | |
| Bond issuance costs | - | - | - | - |
| Total expenditures | <u>1,860,000</u> | <u>1,866,453</u> | <u>1,818,749</u> | <u>47,704</u> |
| Revenues over (under) expenditures | <u>-</u> | <u>(6,453)</u> | <u>(123,881)</u> | <u>117,428</u> |
| Other financing sources (uses): | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Special assessment bonds issued | - | - | - | - |
| Sale of capital assets | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ (6,453)</u> | <u>(123,881)</u> | <u>\$ 117,428</u> |
| Fund balance (deficit), beginning of year | | | 151,897 | |
| Fund balance (deficit), end of year | | | <u>\$ 28,016</u> | |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2018

(Page 4 of 4)

| | Dog Park Construction Fund | | | | Total Nonmajor Capital Project Funds | | | |
|---|----------------------------|-----------------|-----------------|-----------------|--------------------------------------|----------------------|---------------------|----------------------|
| | Original Budget | Final Budget | Actual | Variance | Original Budget | Final Budget | Actual | Variance |
| Revenues: | | | | | | | | |
| Other | \$ 2,000 | \$ 2,000 | \$ 300 | \$ 1,700 | \$ 4,142,541 | \$4,142,541 | \$4,262,212 | \$ (119,671) |
| Total revenues | <u>2,000</u> | <u>2,000</u> | <u>300</u> | <u>1,700</u> | <u>4,142,541</u> | <u>4,142,541</u> | <u>4,262,212</u> | <u>(119,671)</u> |
| Expenditures: | | | | | | | | |
| Current: | | | | | | | | |
| Operations and maintenance | - | - | - | - | 11,649 | 11,649 | 124,517 | (112,868) |
| Capital outlay | 2,000 | 2,000 | - | 2,000 | 4,661,420 | 9,289,004 | 3,175,098 | 6,113,906 |
| Debt service: | | | | | | | | |
| Bond issuance costs | - | - | - | - | 72,000 | 72,000 | 28,500 | 43,500 |
| Total expenditures | <u>2,000</u> | <u>2,000</u> | <u>-</u> | <u>2,000</u> | <u>4,745,069</u> | <u>9,372,653</u> | <u>3,328,115</u> | <u>6,044,538</u> |
| Revenues over (under) expenditures | - | - | 300 | (300) | (602,528) | (5,230,112) | 934,097 | (6,164,209) |
| Other financing sources (uses): | | | | | | | | |
| Transfers in | - | - | - | - | 1,157,900 | 1,157,900 | 1,855,732 | (697,832) |
| Transfers out | - | - | - | - | - | - | (25,688) | 25,688 |
| Special assessment bonds issued | - | - | - | - | - | - | - | - |
| Sale of capital assets | - | - | - | - | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,157,900</u> | <u>1,157,900</u> | <u>1,830,044</u> | <u>(672,144)</u> |
| Net change in fund balances | <u>\$ -</u> | <u>\$ -</u> | <u>300</u> | <u>\$ (300)</u> | <u>\$ 555,372</u> | <u>\$(4,072,212)</u> | <u>2,764,141</u> | <u>\$(6,836,353)</u> |
| Fund balance (deficit), beginning of year | | | 4,299 | | | | 6,016,516 | |
| Fund balance (deficit), end of year | | | <u>\$ 4,599</u> | | | | <u>\$ 8,780,657</u> | |

NONMAJOR PERMANENT FUND

The City's non-major permanent fund is:

- The Cemetery Perpetual Care Fund is used to account for principal trust amounts received and related interest income. The interest portion of the trust can be used to maintain the City's cemeteries.

CITY OF BILLINGS, MONTANA
Nonmajor Permanent Fund
Balance Sheet
June 30, 2018

| | Cemetery Perpetual Care Fund |
|-----------------------------|---|
| Assets | |
| Cash and cash equivalents | \$ 246,449 |
| Investments | 460,412 |
| Accrued interest receivable | 1,690 |
| Total assets | \$ 708,551 |
| Fund Balance | |
| Liabilities: | |
| Total liabilities | - |
| Fund balance: | |
| Unspendable | \$ 708,551 |
| Total fund balance | \$ 708,551 |

CITY OF BILLINGS, MONTANA
Nonmajor Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Year Ended June 30, 2018

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u> | <u>Variance</u> |
|--------------------------------------|----------------------------|---------------------|-------------------|-----------------|
| Revenues: | | | | |
| Charges for services | \$ 12,300 | \$ 12,300 | \$ 14,957 | \$ 2,657 |
| Other | 3,840 | 3,840 | 5,861 | 2,021 |
| Total revenues | <u>16,140</u> | <u>16,140</u> | <u>20,818</u> | <u>4,678</u> |
| Expenditures: | | | | |
| Total expenditures | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Revenues over (under) expenditures | <u>16,140</u> | <u>16,140</u> | <u>20,818</u> | <u>4,678</u> |
| Other financing sources (uses): | | | | |
| Transfers out | <u>(3,840)</u> | <u>(3,840)</u> | <u>(3,840)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(3,840)</u> | <u>(3,840)</u> | <u>(3,840)</u> | <u>-</u> |
| Net change in fund balances | <u>\$ 12,300</u> | <u>\$ 12,300</u> | <u>\$ 16,978</u> | <u>\$ 4,678</u> |
| Fund balance, beginning of year | | | <u>691,573</u> | |
| Fund balance, end of year | | | <u>\$ 708,551</u> | |

NONMAJOR ENTERPRISE FUNDS

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent of the government’s council is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the government’s council has decided that periodic determination of net income is appropriate for accountability purposes. The City’s nonmajor enterprise funds and their purposes are:

- The Transit Fund accounts for the operation of the City’s public transportation system.
- The Golf Course Fund accounts for the operation of the Par-3 Golf Course.

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Net Position

June 30, 2018

(Page 1 of 2)

| | <u>Transit Fund</u> | <u>Golf Course</u> | <u>Total</u> |
|------------------------------------|----------------------|--------------------|----------------------|
| Assets | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 639,246 | \$ 180,592 | \$ 819,838 |
| Investments | 1,186,064 | 30,106 | 1,216,170 |
| Receivables: | | | |
| Property taxes | 132,458 | - | 132,458 |
| Accounts and unbilled usage | 20,596 | - | 20,596 |
| Accrued interest | 5,304 | - | 5,304 |
| Receivables from other governments | 1,922,114 | - | 1,922,114 |
| Inventories | 164,783 | 660 | 165,443 |
| Prepaid items | - | 5,730 | 5,730 |
| Total current assets | <u>4,070,565</u> | <u>217,088</u> | <u>4,287,653</u> |
| Noncurrent assets: | | | |
| Property and equipment: | | | |
| Land | 1,435,291 | - | 1,435,291 |
| Buildings | 8,196,388 | 1,496,131 | 9,692,519 |
| Improvements other than buildings | 1,005,756 | - | 1,005,756 |
| Equipment and vehicles | 9,189,322 | - | 9,189,322 |
| Construction in progress | 264,555 | - | 264,555 |
| Less: accumulated depreciation | <u>(12,630,511)</u> | <u>(1,068,586)</u> | <u>(13,699,097)</u> |
| Total noncurrent assets | <u>7,460,801</u> | <u>427,545</u> | <u>7,888,346</u> |
| Total assets | <u>11,531,366</u> | <u>644,633</u> | <u>12,175,999</u> |
| Deferred Outflows | | | |
| Other post employment benefits | 141,778 | - | 141,778 |
| Pensions | 918,199 | - | 918,199 |
| Total assets and deferred outflows | <u>\$ 12,591,343</u> | <u>\$ 644,633</u> | <u>\$ 13,235,976</u> |

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Net Position
June 30, 2018
(Page 2 of 2)

| | <u>Transit Fund</u> | <u>Golf Course</u> | <u>Total</u> |
|---|----------------------|--------------------|----------------------|
| Liabilities | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 64,140 | \$ 8,124 | \$ 72,264 |
| Accrued wages and benefits | 152,723 | 57,622 | 210,345 |
| Compensated absences | 363,968 | - | 363,968 |
| Total current liabilities | <u>580,831</u> | <u>65,746</u> | <u>646,577</u> |
| Noncurrent liabilities: | | | |
| Compensated absences | 101,148 | - | 101,148 |
| Other post employment benefits | 698,996 | - | 698,996 |
| Net pension liability | 3,591,663 | - | 3,591,663 |
| Total noncurrent liabilities | <u>4,391,807</u> | <u>-</u> | <u>4,391,807</u> |
| Total liabilities | <u>4,972,638</u> | <u>65,746</u> | <u>5,038,384</u> |
| Deferred Inflows | | | |
| Other post employment benefits | 43,453 | - | 43,453 |
| Pensions | 29,321 | - | 29,321 |
| Total deferred inflows of resources | <u>72,774</u> | <u>-</u> | <u>72,774</u> |
| Net Position | | | |
| Net investment in capital assets | 7,460,801 | 427,545 | 7,888,346 |
| Restricted for: | | | |
| Capital Projects | 5,460 | - | 5,460 |
| Unrestricted | 79,670 | 151,342 | 231,012 |
| Total net position | <u>7,545,931</u> | <u>578,887</u> | <u>8,124,818</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 12,591,343</u> | <u>\$ 644,633</u> | <u>\$ 13,235,976</u> |

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018

| | <u>Transit Fund</u> | <u>Golf Course Fund</u> | <u>Total Nonmajor Enterprise Fund</u> |
|--|---------------------|-------------------------|---------------------------------------|
| Operating revenues: | | | |
| Charges for services and use of facilities | \$ 724,684 | \$ 400,586 | \$ 1,125,270 |
| Operating expenses: | | | |
| Salaries and benefits | 4,012,975 | 230,835 | 4,243,810 |
| Supplies | 707,901 | 41,938 | 749,839 |
| Contracted services | 340,579 | 12,270 | 352,849 |
| Utilities | 104,211 | 25,875 | 130,086 |
| Other | 166,224 | 59,150 | 225,374 |
| Depreciation | 661,109 | 64,980 | 726,089 |
| Total operating expenses | <u>5,992,999</u> | <u>435,048</u> | <u>6,428,047</u> |
| Operating income (loss) | <u>(5,268,315)</u> | <u>(34,462)</u> | <u>(5,302,777)</u> |
| Nonoperating revenues (expenses): | | | |
| Taxes | 2,230,151 | - | 2,230,151 |
| Intergovernmental | 3,003,131 | - | 3,003,131 |
| Interest and investment income | 18,278 | - | 18,278 |
| Gain (loss) on sale of capital assets | 5,527 | - | 5,527 |
| Other | 20,276 | 1,249 | 21,525 |
| Total nonoperating revenue (expense) | <u>5,277,363</u> | <u>1,249</u> | <u>5,278,612</u> |
| Income (loss) before capital contributions and transfers | <u>9,048</u> | <u>(33,213)</u> | <u>(24,165)</u> |
| Transfers in | 6,000 | - | 6,000 |
| Transfers out | - | (20,000) | (20,000) |
| Change in net position | <u>15,048</u> | <u>(53,213)</u> | <u>(38,165)</u> |
| Net position, beginning of year | <u>7,530,883</u> | <u>632,100</u> | <u>8,162,983</u> |
| Net position, end of year | <u>\$ 7,545,931</u> | <u>\$ 578,887</u> | <u>\$ 8,124,818</u> |

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018
(Page 1 of 2)

| | Transit Fund | Golf Course Fund | Total Nonmajor Enterprise Funds |
|--|-------------------------|---------------------------------|--|
| Cash flows from operating activities: | | | |
| Cash received from customers and users | \$ 738,883 | \$ 400,224 | \$ 1,139,107 |
| Cash received from other sources | - | 1,250 | 1,250 |
| Cash paid to employees for services | (3,418,592) | (230,835) | (3,649,427) |
| Cash paid to suppliers and contracted services | (1,712,612) | (150,497) | (1,863,109) |
| Net cash provided (used) by operating activities | <u>(4,392,321)</u> | <u>20,142</u> | <u>(4,372,179)</u> |
| Cash flows from noncapital financing activities: | | | |
| Cash received from tax revenues | 2,221,160 | - | 2,221,160 |
| Cash received from intergovernmental revenues | 1,407,947 | - | 1,407,947 |
| Transfers to other funds | - | (20,000) | (20,000) |
| Net cash provided (used) by noncapital financing activities | <u>3,629,107</u> | <u>(20,000)</u> | <u>3,609,107</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition and construction of capital assets | (493,280) | (40,646) | (533,926) |
| Proceeds from sales of capital assets | 5,526 | - | 5,526 |
| Transfers From Other Funds | 6,000 | - | 6,000 |
| Net cash provided (used) by capital and related financing activities | <u>(481,754)</u> | <u>(40,646)</u> | <u>(522,400)</u> |
| Cash flows from investing activities: | | | |
| Cash received from interest | 24,175 | - | 24,175 |
| Sale of investments | 1,040,041 | - | 1,040,041 |
| Purchase of investments | (532,241) | - | (532,241) |
| Net cash provided (used) by investing activities | <u>531,975</u> | <u>-</u> | <u>531,975</u> |
| Net increase (decrease) in cash and cash equivalents | <u>(712,993)</u> | <u>(40,504)</u> | <u>(753,497)</u> |
| Cash and cash equivalents, beginning of year | <u>1,352,239</u> | <u>251,202</u> | <u>1,603,441</u> |
| Cash and cash equivalents, end of year | <u>\$ 639,246</u> | <u>\$ 210,698</u> | <u>\$ 849,944</u> |
| Cash and cash equivalents consists of: | | | |
| Cash and cash equivalents | <u>\$ 639,246</u> | <u>\$ 210,698</u> | <u>\$ 849,944</u> |
| Cash and cash equivalents, end of year | <u>\$ 639,246</u> | <u>\$ 210,698</u> | <u>\$ 849,944</u> |

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018
(Page 2 of 2)

| | Transit Fund | Golf Course Fund | Total Nonmajor Enterprise Funds |
|---|-----------------|------------------------|--|
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ (5,268,315) | \$ (34,462) | \$ (5,302,777) |
| Other nonoperating income (expense) | 20,276 | 1,249 | 21,525 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 661,109 | 64,980 | 726,089 |
| (Increase) decrease in receivables | 1,486 | - | 1,486 |
| (Increase) decrease in inventories | 12,713 | - | 12,713 |
| (Increase) decrease in prepaid items | - | (362) | (362) |
| Increase (decrease) in accounts payable | (7,721) | 1,533 | (6,188) |
| Increase (decrease) in accrued liabilities | 188,131 | (12,796) | 175,335 |
| Net cash provided (used) by operating activities | \$ (4,392,321) | \$ 20,142 | \$ (4,372,179) |
| Noncash investing, capital and financing activities: | | | |
| Increase (decrease) in investment market value | (5,897) | - | (5,897) |

INTERNAL SERVICE FUNDS

The City's internal service funds and their purposes are:

- The Fleet Services Fund accounts for the maintenance and repair of vehicles used in the operation of City services.
- The Central Services Fund accounts for postage and copying services used in the operation of the City services.
- The Information Technology Fund accounts for technology services used in the operation of the City services.
- The City Health Insurance Fund accounts for the accumulation and allocation of costs associated with health benefits of City employees, enrolled dependents, and retired employees under 66 years of age.
- The Central Telephone Services Fund accounts for the maintenance and operation of the City-wide telephone system.
- The Property Insurance Fund accounts for property and liability insurance costs.
- The Radio Communications Fund accounts for the maintenance and operation of the City-wide 800 MHz radio system.
- The Facilities Management Fund accounts for amounts received for paying facility management costs.
- The Public Works Administration Fund provides administration services to the Public Works operational divisions.
- The Public Works Engineering Fund provides engineering services to the Public Works projects.

