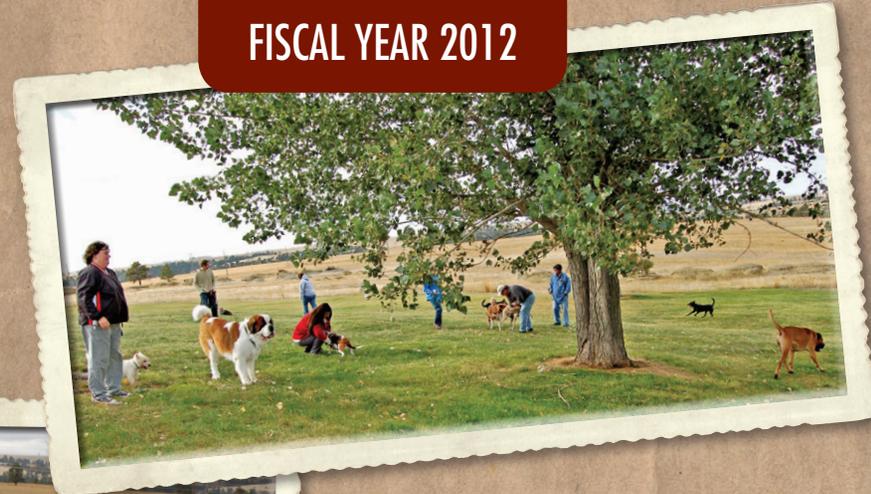
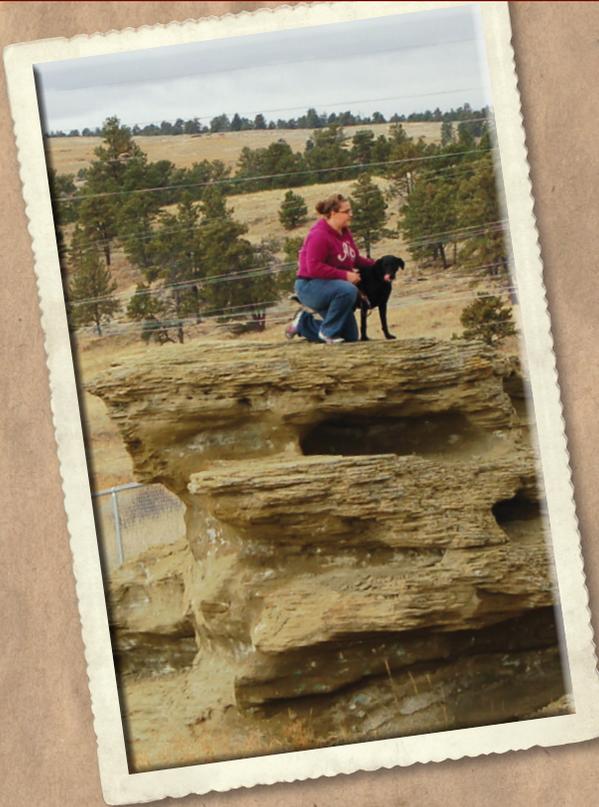


# City of Billings Montana

FISCAL YEAR 2012



COMPREHENSIVE  
ANNUAL FINANCIAL  
REPORT

# ABOUT THE COVER

One of Billings' highlights of 2011 was the grand opening of its first Dog Park on October 15<sup>th</sup>. The Friends of Billings Dog Parks, in partnership with the City of Billings' Parks and Recreation Department, were instrumental in raising all of the private funds to build this venue for dogs and their owners.

The Parks and Recreation Department held a meeting in 2007 to determine the level of community interest in dog parks. Although it was a cold and snowy evening, more than 75 people attended and an excess of \$1,250 was raised. Thus, it was evident there was an interest for a dog park in Billings.

In January 2008, the Friends of the Dog Parks Committee was formed. The committee consists of seven citizens who partner and work with PRPL to find ways to meet this need in the Billings' community. The mission of the committee is to create parks where dogs can romp and play off-leash in a secure setting with their owners and other dog friends to promote socialization and educational opportunities that support healthy dogs and to foster a sense of community by bringing dogs and their people together.

The goal is to develop at least three dog parks throughout the city to provide fun, recreational opportunities for dog lovers. After more than three years of raising private donations, construction began on the first dog park in the spring of 2011 at High Sierra Park, near Skyview High School off Wicks Lane. The 7.5 acres are fenced, complete with a small dog section, where dogs can run, play, and socialize leash free with other dogs and their owners.

Although the park is open for use, there are still several items that are needed, such as a drinking fountain, trees, and more benches and shade structures. The next big fundraiser will focus on these items and developing the second dog park on the west end of Billings.

Fundraising is ongoing with several events scheduled this year. For example, on Saturday, August 11, the 3<sup>rd</sup> Annual Dash for Dog Parks will be held. On Saturday, September 15, the Friends of the Dog Parks will host the "Par Fore Paws" golf tournament at Eagle Rock Golf Club. All proceeds will go to improving and building additional dog parks. For more information on these and other events, visit the website at [www.friendsofbillingsdogparks.com](http://www.friendsofbillingsdogparks.com).

With 80% of Billings' households owning one or more dogs, the dog parks will be well used and enjoyed by many of Billings' citizens.

CITY OF BILLINGS, MONTANA  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

DEPARTMENT OF ADMINISTRATION  
FINANCE DEPARTMENT

PATRICK M. WEBER  
FINANCE DIRECTOR

FISCAL YEAR 2012

July 1, 2011 – June 30, 2012

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# INTRODUCTORY SECTION



**CITY OF BILLINGS**  
**DEPARTMENT OF ADMINISTRATION**  
**FINANCE DIVISION**  
**P.O BOX 1178**  
**BILLINGS, MONTANA 59103**  
**(406) 657-8207**  
**FACSIMILE (406) 247-8608**

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December 30, 2012

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, 2012, 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 Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards and the auditor's reports on 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 2000 Census population of 89,847 and a current estimate of 104,170.

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.

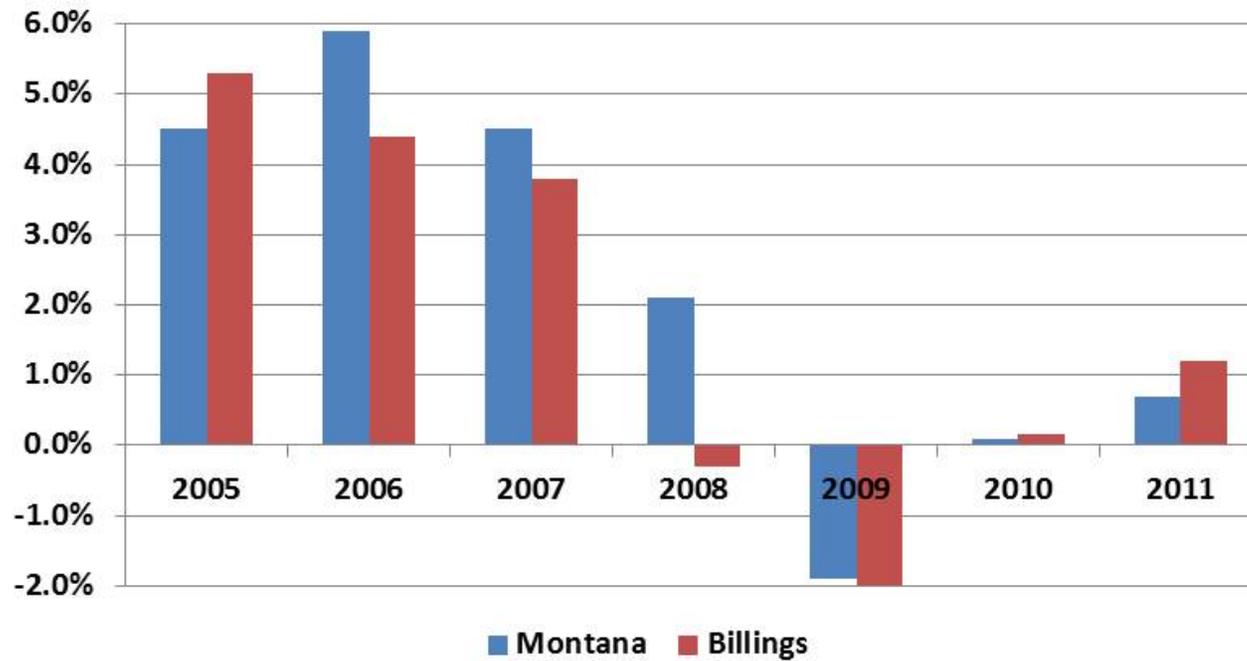
The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

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, 2012. 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. With an unemployment rate of 4.3% as of October 2012, the Billings economy is healthier than many parts of the United States and the stable growth of the past decade as the following chart indicates has slowed given the recent economic events. However, 2011 indicates that there is the continuance of a slow recovery.

# Change in Nonfarm Labor Income



One of the City's largest industries is health care. Presently, the Billings Clinic Health System (approximately 3,500 employees) and Saint Vincent Hospital and Health Care Center (approximately 2,100 employees) employ approximately 5,600 employees. Both health care systems have embarked on major expansion programs that will increase the size of their facilities and their employment levels over the next several years.

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.

### MAJOR INITIATIVES

The City Council adopts annual goals before beginning budget preparations.

- ☞ Honest, Responsive Government: Striving to be a principle-centered organization.
  
- ☞ Comprehensive Orderly Growth: Careful consideration and management of the process of community growth.
  
- ☞ Transportation Linkages: Development of a comprehensive, multi-modal transportation system.
  
- ☞ Preservation of Resources: Preservation of Billings' resources.
  
- ☞ Economic Development: Economic vitality that fosters community partnerships.
  
- ☞ Involved, United Community: Community-wide investment in visioning and planning for the future.

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 Improvement 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 Accounting, Certified Public Accountants, have issued an unqualified (“clean”) opinion on the City of Billings, Montana’s financial statements for the year ended June 30, 2012. The independent auditor’s report is located at the front of the financial section of this report.

#### CASH MANAGEMENT

The City earned \$550,000 in its investment program in fiscal year 2012. The City's average rate of return amounted to 70% on an average monthly investment balance of approximately \$78.7 million.

The City invests its cash primarily in demand deposits, obligations of the U.S. Treasury and government agencies, repurchase agreements, certificates of deposit, and the State of Montana Board of Investments Short Term Investment Pool (STIP). The City's Investment Policy is to minimize credit and market risks, while maintaining a competitive yield on its portfolio. Demand deposits are insured and collateralized as required by Montana State law. Investment securities are insured and collateralized as required by the City's Investment Policy. All collateral on the City's investments is held by the City, or its agents, as required by State law.

#### 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, 2011. This was the twenty-eighth 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. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will be submitting the current report to GFOA to determine its eligibility for another certificate.

For the twentieth consecutive year, the City received the GFOA's Award for Distinguished Budget Presentation for its 2011-2012 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 Division. Each member of the division has our sincere appreciation for the contributions made in the preparation of this report.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'P. M. Weber', with a long horizontal flourish extending to the right.

Patrick M. Weber  
Finance Director

# 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, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



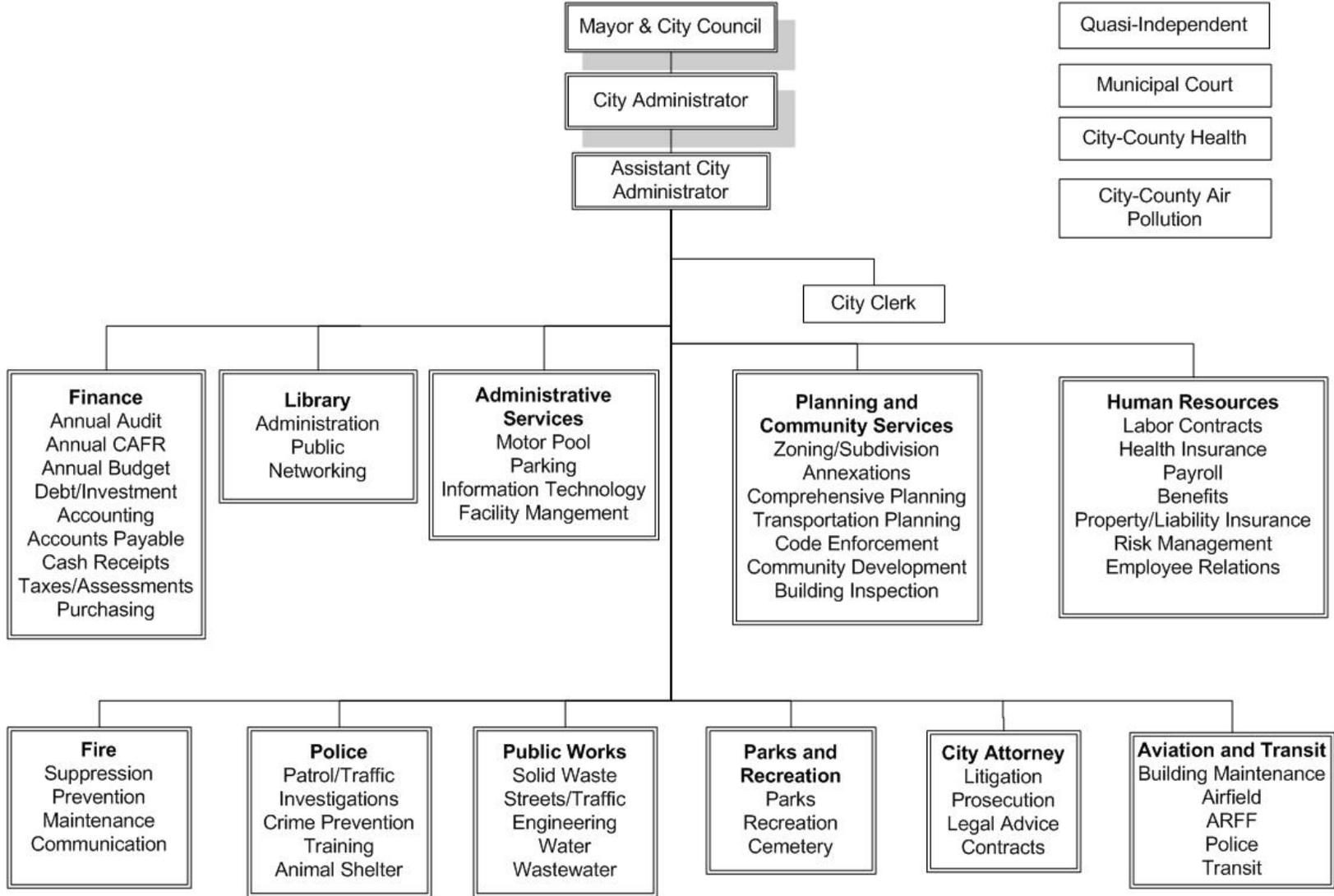
*Christopher P. Morrill*

President

*Jeffrey R. Egan*

Executive Director

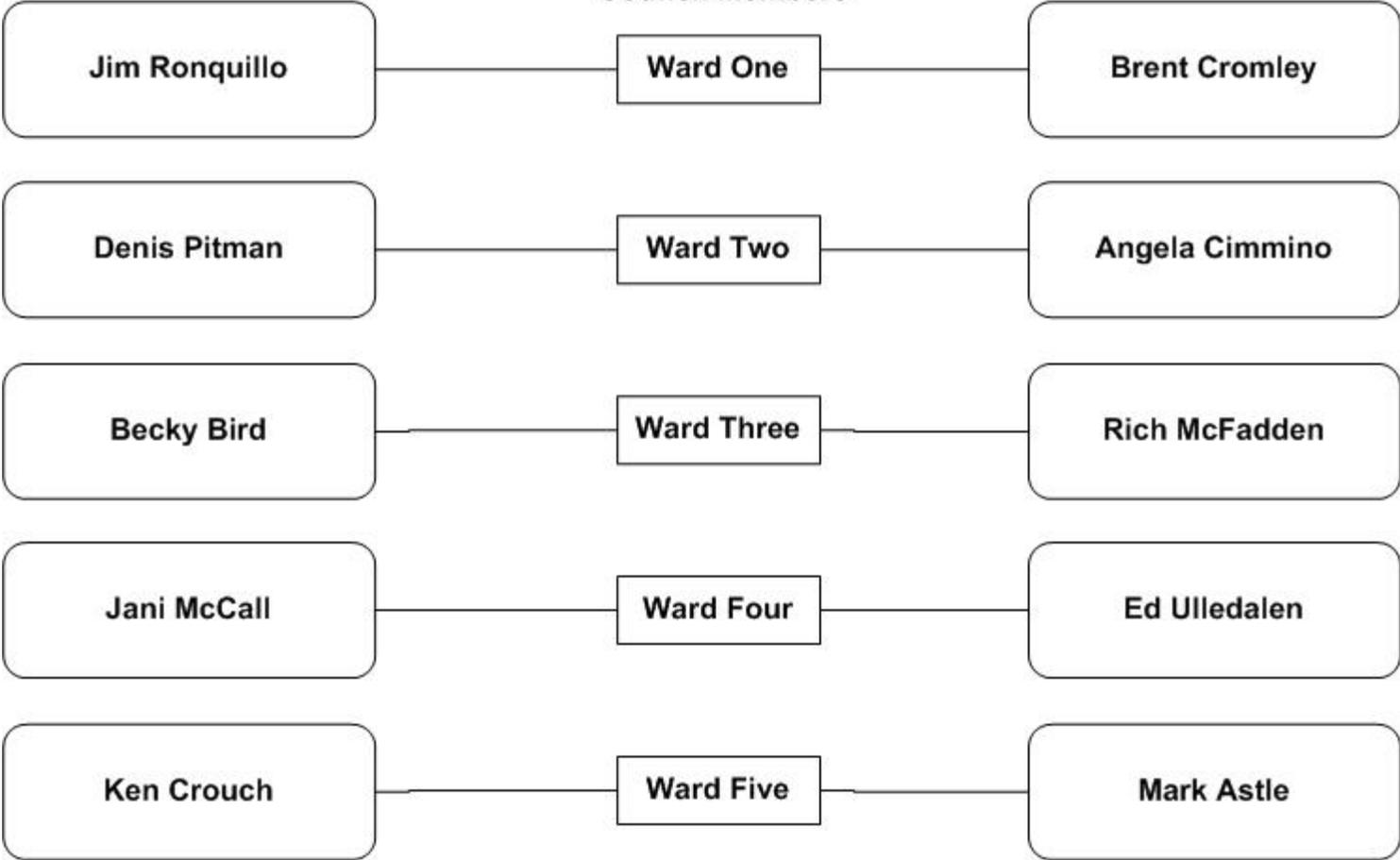
# City of Billings Organizational Chart



**City of Billings, Montana  
Official Roster**

**Mayor  
Tom Hanel**

**Council Members**



# FINANCIAL SECTION

## INDEPENDENT AUDITORS' REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Billings, Montana's management. 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 *Governmental 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit, 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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and the Public Safety Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2012, 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Billings, Montana's, financial statements as a whole. The introductory section, major debt service fund budget and actual schedules, combining and individual nonmajor fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and schedules 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 information is 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.

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

Bozeman, Montana  
December 30, 2012

## **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, 2012. 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 ii and 14 of this report, respectively.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the fiscal year end by \$616,867,204 (Net Assets).
- The total fiscal year end governmental fund balance was \$71,506,528 as reported in the balance sheet.
- The total general fund and public safety fund balances at the fiscal year end were \$20,010,980 and \$1,427,000, 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, and
- 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 assets presents information on all of the City's assets and liabilities. The difference between assets and liabilities is reported as net assets. Over time, increases and decreases in net assets 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 assets have changed during the fiscal year just ended. All changes in net assets 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, Public Safety Fund, and Special Improvement Districts Fund. These three 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 17-23 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 24-28 of this report.

### **Government-wide Financial Analysis**

Net assets over time may serve useful as an indicator of a government's financial position. The net assets for the fiscal year ending June 30, 2012, were \$616,867,204 (assets exceeded liabilities), which was an increase of \$43,323,254.

The City's largest portion of net assets 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 Assets and Changes in Net Assets as of, and for, the fiscal years ended June 30, 2012, and June 30, 2011:

### City of Billings, Montana's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 101,990,591	\$ 95,428,712	\$ 75,974,838	\$ 68,085,523	\$ 177,965,429	\$ 163,514,235
Capital assets	221,961,013	194,714,584	346,576,451	342,813,321	568,537,464	537,527,905
<b>Total assets</b>	<b>323,951,604</b>	<b>290,143,296</b>	<b>422,551,289</b>	<b>410,898,844</b>	<b>746,502,893</b>	<b>701,042,140</b>
Long-term liabilities outstanding	48,979,010	49,675,174	67,053,646	66,097,660	116,032,656	115,772,834
Other liabilities	7,642,709	6,466,098	5,960,324	5,259,258	13,603,033	11,725,356
<b>Total liabilities</b>	<b>56,621,719</b>	<b>56,141,272</b>	<b>73,013,970</b>	<b>71,356,918</b>	<b>129,635,689</b>	<b>127,498,190</b>
<b>Net assets:</b>						
Invested in capital assets, net of related debt	185,242,476	156,927,389	286,328,337	285,474,009	471,570,813	442,401,398
Restricted	58,125,381	56,725,115	5,657,088	5,977,494	63,782,469	62,702,609
Unrestricted	23,962,028	20,349,520	57,551,894	48,090,423	81,513,922	68,439,943
<b>Total net assets</b>	<b>\$ 267,329,885</b>	<b>\$ 234,002,024</b>	<b>\$ 349,537,319</b>	<b>\$ 339,541,926</b>	<b>\$ 616,867,204</b>	<b>\$ 573,543,950</b>

The restricted portion of fiscal year 2012 Net Assets (10.3%) represents resources that are subject to external restrictions as to how they may be used.

### City of Billings, Montana's Changes in Net Assets

Revenues:	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 31,921,867	\$ 29,810,775	\$ 60,914,391	\$ 51,551,435	\$ 92,836,258	\$ 81,362,210
Operating grants and contributions	7,006,001	12,228,869	2,259,607	2,224,422	9,265,608	14,453,291
Capital grants and contributions	26,658,322	14,132,589	6,040,618	15,706,867	32,698,940	29,839,456
General revenues:						
Property taxes	31,164,521	31,641,640	1,880,465	1,832,618	33,044,986	33,474,258
Franchise fees	3,348,405	2,945,964	-	-	3,348,405	2,945,964
Business licenses	706,413	744,125	-	-	706,413	744,125
Unrestricted federal/state shared revenue	13,544,473	13,247,237	340,734	340,733	13,885,207	13,587,970
Unrestricted investment earnings	132,850	129,457	418,772	435,809	551,622	565,266
Gain/(Loss) on sale of property and equipment	138,549	(12,825)	(546,872)	(24,151)	(408,323)	(36,976)
Miscellaneous	58,948	77,106	742,137	150,423	801,085	227,529
<b>Total revenues</b>	<b>114,680,349</b>	<b>104,944,937</b>	<b>72,049,852</b>	<b>72,218,156</b>	<b>186,730,201</b>	<b>177,163,093</b>

(Continued)

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

Expenses:	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General government	7,542,756	7,396,737	-	-	7,542,756	7,396,737
Public safety	37,409,867	42,734,614	-	-	37,409,867	42,734,614
Public works	21,609,199	19,284,282	-	-	21,609,199	19,284,282
Public health	851,343	864,626	-	-	851,343	864,626
Culture and recreation	8,312,404	8,132,539	-	-	8,312,404	8,132,539
Housing and economic development	3,561,370	3,709,325	-	-	3,561,370	3,709,325
Interest on long-term debt	2,211,727	2,216,444	-	-	2,211,727	2,216,444
Solid Waste	-	-	10,295,824	9,995,647	10,295,824	9,995,647
Airport	-	-	13,097,702	12,037,756	13,097,702	12,037,756
Water	-	-	16,481,177	16,419,605	16,481,177	16,419,605
Wastewater	-	-	10,831,108	10,168,183	10,831,108	10,168,183
Parking	-	-	3,166,168	2,616,073	3,166,168	2,616,073
Transit	-	-	6,016,637	5,736,739	6,016,637	5,736,739
Golf Course	-	-	433,662	427,718	433,662	427,718
Total expenses	81,498,666	84,338,567	60,322,278	57,401,721	141,820,944	141,740,288
Increase in net assets before transfers	33,181,683	20,606,370	11,727,574	14,816,435	44,909,257	35,422,805
Transfers	146,178	(1,561,444)	(146,178)	1,561,444	-	-
Special item - claims and judgments	-	1,557,798	-	395,668	-	1,953,466
Change in net assets	33,327,861	20,602,724	11,581,396	16,773,547	44,909,257	37,376,271
Net assets, beginning of year	234,002,024	213,399,300	339,541,926	322,768,379	573,543,950	536,167,679
Prior period adjustment	-	-	(1,586,003)	-	(1,586,003)	-
Net assets, end of year	\$267,329,885	\$234,002,024	\$349,537,319	\$339,541,926	\$616,867,204	\$ 573,543,950

**Governmental activities.** Net Assets in governmental activities increased by \$33,327,861 during fiscal year 2012. Net assets increased due to donated capital assets and other noncash increases in capital assets of \$23 million, public works grants for capital projects, and special improvement bond assessments reducing long term liabilities.

**Business-type activities.** Net Assets in business-type activities increased by \$9,995,393 during fiscal year 2012. Net assets increased due to \$3.9 million in capital contributions. Also, Water and Wastewater charges were in excess of noncapital expenses by \$11.5 million, however, excess revenues were used for acquisition and construction of Water and Wastewater infrastructure.

### **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 unreserved 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 54.6% of its funding from the General Fund. Therefore, both funds are directly related. The combined balance for the General and Public Safety funds increased by \$3.1 million in the current year. The increase resulted from ongoing cost containments and General Fund revenues exceeding expenditures.

**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 assets in the major proprietary funds were \$51,233,605 for fiscal year ended June 30, 2012, an increase of \$9,273,427. The most significant increases in unrestricted net assets were in Airport and Wastewater. The increases in the Airport Fund were from an increase in charge for services of \$1.5 million in Airport, decrease in fixed assets net of debt of \$2.1 million. The increases in Wastewater Fund were from an increase in charge for services of \$3.2 million.

## General Fund Budgetary Highlights

Significant variances between the final revenue budget and actual revenue resulted from receiving more property taxes and fines and forfeitures. Variances between the final expenditure budget and actual expenditures resulted mainly from vacancy savings, council contingency that was not used, and a downtown space study that was not started.

## 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, 2012, was \$568,537,464 (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 \$19 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	
	2012	2011	2012	2011	2012	2011
Land	\$ 31,231,261	\$ 31,243,689	\$ 13,636,192	\$ 13,636,192	\$ 44,867,453	\$ 44,879,881
Buildings	14,116,469	14,558,640	40,174,757	39,640,144	54,291,226	54,198,784
Improvements other than buildings	24,467,044	25,344,924	40,554,532	38,366,681	65,021,576	63,711,605
Machinery and equipment	11,473,423	10,015,444	20,322,913	20,563,955	31,796,336	30,579,399
Infrastructure	132,293,656	108,912,557	221,881,215	215,770,491	354,174,871	324,683,048
Construction In progress	8,379,160	4,639,330	10,006,842	14,835,858	18,386,002	19,475,188
<b>Total</b>	<b>\$ 221,961,013</b>	<b>\$ 194,714,584</b>	<b>\$ 346,576,451</b>	<b>\$ 342,813,321</b>	<b>\$ 568,537,464</b>	<b>\$ 537,527,905</b>

Additional information on the City of Billings' capital assets can be found on pages 56-60 of this report.

## City of Billings, Montana's Outstanding Debt

### Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
General obligation bonds	\$ 15,080,000	\$ 15,975,000	\$ -	\$ -	\$ 15,080,000	\$ 15,975,000
Refunding bonds	-	-	6,940,000	7,640,000	6,940,000	-
Special assessment debt with governmental commitment	17,229,736	17,068,440	-	-	17,229,736	17,068,440
Revenue bonds	-	-	6,525,000	6,525,000	6,525,000	6,525,000
Notes payable	2,820,599	3,046,394	40,237,719	40,737,041	43,058,318	43,783,435
Intercap notes payable	69,768	75,134	-	-	69,768	75,134
Capital lease payable	4,428,222	4,767,761	6,866,067	5,190,161	11,294,289	9,957,922
Total	\$ 39,628,325	\$ 40,932,729	\$ 60,568,786	\$ 60,092,202	\$ 100,197,111	\$ 101,024,931

**Long-term debt.** The City of Billings had total bonded debt and notes outstanding of \$71,673,086 at the end of the current fiscal year. The majority of the debt consists of notes payable in the amount of \$40,237,719 for business activity consisting mostly of loans from DNRC for Water and Wastewater projects. General Obligation Bonds in the amount of \$15,080,000 of debt is backed by the full faith and credit of the government. The remaining amounts are special assessment debt in the amount of \$17,229,736 which is assessed to benefit property owners, \$13,465,000 of revenue bonds for business-type activities secured by specified revenue sources, and \$9,407,408 for capital leases. Notes payable in the amount of \$2,820,599 for governmental activity is a combination of notes for the Dehler Park Scoreboard and Fire Fighter lawsuit.

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, 2012, the City's general obligation bonded debt of \$15,080,000 was well below the legal debt limit of \$112,124,977. General obligation net bonded debt per capita equated to \$132.92.

Additional information on the City of Billings long-term debt can be found on pages 64-75 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 professional services. 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.

Absent new construction, property tax income has not kept pace with inflation over the last decade. Fund balance projections for the General Fund and Public Safety Fund (the majority of funding for the Public Safety Fund comes from the General Fund) will be above the minimum recommended reserve level as of June 30, 2012. The recommended reserve of 29% of the annual budget was derived from analyzing 10 years of cash flow needs. These reserves are necessary because the first installment of property taxes is due by November 30 and the second installment is due May 31 of each year, and property taxes are the major income for these funds. Cash balances decrease between July 1<sup>st</sup> and November 30<sup>th</sup> and January 1<sup>st</sup> and May 31<sup>st</sup>; therefore, the reserves are needed to pay expenditures over each of those five months.

Net assets have increased for both governmental and business-type activities. The major source for the increase was acquisition of property and equipment.

The 2009 Legislature adopted a six year appraised value phase-in starting in tax year 2009. The Legislature adjusts the percentage of market value that is subject to property tax so that the statewide average taxable value does not increase. The effect is uneven across the state and tends to penalize local governments in slow growth areas. Given this, the tax supported funds will struggle to provide the same level of services over the next six years.

The 2011 Legislature reduced the amount of HB 124 entitlement payments to the Cities and Counties as was anticipated.

## **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 Assets**  
**June 30, 2012**  
**(Page 1 of 2)**

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<b><u>Assets</u></b>			
Cash and cash equivalents	\$ 30,333,754	\$ 21,874,480	\$ 52,208,234
Restricted cash and cash equivalents with fiscal agent	2,876,078	2,579,636	5,455,714
Investments	48,182,062	34,714,186	82,896,248
Receivables (net of allowance of \$1,098,220)	24,123,867	6,751,133	30,875,000
Internal balances	(5,831,016)	5,831,016	-
Inventories	460,190	1,334,969	1,795,159
Prepaid items	-	7,367	7,367
Bond issue costs, net	624,391	239,553	863,944
Property held for resale	595,125	-	595,125
Restricted assets:			
Temporarily restricted:			
Investments with trustee	-	2,642,498	2,642,498
Permanently restricted:			
Cash and cash equivalents	241,118	-	241,118
Investments	385,022	-	385,022
Property and equipment:			
Land and construction in progress	39,610,421	23,643,034	63,253,455
Other property and equipment, net of depreciation	<u>182,350,592</u>	<u>322,933,417</u>	<u>505,284,009</u>
Total assets	<u>323,951,604</u>	<u>422,551,289</u>	<u>746,502,893</u>
<b><u>Liabilities</u></b>			
Accounts payable	3,626,149	4,268,169	7,894,318
Accrued wages and benefits	967,460	439,106	1,406,566
Incurred but not reported health benefits	700,000	-	700,000
Accrued interest	921,724	1,253,049	2,174,773
Other liabilities	73,000	-	73,000
Unearned revenue	804,376	-	804,376
Claims and judgments - due within one year	550,000	-	550,000
Long-term liabilities:			
Due within one year	7,499,043	5,314,802	12,813,845
Due in more than one year	38,335,107	57,832,573	96,167,680
Other post-employment benefits	3,144,860	1,572,142	4,717,002
Landfill closure and postclosure - due in more than one year	<u>-</u>	<u>2,334,129</u>	<u>2,334,129</u>
Total liabilities	<u>56,621,719</u>	<u>73,013,970</u>	<u>129,635,689</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Statement of Net Assets**  
**June 30, 2012**  
**(Page 2 of 2)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b><u>Net assets</u></b>			
Invested in capital assets, net of related debt	185,242,476	286,328,337	471,570,813
Restricted for:			
General government	297,089	-	297,089
Public safety	7,462,936	-	7,462,936
Public works	12,919,811	-	12,919,811
Public health	34,043	-	34,043
Culture and recreation	5,252,358	-	5,252,358
Housing and economic development	6,698,541	-	6,698,541
Capital projects	69,813	-	69,813
Debt service	24,764,270	5,657,088	30,421,358
Endowments - nonexpendable	626,520	-	626,520
Unrestricted	23,962,028	57,551,894	81,513,922
Total net assets	\$ 267,329,885	\$ 349,537,319	\$616,867,204

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

**CITY OF BILLINGS**  
**Statement of Activities**  
**For The Fiscal Year Ended June 30, 2012**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
<b>Functions/Programs:</b>							
Primary government							
Governmental activities:							
General government	\$ 7,542,756	\$ 2,788,297	\$ 1,059,322	\$ 5,750	\$ (3,689,387)	\$ -	\$ (3,689,387)
Public safety	37,409,867	5,981,281	2,327,688	336,602	(28,764,296)	-	(28,764,296)
Public works	21,609,199	21,220,571	564,457	25,532,213	25,708,042	-	25,708,042
Public health	851,343	44,676	16,360	-	(790,307)	-	(790,307)
Culture and recreation	8,312,404	1,887,042	967,122	790,305	(4,667,935)	-	(4,667,935)
Housing and economic development	3,561,370	-	2,071,052	(6,548)	(1,496,866)	-	(1,496,866)
Interest on long-term debt	2,211,727	-	-	-	(2,211,727)	-	(2,211,727)
Total governmental activities	<u>81,498,666</u>	<u>31,921,867</u>	<u>7,006,001</u>	<u>26,658,322</u>	<u>(15,912,476)</u>	<u>-</u>	<u>(15,912,476)</u>
Business-type activities:							
Solid Waste	10,295,824	10,731,236	-	10,655	-	446,067	446,067
Airport	13,097,702	9,568,084	158,117	4,262,641	-	891,140	891,140
Water	16,481,177	23,569,303	-	1,030,405	-	8,118,531	8,118,531
Wastewater	10,831,108	14,143,981	-	394,734	-	3,707,607	3,707,607
Parking	3,166,168	1,730,888	-	-	-	(1,435,280)	(1,435,280)
Transit	6,016,637	714,540	2,101,490	342,183	-	(2,858,424)	(2,858,424)
Golf Course	433,662	456,359	-	-	-	22,697	22,697
Total business-type activities	<u>60,322,278</u>	<u>60,914,391</u>	<u>2,259,607</u>	<u>6,040,618</u>	<u>-</u>	<u>8,892,338</u>	<u>8,892,338</u>
Total primary government	<u>\$141,820,944</u>	<u>\$ 92,836,258</u>	<u>\$ 9,265,608</u>	<u>\$ 32,698,940</u>	<u>(15,912,476)</u>	<u>8,892,338</u>	<u>(7,020,138)</u>
General revenues:							
Property taxes					31,164,521	1,880,465	33,044,986
Franchise fees					3,348,405	-	3,348,405
Business license tax					706,413	-	706,413
Unrestricted federal/state shared revenue					13,544,473	340,734	13,885,207
Unrestricted investment earnings					132,850	418,772	551,622
Gain (loss) on sale of property and equipment					138,549	(546,872)	(408,323)
Miscellaneous					58,948	742,137	801,085
Transfers					146,178	(146,178)	-
Total general revenues and transfers					<u>49,240,337</u>	<u>2,689,058</u>	<u>51,929,395</u>
Change in net assets					33,327,861	11,581,396	44,909,257
Net assets, beginning of year, as previously stated					234,002,024	339,541,926	573,543,950
Prior period adjustment (Note III D)					-	(1,586,003)	(1,586,003)
Net assets (deficit), beginning of year					<u>234,002,024</u>	<u>337,955,923</u>	<u>571,957,947</u>
Net assets, end of year					<u>\$ 267,329,885</u>	<u>\$ 349,537,319</u>	<u>\$ 616,867,204</u>

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

**CITY OF BILLINGS, MONTANA**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2012**

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Special Improvement Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$ 7,487,814	\$ 762,209	\$ 2,249,647	\$ 17,008,605	\$ 27,508,275
Cash with fiscal agent	-	-	1,363,295	1,512,783	2,876,078
Investments	11,701,723	1,208,702	3,568,841	27,185,772	43,665,038
Receivables:					
Property taxes	1,259,589	1,141,292	-	715,531	3,116,412
Accounts and unbilled usage	375,393	23,078	-	55,155	453,626
Delinquent special assessments	5,162	-	82,074	707,276	794,512
Deferred special assessments	-	-	13,086,952	1,396,531	14,483,483
Accrued interest	(550)	15	13,688	23,700	36,853
Notes	-	-	-	3,135,329	3,135,329
Due from other funds	485,432	-	-	406,018	891,450
Receivables from other governments	-	-	-	1,381,374	1,381,374
Inventories	-	-	-	63,196	63,196
Property held for resale	-	-	155,997	439,128	595,125
Total assets	<u>\$ 21,314,563</u>	<u>\$ 3,135,296</u>	<u>\$ 20,520,494</u>	<u>\$ 54,030,398</u>	<u>\$ 99,000,751</u>
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$ 333,452	\$ 272,009	\$ 250	\$ 2,622,763	\$ 3,228,474
Accrued wages & benefits	144,409	584,714	-	147,189	876,312
Due to other funds	-	-	-	2,436,331	2,436,331
Other liabilities	-	-	63,000	10,000	73,000
Deferred revenue	825,722	851,573	13,110,209	6,092,602	20,880,106
Total liabilities	<u>1,303,583</u>	<u>1,708,296</u>	<u>13,173,459</u>	<u>11,308,885</u>	<u>27,494,223</u>
Fund balances:					
Unspendable	-	-	-	626,520	626,520
Restricted	-	1,427,000	7,347,035	35,043,695	43,817,730
Committed	9,726,000	-	-	7,957,739	17,683,739
Assigned	-	-	-	-	-
Unassigned	10,284,980	-	-	(906,441)	9,378,539
Total fund balances	<u>20,010,980</u>	<u>1,427,000</u>	<u>7,347,035</u>	<u>42,721,513</u>	<u>71,506,528</u>
Total liabilities and fund balances	<u>\$ 21,314,563</u>	<u>\$ 3,135,296</u>	<u>\$ 20,520,494</u>	<u>\$ 54,030,398</u>	<u>\$ 99,000,751</u>

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

**CITY OF BILLINGS, MONTANA**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**  
**June 30, 2012**

Total <i>fund balances</i> for governmental funds		\$ 71,506,528
Total <i>net assets</i> reported for governmental activities in the statement of net assets 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	\$ 29,844,932	
Buildings and improvements	15,366,256	
Improvements other than buildings	31,929,004	
Machinery and equipment	26,871,454	
Infrastructure	211,938,067	
Construction in progress	7,464,777	
Less accumulated depreciation	<u>(113,320,742)</u>	210,093,748
Other long-term assets are not available to pay for the current-period expenditures and therefore are deferred in the funds		
		20,075,730
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	(15,080,000)	
add: bond premium	(79,030)	
less: bond discount	5,108	
Special assessment bonds payable	(17,229,736)	
less: deferred charge on refunding	21,950	
less: bond discount	268,213	
add: bond premium	(7,142)	
Notes payable	(2,890,367)	
Capital lease payable	-	
Bond Issuance costs	624,391	
Compensated absences payable	(5,475,884)	
Other post-employment benefits	(2,772,182)	
Claims and judgments	(550,000)	
Accrued interest	<u>(845,853)</u>	(44,010,532)
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 assets		
		<u>9,664,411</u>
Total net assets of governmental activities		<u>\$267,329,885</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, 2012**

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Special Improvement Districts Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>					
Taxes	\$ 13,529,374	\$ 11,575,811	\$ -	\$ 5,548,806	\$ 30,653,991
Licenses and permits	4,076,200	35,716	-	1,499,177	5,611,093
Intergovernmental	9,268,574	7,672,093	-	9,221,732	26,162,399
Charges for services	3,413,995	1,237,423	-	6,476,491	11,127,909
Fines and forfeitures	1,687,908	2,400	-	362,063	2,052,371
Special assessments	-	-	2,602,513	17,672,884	20,275,397
Other	78,070	29,751	29,265	1,536,732	1,673,818
Total revenues	<u>32,054,121</u>	<u>20,553,194</u>	<u>2,631,778</u>	<u>42,317,885</u>	<u>97,556,978</u>
<b>Expenditures:</b>					
Current:					
General government	5,113,050	-	-	2,209,491	7,322,541
Public safety	229,430	36,876,434	-	4,503,660	41,609,524
Public works	362,483	-	-	13,770,849	14,133,332
Public health	-	767,943	-	1,039	768,982
Culture and recreation	3,373,670	-	-	3,759,548	7,133,218
Housing and economic development	-	-	-	3,477,777	3,477,777
Capital outlay	81,696	399,419	-	13,498,594	13,979,709
Debt service:					
Principal	-	489,169	4,305,070	2,172,583	6,966,822
Interest and fiscal charges	-	123,686	837,277	791,389	1,752,352
Bond issuance costs	-	-	48,291	86,751	135,042
Total expenditures	<u>9,160,329</u>	<u>38,656,651</u>	<u>5,190,638</u>	<u>44,271,681</u>	<u>97,279,299</u>
Revenues over (under) expenditures	<u>22,893,792</u>	<u>(18,103,457)</u>	<u>(2,558,860)</u>	<u>(1,953,796)</u>	<u>277,679</u>
Other financing sources (uses):					
Transfers in	237,232	18,620,000	79,748	5,591,319	24,528,299
Transfers out	(19,861,260)	(1,054,043)	(90,343)	(3,880,032)	(24,885,678)
Bond discount costs	-	-	(33,012)	(24,076)	(57,088)
Issuance of debt	-	360,149	2,625,000	645,367	3,630,516
Special assessment bonds issued	-	-	-	2,325,000	2,325,000
Sale of capital assets	405	-	-	345,597	346,002
Total other financing sources (uses)	<u>(19,623,623)</u>	<u>17,926,106</u>	<u>2,581,393</u>	<u>5,003,175</u>	<u>5,887,051</u>
Net change in fund balances	3,270,169	(177,351)	22,533	3,049,379	6,164,730
Fund balance, beginning of year	16,740,811	1,604,351	7,324,502	39,672,134	65,341,798
Fund balances at end of year	<u>\$ 20,010,980</u>	<u>\$ 1,427,000</u>	<u>\$ 7,347,035</u>	<u>\$ 42,721,513</u>	<u>\$ 71,506,528</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, 2012**  
**(Page 1 of 2)**

Net change in <i>fund balances</i> - total governmental funds		\$ 6,164,730
The change in <i>net assets</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	\$ 13,979,710	
Depreciation	<u>(10,144,446)</u>	3,835,264
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 assets differs from the change in fund balance by the cost of the capital assets sold.		
		(207,453)
Donations and developer contributions of capital assets increase net assets 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	23,393,381	
Transfer to Enterprise Fund	<u>(362,027)</u>	23,031,354
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		(1,018,748)
Proceeds from debt issues are other financing sources in the funds, but debt issues are long-term liabilities in the statement of net assets.		
Special assessment bond issued	(5,330,432)	
Notes issued	<u>(625,084)</u>	(5,955,516)
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	10,253	
Bond discounts	(81,398)	
Deferred loss on refunding	(10,976)	
Bond issuance cost	<u>59,442</u>	(22,679)

(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, 2012**  
**(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 assets.

