

COMPREHENSIVE ANNUAL FINANCIAL REPORT

ABOUT THE COVER

In November 2011, Billings' residents voted to build a new library on the same city block immediately north of the current library building. The \$18 million facility is being funded by a combination of public and private support. Presently, the Parmly Billings Library Foundation has raised over \$5 million, including an anonymous \$2 million cash gift.

The 65,000 square foot library was designed by award-winning lead architects Will Bruder+Partners, in conjunction with local O2 Architects and landscapers The Foley Group.

The new building is expected to attain Leadership in Energy and Environmental Design (LEED) Gold certification. LEED is a voluntary program with different requirements for different levels of certification. For Gold Certification the project must include green features in sustainable sites, water efficiency, energy and atmosphere, materials and resources, indoor environmental quality, innovation, and a number of regional priority categories. For example, the two-story design will utilize natural lighting from windows with an expansive view of the Billings' Rimrocks. It will have water-efficient landscaping and a soil moisture sensor that will result in a 73% reduction in water use. There will also be water-efficient plumbing that will generate a 40% reduction of interior water use. It is anticipated that "at least 20% of the construction materials will contain recycled content and come from regional sources within 500 miles" of Billings. Overall, the new Library's operation costs will be approximately \$29,000 less per year, and it will use 27.7% less energy than the National energy standard.

The anticipated completion date for the new Parmly Billings Library is December 2013. Parking and landscaping are projected to be completed by June 2014.

* LEED Information and cover picture provided courtesy of Design Balance.

CITY OF BILLINGS, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

DEPARTMENT OF ADMINISTRATION
FINANCE DEPARTMENT

PATRICK M. WEBER
FINANCE DIRECTOR

FISCAL YEAR 2013

July 1, 2012 – June 30, 2013

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INTRODUCTORY SECTION



CITY OF BILLINGS
DEPARTMENT OF ADMINISTRATION
FINANCE DIVISION
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December 23, 2013

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, 2013, 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 auditor's 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 2010 Census population of 104,170 and a current estimate of 106,954.

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.

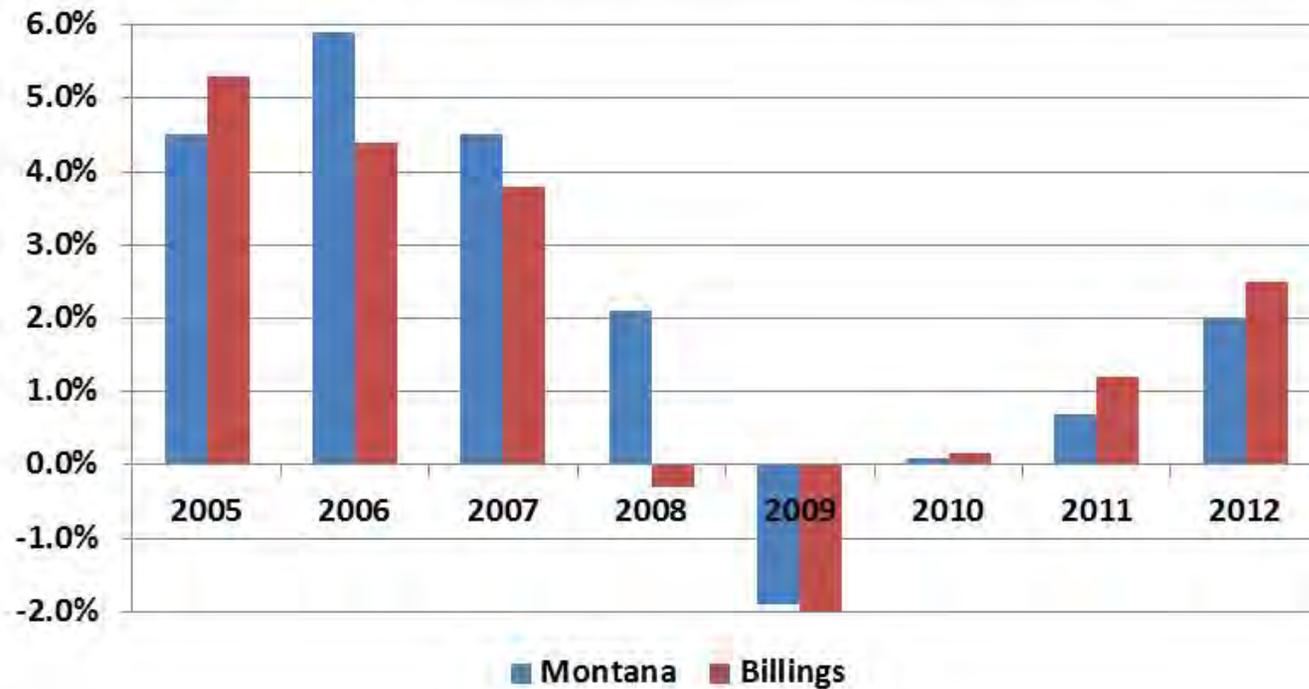
The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

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, 2013. 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 3.7% as of May 2013, 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, had slowed given the recent economic events. However, 2012 indicates that there is the continuance of a slow, but steady, recovery.

Change in Nonfarm Labor Income



One of the City's largest industries is health care. Presently, the Billings Clinic Health System (approximately 3,636 employees) and Saint Vincent Hospital and Health Care Center (approximately 2,100 employees) employ approximately 5,736 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.

LONG-TERM FINANCIAL PLANNING

The City of Billings annually completes five year plans for the General Fund, Public Safety Fund, Library Fund, Airport Fund, Transit Fund and other operating funds. The City Administrator appointed staff from tax supported funds to a levy committee early in FY14. The committee reviewed all tax supported funds to determine what revenue issues may arise over the next five years. It was confirmed by the committee that the Public Safety Fund would start depleting the General Fund reserves over the next several years to a point below the recommended minimum balance. The Public Safety Fund gets 57% of its revenue from the General Fund. Discussions will start with the City Council about asking the voters to approve a Public Safety mill levy in 2014.

RELEVANT FINANCIAL POLICIES

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

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

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

MAJOR INITIATIVES

The City Council adopts annual goals before beginning budget preparations.

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

- ☞ Comprehensive Orderly Growth: Careful consideration and management of the process of community growth.

- ☞ Transportation Linkages: Development of a comprehensive, multi-modal transportation system.
- ☞ Preservation of Resources: Preservation of Billings' resources.
- ☞ Economic Development: Economic vitality that fosters community partnerships and ensures a strong and efficient infrastructure.
- ☞ Involved, United Community: Community-wide investment in visioning and planning for the future.

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

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

INDEPENDENT AUDIT

The State of Montana requires a biennial audit of the basic financial statements of the City by independent certified public accountants selected by the City Council. However, the City Council has recommended that an annual audit be performed. An annual audit provides a higher level of financial management and fiscal responsibility. JCCS 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, 2013. The independent auditor's report is located at the front of the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Billings, Montana, for its comprehensive annual financial report for the fiscal year ended June 30, 2012. This was the twenty-ninth consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

For the twenty-first consecutive year, the City received the GFOA's Award for Distinguished Budget Presentation for its 2012-2013 annual budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Patrick M. Weber
Finance Director



Government Finance Officers Association

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

Presented to

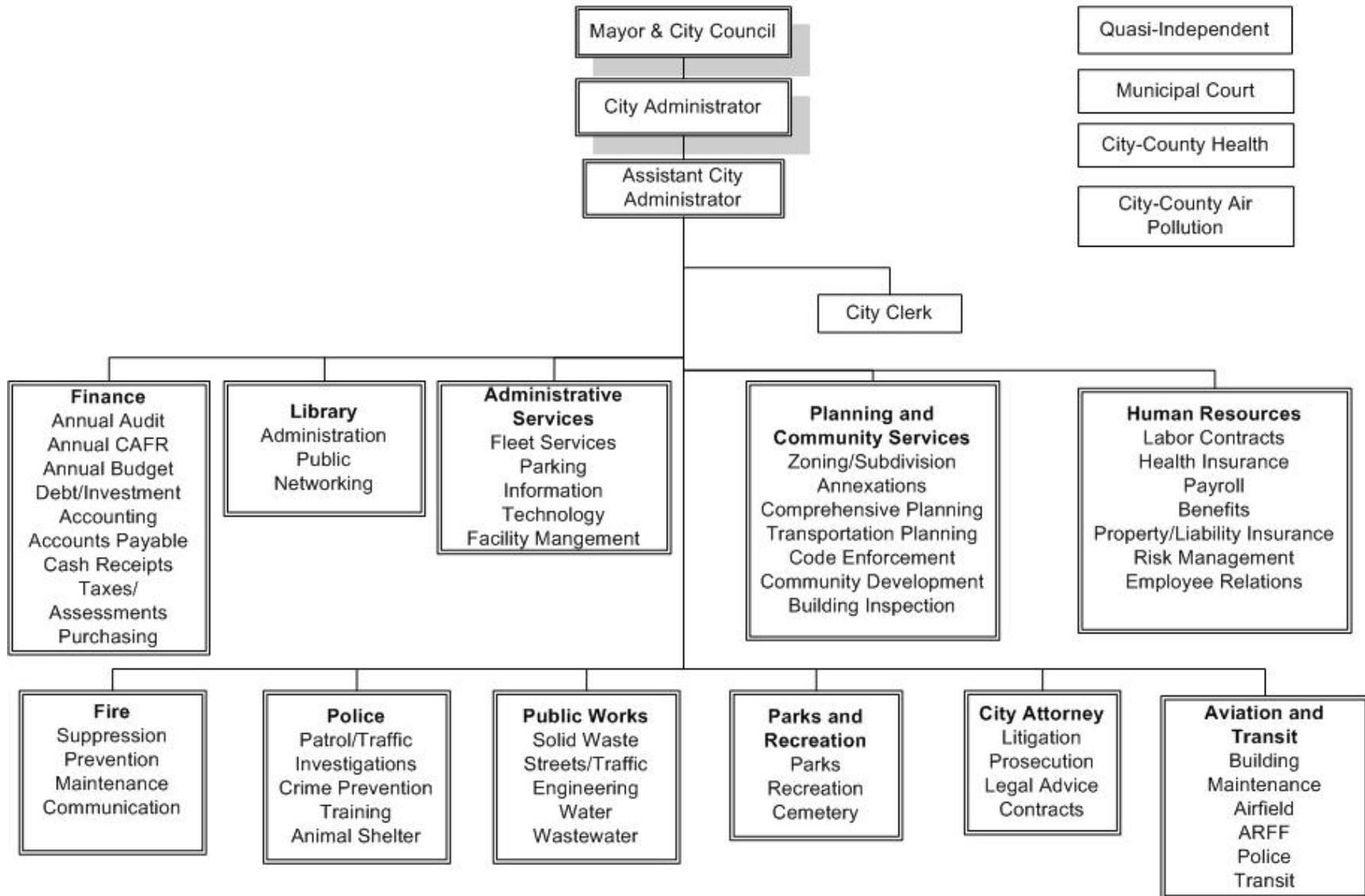
**City of Billings
Montana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