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2018
(Page 1 of 4)

| Assets | Fleet Services Fund | Central Service Fund | Information Technology Fund | City Health Insurance Fund | Central Telephone Services Fund | Property Insurance Fund |
|---|------------------------------------|-------------------------------------|--|---|--|--|
| Current assets: | | | | | | |
| Cash and cash equivalents | \$ 454,453 | \$ 62,545 | \$ 349,893 | \$ 2,505,375 | \$ 206,952 | \$ 898,094 |
| Investments | 836,667 | 117,065 | 646,071 | 4,689,831 | 387,055 | 1,688,592 |
| Receivables: | | | | | | |
| Accounts and unbilled usage | - | - | - | 974 | - | - |
| Accrued interest | 3,156 | 406 | 2,264 | 15,126 | 1,370 | 8,000 |
| Notes | 50,000 | - | - | - | - | - |
| Inventories | 234,603 | - | - | - | - | - |
| Prepaid items | - | - | - | - | - | - |
| Total current assets | 1,578,879 | 180,016 | 998,228 | 7,211,306 | 595,377 | 2,594,686 |
| Noncurrent assets: | | | | | | |
| Notes receivable | 350,000 | - | - | - | - | - |
| Property and equipment: | | | | | | |
| Land | - | - | - | - | - | - |
| Buildings | 32,091 | - | - | - | - | - |
| Improvements other than buildings | - | - | - | - | - | - |
| Equipment and vehicles | 854,460 | 237,335 | 2,165,729 | - | 847,824 | - |
| Less: accumulated depreciation | (822,893) | (222,536) | (1,601,688) | - | (722,019) | - |
| Total noncurrent assets | 413,658 | 14,799 | 564,041 | - | 125,805 | - |
| Total assets | 1,992,537 | 194,815 | 1,562,269 | 7,211,306 | 721,182 | 2,594,686 |
| Deferred Outflows | | | | | | |
| Other post employment benefits | 46,557 | - | 43,605 | - | 2,732 | 2,467 |
| Pensions | 342,938 | - | 498,069 | - | 31,674 | 29,406 |
| Total assets and deferred outflows | \$2,382,032 | \$ 194,815 | \$2,103,943 | \$7,211,306 | \$ 755,588 | \$2,626,559 |

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2018
(Page 2 of 4)

| | Radio Communications Fund | Facilities Management Fund | Public Works Administration Fund | Public Works Engineering Fund | Total Internal Service Funds |
|------------------------------------|--|---|---|--|---|
| Assets | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents | \$ 181,736 | \$ 365,526 | \$ 132,755 | \$ 147,086 | \$ 5,304,415 |
| Investments | 340,860 | 884,318 | 248,115 | 273,743 | 10,112,317 |
| Receivables: | | | | | |
| Accounts and unbilled usage | - | - | - | 33,935 | 34,909 |
| Accrued interest | 1,200 | 1,976 | 726 | 316 | 34,540 |
| Notes | - | - | - | - | 50,000 |
| Inventories | - | - | - | - | 234,603 |
| Prepaid items | - | - | 2,883 | 11,532 | 14,415 |
| Total current assets | <u>523,796</u> | <u>1,251,820</u> | <u>384,479</u> | <u>466,612</u> | <u>15,785,199</u> |
| Noncurrent assets: | | | | | |
| Notes receivable | - | - | - | - | 350,000 |
| Property and equipment: | | | | | |
| Land | - | 1,989,883 | - | - | 1,989,883 |
| Buildings | 385,655 | 8,963,489 | - | - | 9,381,235 |
| Improvements other than buildings | 19,692 | 2,092,172 | - | - | 2,111,864 |
| Equipment and vehicles | 3,395,791 | 344,200 | 50,358 | 399,319 | 8,295,016 |
| Less: accumulated depreciation | (2,925,581) | (4,263,967) | (31,386) | (272,690) | (10,862,760) |
| Total noncurrent assets | <u>875,557</u> | <u>9,125,777</u> | <u>18,972</u> | <u>126,629</u> | <u>11,265,238</u> |
| Total assets | <u>1,399,353</u> | <u>10,377,597</u> | <u>403,451</u> | <u>593,241</u> | <u>27,050,437</u> |
| Deferred Outflows | | | | | |
| Other post employment benefits | - | 15,110 | 25,046 | 52,052 | 187,569 |
| Pensions | - | 106,310 | 286,791 | 599,550 | 1,894,738 |
| Total assets and deferred outflows | <u>\$ 1,399,353</u> | <u>\$ 10,499,017</u> | <u>\$ 715,288</u> | <u>\$ 1,244,843</u> | <u>\$29,132,744</u> |

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2018
(Page 3 of 4)

| | Fleet Services Fund | Central Service Fund | Information Technology Fund | City Health Insurance Fund | Central Telephone Services Fund | Property Insurance Fund |
|---|------------------------------------|-------------------------------------|--|---|--|--|
| Liabilities | | | | | | |
| Current liabilities: | | | | | | |
| Accounts payable | \$ 90,421 | \$ 7,606 | \$ 10,942 | \$ 113,901 | \$ 6,795 | \$ 55,228 |
| Accrued wages and benefits | 55,519 | - | 64,285 | - | 4,355 | 3,776 |
| Compensated absences | 211,377 | - | 238,887 | - | 7,100 | 23,348 |
| Accrued interest payable | - | - | - | - | - | - |
| Incurred but not reported health benefits | - | - | - | 907,796 | - | - |
| Notes payable | - | - | - | - | - | - |
| Unearned Revenue | - | - | - | - | - | - |
| Total current liabilities | <u>357,317</u> | <u>7,606</u> | <u>314,114</u> | <u>1,021,697</u> | <u>18,250</u> | <u>82,352</u> |
| Noncurrent liabilities: | | | | | | |
| Compensated absences | 58,743 | - | 66,388 | - | 1,973 | 6,488 |
| Other post employment benefits | 216,066 | - | 222,758 | - | 14,147 | 12,589 |
| Net pension liability | 1,341,448 | - | 1,948,264 | - | 123,896 | 115,024 |
| Notes payable | - | - | - | - | - | - |
| Total noncurrent liabilities | <u>1,616,257</u> | <u>-</u> | <u>2,237,410</u> | <u>-</u> | <u>140,016</u> | <u>134,101</u> |
| Total liabilities | <u>1,973,574</u> | <u>7,606</u> | <u>2,551,524</u> | <u>1,021,697</u> | <u>158,266</u> | <u>216,453</u> |
| Deferred Inflows | | | | | | |
| Other post employment benefits | 14,275 | - | 13,402 | - | 839 | 758 |
| Pensions | 10,951 | - | 15,905 | - | 1,011 | 939 |
| Total deferred inflows of resources | <u>25,226</u> | <u>-</u> | <u>29,307</u> | <u>-</u> | <u>1,850</u> | <u>1,697</u> |
| Net Position | | | | | | |
| Net investment in capital assets | 63,658 | 14,799 | 564,041 | - | 125,805 | - |
| Unrestricted | 319,574 | 172,410 | (1,040,929) | 6,189,609 | 469,667 | 2,408,409 |
| Total net position | <u>383,232</u> | <u>187,209</u> | <u>(476,888)</u> | <u>6,189,609</u> | <u>595,472</u> | <u>2,408,409</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 2,382,032</u> | <u>\$ 194,815</u> | <u>\$ 2,103,943</u> | <u>\$ 7,211,306</u> | <u>\$ 755,588</u> | <u>\$ 2,626,559</u> |

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2018
(Page 4 of 4)

| | Radio Communications Fund | Facilities Management Fund | Public Works Administration Fund | Public Works Engineering Fund | Total Internal Service Funds |
|---|--|---|---|--|---|
| Liabilities | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | \$ 1,817 | \$ 43,697 | \$ 6,649 | \$ 23,643 | \$ 360,699 |
| Accrued wages and benefits | - | 15,355 | 42,090 | 79,067 | 264,447 |
| Compensated absences | - | 45,740 | 193,359 | 308,568 | 1,028,379 |
| Accrued interest payable | - | 23,900 | - | - | 23,900 |
| Incurred but not reported health benefits | - | - | - | - | 907,796 |
| Notes payable | - | 410,000 | - | - | 410,000 |
| Unearned Revenue | - | - | - | 94 | 94 |
| Total current liabilities | <u>1,817</u> | <u>538,692</u> | <u>242,098</u> | <u>411,372</u> | <u>2,995,315</u> |
| Noncurrent liabilities: | | | | | |
| Compensated absences | - | 12,711 | 53,735 | 85,752 | 285,790 |
| Other post employment benefits | - | 71,954 | 103,650 | 251,507 | 892,671 |
| Net pension liability | - | 415,846 | 1,121,823 | 2,345,222 | 7,411,523 |
| Notes payable | - | 2,104,689 | - | - | 2,104,689 |
| Total noncurrent liabilities | <u>-</u> | <u>2,605,200</u> | <u>1,279,208</u> | <u>2,682,481</u> | <u>10,694,673</u> |
| Total liabilities | <u>1,817</u> | <u>3,143,892</u> | <u>1,521,306</u> | <u>3,093,853</u> | <u>13,689,988</u> |
| Deferred Inflows | | | | | |
| Other post employment benefits | - | 4,633 | 7,686 | 15,976 | 57,569 |
| Pensions | - | 3,395 | 9,158 | 19,145 | 60,504 |
| Total deferred inflows of resources | <u>-</u> | <u>8,028</u> | <u>16,844</u> | <u>35,121</u> | <u>118,073</u> |
| Net Position | | | | | |
| Net investment in capital assets | 875,557 | 6,611,088 | 18,972 | 126,629 | 8,400,549 |
| Unrestricted | 521,979 | 736,009 | (841,834) | (2,010,760) | 6,924,134 |
| Total net position | <u>1,397,536</u> | <u>7,347,097</u> | <u>(822,862)</u> | <u>(1,884,131)</u> | <u>15,324,683</u> |
| Total liabilities, deferred inflows, and net position | <u>\$ 1,399,353</u> | <u>\$ 10,499,017</u> | <u>\$ 715,288</u> | <u>\$ 1,244,843</u> | <u>\$ 29,132,744</u> |

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018
(Page 1 of 2)

| | Fleet Services Fund | Central Service Fund | Information Technology Fund | City Health Insurance Fund | Central Telephone Services Fund | Property Insurance Fund |
|---|------------------------------------|-------------------------------------|--|---|--|--|
| Operating revenues: | | | | | | |
| Charges for services and use of facilities | \$ 1,690,731 | \$ 115,225 | \$ 2,314,039 | \$12,971,821 | \$ 404,041 | \$ 2,089,634 |
| Operating expenses: | | | | | | |
| Salaries and benefits | 1,493,665 | - | 1,914,774 | 10,231,098 | 121,181 | 114,585 |
| Supplies | 57,669 | 13,123 | 128,280 | - | 3,191 | 74 |
| Contracted services | 136,101 | 82,171 | 188,465 | 1,447,938 | 70,012 | 13,400 |
| Utilities | 7,390 | - | 59,131 | - | 138,243 | - |
| Other | 72,371 | - | 158,992 | 75,569 | 693 | 1,912,238 |
| Depreciation | 25,252 | 10,985 | 194,627 | - | 23,699 | - |
| Total operating expenses | <u>1,792,448</u> | <u>106,279</u> | <u>2,644,269</u> | <u>11,754,605</u> | <u>357,019</u> | <u>2,040,297</u> |
| Operating income (loss) | <u>(101,717)</u> | <u>8,946</u> | <u>(330,230)</u> | <u>1,217,216</u> | <u>47,022</u> | <u>49,337</u> |
| Nonoperating revenues (expenses): | | | | | | |
| Taxes | - | - | - | - | - | - |
| Interest expense | - | - | - | - | - | - |
| Interest and investment income | 10,872 | 1,439 | 8,306 | 50,994 | 4,545 | 19,327 |
| Gain (loss) on sale of capital assets | 5,187 | - | 2,103 | - | - | - |
| Other | 16,491 | - | 1,382 | 4,475 | 88 | 1,403 |
| Total nonoperating revenue (expense) | <u>32,550</u> | <u>1,439</u> | <u>11,791</u> | <u>55,469</u> | <u>4,633</u> | <u>20,730</u> |
| Income (loss) before capital contributions and transfers | <u>(69,167)</u> | <u>10,385</u> | <u>(318,439)</u> | <u>1,272,685</u> | <u>51,655</u> | <u>70,067</u> |
| Transfers in | - | - | - | - | - | - |
| Transfers out | <u>(95,770)</u> | - | - | - | - | - |
| Change in net position | <u>(164,937)</u> | <u>10,385</u> | <u>(318,439)</u> | <u>1,272,685</u> | <u>51,655</u> | <u>70,067</u> |
| Net position, beginning of year | <u>548,169</u> | <u>176,824</u> | <u>(158,449)</u> | <u>4,916,924</u> | <u>543,817</u> | <u>2,338,342</u> |
| Net position, end of year | <u>\$ 383,232</u> | <u>\$ 187,209</u> | <u>\$ (476,888)</u> | <u>\$ 6,189,609</u> | <u>\$ 595,472</u> | <u>\$ 2,408,409</u> |

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2018
(Page 2 of 2)

| | Radio Communications Fund | Facilities Management Fund | Public Works Administration Fund | Public Works Engineering Fund | Total Internal Service Funds |
|---|--|---|---|--|---|
| Operating revenues: | | | | | |
| Charges for services and use of facilities | \$ 340,022 | \$ 1,211,959 | \$ 1,270,687 | \$ 2,592,807 | \$25,000,966 |
| Operating expenses: | | | | | |
| Salaries and benefits | - | 452,850 | 1,140,284 | 2,194,096 | 17,662,533 |
| Supplies | 13 | 100,418 | 11,090 | 37,440 | 351,298 |
| Contracted services | 190,713 | 385,458 | 193,503 | 291,614 | 2,999,375 |
| Utilities | 15,449 | 260,858 | 13,911 | 40,349 | 535,331 |
| Other | - | 46,756 | 47,181 | 201,736 | 2,515,536 |
| Depreciation | 260,654 | 321,877 | 6,380 | 41,379 | 884,853 |
| Total operating expenses | 466,829 | 1,568,217 | 1,412,349 | 2,806,614 | 24,948,926 |
| Operating income (loss) | (126,807) | (356,258) | (141,662) | (213,807) | 52,040 |
| Nonoperating revenues (expenses): | | | | | |
| Taxes | - | - | - | 26,145 | 26,145 |
| Interest expense | - | (54,569) | - | - | (54,569) |
| Interest and investment income | 3,904 | 8,357 | 2,832 | 1,761 | 112,337 |
| Gain (loss) on sale of capital assets | - | 1,479 | - | - | 8,769 |
| Other | - | 31,964 | 801 | 2,598 | 59,202 |
| Total nonoperating revenue (expense) | 3,904 | (12,769) | 3,633 | 30,504 | 151,884 |
| Income (loss) before capital contributions and transfers | (122,903) | (369,027) | (138,029) | (183,303) | 203,924 |
| Transfers in | - | 383,081 | - | - | 383,081 |
| Transfers out | - | - | - | - | (95,770) |
| Change in net position | (122,903) | 14,054 | (138,029) | (183,303) | 491,235 |
| Net position, beginning of year | 1,520,439 | 7,333,043 | (684,833) | (1,700,828) | 14,833,448 |
| Net position, end of year | \$ 1,397,536 | \$ 7,347,097 | \$ (822,862) | \$(1,884,131) | \$15,324,683 |

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018
(Page 1 of 4)

| | Fleet Services Fund | Central Service Fund | Information Technology Fund | City Health Insurance Fund | Central Telephone Services Fund | Property Insurance Fund |
|--|------------------------------------|-------------------------------------|--|---|--|--|
| Cash flows from operating activities: | | | | | | |
| Cash received from customers and users | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Cash received from interfund services provided | 1,690,731 | 115,225 | 2,314,039 | 12,970,847 | 404,041 | 2,089,634 |
| Cash received from other sources | 16,491 | - | 3,485 | 4,475 | - | 1,403 |
| Cash paid to employees for services | (1,395,402) | - | (1,892,369) | - | (108,739) | (102,576) |
| Cash paid to suppliers and contracted services | (301,725) | (99,712) | (620,280) | (11,591,808) | (216,879) | (1,870,522) |
| Net cash provided (used) by operating activities | <u>10,095</u> | <u>15,513</u> | <u>(195,125)</u> | <u>1,383,514</u> | <u>78,423</u> | <u>117,939</u> |
| Cash flows from noncapital financing activities: | | | | | | |
| Transfers from other funds | - | - | - | - | - | - |
| Transfers to other funds | (95,770) | - | - | - | - | - |
| Net cash provided (used) by noncapital financing activities | <u>(95,770)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from capital and related financing activities: | | | | | | |
| Acquisition and construction of capital assets | - | (16,868) | (63,799) | - | - | - |
| Proceeds from sales of capital assets | 55,187 | - | - | - | - | - |
| Cash paid for interest | - | - | - | - | - | - |
| Principal paid on notes payable and capital lease payable | - | - | - | - | - | - |
| Transfers from other funds | - | - | - | - | - | - |
| Net cash provided (used) by capital and related financing activities | <u>55,187</u> | <u>(16,868)</u> | <u>(63,799)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash flows from investing activities: | | | | | | |
| Cash received from interest | 13,124 | 1,750 | 10,299 | 60,350 | 5,347 | 17,823 |
| Sale of investments | 273,897 | 34,795 | 410,907 | 595,809 | 69,175 | 427,043 |
| Purchase of investments | (375,110) | (52,075) | (288,043) | (2,085,992) | (172,093) | (747,759) |
| Net cash provided (used) by investing activities | <u>(88,089)</u> | <u>(15,530)</u> | <u>133,163</u> | <u>(1,429,833)</u> | <u>(97,571)</u> | <u>(302,893)</u> |
| Net increase (decrease) in cash and cash equivalents | (118,577) | (16,885) | (125,761) | (46,319) | (19,148) | (184,954) |
| Cash and cash equivalents, beginning of year | <u>573,030</u> | <u>79,430</u> | <u>475,654</u> | <u>2,551,694</u> | <u>226,100</u> | <u>1,083,048</u> |
| Cash and cash equivalents, end of year | <u>\$ 454,453</u> | <u>\$ 62,545</u> | <u>\$ 349,893</u> | <u>\$ 2,505,375</u> | <u>\$ 206,952</u> | <u>\$ 898,094</u> |

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018
(Page 2 of 4)

| | Radio Communica- tions Fund | Facilities Manage- ment Fund | Public Works Administration Fund | Public Works Engineering Fund | Total Internal Service Funds |
|--|--|---|---|--|---|
| Cash flows from operating activities: | | | | | |
| Cash received from customers and users | \$ - | \$ 541,105 | \$ - | \$ 106,752 | \$ 647,857 |
| Cash received from interfund services provided | 340,022 | 670,854 | 1,270,687 | 2,515,592 | 24,381,672 |
| Cash received from other sources | - | 34,922 | - | 2,598 | 63,374 |
| Cash paid to employees for services | - | (423,580) | (1,199,502) | (2,087,595) | (7,209,763) |
| Cash paid to suppliers and contracted services | (204,819) | (803,777) | (263,368) | (552,209) | (16,525,099) |
| Net cash provided (used) by operating activities | <u>135,203</u> | <u>19,524</u> | <u>(192,183)</u> | <u>(14,862)</u> | <u>1,358,041</u> |
| Cash flows from noncapital financing activities: | | | | | |
| Transfers from other funds | - | - | - | - | - |
| Transfers to other funds | - | - | - | - | (95,770) |
| Net cash provided (used) by noncapital financing activities | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(95,770)</u> |
| Cash flows from capital and related financing activities: | | | | | |
| Acquisition and construction of capital assets | - | (37,795) | - | (26,706) | (145,168) |
| Proceeds from sales of capital assets | - | 1,479 | - | - | 56,666 |
| Cash paid for interest | - | (79,350) | - | - | (79,350) |
| Principal paid on notes payable and capital lease payable | - | (400,000) | - | - | (400,000) |
| Transfers from other funds | - | 383,081 | - | - | 383,081 |
| Net cash provided (used) by capital and related financing activities | <u>-</u> | <u>(132,585)</u> | <u>-</u> | <u>(26,706)</u> | <u>(184,771)</u> |
| Cash flows from investing activities: | | | | | |
| Cash received from interest | 4,694 | 10,563 | 3,617 | 2,596 | 130,163 |
| Sale of investments | 23,571 | 261,942 | 265,900 | 105,559 | 2,468,598 |
| Purchase of investments | (151,314) | (392,938) | (110,533) | (122,465) | (4,498,322) |
| Net cash provided by investing activities | <u>(123,049)</u> | <u>(120,433)</u> | <u>158,984</u> | <u>(14,310)</u> | <u>(1,899,561)</u> |
| Net increase (decrease) in cash and cash equivalents | 12,154 | (233,494) | (33,199) | (55,878) | (822,061) |
| Cash and cash equivalents, beginning of year | <u>169,582</u> | <u>599,020</u> | <u>165,954</u> | <u>202,964</u> | <u>6,126,476</u> |
| Cash and cash equivalents, end of year | <u>\$ 181,736</u> | <u>\$ 365,526</u> | <u>\$ 132,755</u> | <u>\$ 147,086</u> | <u>\$ 5,304,415</u> |