General obligation debt	895,000	
Special assessment debt	5,169,136	
Capital lease payable	46,441	
Notes payable	<u>856,245</u>	6,966,822

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. 959,799

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	5,051	
Other post-employment benefits	(414,841)	
Interest and amortization expenses	<u>(15,922)</u>	<u>(425,712)</u>

Change in net assets of governmental activities \$ 33,327,861

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

**CITY OF BILLINGS, MONTANA**

**General Fund**

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

**For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	\$ 13,104,750	\$ 13,104,750	\$ 13,529,374	\$ (424,624)
Licenses and permits	3,726,581	3,726,581	4,076,200	(349,619)
Intergovernmental	9,103,977	9,103,977	9,268,574	(164,597)
Charges for services	3,255,256	3,255,256	3,413,995	(158,739)
Fines and forfeitures	1,455,750	1,455,750	1,687,908	(232,158)
Other	106,800	106,800	78,070	28,730
Total revenues	<u>30,753,114</u>	<u>30,753,114</u>	<u>32,054,121</u>	<u>(1,301,007)</u>
<b>Expenditures:</b>				
Current:				
General government	5,814,098	5,852,998	5,113,050	739,948
Public safety	242,503	245,353	229,430	15,923
Public works	365,936	365,936	362,483	3,453
Culture and recreation	3,410,481	3,436,596	3,373,670	62,926
Capital outlay	195,000	195,000	81,696	113,304
Total expenditures	<u>10,028,018</u>	<u>10,095,883</u>	<u>9,160,329</u>	<u>935,554</u>
Revenues over (under) expenditures	<u>20,725,096</u>	<u>20,657,231</u>	<u>22,893,792</u>	<u>(2,236,561)</u>
Other financing sources (uses):				
Transfers in	238,620	238,620	237,232	1,388
Transfers out	(19,867,412)	(19,867,412)	(19,861,260)	(6,152)
Sale of capital assets	50,500	50,500	405	50,095
Total other financing sources (uses)	<u>(19,578,292)</u>	<u>(19,578,292)</u>	<u>(19,623,623)</u>	<u>45,331</u>
Net change in fund balances	<u>\$ 1,146,804</u>	<u>\$ 1,078,939</u>	<u>3,270,169</u>	<u>\$ (2,191,230)</u>
Fund balance, beginning of year			<u>16,740,811</u>	
Fund balance, end of year			<u>\$ 20,010,980</u>	

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

**CITY OF BILLINGS, MONTANA**  
**Major Special Revenue Fund - Public Safety**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	\$ 11,741,060	\$ 11,741,060	\$ 11,575,811	\$ 165,249
Licenses and permits	118,259	118,259	35,716	82,543
Intergovernmental	2,134,811	2,134,811	2,207,637	(72,826)
Charges for services	1,119,839	1,119,839	1,237,423	(117,584)
Fines and forfeitures	2,400	2,400	2,400	-
Other	24,006	24,006	29,751	(5,745)
Total revenues	<u>15,140,375</u>	<u>15,140,375</u>	<u>15,088,738</u>	<u>51,637</u>
<b>Expenditures:</b>				
Current:				
Public safety	31,559,662	31,741,756	31,411,978	329,778
Public health	794,765	800,465	767,943	32,522
Capital outlay	1,131	398,018	399,419	(1,401)
Debt service:				
Principal	483,650	483,650	489,169	(5,519)
Interest and fiscal charges	122,809	122,809	123,686	(877)
Total expenditures	<u>32,962,017</u>	<u>33,546,698</u>	<u>33,192,195</u>	<u>354,503</u>
Revenues over (under) expenditures	<u>(17,821,642)</u>	<u>(18,406,323)</u>	<u>(18,103,457)</u>	<u>(302,866)</u>
Other financing sources (uses):				
Transfers in	18,620,000	18,620,000	18,620,000	-
Transfers out	(1,098,475)	(1,098,671)	(1,054,043)	(44,628)
Issuance of debt	-	360,149	360,149	-
Total other financing sources (uses)	<u>17,521,525</u>	<u>17,881,478</u>	<u>17,926,106</u>	<u>(44,628)</u>
Net change in fund balances	<u>\$ (300,117)</u>	<u>\$ (524,845)</u>	<u>(177,351)</u>	<u>\$ (347,494)</u>
Fund balance, beginning of year			1,604,351	
Fund balance, end of year			<u>\$ 1,427,000</u>	

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

**CITY OF BILLINGS, MONTANA**  
**Proprietary Funds**  
**Statement of Net Assets (Page 1 of 2)**  
**June 30, 2012**

**Business-type Activities**

<b>Assets</b>	<b>Solid Waste Fund</b>	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Parking Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
Current assets:								
Cash and cash equivalents	\$ 3,237,337	\$ 3,731,925	\$ 9,020,408	\$ 4,628,461	\$ 135,182	\$ 1,121,167	\$ 21,874,480	\$ 3,066,597
Restricted cash and cash equivalents with fiscal agent	-	1,270,697	726,635	581,781	99	424	2,579,636	-
Investments	5,148,877	5,960,056	14,423,947	7,391,564	211,052	1,578,690	34,714,186	4,902,046
Receivables:								
Property taxes	-	-	-	-	-	179,944	179,944	-
Accounts and unbilled usage	707,137	780,570	3,101,413	1,716,035	-	17,620	6,322,775	17,727
Accrued interest	3,805	6,192	14,680	6,567	175	1,339	32,758	4,551
Notes	-	-	-	-	-	-	-	50,000
Due from other funds	1,544,882	-	-	-	-	-	1,544,882	-
Receivables from other governments	-	44,192	104,032	-	-	67,432	215,656	-
Inventories	-	32,474	1,301,834	-	-	660	1,334,968	396,994
Prepaid items	-	-	-	-	-	7,367	7,367	-
Total current assets	<u>10,642,038</u>	<u>11,826,106</u>	<u>28,692,949</u>	<u>14,324,408</u>	<u>346,508</u>	<u>2,974,643</u>	<u>68,806,652</u>	<u>8,437,915</u>
Noncurrent assets:								
Bond issue costs, net	-	239,553	-	-	-	-	239,553	-
Notes receivable	-	-	-	-	-	-	-	650,000
Restricted investments with trustee	2,642,498	-	-	-	-	-	2,642,498	-
Property and equipment::								
Land	493,448	3,076,010	1,659,888	465,545	6,506,010	1,435,291	13,636,192	1,386,329
Buildings	188,095	29,065,212	13,543,616	14,567,570	24,555,771	9,042,762	90,963,026	9,381,235
Improvements other than buildings	5,145,607	87,982,024	365,554	2,810,810	400,568	987,849	97,692,412	2,006,539
Equipment and vehicles	12,583,506	12,310,112	12,888,276	12,794,464	677,068	9,174,220	60,427,646	4,269,359
Infrastructure	-	-	185,929,443	146,144,244	-	-	332,073,687	-
Construction in progress	154,298	1,779,814	6,059,081	1,962,860	-	50,789	10,006,842	914,383
Less: accumulated depreciation	(9,230,795)	(80,243,623)	(78,870,198)	(66,197,436)	(13,679,290)	(10,002,012)	(258,223,354)	(6,090,580)
Total noncurrent assets	<u>11,976,657</u>	<u>54,209,102</u>	<u>141,575,660</u>	<u>112,548,057</u>	<u>18,460,127</u>	<u>10,688,899</u>	<u>349,458,502</u>	<u>12,517,265</u>
Total assets	<u>\$22,618,695</u>	<u>\$ 66,035,208</u>	<u>\$170,268,609</u>	<u>\$126,872,465</u>	<u>\$18,806,635</u>	<u>\$ 13,663,542</u>	<u>\$418,265,154</u>	<u>\$20,955,180</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Proprietary Funds**  
**Statement of Net Assets (Page 2 of 2)**  
**June 30, 2012**

**Business-type Activities**

	<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>
<b>Liabilities</b>								
Current liabilities:								
Accounts payable	\$ 141,986	\$ 634,214	\$ 2,315,495	\$ 1,085,544	\$ 39,443	\$ 51,487	\$ 4,268,169	\$ 397,675
Accrued wages and benefits	85,641	76,735	88,604	62,912	13,124	112,090	439,106	91,148
Compensate absences	405,656	455,225	525,582	337,699	28,997	340,608	2,093,767	678,150
Accrued interest payable	-	11,319	445,190	299,666	231,718	-	987,893	75,871
Incurred but not reported health benefits	-	-	-	-	-	-	-	700,000
Notes payable	-	64,155	1,236,215	745,000	250,665	-	2,296,035	308,358
Accrued interest payable from restricted assets	-	265,156	-	-	-	-	265,156	-
Revenue bonds payable from restricted assets	-	925,000	-	-	-	-	925,000	-
Total current liabilities	<u>633,283</u>	<u>2,431,804</u>	<u>4,611,086</u>	<u>2,530,821</u>	<u>563,947</u>	<u>504,185</u>	<u>11,275,126</u>	<u>2,251,202</u>
Noncurrent liabilities:								
Compensated absences	156,060	175,129	202,197	129,917	11,155	131,036	805,494	260,891
Other post employment benefits	335,000	292,548	341,510	217,682	78,134	307,268	1,572,142	372,678
Revenue bonds payable	-	12,594,604	-	-	-	-	12,594,604	-
Deferred loss on bond refunding	-	(375,276)	-	-	-	-	(375,276)	-
Notes payable	-	1,258,005	22,789,641	15,466,863	5,293,242	-	44,807,751	4,119,863
Landfill closure and postclosure-payable from restricted assets	2,334,129	-	-	-	-	-	2,334,129	-
Total noncurrent liabilities	<u>2,825,189</u>	<u>13,945,010</u>	<u>23,333,348</u>	<u>15,814,462</u>	<u>5,382,531</u>	<u>438,304</u>	<u>61,738,844</u>	<u>4,753,432</u>
Total liabilities	<u>3,458,472</u>	<u>16,376,814</u>	<u>27,944,434</u>	<u>18,345,283</u>	<u>5,946,478</u>	<u>942,489</u>	<u>73,013,970</u>	<u>7,004,634</u>
<b>Net assets</b>								
Invested in capital assets, net of related debt	9,334,159	39,503,061	117,549,804	96,336,194	12,916,220	10,688,899	286,328,337	7,439,044
Restricted for:								
Bond and notes payable ordinance reserve	-	2,140,001	2,172,324	1,344,763	-	-	5,657,088	-
Unrestricted	9,826,064	8,015,332	22,602,047	10,846,225	(56,063)	2,032,154	53,265,759	6,511,502
Total net assets	<u>19,160,223</u>	<u>49,658,394</u>	<u>142,324,175</u>	<u>108,527,182</u>	<u>12,860,157</u>	<u>12,721,053</u>	<u>345,251,184</u>	<u>13,950,546</u>
Total liabilities and net assets	<u>\$22,618,695</u>	<u>\$ 66,035,208</u>	<u>\$170,268,609</u>	<u>\$126,872,465</u>	<u>\$18,806,635</u>	<u>\$ 13,663,542</u>	<u>\$345,251,184</u>	<u>\$20,955,180</u>

Some amounts reported for business-type activities in the statement of net assets are different because certain internal fund net assets and liabilities are included with business-type activities.

Net assets of business-type activities

4,286,135  
\$349,537,319

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 Assets**  
**For the Year Ended June 30, 2012**

	<b>Business-type Activities</b>							
	<b>Solid Waste Fund</b>	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Parking Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
Operating revenues:								
Charges for services	\$10,669,365	\$ 9,518,583	\$ 23,523,230	\$ 14,101,569	\$ 1,721,673	\$ 1,116,119	\$60,650,539	\$22,024,252
Operating expenses:								
Salaries and benefits	4,107,659	3,967,853	4,156,458	2,938,955	715,220	3,653,635	19,539,780	15,537,332
Supplies	2,053,760	1,306,971	1,618,296	962,061	708,201	1,049,806	7,699,095	289,354
Contracted services	1,247,531	1,048,318	1,739,970	1,051,031	483,927	317,176	5,887,953	2,185,016
Utilities	57,125	725,939	1,784,523	1,024,961	119,156	147,526	3,859,230	557,474
Other	1,189,042	180,201	1,191,301	679,066	83,802	124,625	3,448,037	2,349,575
Depreciation	1,493,124	5,293,551	5,340,454	3,584,250	758,131	1,155,277	17,624,787	593,435
Landfill closure and post-closure	147,583	-	-	-	-	-	147,583	-
Total operating expenses	10,295,824	12,522,833	15,831,002	10,240,324	2,868,437	6,448,045	58,206,465	21,512,186
Operating income (loss)	373,541	(3,004,250)	7,692,228	3,861,245	(1,146,764)	(5,331,926)	2,444,074	512,066
Nonoperating revenue (expenses):								
Taxes	-	-	-	-	-	1,880,465	1,880,465	23,073
Intergovernmental	10,655	158,117	231,382	50,044	-	2,442,224	2,892,422	-
Interest expense	-	(574,869)	(650,175)	(590,784)	(292,439)	(2,254)	(2,110,521)	(233,936)
Interest and investment income	122,947	44,078	153,540	74,648	3,203	10,367	408,783	33,820
Facilities Charges	-	1,891,728	-	-	-	-	1,891,728	-
Gain (loss) on sale of capital assets	-	-	(446,522)	(105,979)	1,001	4,628	(546,872)	5,961
Other	-	79,592	37,367	13,098	593,144	1,146	724,347	39,570
Total nonoperating revenue (expense)	133,602	1,598,646	(674,408)	(558,973)	304,909	4,336,576	5,140,352	(131,512)
Income (loss) before capital contributions and transfers	507,143	(1,405,604)	7,017,820	3,302,272	(841,855)	(995,350)	7,584,426	380,554
Capital contributions	-	2,370,913	885,353	344,690	-	342,183	3,943,139	275,697
Transfers in	-	-	1,650	1,650	-	9,426	12,726	687,303
Transfers out	-	(9,426)	-	-	(233,308)	-	(242,734)	(99,916)
Change in net assets	507,143	955,883	7,904,823	3,648,612	(1,075,163)	(643,741)	11,297,557	1,243,638
Net assets, beginning of year, as previously stated	18,653,080	48,702,511	136,005,355	104,878,570	13,935,320	13,364,794	12,706,908	12,706,908
Prior period adjustment (Note III D)	-	-	(1,586,003)	-	-	-	-	-
Net assets, beginning of year, as restated	18,653,080	48,702,511	134,419,352	104,878,570	13,935,320	13,364,794	12,706,908	12,706,908
Net assets, end of year	<u>\$19,160,223</u>	<u>\$ 49,658,394</u>	<u>\$142,324,175</u>	<u>\$108,527,182</u>	<u>\$ 12,860,157</u>	<u>\$12,721,053</u>	<u>\$13,950,546</u>	<u>\$13,950,546</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal funds is reported with business-type activities.

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

283,839  
\$11,581,396

**CITY OF BILLINGS, MONTANA**  
**Proprietary Funds**  
**Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 1 of 2)**

	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
<b>Cash flows from operating activities:</b>								
Cash received from customers and users	\$ 11,262,968	\$ 9,567,925	\$ 22,232,558	\$ 13,609,200	\$ 1,762,407	\$ 1,507,182	\$ 59,942,240	\$ 665,307
Cash received from interfund services provided	-	-	-	-	-	-	-	21,405,923
Cash received from other sources	-	79,592	37,367	-	594,145	2,862	713,966	38,291
Cash paid to employees for services	(3,986,805)	(3,895,658)	(4,121,508)	(2,878,641)	(707,911)	(3,607,599)	(19,198,122)	(15,398,563)
Cash paid to suppliers and contracted services	(4,550,028)	(3,766,959)	(5,968,606)	(2,927,755)	(1,417,453)	(1,592,456)	(20,223,257)	(5,361,721)
Cash paid to other sources	-	-	-	-	-	-	-	1,279
Net cash provided (used) by operating activities	<u>2,726,135</u>	<u>1,984,900</u>	<u>12,179,811</u>	<u>7,802,804</u>	<u>231,188</u>	<u>(3,690,011)</u>	<u>21,234,827</u>	<u>1,350,516</u>
<b>Cash flows from noncapital financing activities:</b>								
Cash received from tax revenues	-	-	-	-	-	1,807,004	1,807,004	-
Cash received from intergovernmental revenues	10,654	158,117	231,382	50,044	-	2,442,224	2,892,421	-
Transfers from other funds	-	-	-	-	-	-	-	155,247
Transfers to other funds	-	-	-	-	(233,308)	-	(233,308)	(97,416)
Net cash provided (used) by noncapital financing activities	<u>10,654</u>	<u>158,117</u>	<u>231,382</u>	<u>50,044</u>	<u>(233,308)</u>	<u>4,249,228</u>	<u>4,466,117</u>	<u>57,831</u>
<b>Cash flows from capital and related financing activities:</b>								
Capital contributions	-	2,370,913	885,353	344,689	-	342,183	3,943,138	275,697
Acquisition and construction of capital assets	(1,489,417)	(6,118,941)	(12,095,678)	(2,695,495)	(202,027)	(557,330)	(23,158,888)	(1,179,419)
Proceeds from sales of capital assets	-	-	-	-	-	2,912	2,912	54,680
Cash paid for interest	-	(634,370)	(880,571)	(606,205)	(297,738)	(2,254)	(2,421,138)	(238,957)
Loan proceeds	-	1,353,078	1,312,919	175,759	578,311	-	3,420,067	-
Principal paid on bonds, notes and capital leases payable	-	(740,980)	(1,209,000)	(729,000)	(224,565)	(50,000)	(2,953,545)	(293,099)
Transfers to other funds	-	(9,426)	-	-	-	-	(9,426)	(2,500)
Transfers from other funds	-	-	1,650	1,650	-	9,426	12,726	532,056
Facilities charges	-	1,891,728	-	-	-	-	1,891,728	-
Net cash provided (used) by capital and related financing activities	<u>(1,489,417)</u>	<u>(1,887,998)</u>	<u>(11,985,327)</u>	<u>(3,508,602)</u>	<u>(146,019)</u>	<u>(255,063)</u>	<u>(19,272,426)</u>	<u>(851,542)</u>
<b>Cash flows from investing activities:</b>								
Cash received from interest	123,354	45,169	157,239	72,945	3,460	9,807	411,974	34,098
Sale of investments	6,606,617	8,500,601	20,055,129	7,696,017	402,098	2,081,356	45,341,818	5,115,648
Purchase of investments	(7,303,458)	(8,268,998)	(19,986,938)	(10,255,497)	(299,529)	(2,203,686)	(48,318,106)	(5,277,229)
Net cash provided (used) by investing activities	<u>(573,487)</u>	<u>276,772</u>	<u>225,430</u>	<u>(2,486,535)</u>	<u>106,029</u>	<u>(112,523)</u>	<u>(2,564,314)</u>	<u>(127,483)</u>
Net increase (decrease) in cash and cash equivalents	673,885	531,791	651,296	1,857,711	(42,110)	191,631	3,864,204	429,322
<b>Cash and cash equivalents, beginning of year</b>	<u>2,563,452</u>	<u>4,470,831</u>	<u>9,095,747</u>	<u>3,352,531</u>	<u>177,391</u>	<u>929,960</u>	<u>20,589,912</u>	<u>2,637,275</u>
Cash and cash equivalents, end of year	<u>\$ 3,237,337</u>	<u>\$ 5,002,622</u>	<u>\$ 9,747,043</u>	<u>\$ 5,210,242</u>	<u>\$ 135,281</u>	<u>\$ 1,121,591</u>	<u>\$ 24,454,116</u>	<u>\$ 3,066,597</u>
<b>Cash and cash equivalents consists of:</b>								
Cash and cash equivalents	\$ 3,237,337	\$ 3,731,925	\$ 9,020,408	\$ 4,628,461	\$ 135,182	\$ 1,121,167	\$ 21,874,480	\$ 3,066,597
Restricted cash and cash equivalents with fiscal agent	-	1,270,697	726,635	581,781	99	424	2,579,636	-
Cash and cash equivalents, end of year	<u>\$ 3,237,337</u>	<u>\$ 5,002,622</u>	<u>\$ 9,747,043</u>	<u>\$ 5,210,242</u>	<u>\$ 135,281</u>	<u>\$ 1,121,591</u>	<u>\$ 24,454,116</u>	<u>\$ 3,066,597</u>

(continued)

**Proprietary Funds**  
**Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 2 of 2)**

	<b>Solid Waste Fund</b>	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Parking Fund</b>	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>								
Operating income (loss)	\$ 373,541	\$ (3,024,257)	\$ 7,692,228	\$ 3,861,245	\$ (1,146,764)	\$ (5,331,926)	\$ 2,424,067	\$ 512,066
Other nonoperating income (expense)	-	79,592	37,367	\$ 13,098	\$ 594,145	2,862	727,064	62,643
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	1,493,124	5,313,558	5,340,454	3,584,250	758,131	1,155,277	17,644,794	593,435
Landfill closure and postclosure	147,583	-	-	-	-	-	147,583	-
(Increase) decrease in receivables	(6,397)	(34,204)	(1,109,588)	(505,467)	40,734	(8,468)	(1,623,390)	23,905
(Increase) decrease in receivables from other governments & other funds	600,000	101,457	(104,032)	-	-	396,422	993,847	-
(Increase) decrease in inventories	-	(17,911)	(77,052)	-	-	-	(94,963)	(39,837)
(Increase) decrease in prepaid items	-	-	-	-	-	3,109	3,109	12,667
Increase (decrease) in accounts payable	(2,570)	(505,530)	365,484	789,364	(22,367)	39,477	663,858	46,868
Increase (decrease) in accrued liabilities	120,854	72,195	34,950	60,314	7,309	53,236	348,858	138,769
Net cash provided (used) by operating activities	<u>\$ 2,726,135</u>	<u>\$ 1,984,900</u>	<u>\$ 12,179,811</u>	<u>\$ 7,802,804</u>	<u>\$ 231,188</u>	<u>\$ (3,690,011)</u>	<u>\$ 21,234,827</u>	<u>\$ 1,350,516</u>
<b>Noncash investing, capital and financing activities:</b>								
Increase (decrease) in investment market value	292	952	(1,626)	830	145	572	1,165	667
Contribution of capital assets	-	2,370,913	885,353	344,690	-	-	3,600,956	-
Cash deposited with fiscal agent to defease Series 2000 refunding bonds	-	-	-	-	-	572	572	-

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

**CITY OF BILLINGS**  
**Fiduciary Funds**  
**Statement of Fiduciary Net Assets**  
**June 30, 2012**

	<b><u>Assets</u></b>	<b>Agency Funds</b>
Cash and cash equivalents		\$ 17,388
Total assets		<u>\$ 17,388</u>
	<b><u>Liabilities</u></b>	
Accounts payable		\$ 17,388
Total liabilities		<u>\$ 17,388</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. 14. GASB Statement No. 14 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 19<sup>th</sup> 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 assets 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.

#### Special Improvement Districts Fund

The Special Improvement Districts Fund accounts for the payment of debt used for the construction of streets, water, and wastewater trunk lines.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

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.

#### 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.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

#### 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 District, License Plate Fund, and Montana Arts Council 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 well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict 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 nonoperating 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 nonoperating revenues and expenses.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

#### D. Assets, Liabilities, and Net Assets 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.

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, State of Montana Short-Term Investment Pool (STIP), and overnight repurchase agreements collateralized by U.S. government securities held by the financial institution.

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.

STIP is uncategorized. The STIP portfolio includes asset-backed and variable rate securities to provide diversification and competitive rate of return. These securities are described below:

Asset-backed Securities are debt securities collateralized by a pool of mortgage and non-mortgage assets, such as trade and loan receivables, equipment leases and credit cards, etc., pledged by the issuer. Asset-backed securities have one or more forms of credit enhancement to raise the quality of the security. Examples of credit enhancement include, but are not limited to, letter of credit, reserve fund, or senior/subordinate arrangements.

Variable Rate (Floating Rate) Securities provide many advantages of short-term bonds because they are designed to minimize the investor's interest rate risk. As with variable rate loans issued by banks, the interest rate paid by the issuer of these securities is reset periodically depending on market conditions. The value of these securities will usually remain at or near par because their interest rates are reset to maintain a current market yield. STIP's variable rate securities float with the London Interbank Offering Rate (LIBOR), which is similar to the European federal funds rate.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

According to GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investments Pools", STIP is considered an external investment pool. An external investment pool is defined as an arrangement that pools the monies of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. Although STIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, the Board manages STIP consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As a 2a-7-like pool, STIP utilizes an amortized cost unit value, rather than fair value to report assets.

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, currently 168.73, for payment for general governmental services and payment of principal and interest on long-term general obligation debt.

All property within the City limits is assessed on taxable market value. Property taxes are in two installments, due on November 30<sup>th</sup> and May 31<sup>st</sup> 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.

Real property tax, special assessment, and notes receivable are reported net of allowances for amounts deemed uncollectable. Allowances are computed from receivables net of amounts collected in the 60 days subsequent to June 30, 2012. Estimated percentages for uncollectable amounts at June 30, 2012, based on net receivables are as follows: 15% of delinquent property, 15% of delinquent special assessments, 2% of notes receivable that are current,

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

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.

#### 3. Inventories and Prepaid Items

Inventories 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.

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 its 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 assets 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.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

The Airport fund's restricted assets consist of amounts restricted by bond covenants and Federal Aviation Administration (FAA) requirements. The following table reports restricted assets:

Series 2010A Revenue Refunding Bonds	
Debt service reserve	\$ 764,000
Maintenance and operating reserve	1,151,000
Capital replacement reserve	225,000
Series 2010B Revenue Bonds	
Debt service reserve	500,044
Passenger Facility Charges	1,629,899
Customer Facility Charges	<u>573,065</u>
Total Restricted Assets	<u>\$4,843,008</u>

In Water and Wastewater, the notes payable ordinance reserve account is used to set aside resources from operations for debt service.

#### 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 Interest Expense</u>	<u>Capitalized Interest</u>	<u>Construction Project</u>
Airport Fund	\$ 682,813	\$107,944	QTA facility construction, QTA building boilers, QTA overhead doors, QTA site improvements, IP-9 Elevator, Energy efficiency improvements.
Water Fund	889,467	239,292	Zone 3, Zone 4 and Zone 5 water system upgrades, 2011 & 2012 Water replacement projects, Rimrock Road, Scada replacement, Chapple water main, Clearwell project, Emergency power backup.
Wastewater Fund	604,271	13,487	2012 Sewer replacement project, Wastewater treatment plant clarifier, Wastewater treatment plant West Mechanical 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 \$9,314,185 at June 30, 2012, includes the related FICA, Medicare, and retirement costs. The unrecorded accumulated sick leave benefits total \$9,543,696 at June 30, 2012.

#### 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 assets. Bond premiums, discounts, and issuance costs 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

9. Fund Equity

Governmental funds fund balance 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 17 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

		Major Special Revenue	Major Debt Service Special Improvement Districts Fund	All Other Governmental Funds	Total Governmental Funds
	General Fund	Public Safety	Special Improvement Districts Fund	All Other Governmental Funds	Total Governmental Funds
<b>Unspendable</b>					
Cemetery Perpetual Care	\$ -	\$ -	\$ -	\$ 626,520	\$ 626,520
<b>Restricted</b>					
Building Inspection	-	-	-	446,204	446,204
Tax Increment Districts	-	-	-	3,023,888	3,023,888
Roads and Streets	-	-	-	9,840,097	9,840,097
Grants	-	-	-	1,160,767	1,160,767
Cemetery Improvements	-	-	-	311,216	311,216
Emergency 911	-	-	-	5,054,186	5,054,186
Public Safety	-	1,427,000	-	-	1,427,000
Planning	-	-	-	474,741	474,741
Library	-	-	-	1,713,460	1,713,460
Street & Traffic	-	-	-	4,488,568	4,488,568
Light Maintenance Districts	-	-	-	1,389,809	1,389,809
Park Maintenance Districts	-	-	-	164,001	164,001
Debt Service	-	-	7,347,035	2,277,923	9,624,958
Capital Projects	-	-	-	4,698,835	4,698,835
<b>Committed</b>					
General Government	9,726,000	-	-	-	9,726,000
Arterial	-	-	-	1,484,588	1,484,588
Park Programs	-	-	-	2,104,195	2,104,195
Animal Shelter Donations	-	-	-	34,043	34,043
Library	-	-	-	1,519,483	1,519,483
Downtown Revolving Loan	-	-	-	219,329	219,329
Ball Field Maintenance	-	-	-	297,160	297,160
Fire Hydrant Maintenance	-	-	-	2,298,941	2,298,941
<b>Assigned</b>					
N/A	-	-	-	-	-
<b>Unassigned</b>					
General Government	10,284,980	-	-	-	10,284,980
Tax Increment Districts	-	-	-	(1)	(1)
Grants	-	-	-	(31,243)	(31,243)
Capital Projects	-	-	-	(875,197)	(875,197)
<b>Total Fund Balances</b>	<u>\$ 20,010,980</u>	<u>\$ 1,427,000</u>	<u>\$ 7,347,035</u>	<u>\$ 42,721,513</u>	<u>\$ 71,506,528</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 legally enforceable by an external party. External parties include vendors, grantors, debt covenants, voters, and laws and regulations of other governments. Major Fund encumbrances were \$103,896 in the General Fund, \$150,834 in the Public Safety Fund and zero in the SID Debt Service Fund. Non-Major Fund encumbrances were \$4,498,187. The roads and streets label contains the Street Maintenance, Gas Tax and Storm Sewer funds.

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. The balance in the General Fund column represents a minimum fund balance per Resolution Number 10-18914. 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. The remaining funds were committed by City Council action.

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 contains the residual amount for the General Fund.

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 unrestricted balance would be spent first if any fund has a combination of restricted and unrestricted balances.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

#### II. Stewardship, Compliance, and Accountability

##### 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 1<sup>st</sup>, 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 10<sup>th</sup>, 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 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 year end. 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; Special Improvement Districts Fund; Nonmajor Special Revenue Funds: Fire Programs Fund, Park Maintenance Districts Fund, Development Services Grants Fund, Public Safety Fund, and Tax increment

## **CITY OF BILLINGS, MONTANA**

### **Notes to Financial Statements**

District Funds; Nonmajor Capital Project Funds: Tax Increment South Capital Replacement Fund and Baseball Field/Stadium Construction Fund; Enterprise Funds: Airport Fund and Transit Fund; and Internal Service Fund: Health Insurance Fund, Fleet Services Fund and Public Works Engineering 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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

	<u>Public Safety Fund</u>
<u>Revenues</u>	
Actual amounts (budgetary basis) "Total revenues" from the budget	\$ 15,088,738
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	<u>5,464,456</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$20,553,194</u>
<u>Expenditures</u>	
Actual amounts (budgetary basis) "Total expenditures" from the budget	\$ 33,192,195
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	<u>5,464,456</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u>\$38,656,651</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

**C. Deficit Fund Equity**

Funds with deficit fund balances at June 30, 2012, 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:	
Transportation Enhancement	<u>\$ 27,135</u>
Miller Crossing Tax Increment Operating Fund	<u>\$ 1</u>
City Attorney Grants Fund	<u>\$ 4,108</u>
Nonmajor Capital Projects Funds:	
Sidewalk and Curb Districts	<u>\$ 472,213</u>
New Library Construction Fund	<u>\$ 402,984</u>

The Transportation Enhancement Fund deficit fund balance will be eliminated by reimbursements from federal grant programs.

The Miller Crossing Tax Increment Operating Fund deficit fund balance will be eliminated by reimbursements from South Tax Increment Operating Fund.

City Attorney Grants Fund deficit will be eliminated by reimbursements from granting agencies.

The Sidewalk and Curb Districts deficit fund balance will be eliminated by sales of bonds during fiscal year 2013.

New Library Construction Fund deficit will be eliminated by sales of bonds during fiscal year 2013.

**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, 2012, consist of the following:

Cash and cash equivalents:

Deposits in local banks	\$ 53,363,916
Outstanding checks and reconciling items	(920,844)
Montana State Short Term Investment Pool (STIP)	6,280
	<u>\$ 52,449,352</u>

Investments:

US Government and US Agency Obligations	\$ 73,346,159
Certificates of deposits	12,577,609
	<u>\$ 85,923,768</u>

Cash and investments as of June 30, 2012, are classified in the statement of net assets as follows:

Cash and cash equivalents	\$ 52,208,234
Cash and cash equivalents, permanently restricted	241,118
	<u>\$ 52,449,352</u>

Investments	\$ 82,896,248
Investments, temporarily restricted	2,642,498
Investments, permanently restricted	385,022
	<u>\$ 85,923,768</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.

#### Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that 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. 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.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

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	\$ 504,193	\$ -	\$ 57,002	\$ 447,190	\$ -
US Government Agency Securities	72,841,966	2,022,918	29,002,160	41,816,889	-
Certificates of Deposit	<u>12,577,609</u>	<u>12,577,609</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$85,923,768</u>	<u>\$14,600,527</u>	<u>\$29,059,162</u>	<u>\$42,264,079</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, 2012, the City’s investments in U.S. Government Agency Securities were rated AAA by Moody’s Investor’s 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 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>.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

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>	
US Bank	Certificates of deposit	\$ 10,000,000	11.64%
Federal Farm Credit	Federal agency securities	32,456,877	37.78%
Federal Home Loan Bank	Federal agency securities	13,492,226	15.70%
Federal National Mortgage Assoc.	Federal agency securities	20,378,336	23.72%
Federal Home Loan Mortgage Corp.	Federal agency securities	6,506,921	7.57%

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, 2012, the City had no exposure to custodial credit risk because all of the City’s deposits with financial institutions were insured and 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 another party. City policy requires investments to be collateralized by the actual security held in safekeeping by the primary

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

agent. As of June 30, 2012, 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 \$5,455,714 is restricted by bond covenants or for specific purposes as follows:

Current debt service:

Special Improvements Districts Fund	\$ 1,363,295
Nonmajor government funds	1,512,783
Airport Fund	1,270,697
Water Fund	726,635
Wastewater Fund	581,781
Parking	99
Nonmajor enterprise funds	<u>424</u>
Total	<u>\$ 5,455,714</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.