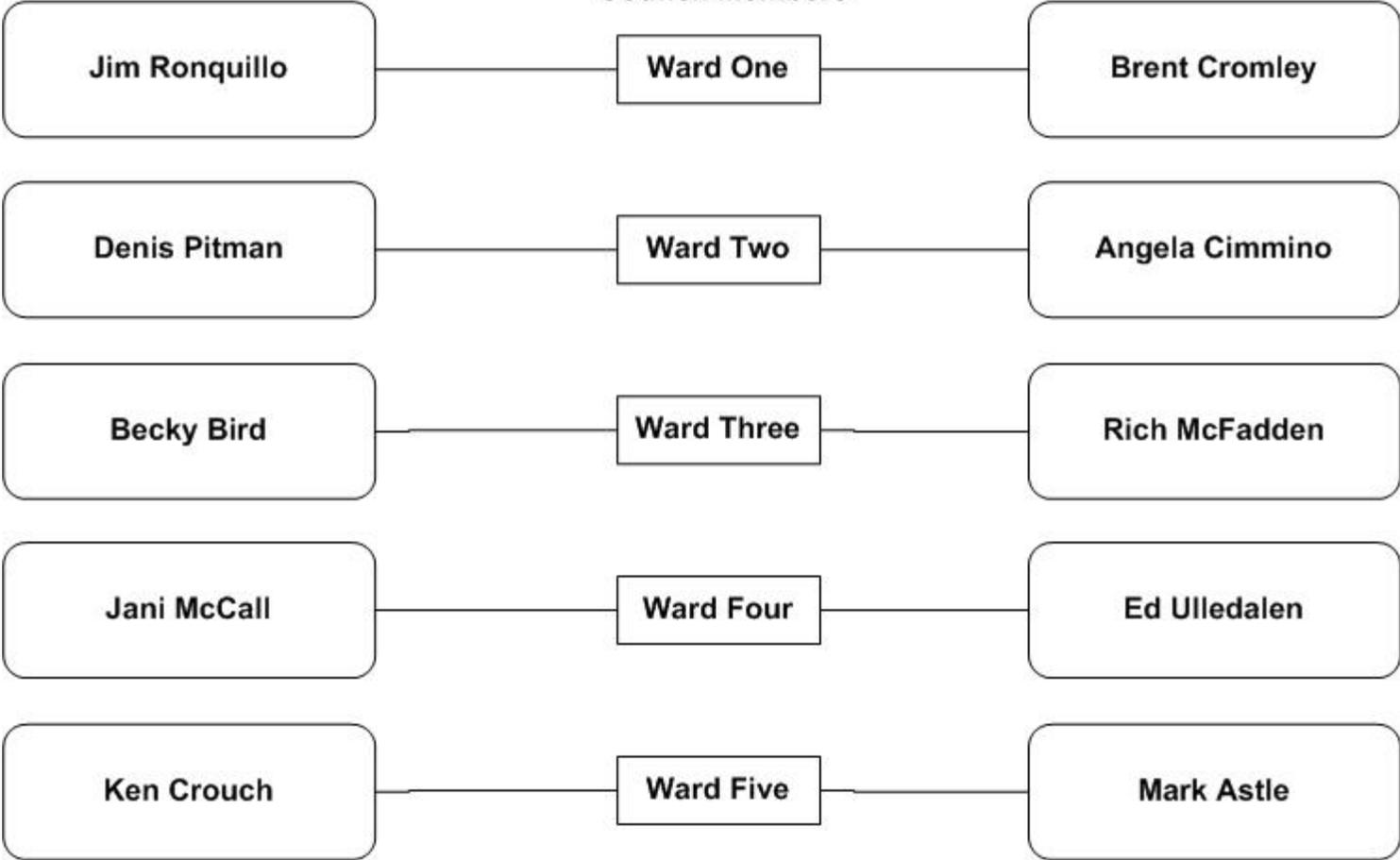
City of Billings Organizational Chart



**City of Billings, Montana
Official Roster**

**Mayor
Tom Hanel**

Council Members



FINANCIAL SECTION



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

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Billings, Montana, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and actuarial valuation of postretirement benefits and budgetary comparison information on pages 3 through 13 and 80 through 84 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the City of Billings, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Billings, Montana's internal control over financial reporting and compliance.

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

Great Falls, Montana
December 23, 2013

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, 2013. In addition to this overview and analysis based on currently known facts, decisions, and conditions, the City encourages readers to consider the information presented in the City's letter of transmittal and the City's financial statements, which begin on pages i and 14 of this report, respectively.

Financial Highlights

- The assets of the City exceeded its liabilities at the fiscal year end by \$657,610,772 (Net Position).
- The total fiscal year end governmental fund balance was \$94,426,514 as reported in the balance sheet.
- The total general fund and public safety fund balances at the fiscal year end were \$21,215,360 and \$1,506,513, 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 position presents information on all of the City's assets and liabilities. The difference between assets and liabilities is reported as net position. Over time, increases and decreases in net position may provide an indication of whether the City's financial position is improving or deteriorating.

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

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

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

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

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

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

debt and similar long-term items which are recorded when due. Therefore, the focus of the governmental fund financial statements is on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Public Safety Fund, North 27th Street Tax Increment Operating fund, Special Improvement Districts Fund, and New Library Construction Fund. These five 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 17-25 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 26-30 of this report.

Government-wide Financial Analysis

Net position over time may serve useful as an indicator of a government's financial position. The net position for the fiscal year ending June 30, 2013, was \$657,610,772 (assets exceeded liabilities), which was an increase of \$40,743,568.

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

The following two tables present condensed financial information on the City's Net position and Changes in Net position as of, and for, the fiscal years ended June 30, 2013, and June 30, 2012:

City of Billings, Montana's Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 131,907,061	\$ 101,990,591	\$ 85,103,393	\$ 75,974,838	\$ 217,010,454	\$ 177,965,429
Capital assets	246,187,240	221,961,013	358,471,775	346,576,451	604,659,015	568,537,464
Total assets	378,094,301	323,951,604	443,575,168	422,551,289	821,669,469	746,502,893
Deferred outflows	1,356,286	n/a	303,191	n/a	1,659,477	n/a
Long-term liabilities outstanding	79,244,209	48,979,010	64,288,958	67,053,646	143,533,167	116,032,656
Other liabilities	12,951,588	7,642,709	8,427,601	5,960,324	21,379,189	13,603,033
Total liabilities	92,195,797	56,621,719	72,716,559	73,013,970	164,912,356	129,635,689
Deferred inflows	805,818	n/a	-	n/a	805,818	n/a
Net position:						
Invested in capital assets, net of related debt	197,844,581	185,242,476	304,407,222	286,328,337	502,251,803	471,570,813
Restricted	67,391,300	58,125,381	6,142,062	5,657,088	73,533,362	63,782,469
Unrestricted	21,213,091	23,962,028	60,612,516	57,551,894	81,825,607	81,513,922
Total net position	\$ 286,448,972	\$ 267,329,885	\$ 371,161,800	\$ 349,537,319	\$ 657,610,772	\$ 616,867,204

The restricted portion of fiscal year 2013 Net position (11.2%) represents resources that are subject to external restrictions as to how they may be used.

City of Billings, Montana's Changes in Net Position

Revenues:	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues:						
Charges for services	\$ 31,874,631	\$ 31,921,867	\$ 65,100,047	\$ 60,914,391	\$ 96,974,678	\$ 92,836,258
Operating grants and contributions	12,503,438	7,006,001	2,532,839	2,259,607	15,036,277	9,265,608
Capital grants and contributions	28,523,730	26,658,322	8,426,573	6,040,618	36,950,303	32,698,940
General revenues:						
Property taxes	32,685,900	31,164,521	1,864,282	1,880,465	34,550,182	33,044,986
Franchise fees	3,597,794	3,348,405	-	-	3,597,794	3,348,405
Business licenses	701,155	706,413	-	-	701,155	706,413
Unrestricted federal/state shared revenue	14,022,436	13,544,473	340,733	340,734	14,363,169	13,885,207
Unrestricted investment earnings	77,218	132,850	226,119	418,772	303,337	551,622
Gain/(Loss) on sale of property and equipment	465,350	138,549	467,778	(546,872)	933,128	(408,323)
Miscellaneous	78,386	58,948	199,861	742,137	278,247	801,085
Total revenues	124,530,038	114,680,349	79,158,232	72,049,852	203,688,270	186,730,201

(Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Expenses:						
General government	7,249,264	7,542,756	-	-	7,249,264	7,542,756
Public safety	47,884,425	37,409,867	-	-	47,884,425	37,409,867
Public works	26,938,693	21,609,199	-	-	26,938,693	21,609,199
Public health	870,980	851,343	-	-	870,980	851,343
Culture and recreation	8,798,732	8,312,404	-	-	8,798,732	8,312,404
Housing and economic development	3,212,020	3,561,370	-	-	3,212,020	3,561,370
Interest on long-term debt	2,082,558	2,211,727	-	-	2,082,558	2,211,727
Solid Waste	-	-	10,481,635	10,295,824	10,481,635	10,295,824
Airport	-	-	12,762,593	13,097,702	12,762,593	13,097,702
Water	-	-	17,876,407	16,481,177	17,876,407	16,481,177
Wastewater	-	-	12,291,300	10,831,108	12,291,300	10,831,108
Parking	-	-	2,057,020	3,166,168	2,057,020	3,166,168
Transit	-	-	6,021,133	6,016,637	6,021,133	6,016,637
Golf Course	-	-	453,083	433,662	453,083	433,662
Total expenses	97,036,672	81,498,666	61,943,171	60,322,278	158,979,843	141,820,944
Increase in net assets before transfers	27,493,366	33,181,683	17,215,061	11,727,574	44,708,427	44,909,257
Transfers	(4,409,420)	146,178	4,409,420	(146,178)	-	-
Change in net assets	23,083,946	33,327,861	21,624,481	11,581,396	44,708,427	44,909,257
Net assets, beginning of year	267,329,885	234,002,024	349,537,319	339,541,926	616,867,204	573,543,950
Prior period adjustment	(3,964,859)	-	-	(1,586,003)	(3,964,859)	(1,586,003)
Net assets, end of year	\$286,448,972	\$267,329,885	\$371,161,800	\$349,537,319	\$657,610,772	\$ 616,867,204

Governmental activities. Net Position in governmental activities increased by \$19,119,087 during fiscal year 2013. Net Position increased due to donated right of way and private contract contributions related to Public Works capital projects of \$22.8 million.

Business-type activities. Net Position in business-type activities increased by \$21,624,481 during fiscal year 2013. Net Position increased due to Water and Wastewater operating income of \$12.8 million, Water and Wastewater contributed capital \$4.2 million, and Parking contributed construction in progress from the North 27th Street Tax Increment Operating Fund of \$3.9 million.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an 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 57.0% 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 \$1.28 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 position in the major proprietary funds were \$55,568,720 for fiscal year ended June 30, 2013, an increase of \$2.3 million. The most significant increases in unrestricted net position were in Water and Wastewater Funds.

General Fund Budgetary Highlights

Variances between the final revenue budget and actual revenues resulted from receiving more Cable TV Franchise Fee revenue than was budgeted. Variances between the final expenditure budget and actual expenditures resulted from 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, 2013, was \$604,659,015 (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 \$43 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	
	2013	2012	2013	2012	2013	2012
Land	\$ 38,670,278	\$ 31,231,261	\$ 13,290,233	\$ 13,636,192	\$ 51,960,511	\$ 44,867,453
Buildings	14,162,727	14,116,469	39,871,638	40,174,757	54,034,365	54,291,226
Improvements other than buildings	25,900,646	24,467,044	38,044,573	40,554,532	63,945,219	65,021,576
Machinery and equipment	11,607,943	11,473,423	19,859,779	20,322,913	31,467,722	31,796,336
Infrastructure	138,448,999	132,293,656	229,799,087	221,881,215	368,248,086	354,174,871
Construction In progress	17,396,647	8,379,160	17,606,465	10,006,842	35,003,112	18,386,002
Total	\$ 246,187,240	\$ 221,961,013	\$ 358,471,775	\$ 346,576,451	\$ 604,659,015	\$ 568,537,464

Additional information on the City of Billings' capital assets can be found on pages 61-65 of this report.

City of Billings, Montana's Outstanding Debt

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$ 30,556,985	\$ 15,080,000	\$ -	\$ -	\$ 30,556,985	\$ 15,080,000
Refunding bonds	-	-	5,985,770	6,940,000	5,985,770	-
Special assessment debt with governmental commitment	14,964,998	17,229,736	-	-	14,964,998	17,229,736
Revenue bonds	13,263,105	-	6,295,810	6,525,000	19,558,915	6,525,000
Notes payable	2,286,460	2,820,599	39,672,066	40,237,719	41,958,526	43,058,318
Intercap notes payable	64,402	69,768	-	-	64,402	69,768
Capital lease payable	4,328,598	4,428,222	4,434,979	6,866,067	8,763,577	11,294,289
Total	\$ 65,464,548	\$ 39,628,325	\$ 56,388,625	\$ 60,568,786	\$ 121,853,173	\$ 100,197,111

Long-term debt. The City of Billings had total bonded debt and notes outstanding of \$121,853,173 at the end of the current fiscal year. The majority of the debt consists of notes payable in the amount of \$39,672,066 for business activity consisting mostly of loans from DNRC for Water and Wastewater projects. General Obligation Bonds in the amount of \$30,556,985 of debt is backed by the full faith and credit of the government. The remaining amounts are special assessment debt in the amount of \$14,964,998, which is assessed to benefit property owners, \$19,558,915 of revenue bonds for business-type activities secured by specified revenue sources, and \$8,763,577 for capital leases. Notes payable in the amount of \$2,286,460 for governmental activity is a combination of notes for the Dehler Park Scoreboard, Fire Fighter lawsuit, and revolving loans.

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, 2013, the City's general obligation bonded debt of \$30,556,985 was well below the legal debt limit of \$145,915,016. General obligation net bonded debt per capita equated to \$285.70.

Additional information on the City of Billings long-term debt can be found on pages 69-80 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, 2013. 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 1st and November 30th and January 1st and May 31st; therefore, the reserves are needed to pay expenditures over each of those five months.

Net position has increased for both governmental and business-type activities. The major source for the increase was acquisition of capital assets.

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 Position
June 30, 2013
(Page 1 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and cash equivalents	\$ 57,517,423	\$ 35,364,709	\$ 92,882,132
Restricted cash and cash equivalents with fiscal agent	4,155,028	2,859,504	7,014,532
Investments	48,646,202	29,812,044	78,458,246
Receivables (net of allowance of \$1,090,349)	23,805,906	7,643,459	31,449,365
Internal balances	(5,043,796)	5,043,796	-
Inventories	438,725	1,463,599	1,902,324
Prepaid items	13,240	6,039	19,279
Bond issue costs, net	1,289,927	206,223	1,496,150
Property held for resale	447,625	-	447,625
Restricted assets:			
Temporarily restricted:			
Investments with trustee	-	2,704,020	2,704,020
Permanently restricted:			
Cash and cash equivalents	344,770	-	344,770
Investments	292,011	-	292,011
Capital assets:			
Land and construction in progress	56,066,925	30,896,698	86,963,623
Other capital assets, net of depreciation	190,120,315	327,575,077	517,695,392
Total capital assets	<u>246,187,240</u>	<u>358,471,775</u>	<u>604,659,015</u>
Total assets	<u>378,094,301</u>	<u>443,575,168</u>	<u>821,669,469</u>
<u>Deferred Outflows</u>			
Deferred loss on refunding of debt	<u>1,356,286</u>	<u>303,191</u>	<u>1,659,477</u>
<u>Liabilities</u>			
Accounts payable	7,937,923	6,951,193	14,889,116
Accrued wages and benefits	1,344,519	601,452	1,945,971
Incurred but not reported health benefits	700,000	-	700,000
Accrued interest	1,096,146	874,956	1,971,102
Other liabilities	73,000	-	73,000
Claims and judgments - due within one year	1,800,000	-	1,800,000
Long-term liabilities:			
Due within one year	8,404,562	5,177,419	13,581,981
Due in more than one year	67,211,182	54,843,497	122,054,679
Other post-employment benefits	3,628,465	1,811,536	5,440,001
Landfill closure and postclosure - due in more than one year	-	2,456,506	2,456,506
Total liabilities	<u>92,195,797</u>	<u>72,716,559</u>	<u>164,912,356</u>
<u>Deferred Inflows</u>			
Unearned revenue	<u>805,818</u>	<u>-</u>	<u>805,818</u>

(continued)

CITY OF BILLINGS, MONTANA
Statement of Net Position
June 30, 2013
(Page 2 of 2)

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Net Position</u>			
Net investment in capital assets	197,844,581	304,407,222	502,251,803
Restricted for:			
General government	325,041	-	325,041
Public safety	5,485,765	-	5,485,765
Public works	16,597,644	-	16,597,644
Public health	34,507	-	34,507
Culture and recreation	6,551,822	-	6,551,822
Housing and economic development	9,471,576	-	9,471,576
Capital projects	5,921,492	-	5,921,492
Debt service	22,366,478	6,142,062	28,508,540
Endowments - nonexpendable	636,975	-	636,975
Unrestricted	<u>21,213,091</u>	<u>60,612,516</u>	<u>81,825,607</u>
Total net position	<u>\$ 286,448,972</u>	<u>\$ 371,161,800</u>	<u>\$657,610,772</u>