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018
(Page 3 of 4)

| | Fleet Services Fund | Central Service Fund | Information Technology Fund | City Health Insurance Fund | Central Telephone Services Fund | Property Insurance Fund |
|---|------------------------------------|-------------------------------------|--|---|--|--|
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | | |
| Operating income (loss) | \$ (101,717) | \$ 8,946 | \$ (330,230) | \$ 1,217,216 | \$ 47,022 | \$ 49,337 |
| Other nonoperating income (expense) | 21,678 | - | 3,486 | 4,475 | 88 | 1,403 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | | |
| Depreciation expense | 25,252 | 10,985 | 194,627 | - | 23,699 | - |
| (Increase) decrease in receivables | - | - | - | (974) | - | - |
| (Increase) decrease in inventories | (47,395) | - | - | - | - | - |
| (Increase) decrease in prepaid items and deposits | - | - | - | - | - | - |
| Increase (decrease) in accounts payable | 19,201 | (4,418) | (85,412) | 6,638 | (4,740) | 55,190 |
| Increase (decrease) in accrued liabilities | 93,076 | - | 22,404 | 156,159 | 12,354 | 12,009 |
| Net cash provided (used) by operating activities | <u>\$ 10,095</u> | <u>\$ 15,513</u> | <u>\$ (195,125)</u> | <u>\$ 1,383,514</u> | <u>\$ 78,423</u> | <u>\$ 117,939</u> |
| Noncash investing, capital and financing activities: | | | | | | |
| Increase (decrease) in investment market value | (3,236) | (427) | (2,501) | (14,584) | (1,314) | (2,152) |

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2018
(Page 4 of 4)

| | Radio Communica- tions Fund | Facilities Manage- ment Fund | Public Works Administration Fund | Public Works Engineering Fund | Total Internal Service Funds |
|---|--|---|---|--|---|
| Reconciliation of operating income to net cash provided (used) by operating activities: | | | | | |
| Operating income (loss) | \$ (126,807) | \$ (356,258) | \$ (141,662) | \$ (213,807) | \$ 52,040 |
| Other nonoperating income (expense) | - | 33,443 | 801 | 28,743 | 94,117 |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | | | |
| Depreciation expense | 260,654 | 321,877 | 6,380 | 41,379 | 884,853 |
| (Increase) decrease in receivables | - | - | - | 3,392 | 2,418 |
| (Increase) decrease in inventories | - | - | - | - | (47,395) |
| (Increase) decrease in prepaid items and deposits | - | - | 208 | 834 | 1,042 |
| Increase (decrease) in accounts payable | 1,356 | (9,398) | 1,308 | 18,096 | (2,179) |
| Increase (decrease) in accrued liabilities | - | 29,860 | (59,218) | 106,501 | 373,145 |
| Net cash provided (used) by operating activities | <u>\$ 135,203</u> | <u>\$ 19,524</u> | <u>\$ (192,183)</u> | <u>\$ (14,862)</u> | <u>\$ 1,358,041</u> |
| Noncash investing, capital and financing activities: | | | | | |
| Increase (decrease) in investment market value | (1,375) | (2,141) | (897) | (505) | (29,132) |

AGENCY FUNDS

The City's agency funds and their purposes are:

- The Downtown Business Improvement District Fund accounts for amounts the City receives from Yellowstone County for Billings Business Improvement District (BID) assessments and remits the same to the BID as required by State Statutes.
- The Tourism Business Improvement District Fund accounts for amounts the City receives from Yellowstone County for Billings Tourism Business Improvement District (TBID) assessments and remits the same to the TBID as required by State Statutes.
- The License Plate Fund accounts for amounts the City receives from Yellowstone County for license plate assessments and remits the same to the License Plate Fund as required by State Statutes.

CITY OF BILLINGS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2018
(Page 1 of 2)

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2018</u> |
|--|---------------------------------------|---------------------|---------------------|--|
| Downtown Business Improvement District | | | | |
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ - | \$ 311,146 | \$ 311,146 | \$ - |
| Total assets | <u>\$ -</u> | <u>\$ 311,146</u> | <u>\$ 311,146</u> | <u>\$ -</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ - | \$ 311,146 | \$ 311,146 | \$ - |
| Total liabilities | <u>\$ -</u> | <u>\$ 311,146</u> | <u>\$ 311,146</u> | <u>\$ -</u> |
| Tourism Business Improvement District | | | | |
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ - | \$ 1,941,435 | \$ 1,941,435 | \$ - |
| Total assets | <u>\$ -</u> | <u>\$ 1,941,435</u> | <u>\$ 1,941,435</u> | <u>\$ -</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ - | \$ 1,941,435 | \$ 1,941,435 | \$ - |
| Total liabilities | <u>\$ -</u> | <u>\$ 1,941,435</u> | <u>\$ 1,941,435</u> | <u>\$ -</u> |
| License Plate Fund | | | | |
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 602 | \$ 10,464 | \$ - | \$ 11,066 |
| Total assets | <u>\$ 602</u> | <u>\$ 10,464</u> | <u>\$ -</u> | <u>\$ 11,066</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 602 | \$ 10,464 | \$ - | \$ 11,066 |
| Total liabilities | <u>\$ 602</u> | <u>\$ 10,464</u> | <u>\$ -</u> | <u>\$ 11,066</u> |

(continued)

CITY OF BILLINGS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2018
(Page 2 of 2)

| | <u>Balance</u> <u>July 1, 2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance</u> <u>June 30, 2018</u> |
|----------------------------------|---------------------------------------|---------------------|---------------------|--|
| Totals - All Agency Funds | | | | |
| <u>Assets</u> | | | | |
| Cash and cash equivalents | \$ 602 | \$ 2,263,045 | \$ 2,252,581 | \$ 11,066 |
| Total assets | <u>\$ 602</u> | <u>\$ 2,263,045</u> | <u>\$ 2,252,581</u> | <u>\$ 11,066</u> |
| <u>Liabilities</u> | | | | |
| Accounts payable | \$ 602 | \$ 2,263,045 | \$ 2,252,581 | \$ 11,066 |
| Total liabilities | <u>\$ 602</u> | <u>\$ 2,263,045</u> | <u>\$ 2,252,581</u> | <u>\$ 11,066</u> |

STATISTICAL SECTION (UNAUDITED)

This part of the City of Billings' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, not disclosures, and required supplementary information says about the City's overall financial health.

Contents

Pages

Financial Trends

188-196

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

Revenue Capacity

197-200

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

Debt Capacity

201-209

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

210-211

These schedules offer demographic and economic indicators to help the reader understand the environment within the City of Billings.

Operating Information

212-216

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

CITY OF BILLINGS, MONTANA
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Governmental activities | | | | | | | | | | |
| Net invested in capital assets | \$ 133,026 | \$ 137,282 | \$ 156,927 | \$ 185,242 | \$ 197,845 | \$ 196,250 | \$ 173,274 | \$ 201,511 | \$ 208,499 | \$ 213,236 |
| Restricted | 55,867 | 58,567 | 56,725 | 58,125 | 67,391 | 71,418 | 61,917 | 62,749 | 53,672 | 64,435 |
| Unrestricted | 13,654 | 17,550 | 20,350 | 23,962 | 21,213 | 24,885 | 25,416 | 5,297 | 11,293 | 1,104 |
| Total governmental activities net position | <u>\$ 202,547</u> | <u>\$ 213,399</u> | <u>\$ 234,002</u> | <u>\$ 267,329</u> | <u>\$ 286,449</u> | <u>\$ 292,553</u> | <u>\$ 260,607</u> | <u>\$ 269,557</u> | <u>\$ 273,464</u> | <u>\$ 278,775</u> |
| Business-type activities | | | | | | | | | | |
| Net invested in capital assets | \$ 264,674 | \$ 271,666 | \$ 285,474 | \$ 286,328 | \$ 304,407 | \$ 321,736 | \$ 337,910 | \$ 353,451 | \$ 309,890 | \$ 325,091 |
| Restricted | 4,273 | 5,175 | 5,977 | 5,657 | 6,142 | 9,667 | 7,412 | 4,930 | 55,101 | 28,198 |
| Unrestricted | 42,333 | 45,927 | 48,090 | 57,552 | 60,613 | 70,894 | 60,588 | 73,261 | 87,687 | 117,362 |
| Total business-type activities net position | <u>\$ 311,280</u> | <u>\$ 322,768</u> | <u>\$ 339,541</u> | <u>\$ 349,537</u> | <u>\$ 371,162</u> | <u>\$ 402,297</u> | <u>\$ 405,910</u> | <u>\$ 431,642</u> | <u>\$ 452,678</u> | <u>\$ 470,651</u> |
| Primary government | | | | | | | | | | |
| Net invested in capital assets | \$ 397,700 | \$ 408,948 | \$ 442,401 | \$ 471,570 | \$ 502,252 | \$ 517,986 | \$ 511,184 | \$ 554,962 | \$ 518,389 | \$ 538,327 |
| Restricted | 60,140 | 63,742 | 62,702 | 63,782 | 73,533 | 81,085 | 69,329 | 67,679 | 108,773 | 92,633 |
| Unrestricted | 55,987 | 63,477 | 68,440 | 81,514 | 81,826 | 95,779 | 86,004 | 78,558 | 98,980 | 118,466 |
| Total primary government net position | <u>\$ 513,827</u> | <u>\$ 536,167</u> | <u>\$ 573,543</u> | <u>\$ 616,866</u> | <u>\$ 657,611</u> | <u>\$ 694,850</u> | <u>\$ 666,517</u> | <u>\$ 701,199</u> | <u>\$ 726,142</u> | <u>\$ 749,426</u> |

Source: City of Billings, Montana

CITY OF BILLINGS, MONTANA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)
(Page 1 of 3)

| | Fiscal Year | | | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Expenses | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| General government | \$ 7,288 | \$ 7,240 | \$ 7,397 | \$ 7,543 | \$ 7,249 | \$ 8,319 | \$ 9,533 | \$ 8,166 | \$ 8,801 | \$ 9,183 |
| Public safety | 38,312 | 40,841 | 42,735 | 37,410 | 47,884 | 43,124 | 43,085 | 43,855 | 45,516 | 52,599 |
| Public works | 20,238 | 17,531 | 19,284 | 21,609 | 26,939 | 30,322 | 31,320 | 32,695 | 38,203 | 37,156 |
| Public health | 858 | 816 | 865 | 851 | 871 | 905 | 1,059 | 957 | 1,002 | 1,038 |
| Culture and recreation | 7,799 | 8,118 | 8,133 | 8,312 | 8,799 | 9,577 | 11,212 | 10,867 | 11,269 | 11,458 |
| Housing and economic development | 4,068 | 5,879 | 3,709 | 3,561 | 3,212 | 3,475 | 4,612 | 4,475 | 5,890 | 5,338 |
| Interest on long-term debt | 2,440 | 2,377 | 2,216 | 2,212 | 2,083 | 2,602 | 2,779 | 2,939 | 2,775 | 2,830 |
| Total governmental activities expenses | <u>81,003</u> | <u>82,802</u> | <u>84,339</u> | <u>81,498</u> | <u>97,037</u> | <u>98,324</u> | <u>103,600</u> | <u>103,954</u> | <u>113,456</u> | <u>119,602</u> |
| Business-type activities: | | | | | | | | | | |
| Solid waste | 8,933 | 8,510 | 9,996 | 10,296 | 10,482 | 11,314 | 11,823 | 11,988 | 12,117 | 13,753 |
| Airport | 11,598 | 11,613 | 12,038 | 13,098 | 12,763 | 12,711 | 12,616 | 12,538 | 12,907 | 14,067 |
| Water | 15,634 | 15,610 | 16,420 | 16,481 | 17,876 | 17,497 | 17,652 | 18,534 | 19,534 | 20,673 |
| Wastewater | 8,905 | 10,050 | 10,168 | 10,831 | 12,291 | 12,232 | 12,314 | 12,953 | 14,750 | 14,975 |
| Parking | 2,718 | 2,784 | 2,616 | 3,166 | 2,057 | 2,095 | 2,538 | 2,425 | 2,401 | 2,503 |
| Transit | 5,338 | 5,564 | 5,737 | 6,017 | 6,021 | 6,264 | 6,170 | 5,715 | 5,667 | 5,993 |
| Golf course | 415 | 423 | 428 | 434 | 453 | 443 | 436 | 450 | 478 | 435 |
| Total business-type activities expenses | <u>53,541</u> | <u>54,554</u> | <u>57,403</u> | <u>60,323</u> | <u>61,943</u> | <u>62,556</u> | <u>63,549</u> | <u>64,603</u> | <u>67,854</u> | <u>72,399</u> |
| Total primary government expenses | <u>\$ 134,544</u> | <u>\$ 137,356</u> | <u>\$ 141,742</u> | <u>\$ 141,821</u> | <u>\$ 158,980</u> | <u>\$ 160,880</u> | <u>\$ 167,149</u> | <u>\$ 168,557</u> | <u>\$ 181,310</u> | <u>\$ 192,001</u> |

(continued)

CITY OF BILLINGS, MONTANA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)
(Page 2 of 3)

| | Fiscal Year | | | | | | | | | |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Program Revenues | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| General government | \$ 2,229 | \$ 2,291 | \$ 2,365 | \$ 2,788 | \$ 2,611 | \$ 2,463 | \$ 2,855 | \$ 3,286 | \$ 3,414 | \$ 3,560 |
| Public safety | 5,847 | 6,172 | 6,630 | 5,982 | 5,847 | 4,900 | 5,857 | 5,627 | 5,200 | 5,166 |
| Public works | 19,278 | 18,238 | 18,933 | 21,221 | 21,433 | 22,427 | 23,271 | 24,763 | 25,476 | 27,892 |
| Culture and recreation | 1,648 | 45 | 46 | 45 | 36 | 59 | 42 | 50 | 48 | 56 |
| Other activities | 123 | 1,772 | 1,838 | 1,887 | 1,948 | 2,074 | 2,326 | 2,472 | 2,411 | 2,301 |
| Operating grants and contributions | 11,514 | 13,125 | 12,229 | 7,006 | 12,503 | 13,648 | 16,554 | 11,713 | 12,034 | 18,909 |
| Capital grants and contributions | 13,182 | 7,555 | 14,133 | 26,658 | 28,524 | 13,626 | 7,884 | 9,568 | 11,036 | 7,118 |
| Total governmental activities program revenues | <u>53,821</u> | <u>49,198</u> | <u>56,174</u> | <u>65,587</u> | <u>72,902</u> | <u>59,197</u> | <u>58,789</u> | <u>57,479</u> | <u>59,619</u> | <u>65,002</u> |
| Business-type activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Solid waste | 8,169 | 9,144 | 9,801 | 10,731 | 10,161 | 11,024 | 13,925 | 13,888 | 14,715 | 15,407 |
| Airport | 7,987 | 8,278 | 8,483 | 9,568 | 9,841 | 9,046 | 9,536 | 9,915 | 10,078 | 10,404 |
| Water | 19,458 | 21,099 | 19,538 | 23,569 | 25,904 | 22,928 | 24,740 | 25,914 | 24,686 | 27,995 |
| Wastewater | 10,574 | 10,282 | 10,919 | 14,144 | 16,123 | 18,054 | 18,469 | 18,915 | 19,798 | 19,518 |
| Other activities | 2,919 | 2,850 | 2,810 | 2,902 | 3,071 | 2,758 | 2,752 | 2,496 | 2,675 | 2,856 |
| Operating grants and contributions | 2,281 | 2,384 | 2,224 | 2,260 | 2,533 | 2,815 | 2,195 | 3,894 | 4,024 | 3,721 |
| Capital grants and contributions | 7,187 | 9,247 | 15,707 | 6,041 | 8,426 | 15,274 | 4,366 | 12,326 | 9,163 | 5,697 |
| Total business-type activities program revenues | <u>58,575</u> | <u>63,284</u> | <u>69,482</u> | <u>69,215</u> | <u>76,059</u> | <u>81,899</u> | <u>75,983</u> | <u>87,348</u> | <u>85,139</u> | <u>85,598</u> |
| Total primary government program revenues | <u>\$ 112,396</u> | <u>\$ 112,482</u> | <u>\$ 125,656</u> | <u>\$ 134,802</u> | <u>\$ 148,961</u> | <u>\$ 141,096</u> | <u>\$ 134,772</u> | <u>\$ 144,827</u> | <u>\$ 144,758</u> | <u>\$ 150,600</u> |
| Net (expense)/revenue | | | | | | | | | | |
| Governmental activities | \$ (27,182) | \$ (33,604) | \$ (25,324) | \$ (31,450) | \$ (24,135) | \$ (39,127) | \$ (44,811) | \$ (46,475) | \$ (53,837) | \$ (54,600) |
| Business-type activities | 5,034 | 8,730 | 9,159 | 7,272 | 14,116 | 19,343 | 12,434 | 22,745 | 17,285 | 13,199 |
| Total primary government | <u>\$ (22,148)</u> | <u>\$ (24,874)</u> | <u>\$ (16,165)</u> | <u>\$ (24,178)</u> | <u>\$ (10,019)</u> | <u>\$ (19,784)</u> | <u>\$ (32,377)</u> | <u>\$ (23,730)</u> | <u>\$ (36,552)</u> | <u>\$ (41,401)</u> |