	<b>General Fund</b>	<b>Public Safety Fund</b>	<b>Special Improvement Districts Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Internal Service Funds</b>	<b>Governmental Activities Total</b>	
Taxes	\$ 1,404,657	\$ 1,291,570	\$ -	\$ 813,434	\$ -	\$ 3,509,661	
Accounts	375,393	23,078	-	55,155	17,312	470,938	
Special assessments	5,809	-	13,173,133	2,149,403	415	15,328,760	
Accrued interest	(550)	15	13,688	23,700	4,551	41,404	
Notes	-	-	-	3,742,478	700,000	4,442,478	
From other governments	-	-	-	1,381,374	-	1,381,374	
Gross receivables	1,785,309	1,314,663	13,186,821	8,165,544	722,278	25,174,615	
Less: Allowance	(145,715)	(150,278)	(4,107)	(750,648)	-	(1,050,748)	
<b>TOTAL</b>	<b>\$ 1,639,594</b>	<b>\$ 1,164,385</b>	<b>\$ 13,182,714</b>	<b>\$ 7,414,896</b>	<b>\$ 722,278</b>	<b>\$ 24,123,867</b>	

	<b>Solid Waste Fund</b>	<b>Airport Fund</b>	<b>Water Fund</b>	<b>Wastewater Fund</b>	<b>Parking Fund</b>	<b>Non-Major Enterprise Funds</b>	<b>Business-type Activities Total</b>
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,970	\$ 200,970
Accounts	733,583	780,570	3,101,413	1,716,035	-	17,620	6,349,221
Special assessments	-	-	-	-	-	-	-
Accrued interest	3,805	6,192	14,680	6,567	175	1,339	32,758
Notes	-	-	-	-	-	-	-
From other governments	-	44,192	104,032	-	-	67,432	215,656
Gross receivables	737,388	830,954	3,220,125	1,722,602	175	287,361	6,798,605
Less: Allowance	(26,446)	-	-	-	-	(21,026)	(47,472)
<b>TOTAL</b>	<b>\$ 710,942</b>	<b>\$ 830,954</b>	<b>\$ 3,220,125</b>	<b>\$ 1,722,602</b>	<b>\$ 175</b>	<b>\$ 266,335</b>	<b>\$ 6,751,133</b>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable:		
General fund	\$ 822,052	\$ -
Public safety fund	851,573	-
Nonmajor governmental funds	554,784	-
Special assessments not yet due:		
General fund	3,670	-
Special improvement districts fund	13,110,209	-
Nonmajor governmental funds	1,654,925	-
Notes receivable not yet due:		
Nonmajor governmental funds	3,078,517	-
Developer contributions prior to related construction:		
Non major governmental funds	-	<u>804,376</u>
Total	<u>\$ 20,075,730</u>	<u>\$ 804,376</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

**C. Operating Lease Receivable**

The City leases a certain amount of its property to others under operating leases which expire through 2031. The property under long-term lease is primarily the airport and related facilities which are recorded at a cost of approximately \$134,000,000, and accumulated depreciation of approximately \$80,000,000. The following is a schedule by years of minimum future rentals on non-cancelable operating leases as of June 30, 2012:

<u>Year ending June 30:</u>	
2013	\$ 3,801,734
2014	3,495,844
2015	4,176,936
2016	4,303,614
2017	2,729,443
2018-2022	1,517,678
2023-2027	847,759
2028-2031	109,983
Total	<u>\$ 20,982,991</u>

These amounts do not include contingent rentals which may be received under certain leases based on gross revenues of the lessee or other variable methods of measurement in excess of stipulated minimums.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

**D. Capital Assets**

Capital asset activity for the year ended June 30, 2012, was as follows:

<b>Governmental activities:</b>	Balance June 30, 2011	Prior Period Adjustment	Additions	Deletions	Transfer In/Out	Balance June 30, 2012
Capital assets not being depreciated:						
Land	\$ 31,243,689	\$ -	\$ -	\$ 12,428	\$ -	\$ 31,231,261
Construction in Progress	4,639,330	-	11,708,669	-	(7,968,839)	8,379,160
Total capital assets, not being depreciated	<u>35,883,019</u>	<u>-</u>	<u>11,708,669</u>	<u>12,428</u>	<u>(7,968,839)</u>	<u>39,610,421</u>
Capital assets being depreciated:						
Buildings	24,641,031	-	106,460	-		24,747,491
Improvements other than Buildings	33,762,025	-	211,345	37,827	-	33,935,543
Equipment	28,679,718	-	3,731,553	1,322,738	52,280	31,140,813
Infrastructure	181,483,105	-	22,609,114	-	7,845,848	211,938,067
Total capital assets, being depreciated	<u>268,565,879</u>	<u>-</u>	<u>26,658,472</u>	<u>1,360,565</u>	<u>7,898,128</u>	<u>301,761,914</u>
Less accumulated depreciation for:						
Buildings	10,082,391	-	548,631	-	-	10,631,022
Improvements other than Buildings	8,417,101	-	1,078,507	27,109		9,468,499
Equipment	18,664,274	-	2,036,880	1,081,542	47,779	19,667,390
Infrastructure	72,570,548	-	7,073,863	-	-	79,644,411
Total accumulated depreciation	<u>109,734,314</u>	<u>-</u>	<u>10,737,881</u>	<u>1,108,651</u>	<u>47,779</u>	<u>119,411,322</u>
Total capital assets, being depreciated, net	<u>158,831,565</u>	<u>-</u>	<u>15,920,591</u>	<u>251,914</u>	<u>7,850,349</u>	<u>182,350,592</u>
Governmental activities capital assets, net	<u>\$ 194,714,584</u>	<u>\$ -</u>	<u>\$ 27,629,260</u>	<u>\$ 264,342</u>	<u>\$ (118,490)</u>	<u>\$ 221,961,013</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

<b>Business-type activities:</b>	Balance June 30, 2011	Prior Period Adjustment	Additions	Deletions	Transfer In/Out	Balance June 30, 2012
Capital assets not being depreciated:						
Land	\$ 13,636,192	\$ -	\$ -	\$ -	\$ -	\$ 13,636,192
Construction in Progress	14,835,858	-	15,056,861	-	(19,885,877)	10,006,842
Total capital assets, not being depreciated	<u>28,472,050</u>	<u>-</u>	<u>15,056,861</u>	<u>-</u>	<u>(19,885,877)</u>	<u>23,643,034</u>
Capital assets being depreciated:						
Buildings	88,060,723	-	1,400,682	663,086	2,164,707	90,963,026
Improvements other than Buildings	93,173,701	-	2,706,554	1,395,430	3,207,587	97,692,412
Equipment	60,916,684	214,565	3,201,724	4,175,025	269,698	60,427,646
Infrastructure	321,798,536	(214,565)	1,230,046	4,984,215	14,243,885	332,073,687
Total capital assets, being depreciated	<u>563,949,644</u>	<u>-</u>	<u>8,539,006</u>	<u>11,217,756</u>	<u>19,885,877</u>	<u>581,156,771</u>
Less accumulated depreciation for:						
Buildings	48,420,580	-	2,905,813	538,124	-	50,788,269
Improvements other than Buildings	54,807,019	-	3,696,778	1,365,917	-	57,137,880
Equipment	40,352,729	196,546	3,688,279	4,132,821	-	40,104,733
Infrastructure	106,028,045	1,389,457	7,333,917	4,558,947	-	110,192,472
Total accumulated depreciation	<u>249,608,373</u>	<u>1,586,003</u>	<u>17,624,787</u>	<u>10,595,809</u>	<u>-</u>	<u>258,223,354</u>
Total capital assets, being depreciated, net	<u>314,341,271</u>	<u>(1,586,003)</u>	<u>(9,085,781)</u>	<u>621,947</u>	<u>19,885,877</u>	<u>322,933,417</u>
Business-type activities capital assets, net	<u>\$ 342,813,321</u>	<u>\$(1,586,003)</u>	<u>\$ 5,971,080</u>	<u>\$ 621,947</u>	<u>\$ -</u>	<u>\$ 346,576,451</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	\$ 54,520
Public Safety	1,195,995
Public Works	7,566,359
Public Health	66,827
Culture & recreation	1,181,139
Housing and community development	79,606
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>593,435</u>
Total depreciation expense - governmental activities	<u>\$ 10,737,881</u>
Business-type activities:	
Solid Waste	\$ 1,493,124
Airport	5,293,551
Water	5,340,454
Wastewater	3,584,250
Parking	758,131
Transit	1,105,496
Golf Course	<u>49,781</u>
Total depreciation expense - business-type activities	<u>\$ 17,624,787</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Construction Commitments

The City has active construction projects as of June 30, 2012. At year end, the City's commitments with the contractors, rounded to the nearest thousand, are as follows:

General Fund	\$ 104
Public Safety Fund	151
Solid Waste Fund	1,220
Airport Fund	776
Water Fund	8,392
Wastewater Fund	3,724
Nonmajor Governmental Funds	4,001
Nonmajor Enterprise Funds	12
Nonmajor Internal Services Funds	485
	<u>\$18,865</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. 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, 2012, the Tax Increment fund had commitments of \$75,000 for façade and improvement projects.

At June 30, 2012, the Airport fund had commitments of \$25,538 for paint striping on the airfield and \$15,714 for overhead heaters in the equipment bays at the Operations Center.

At June 30, 2012, the General Fund had commitments of \$48,000 for pruning and removal of 87 hazard trees.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Prior Period Adjustment

During FY 2012, an error in accumulated depreciation in the Water Fund’s fixed assets was discovered. Depreciation expense was understated by \$1,586,003 in prior years in both the government-wide and Water Fund statements. The effect on changes in net position in the previous period is a decrease of \$1,586,003.

**E. Interfund Receivables, Payables, and Transfers**

The composition of inter-fund balances as of June 30, 2012, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 485,432
Nonmajor Governmental Funds	Nonmajor Governmental Funds	406,017
Solid Waste Fund	Nonmajor Governmental Funds	1,544,882
Totals		<u>\$2,436,331</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. The Solid Waste fund advanced the Arterial Fees fund \$1,544,882 for the King Avenue West project. To the extent certain transactions between funds had not been paid or received at year end, balances of interfund amounts receivable and payable are reported as due to and due from other funds. All interfund balances are expected to be repaid within one year, except for the \$1,544,882 due from Arterial Fees fund to the Solid Waste fund. This is due in annual installments maturing in Fiscal Year 2013 and is payable on demand.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Interfund transfers:

Transfers in:

	General Fund	Public Safety Fund	Special Improvement Districts Fund	Nonmajor Governmental Funds	Water Fund	Wastewater Fund	Nonmajor Enterprise Funds	Internal Service	Total
Transfers Out:									
General	\$ -	\$ 18,620,000	\$ -	\$ 1,207,660	\$ -	\$ -	\$ -	\$ 33,600	\$ 19,861,260
Public Safety	-	-	-	785,067	-	-	-	268,976	1,054,043
Special Improvement Districts Fund	-	-	-	90,343	-	-	-	-	90,343
Nonmajor Governmental Funds	3,924	-	79,748	3,508,249	400	400	-	287,311	3,880,032
Airport Fund	-	-	-	-	-	-	9,426	-	9,426
Parking Fund	<u>233,308</u>	-	-	-	-	-	-	-	<u>233,308</u>
Subtotal	<u>237,232</u>	<u>18,620,000</u>	<u>79,748</u>	<u>5,591,319</u>	<u>400</u>	<u>400</u>	<u>9,426</u>	<u>589,887</u>	<u>25,128,412</u>
Internal Service Funds	-	-	-	-	<u>1,250</u>	<u>1,250</u>	-	<u>97,416</u>	<u>99,916</u>
Total	<u>\$237,232</u>	<u>\$18,620,000</u>	<u>\$ 79,748</u>	<u>\$ 5,591,319</u>	<u>\$1,650</u>	<u>\$ 1,650</u>	<u>\$ 9,426</u>	<u>\$687,303</u>	<u>\$25,228,328</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.

**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. The terms of the lease ends on March 1, 2023, at which time the City will purchase the building for \$1.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

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. The first lease payment was due in September 2008. The construction was completed in September 2008 as well.

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 15 years.

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
Equipment	404,500	-
Accumulated depreciation	<u>(1,460,500)</u>	<u>(955,389)</u>
Total	<u>\$ 5,544,000</u>	<u>\$4,974,611</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

The following is a schedule, by year, of the future minimum lease payments at June 30, 2012:

<u>Year ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2013	\$ 532,056	\$ 495,396
2014	532,056	495,395
2015	532,056	495,395
2016	532,056	495,395
2017	532,056	495,395
2018-2022	2,660,280	2,476,977
2023-2027	<u>532,058</u>	<u>2,476,977</u>
Total minimum lease payments	5,852,618	7,430,930
Less: Amount representing interest	<u>(1,424,396)</u>	<u>(2,451,744)</u>
Present value of minimum lease payments	<u>\$ 4,428,222</u>	<u>\$ 4,979,186</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, 2012, 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%-3%, due July 1, 2020, payable in annual installments of \$105,000 to \$115,000.	\$ 975,000
General Obligation Bonds Series 2004A, issued in the total aggregate amount of \$5,200,000, and interest ranging from 3.00%-4.20%, due July 1, 2027, payable in annual installments of \$190,000 to \$365,000, callable on or after July 1, 2014.	3,730,000
General Obligation Bonds Series 2007A, issued in the total aggregate amount of \$10,700,000, and interest ranging from 4.25%-4.50%, due July 1, 2027, payable in annual installments of \$325,000 to \$775,000, callable on or after July 1, 2017.	9,210,000
General Obligation Bonds Series 2007B, issued in the total aggregate amount of \$1,800,000, and interest ranging from 4.00%-4.10%, due July 1, 2017, payable in annual installments of \$145,000 to \$215,000, callable on or after July 1, 2012.	<u>1,165,000</u>
	<u>\$ 15,080,000</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

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. The various bonds outstanding at June 30, 2012 are as follows:

Special improvement districts, issued in the total aggregate amount of \$24,194,000 and interest rates ranging from 3.1%-8.4%, payable from the special improvement districts fund in varying installments to 2027.	\$ 15,001,736
Sidewalk and curb districts, issued in the total aggregate amount of \$5,944,000 and interest rates ranging from 3.25%-5.4%, payable from the sidewalk and curb districts fund in varying installments to 2024.	1,658,000
Storm Sewer Gross Revenue Refunding Series 2003, issued in the total aggregate amount of \$7,055,000 and interest rates ranging from 2.00%-3.00%, payable from the storm sewer fund in varying installments to 2014, callable on or after July 1, 2005.	<u>570,000</u>
	<u>\$ 17,229,736</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Notes Payable – In the current year, the City paid \$327,757 on its revolving line of credit from various banks for the downtown revolving loan program fund. The maximum combined loan balance from all banks is \$3,200,000. The proceeds of the notes were used to make loans to various entities (end-loans) with approved construction and/or acquisition projects in the downtown area. The notes are secured by end-loan collateral and by end-loan principal and interest payments to the City. The City uses principal and interest payments from end-loans to determine its monthly installment to the banks. Interest is adjusted each November 1 to the preceding September 30 prime rate less 300 basis points with a floor of 4%. At June 30, 2012, the rate was 4.00% and the outstanding notes payable due within one year are based on estimated current collections of all loans receivable in the fund.

<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

On November 27, 2007, the City borrowed \$3,719,000 from Koch Financial Corporation to pay the fire fighter lawsuit settlement. Koch Financial Corporation has assigned and sold this note to Capital One Public Funding LLC. The note is unsecured, due in semiannual installments of \$236,502, and will be paid with the Public Safety Fund. Interest is fixed at 4.85% for the life of the loan and will mature on November 15, 2017. At June 30, 2012, the amount outstanding is as follows:

<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>\$ 367,819</u>	<u>\$ 1,891,817</u>	<u>\$ 2,259,636</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Two citizens have agreed to donate \$200,000 over a ten year period for upgrades for the scoreboard at the new baseball stadium. The City borrowed \$130,500 from US Bank to complete the upgrades prior to the baseball season. The yearly contribution from the two citizens will make the debt service payment to be paid from the Park Programs Fund, a special revenue fund. The annual interest rate is 6.70%, and the note will be paid in annual installments of \$19,917 beginning August 1, 2009, and mature on August 1, 2017. At June 30, 2012, the amount outstanding is as follows:

<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>\$ 13,482</u>	<u>\$ 82,278</u>	<u>\$ 95,760</u>

On February 29, 2012, the City borrowed \$625,084 from US Bancorp to finance the purchase of Toughbooks and in-car cameras for the Police Department. The cameras annual payment of \$68,190 will be paid with drug forfeiture funds. The annual payment for the Toughbooks is \$92,697. The interest rate is 1.93% for four years. At June 30, 2012, the amount outstanding is as follows:

	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
Cameras	<u>\$ 64,674</u>	<u>\$ 132,497</u>	<u>\$ 197,171</u>
Toughbooks	<u>\$ 87,916</u>	<u>\$ 180,116</u>	<u>\$ 268,032</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

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. The amounts reserved as of June 30, 2012, are \$1,334,763 for Wastewater and \$2,172,324 for Water.

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
<b>Wastewater:</b>			
Headworks Building	\$ 4,515,000	3.75%	July 1, 2025
Briarwood Sewer	\$ 7,400,000	3.75%	July 1, 2028
Ultra-violet System	\$ 2,900,000	3.75%	July 1, 2030
Ultra-violet System	\$ 816,000	3.75%	July 1, 2030
Ultra-violet System	\$ 384,000	forgiven	
Wastewater Replacement Lines	\$ 5,387,000	3.75%	July 1, 2029
Wastewater Replacement Lines	\$ 359,300	1.75%	July 1, 2029
<b>Water:</b>			
Filter Building	\$17,300,000	3.75%	July 1, 2025
Water Replacement Lines	\$ 2,750,000	3.75%	July 1, 2029
Water Replacement Lines	\$ 333,700	1.75%	July 1, 2029
Zone 4 Water Lines	\$ 7,412,000	3.75%	July 1, 2029
2010 Water Replacement Lines	\$ 2,800,000	3.75%	July 1, 2030
2010 Water Replacement Lines	\$ 500,000	forgiven	

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

The amounts outstanding as of June 30, 2012, are as follows:

	<u>Due within One year</u>	<u>Due after One year</u>	<u>Total</u>
Wastewater	<u>\$ 745,000</u>	<u>\$ 15,466,863</u>	<u>\$ 16,211,863</u>
Water	<u>\$1,236,215</u>	<u>\$ 22,825,588</u>	<u>\$ 24,025,856</u>

Revenue Bonds Payable – At June 30, 2012, the outstanding revenue bonded indebtedness of the City was as follows:

2010A Airport Revenue Refunding Bonds issued on July 20, 2010, with principal totaling \$6,940,000, and interest ranging from 2.50%-5.00% due July 1, 2020, payable in annual installments of \$690,000 to \$895,000. The bonds are not subject to optional redemption prior to their stated maturities.

Deferred amount on bond refunding

Less current portion

Total

\$ 6,940,000
<u>(375,276)</u>
6,564,724
<u>(690,000)</u>
\$ <u>5,874,724</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 on October 4, 2010, with principal totaling \$6,525,000, and interest ranging from 3.00%-4.00% due July 1, 2030, payable in annual installments of \$235,000 to \$475,000, callable on or after July 1, 2021.

Less current portion

Total

\$ 6,525,000
<u>(235,000)</u>
\$ <u>6,290,000</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.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

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 bonds' rate 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 that money reserves for debt service, facilities and equipment replacement, and for operations. The City is in compliance with all covenants as of June 30, 2012.

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>1,151,000</u>
	<u>\$ 2,640,044</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 (\$1,085,595) and expenses, AIP grants, and all other Airport operations. However, investors in the Series 2010B revenue bonds rely on the revenue generated CFC collections (\$806,133) and investors in the 2010A revenue bonds rely on airport operating revenues net of AIP grants and CFC and PFC collections.

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, 2012, \$7,285,000 of outstanding revenue bonds and \$780,000 of outstanding special assessment bonds are considered defeased.

**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, 2012, are as follows:

**GOVERNMENTAL ACTIVITIES**

Year ending June 30	General Obligation Bonds		Notes Payable		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal*	Interest
2013	\$ 925,000	\$ 600,084	\$ 533,891	\$ 111,621	\$ 895,025	\$ 832,509
2014	955,000	563,322	555,061	92,659	1,146,418	855,494
2015	985,000	525,369	577,984	72,751	1,663,884	798,035
2016	1,025,000	487,457	441,074	51,847	1,663,430	729,836
2017	1,065,000	445,839	463,022	35,498	1,820,058	647,608
2018-2022	4,895,000	1,626,544	249,567	6,853	5,745,922	2,164,678
2023-2027	4,455,000	630,629	-	-	3,339,999	886,936
2028-2031	775,000	17,438	-	-	955,000	72,658
	<u>\$ 15,080,000</u>	<u>\$ 4,896,681</u>	<u>\$ 2,820,599</u>	<u>\$ 371,229</u>	<u>\$ 17,229,736</u>	<u>\$ 6,987,754</u>

	Capital Lease Payable-BOC		Intercap Notes Payable	
	Principal	Interest	Principal	Interest
2013	\$ 308,358	\$ 223,698	\$ 5,366	\$ 1,334
2014	324,411	207,645	5,366	1,229
2015	341,300	190,756	5,366	1,125
2016	359,068	172,988	5,366	1,020
2017	377,761	154,295	5,366	916
2018-2022	2,205,095	455,184	26,830	3,007
2023-2027	512,229	19,830	16,108	548
2028-2031	-	-	-	-
	<u>\$ 4,428,222</u>	<u>\$ 1,424,396</u>	<u>\$ 69,768</u>	<u>\$ 9,179</u>

\* \$33,000 called but not redeemed is reported as a current liability at June 30, 2012

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

**BUSINESS TYPE ACTIVITIES**

Year ending June 30	Revenue Bonds-Airport		Capital Lease Payable-Airport		Capital Lease Payable-Park II	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 925,000	\$ 516,438	\$ 64,155	\$ 64,795	\$ 222,536	\$ 272,859
2014	960,000	488,163	67,377	61,573	234,731	260,664
2015	1,000,000	455,113	70,760	58,190	247,594	247,801
2016	1,040,000	417,038	74,314	54,636	261,162	234,233
2017	1,080,000	375,450	78,046	50,904	275,474	219,921
2018-2022	4,810,000	1,200,619	453,102	191,648	1,621,050	855,928
2023-2027	1,860,000	588,606	514,406	65,869	2,116,640	360,337
2028-2031	1,790,000	160,563	-	-	-	-
	<u>\$ 13,465,000</u>	<u>\$ 4,201,990</u>	<u>\$ 1,322,160</u>	<u>\$ 547,615</u>	<u>\$ 4,979,187</u>	<u>\$ 2,451,743</u>

	Notes Payable-Water		Notes Payable-Wastewater		Capital Lease Payable-Parking	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 1,236,215	\$ 881,205	\$ 745,000	\$ 592,165	28,129	25,691
2014	1,354,360	836,377	828,000	561,070	29,439	24,380
2015	1,387,894	785,567	849,000	529,965	30,811	23,008
2016	1,422,561	733,524	868,000	498,129	32,246	21,573
2017	1,460,367	680,163	892,000	465,505	33,749	20,071
2018-2022	7,888,171	2,549,809	4,834,000	1,806,374	193,846	75,251
2023-2027	7,298,422	1,020,010	5,107,000	853,428	216,501	25,686
2028-2031	1,977,866	115,844	2,088,863	104,761	-	-
	<u>\$ 24,025,856</u>	<u>\$ 7,602,499</u>	<u>\$16,211,863</u>	<u>\$5,411,397</u>	<u>\$ 564,720</u>	<u>\$ 215,660</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Changes in Long-Term Obligations – During the year ended June 30, 2012, the following changes occurred in liabilities reported in the long-term obligations:

	<u>Balance June 30, 2011</u>	<u>Issued/ Accrued</u>	<u>Refunded/ Redeemed/ Matured</u>	<u>Balance June 30, 2012</u>	<u>Due within one year</u>
Governmental Activities:					
General obligation bonds:					
Series 2010 Parks	\$ 1,080,000	\$ -	\$ 105,000	\$ 975,000	\$ 105,000
Add: premium received	28,247	-	2,825	25,422	-
Less: deferred loss on refunding	(5,675)	-	(567)	(5,108)	-
Series 2004A Streets	3,950,000	-	220,000	3,730,000	225,000
Add: premium received	22,923	-	1,698	21,225	-
Series 2007A Ballpark	9,610,000	-	400,000	9,210,000	420,000
Add: premium received	34,542	-	2,159	32,383	-
Series 2007B Ballpark	1,335,000	-	170,000	1,165,000	175,000
Special assessment debt with governmental commitment	17,068,440	5,330,432	5,169,136	17,229,736	895,025
Less: bond discounts	(349,044)	(57,087)	(137,918)	(268,213)	-
Less: deferred loss on refunding	(32,926)	-	(10,976)	(21,950)	-
Add: premium received	10,713	-	3,571	7,142	-
Intercap notes payable	75,134	-	5,366	69,768	5,366
Notes payable	3,046,394	625,084	850,879	2,820,599	533,891
Capital lease payable	4,767,761	-	339,539	4,428,222	308,358
Compensated absences	6,361,709	5,127,623	5,074,408	6,414,924	4,831,403
<b>Total governmental activities</b>	<u>\$ 47,003,218</u>	<u>\$ 11,026,052</u>	<u>\$ 12,195,120</u>	<u>\$ 45,834,150</u>	<u>\$ 7,499,043</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

	Balance June 30, 2011	Issued/ Accrued	Refunded/ Redeemed/ Matured	Balance June 30, 2012	Due within one year
Business Activities:					
Notes Payable					
Golf Course	\$ 50,000	\$ -	\$ 50,000	\$ -	\$ -
Water from DNRC	13,743,000	-	729,000	13,014,000	757,000
Water from DNRC-ARRA Part B	313,000	-	14,000	299,000	14,000
Water from DNRC- Rehab	2,606,000	-	99,000	2,507,000	103,000
Water from DNRC-Zone 4	4,830,240	1,312,919	269,000	5,874,159	272,215
Water from DNRC-Waterlines	2,429,697	-	98,000	2,331,697	90,000
Wastewater from DNRC-Briarwood	5,921,000	-	244,000	5,677,000	254,000
Wastewater from DNRC	3,587,000	-	190,000	3,397,000	198,000
Wastewater from DNRC	336,000	-	16,000	320,000	16,000
Wastewater from DNRC	3,901,000	-	150,000	3,751,000	155,000
Wastewater from DNRC-UV	2,218,104	175,759	101,000	2,292,863	92,000
Wastewater from DNRC-UV	802,000	-	28,000	774,000	30,000
Capital lease payable - Park II	5,190,161	-	210,974	4,979,187	222,536
Capital lease payable - Parking	-	578,311	13,591	564,720	28,129
Airport Series 2010A Refunding	7,640,000	-	700,000	6,940,000	690,000
Less: deferred amount on refunding	(447,512)	-	(72,236)	(375,276)	-
Add: premium received	57,699	-	9,475	48,224	-
Airport Series 2010B Revenue	6,525,000	-	-	6,525,000	235,000
Add: premium received	6,966	-	586	6,380	-
Capital lease payable - Airport	-	1,353,078	30,918	1,322,160	64,155
Compensated absences	2,863,716	2,257,772	2,222,227	2,899,261	2,093,767
<b>Total business type activities</b>	<b><u>\$ 62,573,071</u></b>	<b><u>\$ 5,677,839</u></b>	<b><u>\$ 5,103,535</u></b>	<b><u>\$ 63,147,375</u></b>	<b><u>\$ 5,314,802</u></b>

## 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 \$880,774 and \$939,041 at June 30, 2011 and 2012, 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, 2012, 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. 45, 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 liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 Fiscal Year. 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 called the City of Billings Employee Benefit Plan (the Plan). Total plan contributions paid by the City in 2012 were 10.4% 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 three self insured medical plans: Plan B, Plan C, and Plan D. A closed group of retirees age 65 and older are enrolled in one of the plans. Effective January 1, 2012, Plan B is no longer available to either retirees or current employees.

The number of participants as of July 1, 2010, 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	844
Retired employees	<u>138</u>
Total	<u>982</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, 2012, is \$48,303,901. The ratio of the FY 2012 unfunded actuarial accrued liability to annual covered payroll is 0.331.

*Annual OPEB Cost and Net OPEB Obligation.* The City's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

**Level Dollar Amortization**

Calculation of Annual Required Contribution (ARC) under the Projected Unit Credit Method:	
ARC Normal Cost	\$ 865,000
Amortization	676,000
Interest on net OPEB obligation	180,000
Adjustment to ARC	<u>(153,000)</u>
Annual required contribution	1,568,000
Contribution for fiscal year ended June 30, 2012	<u>(861,000)</u>
Increase in net OPEB	707,000
Net OPEB Obligation – beginning of year	<u>4,010,000</u>
Net OPEB Obligation – end of year	<u>\$ 4,717,000</u>
Percent of annual OPEB cost contributed FY 2012	54.9%

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2012, for the health plan are as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$ 2,616,000	41.0%	\$ 1,543,000
June 30, 2010	2,616,000	41.0%	3,086,000
June 30, 2011	1,760,000	47.5%	4,010,000
June 30, 2012	1,568,000	54.9%	4,717,000

**Benefit Obligation, Normal Cost and Funding Progress**

Actuarial Value of Assets	\$ -
Actuarial Accrued Liability:	
Active Employees	\$ 9,963,000
Retired Employees	<u>6,033,000</u>
Unfunded actuarial liability (UAAL)	<u>\$ 15,996,000</u>

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Schedule of Funding Progress:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) (b)</u>	<u>Unfunded AAL (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
7/1/2008	\$ -	\$ 25,352,000	\$ 25,352,000	0%	Not Available	Not Available
7/1/2010	\$ -	\$ 17,923,000	\$ 17,923,000	0%	\$ 48,138,881	37.2%

*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. Most included coverages are “community-rated,” and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

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, 2010, actuarial valuation, the liabilities were computed using the projected unit credit method and the level percentage of projected payroll amortization. The actuarial assumptions utilized a 4.5% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

the selection of the 4.5% rate. The valuation assumes a 11% healthcare cost trend increase for fiscal year 2011-2012, reduced by decrements to a rate of 0.5% each year until an ultimate health care cost trend rate of 5% is reached in 2023.

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.

#### 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. Additionally, two settlement payments have exceeded or were not covered by MMIA during the current year or the two previous fiscal years. MMIA – Liability Program has obtained reinsurance through commercial companies for claims in excess of \$750,000 per claim and \$1.5 million per occurrence. MMIA – Workers' Compensation has obtained reinsurance through commercial companies for claims in excess of \$750,000 for each accident, limited to \$10 million.

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 \$25,000 per occurrence. The property value

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

limit is \$411,920,792 with a blanket amount of \$400 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. The City does not insure for damage and destruction of vehicles and equipment. During the fiscal year ended June 30, 2012, the City’s cost to repair and/or replace damaged property and equipment totaled \$141,895.

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 \$200,000 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.

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 2010, 2011, and 2012:

	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>
2009-2010	700,000	8,310,525	8,310,525	700,000
2010-2011	700,000	9,694,876	9,694,876	700,000
2011-2012	700,000	9,336,368	9,336,368	700,000

Retired employees may continue their health care coverage through the City’s group health plan until the month end of their 65<sup>th</sup> 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.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

Approximately 138 retired and terminated employees participated in the City's health plan. Claims paid in excess of premiums received for these participants totaled approximately \$1,114,065 for the fiscal year ended June 30, 2012. There have been no material changes in health insurance coverage from the previous year. The City has a three tiered health insurance plan. The amount of employee contributions is based on the level of coverage chosen from the three 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.

#### **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.

The federal government previously donated a facility that contains asbestos contamination. The contamination has been identified by the federal government, but does not pose imminent danger. The City received a Federal grant in the amount of \$475,000. The remediation work was done in FY 11 and FY 12.

#### **C. Subsequent Events**

Management has evaluated subsequent events through December 30, 2012, the date on which the financial statements were available to be issued.

On August 1, 2012, the City sold general obligation bonds for construction of a new library building. The Library Foundation has committed to make the debt service payment on \$2,790,000 of the bonds while \$15,460,000 will be paid by a voter approved levy for twenty years.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

The Park 4 Garage was sold in September 2012. The proceeds of the sale, \$2,620,000, were applied to reduce the debt of the Park 2 expansion loan. Capital One also reduced the interest rate from 5.48% to 4.45%.

The City took advantage of the lower interest rates and refinanced the following projects:

- General Obligation Bonds 2004A – from 3.50% to 1.93%
- General Obligation Bonds 2007B – from 4.18% to .95%
- Department of Natural Resources and Conservation Sewer Bonds:
  - Series 2005 Bond – from 3.75% to 2.25%
  - Series 2008 Bond – from 3.75% to 3.00%
  - Series 2009C Bond – from 3.75% to 3.00%
  - Series 2010B Bond – from 3.75% to 3.00%
  - Series 2010C Bond – from 3.75% to 3.00%
- Department of Natural Resources and Conservation Water Bonds:
  - Series 2005 Bond – from 3.75% to 2.25%
  - Series 2009C Bond – from 3.75% to 3.00%
  - Series 2009D Bond – from 3.75% to 3.00%
  - Series 2010B Bond – from 3.75% to 3.00%

#### **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 \$550,000 for insurance deductibles and amounts not covered by insurance.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

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>
2010	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ 300,000</u>	<u>\$ (300,000)</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>
2011	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>
2012	<u>\$ 550,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 550,000</u>	<u>\$ 550,000</u>

**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 \$2,334,129 reported as landfill closure and post-closure care liability at June 30, 2012, represents the cumulative amount reported to date based on the use of approximately 44 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$3 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 2012. Revised engineering studies were completed during fiscal year 2010, which reduced the total estimated remaining costs for closure and post-closure care and extended the life of the landfill. The City expects to close the landfill in 40 years, in the year 2052. 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 2012, \$130,338 was paid into the trust. The cumulative amount of payments of \$2,642,498 is reported as restricted investments at June 30, 2012.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

	<u>Balance</u> <u>June 30, 2011</u>	<u>Accrual</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2012</u>
Net change in Landfill Liability	<u>\$ 2,186,546</u>	<u>\$ 147,583</u>	<u>\$ 2,334,129</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.

The City of Billings was sued by a currently employed police officer several years ago. The District Court issued a summary judgment of \$1.3 million plus attorney fees in favor of the officer. The Montana Municipal Interlocal Authority (MMIA) paid the judgment of \$1.6 million including legal fees.

The judgment did not itemize the amount for each individual claim. As MMIA provides liability insurance for only certain claims, they have asked the City to reimburse them for a portion of the judgment. Both parties jointly requested a declaration judgment on whether the City should be required to reimburse MMIA for any part of the judgment.

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 to result in up to \$3 million plus attorney fees in favor of the officers. MMIA does not offer coverage for this claim. The judgment did not itemize the amount for the claim. The City is vigorously defending its belief that the summary judgment results in \$0 due to the officers.

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.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

#### 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, 2012, there were 16 series of industrial revenue bonds outstanding. The aggregate principal amount payable for the two series issued after July 1, 1997, was approximately \$13.4 million at June 30, 2012. The aggregate principal amount payable at June 30, 2012, for the 14 series issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled \$54.6 million.

#### 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 (PERD). The City's financial statements include on-behalf contributions made by the State of Montana as described in the following plan descriptions.

##### 1. Descriptions of Individual Pension Plans

###### Public Employees' Retirement System (PERS)

All new hires are initially members of the PERS-DBRP (Defined Benefit Retirement Plan). New hires have a 12-month window during which they may choose to remain in the current PERS-DBRP or join the PERS-DCRP (Defined

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

Contribution Retirement Plan). Members may not be active members of both the defined contribution and defined benefit retirement plans. The choice is irrevocable.

#### PERS-defined benefit retirement plan (DBRP)

The PERS-defined benefit retirement plan (DBRP) 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, and certain employees of the school districts and university system.

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. Benefit eligibility is age 60 with at least five years of service, age 65 regardless of service, or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. For members hired prior to July 1, 2011, monthly retirement benefits for employees with less than 25 years of service are determined by taking 1.785% times the number of years of service times the highest average compensation during any consecutive 36 months; and for employees with 25 years of service or greater, the monthly retirement benefits are determined by taking 2.0% times the number of years of service times the highest average compensation during any consecutive 36 months. For members hired on or after July 1, 2011, monthly retirement benefits for employees with less than 10 years of service are determined by taking 1.5% times the highest average compensation during any consecutive 36 months; for employees with 10 years or more, but less than 30 years, monthly retirement benefits are 1.785% times the number of years of service times the highest average compensation; and for members with more than 30 years of service the monthly benefits will be 2% times the number of years of service times the highest average compensation. A guaranteed annual benefit adjustment (GABA) is provided each January for benefit recipients if they have been receiving a benefit for at least 12 months.

The GABA adjustment is 3% for members hired before July 1, 2007, and 1.5% for members hired on or after July 1, 2007. Members' rights become vested after 5 years of service.

DBRP Education Fund: governed by section 19-3-112, MCA provides education to the members that have joined the PERS-DBRP. The education program is funded by 0.04% of the employers' contribution.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Membership in the plan on June 30, 2011, is as follows:

<u>Number of Members</u>	
Retirees and Beneficiaries	18,123
Vested Terminated	2,535
Non-vested Terminated	5,787
Active	<u>28,659</u>
Total Membership	<u>55,104</u>
Number of participating employers:	533

PERS-defined contribution retirement plan (DCRP)

The PERS-defined contribution retirement plan (DCRP) is a multiple-employer plan established July 1, 2002, and governed by Title 19, Chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, and certain employees of the school districts and university system. Contribution rates can only be amended by the Legislature. A percentage of the employer contribution will be used to maintain the funding of the defined benefit plan.

The PERS-DCRP provides for retirement, disability, and death benefits to plan members and their beneficiaries based on the balance in the member's account. Eligibility for benefits is upon termination of service. The benefits depend upon the individual account balance. IRS permitted rollovers are also possible. Vesting is immediate for members' contributions and interest and after 5 years of service for employers' contributions and interest.

DCRP Education Fund: Implemented July 1, 2002, the DCRP Education Fund (DCEd), as governed by section 19-3-112, MCA, provides education to the members that have joined the PERS-DCRP.

DCRP Disability Fund: Implemented July 1, 2002, the DCRP Disability Fund (DC Disability), as governed by section 19-3-2117 MCA, provides disability benefits to eligible members of the PERS-DCRP.

The member contribution rate for fiscal year 2011 was 6.9% of member's compensation. Members hired on or after July 1, 2011, have a contribution rate of 7.9%. The employer and state rate for fiscal year 2011 is 7.17% and is

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

allocated as follows: 4.19% allocated to the member's retirement account, 2.64% allocated to the defined benefit plan choice rate, 0.04% allocated to the defined contribution education fund, and 0.3% allocated to the long-term disability plan.

Membership in the plan on June 30, 2011, is as follows:

<u>Number of Members</u>	
Retirees and Beneficiaries	11
Vested Terminated	143
Non-vested Terminated	344
Active	<u>2,021</u>
Total Membership	<u>2,519</u>
Number of participating employers:	261

The PERS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the Public Employees' Retirement Board at 100 North Park, PO Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154. The information can also be found on PERB website at <http://mpera.mt.gov/annualReports.asp>.

#### Firefighters' Unified Retirement System (FURS)

The FURS is a statewide retirement 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.

The FURS offers retirement, disability, and death benefits to plan members and their beneficiaries. A member may retire with a normal retirement benefit after completing 20 years of service, regardless of age, or at age 50 with 5 years of service. Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of: 2.5% of final average compensation per year of service; or if less than 20 years of service, 2% of final monthly compensation for each year of service; and if more than 20 years of service, 50% of the member's final monthly compensation plus 2% of the member's final monthly compensation for each year of service over 20 years. For those hired on or after

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

July 1, 1981, or those electing GABA, the retirement allowance is equal to 2.5% of the product of the final average compensation for the last 36 months and the years of service. For non-GABA members, the monthly retirement, disability, or survivor's benefit must be at least one-half the salary of a newly confirmed firefighter employed by the city that last employed the member (provided the member has at least 10 years of service credit). If a benefit falls below that minimum, the benefit is increased and paid to the benefit recipient. If a member or retiree elected GABA, the minimum benefit is not available. Rights become vested after 5 years of service. A guaranteed annual benefit adjustment (GABA) of 3.0% is provided each January for benefit recipients electing GABA if they have been receiving a benefit for at least 12 months. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State legislature.

Membership in the plan on June 30, 2011, is as follows:

<u>Number of Members</u>	
Retirees and Beneficiaries	552
Vested Terminated	13
Non-vested Terminated	60
Active	<u>579</u>
Total Membership	<u>1,204</u>
Number of participating employers:	24

The FURS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the PERB at 100 North Park, PO Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154. The information can also be found on PERB website at <http://mpera.mt.gov/annualReports.asp>.

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

MPORS is a statewide retirement plan established in 1974 and governed by Title 19, Chapters 2 & 9 of the MCA, providing retirement services to all municipal police officers employed by first and second-class cities and other cities electing to adopt the plan. MPORS is a mandatory multiple-employer, cost-sharing defined benefit plan.

## CITY OF BILLINGS, MONTANA

### Notes to Financial Statements

The MPORS offers retirement, disability, and death benefits to plan members and their beneficiaries. Minimum years of service are 20 for benefit eligibility or age 50 with 5 years of service. The retirement benefit for members is calculated as follows: 2.5% of the product of the average monthly compensation of the final year of service and the years of service. The final average compensation for those hired prior to July 1, 1977, is the average monthly compensation of the final year of service; and for those hired after June 30, 1977, it is the average monthly compensation for the last consecutive 36 months. If hired before July 1, 1997, and the member did not elect GABA, the benefit increases to  $\frac{1}{2}$  the annual compensation of a newly confirmed officer in the city where the member was last employed. A guaranteed annual benefit adjustment (GABA) of 3.0% is provided each January for benefit recipients electing GABA if they have been receiving a benefit for at least 12 months. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State legislature.