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, 2013

	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
<u>Functions/Programs:</u>							
Primary government							
Governmental activities:							
General government	\$ 7,249,264	\$ 2,610,578	\$ 1,152,429	\$ 45,000	\$ (3,441,257)	\$ -	\$ (3,441,257)
Public safety	47,884,425	5,846,519	8,163,565	162,530	(33,711,811)	-	(33,711,811)
Public works	26,938,693	21,433,463	290,264	25,675,485	20,460,519	-	20,460,519
Public health	870,980	36,179	16,042	-	(818,759)	-	(818,759)
Culture and recreation	8,798,732	1,943,392	1,092,461	2,640,715	(3,122,164)	-	(3,122,164)
Housing and economic development	3,212,020	4,500	1,788,677	-	(1,418,843)	-	(1,418,843)
Interest on long-term debt	2,082,558	-	-	-	(2,082,558)	-	(2,082,558)
Total governmental activities	<u>97,036,672</u>	<u>31,874,631</u>	<u>12,503,438</u>	<u>28,523,730</u>	<u>(24,134,873)</u>	<u>-</u>	<u>(24,134,873)</u>
Business-type activities:							
Solid Waste	10,481,635	10,161,097	-	-	-	(320,538)	(320,538)
Airport	12,762,593	9,841,330	134,881	3,057,966	-	271,584	271,584
Water	17,876,407	25,904,501	-	1,430,545	-	9,458,639	9,458,639
Wastewater	12,291,300	16,122,580	-	3,598,618	-	7,429,898	7,429,898
Parking	2,057,020	1,783,389	-	-	-	(273,631)	(273,631)
Transit	6,021,133	808,740	2,397,958	339,444	-	(2,474,991)	(2,474,991)
Golf Course	453,083	478,410	-	-	-	25,327	25,327
Total business-type activities	<u>61,943,171</u>	<u>65,100,047</u>	<u>2,532,839</u>	<u>8,426,573</u>	<u>-</u>	<u>14,116,288</u>	<u>14,116,288</u>
Total primary government	<u>\$ 158,979,843</u>	<u>\$ 96,974,678</u>	<u>\$ 15,036,277</u>	<u>\$ 36,950,303</u>	<u>(24,134,873)</u>	<u>14,116,288</u>	<u>(10,018,585)</u>
General revenues:							
Property taxes					32,685,900	1,864,282	34,550,182
Franchise fees					3,597,794	-	3,597,794
Business license tax					701,155	-	701,155
Unrestricted federal/state shared revenue					14,022,436	340,733	14,363,169
Unrestricted investment earnings					77,218	226,119	303,337
Gain on sale of capital assets					465,350	467,778	933,128
Miscellaneous					78,386	199,861	278,247
Transfers					(4,409,420)	4,409,420	-
Total general revenues and transfers					<u>47,218,819</u>	<u>7,508,193</u>	<u>54,727,012</u>
Change in net assets					23,083,946	21,624,481	44,708,427
Net position, beginning of year, as previously stated					267,329,885	349,537,319	616,867,204
Prior period adjustment (Note III D)					(3,964,859)	-	(3,964,859)
Net position, beginning of year					<u>263,365,026</u>	<u>349,537,319</u>	<u>612,902,345</u>
Net position, end of year					<u>\$ 286,448,972</u>	<u>\$ 371,161,800</u>	<u>\$ 657,610,772</u>

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

CITY OF BILLINGS, MONTANA

Governmental Funds

Balance Sheet

June 30, 2013

North 27th

Street Tax

Increment

Operating

Fund

Special

Improvement

Districts Fund

New Library

Construction

Fund

Other

Governmental

Funds

Total

Governmental

Funds

Assets	General Fund	Public Safety Fund	Operating Fund	Special Improvement Districts Fund	New Library Construction Fund	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	\$ 11,283,036	\$ 1,243,081	\$ 6,436,439	\$ 2,108,282	\$ 5,166,965	\$ 25,995,071	\$ 52,232,874
Cash with fiscal agent	-	-	-	1,313,197	-	2,839,294	4,152,491
Investments	9,489,127	960,392	5,448,221	1,766,727	4,370,081	22,130,362	44,164,910
Receivables:							
Property taxes	1,365,107	1,375,067	407,221	-	-	515,163	3,662,558
Accounts and unbilled usage	400,166	33,862	-	-	-	94,443	528,471
Delinquent special assessments	4,487	-	-	77,493	-	667,434	749,414
Deferred special assessments	-	-	-	12,790,925	-	1,475,030	14,265,955
Accrued interest	7,207	43	2,680	394	3,381	16,644	30,349
Notes	-	-	-	-	-	2,847,291	2,847,291
Due from other funds	238,112	-	-	-	-	366,392	604,504
Receivables from other governments	-	-	-	-	-	1,054,425	1,054,425
Inventories	-	-	-	-	-	74,057	74,057
Property held for resale	-	-	-	155,997	-	291,628	447,625
Total assets	\$ 22,787,242	\$ 3,612,445	\$ 12,294,561	\$ 18,213,015	\$ 9,540,427	\$ 58,367,234	\$ 124,814,924
Liabilities, Deferred Inflows and Fund Balances							
Liabilities:							
Accounts payable	\$ 262,303	\$ 162,217	\$ 618,542	\$ -	\$ 3,851,523	\$ 2,597,743	\$ 7,492,328
Accrued wages & benefits	190,801	807,909	-	-	-	212,765	1,211,475
Due to other funds	-	-	-	-	-	604,504	604,504
Other liabilities	-	-	-	63,000	-	10,000	73,000
Total liabilities	453,104	970,126	618,542	63,000	3,851,523	3,425,012	9,381,307
Deferred inflows:							
Deferred revenue	1,118,778	1,135,806	336,746	12,812,968	-	5,602,805	21,007,103
Fund balances:							
Unspendable	-	-	-	-	-	636,975	636,975
Restricted	-	1,506,513	11,339,273	5,337,047	5,688,904	40,491,590	64,363,327
Committed	9,603,000	-	-	-	-	8,681,426	18,284,426
Assigned	-	-	-	-	-	-	-
Unassigned	11,612,360	-	-	-	-	(470,574)	11,141,786
Total fund balances	21,215,360	1,506,513	11,339,273	5,337,047	5,688,904	49,339,417	94,426,514
Total liabilities, deferred inflows and fund balances	\$ 22,787,242	\$ 3,612,445	\$ 12,294,561	\$ 18,213,015	\$ 9,540,427	\$ 58,367,234	\$ 124,814,924

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

CITY OF BILLINGS, MONTANA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2013

Total <i>fund balances</i> for governmental funds		\$ 94,426,514
Total <i>net position</i> reported for governmental activities in the statement of net position is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 36,680,395	
Buildings and improvements	15,953,869	
Improvements other than buildings	34,440,235	
Machinery and equipment	28,059,495	
Infrastructure	227,728,824	
Construction in progress	15,202,017	
Less accumulated depreciation	<u>(125,374,990)</u>	232,689,845
Other long-term assets are not available to pay for the current-period expenditures and therefore are deferred in the funds		
		20,201,285
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	(29,505,000)	
add: bond premium	(1,348,752)	
less: bond discount	296,767	
Tax increment bonds payable	(13,210,000)	
less: deferred charge on refunding	2,587	
less: bond discount	(55,692)	
Special assessment bonds payable	(16,156,481)	
less: deferred charge on refunding	1,059,519	
less: bond discount	135,535	
add: bond premium	(3,571)	
Notes payable	(2,350,862)	
Bond Issuance costs	1,082,939	
Compensated absences payable	(7,629,162)	
Other post-employment benefits	(3,196,410)	
Claims and judgments	(1,800,000)	
Accrued interest	<u>(1,057,850)</u>	(73,736,433)
Internal service funds are used by the City to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position		
		<u>12,867,761</u>
Total net position of governmental activities		<u><u>\$286,448,972</u></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, 2013

	General Fund	Public Safety Fund	North 27th Street Tax Increment Operating Fund	Special Improvement Districts Fund	New Library Construction Fund	Other Governmental Funds	Total Governmental Funds
Revenues:							
Taxes	\$ 13,515,765	\$ 11,580,978	\$ 1,876,629	\$ -	\$ -	\$ 5,157,358	\$ 32,130,730
Licenses and permits	4,301,684	26,961	-	-	-	2,184,083	6,512,728
Intergovernmental	9,315,578	7,918,036	122,055	-	-	8,162,405	25,518,074
Charges for services	3,241,784	1,291,241	-	-	-	6,248,603	10,781,628
Fines and forfeitures	1,809,948	3,795	-	-	-	579,449	2,393,192
Special assessments	13,838	-	-	2,576,528	-	18,804,045	21,394,411
Other	100,470	27,926	(9,123)	(12,001)	20,853	2,209,063	2,337,188
Total revenues	<u>32,299,067</u>	<u>20,848,937</u>	<u>1,989,561</u>	<u>2,564,527</u>	<u>20,853</u>	<u>43,345,006</u>	<u>101,067,951</u>
Expenditures:							
Current:							
General government	5,330,147	-	-	-	-	2,004,314	7,334,461
Public safety	248,141	38,595,050	-	-	-	4,872,295	43,715,486
Public works	319,164	-	-	-	-	16,095,362	16,414,526
Public health	-	787,413	-	-	-	-	787,413
Culture and recreation	3,516,985	-	-	-	-	4,115,915	7,632,900
Housing and economic development	-	-	439,509	-	-	2,689,922	3,129,431
Capital outlay	935,410	69,482	3,934,770	-	10,239,697	6,694,765	21,874,124
Debt service:							
Principal	-	455,999	-	6,698,621	-	5,998,140	13,152,760
Interest and fiscal charges	-	109,966	-	1,461,188	-	1,116,781	2,687,935
Bond issuance costs	-	-	304,536	119,278	220,756	124,895	769,465
Total expenditures	<u>10,349,847</u>	<u>40,017,910</u>	<u>4,678,815</u>	<u>8,279,087</u>	<u>10,460,453</u>	<u>43,712,389</u>	<u>117,498,501</u>
Revenues over (under) expenditures	<u>21,949,220</u>	<u>(19,168,973)</u>	<u>(2,689,254)</u>	<u>(5,714,560)</u>	<u>(10,439,600)</u>	<u>(367,383)</u>	<u>(16,430,550)</u>
Other financing sources (uses):							
Transfers in	1,839,710	20,391,752	-	23,563	-	4,280,443	26,535,468
Transfers out	(22,585,350)	(1,143,991)	(100,000)	(1,863,991)	-	(2,566,743)	(28,260,075)
Bond discount costs	-	-	(2,749)	-	-	-	(2,749)
Issuance of debt	-	-	13,210,000	-	15,460,000	4,385,000	33,055,000
Premium on bond debt	-	-	59,173	-	1,071,488	303,802	1,434,463
Special assessment bonds issued	-	-	-	5,545,000	-	575,000	6,120,000
Sale of capital assets	800	725	68,446	-	-	398,458	468,429
Total other financing sources (uses)	<u>(20,744,840)</u>	<u>19,248,486</u>	<u>13,234,870</u>	<u>3,704,572</u>	<u>16,531,488</u>	<u>7,375,960</u>	<u>39,350,536</u>
Net change in fund balances	<u>1,204,380</u>	<u>79,513</u>	<u>10,545,616</u>	<u>(2,009,988)</u>	<u>6,091,888</u>	<u>7,008,577</u>	<u>22,919,986</u>
Fund balance, beginning of year	20,010,980	1,427,000	793,657	7,347,035	(402,984)	42,330,840	71,506,528
Fund balance, end of year	<u>\$ 21,215,360</u>	<u>\$ 1,506,513</u>	<u>\$11,339,273</u>	<u>\$ 5,337,047</u>	<u>\$ 5,688,904</u>	<u>\$ 49,339,417</u>	<u>\$ 94,426,514</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, 2013
(Page 1 of 2)