(continued)

CITY OF BILLINGS, MONTANA
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)
(Page 3 of 3)

| | Fiscal Year | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| General Revenues and Other Changes in Net Position | | | | | | | | | | |
| Governmental activities: | | | | | | | | | | |
| Property taxes | \$ 25,877 | \$ 28,106 | \$ 31,642 | \$ 31,165 | \$ 32,686 | \$ 36,507 | \$ 32,198 | \$ 36,636 | \$ 37,269 | \$ 38,684 |
| Franchise fees | 2,711 | 2,786 | 2,946 | 3,348 | 3,598 | 2,770 | 3,808 | 3,946 | 3,833 | 3,852 |
| Business license tax | 634 | 643 | 744 | 706 | 701 | 740 | 759 | 755 | 763 | 762 |
| Unrestricted federal/state shared revenue | 12,232 | 12,707 | 13,247 | 13,544 | 14,023 | 15,117 | 15,550 | 15,878 | 16,408 | 17,139 |
| Unrestricted investment earnings | 555 | 229 | 129 | 133 | 77 | 151 | 196 | 332 | 228 | 428 |
| Gain on sale of property and equipment | 1,478 | (273) | (13) | 139 | 465 | 411 | 949 | (2,212) | 267 | 140 |
| Miscellaneous | 124 | 53 | 77 | 59 | 78 | (201) | 221 | 194 | 144 | (783) |
| Transfers | (873) | 206 | (1,561) | 146 | (4,409) | (9,046) | (4,144) | (101) | (502) | (309) |
| Total governmental activities | <u>42,738</u> | <u>44,457</u> | <u>47,211</u> | <u>49,240</u> | <u>47,219</u> | <u>46,449</u> | <u>49,537</u> | <u>55,428</u> | <u>58,410</u> | <u>59,913</u> |
| Business-type activities: | | | | | | | | | | |
| Property taxes | 1,744 | 1,774 | 1,833 | 1,880 | 1,864 | 1,992 | 1,865 | 1,981 | 2,054 | 2,230 |
| Unrestricted federal/state shared revenue | 312 | 324 | 341 | 341 | 341 | - | 421 | - | - | - |
| Unrestricted investment earnings | 1,336 | 641 | 436 | 419 | 226 | 400 | 445 | 752 | 657 | 1,498 |
| Gain on sale of property and equipment | 44 | 20 | (24) | (547) | 468 | 285 | 61 | - | 28 | 24 |
| Miscellaneous | 546 | 205 | 150 | 742 | 200 | 273 | 353 | 153 | 835 | 711 |
| Transfers | 873 | (206) | 1,561 | (146) | 4,409 | 9,046 | 4,144 | 101 | 502 | 309 |
| Total business-type activities | <u>4,855</u> | <u>2,758</u> | <u>4,297</u> | <u>2,689</u> | <u>7,508</u> | <u>11,996</u> | <u>7,289</u> | <u>2,987</u> | <u>4,076</u> | <u>4,772</u> |
| Total primary government | <u>\$ 47,593</u> | <u>\$ 47,215</u> | <u>\$ 51,508</u> | <u>\$ 51,929</u> | <u>\$ 54,727</u> | <u>\$ 58,445</u> | <u>\$ 56,826</u> | <u>\$ 58,415</u> | <u>\$ 62,486</u> | <u>\$ 64,685</u> |
| Change in Net Position | | | | | | | | | | |
| Governmental activities | \$ 15,556 | \$ 10,853 | \$ 21,887 | \$ 17,790 | \$ 23,084 | \$ 7,322 | \$ 4,726 | \$ 8,953 | \$ 4,573 | \$ 5,313 |
| Business-type activities | 9,889 | 11,488 | 13,456 | 9,961 | 21,624 | 31,339 | 19,723 | 25,732 | 21,361 | 17,971 |
| Total primary government net position | <u>\$ 25,445</u> | <u>\$ 22,341</u> | <u>\$ 35,343</u> | <u>\$ 27,751</u> | <u>\$ 44,708</u> | <u>\$ 38,661</u> | <u>\$ 24,449</u> | <u>\$ 34,685</u> | <u>\$ 25,934</u> | <u>\$ 23,284</u> |

Source: City of Billings, Montana

CITY OF BILLINGS, MONTANA
Governmental Activities Tax Revenues By Source
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

| Fiscal Year | Property Tax | Business License Tax | Total |
|--------------------|-------------------------|-------------------------------------|--------------|
| 2009 | \$ 25,878 | \$ 634 | \$ 26,512 |
| 2010 | 28,106 | 643 | 28,749 |
| 2011 | 31,642 | 744 | 32,386 |
| 2012 | 31,165 | 706 | 31,871 |
| 2013 | 32,686 | 701 | 33,387 |
| 2014 | 36,507 | 739 | 37,246 |
| 2015 | 32,198 | 759 | 32,957 |
| 2016 | 36,636 | 755 | 37,391 |
| 2017 | 37,269 | 763 | 38,032 |
| 2018 | 38,684 | 762 | 39,446 |

Source: City of Billings, Montana

CITY OF BILLINGS, MONTANA
Fund Balances of Governmental Funds
Last Ten Fiscal Years ¹
(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

| | Fiscal Years | | | | | | | | |
|-------------------------------------|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| General Fund | | | | | | | | | |
| Unspendable | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Restricted | - | - | - | - | - | - | - | - | - |
| Committed | 8,186 | 8,610 | 9,726 | 8,603 | 9,890 | 9,952 | 10,638 | 11,651 | 11,858 |
| Unassigned | 5,007 | 8,131 | 10,285 | 11,612 | 13,245 | 14,928 | 16,553 | 16,621 | 15,860 |
| Total | <u>\$ 13,193</u> | <u>\$ 16,741</u> | <u>\$ 20,011</u> | <u>\$ 20,215</u> | <u>\$ 23,135</u> | <u>\$ 24,880</u> | <u>\$ 27,191</u> | <u>\$ 28,272</u> | <u>\$ 27,718</u> |
| All other governmental funds | | | | | | | | | |
| Unspendable | \$ 601 | \$ 614 | \$ 626 | \$ 637 | \$ 751 | \$ 760 | \$ 800 | \$ 808 | \$ 859 |
| Restricted | 40,044 | 39,936 | 43,818 | 64,363 | 56,291 | 72,549 | 71,238 | 72,033 | 63,728 |
| Committed | 9,477 | 8,547 | 7,958 | 8,681 | 7,842 | 10,817 | 10,258 | 9,022 | 10,709 |
| Unassigned | (243) | (496) | (906) | (470) | (376) | (396) | (275) | (118) | (23) |
| Total | <u>\$ 49,879</u> | <u>\$ 48,601</u> | <u>\$ 51,496</u> | <u>\$ 73,211</u> | <u>\$ 64,508</u> | <u>\$ 83,730</u> | <u>\$ 82,021</u> | <u>\$ 81,745</u> | <u>\$ 75,273</u> |

Source: City of Billings, Montana

¹ In FY2010, The City of Billings adopted GASB 54. See Notes to Financial Statements.

CITY OF BILLINGS, MONTANA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)
(Page 1 of 2)

| | Fiscal Years | | | | | | | | | |
|--|-------------------|-----------------|---------------|---------------|--------------------|--------------------|-------------------|-------------------|-----------------|-------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Revenues | | | | | | | | | | |
| Taxes | \$ 26,006 | \$ 27,841 | \$ 32,062 | \$ 30,654 | \$ 32,131 | \$ 36,457 | \$ 33,763 | \$ 37,286 | \$ 37,213 | \$ 38,619 |
| Licenses and permits | 4,952 | 4,759 | 5,126 | 5,611 | 6,513 | 5,489 | 6,984 | 6,879 | 6,596 | 6,456 |
| Intergovernmental | 23,933 | 27,219 | 27,704 | 20,698 | 25,518 | 27,768 | 28,279 | 30,061 | 28,991 | 30,225 |
| Charges for services | 10,801 | 9,743 | 10,725 | 11,128 | 10,782 | 11,512 | 11,966 | 13,144 | 13,565 | 14,613 |
| Fines and forfeitures | 1,650 | 1,809 | 2,035 | 2,052 | 2,393 | 2,064 | 2,079 | 1,964 | 1,754 | 1,838 |
| Special assessments | 18,021 | 17,984 | 18,635 | 20,276 | 21,394 | 21,548 | 22,303 | 22,515 | 22,921 | 24,319 |
| Other | 3,188 | 2,761 | 1,918 | 1,674 | 2,337 | 3,394 | 3,247 | 3,569 | 4,200 | 4,097 |
| Total revenues | <u>88,551</u> | <u>92,116</u> | <u>98,205</u> | <u>92,093</u> | <u>101,068</u> | <u>108,232</u> | <u>108,621</u> | <u>115,418</u> | <u>115,240</u> | <u>120,167</u> |
| Expenditures | | | | | | | | | | |
| Current: | | | | | | | | | | |
| General government | 6,942 | 7,147 | 7,208 | 7,323 | 7,335 | 8,288 | 7,869 | 8,074 | 8,331 | 8,859 |
| Public safety | 36,479 | 38,801 | 40,529 | 36,145 | 43,716 | 42,386 | 43,924 | 45,669 | 47,106 | 50,111 |
| Public works | 13,708 | 12,402 | 13,514 | 14,133 | 16,415 | 18,861 | 18,472 | 19,059 | 21,862 | 21,926 |
| Public health | 745 | 727 | 766 | 769 | 787 | 814 | 843 | 856 | 821 | 854 |
| Culture and recreation | 6,570 | 6,944 | 6,981 | 7,133 | 7,633 | 8,163 | 8,374 | 8,920 | 8,201 | 8,911 |
| Housing and economic development | 3,936 | 5,860 | 3,599 | 3,478 | 3,129 | 3,407 | 4,423 | 4,418 | 5,718 | 5,217 |
| Capital outlay | 17,072 | 8,313 | 17,007 | 13,980 | 21,874 | 30,294 | 18,893 | 25,726 | 14,445 | 17,818 |
| Debt service: | | | | | | | | | | |
| Principal | 4,700 | 4,590 | 5,934 | 6,967 | 13,153 | 4,811 | 9,157 | 4,322 | 4,801 | 11,481 |
| Interest and fiscal charges | 1,858 | 2,172 | 1,942 | 1,752 | 2,688 | 2,349 | 2,492 | 2,551 | 2,734 | 2,951 |
| Bond issuance costs | 212 | 9 | 64 | 135 | 769 | 133 | 464 | 136 | 69 | 28 |
| Total expenditures | <u>92,222</u> | <u>86,965</u> | <u>97,544</u> | <u>91,815</u> | <u>117,499</u> | <u>119,506</u> | <u>114,911</u> | <u>119,731</u> | <u>114,088</u> | <u>128,156</u> |
| Excess of revenues over (under) expenditures | <u>\$ (3,671)</u> | <u>\$ 5,151</u> | <u>\$ 661</u> | <u>\$ 278</u> | <u>\$ (16,431)</u> | <u>\$ (11,274)</u> | <u>\$ (6,290)</u> | <u>\$ (4,313)</u> | <u>\$ 1,152</u> | <u>\$ (7,989)</u> |

(continued)

CITY OF BILLINGS, MONTANA
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)
(Page 2 of 2)

| | Fiscal Years | | | | | | | | | |
|---|-----------------|-----------------|-----------------|-----------------|------------------|-------------------|------------------|---------------|---------------|-------------------|
| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Other financing sources (uses) | | | | | | | | | | |
| Transfers in | \$ 20,691 | \$ 21,267 | \$ 25,054 | \$ 24,532 | \$ 26,535 | \$ 24,086 | \$ 28,504 | \$ 26,615 | \$ 28,252 | \$ 34,501 |
| Transfers out | (20,874) | (21,982) | (25,730) | (24,886) | (28,260) | (24,773) | (29,094) | (27,194) | (29,023) | (35,098) |
| Issuance of debt | 213 | 881 | 1,125 | 3,630 | 33,055 | - | 6,270 | - | - | - |
| Capital leases | - | - | - | - | - | - | - | - | - | - |
| General obligation bonds issued | - | - | - | - | - | - | - | - | - | - |
| Special assessment bonds issued | 6,665 | 988 | 945 | 2,325 | 6,120 | 4,820 | 18,655 | 5,375 | 226 | 1,415 |
| Premium on bonds issued | - | - | 31 | - | 1,435 | 233 | 1,130 | - | - | - |
| Bond discounts | (152) | - | (30) | (57) | (2) | - | (61) | - | - | - |
| Sale of capital assets | 649 | 342 | 213 | 343 | 468 | 124 | 1,852 | 119 | 267 | 140 |
| Total other financing sources (uses) | <u>7,192</u> | <u>1,496</u> | <u>1,608</u> | <u>5,887</u> | <u>39,351</u> | <u>4,490</u> | <u>27,256</u> | <u>4,915</u> | <u>(278)</u> | <u>958</u> |
| Net change in fund balances | <u>\$ 3,521</u> | <u>\$ 6,647</u> | <u>\$ 2,269</u> | <u>\$ 6,165</u> | <u>\$ 22,920</u> | <u>\$ (6,784)</u> | <u>\$ 20,966</u> | <u>\$ 602</u> | <u>\$ 874</u> | <u>\$ (7,031)</u> |
| Debt service as a percentage of noncapital expenditures | 8.7% | 8.6% | 9.8% | 11.2% | 16.6% | 8.0% | 12.1% | 7.3% | 7.6% | 13.1% |

Source: City of Billings, Montana

CITY OF BILLINGS, MONTANA
General Government Tax Revenues By Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

| Fiscal Year | Property Tax | Business License Tax | Total |
|--------------------|-------------------------|-------------------------------------|--------------|
| 2009 | \$ 26,006 | \$ 634 | \$ 26,640 |
| 2010 | 27,841 | 643 | 28,484 |
| 2011 | 32,062 | 744 | 32,806 |
| 2012 | 30,654 | 706 | 31,360 |
| 2013 | 32,131 | 701 | 32,832 |
| 2014 | 36,457 | 740 | 37,197 |
| 2015 | 33,763 | 759 | 34,522 |
| 2016 | 37,286 | 755 | 38,041 |
| 2017 | 37,213 | 763 | 37,976 |
| 2018 | 38,619 | 762 | 39,381 |

Source: City of Billings, Montana

CITY OF BILLINGS, MONTANA
Taxable and Estimated Market Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Real Property ^{3,4} | | Personal Property | | Total ⁵ | | Direct Tax Rate | Ratio of Taxable Value to Estimated Market |
|-------------|------------------------------|---------------|------------------------|---------------|-------------------------------------|----------------------------|-----------------|--|
| | Estimated Market Value | Taxable Value | Estimated Market Value | Taxable Value | Estimated Market Value ¹ | Taxable Value ² | | |
| 2009 | 4,553,549,601 | 145,757,788 | 256,854,409 | 7,749,519 | 4,810,404,010 ⁶ | 153,507,307 | 163.76 | 3.2% |
| 2010 | 4,846,545,852 | 150,316,617 | 289,007,798 | 8,596,230 | 5,135,553,650 | 158,912,847 | 169.44 | 3.1% |
| 2011 | 6,045,049,971 | 158,774,355 | 261,866,181 | 7,680,497 | 6,306,916,152 | 166,454,852 | 171.42 | 2.6% |
| 2012 | 5,391,987,991 | 160,074,588 | 253,361,134 | 7,357,320 | 5,645,349,125 | 167,431,908 | 168.73 | 3.0% |
| 2013 | 5,578,809,490 | 159,681,901 | 257,791,168 | 5,720,433 | 5,836,600,658 | 165,402,334 | 174.58 | 2.8% |
| 2014 | 5,867,349,504 | 161,755,976 | 272,813,412 | 6,008,199 | 6,140,162,916 | 167,764,175 | 178.70 | 2.7% |
| 2015 | 6,141,298,543 | 163,095,567 | 209,710,048 | 3,762,699 | 6,351,008,591 | 166,858,266 | 168.12 | 2.6% |
| 2016 | 11,372,527,592 ⁷ | 187,958,670 | 254,824,924 | 4,087,311 | 11,627,352,516 | 192,045,981 | 158.84 | 1.7% |
| 2017 | 11,491,184,706 | 191,197,155 | 252,088,832 | 3,979,017 | 11,743,273,538 | 195,176,172 | 160.40 | 1.7% |
| 2018 | 12,191,541,683 | 199,511,334 | 279,769,621 | 4,331,658 | 12,471,311,304 | 203,842,992 | 159.00 | 1.6% |

¹ State of Montana Department of Revenue (both real and personal property).

² Yellowstone County, Montana, Assessors Office (both real and personal property).

³ Market value and taxable value includes Utilities category.

⁴ Breakdown of commercial and residential property values is not available.

⁵ Market value and taxable value for fiscal years beginning in 2006 include incremental increases to the Tax Increment District.

⁶ For Fiscal Year 2009 State of Montana Department of Revenue did not include exempt properties.

⁷ The 6 year appraisal cycle was done by the State.