#### Deferred Retirement Option Plan (DROP)

Beginning July 2002, eligible members of MPORS have the opportunity to 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. An eligible member must have completed at least 20 years of membership service. They may elect to participate in the DROP for a minimum of one month and a maximum of five years and may participate in the DROP only 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 the participation in the DROP, all mandatory contributions continue to be made to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the DROP account until the end of the DROP participation 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, and the DROP account cannot be distributed until employment is formally terminated.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Membership in the plan on June 30, 2011, is as follows:

<u>Number of Members</u>	
Retirees and Beneficiaries	676
Vested Terminated	40
Non-vested Terminated	71
Active	<u>739</u>
Total Membership	<u>1,526</u>
Number of participating employers:	31

The MPORS financial information is reported in the Public Employees' Retirement Board's Comprehensive Annual Financial Report for the fiscal year end. It is available from the PERB at 100 North Park, PO Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154. The information can also be found on PERB website at <http://mpera.mt.gov/annualReports.asp>.

**2. Funding Policy**

*Public Employees' Retirement System* – The State legislature has the authority to establish and amend contribution rates to the plan. Plan members hired before July 1, 2011, are required to contribute 6.9% of monthly compensation. Members hired on or after July 1, 2011, are required to contribute 7.9% of monthly compensation. Local governments are required to contribute 7.07% of members' compensation. The State of Montana is required to contribute .1% of members' compensation on behalf of local government entities. One hundred percent of required contributions were made for the current year and each of the two preceding years. Required contributions were made as follows:

<u>Fiscal Year</u>	<u>City</u>	<u>Employee</u>	<u>State of Montana</u>
2009-2010	\$ 1,991,807	\$ 1,941,786	\$ 28,096
2010-2011	2,065,930	2,012,164	29,186
2011-2012	2,127,678	2,127,225	30,688

*Firefighters' Unified Retirement System* – The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 9.50% (for members hired prior to July 1, 1997, and not electing GABA) and 10.7% (for members hired after July 1, 1997, and those electing GABA) of monthly compensation.

**CITY OF BILLINGS, MONTANA**

**Notes to Financial Statements**

Employers are required to contribute 14.36% of members' compensation. The State of Montana is required to contribute 32.61% of members' compensation. One hundred percent of required contributions were made for the current year and each of the two preceding years. Required contributions were made as follows:

<u>Fiscal Year</u>	<u>City</u>	<u>Employee</u>	<u>State of Montana</u>
2009-2010	\$ 1,104,309	\$ 821,902	\$ 2,507,765
2010-2011	1,149,420	855,494	2,610,207
2011-2012	1,194,971	889,389	2,712,181

*Municipal Police Officers' Retirement System* – The State legislature has the authority to establish and amend contribution rates to the plan. Effective January 1, 2000, plan members are required to contribute 5.80% (for members hired prior to July 1, 1975, and not electing GABA), 7.0% (for members hired between July 1, 1975, and June 30, 1979, and not electing GABA), 8.5% (for members hired between July 1, 1979, and June 30, 1997, and not electing GABA), and 9.0% (for members hired after July 1, 1997, and members electing GABA) of monthly compensation. Prior to January 1, 2000, all rates were 2% higher. Municipal and county employers are required to contribute 14.41% of members' compensation. The State of Montana is required to contribute 29.37% of members' compensation. One hundred percent of required contributions were made for the current year and each of the two preceding years. Required contributions were made as follows:

<u>Fiscal Year</u>	<u>City</u>	<u>Employee</u>	<u>State of Montana</u>
2009-2010	\$ 1,140,523	\$ 711,451	\$ 2,324,708
2010-2011	1,156,174	721,368	2,356,536
2011-2012	1,350,307	842,554	2,752,275

# 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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	\$ 13,104,750	\$ 13,104,750	\$ 13,529,374	\$ 424,624
Licenses and permits	3,726,581	3,726,581	4,076,200	349,619
Intergovernmental	9,103,977	9,103,977	9,268,574	164,597
Charges for services	3,255,256	3,255,256	3,413,995	158,739
Fines and forfeitures	1,455,750	1,455,750	1,687,908	232,158
Other	106,800	106,800	78,070	(28,730)
Total revenues	<u>30,753,114</u>	<u>30,753,114</u>	<u>32,054,121</u>	<u>1,301,007</u>
<b>Expenditures:</b>				
Current:				
Salaries and benefits	6,548,022	6,609,672	6,207,012	402,660
Operations and maintenance	3,284,996	3,291,211	2,871,621	419,590
Capital outlay	195,000	195,000	81,696	113,304
Total expenditures	<u>10,028,018</u>	<u>10,095,883</u>	<u>9,160,329</u>	<u>935,554</u>
Revenues over (under) expenditures	<u>20,725,096</u>	<u>20,657,231</u>	<u>22,893,792</u>	<u>2,236,561</u>
Other financing sources (uses):				
Transfers in	238,620	238,620	237,232	(1,388)
Transfers out	(19,867,412)	(19,867,412)	(19,861,260)	6,152
Sale of capital assets	50,500	50,500	405	(50,095)
Total other financing sources (uses)	<u>(19,578,292)</u>	<u>(19,578,292)</u>	<u>(19,623,623)</u>	<u>(45,331)</u>
Net change in fund balances	<u>\$ 1,146,804</u>	<u>\$ 1,078,939</u>	<u>3,270,169</u>	<u>\$ 2,191,230</u>
Fund balance, beginning of year			16,740,811	
Fund balance, end of year			<u>\$ 20,010,980</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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Taxes	\$ 11,741,060	\$ 11,741,060	\$ 11,575,811	\$ (165,249)
Licenses and permits	118,259	118,259	35,716	(82,543)
Intergovernmental	2,134,811	2,134,811	2,207,637	72,826
Charges for services	1,119,839	1,119,839	1,237,423	117,584
Fines and forfeitures	2,400	2,400	2,400	-
Other	24,006	24,006	29,751	5,745
Total revenues	<u>15,140,375</u>	<u>15,140,375</u>	<u>15,088,738</u>	<u>(51,637)</u>
<b>Expenditures:</b>				
Current:				
Salaries and benefits	27,153,179	27,337,479	27,145,301	192,178
Operations and maintenance	5,201,248	5,204,742	5,034,620	170,122
Capital outlay	1,131	398,018	399,419	(1,401)
Debt service:				
Principal	483,650	483,650	489,169	(5,519)
Interest and fiscal charges	122,809	122,809	123,686	(877)
Total expenditures	<u>32,962,017</u>	<u>33,546,698</u>	<u>33,192,195</u>	<u>354,503</u>
Revenues over (under) expenditures	<u>(17,821,642)</u>	<u>(18,406,323)</u>	<u>(18,103,457)</u>	<u>302,866</u>
Other financing sources (uses):				
Transfers in	18,620,000	18,620,000	18,620,000	-
Transfers out	(1,098,475)	(1,098,671)	(1,054,043)	44,628
Issuance of debt	-	360,149	360,149	-
Total other financing sources (uses)	<u>17,521,525</u>	<u>17,881,478</u>	<u>17,926,106</u>	<u>44,628</u>
Net change in fund balances	<u>\$ (300,117)</u>	<u>\$ (524,845)</u>	<u>(177,351)</u>	<u>\$ 347,494</u>
Fund balance, beginning of year			1,604,351	
Fund balance, end of year			<u>\$ 1,427,000</u>	

**CITY OF BILLINGS, MONTANA**  
**Major Debt Service Fund - Special Improvement Districts Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual**  
**For the Fiscal Year Ended June 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Special assessments	\$ 2,485,000	\$ 2,485,000	\$ 2,602,513	\$ 117,513
Other	37,000	37,000	29,265	(7,735)
Total revenues	<u>2,522,000</u>	<u>2,522,000</u>	<u>2,631,778</u>	<u>109,778</u>
<b>Expenditures:</b>				
Debt service:				
Principal	1,615,000	4,349,000	4,305,070	43,930
Interest and fiscal charges	883,200	885,200	837,277	47,923
Bond issuance costs	-	49,000	48,291	709
Total expenditures	<u>2,498,200</u>	<u>5,283,200</u>	<u>5,190,638</u>	<u>92,562</u>
Revenues over (under) expenditures	<u>23,800</u>	<u>(2,761,200)</u>	<u>(2,558,860)</u>	<u>202,340</u>
Other financing sources (uses):				
Transfers in	-	-	79,748	79,748
Transfers out	-	-	(90,343)	(90,343)
Bond discount costs	-	(34,000)	(33,012)	988
Issuance of debt	-	2,625,000	2,625,000	-
Total other financing sources (uses)	<u>-</u>	<u>2,591,000</u>	<u>2,581,393</u>	<u>(9,607)</u>
Net change in fund balances	<u>\$ 23,800</u>	<u>\$ (170,200)</u>	<u>22,533</u>	<u>\$ 192,733</u>
Fund balance, beginning of year			<u>7,324,502</u>	
Fund balances at end of year			<u>\$ 7,347,035</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, 2012**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 14,624,323	\$ 277,176	\$ 1,865,988	\$ 241,118	\$ 17,008,605
Cash with fiscal agent	-	1,512,783	-	-	1,512,783
Investments	23,354,963	451,155	2,994,632	385,022	27,185,772
Receivables:					
Property taxes	579,504	136,027	-	-	715,531
Accounts and unbilled usage	50,155	5,000	-	-	55,155
Delinquent special assessments	690,224	17,052	-	-	707,276
Deferred special assessments	-	1,396,531	-	-	1,396,531
Accrued interest	20,082	900	2,338	380	23,700
Notes	2,613,064	522,265	-	-	3,135,329
Due from other funds	406,018	-	-	-	406,018
Due from other governments	1,381,374	-	-	-	1,381,374
Inventories	63,196	-	-	-	63,196
Property held for resale	103,800	-	335,328	-	439,128
<b>Total assets</b>	<b>\$ 43,886,703</b>	<b>\$ 4,318,889</b>	<b>\$ 5,198,286</b>	<b>\$ 626,520</b>	<b>\$ 54,030,398</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,650,272	\$ -	\$ 972,491	\$ -	\$ 2,622,763
Accrued wages & benefits	147,189	-	-	-	147,189
Other liabilities	-	10,000	-	-	10,000
Due to other funds	2,032,311	1,863	402,157	-	2,436,331
Deferred revenue	4,063,499	2,029,103	-	-	6,092,602
<b>Total liabilities</b>	<b>7,893,271</b>	<b>2,040,966</b>	<b>1,374,648</b>	<b>-</b>	<b>11,308,885</b>
<b>Fund balance:</b>					
Unspendable	-	-	-	626,520	626,520
Restricted	28,066,937	2,277,923	4,698,835	-	35,043,695
Committed	7,957,739	-	-	-	7,957,739
Assigned	-	-	-	-	-
Unassigned	(31,244)	-	(875,197)	-	(906,441)
<b>Total fund balances</b>	<b>35,993,432</b>	<b>2,277,923</b>	<b>3,823,638</b>	<b>626,520</b>	<b>42,721,513</b>
<b>Total liabilities and fund balances</b>	<b>\$ 43,886,703</b>	<b>\$ 4,318,889</b>	<b>\$ 5,198,286</b>	<b>\$ 626,520</b>	<b>\$ 54,030,398</b>

**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2012**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Permanent Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues:</b>					
Taxes	\$ 4,208,492	\$ 1,340,314	\$ -	\$ -	\$ 5,548,806
Licenses and permits	1,499,177	-	-	-	1,499,177
Intergovernmental	9,159,635	-	62,097	-	9,221,732
Charges for services	6,457,971	5,664	-	12,856	6,476,491
Fines and forfeitures	362,063	-	-	-	362,063
Special assessments	17,310,934	361,950	-	-	17,672,884
Other	1,266,167	165,443	102,159	2,963	1,536,732
Total revenues	<u>40,264,439</u>	<u>1,873,371</u>	<u>164,256</u>	<u>15,819</u>	<u>42,317,885</u>
<b>Expenditures:</b>					
Current:					
General government	2,207,374	-	2,117	-	2,209,491
Public safety	4,503,660	-	-	-	4,503,660
Public works	13,723,476	-	47,373	-	13,770,849
Public health	1,039	-	-	-	1,039
Culture and recreation	3,723,999	-	35,549	-	3,759,548
Housing and economic development	3,464,948	-	12,829	-	3,477,777
Capital outlay	9,413,785	-	4,084,809	-	13,498,594
Debt service:					
Principal	408,151	1,384,000	380,432	-	2,172,583
Interest and fiscal charges	48,492	740,992	1,905	-	791,389
Bond issuance costs	-	-	86,751	-	86,751
Total expenditures	<u>37,494,924</u>	<u>2,124,992</u>	<u>4,651,765</u>	<u>-</u>	<u>44,271,681</u>
Revenues over (under) expenditures	<u>2,769,515</u>	<u>(251,621)</u>	<u>(4,487,509)</u>	<u>15,819</u>	<u>(1,953,796)</u>
Other financing sources (uses):					
Transfers in	3,301,771	364,160	1,925,388	-	5,591,319
Transfers out	(3,188,691)	-	(688,379)	(2,962)	(3,880,032)
Bond discount costs	-	-	(24,076)	-	(24,076)
Issuance of debt	264,935	-	380,432	-	645,367
Special assessment bonds issued	-	-	2,325,000	-	2,325,000
Sale of capital assets	318,992	-	26,605	-	345,597
Total other financing sources (uses)	<u>697,007</u>	<u>364,160</u>	<u>3,944,970</u>	<u>(2,962)</u>	<u>5,003,175</u>
Net change in fund balances	3,466,522	112,539	(542,539)	12,857	3,049,379
Fund balance, beginning of year	32,526,910	2,165,384	4,366,177	613,663	39,672,134
Fund balance, end of year	<u>\$ 35,993,432</u>	<u>\$ 2,277,923</u>	<u>\$ 3,823,638</u>	<u>\$ 626,520</u>	<u>\$ 42,721,513</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 Control Donation Fund accounts for donations to the Animal Control 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 Parmly Billings Library.
- The Cemetery Improvements Fund accounts for expansion projects at the cemetery.
- The Street Maintenance Districts Fund accounts for various street programs.
- The Fire Hydrant Maintenance District Fund accounts for the maintenance of fire hydrants.
- 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 Storm Sewer Fund accounts for the operation and maintenance of the storm sewer system.
- The Miller Crossing Tax Increment Operating Fund accounts for revenues from property tax levies on increased taxable values in the portion of the South Tax Increment District attributable to the Miller Crossing properties. Amounts collected are used for reimbursement to property owners within the Miller Crossing complex as prescribed by underlying development agreements with the City.

- 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 Downtown Tax Increment Operating Fund accounts for revenues from property tax levies on increased taxable values in the Downtown Tax Increment District. Amounts collected are used for the benefit of the tax increment district from which collections were assessed.
- The North 27<sup>th</sup> Street District Tax Increment Operating Fund accounts for revenues from property tax levies on increased taxable values in the North 27<sup>th</sup> Street 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 Transportation Enhancement Fund accounts for federal grant monies designed to enhance the transportation system by providing facilities for bicycles, pedestrians, and beautification of various portions of the transportation system.
- 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 Administration Grants Fund accounts for the Department of Energy grant, which provides energy efficiency programs to various City departments.
- The Bike Paths and Trails Donations Fund accounts for donations received for bike path and trail projects.

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2012**  
**(Page 1 of 4)**

	<b>Gas Tax Fund</b>	<b>EOC 911 Fund</b>	<b>Animal Shelter Donations Fund</b>	<b>Development Services Grants Fund</b>	<b>Library Fund</b>	<b>Cemetery Improvements Fund</b>	<b>Street Maintenance Districts Fund</b>	<b>Fire Hydrant Maintenance Districts Fund</b>
<b>Assets</b>								
Cash and cash equivalents	\$1,729,260	\$1,922,387	\$ 12,934	\$ 106,192	\$ 1,252,902	\$ 119,686	\$ 719,218	\$ 941,038
Investments	2,753,821	3,068,942	21,089	169,474	1,997,070	191,340	1,143,366	1,501,728
Receivables:								
Property taxes	-	-	-	-	136,664	-	-	-
Accounts and unbilled usage	-	-	-	-	-	-	-	-
Delinquent special assessments	-	-	-	-	-	-	246,462	64,418
Accrued interest	2,853	1,677	20	1	1,988	190	476	1,279
Notes	-	-	-	222,051	-	-	-	-
Due from other funds	404,155	-	-	-	-	-	-	-
Receivables from other governments	-	73,003	-	390,347	38,820	-	-	-
Inventories	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	103,800	-	-	-	-
<b>Total assets</b>	<b>\$4,890,089</b>	<b>\$5,066,009</b>	<b>\$ 34,043</b>	<b>\$ 991,865</b>	<b>\$ 3,427,444</b>	<b>\$ 311,216</b>	<b>\$ 2,109,522</b>	<b>\$ 2,508,463</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 448,981	\$ 11,823	\$ -	\$ 56,636	\$ 73,018	\$ -	\$ -	\$ 170,537
Accrued wages & benefits	1,580	-	-	5,061	27,687	-	-	-
Due to other funds	-	-	-	10,749	-	-	-	-
Deferred revenue	804,376	-	-	222,051	93,796	-	87,098	38,985
<b>Total liabilities</b>	<b>1,254,937</b>	<b>11,823</b>	<b>-</b>	<b>294,497</b>	<b>194,501</b>	<b>-</b>	<b>87,098</b>	<b>209,522</b>
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	3,635,152	5,054,186	-	697,368	1,713,460	311,216	2,022,424	-
Committed	-	-	34,043	-	1,519,483	-	-	2,298,941
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
<b>Total fund balances</b>	<b>3,635,152</b>	<b>5,054,186</b>	<b>34,043</b>	<b>697,368</b>	<b>3,232,943</b>	<b>311,216</b>	<b>2,022,424</b>	<b>2,298,941</b>
<b>Total liabilities and fund balances</b>	<b>\$4,890,089</b>	<b>\$5,066,009</b>	<b>\$ 34,043</b>	<b>\$ 991,865</b>	<b>\$ 3,427,444</b>	<b>\$ 311,216</b>	<b>\$ 2,109,522</b>	<b>\$ 2,508,463</b>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2012**  
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	Light Maintenance Districts Fund	Park Maintenance Districts Fund	Storm Sewer Fund	Miller Crossing Tax Increment Operating Fund	South Tax Increment Operating Fund	East Tax Increment Operating Fund	Downtown Tax Increment Operating Fund	North 27th Street Tax Increment Operating Fund
<b>Assets</b>								
Cash and cash equivalents	\$ 514,413	\$ 80,835	\$ 1,600,197	\$ 65,947	\$ 697,448	\$ 143,365	\$ -	\$ 294,015
Investments	820,926	129,053	2,555,948	105,237	1,112,887	228,686	2,694	470,158
Receivables:								
Property taxes	-	-	-	-	51,666	14,624	19,553	353,172
Accounts and unbilled usage	-	-	-	-	-	-	-	-
Delinquent special assessments	70,735	29,368	140,218	-	-	-	-	-
Accrued interest	568	(61)	1,839	-	1,119	(4)	1,813	178
Notes	-	-	-	-	-	-	-	-
Due from other funds	-	-	1,863	-	-	-	-	-
Receivables from other governments	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,406,642</u>	<u>\$ 239,195</u>	<u>\$ 4,300,065</u>	<u>\$ 171,184</u>	<u>\$1,863,120</u>	<u>\$ 386,671</u>	<u>\$ 24,060</u>	<u>\$1,117,523</u>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ -	\$ 71,289	\$ 62,542	\$ 171,185	\$ -	\$ -	\$ -	\$ 9,008
Accrued wages & benefits	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Deferred revenue	16,833	3,905	55,002	-	21,930	2,137	19,553	314,858
Total liabilities	<u>16,833</u>	<u>75,194</u>	<u>117,544</u>	<u>171,185</u>	<u>21,930</u>	<u>2,137</u>	<u>19,553</u>	<u>323,866</u>
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	1,389,809	164,001	4,182,521	-	1,841,190	384,534	4,507	793,657
Committed	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(1)	-	-	-	-
Total fund balances	<u>1,389,809</u>	<u>164,001</u>	<u>4,182,521</u>	<u>(1)</u>	<u>1,841,190</u>	<u>384,534</u>	<u>4,507</u>	<u>793,657</u>
Total liabilities and fund balances	<u>\$ 1,406,642</u>	<u>\$ 239,195</u>	<u>\$ 4,300,065</u>	<u>\$ 171,184</u>	<u>\$1,863,120</u>	<u>\$ 386,671</u>	<u>\$ 24,060</u>	<u>\$1,117,523</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2012**  
**(Page 3 of 4)**

	<b>Parks Program Fund</b>	<b>Police Programs Fund</b>	<b>Amend Park Fund</b>	<b>Transportation Enhancement Fund</b>	<b>City-County Planning Fund</b>	<b>Building Inspection Fund</b>	<b>Street &amp; Traffic Fund</b>	<b>City Attorney Grants Fund</b>
<b>Assets</b>								
Cash and cash equivalents	\$ 720,747	\$ 86,711	\$ 77,500	\$ -	\$ 137,955	\$ 170,902	\$ 1,754,678	\$ -
Investments	1,153,170	138,688	123,764	-	219,373	273,648	2,798,289	(170)
Receivables:								
Property taxes	-	-	-	-	3,825	-	-	-
Accounts and unbilled usage	-	-	-	-	-	38,000	11,180	-
Delinquent special assessments	-	-	-	-	-	-	-	-
Accrued interest	1,121	263	123	-	171	233	2,278	9
Notes	110,000	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Receivables from other governments	-	138,399	-	157,855	155,699	-	1,779	-
Inventories	-	-	-	-	-	-	63,196	-
Property held for resale	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$1,985,038</b>	<b>\$ 364,061</b>	<b>\$ 201,387</b>	<b>\$ 157,855</b>	<b>\$ 517,023</b>	<b>\$ 482,783</b>	<b>\$ 4,631,400</b>	<b>\$ (161)</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 1,008	\$ 54,087	\$ -	\$ 97,067	\$ 25,490	\$ 16,044	\$ 74,748	\$ -
Accrued wages & benefits	-	5,689	-	-	12,967	20,535	68,084	3,947
Due to other funds	-	-	-	87,923	-	-	-	-
Deferred revenue	100,000	-	-	-	3,825	-	-	-
<b>Total liabilities</b>	<b>101,008</b>	<b>59,776</b>	<b>-</b>	<b>184,990</b>	<b>42,282</b>	<b>36,579</b>	<b>142,832</b>	<b>3,947</b>
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	-	304,285	-	-	474,741	446,204	4,488,568	-
Committed	1,884,030	-	201,387	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	(27,135)	-	-	-	(4,108)
<b>Total fund balances</b>	<b>1,884,030</b>	<b>304,285</b>	<b>201,387</b>	<b>(27,135)</b>	<b>474,741</b>	<b>446,204</b>	<b>4,488,568</b>	<b>(4,108)</b>
<b>Total liabilities and fund balances</b>	<b>\$1,985,038</b>	<b>\$ 364,061</b>	<b>\$ 201,387</b>	<b>\$ 157,855</b>	<b>\$ 517,023</b>	<b>\$ 482,783</b>	<b>\$ 4,631,400</b>	<b>\$ (161)</b>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Special Revenue Funds**  
**Combining Balance Sheet**  
**June 30, 2012**  
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	Fire Programs Fund	Municipal Court Grant Fund	Downtown Revolving Loan Fund	Baseball Field/Stadium Donations for Capital Maintenance Fund	Arterial Fees Fund	Administration Grants Fund	Bike Paths and Trails Donations Fund	Total Nonmajor Special Revenue Funds
<b>Assets</b>								
Cash and cash equivalents	\$ 64,147	\$ 1,492	\$ 62,782	\$ 114,432	\$ 1,225,694	\$ 162	\$ 7,284	\$14,624,323
Investments	102,320	2,381	102,006	182,546	1,974,647	259	11,623	23,354,963
Receivables:								
Property taxes	-	-	-	-	-	-	-	579,504
Accounts and unbilled usage	-	-	-	-	-	-	975	50,155
Delinquent special assessments	-	-	-	-	139,023	-	-	690,224
Accrued interest	105	-	71	182	1,590	-	-	20,082
Notes	-	-	2,281,013	-	-	-	-	2,613,064
Due from other funds	-	-	-	-	-	-	-	406,018
Receivables from other governments	-	175,930	-	-	-	249,542	-	1,381,374
Inventories	-	-	-	-	-	-	-	63,196
Property held for resale	-	-	-	-	-	-	-	103,800
<b>Total assets</b>	<b>\$ 166,572</b>	<b>\$ 179,803</b>	<b>\$2,445,872</b>	<b>\$ 297,160</b>	<b>\$ 3,340,954</b>	<b>\$ 249,963</b>	<b>\$ 19,882</b>	<b>\$43,886,703</b>
<b>Liabilities and Fund Balances</b>								
Liabilities:								
Accounts payable	\$ 9,868	\$ 30,749	\$ -	\$ -	\$ 258,877	\$ 6,211	\$ 1,104	\$ 1,650,272
Accrued wages & benefits	-	1,639	-	-	-	-	-	147,189
Due to other funds	-	145,005	-	-	1,544,882	243,752	-	2,032,311
Deferred revenue	-	-	2,226,543	-	52,607	-	-	4,063,499
<b>Total liabilities</b>	<b>9,868</b>	<b>177,393</b>	<b>2,226,543</b>	<b>-</b>	<b>1,856,366</b>	<b>249,963</b>	<b>1,104</b>	<b>7,893,271</b>
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	156,704	2,410	-	-	-	-	-	28,066,937
Committed	-	-	219,329	297,160	1,484,588	-	18,778	7,957,739
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(31,244)
<b>Total fund balances</b>	<b>156,704</b>	<b>2,410</b>	<b>219,329</b>	<b>297,160</b>	<b>1,484,588</b>	<b>-</b>	<b>18,778</b>	<b>35,993,432</b>
<b>Total liabilities and fund balances</b>	<b>\$ 166,572</b>	<b>\$ 179,803</b>	<b>\$2,445,872</b>	<b>\$ 297,160</b>	<b>\$ 3,340,954</b>	<b>\$ 249,963</b>	<b>\$ 19,882</b>	<b>\$43,886,703</b>

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Special Revenue Funds**  
**Combining Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**  
**(Page 1 of 4)**

	<u>Gas Tax Fund</u>	<u>EOC 911 Fund</u>	<u>Animal Shelter Donations Fund</u>	<u>Development Services Grants Fund</u>	<u>Library Fund</u>	<u>Cemetery Improvements Fund</u>	<u>Street Maintenance Districts Fund</u>	<u>Fire Hydrant Maintenance District Fund</u>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 912,536	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	2,015,543	980,280	-	1,380,448	1,049,100	-	-	104,174
Charges for services	-	-	-	14,775	136,952	14,080	-	-
Fines and forfeitures	-	-	-	-	68,023	-	-	-
Special assessments	-	-	-	-	-	-	6,617,341	1,274,346
Other	36,680	13,319	416	368,761	64,399	1,467	6,017	12,138
Total revenues	<u>2,052,223</u>	<u>993,599</u>	<u>416</u>	<u>1,763,984</u>	<u>2,231,010</u>	<u>15,547</u>	<u>6,623,358</u>	<u>1,390,658</u>
<b>Expenditures:</b>								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	395,980	-	-	-	-	-	2,026,565
Public works	385,515	-	-	-	-	3,555	4,868,631	-
Public health	-	-	1,039	-	-	-	-	-
Culture and recreation	-	-	-	-	2,812,870	-	-	-
Housing and economic development	-	-	-	1,687,904	-	-	-	-
Capital outlay	2,823,981	168,364	35,367	-	10,310	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>3,209,496</u>	<u>564,344</u>	<u>36,406</u>	<u>1,687,904</u>	<u>2,823,180</u>	<u>3,555</u>	<u>4,868,631</u>	<u>2,026,565</u>
Revenues over (under) expenditures	<u>(1,157,273)</u>	<u>429,255</u>	<u>(35,990)</u>	<u>76,080</u>	<u>(592,170)</u>	<u>11,992</u>	<u>1,754,727</u>	<u>(635,907)</u>
<b>Other financing sources (uses):</b>								
Transfers in	1,750,000	-	-	-	826,101	-	-	-
Transfers out	-	-	-	-	(948,819)	-	(1,750,000)	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	62,238	-	-	248,578	1,052	-	-	-
Total other financing sources (uses)	<u>1,812,238</u>	<u>-</u>	<u>-</u>	<u>248,578</u>	<u>(121,666)</u>	<u>-</u>	<u>(1,750,000)</u>	<u>-</u>
Net change in fund balances	654,965	429,255	(35,990)	324,658	(713,836)	11,992	4,727	(635,907)
Fund balance, beginning of year	2,980,187	4,624,931	70,033	372,710	3,946,779	299,224	2,017,697	2,934,848
Fund balances at end of year	<u>\$3,635,152</u>	<u>\$5,054,186</u>	<u>\$ 34,043</u>	<u>\$ 697,368</u>	<u>\$3,232,943</u>	<u>\$ 311,216</u>	<u>\$ 2,022,424</u>	<u>\$ 2,298,941</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, 2012**  
**(Page 2 of 4)**

	<b>Light Maintenance Districts Fund</b>	<b>Park Maintenance Districts Fund</b>	<b>Storm Sewer Fund</b>	<b>Miller Crossing Tax Increment Operating Fund</b>	<b>South Tax Increment Operating Fund</b>	<b>East Tax Increment Operating Fund</b>	<b>Downtown Tax Increment Operating Fund</b>	<b>North 27th Street Tax Increment Operating Fund</b>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ 292,154	\$ 790,759	\$ 251,992	\$ -	\$1,591,890
Licenses and permits	-	-	4,522	-	-	-	-	-
Intergovernmental	-	-	3,025	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	1,979,386	792,137	3,354,308	-	-	-	-	-
Other	5,489	386	16,092	-	8,203	479	(3,443)	(2,329)
Total revenues	<u>1,984,875</u>	<u>792,523</u>	<u>3,377,947</u>	<u>292,154</u>	<u>798,962</u>	<u>252,471</u>	<u>(3,443)</u>	<u>1,589,561</u>
<b>Expenditures:</b>								
Current:								
General government	-	-	-	-	59,539	40,368	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	2,079,842	-	937,161	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-
Culture and recreation	-	863,887	-	-	-	-	-	-
Housing and economic development	-	-	-	342,370	276,503	137,013	68,059	913,387
Capital outlay	-	-	605,564	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>2,079,842</u>	<u>863,887</u>	<u>1,542,725</u>	<u>342,370</u>	<u>336,042</u>	<u>177,381</u>	<u>68,059</u>	<u>913,387</u>
Revenues over (under) expenditures	<u>(94,967)</u>	<u>(71,364)</u>	<u>1,835,222</u>	<u>(50,216)</u>	<u>462,920</u>	<u>75,090</u>	<u>(71,502)</u>	<u>676,174</u>
<b>Other financing sources (uses):</b>								
Transfers in	19,525	-	29,066	50,215	-	-	-	-
Transfers out	-	-	(200,000)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>19,525</u>	<u>-</u>	<u>(170,934)</u>	<u>50,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>(75,442)</u>	<u>(71,364)</u>	<u>1,664,288</u>	<u>(1)</u>	<u>462,920</u>	<u>75,090</u>	<u>(71,502)</u>	<u>676,174</u>
Fund balance, beginning of year	1,465,251	235,365	2,518,233	-	1,378,270	309,444	76,009	117,483
Fund balances at end of year	<u>\$ 1,389,809</u>	<u>\$ 164,001</u>	<u>\$4,182,521</u>	<u>\$ (1)</u>	<u>\$1,841,190</u>	<u>\$ 384,534</u>	<u>\$ 4,507</u>	<u>\$ 793,657</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, 2012**  
**(Page 3 of 4)**

	<u>Parks Program Fund</u>	<u>Police Programs Fund</u>	<u>Amend Park Fund</u>	<u>Transportation Enhancement Fund</u>	<u>City-County Planning Fund</u>	<u>Building Inspection Fund</u>	<u>Street &amp; Traffic Fund</u>	<u>City Attorney Grants Fund</u>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 369,161	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	21,315	1,473,340	-	-
Intergovernmental	3,709	581,928	-	609,677	572,249	6,036	575,563	71,732
Charges for services	12,011	101,644	-	-	249,374	-	5,929,135	-
Fines and forfeitures	-	232,177	-	-	-	-	-	61,863
Special assessments	-	-	-	-	-	-	-	-
Other	80,171	18,104	963	-	2,207	5,210	30,219	18
Total revenues	<u>95,891</u>	<u>933,853</u>	<u>963</u>	<u>609,677</u>	<u>1,214,306</u>	<u>1,484,586</u>	<u>6,534,917</u>	<u>133,613</u>
<b>Expenditures:</b>								
Current:								
General government	-	-	-	-	1,194,618	-	-	257,623
Public safety	-	802,346	-	-	-	1,239,181	-	-
Public works	-	-	-	-	-	-	5,311,347	-
Public health	-	-	-	-	-	-	-	-
Culture and recreation	42,911	-	475	-	-	-	-	-
Housing and economic development	-	-	-	-	-	-	-	-
Capital outlay	-	518,143	-	526,898	-	-	1,349,266	-
Debt service:								
Principal	12,630	67,764	-	-	-	-	-	-
Interest and fiscal charges	7,287	426	-	-	-	-	-	-
Total expenditures	<u>62,828</u>	<u>1,388,679</u>	<u>475</u>	<u>526,898</u>	<u>1,194,618</u>	<u>1,239,181</u>	<u>6,660,613</u>	<u>257,623</u>
Revenues over (under) expenditures	<u>33,063</u>	<u>(454,826)</u>	<u>488</u>	<u>82,779</u>	<u>19,688</u>	<u>245,405</u>	<u>(125,696)</u>	<u>(124,010)</u>
<b>Other financing sources (uses):</b>								
Transfers in	-	-	-	-	-	-	486,223	118,636
Transfers out	(25,857)	-	(962)	-	(5,336)	-	(207,502)	-
Issuance of debt	-	264,935	-	-	-	-	-	-
Sale of capital assets	3,000	-	-	-	-	-	4,124	-
Total other financing sources (uses)	<u>(22,857)</u>	<u>264,935</u>	<u>(962)</u>	<u>-</u>	<u>(5,336)</u>	<u>-</u>	<u>282,845</u>	<u>118,636</u>
Net change in fund balances	<u>10,206</u>	<u>(189,891)</u>	<u>(474)</u>	<u>82,779</u>	<u>14,352</u>	<u>245,405</u>	<u>157,149</u>	<u>(5,374)</u>
Fund balance, beginning of year	1,873,824	494,176	201,861	(109,914)	460,389	200,799	4,331,419	1,266
Fund balances at end of year	<u>\$1,884,030</u>	<u>\$ 304,285</u>	<u>\$ 201,387</u>	<u>\$ (27,135)</u>	<u>\$ 474,741</u>	<u>\$ 446,204</u>	<u>\$ 4,488,568</u>	<u>\$ (4,108)</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, 2012**  
**(Page 4 of 4)**