Net change in <i>fund balances</i> - total governmental funds		\$ 22,919,986
The change in <i>net position</i> reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	\$ 21,874,124	
Depreciation	<u>(13,562,512)</u>	8,311,612
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.		
		(19,608)
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	22,807,276	
Transfer to Enterprise Fund	<u>(4,538,324)</u>	18,268,952
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
		125,555
Proceeds from debt issues are other financing sources in the funds, but debt issues are long-term liabilities in the statement of net assets.		
General obligation debt issued	(19,845,000)	
Special assessment bond issued	(6,120,000)	
Tax increment bond issued	<u>(13,210,000)</u>	(39,175,000)
Governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Bond premiums	(1,321,843)	
Bond discounts	(130,091)	
Deferred loss on refunding	1,329,228	
Bond issuance cost	<u>458,548</u>	335,842
		(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, 2013
(Page 2 of 2)

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

General obligation debt	5,420,000	
Special assessment debt	7,193,255	
Notes payable	<u>539,505</u>	13,152,760

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. 3,203,350

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	(2,153,278)	
Other post-employment benefits	(424,228)	
Claims and judgments	(1,250,000)	
Interest and amortization expenses	<u>(211,997)</u>	<u>(4,039,503)</u>

Change in net position of governmental activities \$ 23,083,946

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 13,765,114	\$ 13,765,114	\$ 13,515,765	\$ 249,349
Licenses and permits	4,007,789	4,007,789	4,301,684	(293,895)
Intergovernmental	9,081,317	9,081,317	9,315,578	(234,261)
Charges for services	3,207,819	3,207,819	3,241,784	(33,965)
Fines and forfeitures	1,727,910	1,727,910	1,809,948	(82,038)
Special assessments	-	-	13,838	(13,838)
Other	45,380	45,380	100,470	(55,090)
Total revenues	<u>31,835,329</u>	<u>31,835,329</u>	<u>32,299,067</u>	<u>(463,738)</u>
Expenditures:				
Current:				
General government	7,132,725	6,287,566	5,330,147	957,419
Public safety	249,344	249,344	248,141	1,203
Public works	378,358	378,358	319,164	59,194
Culture and recreation	3,559,022	3,559,022	3,516,985	42,037
Capital outlay	145,500	949,055	935,410	13,645
Total expenditures	<u>11,464,949</u>	<u>11,423,345</u>	<u>10,349,847</u>	<u>1,073,498</u>
Revenues over (under) expenditures	<u>20,370,380</u>	<u>20,411,984</u>	<u>21,949,220</u>	<u>(1,537,236)</u>
Other financing sources (uses):				
Transfers in	1,840,838	1,841,938	1,839,710	2,228
Transfers out	(22,175,197)	(22,650,197)	(22,585,350)	(64,847)
Sale of capital assets	100,500	100,500	800	99,700
Total other financing sources (uses)	<u>(20,233,859)</u>	<u>(20,707,759)</u>	<u>(20,744,840)</u>	<u>37,081</u>
Net change in fund balances	<u>\$ 136,521</u>	<u>\$ (295,775)</u>	<u>1,204,380</u>	<u>\$ (1,500,155)</u>
Fund balance, beginning of year			20,010,980	
Fund balance, end of year			<u>\$ 21,215,360</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 11,920,342	\$ 11,920,342	\$ 11,580,978	\$ 339,364
Licenses and permits	124,877	124,877	26,961	97,916
Intergovernmental	2,128,671	2,128,671	2,229,768	(101,097)
Charges for services	1,162,933	1,162,933	1,291,241	(128,308)
Fines and forfeitures	2,400	2,400	3,795	(1,395)
Other	26,275	26,275	27,926	(1,651)
Total revenues	<u>15,365,498</u>	<u>15,365,498</u>	<u>15,160,669</u>	<u>204,829</u>
Expenditures:				
Current:				
Public safety	32,997,398	33,222,398	32,906,782	315,616
Public health	816,222	816,222	787,413	28,809
Capital outlay	64,033	64,033	69,482	(5,449)
Debt service:				
Principal	455,737	455,737	455,999	(262)
Interest and fiscal charges	109,967	109,967	109,966	1
Total expenditures	<u>34,443,357</u>	<u>34,668,357</u>	<u>34,329,642</u>	<u>338,715</u>
Revenues over (under) expenditures	<u>(19,077,859)</u>	<u>(19,302,859)</u>	<u>(19,168,973)</u>	<u>(133,886)</u>
Other financing sources (uses):				
Transfers in	20,166,752	20,391,752	20,391,752	-
Transfers out	(1,165,546)	(1,165,546)	(1,143,991)	(21,555)
Sale of capital assets	-	-	725	(725)
Total other financing sources (uses)	<u>19,001,206</u>	<u>19,226,206</u>	<u>19,248,486</u>	<u>(22,280)</u>
Net change in fund balances	<u>\$ (76,653)</u>	<u>\$ (76,653)</u>	<u>79,513</u>	<u>\$ (156,166)</u>
Fund balance, beginning of year			1,427,000	
Fund balance, end of year			<u>\$ 1,506,513</u>	

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

CITY OF BILLINGS, MONTANA
Major Special Revenue Fund - North 27th Street Tax Increment Operating
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 1,800,000	\$ 1,800,000	\$ 1,876,629	\$ (76,629)
Intergovernmental	-	-	122,055	(122,055)
Other	1,156,075	1,156,075	(9,123)	1,165,198
Total revenues	<u>2,956,075</u>	<u>2,956,075</u>	<u>1,989,561</u>	<u>966,514</u>
Expenditures:				
Current:				
Housing and economic development	708,174	708,174	439,509	268,665
Capital outlay	13,193,552	14,093,552	3,934,770	10,158,782
Debt service:				
Interest and fiscal charges	113,663	113,663	-	113,663
Bond issuance costs	476,000	476,000	304,536	171,464
Total expenditures	<u>14,605,052</u>	<u>15,391,389</u>	<u>4,678,815</u>	<u>10,712,574</u>
Revenues over (under) expenditures	<u>(11,648,977)</u>	<u>(12,435,314)</u>	<u>(2,689,254)</u>	<u>(9,746,060)</u>
Other financing sources (uses):				
Transfers out	(100,000)	(100,000)	(100,000)	-
Bond discount costs	-	-	(2,749)	2,749
Issuance of debt	12,811,600	12,811,600	13,210,000	(398,400)
Premium on bond debt	-	-	59,173	(59,173)
Sale of capital assets	-	-	68,446	(68,446)
Total other financing sources (uses)	<u>12,711,600</u>	<u>12,711,600</u>	<u>13,234,870</u>	<u>(523,270)</u>
Net change in fund balances	<u>\$ 1,062,623</u>	<u>\$ 276,286</u>	<u>10,545,616</u>	<u>\$ (10,269,330)</u>
Fund balance, beginning of year			793,657	
Fund balance, end of year			<u>\$ 11,339,273</u>	

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

CITY OF BILLINGS, MONTANA
Major Capital Projects Fund - New Library Construction Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Other	\$ -	\$ -	\$ 20,853	\$ (20,853)
Total revenues	<u>-</u>	<u>-</u>	<u>20,853</u>	<u>(20,853)</u>
Expenditures:				
Capital outlay	205,670	15,777,220	10,239,697	5,537,523
Debt service:				
Bond issuance costs	-	220,757	220,756	1
Total expenditures	<u>205,670</u>	<u>15,997,977</u>	<u>10,460,453</u>	<u>5,537,524</u>
Revenues over (under) expenditures	<u>(205,670)</u>	<u>(15,997,977)</u>	<u>(10,439,600)</u>	<u>(5,558,377)</u>
Other financing sources (uses):				
Issuance of debt	-	-	15,460,000	(15,460,000)
Premium on bond debt	-	-	1,071,488	(1,071,488)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,531,488</u>	<u>(16,531,488)</u>
Net change in fund balances	<u>\$ (205,670)</u>	<u>\$ (15,997,977)</u>	<u>6,091,888</u>	<u>\$ (22,089,865)</u>
Fund balance, beginning of year			(402,984)	
Fund balance, end of year			<u>\$ 5,688,904</u>	

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

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Net Position (Page 1 of 2)
June 30, 2013