CITY OF BILLINGS, MONTANA
Property Tax Rates – Direct and Overlapping Governments
(Per \$1000 of Assessed Value)
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | City | | | | | | County | School Education ¹ | School District | Big Sky Economic Development Authority | State | Total Direct and Overlapping Total |
|----------------|----------------------|----------------------|-------------------------------|----------------------|-----------------------|--------------------|--------|----------------------------------|--------------------|---|-------|---|
| | General ⁴ | Library ⁴ | Public Safety ² | Transit ⁴ | General Obligation | | | | | | | |
| | | | | | Bonds | Total ³ | | | | | | |
| 2009 | 74.00 | 5.00 | 64.34 | 10.00 | 10.42 | 163.76 | 106.37 | 104.72 | 192.18 | 3.02 | 47.50 | 617.55 |
| 2010 | 74.00 | 5.00 | 71.92 | 10.00 | 8.52 | 169.44 | 106.89 | 102.50 | 193.87 | 3.05 | 47.98 | 623.73 |
| 2011 | 74.00 | 5.00 | 73.82 | 10.00 | 8.60 | 171.42 | 114.36 | 102.50 | 199.73 | 3.05 | 49.34 | 640.40 |
| 2012 | 74.00 | 5.00 | 70.75 | 10.00 | 8.98 | 168.73 | 114.44 | 102.50 | 199.19 | 3.05 | 49.96 | 637.87 |
| 2013 | 74.00 | 5.00 | 71.11 | 10.00 | 14.47 ⁵ | 160.11 | 117.19 | 102.50 | 204.53 | 3.09 | 52.09 | 639.51 |
| 2014 | 74.00 | 5.00 | 74.36 | 10.00 | 15.34 | 178.70 | 118.33 | 102.50 | 215.54 | 3.09 | 49.36 | 667.52 |
| 2015 | 74.00 | 5.00 | 64.59 | 10.00 | 14.53 | 168.12 | 117.10 | 102.50 | 249.75 | 3.09 | 46.10 | 686.66 |
| 2016 | 67.64 | 4.57 | 64.41 | 9.17 | 13.05 | 158.84 | 109.58 | 102.50 | 253.28 | 2.87 | 42.95 | 670.02 |
| 2017 | 70.61 | 4.77 | 64.30 | 9.54 | 11.18 | 160.40 | 113.71 | 102.50 | 255.52 | 2.95 | 50.61 | 685.69 |
| 2018 | 70.61 | 5.00 | 62.40 | 10.00 | 10.99 | 159.00 | 112.09 | 102.50 | 263.96 | 3.17 | 51.64 | 692.36 |

Source: Yellowstone County, Montana, Treasurer

¹ Includes School Equalization Levy and other Education Levies.

² Tax payers approved additional public safety mills increase annually for fiscal years 2006 through 2010.

³ Under State Law, voter approval is required for additional tax rate increases.

⁴ General mills are fixed by charter, increases require an amendment to the charter.

⁵ General Obligation Library Bond for 6.12 mills was issued.

**CITY OF BILLINGS, MONTANA
Principal Property Taxpayers
June 30, 2017 and Ten Years Ago
(Unaudited)**

| Taxpayer | Tax Year 2017 | | | Tax Year 2008 | | |
|-----------------------------------|-----------------------|-------------|--|-----------------------|-------------|--|
| | Taxable Value | Rank | Percentage of Total Taxable Value | Taxable Value | Rank | Percentage of Total Taxable Value |
| Northwestern Energy | \$ 10,480,820 | 1 | 5.4% | \$ 6,583,031 | 1 | 4.3% |
| Montana Dakota Utilities | 3,039,528 | 2 | 1.6% | 1,456,447 | 3 | 0.9% |
| Verizon Wireless | 1,219,749 | 3 | 0.6% | 472,279 | 9 | 0.3% |
| AT&T Communications | 962,226 | 4 | 0.5% | 690,824 | 6 | 0.5% |
| Wal-Mart Real Estate | 879,057 | 5 | 0.5% | 614,805 | 7 | 0.4% |
| Centurylink Inc | 864,156 | 6 | 0.4% | - | | 0.0% |
| Rimrock Owner LP | 809,989 | 7 | 0.4% | - | | 0.0% |
| Sisters of Charity of Leavenworth | 796,249 | 8 | 0.4% | - | | 0.0% |
| Charter Communications | 689,922 | 9 | 0.4% | - | | 0.0% |
| Scheels All Sports Inc | 654,655 | 10 | 0.3% | - | | 0.0% |
| Sky West Airlines | - | | 0.0% | 418,800 | 10 | 0.3% |
| Qwest Corp | - | | 0.0% | 3,486,827 | 2 | 2.3% |
| Macerich Rimrock Limited Partner | - | | 0.0% | 881,286 | 4 | 0.6% |
| IRET Properties | - | | 0.0% | 500,774 | 8 | 0.3% |
| Western Sugar Co. | - | | 0.0% | 702,581 | 5 | 0.5% |
| Total | \$ 20,396,351 | | 10.5% | \$ 15,807,654 | | 10.3% |
| Total taxable value | \$ 193,797,788 | | | \$ 153,347,183 | | |

Source: City of Billings, Montana

CITY OF BILLINGS, MONTANA
Property Tax Levies and Collections ¹
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Total Tax Levy¹ for Fiscal Year | Collected within the Fiscal Year of the Levy | | Collections in Subsequent Years | Total Collections to Date | | Delinquent |
|--------------------|---|---|---------------------------|--|----------------------------------|---------------------------|-------------------|
| | | Amount | Percentage of Levy | | Amount | Percentage of Levy | |
| 2009 | 23,823,598 | 22,640,645 | 95.0% | 1,076,305 | 23,716,950 | 99.6% | 1,182,953 |
| 2010 | 25,249,468 | 23,902,572 | 94.7% | 723,714 | 24,626,286 | 97.5% | 1,346,896 |
| 2011 | 26,450,937 | 24,813,236 | 93.8% | 1,330,906 | 26,144,142 | 98.8% | 1,637,701 |
| 2012 | 26,003,866 | 23,934,858 | 92.0% | 1,051,668 | 24,986,526 | 96.1% | 2,069,008 |
| 2013 | 26,886,158 | 25,426,270 | 94.6% | 642,009 | 26,068,279 | 97.0% | 1,459,888 |
| 2014 | 27,818,662 | 26,310,736 | 94.6% | 658,806 | 26,969,542 | 96.9% | 1,507,926 |
| 2015 | 26,391,143 | 25,590,811 | 97.0% | 4,894,272 | 30,485,083 | 115.5% | 800,332 |
| 2016 | 28,231,663 | 27,220,145 | 96.4% | 1,041,105 | 28,261,250 | 100.1% | 1,011,518 |
| 2017 | 28,795,414 | 27,087,538 | 94.1% | 770,715 | 27,858,253 | 96.7% | 1,707,876 |
| 2018 | 30,101,821 | 28,340,613 | 94.1% | 1,644,651 | 30,000,020 | 99.7% | 1,761,208 |

Source: City of Billings, Montana

¹ The total tax levy, collections and outstanding delinquent taxes are net of tax increment amounts.

CITY OF BILLINGS, MONTANA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)
(Unaudited)

| Fiscal Year | Governmental Activities | | | | | |
|-------------|--------------------------|-----------------------|--------------------------|------------------------|---------------|------------------------|
| | General Obligation Bonds | Tax Incremental Bonds | Special Assessment Bonds | Intercap Notes Payable | Notes Payable | Capital Leases Payable |
| 2009 | 17,655 | - | 20,919 | - | 4,066 | 5,520 |
| 2010 | 16,845 | - | 18,882 | 81 | 4,114 | 5,154 |
| 2011 | 15,975 | - | 17,068 | 75 | 3,046 | 4,768 |
| 2012 | 15,080 | - | 17,230 | 70 | 2,821 | 4,428 |
| 2013 | 30,557 | 13,263 | 16,156 | 64 | 2,287 | 4,100 |
| 2014 | 28,717 | 13,260 | 17,645 | 59 | 1,732 | 4,128 |
| 2015 | 26,921 | 20,376 | 22,737 | 54 | 1,153 | 3,737 |
| 2016 | 32,094 | 26,032 | 21,363 | 48 | 712 | 3,362 |
| 2017 | 30,109 | 25,516 | 19,585 | 43 | 249 | 2,935 |
| 2018 | 21,669 | 24,810 | 18,767 | 38 | - | 2,515 |

| Fiscal Year | Business-Type Activities | | | | | | | | |
|-------------|--------------------------|--------------------------|--------------------------------|-------------------------------------|-------------------------------|-------------------------------|--------------------------|-------------------------------|------------|
| | Revenue Bonds Airport | Revenue Bonds Wastewater | Rev Bonds/ Notes Payable Water | Rev Bonds/ Notes Payable Wastewater | Capital Lease Payable Parking | Capital Lease Payable Airport | Total Primary Government | Percentage of Personal Income | Per Capita |
| 2009 | 8,635 | - | 15,121 | 9,171 | 5,580 | - | 86,667 | 1.85% | 0.83 |
| 2010 | 8,120 | - | 20,206 | 14,609 | 5,390 | - | 93,401 | 1.58% | 0.88 |
| 2011 | 14,165 | - | 23,922 | 16,765 | 5,190 | - | 100,974 | 1.67% | 0.97 |
| 2012 | 13,465 | - | 24,026 | 16,212 | 5,544 | 1,322 | 100,198 | 1.59% | 0.96 |
| 2013 | 12,540 | - | 23,214 | 16,458 | 3,177 | 1,258 | 123,074 | 1.82% | 1.15 |
| 2014 | 11,382 | - | 24,510 | 17,470 | 3,061 | 1,191 | 123,155 | 1.76% | 1.13 |
| 2015 | 10,437 | - | 28,446 | 16,514 | 2,942 | 1,120 | 134,437 | 1.89% | 1.23 |
| 2016 | 9,559 | - | 30,049 | 15,506 | 2,818 | 1,045 | 142,588 | 1.84% | 1.29 |
| 2017 | 8,473 | 63,305 | 28,264 | 14,503 | 2,687 | 968 | 196,637 | 2.46% | 1.78 |
| 2018 | 7,348 | 59,980 | 28,257 | 13,470 | 2,551 | 886 | 180,291 | 2.13% | 1.64 |

Source: City of Billings, Montana

Beginning in 2014, amounts are recorded as net of adjustments.

CITY OF BILLINGS, MONTANA
Ratio of General Obligation Bonded Debt Outstanding
To Taxable Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Population ¹ | Taxable Value ² | General Obligation Bonds ³ | Less: Amounts Available in Debt Service Funds ⁴ | Net | Percentage of Actual Taxable Value of Property | Net Bonded Debt Per Capita |
|--------------------|--------------------------------|-----------------------------------|--|---|------------|---|-----------------------------------|
| 2009 | 103,994 | 153,347,183 | 17,655,000 | 1,849,644 | 15,805,356 | 10.3% | 151.98 |
| 2010 | 105,845 | 158,912,847 | 16,845,000 | 1,720,203 | 15,124,797 | 9.5% | 142.90 |
| 2011 | 104,170 | 166,454,852 | 15,975,000 | 1,549,809 | 14,425,191 | 8.7% | 138.48 |
| 2012 | 104,170 | 167,431,908 | 15,080,000 | 1,233,678 | 13,846,322 | 8.3% | 132.92 |
| 2013 | 106,954 | 165,402,334 | 30,556,896 | 2,465,881 | 28,091,015 | 17.0% | 262.65 |
| 2014 | 109,059 | 167,764,175 | 28,716,650 | 2,310,101 | 26,406,549 | 15.7% | 242.13 |
| 2015 | 108,869 | 166,858,266 | 26,921,315 | 2,653,784 | 24,267,531 | 14.5% | 222.91 |
| 2016 | 110,263 | 181,997,580 | 32,093,610 | 2,852,317 | 29,241,293 | 16.1% | 265.20 |
| 2017 | 110,323 | 185,589,273 | 30,109,235 | 2,505,033 | 27,604,202 | 14.9% | 250.21 |
| 2018 | 109,642 | 193,797,788 | 21,668,610 | 2,392,468 | 19,276,142 | 9.9% | 175.81 |

Sources and other information:

¹ Census taken every ten years. Actual census figures given for 2011.

All other years are estimated by City/County Planning, Yellowstone County, Montana.

² Yellowstone County, Montana, Assessors Office (these amounts do not include the incremental increases to the Tax Increment District).

³ Amount does not include Special Assessment, tax increment or revenue bonds. In 2013, 2014, 2015 and 2016 recorded net of adjustments

⁴ Amount does not include Special Assessment, tax increment debt service funds or advanced cross over refunding.

CITY OF BILLINGS, MONTANA
Direct and Overlapping General Obligation Bonded Debt
June 30, 2018
(Unaudited)

| <u>Governmental Unit</u> | <u>Debt Outstanding</u> | <u>Percent Applicable to City ²</u> | <u>Estimated Share of Overlapping Debt</u> |
|--|-----------------------------------|--|--|
| Overlapping: | | | |
| Yellowstone County | \$ 11,559,000 ¹ | 54.95% | \$ 6,351,671 |
| School Districts | | | |
| School District #2 | \$ 138,597,543 ¹ | 42.47% | \$ 58,862,377 |
| Elder Grove SD #4 | 4,500,000 ¹ | 0.06% | \$ 2,700 |
| Elysian SD #23 | 8,060,000 ¹ | 5.40% | \$ 435,240 |
| Canyon Creek SD #44 | 535,000 ¹ | 0.31% | \$ 1,659 |
| <u>Independent SD #52</u> | <u>2,410,000</u> ¹ | 0.05% | <u>\$ 1,205</u> |
| Total School Districts | 154,102,543 | | 59,303,180 |
| Total Overlapping Debt | 165,661,543 | | 65,654,851 |
| Direct: | | | |
| City of Billings | | | |
| General Obligation | \$ 21,668,610 | | |
| Tax Increment | 24,810,319 | | |
| Special Assesment | 18,766,594 | | |
| Intercap Notes | 37,572 | | |
| Notes Payable | - | | |
| <u>Capital Lease</u> | <u>2,514,688</u> | | |
| Total Direct Debt | \$ 67,797,783 | 100.0% | \$ 67,797,783 |
| Total Direct and Overlapping Debt | 233,459,326 | | 133,452,634 |

Source and other information:

¹ Finance Department, Yellowstone County, Montana.

² The percentage of overlapping debt applicable to the City is estimated using taxable property values.

Applicable percentages were estimated by determining the portion of the other government's taxable value that is within the City's boundaries and dividing it by the other government total taxable value.

CITY OF BILLINGS, MONTANA
Legal Debt Margin Information
Last Ten Fiscal Years
(amounts expressed in 000's)
(Unaudited)

| | Fiscal Year | | | | | | | | | |
|---|------------------|-------------------|------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Debt limit | \$ 120,260 | \$ 126,264 | \$ 110,757 | \$ 125,971 | \$ 145,915 | \$ 153,504 | \$ 158,762 | \$ 289,112 | \$ 291,981 | \$ 311,783 |
| Total net debt applicable to limit | <u>21,170</u> | <u>20,030</u> | <u>19,343</u> | <u>13,846</u> | <u>27,875</u> | <u>26,407</u> | <u>23,326</u> | <u>27,260</u> | <u>32,622</u> | <u>23,758</u> |
| Legal debt margin | <u>\$ 99,090</u> | <u>\$ 106,234</u> | <u>\$ 91,414</u> | <u>\$ 112,125</u> | <u>\$ 118,040</u> | <u>\$ 127,098</u> | <u>\$ 135,436</u> | <u>\$ 261,852</u> | <u>\$ 259,360</u> | <u>\$ 288,024</u> |
| Total net debt applicable to the limit as a percentage of debt limit | 17.60% | 15.86% | 17.46% | 10.99% | 19.10% | 17.20% | 14.69% | 9.43% | 11.17% | 7.62% |

Legal Debt Margin Calculation for Fiscal Year 2017

| | |
|---|--------------------------|
| Assessed market value: | |
| Real property | \$ 11,886,320,130 |
| Personal property | 279,769,621 |
| Utilities | <u>305,221,553</u> |
| Total assessed value | <u>\$ 12,471,311,304</u> |
| Debt amount limited to 2.5% of total assessed value | \$ 311,782,783 |
| Less: | |
| General obligation bonded debt outstanding | 21,668,610 |
| Total net debt applicable to limit | 21,668,610 |
| Plus: | |
| Amount set aside for repayment of GO debt | <u>(2,089,750)</u> |
| Total net debt applicable to limit | <u>19,578,860</u> |
| Legal debt margin | <u>\$ 288,024,423</u> |

Source: City of Billings, Montana

Note: Under state law, the City of Billings, Montana's outstanding general obligation debt was not to exceed 1.51% prior to FY 08 and 2.50% starting in FY 08 of total assessed market value.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Water and Wastewater Debt
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Gross Revenue ¹ | Less: Operating Expense ² | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|------------------------|---------------------------------------|---|---|----------------------------------|-----------------|--------------|-----------------|
| | | | | Principal | Interest | Total | |
| 2009 | \$ 31,535,859 | \$ 16,507,448 | \$ 15,028,411 | \$ 948,000 | \$ 753,501 | \$ 1,701,501 | 883% |
| 2010 | 31,671,419 | 16,516,713 | 15,154,706 | 1,389,000 | 1,155,659 | 2,544,659 | 596% |
| 2011 | 30,683,732 | 16,666,260 | 14,017,472 | 1,926,000 | 1,415,188 | 3,341,188 | 420% |
| 2012 | 37,852,987 | 17,146,622 | 20,706,365 | 1,938,000 | 1,493,738 | 3,431,738 | 603% |
| 2013 | 41,905,740 | 19,526,272 | 22,379,468 | 2,417,119 | 1,473,370 | 3,890,489 | 575% |
| 2014 | 40,923,714 | 18,809,342 | 22,114,372 | 2,345,000 | 1,059,745 | 3,404,745 | 650% |
| 2015 | 43,267,946 | 18,684,310 | 24,583,636 | 2,572,407 | 1,196,733 | 3,769,140 | 652% |
| 2016 | 44,906,310 | 19,688,620 | 25,217,690 | 2,924,000 | 1,232,897 | 4,156,897 | 607% |
| 2017 | 46,152,358 | 21,104,769 | 25,047,589 | 2,957,000 | 1,229,859 | 4,186,859 | 598% |
| 2018 | 48,671,532 | 21,804,167 | 26,867,365 | 6,025,000 | 3,572,904 | 9,597,904 | 280% |

Source: City of Billings, Montana

¹ Includes operating revenue and interest income.