	Fire Programs Fund	Municipal Court Grant Fund	Downtown Revolving Loan Fund	Baseball Field/Stadium Donations for Capital Maintenance Fund	Arterial Fees Fund	Administration Grants Fund	Bike Paths and Trails Donations Fund	Total Nonmajor Special Revenue Funds
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,208,492
Licenses and permits	-	-	-	-	-	-	-	1,499,177
Intergovernmental	44,167	315,996	-	-	13,521	832,487	-	9,159,635
Charges for services	-	-	-	-	-	-	-	6,457,971
Fines and forfeitures	-	-	-	-	-	-	-	362,063
Special assessments	-	-	-	-	3,293,416	-	-	17,310,934
Other	9,506	2,000	495,279	27,916	29,875	-	36,625	1,266,167
Total revenues	<u>53,673</u>	<u>317,996</u>	<u>495,279</u>	<u>27,916</u>	<u>3,336,812</u>	<u>832,487</u>	<u>36,625</u>	<u>40,264,439</u>
<b>Expenditures:</b>								
Current:								
General government	-	319,037	-	-	-	336,189	-	2,207,374
Public safety	39,588	-	-	-	-	-	-	4,503,660
Public works	-	-	-	-	137,425	-	-	13,723,476
Public health	-	-	-	-	-	-	-	1,039
Culture and recreation	-	-	-	3,856	-	-	-	3,723,999
Housing and economic development	-	-	39,712	-	-	-	-	3,464,948
Capital outlay	-	-	-	-	2,870,157	487,888	17,847	9,413,785
Debt service:								
Principal	-	-	327,757	-	-	-	-	408,151
Interest and fiscal charges	-	-	9,036	-	31,743	-	-	48,492
Total expenditures	<u>39,588</u>	<u>319,037</u>	<u>376,505</u>	<u>3,856</u>	<u>3,039,325</u>	<u>824,077</u>	<u>17,847</u>	<u>37,494,924</u>
Revenues over (under) expenditures	<u>14,085</u>	<u>(1,041)</u>	<u>118,774</u>	<u>24,060</u>	<u>297,487</u>	<u>8,410</u>	<u>18,778</u>	<u>2,769,515</u>
<b>Other financing sources (uses):</b>								
Transfers in	-	22,005	-	-	-	-	-	3,301,771
Transfers out	-	-	-	-	(50,215)	-	-	(3,188,691)
Issuance of debt	-	-	-	-	-	-	-	264,935
Sale of capital assets	-	-	-	-	-	-	-	318,992
Total other financing sources (uses)	<u>-</u>	<u>22,005</u>	<u>-</u>	<u>-</u>	<u>(50,215)</u>	<u>-</u>	<u>-</u>	<u>697,007</u>
Net change in fund balances	14,085	20,964	118,774	24,060	247,272	8,410	18,778	3,466,522
Fund balance, beginning of year	142,619	(18,554)	100,555	273,100	1,237,316	(8,410)	-	32,526,910
Fund balances at end of year	<u>\$ 156,704</u>	<u>\$ 2,410</u>	<u>\$ 219,329</u>	<u>\$ 297,160</u>	<u>\$ 1,484,588</u>	<u>\$ -</u>	<u>\$ 18,778</u>	<u>\$ 35,993,432</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, 2012**  
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	<b>Gas Tax Fund</b>				<b>EOC 911 Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,797,657	1,797,657	2,015,543	217,886	961,600	961,600	980,280	18,680
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	26,800	26,800	36,680	9,880	23,240	23,240	13,319	(9,921)
<b>Total revenues</b>	<b>1,824,457</b>	<b>1,824,457</b>	<b>2,052,223</b>	<b>227,766</b>	<b>984,840</b>	<b>984,840</b>	<b>993,599</b>	<b>8,759</b>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	66,837	67,787	77,422	(9,635)	-	-	-	-
Operations and maintenance	380,320	380,320	308,093	72,227	728,670	728,670	395,980	332,690
Capital outlay	3,431,778	4,765,474	2,823,981	1,941,493	10,000	180,000	168,364	11,636
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>3,878,935</b>	<b>5,213,581</b>	<b>3,209,496</b>	<b>2,004,085</b>	<b>738,670</b>	<b>908,670</b>	<b>564,344</b>	<b>344,326</b>
Revenues over (under) expenditures	(2,054,478)	(3,389,124)	(1,157,273)	2,231,851	246,170	76,170	429,255	353,085
Other financing sources (uses):								
Transfers in	450,000	1,750,000	1,750,000	-	-	-	-	-
Transfers out	-	-	-	-	-	196	-	(196)
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	62,238	62,238	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>450,000</b>	<b>1,750,000</b>	<b>1,812,238</b>	<b>62,238</b>	<b>-</b>	<b>196</b>	<b>-</b>	<b>(196)</b>
<b>Net change in fund balances</b>	<b>\$(1,604,478)</b>	<b>\$(1,639,124)</b>	<b>654,965</b>	<b>\$ 2,294,089</b>	<b>\$ 246,170</b>	<b>\$ 76,366</b>	<b>429,255</b>	<b>\$ 352,889</b>
Fund balance, beginning of year			2,980,187				4,624,931	
Fund balances at end of year			<u>\$ 3,635,152</u>				<u>\$ 5,054,186</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, 2012**  
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	<b>Animal Control Donation Fund</b>				<b>Development Services Grant Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,959,088	1,959,088	1,380,448	578,640
Charges for services	-	-	-	-	-	-	14,775	(14,775)
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	42,212	42,212	416	41,796	40	18,040	368,761	(350,721)
<b>Total revenues</b>	<b>42,212</b>	<b>42,212</b>	<b>416</b>	<b>41,796</b>	<b>1,959,128</b>	<b>1,977,128</b>	<b>1,763,984</b>	<b>213,144</b>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	303,255	309,185	253,570	55,615
Operations and maintenance	41,748	42,115	1,039	41,076	1,362,544	3,823,193	1,434,334	2,388,859
Capital outlay	33,078	-	35,367	(35,367)	-	90,332	-	90,332
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>74,826</b>	<b>42,115</b>	<b>36,406</b>	<b>5,709</b>	<b>1,665,799</b>	<b>4,222,710</b>	<b>1,687,904</b>	<b>2,534,806</b>
Revenues over (under) expenditures	(32,614)	97	(35,990)	36,087	293,329	(2,245,582)	76,080	(2,321,662)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	162,211	161,711	-	161,711
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	100,368	248,578	(148,210)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162,211</b>	<b>262,079</b>	<b>248,578</b>	<b>13,501</b>
<b>Net change in fund balances</b>	<b>\$ (32,614)</b>	<b>\$ 97</b>	<b>(35,990)</b>	<b>\$ 36,087</b>	<b>\$ 455,540</b>	<b>\$(1,983,503)</b>	<b>324,658</b>	<b>\$(2,308,161)</b>
Fund balance, beginning of year			70,033				372,710	
Fund balances at end of year			<u>\$ 34,043</u>				<u>\$ 697,368</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, 2012**  
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	<b>Library Fund</b>				<b>Cemetery Improvements Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>								
Taxes	\$ 907,990	\$ 907,990	\$ 912,536	\$ (4,546)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,032,484	1,032,484	1,049,100	(16,616)	-	-	-	-
Charges for services	149,273	149,273	136,952	12,321	13,000	13,000	14,080	(1,080)
Fines and forfeitures	89,000	89,000	68,023	20,977	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	101,600	101,600	64,399	37,201	2,000	2,000	1,467	533
<b>Total revenues</b>	<b>2,280,347</b>	<b>2,280,347</b>	<b>2,231,010</b>	<b>49,337</b>	<b>15,000</b>	<b>15,000</b>	<b>15,547</b>	<b>(547)</b>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	1,845,716	1,873,266	1,752,687	120,579	-	-	-	-
Operations and maintenance	1,263,109	1,263,109	1,060,183	202,926	10,000	10,000	3,555	6,445
Capital outlay	249,964	249,964	10,310	239,654	-	85,000	-	85,000
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>3,358,789</b>	<b>3,386,339</b>	<b>2,823,180</b>	<b>563,159</b>	<b>10,000</b>	<b>95,000</b>	<b>3,555</b>	<b>91,445</b>
Revenues over (under) expenditures	(1,078,442)	(1,105,992)	(592,170)	(513,822)	5,000	(80,000)	11,992	(91,992)
Other financing sources (uses):								
Transfers in	831,612	831,612	826,101	5,511	-	-	-	-
Transfers out	(32,019)	(924,019)	(948,819)	24,800	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	300	300	1,052	(752)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>799,893</b>	<b>(92,107)</b>	<b>(121,666)</b>	<b>29,559</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (278,549)</b>	<b>\$(1,198,099)</b>	<b>(713,836)</b>	<b>\$ (484,263)</b>	<b>\$ 5,000</b>	<b>\$ (80,000)</b>	<b>11,992</b>	<b>\$ (91,992)</b>
Fund balance, beginning of year			3,946,779				299,224	
Fund balances at end of year			<u>\$ 3,232,943</u>				<u>\$ 311,216</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, 2012**  
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	<b>Street Maintenance Districts Fund</b>				<b>Fire Hydrant District Maintenance Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	104,000	104,000	104,174	(174)
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	5,300,390	5,300,390	6,617,341	(1,316,951)	1,155,000	1,155,000	1,274,346	(119,346)
Other	10,490	10,490	6,017	4,473	20,000	20,000	12,138	7,862
<b>Total revenues</b>	<b>5,310,880</b>	<b>5,310,880</b>	<b>6,623,358</b>	<b>(1,312,478)</b>	<b>1,279,000</b>	<b>1,279,000</b>	<b>1,390,658</b>	<b>(111,658)</b>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	4,868,631	4,868,631	4,868,631	-	1,988,850	2,048,850	2,026,565	22,285
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>4,868,631</b>	<b>4,868,631</b>	<b>4,868,631</b>	<b>-</b>	<b>1,988,850</b>	<b>2,048,850</b>	<b>2,026,565</b>	<b>22,285</b>
Revenues over (under) expenditures	442,249	442,249	1,754,727	(1,312,478)	(709,850)	(769,850)	(635,907)	(133,943)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(450,000)	(1,750,000)	(1,750,000)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(450,000)</b>	<b>(1,750,000)</b>	<b>(1,750,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (7,751)</b>	<b>\$ (1,307,751)</b>	<b>4,727</b>	<b>\$(1,312,478)</b>	<b>\$ (709,850)</b>	<b>\$ (769,850)</b>	<b>(635,907)</b>	<b>\$ (133,943)</b>
Fund balance, beginning of year			2,017,697				2,934,848	
Fund balances at end of year			<u>\$ 2,022,424</u>				<u>\$ 2,298,941</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, 2012**  
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	<b>Light Maintenance Districts Fund</b>				<b>Park Maintenance Districts Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	1,980,000	1,980,000	1,979,386	614	772,146	772,146	792,137	(19,991)
Other	7,000	7,000	5,489	1,511	500	500	386	114
<b>Total revenues</b>	<b>1,987,000</b>	<b>1,987,000</b>	<b>1,984,875</b>	<b>2,125</b>	<b>772,646</b>	<b>772,646</b>	<b>792,523</b>	<b>(19,877)</b>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	2,085,213	2,085,213	2,079,842	5,371	765,601	865,601	863,887	1,714
Capital outlay	5,000	5,000	-	5,000	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>2,090,213</b>	<b>2,090,213</b>	<b>2,079,842</b>	<b>10,371</b>	<b>765,601</b>	<b>865,601</b>	<b>863,887</b>	<b>1,714</b>
Revenues over (under) expenditures	(103,213)	(103,213)	(94,967)	(8,246)	7,045	(92,955)	(71,364)	(21,591)
Other financing sources (uses):								
Transfers in	19,525	19,525	19,525	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>19,525</b>	<b>19,525</b>	<b>19,525</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balances</b>	<b>\$ (83,688)</b>	<b>\$ (83,688)</b>	<b>(75,442)</b>	<b>\$ (8,246)</b>	<b>\$ 7,045</b>	<b>\$ (92,955)</b>	<b>(71,364)</b>	<b>\$ (21,591)</b>
Fund balance, beginning of year			1,465,251				235,365	
<b>Fund balances at end of year</b>			<b>\$ 1,389,809</b>				<b>\$ 164,001</b>	(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, 2012**  
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	<b>Storm Sewer Fund</b>				<b>Miller Crossing Tax Increment Operating Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 195,000	\$ 195,000	\$ 292,154	\$ (97,154)
Licenses and permits	1,000	1,000	4,522	(3,522)	-	-	-	-
Intergovernmental	-	-	3,025	(3,025)	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	3,279,000	3,279,000	3,354,308	(75,308)	-	-	-	-
Other	20,552	20,552	16,092	4,460	-	-	-	-
<b>Total revenues</b>	<b>3,300,552</b>	<b>3,300,552</b>	<b>3,377,947</b>	<b>(77,395)</b>	<b>195,000</b>	<b>195,000</b>	<b>292,154</b>	<b>(97,154)</b>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	1,232,652	1,232,652	937,161	295,491	340,000	342,400	342,370	30
Capital outlay	2,608,094	2,792,137	605,564	2,186,573	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>3,840,746</b>	<b>4,024,789</b>	<b>1,542,725</b>	<b>2,482,064</b>	<b>340,000</b>	<b>342,400</b>	<b>342,370</b>	<b>30</b>
Revenues over (under) expenditures	(540,194)	(724,237)	1,835,222	(2,559,459)	(145,000)	(147,400)	(50,216)	(97,184)
Other financing sources (uses):								
Transfers in	29,066	29,066	29,066	-	145,000	145,000	50,215	94,785
Transfers out	(200,000)	(200,000)	(200,000)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(170,934)</b>	<b>(170,934)</b>	<b>(170,934)</b>	<b>-</b>	<b>145,000</b>	<b>145,000</b>	<b>50,215</b>	<b>94,785</b>
<b>Net change in fund balances</b>	<b>\$ (711,128)</b>	<b>\$ (895,171)</b>	<b>1,664,288</b>	<b>\$(2,559,459)</b>	<b>\$ -</b>	<b>\$ (2,400)</b>	<b>(1)</b>	<b>\$ (2,399)</b>
Fund balance, beginning of year			2,518,233				-	
Fund balances at end of year			<u>\$ 4,182,521</u>				<u>\$ (1)</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, 2012**  
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	<b>South Tax Increment Operating Fund</b>				<b>East Tax Increment Operating Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>								
Taxes	\$ 1,400,000	\$ 1,400,000	\$ 790,759	\$ 609,241	\$ 230,000	\$ 230,000	\$ 251,992	\$ (21,992)
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	1,000	1,000	8,203	(7,203)	700	700	479	221
Total revenues	<u>1,401,000</u>	<u>1,401,000</u>	<u>798,962</u>	<u>602,038</u>	<u>230,700</u>	<u>230,700</u>	<u>252,471</u>	<u>(21,771)</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	71,900	346,900	336,042	10,858	65,206	194,506	177,381	17,125
Capital outlay	100,000	100,000	-	100,000	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>171,900</u>	<u>446,900</u>	<u>336,042</u>	<u>110,858</u>	<u>65,206</u>	<u>194,506</u>	<u>177,381</u>	<u>17,125</u>
Revenues over (under) expenditures	<u>1,229,100</u>	<u>954,100</u>	<u>462,920</u>	<u>491,180</u>	<u>165,494</u>	<u>36,194</u>	<u>75,090</u>	<u>(38,896)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
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>\$ 1,229,100</u>	<u>\$ 954,100</u>	<u>462,920</u>	<u>\$ 491,180</u>	<u>\$ 165,494</u>	<u>\$ 36,194</u>	<u>75,090</u>	<u>\$ (38,896)</u>
Fund balance, beginning of year			<u>1,378,270</u>				<u>309,444</u>	
Fund balances at end of year			<u>\$ 1,841,190</u>				<u>\$ 384,534</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, 2012**  
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	<u>Downtown Tax Increment Operating Fund</u>				<u>North 27th Street Tax Increment Operating 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>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,200,000	\$ 2,200,000	\$ 1,591,890	\$ 608,110
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	-	-	(3,443)	3,443	-	-	(2,329)	2,329
Total revenues	<u>-</u>	<u>-</u>	<u>(3,443)</u>	<u>3,443</u>	<u>2,200,000</u>	<u>2,200,000</u>	<u>1,589,561</u>	<u>610,439</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	68,096	68,096	68,059	37	1,909,670	1,909,670	913,387	996,283
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>68,096</u>	<u>68,096</u>	<u>68,059</u>	<u>37</u>	<u>1,909,670</u>	<u>1,909,670</u>	<u>913,387</u>	<u>996,283</u>
Revenues over (under) expenditures	<u>(68,096)</u>	<u>(68,096)</u>	<u>(71,502)</u>	<u>3,406</u>	<u>290,330</u>	<u>290,330</u>	<u>676,174</u>	<u>(385,844)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
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>\$ (68,096)</u>	<u>\$ (68,096)</u>	<u>(71,502)</u>	<u>\$ 3,406</u>	<u>\$ 290,330</u>	<u>\$ 290,330</u>	<u>676,174</u>	<u>\$ (385,844)</u>
Fund balance, beginning of year			76,009				117,483	
Fund balances at end of year			<u>\$ 4,507</u>				<u>\$ 793,657</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, 2012**

(Page 9 of 16)

	Park Program Fund				Police Program Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	3,709	3,709	663,612	735,865	581,928	(153,937)
Charges for services	9,000	9,000	12,011	3,011	105,383	105,383	101,644	(3,739)
Fines and forfeitures	-	-	-	-	121,000	121,000	232,177	111,177
Special assessments	-	-	-	-	-	-	-	-
Other	92,275	92,275	80,171	(12,104)	11,936	11,936	18,104	6,168
Total revenues	<u>101,275</u>	<u>101,275</u>	<u>95,891</u>	<u>(5,384)</u>	<u>901,931</u>	<u>974,184</u>	<u>933,853</u>	<u>(40,331)</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	497,453	509,396	398,576	110,820
Operations and maintenance	406,926	406,926	42,911	364,015	444,139	653,113	403,770	249,343
Capital outlay	-	-	-	-	22,867	528,608	518,143	10,465
Principal	10,270	10,270	12,630	(2,360)	-	67,764	67,764	-
Interest and fiscal charges	9,700	9,700	7,287	2,413	-	427	426	1
Total expenditures	<u>426,896</u>	<u>426,896</u>	<u>62,828</u>	<u>364,068</u>	<u>964,459</u>	<u>1,759,308</u>	<u>1,388,679</u>	<u>370,629</u>
Revenues over (under) expenditures	<u>(325,621)</u>	<u>(325,621)</u>	<u>33,063</u>	<u>358,684</u>	<u>(62,528)</u>	<u>(785,124)</u>	<u>(454,826)</u>	<u>330,298</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	36,232	36,232	-	(36,232)
Transfers out	-	(75,000)	(25,857)	49,143	-	-	-	-
Issuance of debt	-	-	-	-	-	264,935	264,935	-
Sale of capital assets	50,000	50,000	3,000	(47,000)	-	-	-	-
Total other financing sources (uses)	<u>50,000</u>	<u>(25,000)</u>	<u>(22,857)</u>	<u>2,143</u>	<u>36,232</u>	<u>301,167</u>	<u>264,935</u>	<u>(36,232)</u>
Net change in fund balances	<u>\$ (275,621)</u>	<u>\$ (350,621)</u>	<u>10,206</u>	<u>\$ 360,827</u>	<u>\$ (26,296)</u>	<u>\$ (483,957)</u>	<u>(189,891)</u>	<u>\$ 294,066</u>
Fund balance, beginning of year			1,873,824				494,176	
Fund balances at end of year			<u>\$ 1,884,030</u>				<u>\$ 304,285</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, 2012**

(Page 10 of 16)

	Amend Park Fund				Transportation Enhancement Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	179,564	179,564	609,677	(430,113)
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	1,400	1,400	963	437	-	-	-	-
<b>Total revenues</b>	<u>1,400</u>	<u>1,400</u>	<u>963</u>	<u>437</u>	<u>179,564</u>	<u>179,564</u>	<u>609,677</u>	<u>(430,113)</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	475	475	475	-	-	-	-	-
Capital outlay	-	-	-	-	315,790	805,768	526,898	278,870
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<u>475</u>	<u>475</u>	<u>475</u>	<u>-</u>	<u>315,790</u>	<u>805,768</u>	<u>526,898</u>	<u>278,870</u>
Revenues over (under) expenditures	<u>925</u>	<u>925</u>	<u>488</u>	<u>437</u>	<u>(136,226)</u>	<u>(626,204)</u>	<u>82,779</u>	<u>(708,983)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(1,202)	(1,202)	(962)	(240)	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<u>(1,202)</u>	<u>(1,202)</u>	<u>(962)</u>	<u>(240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	<u>\$ (277)</u>	<u>\$ (277)</u>	<u>(474)</u>	<u>\$ 197</u>	<u>\$ (136,226)</u>	<u>\$ (626,204)</u>	<u>82,779</u>	<u>\$ (708,983)</u>
Fund balance, beginning of year			201,861				(109,914)	
Fund balances at end of year			<u>\$ 201,387</u>				<u>\$ (27,135)</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, 2012**

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	City-County Planning Fund				Building Inspection Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ 344,852	\$ 344,852	\$ 369,161	\$ (24,309)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	15,600	15,600	21,315	(5,715)	1,405,600	1,405,600	1,473,340	(67,740)
Intergovernmental	556,500	556,500	572,249	(15,749)	3,000	3,000	6,036	(3,036)
Charges for services	247,621	258,201	249,374	8,827	200	200	-	200
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	1,849	1,849	2,207	(358)	3,900	3,900	5,210	(1,310)
Total revenues	<u>1,166,422</u>	<u>1,177,002</u>	<u>1,214,306</u>	<u>(37,304)</u>	<u>1,412,700</u>	<u>1,412,700</u>	<u>1,484,586</u>	<u>(71,886)</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	799,570	808,120	778,895	29,225	1,056,592	1,068,942	987,422	81,520
Operations and maintenance	481,854	488,254	415,723	72,531	376,478	376,478	251,759	124,719
Capital outlay	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>1,281,424</u>	<u>1,296,374</u>	<u>1,194,618</u>	<u>101,756</u>	<u>1,433,070</u>	<u>1,445,420</u>	<u>1,239,181</u>	<u>206,239</u>
Revenues over (under) expenditures	<u>(115,002)</u>	<u>(119,372)</u>	<u>19,688</u>	<u>(139,060)</u>	<u>(20,370)</u>	<u>(32,720)</u>	<u>245,405</u>	<u>(278,125)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(5,336)	(5,336)	(5,336)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(5,336)</u>	<u>(5,336)</u>	<u>(5,336)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (120,338)</u>	<u>\$ (124,708)</u>	<u>14,352</u>	<u>\$ (139,060)</u>	<u>\$ (20,370)</u>	<u>\$ (32,720)</u>	<u>245,405</u>	<u>\$ (278,125)</u>
Fund balance, beginning of year			460,389				200,799	
Fund balances at end of year			<u>\$ 474,741</u>				<u>\$ 446,204</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, 2012**

(Page 12 of 16)

	Street & Traffic Fund				City Attorney Grants Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	575,563	575,563	575,563	-	71,732	71,732	71,732	-
Charges for services	6,328,500	6,328,500	5,929,135	399,365	-	-	-	-
Fines and forfeitures	-	-	-	-	60,000	60,000	61,863	(1,863)
Special assessments	-	-	-	-	-	-	-	-
Other	25,000	25,000	30,219	(5,219)	6	6	18	(12)
Total revenues	<u>6,929,063</u>	<u>6,929,063</u>	<u>6,534,917</u>	<u>394,146</u>	<u>131,738</u>	<u>131,738</u>	<u>133,613</u>	<u>(1,875)</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	3,127,029	3,167,879	3,005,083	162,796	241,220	259,054	254,210	4,844
Operations and maintenance	3,196,703	3,196,703	2,306,264	890,439	1,800	1,800	3,413	(1,613)
Capital outlay	1,732,007	1,737,413	1,349,266	388,147	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>8,055,739</u>	<u>8,101,995</u>	<u>6,660,613</u>	<u>1,441,382</u>	<u>243,020</u>	<u>260,854</u>	<u>257,623</u>	<u>3,231</u>
Revenues over (under) expenditures	<u>(1,126,676)</u>	<u>(1,172,932)</u>	<u>(125,696)</u>	<u>(1,047,236)</u>	<u>(111,282)</u>	<u>(129,116)</u>	<u>(124,010)</u>	<u>(5,106)</u>
Other financing sources (uses):								
Transfers in	486,223	486,223	486,223	-	111,282	111,282	118,636	(7,354)
Transfers out	(207,502)	(207,502)	(207,502)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	4,124	(4,124)	-	-	-	-
Total other financing sources (uses)	<u>278,721</u>	<u>278,721</u>	<u>282,845</u>	<u>(4,124)</u>	<u>111,282</u>	<u>111,282</u>	<u>118,636</u>	<u>(7,354)</u>
Net change in fund balances	<u>\$ (847,955)</u>	<u>\$ (894,211)</u>	<u>157,149</u>	<u>\$(1,051,360)</u>	<u>\$ -</u>	<u>\$ (17,834)</u>	<u>(5,374)</u>	<u>\$ (12,460)</u>
Fund balance, beginning of year			4,331,419				1,266	
Fund balances at end of year			<u>\$ 4,488,568</u>				<u>\$ (4,108)</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, 2012**

(Page 13 of 16)

	Fire Program Fund				Municipal Court Grant Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	44,167	44,167	44,167	-	373,647	373,647	315,996	57,651
Charges for services	-	-	-	-	30,000	30,000	-	30,000
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	13,321	13,321	9,506	3,815	-	-	2,000	(2,000)
Total revenues	<u>57,488</u>	<u>57,488</u>	<u>53,673</u>	<u>3,815</u>	<u>403,647</u>	<u>403,647</u>	<u>317,996</u>	<u>85,651</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	14,000	14,000	(888)	14,888	101,080	101,080	106,776	(5,696)
Operations and maintenance	101,969	103,015	40,476	62,539	245,803	299,701	212,261	87,440
Capital outlay	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>115,969</u>	<u>117,015</u>	<u>39,588</u>	<u>77,427</u>	<u>346,883</u>	<u>400,781</u>	<u>319,037</u>	<u>81,744</u>
Revenues over (under) expenditures	<u>(58,481)</u>	<u>(59,527)</u>	<u>14,085</u>	<u>(73,612)</u>	<u>56,764</u>	<u>2,866</u>	<u>(1,041)</u>	<u>3,907</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	30,000	30,000	22,005	7,995
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>22,005</u>	<u>7,995</u>
Net change in fund balances	<u>\$ (58,481)</u>	<u>\$ (59,527)</u>	<u>14,085</u>	<u>\$ (73,612)</u>	<u>\$ 86,764</u>	<u>\$ 32,866</u>	<u>20,964</u>	<u>\$ 11,902</u>
Fund balance, beginning of year			142,619				(18,554)	
Fund balances at end of year			<u>\$ 156,704</u>				<u>\$ 2,410</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, 2012**  
**(Page 14 of 16)**

	Downtown Revolving Loan Fund				Baseball Field / Stadium Donation For Capital Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	682,100	682,100	495,279	186,821	11,800	11,800	27,916	(16,116)
Total revenues	<u>682,100</u>	<u>682,100</u>	<u>495,279</u>	<u>186,821</u>	<u>11,800</u>	<u>11,800</u>	<u>27,916</u>	<u>(16,116)</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	1,040,212	1,040,212	39,712	1,000,500	10,682	10,682	3,856	6,826
Capital outlay	-	-	-	-	-	-	-	-
Principal	600,000	600,000	327,757	272,243	-	-	-	-
Interest and fiscal charges	41,888	41,888	9,036	32,852	-	-	-	-
Total expenditures	<u>1,682,100</u>	<u>1,682,100</u>	<u>376,505</u>	<u>1,305,595</u>	<u>10,682</u>	<u>10,682</u>	<u>3,856</u>	<u>6,826</u>
Revenues over (under) expenditures	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>118,774</u>	<u>(1,118,774)</u>	<u>1,118</u>	<u>1,118</u>	<u>24,060</u>	<u>(22,942)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	1,000,000	1,000,000	-	1,000,000	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>118,774</u>	<u>\$ (118,774)</u>	<u>\$ 1,118</u>	<u>\$ 1,118</u>	<u>24,060</u>	<u>\$ (22,942)</u>
Fund balance, beginning of year			100,555				273,100	
Fund balances at end of year			<u>\$ 219,329</u>				<u>\$ 297,160</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, 2012**  
**(Page 15 of 16)**

	Arterial Fees Fund				Administration Grants Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	13,521	(13,521)	-	646,827	832,487	(185,660)
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	3,188,000	3,188,000	3,293,416	(105,416)	-	-	-	-
Other	20,000	20,000	29,875	(9,875)	-	-	-	-
Total revenues	<u>3,208,000</u>	<u>3,208,000</u>	<u>3,336,812</u>	<u>(128,812)</u>	<u>-</u>	<u>646,827</u>	<u>832,487</u>	<u>(185,660)</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	134,747	134,747	137,425	(2,678)	-	344,757	336,189	8,568
Capital outlay	3,442,973	3,783,277	2,870,157	913,120	115,234	487,888	487,888	-
Principal	600,000	600,000	-	600,000	-	-	-	-
Interest and fiscal charges	53,622	53,622	31,743	21,879	-	-	-	-
Total expenditures	<u>4,231,342</u>	<u>4,571,646</u>	<u>3,039,325</u>	<u>1,532,321</u>	<u>115,234</u>	<u>832,645</u>	<u>824,077</u>	<u>8,568</u>
Revenues over (under) expenditures	<u>(1,023,342)</u>	<u>(1,363,646)</u>	<u>297,487</u>	<u>(1,661,133)</u>	<u>(115,234)</u>	<u>(185,818)</u>	<u>8,410</u>	<u>(194,228)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(145,000)	(145,000)	(50,215)	(94,785)	-	(50,000)	-	(50,000)
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(145,000)</u>	<u>(145,000)</u>	<u>(50,215)</u>	<u>(94,785)</u>	<u>-</u>	<u>(50,000)</u>	<u>-</u>	<u>(50,000)</u>
Net change in fund balances	<u>\$(1,168,342)</u>	<u>\$(1,508,646)</u>	<u>247,272</u>	<u>\$(1,755,918)</u>	<u>\$ (115,234)</u>	<u>\$ (235,818)</u>	<u>8,410</u>	<u>\$ (244,228)</u>
Fund balance, beginning of year			1,237,316				(8,410)	
Fund balances at end of year			<u>\$ 1,484,588</u>				<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, 2012**  
**(Page 16 of 16)**

	<u>Bike Paths and Trails Donations Fund</u>				<u>Total Nonmajor Special Revenue Funds</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>
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 5,277,842	\$ 5,277,842	\$ 4,208,492	\$ 1,069,350
Licenses and permits	-	-	-	-	1,422,200	1,422,200	1,499,177	(76,977)
Intergovernmental	-	-	-	-	8,322,614	9,041,694	9,159,635	(117,941)
Charges for services	-	-	-	-	6,882,977	6,893,557	6,457,971	435,586
Fines and forfeitures	-	-	-	-	270,000	270,000	362,063	(92,063)
Special assessments	-	-	-	-	15,674,536	15,674,536	17,310,934	(1,636,398)
Other	-	102,945	36,625	66,320	1,119,721	1,240,666	1,266,167	(25,501)
Total revenues	<u>-</u>	<u>102,945</u>	<u>36,625</u>	<u>66,320</u>	<u>38,969,890</u>	<u>39,820,495</u>	<u>40,264,439</u>	<u>(443,944)</u>
<b>Expenditures:</b>								
Current:								
Salaries and benefits	-	-	-	-	8,052,752	8,178,709	7,613,753	564,956
Operations and maintenance	49,000	49,000	-	49,000	23,672,998	27,315,789	20,010,743	7,305,046
Capital outlay	-	102,945	17,847	85,098	12,066,785	15,713,806	9,413,785	6,300,021
Principal	-	-	-	-	1,210,270	1,278,034	408,151	869,883
Interest and fiscal charges	-	-	-	-	105,210	105,637	48,492	57,145
Total expenditures	<u>49,000</u>	<u>151,945</u>	<u>17,847</u>	<u>134,098</u>	<u>45,108,015</u>	<u>52,591,975</u>	<u>37,494,924</u>	<u>15,097,051</u>
Revenues over (under) expenditures	<u>(49,000)</u>	<u>(49,000)</u>	<u>18,778</u>	<u>(67,778)</u>	<u>(6,138,125)</u>	<u>(12,771,480)</u>	<u>2,769,515</u>	<u>(15,540,995)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	2,138,940	3,438,940	3,301,771	137,169
Transfers out	-	-	-	-	(878,848)	(3,196,152)	(3,188,691)	(7,461)
Issuance of debt	-	-	-	-	1,000,000	1,264,935	264,935	1,000,000
Sale of capital assets	-	-	-	-	50,300	150,668	318,992	(168,324)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,310,392</u>	<u>1,658,391</u>	<u>697,007</u>	<u>961,384</u>
Net change in fund balances	<u>\$ (49,000)</u>	<u>\$ (49,000)</u>	<u>18,778</u>	<u>\$ (67,778)</u>	<u>\$(3,827,733)</u>	<u>\$(11,113,089)</u>	<u>3,466,522</u>	<u>\$ (14,579,611)</u>
Fund balance, beginning of year			-				32,526,910	
Fund balances at end of year			<u>\$ 18,778</u>				<u>\$35,993,432</u>	

# NONMAJOR DEBT SERVICE FUNDS

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

- The Storm Sewer Fund accounts for the payment of debt used for the construction of storm sewers.
- The Series 2000 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 2007A Baseball Field/Stadium Fund accounts for payment of debt used for the construction of the new baseball field and stadium.
- 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 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, 2012**

	<b>Storm Sewer Fund</b>	<b>Series 2000 Parks Fund</b>	<b>Series 2004A Street Improvements Fund</b>	<b>Series 2007A Baseball Field/Stadium Fund</b>	<b>Series 2007B Baseball Field/Stadium Fund</b>	<b>Sidewalk Curb Districts Fund</b>	<b>Total Nonmajor Debt Service Funds</b>
<b>Assets</b>							
Cash and cash equivalents	\$ 76,725	\$ 15,601	\$ 41,578	\$ 36,880	\$ 16,361	\$ 90,031	\$ 277,176
Cash with fiscal agent	193,365	116,288	295,665	623,116	198,610	85,739	1,512,783
Investments	123,417	23,195	66,269	64,336	27,103	146,835	451,155
Receivables:							
Property taxes	-	13,345	33,542	78,974	10,166	-	136,027
Accounts and unbilled usage	-	-	-	-	5,000	-	5,000
Delinquent special assessments	-	-	-	-	-	17,052	17,052
Deferred special assessments	-	-	-	-	-	1,396,531	1,396,531
Accrued interest	244	74	165	257	-	160	900
Notes	-	-	-	-	522,265	-	522,265
Total assets	<u>\$ 393,751</u>	<u>\$ 168,503</u>	<u>\$ 437,219</u>	<u>\$ 803,563</u>	<u>\$ 779,505</u>	<u>\$ 1,736,348</u>	<u>\$ 4,318,889</u>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Due to other funds	\$ 1,863	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,863
Other liabilities	-	-	-	-	-	10,000	10,000
Deferred revenue	-	10,403	26,356	61,926	529,923	1,400,495	2,029,103
Total liabilities	<u>1,863</u>	<u>10,403</u>	<u>26,356</u>	<u>61,926</u>	<u>529,923</u>	<u>1,410,495</u>	<u>2,040,966</u>
Fund balances:							
Restricted	391,888	158,100	410,863	741,637	249,582	325,853	2,277,923
Total fund balances	<u>391,888</u>	<u>158,100</u>	<u>410,863</u>	<u>741,637</u>	<u>249,582</u>	<u>325,853</u>	<u>2,277,923</u>
Total liabilities and fund balances	<u>\$ 393,751</u>	<u>\$ 168,503</u>	<u>\$ 437,219</u>	<u>\$ 803,563</u>	<u>\$ 779,505</u>	<u>\$ 1,736,348</u>	<u>\$ 4,318,889</u>

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Debt Service Funds**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**

	<b>Storm Sewer Fund</b>	<b>Series 2000 Parks Fund</b>	<b>Series 2004A Street Improvements Fund</b>	<b>Series 2007A Baseball Field/Stadium Fund</b>	<b>Series 2007B Baseball Field/Stadium Fund</b>	<b>Sidewalk and Curb Districts Fund</b>	<b>Total Nonmajor Debt Service Funds</b>
<b>Revenues:</b>							
Taxes	\$ -	\$ 132,836	\$ 324,224	\$ 769,309	\$ 113,945	\$ -	\$ 1,340,314
Charges for services	-	-	-	-	-	5,664	5,664
Special assessments	-	-	-	-	-	361,950	361,950
Other	1,677	242	1,098	1,536	160,000	890	165,443
Total revenues	<u>1,677</u>	<u>133,078</u>	<u>325,322</u>	<u>770,845</u>	<u>273,945</u>	<u>368,504</u>	<u>1,873,371</u>
<b>Expenditures:</b>							
Debt service:							
Principal	180,000	105,000	220,000	400,000	170,000	309,000	1,384,000
Interest and fiscal charges	20,899	25,603	147,245	417,311	51,589	78,345	740,992
Total expenditures	<u>200,899</u>	<u>130,603</u>	<u>367,245</u>	<u>817,311</u>	<u>221,589</u>	<u>387,345</u>	<u>2,124,992</u>
Revenues over (under) expenc	<u>(199,222)</u>	<u>2,475</u>	<u>(41,923)</u>	<u>(46,466)</u>	<u>52,356</u>	<u>(18,841)</u>	<u>(251,621)</u>
Other financing sources:							
Transfers in	200,000	35,934	-	6,878	1,119	120,229	364,160
Total other financing sources	<u>200,000</u>	<u>35,934</u>	<u>-</u>	<u>6,878</u>	<u>1,119</u>	<u>120,229</u>	<u>364,160</u>
Net change in fund balances	778	38,409	(41,923)	(39,588)	53,475	101,388	112,539
Fund balance, beginning of year	391,110	119,691	452,786	781,225	196,107	224,465	2,165,384
Fund balance, end of year	<u>\$ 391,888</u>	<u>\$ 158,100</u>	<u>\$ 410,863</u>	<u>\$ 741,637</u>	<u>\$ 249,582</u>	<u>\$ 325,853</u>	<u>\$ 2,277,923</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, 2012

(Page 1 of 4)

	Storm Sewer Fund				Series 2000 Parks Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 127,795	\$ 127,795	\$ 132,836	\$ (5,041)
Charges for services	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	2,200	2,200	1,677	(523)	360	360	242	118
Total revenues	<u>2,200</u>	<u>2,200</u>	<u>1,677</u>	<u>(523)</u>	<u>128,155</u>	<u>128,155</u>	<u>133,078</u>	<u>(4,923)</u>
<b>Expenditures:</b>								
Principal	180,000	180,000	180,000	-	105,000	105,000	105,000	-
Interest and fiscal charges	21,399	21,399	20,899	500	25,903	25,903	25,603	300
Total expenditures	<u>201,399</u>	<u>201,399</u>	<u>200,899</u>	<u>500</u>	<u>130,903</u>	<u>130,903</u>	<u>130,603</u>	<u>300</u>
Revenues over (under) expenditure	<u>(199,199)</u>	<u>(199,199)</u>	<u>(199,222)</u>	<u>(23)</u>	<u>(2,748)</u>	<u>(2,748)</u>	<u>2,475</u>	<u>(5,223)</u>
Other financing sources:								
Transfers in	200,000	200,000	200,000	-	-	35,934	35,934	-
Total other financing sources	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>35,934</u>	<u>35,934</u>	<u>-</u>
Net change in fund balances	<u>\$ 801</u>	<u>\$ 801</u>	<u>778</u>	<u>\$ (23)</u>	<u>\$ (2,748)</u>	<u>\$ 33,186</u>	<u>38,409</u>	<u>\$ (5,223)</u>
Fund balance, beginning of year			391,110				119,691	
Fund balance, end of year			<u>\$ 391,888</u>				<u>\$ 158,100</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, 2012

(Page 2 of 4)

	Series 2004A Street Improvements Fund				Series 2007A Baseball Field / Stadium Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ 341,307	\$ 341,307	\$ 324,224	\$ 17,083	\$ 804,175	\$ 804,175	\$ 769,309	\$ 34,866
Charges for services	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	1,590	1,590	1,098	492	1,800	1,800	1,536	264
Total revenues	<u>342,897</u>	<u>342,897</u>	<u>325,322</u>	<u>17,575</u>	<u>805,975</u>	<u>805,975</u>	<u>770,845</u>	<u>35,130</u>
<b>Expenditures:</b>								
Principal	220,000	220,000	220,000	-	400,000	400,000	400,000	-
Interest and fiscal charges	147,245	147,245	147,245	-	417,312	417,312	417,311	1
Total expenditures	<u>367,245</u>	<u>367,245</u>	<u>367,245</u>	<u>-</u>	<u>817,312</u>	<u>817,312</u>	<u>817,311</u>	<u>1</u>
Revenues over (under) expenditure	<u>(24,348)</u>	<u>(24,348)</u>	<u>(41,923)</u>	<u>17,575</u>	<u>(11,337)</u>	<u>(11,337)</u>	<u>(46,466)</u>	<u>35,129</u>
Other financing sources:								
Transfers in	-	-	-	-	-	8,698	6,878	1,820
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,698</u>	<u>6,878</u>	<u>1,820</u>
Net change in fund balances	<u>\$ (24,348)</u>	<u>\$ (24,348)</u>	<u>(41,923)</u>	<u>\$ 17,575</u>	<u>\$ (11,337)</u>	<u>\$ (2,639)</u>	<u>(39,588)</u>	<u>\$ 36,949</u>
Fund balance, beginning of year			452,786				781,225	
Fund balance, end of year			<u>\$ 410,863</u>				<u>\$ 741,637</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, 2012

(Page 3 of 4)

	Series 2007B Baseball Field / Stadium Fund				Sidewalk and Curb Districts Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Taxes	\$ 120,003	\$ 120,003	\$ 113,945	\$ 6,058	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-	-	-	5,664	(5,664)
Special assessments	-	-	-	-	385,000	385,000	361,950	23,050
Other	110,060	110,060	160,000	(49,940)	900	900	890	10
Total revenues	<u>230,063</u>	<u>230,063</u>	<u>273,945</u>	<u>(43,882)</u>	<u>385,900</u>	<u>385,900</u>	<u>368,504</u>	<u>17,396</u>
<b>Expenditures:</b>								
Principal	170,000	170,000	170,000	-	375,000	375,000	309,000	66,000
Interest and fiscal charges	51,589	51,589	51,589	-	65,550	65,550	78,345	(12,795)
Total expenditures	<u>221,589</u>	<u>221,589</u>	<u>221,589</u>	<u>-</u>	<u>440,550</u>	<u>440,550</u>	<u>387,345</u>	<u>53,205</u>
Revenues over (under) expenditure	<u>8,474</u>	<u>8,474</u>	<u>52,356</u>	<u>(43,882)</u>	<u>(54,650)</u>	<u>(54,650)</u>	<u>(18,841)</u>	<u>(35,809)</u>
Other financing sources:								
Transfers in	-	1,416	1,119	297	-	-	120,229	(120,229)
Total other financing sources	<u>-</u>	<u>1,416</u>	<u>1,119</u>	<u>297</u>	<u>-</u>	<u>-</u>	<u>120,229</u>	<u>(120,229)</u>
Net change in fund balances	<u>\$ 8,474</u>	<u>\$ 9,890</u>	<u>53,475</u>	<u>\$ (43,585)</u>	<u>\$ (54,650)</u>	<u>\$ (54,650)</u>	<u>101,388</u>	<u>\$ (156,038)</u>
Fund balance, beginning of year			196,107				224,465	
Fund balance, end of year			<u>\$ 249,582</u>				<u>\$ 325,853</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, 2012**

**(Page 4 of 4)**

	<b>Total Nonmajor Debt Service Funds</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>				
Taxes	\$ 1,393,280	\$ 1,393,280	\$ 1,340,314	\$ 52,966
Charges for services	-	-	5,664	(5,664)
Special assessments	385,000	385,000	361,950	23,050
Other	116,910	116,910	165,443	(48,533)
Total revenues	<u>1,895,190</u>	<u>1,895,190</u>	<u>1,873,371</u>	<u>21,819</u>
<b>Expenditures:</b>				
Principal	1,450,000	1,450,000	1,384,000	66,000
Interest and fiscal charges	728,998	728,998	740,992	(11,994)
Total expenditures	<u>2,178,998</u>	<u>2,178,998</u>	<u>2,124,992</u>	<u>54,006</u>
Revenues over (under) expenditures	<u>(283,808)</u>	<u>(283,808)</u>	<u>(251,621)</u>	<u>(32,187)</u>
Other financing sources:				
Transfers in	200,000	246,048	364,160	(118,112)
Total other financing sourceS	<u>200,000</u>	<u>246,048</u>	<u>364,160</u>	<u>(118,112)</u>
Net change in fund balances	<u>\$ (83,808)</u>	<u>\$ (37,760)</u>	<u>112,539</u>	<u>\$ (150,299)</u>
Fund balance, beginning of year			2,165,384	
Fund balance, end of year			<u>\$ 2,277,923</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.
- Main Street Underpass Construction accounts for the construction of the walking/biking path that is funded by an economic stimulus grant.
- The Capital Replacement Fund is used for capital replacement for governmental funds.
- The Series 2000 Parks Improvements Fund accounts for the construction of city-wide parks improvements which were financed by general obligation bonds.
- The Aquatic Facilities Construction Fund accounts for construction of aquatic facilities.
- The Baseball Field / Stadium Construction Fund accounts for the demolition of the existing Cobb Field and for the construction of the new baseball field and stadium.
- The Dog Park Construction Fund accounts for the construction of the new dog park in the Billings' Heights.
- The New Library Construction Fund accounts for the construction of the new Parnly Billings Library.