	Business-type Activities						Total	Internal Service Funds
	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Nonmajor Enterprise Funds		
Assets								
Current assets:								
Cash and cash equivalents	\$ 4,685,588	\$ 5,534,541	\$ 14,844,343	\$ 8,192,229	\$ 488,779	\$ 1,619,229	\$ 35,364,709	\$ 5,629,319
Restricted cash and cash equivalents with fiscal agent	-	1,211,281	1,025,853	622,021	-	349	2,859,504	2,537
Investments	3,948,570	4,686,628	12,591,210	6,938,189	409,093	1,238,354	29,812,044	4,773,303
Receivables:								
Property taxes	-	-	-	-	-	192,658	192,658	-
Accounts and unbilled usage	1,233,413	853,288	2,646,516	1,714,985	-	23,266	6,471,468	14,556
Accrued interest	2,505	3,405	8,196	4,474	329	659	19,568	2,887
Notes	-	-	-	-	-	-	-	50,000
Receivables from other governments	-	661,609	-	65,267	-	232,889	959,765	-
Inventories	-	59,310	1,403,629	-	-	660	1,463,599	364,668
Prepaid items	-	-	-	-	-	6,039	6,039	13,240
Total current assets	9,870,076	13,010,062	32,519,747	17,537,165	898,201	3,314,103	77,149,354	10,850,510
Noncurrent assets:								
Bond issue costs, net	-	206,223	-	-	-	-	206,223	206,988
Notes receivable	-	-	-	-	-	-	-	600,000
Restricted investments with trustee	2,704,020	-	-	-	-	-	2,704,020	-
Property and equipment:								
Land	493,448	3,076,010	1,659,888	959,586	5,666,010	1,435,291	13,290,233	1,989,883
Buildings	188,095	31,027,200	14,845,185	14,567,570	20,096,560	9,537,279	90,261,889	9,381,235
Improvements other than buildings	5,182,399	89,025,289	365,554	2,810,810	400,568	987,849	98,772,469	2,006,539
Equipment and vehicles	12,750,074	12,849,329	13,727,262	12,972,562	538,810	8,892,477	61,730,514	4,524,058
Infrastructure	-	-	194,321,149	153,122,084	-	-	347,443,233	-
Construction in progress	2,347,342	2,709,058	5,517,674	3,097,621	3,934,770	-	17,606,465	2,194,630
Less: accumulated depreciation	(9,968,929)	(85,250,484)	(83,666,746)	(69,890,460)	(11,049,179)	(10,807,230)	(270,633,028)	(6,598,950)
Total noncurrent assets	13,696,449	53,642,625	146,769,966	117,639,773	19,587,539	10,045,666	361,382,018	14,304,383
Total assets	23,566,525	66,652,687	179,289,713	135,176,938	20,485,740	13,359,769	438,531,372	25,154,893
Deferred Outflows								
Deferred loss on bond refunding	-	303,191	-	-	-	-	303,191	-
Total assets and deferred outflows	\$23,566,525	\$66,955,878	\$179,289,713	\$135,176,938	\$20,485,740	\$13,359,769	\$438,834,563	\$25,154,893

(continued)

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Net Position (Page 2 of 2)
June 30, 2013

Business-type Activities

	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Liabilities								
Current liabilities:								
Accounts payable	\$ 1,161,298	\$ 1,749,428	\$ 2,230,120	\$ 1,755,237	\$ 30,645	\$ 24,465	\$ 6,951,193	\$ 445,595
Accrued wages and benefits	123,503	106,076	118,271	87,294	15,172	151,136	601,452	133,044
Compensate absences	371,770	381,575	497,795	274,106	19,300	261,635	1,806,181	632,469
Accrued interest payable	-	10,400	295,853	217,021	100,401	-	623,675	38,296
Incurred but not reported health benefits	-	-	-	-	-	-	-	700,000
Notes payable	-	67,377	1,371,000	857,000	115,861	-	2,411,238	180,000
Accrued interest payable from restricted assets	-	251,281	-	-	-	-	251,281	-
Revenue bonds payable from restricted assets	-	960,000	-	-	-	-	960,000	-
Total current liabilities	<u>1,656,571</u>	<u>3,526,137</u>	<u>4,513,039</u>	<u>3,190,658</u>	<u>281,379</u>	<u>437,236</u>	<u>13,605,020</u>	<u>2,129,404</u>
Noncurrent liabilities:								
Compensated absences	313,466	321,733	419,725	231,118	16,273	220,603	1,522,918	533,279
Other post employment benefits	388,264	336,901	391,023	250,701	90,703	353,944	1,811,536	432,055
Revenue bonds payable	-	11,624,771	-	-	-	-	11,624,771	-
Notes payable	-	1,190,628	21,842,998	15,601,068	3,061,114	-	41,695,808	4,148,598
Landfill closure and postclosure-payable from restricted assets	2,456,506	-	-	-	-	-	2,456,506	-
Total noncurrent liabilities	<u>3,158,236</u>	<u>13,474,033</u>	<u>22,653,746</u>	<u>16,082,887</u>	<u>3,168,090</u>	<u>574,547</u>	<u>59,111,539</u>	<u>5,113,932</u>
Total liabilities	<u>4,814,807</u>	<u>17,000,170</u>	<u>27,166,785</u>	<u>19,273,545</u>	<u>3,449,469</u>	<u>1,011,783</u>	<u>72,716,559</u>	<u>7,243,336</u>
Net Position								
Invested in capital assets, net of related debt	10,992,429	41,154,822	123,555,968	102,247,773	16,410,564	10,045,666	304,407,222	9,168,797
Restricted for:								
Bond and notes payable ordinance reserve	-	2,664,044	2,140,434	1,332,124	-	5,460	6,142,062	-
Unrestricted	7,759,289	6,136,842	26,426,526	12,323,496	625,707	2,296,860	55,568,720	8,742,760
Total net position	<u>18,751,718</u>	<u>49,955,708</u>	<u>152,122,928</u>	<u>115,903,393</u>	<u>17,036,271</u>	<u>12,347,986</u>	<u>366,118,004</u>	<u>17,911,557</u>
Total liabilities and net position	<u>\$ 23,566,525</u>	<u>\$ 66,955,878</u>	<u>\$ 179,289,713</u>	<u>\$ 135,176,938</u>	<u>\$ 20,485,740</u>	<u>\$ 13,359,769</u>	<u>\$ 371,161,800</u>	<u>\$ 25,154,893</u>
Some amounts reported for business-type activities in the statement of net position are different because certain internal fund net position and liabilities are included with business-type activities.							5,043,796	
Net assets of business-type activities							<u>\$371,161,800</u>	

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

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended June 30, 2013

Business-type Activities

	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues:								
Charges for services	\$10,036,692	\$ 9,684,275	\$ 25,741,209	\$ 16,003,294	\$ 1,755,209	\$ 1,140,276	\$ 64,360,955	\$22,967,983
Operating expenses:								
Salaries and benefits	4,363,902	4,160,659	4,555,582	3,083,188	642,849	3,746,111	20,552,291	14,488,507
Supplies	2,009,351	1,123,991	1,770,808	1,195,374	45,845	961,832	7,107,201	279,093
Contracted services	1,394,677	954,923	1,762,507	1,753,234	343,504	287,607	6,496,452	2,175,127
Utilities	46,663	727,335	1,993,927	1,241,329	88,848	156,322	4,254,424	566,143
Other	1,067,254	189,429	1,335,206	835,117	99,759	168,772	3,695,537	2,756,252
Depreciation	1,473,917	4,950,886	5,694,638	3,719,623	656,026	1,153,572	17,648,662	508,371
Landfill closure and post-closure	122,377	-	-	-	-	-	122,377	-
Total operating expenses	<u>10,478,141</u>	<u>12,107,223</u>	<u>17,112,668</u>	<u>11,827,865</u>	<u>1,876,831</u>	<u>6,474,216</u>	<u>59,876,944</u>	<u>20,773,493</u>
Operating income (loss)	<u>(441,449)</u>	<u>(2,422,948)</u>	<u>8,628,541</u>	<u>4,175,429</u>	<u>(121,622)</u>	<u>(5,333,940)</u>	<u>4,484,011</u>	<u>2,194,490</u>
Nonoperating revenue (expenses):								
Taxes	-	-	-	-	-	1,864,282	1,864,282	23,924
Intergovernmental	-	134,881	755,168	68,976	-	2,738,691	3,697,716	-
Interest expense	-	(639,587)	(656,185)	(463,435)	(175,570)	-	(1,934,777)	(185,336)
Interest and investment income	36,438	20,392	102,805	58,432	373	3,804	222,244	15,982
Facilities Charges	-	1,875,762	-	-	-	-	1,875,762	-
Gain (loss) on sale of capital assets	(3,494)	(15,783)	(107,554)	1,353	438,163	28,262	340,947	21,139
Other	-	162,393	10,951	5,814	-	1,390	180,548	37,301
Total nonoperating revenue (expense)	<u>32,944</u>	<u>1,538,058</u>	<u>105,185</u>	<u>(328,860)</u>	<u>262,966</u>	<u>4,636,429</u>	<u>6,246,722</u>	<u>(86,990)</u>
Income (loss) before capital contributions and transfers	<u>(408,505)</u>	<u>(884,890)</u>	<u>8,733,726</u>	<u>3,846,569</u>	<u>141,344</u>	<u>(697,511)</u>	<u>10,730,733</u>	<u>2,107,500</u>
Capital contributions	-	1,182,204	675,377	3,529,642	3,934,770	339,444	9,661,437	603,554
Transfers in	-	-	389,650	-	100,000	-	489,650	1,345,726
Transfers out	-	-	-	-	-	(15,000)	(15,000)	(95,769)
Change in net position	<u>(408,505)</u>	<u>297,314</u>	<u>9,798,753</u>	<u>7,376,211</u>	<u>4,176,114</u>	<u>(373,067)</u>	<u>20,866,820</u>	<u>3,961,011</u>
Net position, beginning 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>
Net position, end of year	<u>\$18,751,718</u>	<u>\$ 49,955,708</u>	<u>\$152,122,928</u>	<u>\$115,903,393</u>	<u>\$17,036,271</u>	<u>\$12,347,986</u>	<u>\$17,911,557</u>	<u>\$17,911,557</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.							757,661	
							<u>\$ 21,624,481</u>	

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

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013
(Page 1 of 2)