² Total operating expenses exclusive of depreciation.

³ SRF Loan proceeds began in FY 05-06 as well as the related principal and interest payments.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Airport Revenue Bonds
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Gross Revenue ¹ | Add:CFC revenue not to exceed 2010B Debt Serv | Less: Operating Expense ² | Net Revenue Available for Debt Service | Debt Service Requirements | | | | Total | Coverage |
|-------------|----------------------------|---|--------------------------------------|--|---------------------------|---------------------|-----------------|----------------|--------------|----------|
| | | | | | 2000/2010A Principal | 2000/2010A Interest | 2010B Principal | 2010B Interest | | |
| 2009 | \$ 8,321,589 | \$ - | \$ 6,499,711 | \$ 1,821,878 | \$ 490,000 | \$ 570,242 | \$ - | \$ - | \$ 1,060,242 | 172% |
| 2010 | 8,400,519 | - | 6,455,160 | 1,945,359 | 515,000 | 538,455 | - | - | 1,053,455 | 185% |
| 2011 | 8,725,159 | 170,796 | 6,589,404 | 2,306,551 ^{3,4} | 550,000 | 349,642 | - | 170,796 | 1,070,438 | 215% |
| 2012 | 9,792,472 | 292,793 | 7,229,282 | 2,855,983 | 700,000 | 295,068 | - | 292,793 | 1,287,861 | 222% |
| 2013 | 9,997,736 | 475,469 | 7,156,337 | 3,316,868 | 690,000 | 275,968 | 235,000 | 240,469 | 1,441,437 | 230% |
| 2014 | 9,159,665 | 483,194 | 7,306,389 | 2,336,470 | 710,000 | 254,968 | 250,000 | 233,194 | 1,448,162 | 161% |
| 2015 | 9,683,881 | 495,394 | 7,198,727 | 2,980,548 | 730,000 | 229,719 | 270,000 | 225,394 | 1,455,113 | 205% |
| 2016 | 10,279,572 | 492,219 | 7,095,930 | 3,675,861 | 765,000 | 199,818 | 275,000 | 217,219 | 1,457,037 | 252% |
| 2017 | 10,556,892 | 493,819 | 7,453,340 | 3,597,371 | 795,000 | 166,631 | 285,000 | 208,819 | 1,455,450 | 247% |
| 2018 | 11,761,416 | 495,119 | 8,618,384 | 3,638,151 | 825,000 | 131,728 | 295,000 | 200,119 | 1,451,847 | 251% |

Source: City of Billings, Montana

¹ Includes operating revenue, intergovernmental revenue, other revenue, interest income net of CFC and PFC interest.

² Total operating expense exclusive of depreciation.

³ The 2000 series bonds were refunded in July of 2010 in exchange for 2010A revenue bonds.

⁴ In Fiscal year 2011, Airport series 2010B revenue bonds were issued for the CFC project.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Special Assessment Bonds
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Gross¹ Revenue | Debt Service Requirements | | | Coverage |
|------------------------|--------------------------------------|----------------------------------|-----------------|--------------|-----------------|
| | | Principal | Interest | Total | |
| 2009 | 3,135,673 | 2,212,000 | 620,797 | 2,832,797 | 110.7% |
| 2010 | 2,519,745 | 2,090,111 | 1,060,094 | 3,150,205 | 80.0% |
| 2011 | 2,984,730 | 1,803,815 | 970,296 | 2,774,111 | 107.6% |
| 2012 | 5,581,675 | 4,614,070 | 915,622 | 5,529,692 | 100.9% |
| 2013 | 6,665,868 | 7,013,621 | 1,539,100 | 8,552,721 | 77.9% |
| 2014 | 2,623,645 | 2,085,862 | 690,009 | 2,775,871 | 94.5% |
| 2015 | 7,183,892 | 6,593,709 | 613,603 | 7,207,312 | 99.7% |
| 2016 | 1,855,339 | 1,641,069 | 343,342 | 1,984,411 | 93.5% |
| 2017 | 1,676,582 | 1,527,648 | 308,749 | 1,836,397 | 91.3% |
| 2018 | 1,774,099 | 1,686,466 | 257,392 | 1,943,858 | 91.3% |

Source: City of Billings, Montana

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Gross Revenue includes special assessments and investment earnings on reserves.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Storm Sewer Bonds²
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Gross¹ Revenue | Less: Operating Expense | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|------------------------|--------------------------------------|--|---|----------------------------------|-----------------|--------------|-----------------|
| | | | | Principal | Interest | Total | |
| 2009 | 3,235,041 | 2,625,836 | 609,205 | 920,000 | 77,693 | 997,693 | 61.1% |
| 2010 | 3,318,326 | 2,156,315 | 1,162,011 | 935,000 | 57,961 | 992,961 | 117.0% |
| 2011 | 3,289,314 | 4,186,201 | (896,887) | 960,000 | 35,449 | 995,449 | -90.1% |
| 2012 | 3,377,947 | 1,542,725 | 1,835,222 | 180,000 | 20,000 | 200,000 | 917.6% |
| 2013 | 3,429,004 | 2,335,753 | 1,093,251 | 185,000 | 16,311 | 201,311 | 543.1% |
| 2014 | 3,579,824 | 3,003,616 | 576,208 | 385,000 | 30,797 | 415,797 | 138.6% |
| 2015 | 3,747,959 | 3,505,136 | 242,823 | 100,000 | 173,094 | 273,094 | 88.9% |
| 2016 | 4,038,829 | 3,538,658 | 500,171 | 160,000 | 389,450 | 549,450 | 91.0% |
| 2017 | 4,239,414 | 2,508,407 | 1,731,007 | 465,000 | 487,220 | 952,220 | 181.8% |
| 2018 | 4,359,288 | 2,926,665 | 1,432,623 | 530,000 | 476,528 | 1,006,528 | 142.3% |

Source: City of Billings, Montana

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Gross revenue includes assessments and investment earnings.

² Included in special assessment bonds in the financial statements and related notes.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Parking Notes Payable ³
Last Ten Fiscal Years ⁴
(Unaudited)

| Fiscal Year | Gross ¹ Revenue | Less: Operating Expense ² | Net Revenue Available for Debt Service | Debt Service Requirements | | | Coverage |
|----------------|-------------------------------|--|--|---------------------------|-----------------------|------------|----------|
| | | | | Principal | Interest ⁶ | Total | |
| 2009 | \$ 1,922,134 | \$ 1,545,816 | \$ 376,318 | \$ 179,771 | \$ 315,624 | \$ 495,395 | 76% |
| 2010 | 1,764,693 | 1,678,525 | 86,168 | 189,622 | 305,773 | 495,395 | 17% |
| 2011 | 1,732,269 | 1,551,195 | 181,074 | 200,014 | 295,381 | 495,395 | 37% |
| 2012 | 1,724,876 | 2,110,306 | (385,430) | 210,974 | 284,421 | 495,395 | -78% |
| 2013 | 1,755,582 | 1,220,805 | 534,777 ⁵ | 222,536 | 272,859 | 495,395 | 108% |
| 2014 | 1,525,125 | 1,455,807 | 69,318 | 115,863 | 139,917 | 255,780 | 27% |
| 2015 | 1,519,591 | 1,717,715 | (198,124) | 119,120 | 136,660 | 255,780 | -77% |
| 2016 | 1,590,253 | 1,520,808 | 69,445 | 124,485 | 131,295 | 255,780 | 27% |
| 2017 | 1,636,217 | 1,538,722 | 97,495 | 130,092 | 125,688 | 255,780 | 38% |
| 2018 | 1,673,213 | 1,673,343 | (130) | 135,952 | 119,828 | 255,780 | 0% |

Source: City of Billings, Montana

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

¹ Gross revenue includes operating revenue and interest income.

² Total operating expense exclusive of depreciation

³ Included in note payable in the financial statements and related notes.

⁴ Note payable was issued in fiscal year 2007. Prior to 2007, there was no pledged revenue debt for Parking.

⁵ The Capital lease for Parking was refinanced in FY2013. The debt service requirements will decrease in subsequent years.

⁶ This interest reported is cash basis. However, the interest reported in the Government-Wide financial statement is accrued.

CITY OF BILLINGS, MONTANA
Demographic Statistics
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | Population ¹ | Total Personal Income ⁵ (In thousands) | Per Capita Personal Income ⁵ | Median Age ² | School Enrollment ³ | Unemployment Rate ⁴ |
|--------------------|--------------------------------|--|--|--------------------------------|---------------------------------------|---------------------------------------|
| 2009 | 103,994 | 4,675,202 | 36,513 | 37.9 | 15,681 | 4.7% |
| 2010 | 105,845 | 5,900,362 | 38,737 | 38.1 | 15,608 | 5.5% |
| 2011 | 104,170 | 6,060,376 | 39,212 | 39.0 | 15,715 | 5.2% |
| 2012 | 104,170 | 6,308,626 | 38,488 | 39.0 | 16,223 | 4.3% |
| 2013 | 106,954 | 6,765,732 | 41,546 | 37.0 | 16,238 | 3.7% |
| 2014 | 109,059 | 7,014,133 | 42,417 | 36.8 | 16,328 | 2.9% |
| 2015 | 108,869 | 7,110,250 | 42,606 | 38.3 | 16,120 | 2.9% |
| 2016 | 110,263 | 7,749,711 | 46,052 | 38.1 | 16,644 | 3.2% |
| 2017 | 110,323 | 8,002,260 | 47,148 | 38.1 | 16,648 | 3.2% |
| 2018 | 109,642 | 8,484,100 | 49,760 | 38.3 | 16,649 | 3.0% |

Sources and other information:

- ¹ Census taken every ten years. Actual census figures given for 2011. All other years are estimated by City/County Planning, Yellowstone County, Montana.
- ² Census and Economic Information Center (CEIC), Montana Department of Commerce
- ³ Billings School District #2.
- ⁴ State of Montana Research & Analysis Bureau.
- ⁵ Bureau of Economic Analysis. Current Fiscal Year given as estimate only.

**CITY OF BILLINGS, MONTANA
Principal Employers
Current Year and Ten Years Ago
(Unaudited)**

| Employer | 2018 | | | 2009 | | |
|-----------------------------------|---|-------------|---|---|-------------|---|
| | Number of Employees ¹ | Rank | Percentage of Total City Employment ² | Number of Employees ¹ | Rank | Percentage of Total City Employment ³ |
| Billings Clinic | 4,000 | 1 | 4.91% | 3,275 | 1 | 4.13% |
| School District #2 | 2,500 | 2 | 3.07% | 2,017 | 3 | 2.54% |
| St. Vincent Healthcare | 1,704 | 3 | 2.09% | 2,156 | 2 | 2.72% |
| Stillwater Mining Company | 1,410 | 4 | 1.73% | 1,300 | 4 | 1.64% |
| City of Billings | 917 | 5 | 1.13% | 897 | 5 | 1.13% |
| Wells Fargo | 851 | 6 | 1.04% | 774 | 7 | 0.98% |
| Wal Mart | 848 | 7 | 1.04% | 816 | 6 | 1.03% |
| Yellowstone County | 731 | 8 | 0.90% | 670 | 8 | 0.85% |
| St John's Lutheran Home | 709 | 9 | 0.87% | - | - | - |
| Montana State University-Billings | 565 | 10 | 0.69% | 500 | 9 | 0.63% |
| Avitus Group | N/A | - | - | 472 | 10 | 0.60% |
| Total | 14,235 | | 17.47% | 12,877 | | 16.25% |

Sources and other information:

¹ Information obtained from each individual company. Numbers given may be estimates.

² Montana Research and Analysis Bureau, State of Montana. Based on 81,485 employees in the greater Billings Metro Area.

³ Based on 79,266 employees in the greater Billings Metro Area.

CITY OF BILLINGS, MONTANA
Full-Time Equivalent City of Billings Employees by Function
Last Ten Fiscal Years
(Unaudited)

| | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government | 101.5 | 83.0 | 83.5 | 84.8 | 87.8 | 90.6 | 84.6 | 84.6 | 85.9 | 88.9 |
| Planning and community services | 37.1 | 28.0 | 31.0 | 31.6 | 31.6 | 31.8 | 38.8 | 39.5 | 40.3 | 44.6 |
| Library | 30.7 | 30.7 | 31.7 | 31.7 | 31.7 | 31.7 | 31.9 | 31.8 | 32.8 | 32.8 |
| Public safety ¹ | | | | | | | | | | |
| Police | 163.0 | 167.0 | 167.0 | 167.0 | 165.0 | 166.0 | 166.0 | 167.3 | 173.3 | 170.3 |
| Animal shelter | 10.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| Fire | 147.0 | 148.0 | 146.0 | 146.0 | 146.5 | 146.5 | 146.5 | 147.1 | 157.1 | 156.8 |
| Streets/Traffic | 43.0 | 43.0 | 43.0 | 45.0 | 45.0 | 45.0 | 45.0 | 47.0 | 47.0 | 48.0 |
| Water and Wastewater | 103.0 | 104.0 | 104.0 | 103.0 | 103.0 | 103.0 | 103.0 | 103.0 | 104.1 | 104.0 |
| Sanitation | 62.5 | 62.5 | 63.5 | 63.5 | 63.5 | 64.5 | 64.5 | 63.5 | 63.5 | 63.5 |
| Parking | 15.8 | 15.3 | 15.3 | 15.3 | 12.3 | 12.0 | 12.0 | 12.0 | 12.5 | 12.5 |
| Aviation | 56.0 | 56.0 | 56.0 | 56.0 | 56.0 | 56.0 | 56.0 | 56.0 | 55.6 | 54.4 |
| Transit | 55.3 | 55.3 | 55.3 | 55.3 | 55.3 | 55.3 | 55.3 | 55.3 | 55.7 | 55.9 |
| Internal services | 49.0 | 72.0 | 74.0 | 75.0 | 75.0 | 75.0 | 75.0 | 78.0 | 77.0 | 78.0 |
| Total | <u>873.9</u> | <u>871.8</u> | <u>877.3</u> | <u>881.2</u> | <u>879.7</u> | <u>884.4</u> | <u>885.6</u> | <u>892.1</u> | <u>911.8</u> | <u>916.7</u> |

Source: City of Billings Annual Budget

¹ Police and Fire began adding staff in FY 2006 as a result of the public safety levy approved by the voters in 2004.

FY 2015 Grant positions moved out of general government

City of Billings
Operating Indicators by Activity
Last Ten Years
(Unaudited)

| Activity | Report Period¹ | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|--|----------------------------------|-------------|-------------|-------------|-------------|-------------|-----------------------------------|-------------|-------------|-------------|-------------|
| Police | | | | | | | | | | | |
| Dispatched Calls | FY | 60,112 | 59,840 | 60,686 | 63,915 | 66,510 | 66,111 | 68,817 | 78,484 | 88,447 | 95,214 |
| Arrests | CY | 7,631 | 6,815 | 7,324 | 9,116 | 9,265 | 10,214 | 10,064 | 11,942 | 12,084 | 11,011 |
| Traffic Violations | CY | 28,884 | 24,024 | 27,240 | 30,473 | 26,478 | 24,813 | 15,460 | 17,068 | 24,463 | 23,973 |
| Traffic Accidents | CY | 3,081 | 2,912 | 3,623 | 3,524 | 3,329 | 3,988 | 3,845 | 2,518 | 2,521 | 2,395 |
| Fire | | | | | | | | | | | |
| Dispatched Calls | FY | 10,728 | 10,499 | 10,841 | 11,228 | 11,194 | 11,989 lot Available ² | | 13,263 | 13,880 | 14,441 |
| Inspections | CY | 2,840 | 1,021 | 1,972 | 1,191 | 1,209 | 1,553 | 2,027 | 1,043 | 2,516 | 1,058 |
| Solid Waste | | | | | | | | | | | |
| Residential Customers | FY | 31,101 | 31,554 | 31,800 | 32,359 | 32,772 | 33,127 | 35,623 | 31,721 | 31,874 | 32,055 |
| Commerical Customers | FY | 3,642 | 3,704 | 3,889 | 3,982 | 4,071 | 4,136 | 2,900 | 2,559 | 2,624 | 2,603 |
| Landfill trips | FY | 120,821 | 143,046 | 153,010 | 164,667 | 166,777 | 165,729 | 146,635 | 140,007 | 154,894 | 151,795 |
| Water | | | | | | | | | | | |
| Customers | FY | 29,073 | 29,248 | 29,309 | 29,537 | 29,811 | 30,113 | 30,326 | 30,651 | 30,311 | 31,435 |
| Average Daily Consumption (millions of gallons) | FY | 21 | 20 | 19 | 23 | 23 | 21 | 21 | 21.5 | 21.3 | 22 |
| Wastewater | | | | | | | | | | | |
| Customers | FY | 31,909 | 32,193 | 32,390 | 32,586 | 32,951 | 33,357 | 33,894 | 34,292 | 34,543 | 35,302 |
| Average Daily Treatment (millions of gallons) | FY | 15 | 16 | 16 | 16 | 16 | 16 | 16 | 15 | 16 | 18.7 |

Source: City of Billings Operating Budget, Billings, Montana

¹ CY represents a Calendar Year, FY represents a Fiscal Year (July 1-June 30). Calendar Year stats are to date at the time of data inquiry (typically end of November).

² A new system was implemented, so an accurate number cannot be given for FY15.