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Capital Projects Funds**  
**Combining Balance Sheet**  
**June 30, 2012**  
**( Page 1 of 2)**

	<b>Urban Renewal Property Acquisition Fund</b>	<b>Sidewalk and Curb Districts Fund</b>	<b>Special Improvements Districts Fund</b>	<b>Main Street Underpass Construction Fund</b>	<b>Capital Replacement Fund</b>	<b>Series 2000 Parks Improvements Fund</b>	<b>Aquatic Facilities Construction Fund</b>
<b>Assets</b>							
Cash and cash equivalents	\$ 614	\$ -	\$ 171,160	\$ -	\$ 1,620,781	\$ -	\$ -
Investments	1,395	-	273,132	-	2,602,922	-	-
Receivables:							
Accrued interest	3	-	-	-	2,335	-	-
Property held for resale	335,328	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 337,340</b>	<b>\$ -</b>	<b>\$ 444,292</b>	<b>\$ -</b>	<b>\$ 4,226,038</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Liabilities and Fund Balances</b>							
Liabilities:							
Accounts payable	\$ -	\$ 70,188	\$ 311,453	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	402,025	132	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>472,213</b>	<b>311,585</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund balance (deficit)							
Restricted	337,340	-	132,707	-	4,226,038	-	-
Unassigned	-	(472,213)	-	-	-	-	-
<b>Total fund balance (deficit)</b>	<b>337,340</b>	<b>(472,213)</b>	<b>132,707</b>	<b>-</b>	<b>4,226,038</b>	<b>-</b>	<b>-</b>
<b>Total liabilities and fund balances</b>	<b>\$ 337,340</b>	<b>\$ -</b>	<b>\$ 444,292</b>	<b>\$ -</b>	<b>\$ 4,226,038</b>	<b>\$ -</b>	<b>\$ -</b>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Capital Projects Funds**  
**Combining Balance Sheet**  
**June 30, 2012**  
**( Page 2 of 2 )**

	<b>Baseball Field/Stadium Construction Fund</b>	<b>Dog Park Construction Fund</b>	<b>New Library Construction Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 7,107	\$ 2,292	\$ 64,034	\$ 1,865,988
Investments	11,341	3,658	102,184	2,994,632
Receivables:				
Accrued interest	-	-	-	2,338
Property held for resale	-	-	-	335,328
<b>Total assets</b>	<b>\$ 18,448</b>	<b>\$ 5,950</b>	<b>\$ 166,218</b>	<b>\$ 5,198,286</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Accounts payable	\$ 18,448	\$ 3,200	\$ 569,202	\$ 972,491
Due to other funds	-	-	-	402,157
<b>Total liabilities</b>	<b>18,448</b>	<b>3,200</b>	<b>569,202</b>	<b>1,374,648</b>
Fund balance (deficit)				
Restricted	-	2,750	-	4,698,835
	-	-	(402,984)	(875,197)
<b>Total fund balance (deficit)</b>	<b>-</b>	<b>2,750</b>	<b>(402,984)</b>	<b>3,823,638</b>
<b>Total liabilities and fund balances</b>	<b>\$ 18,448</b>	<b>\$ 5,950</b>	<b>\$ 166,218</b>	<b>\$ 5,198,286</b>

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Capital Projects Funds**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**  
**(Page 1 of 2)**

	<b>Urban Renewal Property Acquisition Fund</b>	<b>Sidewalk and Curb Districts Fund</b>	<b>Special Improvements Districts Fund</b>	<b>Main Street Underpass Construction Fund</b>	<b>Capital Replacement Fund</b>	<b>Series 2000 Parks Improvements Fund</b>	<b>Aquatic Facilities Construction Fund</b>
<b>Revenues:</b>							
Intergovernmental	\$ -	\$ -	\$ -	\$ 50,000	\$ -	\$ 12,097	\$ -
Other	44	23,633	334	-	20,936	13,707	3
Total revenues	<u>44</u>	<u>23,633</u>	<u>334</u>	<u>50,000</u>	<u>20,936</u>	<u>25,804</u>	<u>3</u>
<b>Expenditures:</b>							
General government	-	-	-	-	2,117	-	-
Public works	-	5,220	42,153	-	-	-	-
Culture and recreation	-	-	-	-	-	35,223	170
Housing and economic development	12,829	-	-	-	-	-	-
Capital outlay	-	484,801	1,710,249	-	507,011	19,203	-
Debt service:							
Principal	-	-	380,432	-	-	-	-
Interest and fiscal charges	-	-	1,905	-	-	-	-
Bond issuance costs	-	8,000	78,751	-	-	-	-
Total expenditures	<u>12,829</u>	<u>498,021</u>	<u>2,213,490</u>	<u>-</u>	<u>509,128</u>	<u>54,426</u>	<u>170</u>
Revenues over (under) expenditures	<u>(12,785)</u>	<u>(474,388)</u>	<u>(2,213,156)</u>	<u>50,000</u>	<u>(488,192)</u>	<u>(28,622)</u>	<u>(167)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	1,007,531	-	-
Transfers out	-	(38,454)	(71,180)	-	(534,814)	(35,934)	-
Bond discount costs	-	-	(24,076)	-	-	-	-
Issuance of debt	-	-	380,432	-	-	-	-
Special assessment bonds issued	-	350,000	1,975,000	-	-	-	-
Sale of capital assets	-	-	-	-	26,605	-	-
Total other financing sources (uses)	<u>-</u>	<u>311,546</u>	<u>2,260,176</u>	<u>-</u>	<u>499,322</u>	<u>(35,934)</u>	<u>-</u>
Net change in fund balances	<u>(12,785)</u>	<u>(162,842)</u>	<u>47,020</u>	<u>50,000</u>	<u>11,130</u>	<u>(64,556)</u>	<u>(167)</u>
Fund balance (deficit), beginning of year	350,125	(309,371)	85,687	(50,000)	4,214,908	64,556	167
Fund balance (deficit), end of year	<u>\$ 337,340</u>	<u>\$ (472,213)</u>	<u>\$ 132,707</u>	<u>\$ -</u>	<u>\$ 4,226,038</u>	<u>\$ -</u>	<u>\$ -</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Capital Projects Funds**  
**Combining Statement of Revenue, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2012**  
**(Page 2 of 2)**

	<b>Baseball Field/Stadium Construction Fund</b>	<b>Dog Park Construction Fund</b>	<b>New Library Construction Fund</b>	<b>Total Nonmajor Capital Projects Funds</b>
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ 62,097
Other	16,496	27,006	-	102,159
Total revenues	<u>16,496</u>	<u>27,006</u>	<u>-</u>	<u>164,256</u>
<b>Expenditures:</b>				
General government	-	-	-	2,117
Public works	-	-	-	47,373
Culture and recreation	156	-	-	35,549
Housing and economic development	-	-	-	12,829
Capital outlay	18,448	50,113	1,294,984	4,084,809
Debt service:				
Principal	-	-	-	380,432
Interest and fiscal charges	-	-	-	1,905
Bond issuance costs	-	-	-	86,751
Total expenditures	<u>18,604</u>	<u>50,113</u>	<u>1,294,984</u>	<u>4,651,765</u>
Revenues over (under) expenditures	<u>(2,108)</u>	<u>(23,107)</u>	<u>(1,294,984)</u>	<u>(4,487,509)</u>
Other financing sources (uses):				
Transfers in	-	25,857	892,000	1,925,388
Transfers out	(7,997)	-	-	(688,379)
Bond discount costs	-	-	-	(24,076)
Issuance of debt	-	-	-	380,432
Special assessment bonds issued	-	-	-	2,325,000
Sale of capital assets	-	-	-	26,605
Total other financing sources (uses)	<u>(7,997)</u>	<u>25,857</u>	<u>892,000</u>	<u>3,944,970</u>
Net change in fund balances	<u>(10,105)</u>	<u>2,750</u>	<u>(402,984)</u>	<u>(542,539)</u>
Fund balance (deficit), beginning of year	10,105	-	-	4,366,177
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ 2,750</u>	<u>\$ (402,984)</u>	<u>\$ 3,823,638</u>

**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, 2012**

(Page 1 of 6)

	Urban Renewal Property Acquisition Fund				Sidewalk and Curb Districts Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	155	155	44	(111)	-	-	23,633	(23,633)
Total revenues	<u>155</u>	<u>155</u>	<u>44</u>	<u>(111)</u>	<u>-</u>	<u>-</u>	<u>23,633</u>	<u>(23,633)</u>
<b>Expenditures:</b>								
Operations and maintenance	146	146	12,829	(12,683)	-	-	5,220	(5,220)
Capital outlay	75,000	75,000	-	75,000	508,363	758,363	484,801	273,562
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	9,391	9,391	8,000	1,391
Total expenditures	<u>75,146</u>	<u>75,146</u>	<u>12,829</u>	<u>62,317</u>	<u>517,754</u>	<u>767,754</u>	<u>498,021</u>	<u>269,733</u>
Revenues over (under) expenditures	<u>(74,991)</u>	<u>(74,991)</u>	<u>(12,785)</u>	<u>62,206</u>	<u>(517,754)</u>	<u>(767,754)</u>	<u>(474,388)</u>	<u>(293,366)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	(38,454)	38,454
Bond discount costs	-	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	253,807	503,807	350,000	153,807
Sale of capital assets	100,000	100,000	-	(100,000)	-	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>-</u>	<u>(100,000)</u>	<u>253,807</u>	<u>503,807</u>	<u>311,546</u>	<u>192,261</u>
Net change in fund balances	<u>\$ 25,009</u>	<u>\$ 25,009</u>	<u>(12,785)</u>	<u>\$ (37,794)</u>	<u>\$ (263,947)</u>	<u>\$ (263,947)</u>	<u>(162,842)</u>	<u>\$ (101,105)</u>
Fund balance (deficit), beginning of year			350,125				(309,371)	
Fund balance (deficit), end of year			<u>\$ 337,340</u>				<u>\$ (472,213)</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, 2012**

(Page 2 of 6)

	Special Improvement Districts Fund				Main Street Underpass Construction Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 50,000	\$ (50,000)
Other	-	-	334	(334)	-	-	-	-
Total revenues	-	-	334	(334)	-	-	50,000	(50,000)
<b>Expenditures:</b>								
Operations and maintenance	-	-	42,153	(42,153)	-	-	-	-
Capital outlay	2,380,194	2,380,194	1,710,249	669,945	-	-	-	-
Debt service:								
Principal	-	-	380,432	(380,432)	-	-	-	-
Interest and fiscal charges	-	-	1,905	(1,905)	-	-	-	-
Bond issuance costs	53,614	53,614	78,751	(25,137)	-	-	-	-
Total expenditures	2,433,808	2,433,808	2,213,490	220,318	-	-	-	-
Revenues over (under) expenditures	(2,433,808)	(2,433,808)	(2,213,156)	(220,652)	-	-	50,000	(50,000)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(71,180)	71,180	-	-	-	-
Bond discount costs	-	-	(24,076)	24,076	-	-	-	-
General obligation bonds issued	-	-	380,432	(380,432)	-	-	-	-
Special assessment bonds issued	1,814,786	1,814,786	1,975,000	(160,214)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,814,786	1,814,786	2,260,176	(445,390)	-	-	-	-
Net change in fund balances	<u>\$ (619,022)</u>	<u>\$ (619,022)</u>	47,020	<u>\$ (666,042)</u>	<u>\$ -</u>	<u>\$ -</u>	50,000	<u>\$ (50,000)</u>
Fund balance (deficit), beginning of year			85,687				(50,000)	
Fund balance (deficit), end of year			<u>\$ 132,707</u>				<u>\$ -</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, 2012**

(Page 3 of 6)

	Capital Replacement Fund				Series 2000 Parks Improvements Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,097	\$ (12,097)
Other	35,564	35,564	20,936	14,628	-	-	13,707	(13,707)
Total revenues	<u>35,564</u>	<u>35,564</u>	<u>20,936</u>	<u>14,628</u>	<u>-</u>	<u>-</u>	<u>25,804</u>	<u>(25,804)</u>
<b>Expenditures:</b>								
Operations and maintenance	2,117	2,117	2,117	-	41,908	41,908	35,223	6,685
Capital outlay	714,495	925,495	507,011	418,484	546	19,204	19,203	1
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	<u>716,612</u>	<u>927,612</u>	<u>509,128</u>	<u>418,484</u>	<u>42,454</u>	<u>61,112</u>	<u>54,426</u>	<u>6,686</u>
Revenues over (under) expenditures	<u>(681,048)</u>	<u>(892,048)</u>	<u>(488,192)</u>	<u>(403,856)</u>	<u>(42,454)</u>	<u>(61,112)</u>	<u>(28,622)</u>	<u>(32,490)</u>
Other financing sources (uses):								
Transfers in	991,731	991,731	1,007,531	(22,600)	-	-	-	-
Transfers out	(534,814)	(534,814)	(534,814)	-	-	(35,934)	(35,934)	-
Bond discount costs	-	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	26,605	(19,805)	-	-	-	-
Total other financing sources (uses)	<u>456,917</u>	<u>456,917</u>	<u>499,322</u>	<u>(42,405)</u>	<u>-</u>	<u>(35,934)</u>	<u>(35,934)</u>	<u>-</u>
Net change in fund balances	<u>\$ (224,131)</u>	<u>\$ (435,131)</u>	<u>11,130</u>	<u>\$ (446,261)</u>	<u>\$ (42,454)</u>	<u>\$ (97,046)</u>	<u>(64,556)</u>	<u>\$ (32,490)</u>
Fund balance (deficit), beginning of year			4,214,908				64,556	
Fund balance (deficit), end of year			<u>\$ 4,226,038</u>				<u>\$ -</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, 2012**

(Page 4 of 6)

	<b>Aquatic Facilities Construction Fund</b>				<b>Baseball Field/Stadium Construction Fund</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	3	(3)	-	16,500	16,496	4
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>3</b>	<b>(3)</b>	<b>-</b>	<b>16,500</b>	<b>16,496</b>	<b>4</b>
<b>Expenditures:</b>								
Operations and maintenance	-	170	170	-	-	-	156	(156)
Capital outlay	-	-	-	-	3,000	19,500	18,448	1,052
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>-</b>	<b>170</b>	<b>170</b>	<b>-</b>	<b>3,000</b>	<b>19,500</b>	<b>18,604</b>	<b>896</b>
Revenues over (under) expenditures	-	(170)	(167)	(3)	(3,000)	(3,000)	(2,108)	(892)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	(10,114)	(7,997)	(2,117)
Bond discount costs	-	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(10,114)</b>	<b>(7,997)</b>	<b>(2,117)</b>
<b>Net change in fund balances</b>	<b>\$ -</b>	<b>\$ (170)</b>	<b>(167)</b>	<b>\$ (3)</b>	<b>\$ (3,000)</b>	<b>\$ (13,114)</b>	<b>(10,105)</b>	<b>\$ (3,009)</b>
Fund balance (deficit), beginning of year			167				10,105	
Fund balance (deficit), end of year			<u>\$ -</u>				<u>\$ -</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, 2012**

(Page 5 of 6)

	Dog Park Construction Fund				New Library Construction Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
<b>Revenues:</b>								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	27,006	(27,006)	5,000,000	5,000,000	-	5,000,000
Total revenues	-	-	27,006	(27,006)	5,000,000	5,000,000	-	5,000,000
<b>Expenditures:</b>								
Operations and maintenance	-	-	-	-	-	-	-	-
Capital outlay	-	75,000	50,113	24,887	18,384,000	19,276,000	1,294,984	17,981,016
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	-	75,000	50,113	24,887	18,384,000	19,276,000	1,294,984	17,981,016
Revenues over (under) expenditures	-	(75,000)	(23,107)	(51,893)	(13,384,000)	(14,276,000)	(1,294,984)	(12,981,016)
Other financing sources (uses):								
Transfers in	-	75,000	25,857	49,143	-	892,000	892,000	-
Transfers out	-	-	-	-	-	-	-	-
Bond discount costs	-	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	13,384,000	13,384,000	-	13,384,000
Special assessment bonds issued	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	75,000	25,857	49,143	13,384,000	14,276,000	892,000	13,384,000
Net change in fund balances	\$ -	\$ -	2,750	\$ (2,750)	\$ -	\$ -	(402,984)	\$ 402,984
Fund balance (deficit), beginning of year			-				-	
Fund balance (deficit), end of year			\$ 2,750				\$ (402,984)	(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, 2012**  
**(Page 6 of 6)**

	<b>Total Nonmajor Capital Project Funds</b>			
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>Revenues:</b>				
Intergovernmental	\$ -	\$ -	\$ 62,097	\$ (62,097)
Other	5,035,719	5,052,219	102,159	4,950,060
Total revenues	<u>5,035,719</u>	<u>5,052,219</u>	<u>164,256</u>	<u>4,887,963</u>
<b>Expenditures:</b>				
Operations and maintenance	44,171	44,341	97,868	(53,527)
Capital outlay	22,065,598	23,528,756	4,084,809	19,443,947
Debt service:				
Principal	-	-	380,432	(380,432)
Interest and fiscal charges	-	-	1,905	(1,905)
Bond issuance costs	63,005	63,005	86,751	(23,746)
Total expenditures	<u>22,172,774</u>	<u>23,636,102</u>	<u>4,651,765</u>	<u>18,984,337</u>
Revenues over (under) expenditures	<u>(17,137,055)</u>	<u>(18,583,883)</u>	<u>(4,487,509)</u>	<u>(14,096,374)</u>
Other financing sources (uses):				
Transfers in	991,731	1,958,731	1,925,388	33,343
Transfers out	(534,814)	(580,862)	(688,379)	107,517
Bond discount costs	-	-	(24,076)	24,076
General obligation bonds issued	13,384,000	13,384,000	380,432	13,003,568
Special assessment bonds issued	2,068,593	2,318,593	2,325,000	(6,407)
Sale of capital assets	100,000	100,000	26,605	73,395
Total other financing sources (uses)	<u>16,009,510</u>	<u>17,180,462</u>	<u>3,944,970</u>	<u>13,235,492</u>
Net change in fund balances	<u>\$(1,127,545)</u>	<u>\$(1,403,421)</u>	<u>(542,539)</u>	<u>\$ (860,882)</u>
Fund balance (deficit), beginning of year			4,366,177	
Fund balance (deficit), end of year			<u>\$ 3,823,638</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, 2012**

	<b>Cemetery Perpetual Care Fund</b>
<b>Assets</b>	
Cash and cash equivalents	\$ 241,118
Investments	385,022
Accrued interest receivable	380
Total assets	\$ 626,520
<b>Fund Balance</b>	
Fund balance:	
Reserved for endowments	\$ 626,520
Total fund balance	\$ 626,520

**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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues:</b>				
Charges for services	\$ 12,300	\$ 12,300	\$ 12,856	\$ 556
Other	4,110	4,110	2,963	(1,147)
Total revenues	<u>16,410</u>	<u>16,410</u>	<u>15,819</u>	<u>(591)</u>
Other financing sources (uses):				
Transfers out	(4,110)	(4,110)	(2,962)	1,148
Total other financing sources (uses)	<u>(4,110)</u>	<u>(4,110)</u>	<u>(2,962)</u>	<u>1,148</u>
Net change in fund balances	<u>\$ 12,300</u>	<u>\$ 12,300</u>	12,857	<u>\$ 557</u>
Fund balance, beginning of year			<u>613,663</u>	
Fund balance, end of year			<u>\$ 626,520</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 Assets**  
**June 30, 2012**  
**(Page 1 of 2)**

<b>Assets</b>	<b>Transit Fund</b>	<b>Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Current assets:</b>			
Cash and cash equivalents	\$ 994,557	\$ 126,610	\$ 1,121,167
Restricted cash and cash equivalents with fiscal agent	-	424	424
Investments	1,578,690	-	1,578,690
<b>Receivables:</b>			
Property taxes	179,944	-	179,944
Accounts and unbilled usage	17,620	-	17,620
Accrued interest	1,339	-	1,339
Receivables from other governments	67,432	-	67,432
Inventories	-	660	660
Prepaid items	-	7,367	7,367
<b>Total current assets</b>	<b>2,839,582</b>	<b>135,061</b>	<b>2,974,643</b>
<b>Noncurrent assets:</b>			
<b>Property and equipment:</b>			
Land	1,435,291	-	1,435,291
Buildings	7,721,230	1,321,532	9,042,762
Improvements other than buildings	987,849	-	987,849
Equipment and vehicles	9,174,220	-	9,174,220
Construction in progress	50,789	-	50,789
Less: accumulated depreciation	(9,177,519)	(824,493)	(10,002,012)
<b>Total noncurrent assets</b>	<b>10,191,860</b>	<b>497,039</b>	<b>10,688,899</b>
<b>Total assets</b>	<b>13,031,442</b>	<b>632,100</b>	<b>13,663,542</b>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Net Assets**  
**June 30, 2012**  
**(Page 2 of 2)**

<b>Liabilities</b>	<b>Transit Fund</b>	<b>Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Current liabilities:</b>			
Accounts payable	44,890	6,597	51,487
Accrued wages and benefits	69,923	42,167	112,090
Compensated absences	340,608	-	340,608
<b>Total current liabilities</b>	<b>455,421</b>	<b>48,764</b>	<b>504,185</b>
<b>Noncurrent liabilities:</b>			
Compensated absences	131,036	-	131,036
Other post employment benefits	307,268	-	307,268
<b>Total noncurrent liabilities</b>	<b>438,304</b>	<b>-</b>	<b>438,304</b>
<b>Total liabilities</b>	<b>893,725</b>	<b>48,764</b>	<b>942,489</b>
<b>Net Assets</b>			
<b>Net assets:</b>			
Invested in capital assets, net of related debt	10,191,860	497,039	10,688,899
Unrestricted	1,945,857	86,297	2,032,154
<b>Total net assets</b>	<b>\$ 12,137,717</b>	<b>\$ 583,336</b>	<b>\$ 12,721,053</b>

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2012**

	<u>Transit Fund</u>	<u>Golf Course Fund</u>	<u>Total Nonmajor Enterprise Fund</u>
Operating revenues:			
Charges for services and use of facilities	\$ 659,760	\$ 456,359	\$ 1,116,119
Operating expenses:			
Salaries and benefits	3,429,488	224,147	3,653,635
Supplies	981,133	68,673	1,049,806
Contracted services	297,691	19,485	317,176
Utilities	123,392	24,134	147,526
Other	77,183	47,442	124,625
Depreciation	1,105,496	49,781	1,155,277
Total operating expenses	<u>6,014,383</u>	<u>433,662</u>	<u>6,448,045</u>
Operating income (loss)	<u>(5,354,623)</u>	<u>22,697</u>	<u>(5,331,926)</u>
Nonoperating revenues (expenses):			
Taxes	1,880,465	-	1,880,465
Intergovernmental	2,442,224	-	2,442,224
Interest expense	-	(2,254)	(2,254)
Interest and investment income	10,367	-	10,367
Gain (loss) on sale of capital assets	2,912	1,716	4,628
Other	1,146	-	1,146
Total nonoperating revenue (expense)	<u>4,337,114</u>	<u>(538)</u>	<u>4,336,576</u>
Income (loss) before capital contributions and transfers	<u>(1,017,509)</u>	<u>22,159</u>	<u>(995,350)</u>
Capital contributions	342,183	-	342,183
Transfers in	9,426	-	9,426
Change in net assets	<u>(665,900)</u>	<u>22,159</u>	<u>(643,741)</u>
Net assets, beginning of year	12,803,617	561,177	13,364,794
Net assets, end of year	<u>\$ 12,137,717</u>	<u>\$ 583,336</u>	<u>\$ 12,721,053</u>

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 1 of 2)**

	<b>Transit Fund</b>	<b>Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Cash flows from operating activities:</b>			
Cash received from customers and users	\$ 1,047,714	\$ 459,468	\$ 1,507,182
Cash received from other sources	1,146	1,716	2,862
Cash paid to employees for services	(3,383,452)	(224,147)	(3,607,599)
Cash paid to suppliers and contracted services	(1,438,590)	(153,866)	(1,592,456)
Cash paid to other sources	-	-	-
Net cash provided (used) by operating activities	<u>(3,773,182)</u>	<u>83,171</u>	<u>(3,690,011)</u>
<b>Cash flows from noncapital financing activities:</b>			
Cash received from tax revenues	1,807,004	-	1,807,004
Cash received from intergovernmental revenues	2,442,224	-	2,442,224
Cash received from nonoperating activities	-	-	-
Net cash provided (used) by noncapital financing activities	<u>4,249,228</u>	<u>-</u>	<u>4,249,228</u>
<b>Cash flows from capital and related financing activities:</b>			
Capital contributions	342,183	-	342,183
Acquisition and construction of capital assets	(539,835)	(17,495)	(557,330)
Proceeds from sales of capital assets	2,912	-	2,912
Cash paid for interest	-	(2,254)	(2,254)
Transfers From Other Funds	9,426	-	9,426
Principal paid on bonds and notes payable	-	(50,000)	(50,000)
Passenger Facilities Charges	-	-	-
Net cash provided (used) by capital and related financing activities	<u>(185,314)</u>	<u>(69,749)</u>	<u>(255,063)</u>
<b>Cash flows from investing activities:</b>			
Cash received from interest	9,807	-	9,807
Sale of investments	2,081,356	-	2,081,356
Purchase of investments	(2,203,686)	-	(2,203,686)
Net cash provided (used) by investing activities	<u>(112,523)</u>	<u>-</u>	<u>(112,523)</u>
Net increase (decrease) in cash and cash equivalents	178,209	13,422	191,631
<b>Cash and cash equivalents, beginning of year</b>	<u>816,348</u>	<u>113,612</u>	<u>929,960</u>
Cash and cash equivalents, end of year	<u>\$ 994,557</u>	<u>\$ 127,034</u>	<u>\$ 1,121,591</u>
<b>Cash and cash equivalents consists of:</b>			
Cash and cash equivalents	\$ 994,557	\$ 126,610	\$ 1,121,167
Restricted cash and cash equivalents with fiscal agent	-	424	424
Cash and cash equivalents, end of year	<u>\$ 994,557</u>	<u>\$ 127,034</u>	<u>\$ 1,121,591</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Nonmajor Enterprise Funds**  
**Combining Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 2 of 2)**

	<b>Transit Fund</b>	<b>Golf Course Fund</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>			
Operating income (loss)	\$ (5,354,623)	\$ 22,697	\$ (5,331,926)
Other nonoperating income (expense)	1,146	1,716	2,862
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	1,105,496	49,781	1,155,277
(Increase) decrease in receivables	(8,468)	-	(8,468)
(Increase) decrease in receivables from other governments	396,422	-	396,422
(Increase) decrease in prepaid items	-	3,109	3,109
Increase (decrease) in accounts payable	40,809	(1,332)	39,477
Increase (decrease) in accrued liabilities	46,036	7,200	53,236
Net cash provided (used) by operating activities	\$ (3,773,182)	\$ 83,171	\$ (3,690,011)
<b>Noncash investing, capital and financing activities:</b>			
Increase (decrease) in investment market value	572	-	572

# 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 Facility 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 Assets**  
**June 30, 2012**  
**(Page 1 of 4)**

<b>Assets</b>	<b>Fleet Services Fund</b>	<b>Central Service Fund</b>	<b>Information Technology Fund</b>	<b>City Health Insurance Fund</b>	<b>Central Telephone Services Fund</b>	<b>Property Insurance Fund</b>
Current assets:						
Cash and cash equivalents	\$ 346,226	\$ 59,755	\$ 414,022	\$ 620,817	\$ 118,815	\$ 941,519
Investments	547,226	95,531	661,216	995,440	190,042	1,509,972
Receivables:						
Accounts and unbilled usage	-	-	-	-	-	-
Deferred special assessments	-	-	-	-	-	-
Accrued interest	505	94	673	755	183	1,541
Notes	50,000	-	-	-	-	-
Inventories	396,994	-	-	-	-	-
Total current assets	<u>1,340,951</u>	<u>155,380</u>	<u>1,075,911</u>	<u>1,617,012</u>	<u>309,040</u>	<u>2,453,032</u>
Notes receivable	650,000	-	-	-	-	-
Property and equipment:						
Land	-	-	-	-	-	-
Buildings	32,091	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-	-
Equipment and vehicles	725,831	151,797	1,107,234	-	649,848	-
Construction in progress	-	-	9,847	-	33,536	-
Less: accumulated depreciation	(534,189)	(141,029)	(826,302)	-	(462,858)	-
Total noncurrent assets	<u>873,733</u>	<u>10,768</u>	<u>290,779</u>	<u>-</u>	<u>220,526</u>	<u>-</u>
Total assets	<u>2,214,684</u>	<u>166,148</u>	<u>1,366,690</u>	<u>1,617,012</u>	<u>529,566</u>	<u>2,453,032</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2012**  
**(Page 2 of 4)**

<b>Assets</b>	<b>Radio Communications Fund</b>	<b>Facilities Management Fund</b>	<b>Public Works Administration Fund</b>	<b>Public Works Engineering Fund</b>	<b>Total Internal Service Funds</b>
<b>Current assets:</b>					
Cash and cash equivalents	\$ 49,323	\$ 213,392	\$ 95,017	\$ 207,711	\$ 3,066,597
Investments	79,226	340,533	151,562	331,298	4,902,046
<b>Receivables:</b>					
Accounts and unbilled usage	-	-	-	17,311	17,311
Deferred special assessments	-	-	-	416	416
Accrued interest	78	315	160	247	4,551
Notes	-	-	-	-	50,000
Inventories	-	-	-	-	396,994
<b>Total current assets</b>	<b>128,627</b>	<b>554,240</b>	<b>246,739</b>	<b>556,983</b>	<b>8,437,915</b>
Notes receivable	-	-	-	-	650,000
<b>Property and equipment:</b>					
Land	-	1,386,329	-	-	1,386,329
Buildings	385,655	8,963,489	-	-	9,381,235
Improvements other than buildings	19,692	1,986,847	-	-	2,006,539
Equipment and vehicles	1,216,958	102,356	14,744	300,591	4,269,359
Construction in progress	871,000	-	-	-	914,383
Less: accumulated depreciation	(1,565,737)	(2,372,230)	(3,876)	(184,359)	(6,090,580)
<b>Total noncurrent assets</b>	<b>927,568</b>	<b>10,066,791</b>	<b>10,868</b>	<b>116,232</b>	<b>12,517,265</b>
<b>Total assets</b>	<b>1,056,195</b>	<b>10,621,031</b>	<b>257,607</b>	<b>673,215</b>	<b>20,955,180</b>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2012**  
**(Page 3 of 4)**

	<u>Fleet Services Fund</u>	<u>Central Service Fund</u>	<u>Information Technology Fund</u>	<u>City Health Insurance Fund</u>	<u>Central Telephone Services Fund</u>	<u>Property Insurance Fund</u>
<b>Liabilities</b>						
Current liabilities:						
Accounts payable	\$ 129,929	\$ 6,923	\$ 37,918	\$ 159,417	\$ 24,667	\$ 564
Accrued wages and benefits	22,518	-	21,265	554	1,233	1,328
Compensated absences	153,745	-	177,369	-	2,174	16,332
Accrued interest payable	-	-	-	-	-	-
Incurred but not reported health benefits	-	-	-	700,000	-	-
Notes payable	-	-	-	-	-	-
Total current liabilities	<u>306,192</u>	<u>6,923</u>	<u>236,552</u>	<u>859,971</u>	<u>28,074</u>	<u>18,224</u>
Noncurrent liabilities:						
Compensated absences	59,147	-	68,236	-	837	6,283
Other post employment benefits	88,385	-	96,586	-	6,430	5,530
Notes payable	-	-	-	-	-	-
Total noncurrent liabilities	<u>147,532</u>	<u>-</u>	<u>164,822</u>	<u>-</u>	<u>7,267</u>	<u>11,813</u>
Total liabilities	<u>453,724</u>	<u>6,923</u>	<u>401,374</u>	<u>859,971</u>	<u>35,341</u>	<u>30,037</u>
<b>Net Assets</b>						
Net assets:						
Invested in capital assets, net of related debt	223,733	10,768	290,779	-	220,526	-
Unrestricted	1,537,227	148,457	674,537	757,041	273,699	2,422,995
Total net assets	<u>\$ 1,760,960</u>	<u>\$ 159,225</u>	<u>\$ 965,316</u>	<u>\$ 757,041</u>	<u>\$ 494,225</u>	<u>\$ 2,422,995</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Net Assets**  
**June 30, 2012**  
**(Page 4 of 4)**

	<b>Radio Communications Fund</b>	<b>Facilities Management Fund</b>	<b>Public Works Administration Fund</b>	<b>Public Works Engineering Fund</b>	<b>Total Internal Service Funds</b>
<b>Liabilities</b>					
Current liabilities:					
Accounts payable	\$ 1,699	\$ 28,691	\$ 3,141	\$ 4,726	\$ 397,675
Accrued wages and benefits	-	6,951	9,821	27,478	91,148
Compensated absences	-	33,862	88,076	206,592	678,150
Accrued interest payable	-	75,871	-	-	75,871
Incurred but not reported health benefits	-	-	-	-	700,000
Notes payable	-	308,358	-	-	308,358
Total current liabilities	<u>1,699</u>	<u>453,733</u>	<u>101,038</u>	<u>238,796</u>	<u>2,251,202</u>
Noncurrent liabilities:					
Compensated absences	-	13,027	33,883	79,478	260,891
Other post employment benefits	-	30,462	38,946	106,339	372,678
Notes payable	-	4,119,863	-	-	4,119,863
Total noncurrent liabilities	<u>-</u>	<u>4,163,352</u>	<u>72,829</u>	<u>185,817</u>	<u>4,753,432</u>
Total liabilities	<u>1,699</u>	<u>4,617,085</u>	<u>173,867</u>	<u>424,613</u>	<u>7,004,634</u>
<b>Net Assets</b>					
Net assets:					
Invested in capital assets, net of related debt	927,568	5,638,570	10,868	116,232	7,439,044
Unrestricted	126,928	365,376	72,872	132,370	6,511,502
Total net assets	<u>\$ 1,054,496</u>	<u>\$ 6,003,946</u>	<u>\$ 83,740</u>	<u>\$ 248,602</u>	<u>\$ 13,950,546</u>

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2012**

(Page 1 of 2)

	<b>Fleet Services Fund</b>	<b>Central Service Fund</b>	<b>Information Technology Fund</b>	<b>City Health Insurance Fund</b>	<b>Central Telephone Services Fund</b>	<b>Property Insurance Fund</b>
Operating revenues:						
Charges for services and use of facilities	\$ 1,473,893	\$ 98,787	\$ 1,957,538	\$ 11,909,623	\$ 358,964	\$ 1,407,055
Operating expenses:						
Salaries and benefits	1,133,746	-	1,421,387	10,183,278	81,264	86,220
Supplies	63,459	27,653	36,024	-	820	1,394
Contracted services	103,554	62,679	180,481	844,529	55,975	12,229
Utilities	6,517	-	31,001	-	104,822	-
Other	79,358	-	126,845	126,824	482	1,883,368
Depreciation	60,583	14,923	121,330	-	54,233	-
Total operating expenses	<u>1,447,217</u>	<u>105,255</u>	<u>1,917,068</u>	<u>11,154,631</u>	<u>297,596</u>	<u>1,983,211</u>
Operating income (loss)	<u>26,676</u>	<u>(6,468)</u>	<u>40,470</u>	<u>754,992</u>	<u>61,368</u>	<u>(576,156)</u>
Nonoperating revenues (expenses):						
Taxes	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Interest and investment income	3,919	717	4,913	4,212	1,247	13,183
Gain (loss) on sale of capital assets	-	-	2,639	-	-	-
Other	6,250	-	-	2,511	-	29,530
Total nonoperating revenue (expense)	<u>10,169</u>	<u>717</u>	<u>7,552</u>	<u>6,723</u>	<u>1,247</u>	<u>42,713</u>
Income (loss) before capital contributions and transfers	<u>36,845</u>	<u>(5,751)</u>	<u>48,022</u>	<u>761,715</u>	<u>62,615</u>	<u>(533,443)</u>
Capital contributions	-	-	107,333	-	-	-
Transfers in	-	-	-	-	-	120,000
Transfers out	(97,416)	-	-	-	-	-
Change in net assets	<u>(60,571)</u>	<u>(5,751)</u>	<u>155,355</u>	<u>761,715</u>	<u>62,615</u>	<u>(413,443)</u>
Net assets, beginning of year	1,821,531	164,976	809,961	(4,674)	431,610	2,836,438
Net assets, end of year	<u>\$ 1,760,960</u>	<u>\$ 159,225</u>	<u>\$ 965,316</u>	<u>\$ 757,041</u>	<u>\$ 494,225</u>	<u>\$ 2,422,995</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**For the Year Ended June 30, 2012**

(Page 2 of 2)

	<b>Radio Communications Fund</b>	<b>Facilities Management Fund</b>	<b>Public Works Administration Fund</b>	<b>Public Works Engineering Fund</b>	<b>Total Internal Service Funds</b>
Operating revenues:					
Charges for services and use of facilities	\$ 462,719	\$ 1,122,329	\$ 840,753	\$ 2,392,591	\$ 22,024,252
Operating expenses:					
Salaries and benefits	-	364,035	640,802	1,626,600	15,537,332
Supplies	-	105,748	9,488	44,768	289,354
Contracted services	179,324	231,318	151,374	363,553	2,185,016
Utilities	17,659	241,652	16,807	139,016	557,474
Other	1,923	37,085	68,029	25,661	2,349,575
Depreciation	18,856	300,723	1,786	21,001	593,435
Total operating expenses	217,762	1,280,561	888,286	2,220,599	21,512,186
Operating income (loss)	244,957	(158,232)	(47,533)	171,992	512,066
Nonoperating revenues (expenses):					
Taxes	-	-	-	23,073	23,073
Interest expense	-	(233,936)	-	-	(233,936)
Interest and investment income	1,223	2,275	1,242	889	33,820
Gain (loss) on sale of capital assets	-	2,321	-	1,001	5,961
Other	-	1,279	-	-	39,570
Total nonoperating revenue (expense)	1,223	(228,061)	1,242	24,963	(131,512)
Income (loss) before capital contributions and transfers	246,180	(386,293)	(46,291)	196,955	380,554
Capital contributions	168,364	-	-	-	275,697
Transfers in	-	532,056	-	35,247	687,303
Transfers out	-	-	-	(2,500)	(99,916)
Change in net assets	414,544	145,763	(46,291)	229,702	1,243,638
Net assets, beginning of year	639,952	5,858,183	130,031	18,900	12,706,908
Net assets, end of year	\$ 1,054,496	\$ 6,003,946	\$ 83,740	\$ 248,602	\$ 13,950,546