	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Cash flows from operating activities:								
Cash received from customers and users	\$ 11,055,298	\$ 8,967,304	\$ 26,198,343	\$ 15,939,077	\$ 1,755,209	\$ 970,501	\$ 64,885,732	\$ 729,681
Cash received from interfund services provided	-	-	-	-	-	-	-	22,265,397
Cash received from other sources	-	162,393	10,950	-	438,163	17,640	629,146	37,301
Cash paid to employees for services	(4,149,256)	(4,014,011)	(4,286,661)	(2,988,179)	(632,811)	(3,664,631)	(19,735,549)	(14,160,527)
Cash paid to suppliers and contracted services	(3,498,633)	(1,880,464)	(6,947,823)	(4,355,361)	(586,754)	(1,586,719)	(18,855,754)	(5,712,146)
Cash paid to other sources	-	-	-	-	-	-	-	-
Net cash provided (used) by operating activities	<u>3,407,409</u>	<u>3,235,222</u>	<u>14,974,809</u>	<u>8,595,537</u>	<u>973,807</u>	<u>(4,263,209)</u>	<u>26,923,575</u>	<u>3,159,706</u>
Cash flows from noncapital financing activities:								
Cash received from tax revenues	-	-	-	-	-	1,851,569	1,851,569	-
Cash received from intergovernmental revenues	-	134,881	-	-	-	2,738,691	2,873,572	-
Transfers from other funds	-	-	-	-	100,000	-	100,000	813,670
Transfers to other funds	-	-	-	-	-	(15,000)	(15,000)	(95,769)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>134,881</u>	<u>-</u>	<u>-</u>	<u>100,000</u>	<u>4,575,260</u>	<u>4,810,141</u>	<u>717,901</u>
Cash flows from capital and related financing activities:								
Capital contributions	-	1,182,204	755,168	68,976	-	339,444	2,345,792	-
Acquisition and construction of capital assets	(3,135,681)	(4,396,003)	(10,276,526)	(5,250,115)	(25,000)	(510,340)	(23,593,665)	(1,534,946)
Proceeds from sales of capital assets	-	-	-	-	2,614,494	12,012	2,626,506	71,139
Cash paid for interest	-	(586,484)	(850,115)	(570,494)	(306,886)	-	(2,313,979)	(222,911)
Loan proceeds	-	-	755,969	1,107,561	-	-	1,863,530	-
Principal paid on bonds, notes and capital leases payable	-	(998,988)	(1,567,827)	(861,356)	(2,805,094)	-	(6,233,265)	(99,623)
Transfers to other funds	-	-	-	-	-	-	-	(206,988)
Transfers from other funds	-	-	389,650	-	-	-	389,650	532,056
Facilities charges	-	1,875,762	-	-	-	-	1,875,762	-
Net cash provided (used) by capital and related financing activities	<u>(3,135,681)</u>	<u>(2,923,509)</u>	<u>(10,793,681)</u>	<u>(5,505,428)</u>	<u>(522,486)</u>	<u>(158,884)</u>	<u>(23,039,669)</u>	<u>(1,461,273)</u>
Cash flows from investing activities:								
Cash received from interest	49,305	39,243	147,976	81,819	1,353	7,371	327,067	31,191
Sale of investments	6,034,154	6,980,687	17,144,733	8,903,748	306,276	1,859,836	41,229,434	5,936,535
Purchase of investments	(4,906,936)	(5,723,324)	(15,350,684)	(8,471,668)	(505,452)	(1,522,388)	(36,480,452)	(5,821,338)
Net cash provided (used) by investing activities	<u>1,176,523</u>	<u>1,296,606</u>	<u>1,942,025</u>	<u>513,899</u>	<u>(197,823)</u>	<u>344,819</u>	<u>5,076,049</u>	<u>146,388</u>
Net increase (decrease) in cash and cash equivalents	<u>1,448,251</u>	<u>1,743,200</u>	<u>6,123,153</u>	<u>3,604,008</u>	<u>353,498</u>	<u>497,986</u>	<u>13,770,096</u>	<u>2,562,722</u>
Cash and cash equivalents, beginning 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>1,121,592</u>	<u>24,454,117</u>	<u>3,066,597</u>
Cash and cash equivalents, end of year	<u>\$ 4,685,588</u>	<u>\$ 6,745,822</u>	<u>\$ 15,870,196</u>	<u>\$ 8,814,250</u>	<u>\$ 488,779</u>	<u>\$ 1,619,578</u>	<u>\$ 38,224,213</u>	<u>\$ 5,629,319</u>
Cash and cash equivalents consists of:								
Cash and cash equivalents	\$ 4,685,588	\$ 5,534,541	\$ 14,844,343	\$ 8,192,229	\$ 488,779	\$ 1,619,229	\$ 35,364,709	\$ 5,629,319
Restricted cash and cash equivalents with fiscal agent	-	1,211,281	1,025,853	622,021	-	349	2,859,504	-
Cash and cash equivalents, end of year	<u>\$ 4,685,588</u>	<u>\$ 6,745,822</u>	<u>\$ 15,870,196</u>	<u>\$ 8,814,250</u>	<u>\$ 488,779</u>	<u>\$ 1,619,578</u>	<u>\$ 38,224,213</u>	<u>\$ 5,629,319</u>

(continued)

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013
(Page 2 of 2)

	<u>Solid Waste Fund</u>	<u>Airport Fund</u>	<u>Water Fund</u>	<u>Wastewater Fund</u>	<u>Parking Fund</u>	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Internal Service Funds</u>
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (441,449)	\$ (2,422,948)	\$ 8,628,541	\$ 4,175,429	\$ (121,622)	\$ (5,333,940)	\$ 4,484,011	\$ 2,194,490
Other nonoperating income (expense)	-	162,393	10,950	-	438,163	17,640	629,146	61,225
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	1,473,917	4,950,886	5,694,638	3,719,623	656,026	1,153,572	17,648,662	508,371
Landfill closure and postclosure	122,377	-	-	-	-	-	122,377	-
(Increase) decrease in receivables	(526,276)	(72,718)	454,897	1,050	-	(5,646)	(148,693)	3,171
(Increase) decrease in receivables from other governments & other funds	1,544,882	(617,417)	104,032	(65,267)	-	(165,457)	800,773	-
(Increase) decrease in inventories	-	(26,836)	(101,795)	-	-	-	(128,631)	32,326
(Increase) decrease in prepaid items	-	-	-	-	-	1,328	1,328	(15,777)
Increase (decrease) in accounts payable	1,019,312	1,115,214	(85,375)	669,693	(8,798)	(27,022)	2,683,024	47,920
Increase (decrease) in accrued liabilities	214,646	146,648	268,921	95,009	10,038	96,316	831,578	327,980
Net cash provided (used) by operating activities	<u>\$ 3,407,409</u>	<u>\$ 3,235,222</u>	<u>\$ 14,974,809</u>	<u>\$ 8,595,537</u>	<u>\$ 973,807</u>	<u>\$ (4,263,209)</u>	<u>\$ 26,923,575</u>	<u>\$ 3,159,706</u>
Noncash investing, capital and financing activities:								
Increase (decrease) in investment market value	(11,567)	(16,064)	(38,687)	(21,294)	(1,134)	(2,887)	(91,633)	(13,544)
Contribution of capital assets	-	275,000	675,377	3,529,642	3,934,770	-	8,414,789	603,554

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

CITY OF BILLINGS
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2013

	<u>Assets</u>	<u>Agency Funds</u>
Cash and cash equivalents		\$ 536,349
Total assets		<u>\$ 536,349</u>
	<u>Liabilities</u>	
Accounts payable		\$ 536,349
Total liabilities		<u>\$ 536,349</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 19th Street West, Billings, MT 59102

The City has no discretely presented component units.

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

The City reports the following major governmental funds:

General Fund

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

Public Safety

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

North 27th Street District Tax Increment Operating

The North 27th Street District Tax Increment Operating Fund accounts for revenues from property tax levies on increased taxable values in the North 27th Street Tax Increment District. Amounts collected are used for the benefit of the tax increment district from which collections were assessed. Major revenue sources include property taxes and revenue bond proceeds.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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. Major revenue sources include sale of special assessment bonds and special assessments.

New Library Construction

The New Library Construction Fund accounts for the construction of the new Parnly Billings Library.

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 three parking garages and on-street parking in the downtown district.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

Internal Service Funds

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

Fiduciary Funds

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

D. Assets, Liabilities, and Net position or Equity

1. Cash and Cash Equivalents and Investments

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

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, and State of Montana Short-Term Investment Pool (STIP).

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

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

According to GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and External Investments Pools", STIP is considered an external investment pool. 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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The STIP portfolio may include asset-backed securities, commercial paper, corporate, US government direct obligations, US government agency securities, repurchase agreements, institutional money market funds, certificates of deposit, and variable-rate (floating-rate) instruments.

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 174.58, 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 30th and May 31st of each fiscal year. Payments not received on or before these dates are considered delinquent and accrue interest at a monthly compounding rate of 5/6 of 1% per month from and after such delinquency until paid, plus 2% as a penalty. Property taxes are attached as an enforceable lien on the property. Notice of foreclosure is filed with the County Clerk and Recorder five years from the date of delinquency. Property tax revenue is budgeted for the ensuing fiscal year.

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, 2013. Estimated percentages for uncollectable amounts at June 30, 2013, based on net receivables are as follows: 15% of delinquent property, 15% of delinquent special assessments, 2% of notes receivable that are current, 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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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 position because they are maintained in either separate bank accounts or a separate fund within the City's pooled cash, and their use is limited by applicable covenants.

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Series 2010A Revenue Refunding Bonds	
Debt service reserve	\$ 764,000
Maintenance and operating reserve	1,175,000
Capital replacement reserve	225,000
Series 2010B Revenue Bonds	
Debt service reserve	500,044
Passenger Facility Charges	1,438,514
Customer Facility Charges	<u>834,438</u>
Total Restricted Assets	<u>\$4,936,996</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</u> <u>Interest Expense</u>	<u>Capitalized</u> <u>Interest</u>	<u>Construction Project</u>
Airport Fund	\$ 662,870	\$ 67,897	Energy efficiency improvements and ceiling tile replacement.
Water Fund	700,778	44,593	Zone 3 water system upgrades, 2012 & 2013 Water replacement projects, Rimrock Road, Clearwell project, WTP Rapid Mix Study.
Wastewater Fund	487,850	24,415	2012 & 2013 Sewer replacement projects, Wastewater treatment plant clarifier, Wastewater treatment plant West Mechanical project, 5 Mile Creek Lift Station.

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 \$12,124,009 at June 30, 2013, includes the related FICA, Medicare, and retirement costs. The unrecorded accumulated sick leave benefits total \$11,758,111 at June 30, 2013.