City of Billings
Capital Asset Statistics by Activity
Last Ten Years
(Unaudited)
(Page 1 of 2)

| Date of Incorporation - 1882 | Report | Years | | | | | | | | | |
|---|---------------------------|--------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | Period¹ | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
| Form of Government - Council/Administrator | | | | | | | | | | | |
| Area in Square Miles | FY | 40.1 | 40.1 | 42.0 | 42.0 | 42.0 | 42.0 | 42.5 | 43.0 | 42.9 | 43.0 |
| Activity | | | | | | | | | | | |
| Public Safety | | | | | | | | | | | |
| Police | | | | | | | | | | | |
| Stations | FY | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police Officers | FY | 143 | 143 | 142 | 141 | 140 | 141 | 141.4 | 142 | 150 | 145 |
| Fire | | | | | | | | | | | |
| Stations | FY | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| Firefighters/Officers/Dispatchers | FY | 146 | 148 | 148 | 148 | 144 | 144.5 | 145.1 | 144.8 | 153.8 | 155.8 |
| Streets | | | | | | | | | | | |
| Streets (miles) | CY | 458 | 523 | 523.4 | 526.2 | 530.0 | 530.0 | 537.8 | 545.1 | 545.6 | 545.6 |
| Streetlights | FY | 7,993 | 8,000 | 8,179 | 8,202 | 8,202 | 8,239 | 8,376 | 8,480 | 8,202 | 8,533 |
| Street Light Maintenance Districts | FY | 183 | 181 | 184 | 185 | 185 | 186 | 187 | 192 | 185 | 194 |
| City Parks | | | | | | | | | | | |
| Developed Acres | FY | 1,183 | 1,183 | 1,183 | 1,183 | 1,183 | 1,183 | 1,183 | 1,201 | 1,204 | 1,204 |
| Undeveloped Acres | FY | 290 | 290 | 290 | 290 | 290 | 290 | 290 | 282 | 279 | 279 |
| Natural Park Acres | FY | 1,107 | 1,107 | 1,107 | 1,107 | 1,107 | 1,107 | 1,107 | 1,167 | 1,213 | 1,213 |
| Parking | | | | | | | | | | | |
| Garages | FY | 4 | 4 | 4 | 4 | 3 | 3 | 4 | 4 | 4 | 4 |

(continued)

Source: City of Billings Operating Budget, Billings, Montana
¹ CY represents a Calendar Year, FY represents a Fiscal Year

City of Billings
Capital Asset Statistics by Activity
Last Ten Years
(Unaudited)
(Page 2 of 2)

| | Report Period¹ | Years | | | | | | | | | |
|---|--------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Water | | | | | | | | | | | |
| Water Mains (miles) | FY | 441 | 447 | 447 | 465 | 467 | 468 | 476 | 468 | 481 | 487 |
| Fire Hydrants | FY | 3,969 | 4,145 | 4,204 | 4,211 | 4,242 | 4,357 | 4,392 | 4,405 | 4,211 | 4,517 |
| Maximum Daily Capacity (millions of gallons) | FY | 46 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 | 60 |
| Wastewater | | | | | | | | | | | |
| Storm Sewers (miles) | FY | 149 | 149 | 149.2 | 149.2 | 149.2 | 213.8 | 232.0 | 219 | 264 | 270 |
| Sanitary Sewers (miles) | FY | 444 | 466 | 473 | 461 | 486 | 488 | 497 | 494.5 | 499 | 502 |
| Maximum Daily Capacity (millions of gallons) | FY | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 | 26 |

CITY OF BILLINGS, MONTANA
Property Value, Construction and Bank Deposits
Last Ten Fiscal Years
(Unaudited)

| Fiscal Year | <u>Construction</u> ¹ | | <u>Residential</u> ² | | Bank Deposits (in thousands) ³ | Property Value ^{4,6} |
|-------------|---|---------------------------|---------------------------------|-------------------------|--|-------------------------------|
| | <u>Commercial</u> Number of Permits | Value | Number of Permits | Value | | |
| 2009 | 71 | 63,332,381 | 227 | 38,331,029 ⁸ | 3,144,622 | 4,810,404,010 |
| 2010 | 67 | 61,242,125 | 278 | 51,019,706 | 3,737,755 | 5,135,553,650 |
| 2011 | 99 | 69,548,962 | 230 | 47,522,702 | 3,799,467 | 6,306,916,152 |
| 2012 | 62 | 44,776,009 | 265 | 53,596,078 | 4,091,359 | 5,645,349,125 ⁹ |
| 2013 | 74 | 109,879,817 ¹⁰ | 434 | 97,412,566 | 4,315,837 | 5,836,600,658 |
| 2014 | 79 | 52,150,771 | 333 | 78,673,385 | 4,597,034 | 6,140,162,916 |
| 2015 | 76 | 75,258,982 | 419 | 100,954,761 | 4,886,513 | 6,350,470,915 |
| 2016 | 84 | 79,697,699 | 503 | 93,464,621 | 4,904,589 | 11,626,879,232 |
| 2017 | 67 | 78,801,883 | 294 | 69,702,982 | 5,019,961 | 11,743,014,785 |
| 2018 | 55 | 59,259,933 | 308 | 71,519,348 | | 12,470,840,779 |

Sources and other information:

¹ Building Department (new construction permits), City of Billings, Montana.

² Single family only.

³ Individual banks and credit unions.

⁴ State of Montana Department of Revenue.

⁵ Commercial values increased although the number of permits issued decreased because a new commercial area is being developed, which includes hotels, a hospital, and an educational facility. Other large projects in the City include a new parking garage and trauma care center.

⁶ For fiscal years beginning in 2006 the property value includes the Tax Increment District.

⁷ Medical facilities had permits that totaled \$27 million. Other large projects included a senior living center, motel, office building, retail stores, bank processing center and church additions.

⁸ Residential construction is down due to the economy.

⁹ For Fiscal Year 2009 the State of Montana Department of Revenue did not include exempt properties.

¹⁰ Commercial values increased due to several large projects, including a new library, parking garage, a large sporting goods retailer

SINGLE AUDIT SECTION

**INDEPENDENT AUDITORS' 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***

**To the Honorable Mayor, Members of the City Council and and City Administrator
City of Billings, 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 the City of Billings, Montana as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Billings, Montana's basic financial statements and have issued our report thereon dated December 28, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Billings, Montana'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 the City of Billings, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Billings, Montana's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana
December 28, 2018

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**To the Honorable Mayor, Members of the City Council and and City Administrator
City of Billings, Montana**

Report on Compliance for Each Major Federal Program

We have audited the City of Billings, Montana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Billings, Montana's major federal programs for the year ended June 30, 2018. The City of Billings, Montana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Billings, Montana'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Billings, Montana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe 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 the City of Billings, Montana's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Billings, Montana 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, 2018.

Report on Internal Control Over Compliance

Management of the City of Billings, Montana, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Billings, Montana's internal control over compliance with the types of requirements that could have a direct and material effect on each 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 the Uniform Guidance, 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 the City of Billings, Montana's internal control over compliance.

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

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

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

Junkermier, Clark, Campanella, Stevens, P.C.

Great Falls, Montana
December 28, 2018

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018
(Page 1 of 4)

| <u>Federal Grantor</u> | <u>Federal CFDA Number</u> | <u>Passed Through to Subrecipients</u> | <u>Program Amount or Grant Award</u> | <u>Expenditures</u> |
|--|----------------------------|--|--------------------------------------|---------------------|
| <u>U.S. Department of Housing and Urban Development</u> | | | | |
| Community Development Block Grants and Entitlement Grants: | 14.218 | | | |
| Grant entitlement B-16-MC-30-001 | | - | 581,942 | 194,587 |
| Grant entitlement B-17-MC-30-001 | | - | 597,181 | 493,912 |
| CFDA subtotal | | - | 1,179,123 | 688,499 |
| Home Investment Partnerships Program: | 14.239 | | | |
| Grant entitlement M 16 MC 300213 | | - | 263,688 | 18,187 |
| Grant entitlement M 17 MC 300213 | | - | 273,573 | 150,603 |
| CFDA subtotal | | - | 537,261 | 168,790 |
| <u>Corporation for National and Community Service</u> | | | | |
| AmeriCorps VISTA - VISTA State Support | | | | |
| Grant 14-VSP-MT-001/10-VS-120761 | 94.013 | - | 358,055 | 358,055 |
| CFDA subtotal | | - | 358,055 | 358,055 |
| <u>U.S. Department of Transportation</u> | | | | |
| Airport Improvement Program: | 20.106 | | | |
| AIP3-30-008-53-2016 | | - | 1,362,586 | 276,579 |
| AIP3-30-008-55-2017 | | - | 1,708,386 | 1,223,904 |
| AIP3-30-008-56-2017 | | - | 1,573,454 | 434,646 |
| CFDA subtotal | | - | 4,644,426 | 1,935,129 |
| Small Community Air Service Development Program (SCASDP) | 20.930 | | | |
| DOT-OST-2016-037-0004 | | - | 750,000 | 571,835 |
| CFDA subtotal | | - | 750,000 | 571,835 |
| Federal Transit Metropolitan Planning Grants | 20.505 | | | |
| FTA Section 5303-Operating-Passed Through the State of Montana Contract # 109756 | | - | 235,539 | 155,248 |
| FTA Section 5303-Operating-Passed Through the State of Montana Contract # 109232 | | - | 188,431 | 35,104 |
| CFDA subtotal | | - | 423,970 | 190,352 |

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018
(Page 2 of 4)

| <u>Federal Grantor</u> | <u>Federal CFDA Number</u> | <u>Passed Through to Subrecipients</u> | <u>Program Amount or Grant Award</u> | <u>Expenditures</u> |
|--|--------------------------------|--|--|---------------------|
| <u>U.S. Department of Transportation (continued)</u> | | | | |
| <i>Federal Transit Cluster</i> | | | | |
| Federal Transit Capital and Operating Assistance Formula Grants | 20.507 | | | |
| FTA Section 9-Operating MT-2016-003-00 | | - | 1,844,325 | 1,844,325 |
| CFDA subtotal | | - | 1,844,325 | 1,844,325 |
| | | | | |
| Federal Transit Metropolitan Planning Grants | 20.526 | | | |
| FTA Section 5339-Capital-Passed Through the State of Montana Contract #109734 | | - | 27,040 | 27,040 |
| FTA Section 5339-Capital-Passed Through the State of Montana Contract #110020 | | - | 10,271 | 10,271 |
| FTA Section 5339-Capital-Passed Through the State of Montana Contract #110292 | | - | 10,152 | 10,152 |
| CFDA subtotal | | - | 47,463 | 47,463 |
| <i>Federal Transit Cluster Total</i> | | - | 1,891,788 | 1,891,788 |
| | | | | |
| Federal Transit Metropolitan Planning Grants | 20.513 | | | |
| FTA Section 5310-Capital-Passed Through the State of Montana Contract #110027 | | - | 374,786 | 374,786 |
| FTA Section 5310-Capital-Passed Through the State of Montana Contract #108974 | | - | 14,360 | 14,360 |
| CFDA subtotal | | - | 389,146 | 389,146 |
| | | | | |
| State and Community Highway Safety: | 20.600 | | | |
| Passed through the State of Montana: | | | | |
| STEP OT Contract #109544 | | - | 6,400 | 2,364 |
| STEP OT Contract #109098 | | - | 7,000 | 5,970 |
| CFDA subtotal | | - | 13,400 | 8,334 |
| | | | | |
| Highway Planning and Construction: | 20.205 | | | |
| Passed through the State of Montana | | | | |
| STPU-MT UPN 6040 | | - | 80,000 | 1,729 |
| Metropolitan Planning Funds SPR-PL-1 (55) Contract #109863 | | - | 1,083,250 | 862,864 |
| CFDA subtotal | | - | 1,163,250 | 864,593 |

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018
(Page 3 of 4)

| <u>Federal Grantor</u> | <u>Federal CFDA Number</u> | <u>Passed Through to Subrecipients</u> | <u>Program Amount or Grant Award</u> | <u>Expenditures</u> |
|--|--------------------------------|--|--|---------------------|
| <u>U.S. Department of Interior</u> | | | | |
| Historic Preservation Fund Grants-In-Aid: | 15.904 | | | |
| Passed through the Montana Historic Society; | | | | |
| MT-17-011 | | - | 5,500 | 5,500 |
| CFDA subtotal | | - | 5,500 | 5,500 |
| <u>U.S. Department of Justice</u> | | | | |
| Office of Juvenile Justice Delinquency Program | 16.543 | | | |
| Internet Crimes Against Children 2016-MC-FX-K038 | | 95,606 | 513,294 | 183,032 |
| CFDA subtotal | | 95,606 | 513,294 | 183,032 |
| Equitable Sharing Program | 16.922 | | | |
| Asset Forfeiture | | 43,019 | 105,876 | 105,876 |
| CFDA subtotal | | 43,019 | 105,876 | 105,876 |
| Billings Adult Misdemeanor Treatment Court-DUI Grant | 16.585 | | | |
| 2017DCBX0023 | | - | 399,956 | 73,267 |
| CFDA subtotal | | - | 399,956 | 73,267 |
| Violence Against Women Formula Grants passed through | 16.588 | | | |
| State of Montana Board of Crime Control | | | | |
| Domestic Violence Unit 17-W03-92103 | | | 40,000 | 38,308 |
| Billings City Attorneys Victim/Witness Program 17-W03-92095 | | | 31,385 | 31,385 |
| Domestic Violence Investigator 17-W02-92092 | | - | 24,877 | 17,527 |
| CFDA subtotal | | - | 96,262 | 87,220 |
| Justice Assistance Grants: | 16.738 | | | |
| 2016-DJ-BX-0844 | | 11,335 | 75,590 | 30,800 |
| 2014-DJ-BX-0684 | | - | 66,515 | 3,429 |
| CFDA subtotal | | 11,335 | 142,105 | 34,229 |
| Billings Adult Misdemeanor Treatment Court-Mental Health Grant | 16.745 | | | |
| 2016-DC-BX-0099 | | - | 349,253 | 51,214 |
| CFDA subtotal | | - | 349,253 | 51,214 |

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2018
(Page 4 of 4)

| <u>Federal Grantor</u> | <u>Federal CFDA Number</u> | <u>Passed Through to Subrecipients</u> | <u>Program Amount or Grant Award</u> | <u>Expenditures</u> |
|---|--------------------------------|--|--|---------------------|
| <u>Department of Health and Human Services</u> | | | | |
| Substance Abuse and Mental Health Services | 93.243 | | | |
| Billings Adult Misdemeanor Drug Court-SAMHSA | | | | |
| SAMHSA 1H79TI026115-01 | | - | 971,630 | 188,616 |
| CFDA subtotal | | - | 971,630 | 188,616 |
| <u>Department of Homeland Security</u> | | | | |
| Homeland Security Grant Program | 97.067 | | | |
| EMW-2017-SS-0009 | | | 360,000 | 360,000 |
| EM2015-SS-00005-S01 | | | 353,175 | 22,084 |
| EMW-2017-SS-00009 | | - | 10,000 | 10,000 |
| CFDA subtotal | | - | 723,175 | 392,084 |
| <u>Office of National Drug Control Policy</u> | | | | |
| High Intensity Drug Traffic Area Award: | 95.001 | | | |
| 2018 HIDTA #G18RM0038A | | - | 223,812 | 95,962 |
| 2017 HIDTA #G17RM0038A | | - | 221,450 | 109,671 |
| CFDA subtotal | | - | 445,262 | 205,633 |
| Total federal awards (all sources) | | \$ 149,960 | \$15,102,732 | \$ 8,393,192 |

CITY OF BILLINGS, MONTANA
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Billings, Montana for the year ended June 30, 2018. The City's reporting entity is described in Note 1 in the City's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies, is included in the schedule. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

(2) Significant Accounting Policies

Amounts reported in the schedule of expenditures of federal awards are recognized on the modified accrual basis when they become a demand on current available federal resources and eligibility requirements are met, or on the accrual basis, at the time liabilities are incurred and all eligibility requirements are met, depending on the basis of accounting used by the respective fund. Such expenditures are recognized following the cost principles in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The City has elected not to use the 10% De Minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF BILLINGS, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

Financial Statements

| | |
|---|------------|
| Type of auditors' report issued | Unmodified |
| Internal control over financial reporting: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weakness? | No |
| Non-compliance material to financial statements noted? | No |

Federal Awards

| | |
|---|------------|
| Internal control over major programs: | |
| Material weakness(es) identified? | No |
| Significant deficiencies identified not considered to be material weakness? | No |
| Type of auditor's report issued on compliance for major programs | Unmodified |
| Audit findings that are required to be reported Uniform Guidance are reported in this schedule. | No |
| Identification of major programs: | |
| Highway Planning and Construction - CFDA 20.205 | |
| Federal Transit Cluster - CFDA 20.507 and 20.526 | |
| Small Community Air Service Development Program (SCASDP) - CFDA 20.930 | |
| Dollar threshold used to distinguish between Type A and Type B | \$750,000 |
| Auditee qualified as low-risk auditee? | Yes |

**CITY OF BILLINGS, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018**

FINDINGS - NONE

**CITY OF BILLINGS, MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2018**

FINDINGS - NONE



City of Billings, Montana



Council Work Session

2.

Meeting Date: 01/22/2019

TITLE: Tax Abatement Annual Report

Department: City Hall Administration

Presentation: Yes

PROBLEM/ISSUE STATEMENT

Patrick Klugman, Community Development Project Manager with Big Sky Economic Development, will be presenting the annual report on tax abatements.

RECOMMENDATION

No action is required from Council on this item.

Attachments

Annual Tax Abatement Presentation

Building
REMARKABLE

Tax Abatement Program in Yellowstone County & the City of Billings

Administered by: Patrick Klugman
Senior Project Manager, Big Sky Economic Development

 **BIG SKY
ECONOMIC
DEVELOPMENT**

BUSINESS GROWTH SERVICES • COMMUNITY DEVELOPMENT • NEW BUSINESS RECRUITMENT

Tax Abatement Program in Yellowstone County & the City of Billings



In 1988, the State of Montana gave local governments the authority to implement tax abatement programs. Since then, Yellowstone County and the City of Billings has successfully used the program to attract new businesses and grow existing businesses.