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 1 of 4)**

	Motor Pool Fund	Central Service Fund	Information Technology Fund	City Health Insurance Fund	Central Telephone Services Fund	Property Insurance Fund
<b>Cash flows from operating activities:</b>						
Cash received from customers and users	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash received from interfund services provided	1,473,893	98,787	1,957,538	11,909,623	358,964	1,407,055
Cash received from other sources	6,250	-	-	2,511	-	29,530
Cash paid to employees for services	(1,088,843)	-	(1,401,893)	(10,182,956)	(78,187)	(81,688)
Cash paid to suppliers and contracted services	(283,537)	(89,275)	(373,420)	(946,710)	(137,819)	(1,897,422)
Net cash provided (used) by operating activities	<u>107,763</u>	<u>9,512</u>	<u>182,225</u>	<u>782,468</u>	<u>142,958</u>	<u>(542,525)</u>
<b>Cash flows from noncapital financing activities:</b>						
Transfers from other funds	-	-	-	-	-	120,000
Transfers to other funds	(97,416)	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(97,416)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
<b>Cash flows from capital and related financing activities:</b>						
Capital contributions	-	-	107,333	-	-	-
Acquisition and construction of capital assets	-	-	(179,764)	-	(80,513)	-
Proceeds from sales of capital assets	50,000	-	2,639	-	-	-
Cash paid for interest	-	-	-	-	-	-
Principal paid on notes payable and capital lease payable	-	-	-	-	-	-
Transfers to other funds	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>50,000</u>	<u>-</u>	<u>(69,792)</u>	<u>-</u>	<u>(80,513)</u>	<u>-</u>
<b>Cash flows from investing activities:</b>						
Cash received from interest	4,005	720	4,878	4,258	1,204	13,515
Sale of investments	(767,150)	130,078	871,453	914,499	230,834	2,415,689
Purchase of investments	750,424	(132,404)	(917,368)	(1,375,573)	(263,264)	(2,086,166)
Net cash provided by investing activities	<u>(12,721)</u>	<u>(1,606)</u>	<u>(41,037)</u>	<u>(456,816)</u>	<u>(31,226)</u>	<u>343,038</u>
Net increase (decrease) in cash and cash equivalents	47,626	7,906	71,396	325,652	31,219	(79,487)
<b>Cash and cash equivalents, beginning of year</b>	<u>298,600</u>	<u>51,849</u>	<u>342,626</u>	<u>295,165</u>	<u>87,596</u>	<u>1,021,006</u>
Cash and cash equivalents, end of year	<u>\$ 346,226</u>	<u>\$ 59,755</u>	<u>\$ 414,022</u>	<u>\$ 620,817</u>	<u>\$ 118,815</u>	<u>\$ 941,519</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 2 of 4)**

	Radio Communica- tions Fund	Facilities Manage- ment Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
<b>Cash flows from operating activities:</b>					
Cash received from customers and users	\$ -	\$ 568,077	\$ -	\$ 97,230	\$ 665,307
Cash received from interfund services provided	462,719	554,252	840,753	2,342,339	21,405,923
Cash received from other sources	-	-	-	-	38,291
Cash paid to employees for services	-	(355,081)	(621,039)	(1,588,876)	(15,398,563)
Cash paid to suppliers and contracted services	(197,892)	(633,220)	(239,730)	(562,696)	(5,361,721)
Net cash provided (used) by operating activities	<u>264,827</u>	<u>135,307</u>	<u>(20,016)</u>	<u>287,997</u>	<u>1,350,516</u>
<b>Cash flows from noncapital financing activities:</b>					
Transfers from other funds	-	-	-	35,247	155,247
Transfers to other funds	-	-	-	-	(97,416)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>35,247</u>	<u>57,831</u>
<b>Cash flows from capital and related financing activities:</b>					
Capital contributions	168,364	-	-	-	275,697
Acquisition and construction of capital assets	(871,000)	(3,400)	(9,044)	(35,698)	(1,179,419)
Proceeds from sales of capital assets	-	1,040	-	1,001	54,680
Cash paid for interest	-	(238,957)	-	-	(238,957)
Principal paid on notes payable and capital lease payable	-	(293,099)	-	-	(293,099)
Transfers to other funds	-	-	-	(2,500)	(2,500)
Transfers from other funds	-	532,056	-	-	532,056
Net cash provided (used) by capital and related financing activities	<u>(702,636)</u>	<u>(2,360)</u>	<u>(9,044)</u>	<u>(37,197)</u>	<u>(851,542)</u>
<b>Cash flows from investing activities:</b>					
Cash received from interest	1,473	2,074	1,268	703	34,098
Sale of investments	392,974	401,281	235,130	290,860	5,115,648
Purchase of investments	(109,288)	(472,822)	(210,534)	(460,234)	(5,277,229)
Net cash provided by investing activities	<u>285,159</u>	<u>(69,467)</u>	<u>25,864</u>	<u>(168,671)</u>	<u>(127,483)</u>
Net increase (decrease) in cash and cash equivalents	(152,650)	63,480	(3,196)	117,376	429,322
<b>Cash and cash equivalents, beginning of year</b>	<u>201,973</u>	<u>149,912</u>	<u>98,213</u>	<u>90,335</u>	<u>2,637,275</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 49,323</u>	<u>\$ 213,392</u>	<u>\$ 95,017</u>	<u>\$ 207,711</u>	<u>\$ 3,066,597</u>

(continued)

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 3 of 4)**

	<b>Motor Pool Fund</b>	<b>Central Service Fund</b>	<b>Information Technology Fund</b>	<b>City Health Insurance Fund</b>	<b>Central Telephone Services Fund</b>	<b>Property Insurance Fund</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ 26,676	\$ (6,468)	\$ 40,470	\$ 754,992	\$ 61,368	\$ (576,156)
Other nonoperating income (expense)	6,250	-	-	2,511	-	29,530
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	60,583	14,923	121,330	-	54,233	-
(Increase) decrease in receivables	-	-	-	-	-	-
(Increase) decrease in inventories	(39,837)	-	-	-	-	-
(Increase) decrease in prepaid items	-	-	-	-	-	-
Increase (decrease) in accounts payable	9,188	1,057	931	24,643	24,280	(431)
Increase (decrease) in accrued liabilities	44,903	-	19,494	322	3,077	4,532
Net cash provided (used) by operating activities	<u>\$ 107,763</u>	<u>\$ 9,512</u>	<u>\$ 182,225</u>	<u>\$ 782,468</u>	<u>\$ 142,958</u>	<u>\$ (542,525)</u>
<b>Noncash investing, capital and financing activities:</b>						
Increase (decrease) in investment market value	50	13	95	(48)	46	290

(continued)

**CITY OF BILLINGS, MONTANA**  
**Internal Service Funds**  
**Combining Statement of Cash Flows**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 4 of 4)**

	<b>Radio Communica- tions Fund</b>	<b>Facilities Manage- ment Fund</b>	<b>Public Works Administration Fund</b>	<b>Public Works Engineering Fund</b>	<b>Total Internal Service Funds</b>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>					
Operating income (loss)	\$ 244,957	\$ (158,232)	\$ (47,533)	\$ 171,992	\$ 512,066
Other nonoperating income (expense)	-	1,279	-	23,073	62,643
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	18,856	300,723	1,786	21,001	593,435
(Increase) decrease in receivables	-	-	-	23,905	23,905
(Increase) decrease in inventories	-	-	-	-	(39,837)
(Increase) decrease in prepaid items	-	-	5,067	7,600	12,667
Increase (decrease) in accounts payable	1,014	(17,417)	901	2,702	46,868
Increase (decrease) in accrued liabilities	-	8,954	19,763	37,724	138,769
Net cash provided (used) by operating activities	<u>\$ 264,827</u>	<u>\$ 135,307</u>	<u>\$ (20,016)</u>	<u>\$ 287,997</u>	<u>\$ 1,350,516</u>
<b>Noncash investing, capital and financing activities:</b>					
Increase (decrease) in investment market value	82	59	18	62	667

# 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.
- The Montana Arts Council Fund accounts for amounts received from the Montana Arts Council – Cultural Trust Fund and remits to the grantee. The City is named as sponsor in the agreement between the State and the grantee and the City's involvement is limited to remitting the monies to the named grantee upon receipt.

**CITY OF BILLINGS**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 1 of 2)**

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Downtown Business Improvement District</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 261,407	\$ 261,407	\$ -
Total assets	<u>\$ -</u>	<u>\$ 261,407</u>	<u>\$ 261,407</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 261,407	\$ 261,407	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 261,407</u>	<u>\$ 261,407</u>	<u>\$ -</u>
<b>Tourism Business Improvement District</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 866,322	\$ 852,154	\$ 14,168
Total assets	<u>\$ -</u>	<u>\$ 866,322</u>	<u>\$ 852,154</u>	<u>\$ 14,168</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 852,154	\$ 837,986	\$ 14,168
Total liabilities	<u>\$ -</u>	<u>\$ 852,154</u>	<u>\$ 837,986</u>	<u>\$ 14,168</u>
<b>License Plate Fund</b>				
<u>Assets</u>				
Cash and cash equivalents	\$ 3,220	\$ 9,840	\$ 9,840	\$ 3,220
Total assets	<u>\$ 3,220</u>	<u>\$ 9,840</u>	<u>\$ 9,840</u>	<u>\$ 3,220</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,220	\$ 9,840	\$ 9,840	\$ 3,220
Total liabilities	<u>\$ 3,220</u>	<u>\$ 9,840</u>	<u>\$ 9,840</u>	<u>\$ 3,220</u>

(continued)

**CITY OF BILLINGS**  
**Agency Funds**  
**Combining Statement of Changes in Assets and Liabilities**  
**For The Fiscal Year Ended June 30, 2012**  
**(Page 2 of 2)**

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2012</u>
<b>Montana Arts Council</b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ -	\$ 17,682	\$ 17,682	\$ -
Total assets	<u>\$ -</u>	<u>\$ 17,682</u>	<u>\$ 17,682</u>	<u>\$ -</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ -	\$ 17,682	\$ 17,682	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 17,682</u>	<u>\$ 17,682</u>	<u>\$ -</u>
<b>Totals - All Agency Funds</b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 3,220	\$ 1,155,251	\$ 1,141,083	\$ 17,388
Total assets	<u>\$ 3,220</u>	<u>\$ 1,155,251</u>	<u>\$ 1,141,083</u>	<u>\$ 17,388</u>
<b><u>Liabilities</u></b>				
Accounts payable	\$ 3,220	\$ 1,141,083	\$ 1,126,915	\$ 17,388
Total liabilities	<u>\$ 3,220</u>	<u>\$ 1,141,083</u>	<u>\$ 1,126,915</u>	<u>\$ 17,388</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.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
Financial Trends	157-166
<i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	
Revenue Capacity	167-170
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	171-179
<i>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.</i>	
Demographic and Economic Information	180-181
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within the City of Billings.</i>	
Operating Information	182-186
<i>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.</i>	

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 42,796	\$ 65,754	\$ 77,148	\$ 86,426	\$ 100,659	\$ 117,182	\$ 133,026	\$ 137,282	\$ 156,927	\$ 185,242
Restricted	43,501	53,599	50,545	52,517	51,945	50,652	55,867	58,567	56,725	58,125
Unrestricted	<u>27,069</u>	<u>6,157</u>	<u>3,480</u>	<u>7,112</u>	<u>11,533</u>	<u>11,510</u>	<u>13,654</u>	<u>17,550</u>	<u>20,350</u>	<u>23,962</u>
Total governmental activities net assets	<u>\$ 113,366</u>	<u>\$ 125,510</u>	<u>\$ 131,173</u>	<u>\$ 146,055</u>	<u>\$ 164,137</u>	<u>\$ 179,344</u>	<u>\$ 202,547</u>	<u>\$ 213,399</u>	<u>\$ 234,002</u>	<u>\$ 267,329</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 193,219	\$ 203,427	\$ 215,134	\$ 237,516	\$ 255,886	\$ 252,847	\$ 264,674	\$ 271,666	\$ 285,474	\$ 286,328
Restricted	2,081	2,081	2,105	2,839	3,488	3,774	4,273	5,175	5,977	5,657
Unrestricted	<u>28,822</u>	<u>41,282</u>	<u>45,973</u>	<u>35,153</u>	<u>29,834</u>	<u>44,771</u>	<u>42,333</u>	<u>45,927</u>	<u>48,090</u>	<u>57,552</u>
Total business-type activities net assets	<u>\$ 224,122</u>	<u>\$ 246,790</u>	<u>\$ 263,212</u>	<u>\$ 275,508</u>	<u>\$ 289,208</u>	<u>\$ 301,392</u>	<u>\$ 311,280</u>	<u>\$ 322,768</u>	<u>\$ 339,541</u>	<u>\$ 349,537</u>
Primary government										
Invested in capital assets, net of related debt	\$ 236,015	\$ 269,181	\$ 292,282	\$ 323,942	\$ 356,545	\$ 370,029	\$ 397,700	\$ 408,948	\$ 442,401	\$ 471,570
Restricted	45,582	55,680	52,650	55,356	55,433	54,426	60,140	63,742	62,702	63,782
Unrestricted	<u>55,891</u>	<u>47,439</u>	<u>49,453</u>	<u>42,265</u>	<u>41,367</u>	<u>56,281</u>	<u>55,987</u>	<u>63,477</u>	<u>68,440</u>	<u>81,514</u>
Total primary government net assets	<u>\$ 337,488</u>	<u>\$ 372,300</u>	<u>\$ 394,385</u>	<u>\$ 421,563</u>	<u>\$ 453,345</u>	<u>\$ 480,736</u>	<u>\$ 513,827</u>	<u>\$ 536,167</u>	<u>\$ 573,543</u>	<u>\$ 616,866</u>

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 5,471	\$ 5,744	\$ 6,457	\$ 7,016	\$ 6,844	\$ 6,289	\$ 7,288	\$ 7,240	\$ 7,397	\$ 7,543
Public safety	24,762	25,867	31,215	29,754	34,533	36,647	38,312	40,841	42,735	37,410
Public works	11,803	13,976	13,328	14,476	18,048	18,558	20,238	17,531	19,284	21,609
Public health	498	610	572	588	609	799	858	816	865	851
Culture and recreation	6,621	7,297	6,282	6,687	7,068	7,417	7,799	8,118	8,133	8,312
Housing and economic development	4,155	6,650	5,358	4,145	3,189	3,246	4,068	5,879	3,709	3,561
Interest on long-term debt	1,955	1,685	1,809	1,830	1,779	2,270	2,440	2,377	2,216	2,212
Total governmental activities expenses	<u>55,265</u>	<u>61,829</u>	<u>65,021</u>	<u>64,496</u>	<u>72,070</u>	<u>75,226</u>	<u>81,003</u>	<u>82,802</u>	<u>84,339</u>	<u>81,498</u>
Business-type activities:										
Solid waste	6,445	6,387	6,969	7,321	7,982	8,921	8,933	8,510	9,996	10,296
Airport	9,186	9,246	9,493	9,832	9,941	11,657	11,598	11,613	12,038	13,098
Water	10,453	10,722	11,398	12,724	13,172	15,023	15,634	15,610	16,420	16,481
Wastewater	7,336	7,204	7,683	8,467	8,466	9,074	8,905	10,050	10,168	10,831
Parking	1,573	1,590	1,525	1,607	1,836	2,272	2,718	2,784	2,616	3,166
Transit	4,164	4,170	4,356	4,681	4,971	5,080	5,338	5,564	5,737	6,017
Golf course	352	363	340	392	380	415	415	423	428	434
Total business-type activities expenses	<u>39,509</u>	<u>39,682</u>	<u>41,764</u>	<u>45,024</u>	<u>46,748</u>	<u>52,442</u>	<u>53,541</u>	<u>54,554</u>	<u>57,403</u>	<u>60,323</u>
Total primary government expenses	<u>\$ 94,774</u>	<u>\$ 101,511</u>	<u>\$ 106,785</u>	<u>\$ 109,520</u>	<u>\$ 118,818</u>	<u>\$ 127,668</u>	<u>\$ 134,544</u>	<u>\$ 137,356</u>	<u>\$ 141,742</u>	<u>\$ 141,821</u>

(continued)

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 2,041	\$ 1,498	\$ 2,113	\$ 1,921	\$ 1,734	\$ 1,907	\$ 2,229	\$ 2,291	\$ 2,365	\$ 2,788
Public safety	5,007	4,993	4,873	5,426	6,347	6,377	5,847	6,172	6,630	5,982
Public works	11,756	13,455	17,064	18,097	18,294	18,774	19,278	18,238	18,933	21,221
Culture and recreation	1,209	1,290	1,372	1,632	1,586	1,785	1,648	45	46	45
Other activities	176	178	198	158	167	166	123	1,772	1,838	1,887
Operating grants and contributions	6,985	12,513	6,591	7,557	11,021	11,359	11,514	13,125	12,229	7,006
Capital grants and contributions	7,453	9,049	8,460	8,297	5,415	6,963	13,182	7,555	14,133	26,658
Total governmental activities program revenues	<u>34,627</u>	<u>42,976</u>	<u>40,671</u>	<u>43,088</u>	<u>44,564</u>	<u>47,331</u>	<u>53,821</u>	<u>49,198</u>	<u>56,174</u>	<u>65,587</u>
Business-type activities:										
Charges for services:										
Solid waste	6,997	7,393	7,500	7,456	7,482	7,887	8,169	9,144	9,801	10,731
Airport	6,559	6,809	6,863	7,045	7,496	7,791	7,987	8,278	8,483	9,568
Water	15,230	15,731	14,468	16,398	17,827	18,870	19,458	21,099	19,538	23,569
Wastewater	9,481	9,108	9,125	9,684	9,554	10,230	10,574	10,282	10,919	14,144
Other activities	2,225	2,324	2,305	2,362	2,595	2,821	2,919	2,850	2,810	2,902
Operating grants and contributions	1,497	1,740	1,465	1,487	1,669	2,605	2,281	2,384	2,224	2,260
Capital grants and contributions	7,745	7,506	11,146	9,386	9,281	9,746	7,187	9,247	15,707	6,041
Total business-type activities program revenues	<u>49,734</u>	<u>50,611</u>	<u>52,872</u>	<u>53,818</u>	<u>55,904</u>	<u>59,950</u>	<u>58,575</u>	<u>63,284</u>	<u>69,482</u>	<u>69,215</u>
Total primary government program revenues	<u>\$ 84,361</u>	<u>\$ 93,587</u>	<u>\$ 93,543</u>	<u>\$ 96,906</u>	<u>\$ 100,468</u>	<u>\$ 107,281</u>	<u>\$ 112,396</u>	<u>\$ 112,482</u>	<u>\$ 125,656</u>	<u>\$ 134,802</u>
Net (expense)/revenue										
Governmental activities	\$ (20,638)	\$ (18,853)	\$ (24,350)	\$ (21,408)	\$ (27,506)	\$ (27,895)	\$ (27,182)	\$ (33,604)	\$ (28,165)	\$ (15,911)
Business-type activities	10,225	10,929	11,108	8,794	9,156	7,508	5,034	8,730	12,079	8,892
Total primary government	<u>\$ (10,413)</u>	<u>\$ (7,924)</u>	<u>\$ (13,242)</u>	<u>\$ (12,614)</u>	<u>\$ (18,350)</u>	<u>\$ (20,387)</u>	<u>\$ (22,148)</u>	<u>\$ (24,874)</u>	<u>\$ (16,086)</u>	<u>\$ (7,019)</u>

(continued)

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

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Revenues and Other Changes in Net Assets</b>										
Governmental activities:										
Property taxes	\$ 15,084	\$ 16,303	\$ 17,088	\$ 20,371	\$ 23,192	\$ 26,001	\$ 25,877	\$ 28,106	\$ 31,642	\$ 31,165
Franchise fees	1,903	1,903	2,030	2,128	2,316	2,488	2,711	2,786	2,946	3,348
Business license tax	559	578	594	613	596	610	634	643	744	706
Unrestricted federal/state shared revenue	11,226	11,350	11,723	11,835	11,923	12,339	12,232	12,707	13,247	13,544
Grants and contributions not restricted	113	-	-	-	-	-	-	-	-	-
Unrestricted investment earnings	345	229	384	562	881	1,347	555	229	129	133
Gain on sale of property and equipment	5,424	94	221	179	1,519	235	1,478	(273)	(13)	139
Miscellaneous	261	272	223	403	50	118	124	53	77	59
Transfers	(1,696)	266	(2,250)	200	253	(38)	(873)	206	(1,561)	146
<b>Total governmental activities</b>	<u>33,219</u>	<u>30,995</u>	<u>30,013</u>	<u>36,291</u>	<u>40,730</u>	<u>43,100</u>	<u>42,738</u>	<u>44,457</u>	<u>47,211</u>	<u>49,240</u>
Business-type activities:										
Property taxes	1,601	1,406	1,420	1,544	1,548	1,630	1,744	1,774	1,833	1,880
Unrestricted federal/state shared revenue	-	-	306	306	305	306	312	324	341	341
Unrestricted investment earnings	721	474	1,000	1,728	2,793	2,358	1,336	641	436	419
Gain on sale of property and equipment	60	-	255	10	60	33	44	20	(24)	(547)
Miscellaneous	-	123	84	113	93	312	546	205	150	742
Transfers	1,696	(266)	2,250	(200)	(253)	38	873	(206)	1,561	(146)
<b>Total business-type activities</b>	<u>4,078</u>	<u>1,737</u>	<u>5,315</u>	<u>3,501</u>	<u>4,546</u>	<u>4,677</u>	<u>4,855</u>	<u>2,758</u>	<u>4,297</u>	<u>2,689</u>
<b>Total primary government</b>	<u>\$ 37,297</u>	<u>\$ 32,732</u>	<u>\$ 35,328</u>	<u>\$ 39,792</u>	<u>\$ 45,276</u>	<u>\$ 47,777</u>	<u>\$ 47,593</u>	<u>\$ 47,215</u>	<u>\$ 51,508</u>	<u>\$ 51,929</u>
<b>Change in Net Assets</b>										
Governmental activities	\$ 12,581	\$ 12,142	\$ 5,663	\$ 14,883	\$ 13,224	\$ 15,205	\$ 15,556	\$ 10,853	\$ 19,046	\$ 33,329
Business-type activities	14,303	12,666	16,423	12,295	13,702	12,185	9,889	11,488	16,376	11,581
<b>Total primary government net assets</b>	<u>\$ 26,884</u>	<u>\$ 24,808</u>	<u>\$ 22,086</u>	<u>\$ 27,178</u>	<u>\$ 26,926</u>	<u>\$ 27,390</u>	<u>\$ 25,445</u>	<u>\$ 22,341</u>	<u>\$ 35,422</u>	<u>\$ 44,910</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)**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Business License Tax</b>	<b>Total</b>
2003	\$ 15,084	\$ 559	\$ 15,643
2004	16,303	578	16,881
2005	17,088	594	17,682
2006	20,371	613	20,984
2007	23,192	596	23,788
2008	26,001	610	26,611
2009	25,878	634	26,512
2010	28,106	643	28,749
2011	31,642	744	32,386
2012	31,165	706	31,871

Source: City of Billings, Montana

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

	<b>Fiscal Years</b>		
	<u><b>2010</b></u>	<u><b>2011</b></u>	<u><b>2012</b></u>
<b>General Fund</b>			
Unspendable	\$ -	\$ -	\$ -
Restricted	-	-	-
Committed	8,186	8,610	9,726
Assigned	-	-	-
Unassigned	<u>5,007</u>	<u>8,131</u>	<u>10,285</u>
Total	<u><u>\$ 13,193</u></u>	<u><u>\$ 16,741</u></u>	<u><u>\$ 20,011</u></u>
<b>All other governmental funds</b>			
Unspendable	\$ 601	\$ 614	\$ 626
Restricted	40,044	39,936	43,818
Committed	9,477	8,547	7,958
Assigned	-	-	-
Unassigned	<u>(243)</u>	<u>(496)</u>	<u>(906)</u>
Total	<u><u>\$ 49,879</u></u>	<u><u>\$ 48,601</u></u>	<u><u>\$ 51,496</u></u>

Source: City of Billings, Montana

<sup>1</sup> 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>										
Taxes	\$ 14,942	\$ 16,443	\$ 17,008	\$ 20,049	\$ 22,953	\$ 25,446	\$ 26,006	\$ 27,841	\$ 32,062	\$ 30,654
Licenses and permits	3,868	4,109	4,281	4,340	4,786	5,200	4,952	4,759	5,126	5,611
Intergovernmental	17,061	16,123	16,951	17,818	21,425	22,044	23,933	27,219	27,704	20,698
Charges for services:	8,525	9,012	10,270	10,776	10,688	10,385	10,801	9,743	10,725	11,128
Fines and forfeitures	1,419	1,605	1,401	1,651	2,017	1,869	1,650	1,809	2,035	2,052
Special assessments	12,881	14,348	16,149	16,874	16,890	17,180	18,021	17,984	18,635	20,276
Other	4,453	2,443	5,513	3,604	4,208	5,592	3,188	2,761	1,918	1,674
Total revenues	<u>63,149</u>	<u>64,083</u>	<u>71,573</u>	<u>75,112</u>	<u>82,967</u>	<u>87,716</u>	<u>88,551</u>	<u>92,116</u>	<u>98,205</u>	<u>92,093</u>
<b>Expenditures</b>										
Current:										
General government	5,252	5,567	6,358	6,679	7,083	6,452	6,942	7,147	7,208	7,323
Public safety	23,164	24,482	25,799	27,652	33,519	39,867	36,479	38,801	40,529	36,145
Public works	9,715	12,028	11,756	12,482	12,934	13,036	13,708	12,402	13,514	14,133
Public health	476	566	510	520	556	707	745	727	766	769
Culture and recreation	5,167	5,803	5,353	5,603	6,150	6,387	6,570	6,944	6,981	7,133
Housing and economic development	3,988	6,468	5,182	3,984	3,056	3,121	3,936	5,860	3,599	3,478
Capital outlay	17,781	13,748	10,454	13,996	9,858	29,671	17,072	8,313	17,007	13,980
Debt service:										
Principal	6,223	5,961	7,253	9,436	6,208	7,277	4,700	4,590	5,934	6,967
Interest and fiscal charges	1,829	1,642	1,538	1,565	1,433	1,693	1,858	2,172	1,942	1,752
Bond issuance costs	204	57	113	55	212	-	212	9	64	135
Total expenditures	<u>73,799</u>	<u>76,322</u>	<u>74,316</u>	<u>81,972</u>	<u>81,009</u>	<u>108,211</u>	<u>92,222</u>	<u>86,965</u>	<u>97,544</u>	<u>91,815</u>
Excess of revenues over (under) expenditures	<u>\$(10,650)</u>	<u>\$(12,239)</u>	<u>\$ (2,743)</u>	<u>\$ (6,860)</u>	<u>\$ 1,958</u>	<u>\$(20,495)</u>	<u>\$ (3,671)</u>	<u>\$ 5,151</u>	<u>\$ 661</u>	<u>\$ 278</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Other financing sources (uses)</b>										
Transfers in	\$ 24,672	\$ 22,725	\$ 22,123	\$ 22,903	\$ 25,752	\$ 23,191	\$ 20,691	\$ 21,267	\$ 25,054	\$ 24,532
Transfers out	(26,846)	(22,848)	(22,296)	(23,086)	(25,955)	(23,398)	(20,874)	(21,982)	(25,730)	(24,886)
Issuance of Debt	1,677	4,434	1,108	611	228	4,033	213	881	1,125	3,630
Capital leases	-	-	-	-	-	404	-	-	-	-
General obligation bonds issued	-	-	5,200	-	12,500	-	-	-	-	-
Special assessment bonds issued	14,123	-	-	-	380	168	6,665	988	945	2,325
Special assessment refunding bonds issued	6,240	7,055	1,275	3,371	-	-	-	-	-	-
Payment to bond refunding escrow agent	(6,393)	(6,976)	-	-	-	-	-	-	-	-
Premium on bonds issued	-	39	34	-	43	-	-	-	31	-
Bond discounts	(364)	(50)	(15)	(41)	-	-	(152)	-	(30)	(57)
Sale of capital assets	-	47	169	128	1,504	229	649	342	213	343
<b>Total other financing sources (uses)</b>	<u>13,109</u>	<u>4,426</u>	<u>7,598</u>	<u>3,886</u>	<u>14,452</u>	<u>4,627</u>	<u>7,192</u>	<u>1,496</u>	<u>1,608</u>	<u>5,887</u>
<b>Special item</b>										
Proceeds from sale of industrial real estate	1,250	-	-	-	-	-	-	-	-	-
<b>Net change in fund balances</b>	<u>\$ 3,709</u>	<u>\$ (7,813)</u>	<u>\$ 4,855</u>	<u>\$ (2,974)</u>	<u>\$ 16,410</u>	<u>\$ (15,868)</u>	<u>\$ 3,521</u>	<u>\$ 6,647</u>	<u>\$ 2,269</u>	<u>\$ 6,165</u>
<b>Debt service as a percentage of noncapital expenditures</b>	14.4%	12.2%	13.8%	16.2%	10.7%	11.4%	8.7%	8.6%	9.8%	11.2%

Source: City of Billings, Montana  
Other expenditures were reclassified to Public Works for fiscal years 2000-2006.

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

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Business License Tax</b>	<b>Total</b>
2003	\$ 14,942	\$ 559	\$ 15,501
2004	16,443	578	17,021
2005	17,008	594	17,602
2006	20,049	613	20,662
2007	22,953	596	23,549
2008	25,446	610	26,056
2009	26,006	634	26,640
2010	27,841	643	28,484
2011	32,062	744	32,806
2012	30,654	706	31,360

Source: City of Billings, Montana

**CITY OF BILLINGS, MONTANA**  
**Employer Contributions to the Health Insurance Plan**  
**Last Seven Fiscal Years**  
**(modified accrual basis of accounting)**  
**(amounts expressed in thousands)**  
**(Unaudited)**

<u>Fiscal Year</u>	<u>Employer Contributions</u>	<u>Annual Required Contribution (ARC) <sup>1</sup></u>	<u>Percentage of (ARC) <sup>1</sup></u>
2006	\$ 4,867,237	n/a	n/a
2007	5,108,076	n/a	n/a
2008	5,536,050	n/a	n/a
2009	5,839,880	1,012,000	17%
2010	6,175,808	1,012,000	16%
2011	6,726,503	715,000	11%
2012	7,457,610	676,000	9%

Source: City of Billings, Montana

<sup>1</sup> ARC is shown as a percentage of employer contributions for years beginning FY 2009, which was the first year of implementation of GASB Statement 45.

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

Fiscal Year	Real Property <sup>3,4</sup>		Personal Property		Total <sup>5</sup>		Direct Tax Rate	Ratio of Assessed Value to Estimated Market
	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value <sup>1</sup>	Assessed Value <sup>2</sup>		
2003	\$ 3,370,233,762	\$ 110,188,140	\$ 175,995,572	\$ 6,131,540	\$ 3,546,229,334	\$ 116,319,680	110.23	3.3%
2004	3,620,368,422	116,311,480	175,412,091	6,113,768	3,795,780,513	122,425,248	110.23	3.2%
2005	4,084,077,847	120,765,730	203,536,288	6,138,153	4,287,614,135	126,903,883	113.73	3.0%
2006	4,357,782,535	129,033,010	216,372,762	6,498,495	4,574,155,297	135,531,505	132.81	3.0%
2007	4,662,425,471	135,758,026	220,592,211	6,601,869	4,883,017,682	142,359,895	141.58	2.9%
2008	4,969,440,135	141,945,417	250,389,175	7,455,324	5,219,829,310	149,400,741	157.53	2.9%
2009	4,553,549,601	145,757,788	256,854,409	7,749,519	4,810,404,010 <sup>6</sup>	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%

<sup>1</sup> State of Montana Department of Revenue (both real and personal property).

<sup>2</sup> Yellowstone County, Montana, Assessors Office (both real and personal property).

<sup>3</sup> Market value and assessed value includes Utilities category.

<sup>4</sup> Breakdown of commercial and residential property values is not available.

<sup>5</sup> Market value and assessed value for fiscal years beginning in 2006 include incremental increases to the Tax Increment District.

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

**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			Big Sky Economic Development Authority	Total Direct and Overlapping State	Total
	General <sup>4</sup>	Library <sup>4</sup>	Public Safety <sup>2</sup>	Transit <sup>4</sup>	General Obligation Bonds <sup>5</sup>	Total <sup>3</sup>	School County	School Education <sup>1</sup>	School District	Authority	State	Total
2003	69.50	9.50	20.00	10.00	1.23	110.23	75.58	104.18	220.36	2.48	47.50	560.33
2004	69.50	9.50	20.00	10.00	1.23	110.23	86.00	112.43	224.67	2.46	47.50	583.29
2005	69.50	9.50	20.00	10.00	4.73	113.73	90.32	111.45	222.88	2.71	47.50	588.59
2006	69.50	9.50	39.64	10.00	4.17	132.81	93.76	106.60	224.99	2.76	47.50	608.42
2007	69.50	9.50	48.09	10.00	4.49	141.58	100.08	106.71	200.83	2.82	47.50	599.52
2008	69.50	9.50	57.25	10.00	11.28	157.53	103.56	104.12	202.96	2.94	47.50	618.61
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

Source: Yellowstone County, Montana, Treasurer

<sup>1</sup> Includes School Equalization Levy and other Education Levies.

<sup>2</sup> Tax payers approved additional public safety mills increase annually for fiscal years 2006 through 2010.

<sup>3</sup> Under State Law, voter approval is required for additional tax rate increases.

<sup>4</sup> General mills are fixed by charter, increases require an amendment to the charter.

<sup>5</sup> During FY 08 Ball Park Bonds were issued for 7.07 mills thus increasing the General Obligation Bond total to 11.28.

**CITY OF BILLINGS, MONTANA**  
**Principal Property Taxpayers**  
**June 30, 2012 and Ten Years Ago**  
**(Unaudited)**

Taxpayer	Tax Year 2011			Tax Year 2002		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Northwestern Corp Transmission	\$ 6,708,949	1	4.0%	\$ 4,361,290	1	3.7%
Bresnan Broadband DbA Mt Teleg	6,206,380	2	3.7%	-		0.0%
Qwest Corporation	1,776,008	3	1.1%	3,524,751	2	3.0%
Montana Dakota Utilities	1,542,024	4	0.9%	1,079,955	3	0.9%
AT & T Mobility LLC	1,189,572	5	0.7%	-		0.0%
Verizon Wireless	1,015,787	6	0.6%	-		0.0%
Wal-Mart Real Estate Business	776,378	7	0.5%	590,842	5	0.5%
Macerich Rimrock Limited Partner	651,868	8	0.4%	805,053	4	0.7%
Wells Fargo Corporate Properties	460,366	9	0.3%	-		0.0%
AT&T Communications	445,474	10	0.3%	-		0.0%
Touch America	-		0.0%	398,219	10	0.3%
Western Sugar Co.	-		0.0%	477,847	6	0.4%
United Industries	-		0.0%	417,784	8	0.4%
West Park Plaza Investors	-		0.0%	398,393	9	0.3%
Irte Properties	-		0.0%	444,705	7	0.4%
Total	<u>\$ 20,772,806</u>		<u>12.4%</u>	<u>\$ 12,498,839</u>		<u>10.7%</u>
Total assessed value	\$ 167,431,908			\$ 116,319,680		

**CITY OF BILLINGS, MONTANA**  
**Property Tax Levies and Collections <sup>1</sup>**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Total Tax Levy<sup>1</sup> for Fiscal Year</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>		<b>Delinquent</b>
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>	
2003	\$ 12,188,312	\$ 11,461,919	94.0%	\$ 3,172	\$ 11,465,091	94.1%	\$ 726,393
2004	12,858,681	12,191,932	94.8%	19,791	12,211,723	99.9%	666,749
2005	13,774,151	13,121,474	95.3%	650,073	13,771,547	100.0%	652,677
2006	16,740,890	15,911,958	95.0%	813,555	16,725,513	99.9%	828,932
2007	18,622,292	17,800,006	95.6%	815,440	18,615,446	100.0%	822,286
2008	21,659,793	20,533,104	94.8%	734,789	21,267,893	98.2%	1,126,689
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

Source: City of Billings, Montana

<sup>1</sup> 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	Tax Increment	Special Assessment	Intercap Notes	Notes	Capital Leases
	Bonds	Bonds	Bonds	Payable	Payable	Payable
2003	\$ 1,630	\$ 6,240	\$ 32,584	\$ 1,157	\$ 835	\$ 6,600
2004	1,575	5,120	28,572	2,713	3,139	6,405
2005	6,720	3,905	24,713	2,195	3,915	6,199
2006	6,410	2,645	23,458	1,616	1,866	5,983
2007	18,655	1,345	20,343	1,133	1,538	5,756
2008	18,395	-	16,891	-	4,584	5,869
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

Fiscal Year	Business-Type Activities									
	Revenue Bonds	Notes Payable	Rev Bonds/ Notes Payable	Rev Bonds/ Notes Payable	Notes Payable	Notes Payable	Total Primary	Percentage of Personal Income <sup>2</sup>	Per Capita	
	Airport	Golf Course	Water	Wastewater	Parking	Airport	Government			
2003	\$ 11,250	\$ 280	\$ -	\$ -	\$ -	\$ -	\$ 60,576	1.53%	0.65	
2004	10,865	228	-	-	-	-	58,617	1.37%	0.60	
2005	10,465	175	-	-	-	-	58,287	1.28%	0.59	
2006	10,040	126	5,460	4,309	-	-	61,913	n/a	0.62	
2007	9,595	85	13,355	4,280	5,930	-	82,015	1.82%	0.81	
2008	9,125	-	15,773	4,116	5,760	-	80,513	1.78%	0.78	
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	4,979	565	100,198	1.59%	0.96	

Source: City of Billings, Montana

<sup>1</sup> The City implemented GASB 34 in fiscal year 2003 and the debt by type was not classified as Governmental and Business-Type Activities prior to 2003.

<sup>2</sup> Personal income amount is not available for 2006.

**CITY OF BILLINGS, MONTANA**  
**Ratio of General Obligation Bonded Debt Outstanding**  
**To Assessed Value and Net General Obligation Bonded Debt Per Capita**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Assessed Value <sup>2</sup></b>	<b>General Obligation Bonds <sup>3</sup></b>	<b>Less: Amounts Available in Debt Service Funds <sup>4</sup></b>	<b>Net</b>	<b>Percentage of Estimated Actual Taxable Value of Property</b>	<b>Net Bonded Debt Per Capita</b>
2003	93,388	\$ 116,319,680	\$ 1,630,000	\$ 101,701	\$ 1,528,299	1.3%	16.37
2004	97,253	122,425,248	1,575,000	103,368	1,471,632	1.2%	15.13
2005	99,198	126,903,883	6,720,000	522,301	6,197,699	4.9%	62.48
2006	100,148	132,165,804	6,410,000	456,867	5,953,133	4.5%	59.44
2007	101,650	137,538,752	18,655,000	528,308	18,126,692	13.2%	178.32
2008	103,100	144,941,193	18,395,000	1,731,344	16,663,656	11.5%	161.63
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

Sources and other information:

<sup>1</sup> Census taken every ten years. Actual census figures given for 2001.

All other years are estimated by City/County Planning, Yellowstone County, Montana.

<sup>2</sup> Yellowstone County, Montana, Assessors Office (these amounts do not include the incremental increases to the Tax Increment District).

<sup>3</sup> Amount does not include Special Assessment, tax increment or revenue bonds.

<sup>4</sup> Amount does not include Special Assessment or tax increment debt service funds.

**CITY OF BILLINGS, MONTANA**  
**Direct and Overlapping General Obligation Bonded Debt**  
**June 30, 2012**  
**(Unaudited)**

<u>Governmental Unit</u>	<u>Debt Outstanding</u> <sup>1</sup>	<u>Percent Applicable to City</u> <sup>4</sup>	<u>Estimated Share of Overlapping Debt</u>
Overlapping: County	\$ 6,465,000 <sup>2</sup>	44.9%	\$ 2,902,785
Direct: City	<u>15,080,000</u> <sup>3</sup>	100.0%	<u>15,080,000</u>
Total direct and overlapping debt	<u>\$ 21,545,000</u>		<u>\$ 17,982,785</u>

Source and other information:

<sup>1</sup> Does not include Special Assessment debt with government commitment or tax increment debt.

<sup>2</sup> Finance Department, Yellowstone County, Montana.

<sup>3</sup> City of Billings, Montana

<sup>4</sup> 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.

Billings Public School District #2 does not have General Obligation Bonded Debt.

**CITY OF BILLINGS, MONTANA**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**  
**(amounts expressed in 000's)**  
**(Unaudited)**

	Fiscal Year									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Debt limit	\$ 53,193	\$ 57,316	\$ 64,743	\$ 69,070	\$ 73,734	\$ 130,496	\$ 120,260	\$ 126,264	\$ 110,757	\$ 125,971
Total net debt applicable to limit	<u>9,286</u>	<u>10,590</u>	<u>14,592</u>	<u>13,552</u>	<u>25,016</u>	<u>22,280</u>	<u>21,170</u>	<u>20,030</u>	<u>19,343</u>	<u>13,846</u>
Legal debt margin	<u>\$ 43,907</u>	<u>\$ 46,726</u>	<u>\$ 50,151</u>	<u>\$ 55,518</u>	<u>\$ 48,718</u>	<u>\$ 108,216</u>	<u>\$ 99,090</u>	<u>\$ 106,234</u>	<u>\$ 91,414</u>	<u>\$ 112,125</u>
Total net debt applicable to the limit as a percentage of debt limit	17.46%	18.48%	22.54%	19.62%	33.93%	17.07%	17.60%	15.86%	17.46%	10.99%

**Legal Debt Margin Calculation for Fiscal Year 2012**

Assessed market value:		
Real property	\$ 4,523,381,533	
Personal property	202,397,692	
Utilities	<u>313,072,746</u>	
Total assessed value	<u>\$ 5,038,851,971</u>	
Debt amount limited to 2.5% of total assessed value		\$ 125,971,299
Less:		
General obligation bonded debt outstanding	15,080,000	
Total net debt applicable to limit		15,080,000
Plus:		
Amount set aside for repayment of GO debt		<u>1,233,678</u>
Legal debt margin		<u>\$ 112,124,977</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)**

<b>Fiscal Year</b>	<b>Gross Revenue <sup>1</sup></b>	<b>Less: Operating Expense <sup>2</sup></b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2003	\$ 25,010,600	\$ 11,346,464	\$ 13,664,136	\$3,975,000 <sup>3</sup>	\$ -	\$ 3,975,000	3.4
2004	25,056,254	11,784,291	13,271,963	-	-	-	N/A
2005	23,987,979	12,659,436	11,328,543	-	-	-	N/A
2006	26,806,825	14,385,330	12,421,495	371,000 <sup>4</sup>	85,658	456,658	27.2
2007	28,495,544	15,161,687	13,333,857	763,000	519,548	1,282,548	10.4
2008	30,114,284	16,280,346	13,833,938	792,000	651,314	1,443,314	9.6
2009	31,535,859	16,507,448	15,028,411	948,000	753,501	1,701,501	8.8
2010	31,671,419	16,516,713	15,154,706	1,389,000	1,155,659	2,544,659	6.0
2011	30,683,732	16,666,260	14,017,472	1,926,000	1,415,188	3,341,188	4.2
2012	37,852,987	17,146,622	20,706,365	1,938,000	1,493,738	3,431,738	6.0

Source: City of Billings, Montana

<sup>1</sup> Includes operating revenue and interest income.

<sup>2</sup> Total operating expenses exclusive of depreciation.

<sup>3</sup> 1991 revenue bonds due on 7-1-2005 were retired on 7-1-2002, required principal for fiscal year 2003 was \$1,630,000.

<sup>4</sup> 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)**

<b>Fiscal Year</b>	<b>Gross Revenue <sup>1</sup></b>	<b>Less: Operating Expense <sup>2</sup></b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2003	\$ 6,370,051	\$ 4,940,516	\$ 1,429,535	\$ 365,000	\$ 721,941	\$ 1,086,941	1.3
2004	6,865,738	4,904,501	1,961,237	385,000	683,963	1,068,963	1.8
2005	7,009,310	5,135,523	1,873,787	400,000	676,581	1,076,581	1.7
2006	7,328,189	5,351,434	1,976,755	425,000	649,790	1,074,790	1.8
2007	7,896,925	5,370,760	2,526,165	445,000	628,802	1,073,802	2.4
2008	8,084,353	6,016,118	2,068,235	470,000	600,575	1,070,575	1.9
2009	8,172,942	6,499,711	1,673,231	490,000	570,242	1,060,242	1.6
2010	8,351,091	6,455,160	1,895,931	515,000	538,455	1,053,455	1.8
2011	8,534,227	6,589,404	1,944,823	550,000	520,438	1,070,438	1.8
2012	9,562,661	7,229,282	2,333,379	700,000	561,919	1,261,919	1.8

Source: City of Billings, Montana

<sup>1</sup> Includes operating revenue and interest income.

<sup>2</sup> Total operating expense exclusive of depreciation.

<sup>3</sup> The 2000 series bonds were refunded in July of 2010 in exchange for 2010A revenue bonds.

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)**

<b>Fiscal</b> <b>Year</b>	<b>Gross</b> <sup>1</sup> <b>Revenue</b>	<b>Debt Service Requirements</b>			<b>Coverage</b>
		<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2003	\$ 5,369,724	\$ 3,441,934	\$ 760,408	\$ 4,202,342	127.8%
2004	5,020,314	3,541,665	997,598	4,539,263	110.6%
2005	3,930,214	4,288,762	986,261	5,275,023	74.5%
2006	3,813,756	3,761,424	850,015	4,611,439	82.7%
2007	3,715,399	2,615,000	791,898	3,406,898	109.1%
2008	2,805,088	2,720,000	705,167	3,425,167	81.9%
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%

Source: City of Billings, Montana

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Gross Revenue includes special assessments and investment earnings on reserves.

**CITY OF BILLINGS, MONTANA**  
**Pledged-Revenue Coverage**  
**Storm Sewer Bonds<sup>2</sup>**  
**Last Ten Fiscal Years**  
**(Unaudited)**

Fiscal Year	Gross <sup>1</sup> Revenue	Less: Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2003	\$ 2,446,110	\$ 853,566	\$ 1,592,544	\$ 635,000	\$ 436,958	\$ 1,071,958	228.2%
2004	2,673,684	737,419	1,936,265	670,000	285,554	955,554	279.8%
2005	2,795,567	1,081,148	1,714,419	845,000	146,660	991,660	281.9%
2006	2,986,222	2,445,344	540,878	865,000	131,118	996,118	299.8%
2007	2,994,862	1,115,485	1,879,377	880,000	113,179	993,179	301.5%
2008	3,256,003	2,369,751	886,252	900,000	95,396	995,396	327.1%
2009	3,235,041	2,625,836	609,205	920,000	77,693	997,693	324.3%
2010	3,318,326	2,156,315	1,162,011	935,000	57,961	992,961	334.2%
2011	3,289,314	4,186,201	(896,887)	960,000	35,449	995,449	330.4%
2012	3,377,947	1,542,725	1,835,222	180,000	20,000	200,000	1689.0%

Source: City of Billings, Montana

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Gross revenue includes assessments and investment earnings.

<sup>2</sup> Included in special assessment bonds in the financial statements and related notes.

**CITY OF BILLINGS, MONTANA**  
**Pledged-Revenue Coverage**  
**Parking Note Payable <sup>3</sup>**  
**Last Six Fiscal Years <sup>4</sup>**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Gross <sup>1</sup> Revenue</b>	<b>Less: Operating Expense <sup>2</sup></b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service Requirements</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
2007	\$ 1,871,083	\$ 1,047,789	\$ 823,294	\$ -	\$ -	\$ -	n/a
2008	1,955,244	1,161,458	793,786	170,431	324,964	495,395	1.6
2009	1,922,134	1,545,816	376,318	179,771	315,624	495,395	0.8
2010	1,764,693	1,678,525	86,168	189,622	305,773	495,395	0.2
2011	1,732,269	1,551,195	181,074	200,014	295,381	495,395	0.4
2012	1,724,876	2,110,306	(385,430)	210,974	284,421	495,395	(0.8)

Source: City of Billings, Montana

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

<sup>1</sup> Gross revenue includes operating revenue and interest income.

<sup>2</sup> Total operating expense exclusive of depreciation

<sup>3</sup> Included in note payable in the financial statements and related notes.

<sup>4</sup> Note payable was issued in fiscal year 2007. Prior to 2007, there was no pledged revenue debt for Parking.

**CITY OF BILLINGS, MONTANA**  
**Demographic Statistics**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Total Personal Income <sup>5</sup> (In billions)</b>	<b>Per Capita Income <sup>2</sup></b>	<b>Median Age <sup>2</sup></b>	<b>School Enrollment <sup>3</sup></b>	<b>Unemployment Rate <sup>4</sup></b>
2003	93,388	\$ 3,955,466	\$ 25,323	37	15,737	3.4%
2004	97,253	4,265,063	26,057	37	15,718	3.1%
2005	99,198	4,536,682	29,421	37	15,704	3.3%
2006	100,148	Not Available	31,220	37	15,604	3.5%
2007	101,650	4,500,000	35,068	39	15,503	2.6%
2008	103,100	4,525,000	37,247	38	15,505	3.1%
2009	103,994	4,675,202	36,513	38	15,681	4.7%
2010	105,845	5,900,362	38,737	38	15,608	5.5%
2011	104,170	6,060,376	39,212	39	15,715	5.2%
2012	104,170	6,308,626	38,488	39	16,223	4.3%

Sources and other information:

<sup>1</sup> Census taken every ten years. Actual census figures given for 2001.

All other years are estimated by City/County Planning, Yellowstone County, Montana.

<sup>2</sup> Census and Economic Information Center (CEIC), Montana Department of Commerce

<sup>3</sup> Billings School District #2.

<sup>4</sup> State of Montana Research & Analysis Bureau.

<sup>5</sup> Census and Economic Information Center (CEIC), Montana Department of Commerce. Current Fiscal Year given as estimate only.

**CITY OF BILLINGS, MONTANA**  
**Principal Employers**  
**Current Year and Ten Years Ago**  
**(Unaudited)**

<b>Employer</b>	<b>2012</b>			<b>2003</b>		
	<b><u>Number of Employees</u><sup>1</sup></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment</u><sup>2</sup></b>	<b><u>Number of Employees</u><sup>1</sup></b>	<b><u>Rank</u></b>	<b><u>Percentage of Total City Employment</u><sup>3</sup></b>
Billings Clinic	3,500	1	4.25%	2,500	1	-
St. Vincent Healthcare	2,100	2	2.55%	1,820	3	-
School District #2	1,850	3	2.25%	2,015	2	-
Stillwater Mining Company	1,510	4	1.83%	1,570	4	-
Wal Mart	905	5	1.10%	900	5	-
City of Billings	879	6	1.07%	800	6	-
Yellowstone County	738	8	0.90%	738	7	-
Avitus Group	697	7	0.85%	623	8	-
St John's Lutheran Home	588	9	0.71%	400	10	-
Montana State University-Billings	573	10	0.70%	539	9	-
<b>Total</b>	<b>13,340</b>		<b>16.20%</b>	<b>11,905</b>		<b>-</b>

Sources and other information:

<sup>1</sup> Information obtained from each individual company. Numbers given may be estimates.

<sup>2</sup> Montana Research and Analysis Bureau, State of Montana. Based on 82,331 employees in the greater Billings Metro Area.

<sup>3</sup> Total City Employment not available for 2003.

**CITY OF BILLINGS, MONTANA**  
**Full-Time Equivalent City of Billings Employees by Function**  
**Last Ten Fiscal Years**  
**(Unaudited)**

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General government	103.3	107.8	107.3	115.3	109.8	98.5	101.5	83.0	83.5	84.8
Planning and community services	29.2	31.3	34.3	35.8	36.8	36.1	37.1	28.0	31.0	31.6
Library	28.5	29.6	30.2	30.2	30.4	30.6	30.7	30.7	31.7	31.7
Public safety <sup>1</sup>										
Police	149.0	153.0	150.0	155.0	158.0	160.0	163.0	167.0	167.0	167.0
Animal shelter	7.0	7.0	7.0	7.0	7.0	9.0	10.0	7.0	7.0	7.0
Fire	139.2	139.2	139.0	146.0	152.0	155.0	147.0	148.0	146.0	146.0
Streets/Traffic	39.0	39.0	39.0	40.0	44.0	43.0	43.0	43.0	43.0	45.0
Water and Wastewater	103.0	103.0	97.0	101.0	103.0	107.0	103.0	104.0	104.0	103.0
Sanitation	50.0	50.0	51.5	52.5	53.5	58.5	62.5	62.5	63.5	63.5
Parking	13.8	14.8	14.8	14.8	14.8	14.8	15.8	15.3	15.3	15.3
Aviation	52.0	53.0	53.0	53.0	53.0	56.0	56.0	56.0	56.0	56.0
Transit	55.7	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3
Internal services	<u>27.0</u>	<u>28.0</u>	<u>33.0</u>	<u>34.5</u>	<u>38.0</u>	<u>46.0</u>	<u>49.0</u>	<u>72.0</u>	<u>74.0</u>	<u>75.0</u>
Total	<u>796.7</u>	<u>811.0</u>	<u>811.4</u>	<u>840.4</u>	<u>855.6</u>	<u>869.8</u>	<u>873.9</u>	<u>871.8</u>	<u>877.3</u>	<u>881.2</u>

Source: City of Billings Annual Budget

<sup>1</sup> Police and Fire began adding staff in FY 2006 as a result of the public safety levy approved by the voters in 2004.

**City of Billings**  
**Operating Indicators by Activity**  
**Last Ten Years**  
**(Unaudited)**

<b>Activity</b>	<b>Report Period<sup>1</sup></b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Police</b>											
Dispatched Calls	FY	55,304	57,382	59,857	59,736	59,958	60,156	60,112	59,840	60,686	63,915
Arrests	CY	8,052	8,311	8,069	7,360	8,348	7,256	7,631	6,815	7,324	9,116
Traffic Violations	CY	31,835	24,529	28,056	37,143	33,698	24,567	28,884	24,024	27,240	30,473
Traffic Accidents	CY	3,784	3,328	3,504	7,136	3,695	3,313	3,081	2,912	3,623	3,524
<b>Fire</b>											
Dispatched Calls	FY	9,340	9,673	11,309	11,629	11,879	11,426	10,728	10,499	10,841	111,228
Inspections	CY	2,516	2,728	2,464	1,799	2,723	1,835	2,840	1,021	1,972	1,191
<b>Solid Waste</b>											
Residential Customers	FY	28,873	28,286	28,805	29,381	29,981	30,477	31,101	31,554	31,800	32,359
Commerical Customers	FY	3,743	3,331	3,436	3,511	3,566	3,596	3,642	3,704	3,889	3,982
Landfill trips	FY	50,000	140,407	145,690	150,872	153,634	169,101	120,821	143,046	153,010	164,667
<b>Water</b>											
Customers	FY	26,882	27,651	27,656	28,055	28,406	28,864	29,073	29,248	29,309	29,537
Average Daily Consumption (millions of gallons)	FY	21	24	19	25	25	23	21	20	19	23
<b>Wastewater</b>											
Customers	FY	28,555	29,334	29,719	30,235	30,748	31,637	31,909	32,193	32,390	32,586
Average Daily Treatment (millions of gallons)	FY	15	15	15	15	16	16	15	16	16	16

Source: City of Billings Operating Budget, Billings, Montana

<sup>1</sup> CY represents a Calendar Year, FY represents a Fiscal Year

**City of Billings**  
**Capital Asset Statistics by Activity**  
**Last Ten Years**  
**(Unaudited)**  
**(Page 1 of 2)**

Date of Incorporation - 1882	Report Period <sup>1</sup>	Years										
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	
Form of Government - Council/Administrator												
Area in Square Miles	FY	38.8	38.8	38.8	39.1	40.4	40.4	40.1	40.1	42.0	42.0	
<b>Activity</b>												
Public Safety												
Police												
Stations	FY	1	1	1	1	1	1	1	1	1	1	
Police Officers	FY	122	128	129	132	129	134	143	143	142	141	
Fire												
Stations	FY	6	6	6	6	6	7	7	7	7	7	
Firefighters/Officers/Dispatchers	FY	142	135	145	144	143	144	146	148	148	148	
Streets												
Streets (miles)	CY	501	510	521	531	531	540	458	523	523.4	526.2	
Streetlights	FY	7,722	7,722	7,624	7,660	7,816	7,816	7,993	8,000	8,179	8,202	
Street Light Maintenance Districts	FY	168	168	168	168	177	180	183	181	184	185	
City Parks												
Developed Acres	FY	489	505	522	534	1,080	625	1,183	1,183	1,183	1,183	
Undeveloped Acres	FY	426	445	457	460	200	440	290	290	290	290	
Natural Park Acres	FY	1,771	1,868	1,892	1,909	717	1,900	1,107	1,107	1,107	1,107	
Parking												
Garages	FY	4	4	4	4	4	4	4	4	4	4	

(continued)

Source: City of Billings Operating Budget, Billings, Montana  
<sup>1</sup> 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)**

	<b>Report Period<sup>1</sup></b>	<b>Years</b>									
		<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>Water</b>											
Water Mains (miles)	FY	379	404	413	426	433	436	441	447	447	465
Fire Hydrants	FY	3,533	3,676	3,681	3,825	3,853	3,912	3,969	4,145	4,204	4,211
Maximum Daily Capacity (millions of gallons)	FY	50	50	50	60	65	60	46	60	60	60
<b>Wastewater</b>											
Storm Sewers (miles)	FY	136	139	141	146	147	147	149	149	149.2	149.2
Sanitary Sewers (miles)	FY	376	396	412	423	429	433	444	466	473	461
Maximum Daily Capacity (millions of gallons)	FY	26	26	26	26	27	27	26	26	26	26

Source: City of Billings Operating Budget, Billings, Montana  
<sup>1</sup> CY represents a Calendar Year, FY represents a Fiscal Year

**CITY OF BILLINGS, MONTANA**  
**Property Value, Construction and Bank Deposits**  
**Last Ten Fiscal Years**  
**(Unaudited)**

<b>Fiscal Year</b>	<b><u>Construction</u><sup>1</sup></b>		<b><u>Residential</u><sup>2</sup></b>		<b>Bank Deposits (in thousands)<sup>3</sup></b>	<b>Property Value<sup>4,6</sup></b>
	<b><u>Commercial</u></b>					
	<b>Number of Permits</b>	<b>Value</b>	<b>Number of Permits</b>	<b>Value</b>		
2003	94	\$ 34,640,124	450	\$ 62,714,706	\$ 1,607,785	\$ 3,546,229,334
2004	129	44,527,113	569	91,458,054	1,645,937	3,795,780,513
2005	112	52,378,039	560	92,302,312	1,720,366	4,287,614,135
2006	113	47,749,028	503	93,464,621	1,930,591	4,574,155,297
2007	88	87,937,071 <sup>5</sup>	496	89,502,065	2,222,151	4,883,017,682
2008	69	107,949,910 <sup>7</sup>	388	71,378,452	2,858,991	5,219,829,310
2009	71	63,332,381	227	38,331,029 <sup>8</sup>	3,144,622	4,810,404,010 <sup>9</sup>
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

Sources and other information:

<sup>1</sup> Building Department (new construction permits), City of Billings, Montana.

<sup>2</sup> Single family only.

<sup>3</sup> Individual banks and credit unions.

<sup>4</sup> State of Montana Department of Revenue.

<sup>5</sup> 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.

<sup>6</sup> For fiscal years beginning in 2006 the property value includes the Tax Increment District.

<sup>7</sup> 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.

<sup>8</sup> Residential construction is down due to the economy.

<sup>9</sup> For Fiscal Year 2009 the State of Montana Department of Revenue did not include exempt properties.

# SINGLE AUDIT SECTION

**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 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, 2012, which collectively comprise the City of Billings, Montana's basic financial statements and have issued our report thereon dated December 30, 2012. 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.

Internal Control Over Financial Reporting

Management of the City of Billings, Montana, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered City of Billings, Montana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Billings, Montana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Billings, Montana's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2012-I1). 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.

### Compliance and Other Matters

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

This report is intended solely for the information and use of the management, others within the organization, City Council, the State of Montana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Bozeman, Montana  
December 30, 2012

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD  
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the City of Billings, Montana's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Billings, Montana's major federal programs for the year ended June 30, 2012. The City of Billings, Montana's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Billings, Montana's management. Our responsibility is to express an opinion on the City of Billings, Montana's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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 that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Billings, Montana's compliance with those requirements.

In our opinion, City of Billings, Montana, complied, in all material respects, with the 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, 2012.

## Internal Control Over Compliance

Management of City of Billings, Montana, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Billings, Montana's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of 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

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management, others within the organization, City Council, the State of Montana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Bozeman, Montana  
December 30, 2012

**CITY OF BILLINGS, MONTANA**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2012**  
**(Page 1 of 5)**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Major or Nonmajor</u>	<u>ARRA Grant</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>					
Community Development Block Grants and Entitlement Grants:	14.218	Major			
Grant entitlement B-08-MC-30-001				\$ 701,234	\$ 1,150
Grant entitlement B-09-MC-30-001				710,657	47,947
Grant entitlement B-10-MC-30-001				772,435	192,578
Grant entitlement B-11-MC-30-001				646,256	550,311
CFDA subtotal				<u>2,830,582</u>	<u>791,986</u>
Community Development Block Grant through the American Recovery and Reinvestment Act of 2009	14.253	Major	X	190,430	9,246
CFDA subtotal				<u>190,430</u>	<u>9,246</u>
Special Project Grant-Consolidated Appropriations Act 2008	14.251	Major			
B-10-SP-MT-0074				974,000	218,833
B-09-SP-MT-0090				475,000	229,398
B-10-SP-MT-0073				323,000	76,873
CFDA subtotal				<u>1,772,000</u>	<u>525,104</u>
Home Investment Partnerships Program:	14.239	Major			
Grant entitlement M 09 MC 300213				537,195	3,911
Grant entitlement M 10 MC 300213				538,119	14,435
Grant entitlement M 11 MC 300213				473,640	576,054
CFDA subtotal				<u>1,548,954</u>	<u>594,400</u>
Fair Housing Initiatives Program	14.416	Nonmajor			
Grant entitlement FH-400-G1-0009				125,000	112,000
CFDA subtotal				<u>125,000</u>	<u>112,000</u>
<b><u>Corporation for National and Community Service</u></b>					
AmeriCorps VISTA - VISTA State Support Grant 09-VSP-MT-001	94.013	Nonmajor		20,000	12,053
CFDA subtotal				<u>20,000</u>	<u>12,053</u>

**CITY OF BILLINGS, MONTANA**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2012**  
**(Page 2 of 5)**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Major or Nonmajor</u>	<u>ARRA Grant</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<b><u>U.S. Department of Agriculture</u></b>					
Passed through the State of Montana Department of Public Health and Human Services					
Housing First Project 08-028-36001-0	10.561	Nonmajor		300,000	12,063
CFDA subtotal				<u>300,000</u>	<u>12,063</u>
<b><u>U.S. Department of Transportation</u></b>					
Airport Improvement Program:	20.106	Major			
AIP3-30-008-40				1,724,709	1,308,172
AIP3-30-008-41				910,646	838,750
AIP3-30-008-42				313,500	223,991
CFDA subtotal				<u>2,948,855</u>	<u>2,370,913</u>
Federal Transit Capital and Operating Assistance Formula Grants	20.507	Major			
FTA Section 9-Capital MT-96-0002-ARRA			X	1,884,898	270,458
FTA Section 9-Capital MT-03-0026				4,383,547	71,725
FTA Section 9-Capital MT-04-0012				247,000	187,280
FTA Section 9-Operating MT-90-4087-00				1,421,420	1,421,420
CFDA subtotal				<u>7,936,865</u>	<u>1,950,883</u>
Federal Transit Metropolitan Planning Grants	20.505	Nonmajor			
FTA Section 5303-Operating-Passed Through the State of Montana Contract # 106088				164,498	137,128
FTA Section 5303-Operating-Passed Through the State of Montana Contract # 105433				160,486	26,889
CFDA subtotal				<u>324,984</u>	<u>164,017</u>
Federal Transit Operating Grant-Job Access Reverse Commute	20.516	Nonmajor			
FTA Section 5316-Operating-Passed Through the State of Montana Contract # MT-90-X095				149,773	149,773
CFDA subtotal				<u>149,773</u>	<u>149,773</u>

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Major or Nonmajor</u>	<u>ARRA Grant</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<b><u>U.S. Department of Transportation (continued)</u></b>					
Federal Transit Operating Grant-New Freedom Program	20.521	Nonmajor			
FTA Section 5317-Operating-Passed Through the State of Montana Contract # MT-90-X096				84,858	84,858
CFDA subtotal				<u>84,858</u>	<u>84,858</u>
State and Community Highway Safety:	20.600	Nonmajor			
Passed through the State of Montana:					
STEP OT 2011-02-06-04				10,000	2,372
STEP OT Contract #105968				10,000	5,439
CFDA subtotal				<u>20,000</u>	<u>7,811</u>
Highway Planning and Construction:	20.205	Major			
TCSP-007-Q69 Alklali Creek Trail				495,654	12,096
Passed through the State of Montana					
CTEP Grant STPE 1099 (47)				249,079	131,350
CTEP Grant STPE 1099 (62)				161,526	7,727
CTEP Grant STPE 1099 (68)-ARRA			X	1,000,000	50,000
CTEP Grant STPE 1099 (68)				487,985	21,419
CTEP Grant STPE 1099 (71)				718,614	39,449
CTEP Grant STPE 1099 (75)				88,312	69,187
CTEP Grant STPE 1099 (77)				223,528	6,293
CTEP Grant STPE 6632 Swords Park Trail II				399,004	253,525
Metropolitan Planning Funds SPR-PL-1 (49)				688,700	147,985
Metropolitan Planning Funds SPR-PL-1 (50)				988,250	415,515
Air Quality Equipment				175,879	175,879
Montana Air & congestion Initiative CM 1099(32) - 86.58% Federal				1,393,072	2,573
CFDA subtotal				<u>7,069,603</u>	<u>1,332,998</u>
<b><u>U.S. Department of Energy</u></b>					
Energy Efficiency & Conservation Block Grant DE-SC0002930-ARRA	81.128	Major	X	1,003,000	618,211
CFDA subtotal				<u>1,003,000</u>	<u>618,211</u>

**CITY OF BILLINGS, MONTANA**  
**Schedule of Expenditures of Federal Awards**  
**For the Fiscal Year Ended June 30, 2012**  
**(Page 4 of 5)**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Major or Nonmajor</u>	<u>ARRA Grant</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<b><u>U.S. Department of Interior</u></b>					
Historic Preservation Fund Grants-In-Aid:	15.904	Nonmajor			
Passed through the Montana Historic Society;					
MT-11-025				2,000	2,000
MT-11-012				5,750	5,750
CFDA subtotal				<u>7,750</u>	<u>7,750</u>
<b><u>U.S. Department of Justice</u></b>					
Office of Juvenile Justice Delinquency Program	16.543	Nonmajor			
Internet Crimes Against Children 2010-MC-CX-K007				446,035	151,913
CFDA subtotal				<u>446,035</u>	<u>151,913</u>
Violence Against Women Formula Grants passed through	16.588	Nonmajor			
State of Montana Board of Crime Control					
Victim/Witness Program 11-W03-90916				30,126	30,126
Domestic Violence Unit 11-W03-90931				41,606	41,606
Domestic Violence Investigator 10-W02-90751				36,000	44
Domestic Violence Investigator 11-W02-90927				34,464	25,684
CFDA subtotal				<u>142,196</u>	<u>97,460</u>
Justice Assistance Grants:					
2010-DJ-BX-1006	16.738	Nonmajor		80,500	3,410
2011-DJ-BX-3277				71,253	5,108
CFDA subtotal				<u>151,753</u>	<u>8,518</u>
2009-SB-B9-0568 ARRA	16.804	Nonmajor	X	222,508	17,452
CFDA subtotal				<u>222,508</u>	<u>17,452</u>
Technology Grants:					
2009-CK-WX-0281 Digital Video Cameras	16.710	Nonmajor		269,000	6,617
CFDA subtotal				<u>269,000</u>	<u>6,617</u>
Office of Justice Programs:					
Internet Crimes Against Children 2009-SN-B9-K037-ARRA	16.800	Nonmajor	X	422,046	101,430
CFDA subtotal				<u>422,046</u>	<u>101,430</u>

CITY OF BILLINGS, MONTANA  
 Schedule of Expenditures of Federal Awards  
 For the Fiscal Year Ended June 30, 2012  
 (Page 5 of 5)

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Major or Nonmajor</u>	<u>ARRA Grant</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<b><u>Department of Health and Human Services</u></b>					
Substance Abuse and Mental Health Services Administration Grant #1H79TI21895-01	93.243	Nonmajor		883,155	213,399
CFDA subtotal				<u>883,155</u>	<u>213,399</u>
<b><u>Department of Homeland Security</u></b>					
June 2011 Spring Storm and Flooding FEMA-1996-DR-MT	97.036	Nonmajor		139,458	93,503
CFDA subtotal				<u>139,458</u>	<u>93,503</u>
Homeland Security Grant Program 2009-SS-T9-0005 2010-SS-T0-0089	97.067	Nonmajor		16,434	8,237
CFDA subtotal				<u>48,000</u>	<u>23,603</u>
				<u>64,434</u>	<u>31,840</u>
<b><u>Office of National Drug Control Policy</u></b>					
High Intensity Drug Traffic Area Award: 2009 HIDTA #G09RM0038A	95.001	Nonmajor		138,010	186
2010 HIDTA #G10RM0038A				164,196	5,600
2011 HIDTA #G11RM0038A				161,548	102,571
2012 HIDTA #G12RM0038A				190,257	68,021
CFDA subtotal				<u>654,011</u>	<u>176,378</u>
Total federal awards (all sources)				<u>\$29,727,250</u>	<u>\$ 9,642,576</u>

CITY OF BILLINGS, MONTANA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Billings, Montana and is presented using the basis of accounting consistent with the basis of accounting used in the basic financial statements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

CITY OF BILLINGS, MONTANA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

(2) Relationship to General-Purpose Financial Statements

Federal awards revenues are reported in the City's financial statements as follows:

	Inter- <u>governmental</u>	Charge for <u>Services</u>	Other <u>Income</u>	Capital <u>Contributions</u>	<u>Total</u>
General Fund	\$ -	\$ 1,629	\$ -	\$ -	\$ 1,629
Special revenue funds:					
Gas Tax Fund	178,452	-	-	-	178,452
Development Services Grants Fund	1,305,126	-	303,494	-	1,608,620
Police Programs Fund	527,643	-	-	-	527,643
Transportation Enhancement Fund	535,940	-	-	-	535,940
City-County Planning Fund	571,250	24,608	-	-	595,858
Building Inspection Fund	6,036	-	-	-	6,036
City Attorney Grants Fund	71,776	-	-	-	71,776
Parks Program Fund	3,709	-	-	-	3,709
Storm Sewer Fund	3,025	-	-	-	3,025
Municipal Court Grants Fund	213,399	-	-	-	213,399
Administration Grants Fund	814,656	-	-	-	814,656
Arterial Fees Fund	13,521	-	-	-	13,521
Capital projects funds:					
Series 2000 Parks Improvements Fund	12,096	-	-	-	12,096
Main Street Underpass Construction Fund	50,000	-	-	-	50,000
Enterprise funds:					
Solid Waste Fund	10,655	-	-	-	10,655
Airport Fund	-	-	-	2,370,913	2,370,913
Transit Fund	2,007,348	-	-	342,183	2,349,531
Water Fund	231,382	-	-	-	231,382
Wastewater Fund	50,044	-	-	-	50,044
Facilities Management Fund	-	680	-	-	680
	<u>-</u>	<u>680</u>	<u>-</u>	<u>-</u>	<u>680</u>
Total	<u>\$ 6,606,058</u>	<u>\$ 26,917</u>	<u>\$ 303,494</u>	<u>\$ 2,713,096</u>	<u>\$ 9,649,565</u>

CITY OF BILLINGS, MONTANA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2012

State, local, and federal revenue of \$9,268,574 in the General Fund are included in the intergovernmental revenue as reported in the Governmental Funds combining statements or revenues, expenditures, and changes in fund balance. State, local, and federal revenue of \$2,015,543 in the Gas Tax Fund, \$581,928 in the Police Programs Fund, \$572,249 in the City-County Planning Fund, \$44,167 in the Fire Programs Fund, and \$315,996 in the Municipal Court Grants Fund are also included in the intergovernmental revenue as reported in the non-major special revenue funds-combining statements of revenues, expenditures, and changes in fund balance. Other intergovernmental revenue of \$2,442,224 in the Transit fund and capital contributions of \$2,370,913 in the Airport fund are also included in the basic financial statements.

**CITY OF BILLINGS, MONTANA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

**Financial Statements**

Type of auditors' report issued unqualified

Internal control over financial reporting:

Material weakness(es) identified? no

Significant deficiencies identified not considered to be material weakness? yes

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 unqualified

Audit findings that are required to be reported with Section 510(a) of OMB Circular A-133 are reported in this schedule. no

**Identification of major programs:**

- Community Development Block Grants and Entitlement Grants - CFDA 14.218
- Community Development Block Grant (ARRA) - CFDA 14.253
- Special Project Grant - Consolidated Appropriations Act 2010 - 14.251
- Home Investment Partnership Program - CFDA 14.239
- Airport Improvement Program - CFDA 20.106
- Federal Transit Capital and Operating Assistance Formula Grant (ARRA) - CFDA 20.507
- Highway Planning and Construction (ARRA) - CFDA 20.205
- Energy Efficiency and Conservation Block Grant (ARRA) - CFDA 81.128

Dollar threshold used to distinguish between  
Type A and Type B \$300,000

Auditee qualified as low-risk auditee? no

**CITY OF BILLINGS, MONTANA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**JUNE 30, 2012**

FINDINGS - FINANCIAL STATEMENT AUDIT

**Prior Period Adjustment Water Fund**

**2012-I1**

**Criteria:** Capital assets are required to be capitalized and depreciated over their estimated useful life in proprietary funds.

**Condition:** Finance personnel were unable to reconcile the general ledger balances for fixed assets against the fixed asset subsidiary ledger.

**Effect:** The City's financial statements for the year ended June 30, 2012, reflect a prior period adjustment in the Water Fund to correct the fixed assets balance.

**Cause:** Certain assets in the City's books were being disposed of as fully depreciated in the general ledger; however, in the fixed assets subsidiary ledger these assets were not fully depreciated. Finance personnel were able to trace the problem during the conversion to a new fixed assets program in fiscal year ending June 30, 2012.

**Recommendation:** The fixed assets subsidiary ledger balances should be reconciled with the general ledger balances for each major asset category and accumulated depreciation on a regular basis, at least annually.

**Management Response:** The City of Billings completed a software conversion during FY12 for the fixed asset module. The fixed asset module includes all assets individually listed with pertinent details of each asset including purchase cost, current year depreciation and accumulated depreciation. The Water Fund has over 7,600 asset entries, mostly consisting of infrastructure such as water meters. In prior years, the water meters were added to the fixed asset module as a group amount and not by individual meter. The asset included meters added in multiple years and was depreciated in accordance to the depreciable life as of the date the group asset was added. In FY12, it was discovered that when one meter was disposed of, the asset was considered fully depreciated instead of pro rata to the whole asset. This resulted in no loss being recorded in the year incurred and the accumulated depreciation being understated. During the conversion, the fixed assets of the entire City, over 17,000 individual entries, were reconciled to the fixed asset accounts on the general ledger when this difference was discovered and corrected. The City will continue to reconcile the fixed asset module to the general ledger on an annual basis.

**CITY OF BILLINGS, MONTANA  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
JUNE 30, 2012**

FINDINGS - FINANCIAL STATEMENT AUDIT

**Form I-9 Retention Requirements**

**2011-C1**      **Criteria:** Per Montana State Compliance, the City is required to retain completed Forms I-9 for all applicable employees for three years after the date of hire or one year after the date employment is terminated, whichever is later.

**Condition:** The City's Human Resources Department had misinterpreted the retention requirements for Forms I-9 and had been destroying them prior to the appropriate time frame, described above. We noted in our current year testing that all new hires are in compliance with the Form I-9 requirements, however the City has elected not to replace the Forms I-9 that were previously destroyed.

**Effect:** The City destroyed employee Forms I-9 prior to the retention period requirement.

**Cause:** The City misinterpreted the Form I-9 retention requirements.

**Recommendation:** The City should inform all Human Resources employees of the proper retention period for all forms. The City should also implement a system to complete Forms I-9 for all employees that are required to have them on file.

**Current Status:** This finding has been adequately addressed. The Human Resources Department reviewed all personnel files for Forms I-9 and obtained forms for any employees who did not have one on file.

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

**Environmental Protection Agency - CFDA #66.458**

**2011-I2**      Wastewater UV Improvements Loan 2011

**Conditions and Criteria:** The Wastewater UV Improvement Loan 2011 does not have any Federal funding (100% State funding) and was incorrectly included on the Schedule of Expenditures of Federal Awards.

**Effect:** The inclusion of this amount on the Schedule of Expenditures of Federal Awards caused the total Expenditures on the schedule to be overstated significantly and the original major program determination calculation to be incorrect.

**Cause:** The City does not have an adequate review of the preparation of the Schedule of Expenditures of Federal Awards to give more assurance that the schedule is prepared accurately.

**Recommendation:** The City should implement procedures for reviewing the Schedule of Expenditures of Federal Awards when completed to ensure its accuracy.

**Current Status:** This finding has been adequately addressed. No similar findings were noted in the fiscal year 2012 audit.

**CITY OF BILLINGS, MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2012**

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

**Environmental Protection Agency - CFDA #66.458**

**2011-I3**

Wastewater UV Improvements Loan 2010 and Wastewaterline Replacement 2009

**Conditions and Criteria:** The Wastewater UV Improvement Loan 2010 and Wastewaterline Replacement 2009 expenditures listed on the Schedule of Expenditures of Federal Awards includes funds spent in the prior year but reimbursed in the current year. Expenditures should be included on the schedule when funds are obligations of the City.

**Effect:** The inclusion of this amount on the Schedule of Expenditures of Federal Awards causes the total Expenditures on the schedule to be overstated and not match with expenditures included on the Financial Statements.

**Cause:** The City does not have an adequate review of the preparation of the Schedule of Expenditures of Federal Awards to give more assurance that the schedule is prepared accurately.

**Recommendation:** The City should implement procedures for reviewing the Schedule of Expenditures of Federal Awards when completed to ensure its accuracy.

**Current Status:** This finding has been adequately addressed. No similar findings were noted in the fiscal year 2012 audit.

**Environmental Protection Agency - CFDA #66.468**

**2011-I4**

Waterline Replacement 2010

**Conditions and Criteria:** The Waterline Replacement 2010 expenditures listed on the Schedule of Expenditures of Federal Awards includes funds spent in the prior year but reimbursed in the current year. Expenditures should be included on the schedule when funds are obligations of the City.

**Effect:** The inclusion of this amount on the Schedule of Expenditures of Federal Awards causes the total Expenditures on the schedule to be overstated and not match with expenditures included on the Financial Statements.

**Cause:** The City does not have an adequate review of the preparation of the Schedule of Expenditures of Federal Awards to give more assurance that the schedule is prepared accurately.

**Recommendation:** The City should implement procedures for reviewing the Schedule of Expenditures of Federal Awards when completed to ensure its accuracy.

**Current Status:** This finding has been adequately addressed. No similar findings were noted in the fiscal year 2012 audit.

**CITY OF BILLINGS, MONTANA**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**JUNE 30, 2012**

FINDINGS - MAJOR FEDERAL AWARD PROGRAMS AUDIT (Continued)

**U.S. Department of Transportation - CFDA #20.205**

**2011-I5**

Montana Air and Congestion Initiative

**Conditions and Criteria:** The Montana Air and Congestion Initiative total Federal Expenditures was incorrectly calculated, causing the amount on the Schedule of Expenditures of Federal Awards to be incorrect. In addition, the expenditures listed on the Schedule of Expenditures of Federal Awards includes funds spent in the prior year but reimbursed in the current year. Expenditures should be included on the schedule when funds are obligations of the City.

**Effect:** The incorrect calculation of Federal Expenditures and subsequent inclusion of this amount on the Schedule of Expenditures of Federal Awards caused the total Expenditures on the schedule to be understated, which in turn affects major program determination calculation. In addition, the inclusion of the prior year expenditures on the Schedule of Expenditures of Federal Awards causes the total Expenditures on the schedule to be overstated and not match with expenditures included on the Financial Statements.

**Cause:** The City does not have an adequate review of the preparation of the Schedule of Expenditures of Federal Awards to give more assurance that the schedule is prepared accurately.

**Recommendation:** The City should implement procedures for reviewing the Schedule of Expenditures of Federal Awards when completed to ensure its accuracy.

**Current Status:** This finding has been adequately addressed. No similar findings were noted in the fiscal year 2012 audit.



City of Billings, Montana

*City of Billings*  
—  —  
*Montana*