- In August of 2002, Yellowstone County Commissioners adopted the five-year tax incentive for remodel, expansion, and reconstruction (MCA 15-24-1501). The City of Billings adopted the program in December of 2005.
- The 10-year incentive (MCA 15-24-1401/1402) was adopted in October of 1994 by the Yellowstone County Commissioners and in December of 2005 by the City of Billings.

Tax Abatement Programs

5-Year Program. Allows tax reductions on remodeling, reconstruction, and/or expansion of existing real property when a project makes improvements exceeding \$500,000 to the property. Tax relief is received only on the incremental increase in taxable valuation of the existing property. Under the Remodeling, Reconstruction or Expansion Tax Incentive Program, the property taxes levied on the value of the improvements may be reduced by 100% for the first 5 years of the project. In the 5th year, the property would return to its full taxable value. A leased building is typically not eligible for this tax incentive program as the owner of the property typically applies.

- Construction period – 0% taxable value (100% savings)
- First year following construction – 0% taxable value (100% savings)
- Second year following construction – 0% taxable value (100% savings)
- Third year following construction – 0% taxable value (100% savings)
- Fourth year following construction – 0% taxable value (100% savings)
- Fifth year following construction – 100% taxable value (0% savings)
- Following years – 100% taxable value (0% savings)



Tax Abatement Programs

- 10-Year Program. Allows tax reductions under the *New & Expanding Industry Tax Incentive Program*, the taxable value of the real property can be reduced by 50% in the first 5 years. In years 6-10, the tax obligation gradually increases and the savings decreases until the full 100% liability is required and the abatement expires in year 10. Increase in years 6-10 is 10%. The 2017 MT Legislature passed House Bill 226 providing discretion to governing bodies to increase the application of tax savings regarding the 10-year program. Taxable value of the incremental increase in valuation can be reduced by 75% in years 1-5, then increased by 15% years 6-10. As with the 5-year program, this is for businesses owning the building as the owner applies. There are certain criteria; primarily that 50% of the company's revenues are generated from out of state. Job creation is also strongly encouraged for both programs
- The tax abatement is for city, county and school district taxes. The City and County governing bodies have final say on whether the abatement will be granted. Businesses benefit by saving tax dollars for use in operation of their business. The abatement allows the businesses to add to their bottom line incentivizing them to grow and add to Yellowstone County's economy by creating good paying jobs, increased services and overall economic health.

Taxed at 25% of business's taxable value
Years 1-5 - 25% taxable value (75% savings)
Year 6 – 40% taxable value (60% savings)
Year 7 – 55% taxable value (45% savings)
Year 8 – 70% taxable value (30% savings)
Year 9 – 85% taxable value (15% savings)
Year 10 – 100% taxable value (0% savings)

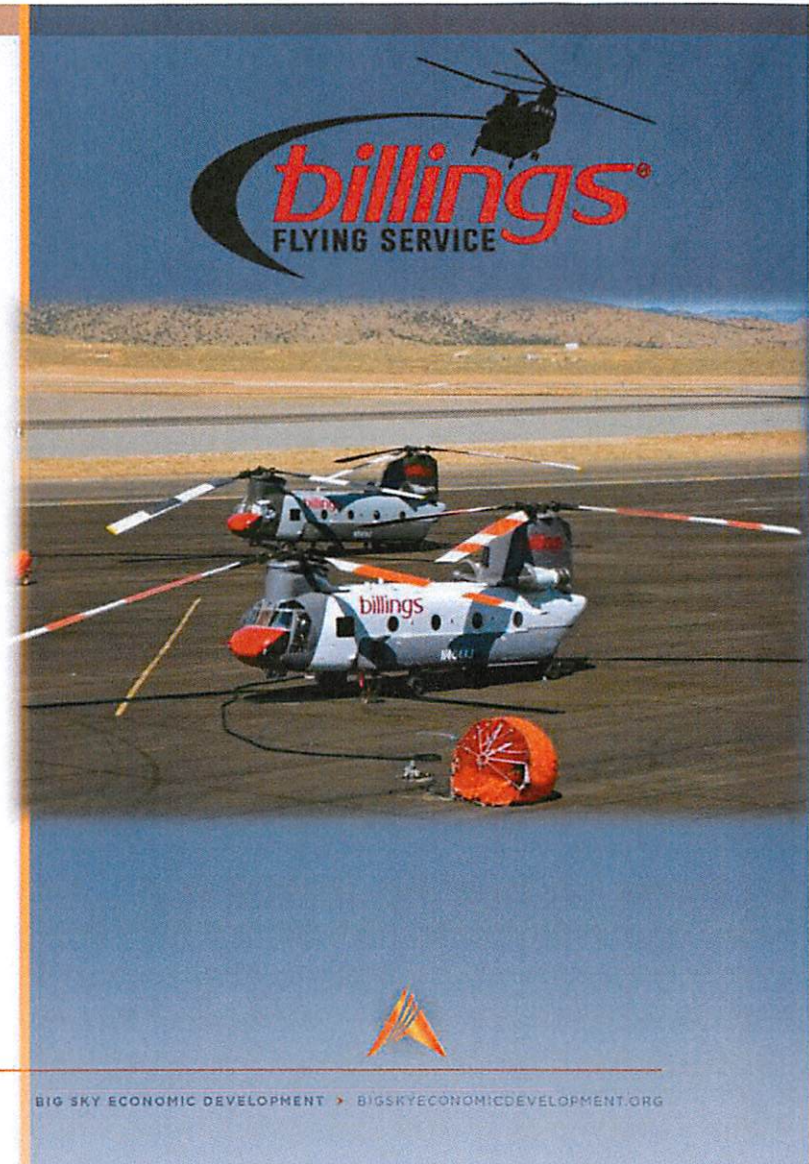


Taxed at 50% of business's taxable value
Years 1-5 - 50% taxable value (50% savings)
Year 6 – 60% taxable value (40% savings)
Year 7 – 70% taxable value (30% savings)
Year 8 – 80% taxable value (20% savings)
Year 9 – 90% taxable value (10% savings)
Year 10 – 100% taxable value (0% savings)

Testimonial: Billings Flying Service

"There is a reason 'Billings' is painted on the side our helicopters. Billings is our home. The tax abatement process helped ensure that our operations center would stay here, and the tax savings helped our company attract top talent to make Billings their home as well. We are forever grateful for the community/business partnership championed by so many in Yellowstone County."

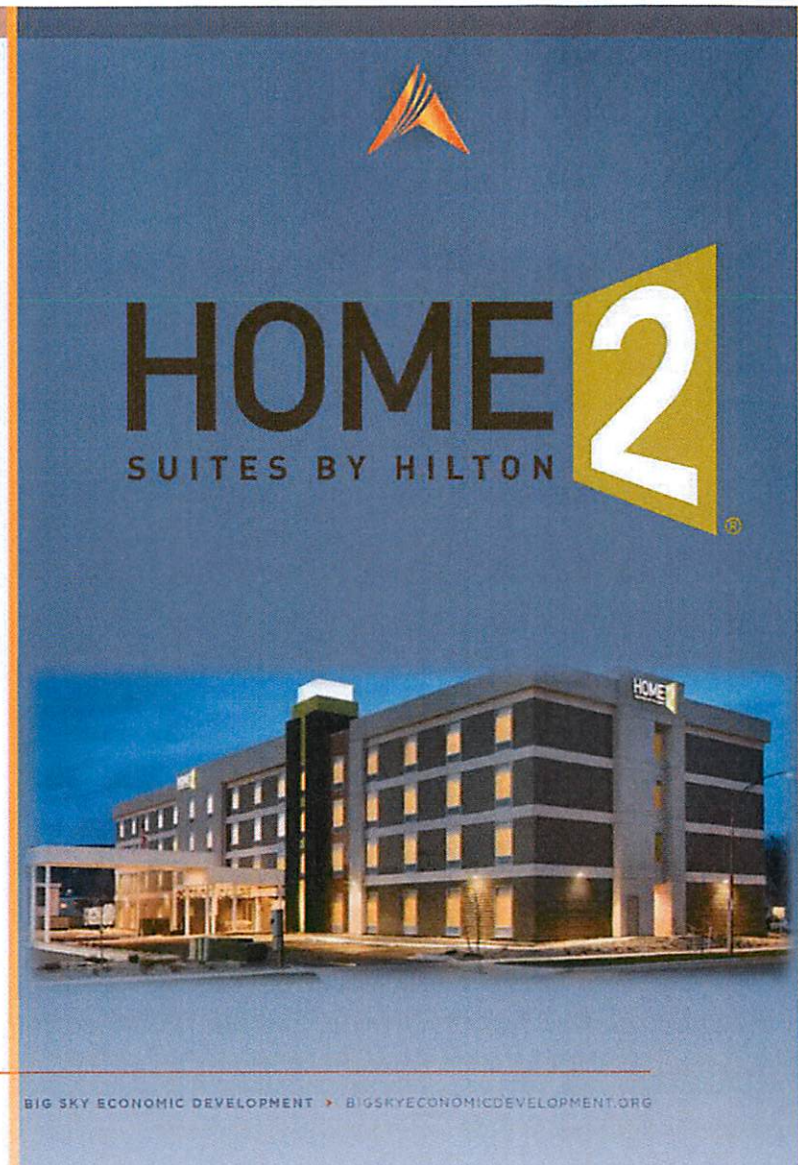
Al, Gary, and Bridger Blain



Testimonial: Home2 Suites by Hilton

“The tax abatement granted to the Home2 Suites by Hilton project was a critical component to the successful ramp up of the business. Located in a redevelopment area, the tax abatement provides financial resources to hire additional staff to insure comfort and peace of mind to our guests as well as to mitigate risks associated with urban renewal.”

Don Cape, Developer



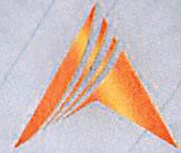
Testimonial: Heights Eyecare

"Expanding your business is always met with many unknowns. The Tax abatement program eased some of the anxiety of the project. With the tax savings we were able to attract several highly qualified employees to help care for our patients. We are blessed that we have this program available to the businesses of Billings and Yellowstone County".

Brad Kimball O.D., Partner



Capital Investment & Active Tax Abatement Savings



| Date Approved | Term | Company | Capital Investment | 2016 Yearly Payroll | Tax Savings in 2016 | 2017 Yearly Payroll | Tax Savings in 2017 |
|---------------|------|---|--------------------------|-------------------------|----------------------|------------------------|---------------------|
| 12/9/2008 | 10yr | All American Pharmaceutical | \$ 1,305,482.00 | \$ 2,300,000.00 | \$ 6,011.07 | \$ 2,600,000.00 | \$ 2,851.28 |
| 10/25/2011 | 5yr | All American Pharmaceuticals | \$ 2,008,331.00 | Included above | Included above | Included above | Expired |
| 11/23/2010 | 10yr | American Steel | \$ 3,832,109.00 | \$ 1,700,000.00 | \$ 6,917.09 | \$ 2,474,130.69 | \$ 6,627.13 |
| 7/5/2013 | 5yr | Aspen Air | \$ 7,156,703.00 | \$ 849,235.00 | \$ 50,990.35 | \$ 802,045.00 | \$ 38,384.23 |
| 2/17/2008 | 10yr | Aspen Air | \$ 15,658,979.00 | Included above | | Included above | Expired |
| 12/27/2016 | 10yr | Billings Flying Service | \$ 2,200,000.00 | N/A | N/A | \$ 5,805,744.00 | \$ 9,587.01 |
| 4/16/2013 | 5yr | Billings Ventures LLP (BigHorn Resort) | \$ 1,000,000.00 | \$ 1,132,571.00 | \$ 1,115.87 | \$ 1,472,168.42 | Expired |
| 10/2/2007 | 10yr | CHS Inc., Laurel, MT Refinery | \$ 342,298,000.00 | \$ 48,200,000.00 | \$ 307,152.83 | \$ 49,000,000.00 | Expired |
| 2/23/2016 | 10yr | CHS Inc., Laurel, MT Refinery | \$ 13,000,000.00 | Included above | Included above | Included above | \$ 70,543.34 |
| 11/17/2009 | 10yr | Dalco Industries dba Teton Steel | \$ 1,500,000.00 | \$ 604,000.00 | \$ 4,809.46 | \$ 633,823.58 | \$ 3,776.92 |
| 6/23/2015 | 10yr | D&M Enterprises (Auto Trim Design) | \$ 4,400,000.00 | \$ 1,003,000.00 | \$ 18,639.92 | \$ 550,000.00 | \$ 21,139.99 |
| 3/23/2010 | 10yr | GE Capital** | \$ 9,287,865.00 | \$ 9,225,145.00 | \$ 16,918.44 | | \$ 11,648.58 |
| 8/16/2011 | 5yr | Golden Steel and Recycling, Inc (Schnitzer Steel) | \$ 2,000,000.00 | \$ 864,000.00 | \$ 706.55 | \$ 1,250,000.00 | Expired |
| 11/14/2016 | 5yr | Heights Eyecare (Linde Properties) | \$ 1,050,788.00 | \$ 1,618,417.00 | \$ 5,859.89 | \$ 1,676,669.00 | \$ 8,000.27 |
| 4/11/2017 | 5yr | Home2 Suites by Hilton | \$ 12,773,000.00 | N/A | N/A | \$ 556,869.42 | \$ 62,537.55 |
| 2/23/2016 | 5yr | Home Science Tools | \$ 1,838,000.00 | \$ 1,280,000.00 | \$ 6,190.56 | \$ 1,320,000.00 | \$ 11,350.09 |
| 2/23/2016 | 5yr | Jefferson Lines | \$ 850,000.00 | \$ 900,000.00 | \$ 2,016.67 | \$ 1,089,557.00 | \$ 2,552.91 |
| 10/25/2011 | 10yr | Mercedes Benz of Billings | \$ 2,150,000.00 | \$ 1,175,000.00 | \$ 2,532.79 | \$ 835,000.00 | \$ 2,367.70 |
| 11/19/2013 | 10yr | Montana Peterbilt | \$ 5,600,000.00 | \$ 5,042,523.00 | \$ 16,874.91 | \$ 4,000,000.00 | \$ 21,018.96 |
| 5/18/2010 | 10yr | Motor Power Equipment | \$ 2,530,000.00 | \$ 4,621,000.00 | \$ 4,188.20 | \$ 4,381,000.00 | \$ 3,649.98 |
| 11/19/2013 | 10yr | Northwest Scientific | \$ 2,122,328.00 | \$ 1,134,978.00 | \$ 5,507.09 | \$ 1,011,445.41 | \$ 6,324.11 |
| 12/23/2014 | 10yr | Summit Resource International | \$ 2,300,000.00 | \$ 556,205.00 | \$ 7,516.38 | \$ 494,045.80 | \$ 9,400.92 |
| 6/23/2015 | 5yr | Shipton's Big R | \$ 7,500,000.00 | | \$ 28,873.15 | \$ 738,454.59 | \$ 45,918.24 |
| 4/16/2013 | 5yr | TrueNorth Steel | \$ 1,200,000.00 | \$ 4,668,467.00 | \$ 3,092.51 | \$ 4,678,334.15 | \$ 8,469.49 |
| 2/23/2016 | 5yr | Woods Powr Grip | \$ 1,375,428.00 | \$ 5,761,405.00 | \$ 5,107.02 | \$ 6,948,414.00 | \$ 12,815.30 |
| Total | | | \$ 446,937,013.00 | \$ 92,635,946.00 | \$ 501,020.75 | \$92,317,701.06 | \$358,964.00 |

- Capital Investment and payroll information provided by businesses through application and annual questionnaire
- Tax savings information provided by the Montana Department of Revenue
- GE ownership transfer July '17 – Zoot assumes 2yrs remaining of abatement of 20% savings ('18) and 10% savings ('19).

Tax Abatements granted in 2017/2018

Total number of new tax abatements

2

granted July 2017-June 2018

2 Existing businesses chose



to expand/construct in Yellowstone County and Billings

Total Private Investment of \$397,831,042



from those 2 projects

Total economic impact of all Businesses receiving a tax abatement in 2017

Total amount all participating Businesses saved \$358,964



on taxes in 2016

Total of \$92,317,701 in payroll



for all Businesses receiving a tax abatement

The cumulative impact of businesses that received tax abatements represent a projected *

direct and indirect Economic Impact of over \$3.9 Billion



- Projected direct and indirect impact provided by Jobs EQ economic impact database, basing impact on reported jobs per industry sector for each individual business receiving a tax abatement in 2017
- Payroll numbers received from businesses completing annual survey



Highlight of two (2) Expired '17 Abatements



| Company | Capital Investment | Beginning Market Value | Ending Market Value | Increase in Market Value | Beginning General Tax Billed | Ending General Tax Billed | Increase in General Taxes | Net FT Job Creation |
|------------------------------------|----------------------|------------------------|----------------------|--------------------------|------------------------------|---------------------------|---------------------------|---------------------|
| <u>All American Pharmaceutical</u> | \$2,008,331 | \$2,643,083 | \$3,774,660 | \$1,131,577 | \$43,966 | \$75,382 | \$31,415.94 | 60 |
| <u>CHS Refinery</u> | \$342,298,000 | \$46,172,555 | 88,363,030 | \$42,190,475 | \$3,615,560 | \$10,584,285 | \$6,968,725 | 118 |
| Totals | \$344,306,331 | \$48,815,638 | \$ 92,137,690 | \$ 43,322,052 | \$ 3,659,527 | \$ 10,659,668 | \$ 7,000,141 | 178 |

- Numbers received from Yellowstone County property tax detail
- <http://www.co.yellowstone.mt.gov/gis/index.asp>

Questions?



Patrick Klugman, Senior Project Manager
Community Development
BIG SKY ECONOMIC DEVELOPMENT
222 N. 32nd St., Suite 200
Billings, MT 59101
d. (406) 869-8418