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations, such as notes payable, are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums, 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

	<u>Major Special Revenue</u>			<u>Major Debt Service</u>	<u>Major Capital Projects</u>		<u>All Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General Fund</u>	<u>Public Safety</u>	<u>North 27th Street Tax Increment Operating Fund</u>	<u>Special Improvement Districts</u>	<u>New Library Construction</u>			
Unspendable								
Cemetery Perpetual Care	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 636,975	\$ 636,975
Restricted								
Building Inspection	-	-	-	-	-	-	1,266,728	1,266,728
Tax Increment Districts	-	-	11,339,273	-	-	-	3,511,727	14,851,000
Roads and Streets	-	-	-	-	-	-	11,064,941	11,064,941
Grants	-	-	-	-	-	-	1,292,404	1,292,404
Cemetery Improvements	-	-	-	-	-	-	245,229	245,229
Emergency 911	-	-	-	-	-	-	5,660,973	5,660,973
Public Safety	-	1,506,513	-	-	-	-	-	1,506,513
Planning	-	-	-	-	-	-	485,836	485,836
Library	-	-	-	-	-	-	1,687,227	1,687,227
Street & Traffic	-	-	-	-	-	-	4,803,377	4,803,377
Light Maintenance Districts	-	-	-	-	-	-	1,276,262	1,276,262
Park Maintenance Districts	-	-	-	-	-	-	1,297,803	1,297,803
Debt Service	-	-	-	5,337,047	-	-	3,212,261	8,549,308
Capital Projects	-	-	-	-	5,688,904	-	4,686,822	10,375,726
Committed								
General Government	9,603,000	-	-	-	-	-	-	9,603,000
Arterial	-	-	-	-	-	-	4,120,239	4,120,239
Park Programs	-	-	-	-	-	-	2,311,810	2,311,810
Animal Shelter Donations	-	-	-	-	-	-	34,507	34,507
Library	-	-	-	-	-	-	1,496,220	1,496,220
Downtown Revolving Loan	-	-	-	-	-	-	376,285	376,285
Ball Field Maintenance	-	-	-	-	-	-	342,328	342,328
Fire Hydrant Maintenance	-	-	-	-	-	-	37	37
Assigned								
N/A	-	-	-	-	-	-	-	-
Unassigned								
General Government	11,612,360	-	-	-	-	-	-	11,612,360
Tax Increment Districts	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	(10,985)	(10,985)
Capital Projects	-	-	-	-	-	-	(459,589)	(459,589)
Total Fund Balances	<u>\$ 21,215,360</u>	<u>\$ 1,506,513</u>	<u>\$ 11,339,273</u>	<u>\$ 5,337,047</u>	<u>\$ 5,688,904</u>	<u>\$ 49,339,417</u>	<u>\$ 94,426,514</u>	

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The un-spendable 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 \$65,170 in the General Fund, \$93,377 in the Public Safety Fund and zero in the SID Debt Service Fund. Non-Major Fund encumbrances were \$23,038. 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 by passing an ordinance or resolution.

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

“Exhibit A

“Recommended Fund and Working Capital Balances Policy

“Recommended Fund and Working Capital Balances policy statement:

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

“Recommended balances purpose:

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

“Recommended balances implementation authority:

“Upon adoption of this Statement of Policy, the City of Billings Council authorizes the City Administrator to establish recommended balance procedures which may be necessary to support the policy statement and adopt such documents by Administrative Order. The City Administrator will review the procedures with the City Council at a work session every five years or as deemed necessary prior to the five years.

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

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

10. Deferred Outflows/Inflows of Resources

Effective July 1, 2012, the City implemented the provisions of GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. The City has determined that GASB No. 63 had the following effect on the Statement of Net Position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, arising only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

Annual appropriated budgets are adopted for all the City's funds, and all annual appropriations lapse at fiscal yearend. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year end will be re-appropriated and honored during the subsequent year. The annual appropriated budget was amended during the year. The major amendments were for the General Fund; Public Safety Fund; North 27th Street Tax Increment

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Operating Fund; Special Improvement Districts Fund; New Library Construction Fund; Nonmajor Special Revenue Funds: Fire Programs Fund, Park Maintenance Districts Fund, Development Services Grants Fund, Gas Tax Fund, Municipal Court Grant Fund, and Storm Sewer Fund; Nonmajor Debt Service Funds: Series 2004A Street Improvements Fund, and Series 2007B Baseball Field/Stadium Fund; Nonmajor Capital Project Funds: Urban Renewal Property Acquisition Fund, and Sidewalk and Curb Districts Fund; Enterprise Funds: Airport Fund, Water Fund, and Solid Waste Fund; and Internal Service Funds: Central Telephone Services Fund, Information Technology Fund, and Facilities Management Fund.

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

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

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	\$ 15,160,669
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>5,688,268</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 20,848,937</u></u>
<u>Expenditures</u>	
Actual amounts (budgetary basis) "Total expenditures" from the budget	\$ 34,329,642
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>5,688,268</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	<u><u>\$ 40,017,910</u></u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

C. Deficit Fund Equity

Funds with deficit fund balances at June 30, 2013, 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>\$ 8,291</u>
City Attorney Grants Fund	<u>\$ 2,694</u>
Nonmajor Capital Projects Funds:	
Sidewalk and Curb Districts	<u>\$ 377,793</u>
Special Improvement Districts Fund	<u>\$ 81,796</u>

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

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 2014.

Special Improvement Districts Fund deficit will be eliminated by sales of bonds during fiscal year 2014.

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, 2013, consist of the following:

Cash and cash equivalents:

Deposits in local banks	\$ 73,316,922
Outstanding checks and reconciling items	(1,105,003)
Montana State Short Term Investment Pool (STIP)	21,014,983
	<u>\$ 93,226,902</u>

Investments:

US Government and US Agency Obligations	\$ 78,872,790
Certificates of deposits	2,581,487
	<u>\$ 81,454,277</u>

Cash and investments as of June 30, 2013, are classified in the statement of net position as follows:

Cash and cash equivalents	\$ 92,882,132
Cash and cash equivalents, permanently restricted	344,770
	<u>\$ 93,226,902</u>

Investments	\$ 78,458,246
Investments, temporarily restricted	2,704,020
Investments, permanently restricted	292,011
	<u>\$ 81,454,277</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.

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	\$ 516,434	\$ 76,162	\$ 227,055	\$ 213,217	\$ -
US Government Agency Securities	78,356,356	754,268	44,095,943	33,220,583	285,562
Certificates of Deposit	<u>2,581,487</u>	<u>2,581,487</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$81,454,277</u>	<u>\$3,411,917</u>	<u>\$44,322,998</u>	<u>\$33,433,800</u>	<u>\$ 285,562</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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, 2013, 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>.

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Total</u>	
Federal Farm Credit	Federal agency securities	46,111,210	56.45%
Federal Home Loan Bank	Federal agency securities	19,434,353	23.79%
Federal Home Loan Mortgage Corp.	Federal agency securities	11,951,166	14.63%

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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, 2013, 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 agent. As of June 30, 2013, none of the City's investments are exposed to custodial credit risk because all counterparties provide insurance in excess of the investments held.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Restricted Cash and Cash Equivalents with Fiscal Agent

Cash of \$7,014,532 is restricted by bond covenants or for specific purposes as follows:

Current debt service:

Special Improvements Districts Fund	\$ 1,313,197
Nonmajor government funds	2,839,294
Airport Fund	1,211,281
Water Fund	1,025,853
Wastewater Fund	622,021
Internal service funds	2,537
Golf Course	349
	<hr/>
Total	<u>\$ 7,014,532</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

B. Receivables

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

	General Fund	Public Safety Fund	North 27th Street Tax Increment Operating Fund	Special Improvement Districts Fund	New Library Construction Fund	Non-Major Governmental Funds	Internal Service Funds	Governmental Activities Total
Taxes	\$ 1,561,980	\$ 1,575,503	\$ 466,647	\$ -	\$ -	\$ 571,997	\$ -	\$ 4,176,127
Accounts	400,166	33,862	-	-	-	94,443	14,119	542,590
Special assessments	5,045	-	-	12,872,308	-	2,175,932	449	15,053,734
Accrued interest	7,207	43	2,680	394	3,381	16,644	2,887	33,236
Notes	-	-	-	-	-	3,341,391	650,000	3,991,391
From other governments	-	-	-	-	-	1,054,425	-	1,054,425
Gross receivables	1,974,398	1,609,408	469,327	12,872,702	3,381	7,254,832	667,455	24,851,503
Less: Allowance	(197,431)	(200,436)	(59,426)	(3,890)	-	(584,402)	(12)	(1,045,597)
TOTAL	\$ 1,776,967	\$ 1,408,972	\$ 409,901	\$ 12,868,812	\$ 3,381	\$ 6,670,430	\$ 667,443	\$ 23,805,906

	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Non-Major Enterprise Funds	Business-type Activities Total
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,722	\$ 220,722
Accounts	1,250,101	853,288	2,646,516	1,714,985	-	23,266	6,488,156
Special assessments	-	-	-	-	-	-	-
Accrued interest	2,505	3,405	8,196	4,474	329	659	19,568
Notes	-	-	-	-	-	-	-
From other governments	-	661,609	-	65,267	-	232,889	959,765
Gross receivables	1,252,606	1,518,302	2,654,712	1,784,726	329	477,536	7,688,211
Less: Allowance	(16,688)	-	-	-	-	(28,064)	(44,752)
TOTAL	\$ 1,235,918	\$ 1,518,302	\$ 2,654,712	\$ 1,784,726	\$ 329	\$ 449,472	\$ 7,643,459

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	\$ 1,115,614	\$ -
Public safety fund	1,135,806	-
North 27th street tax increment operating fund	336,746	-
Nonmajor governmental funds	331,126	-
Special assessments not yet due:		
General fund	3,164	-
Special improvement districts fund	12,812,968	-
Nonmajor governmental funds	1,664,657	-
Notes receivable not yet due:		
Nonmajor governmental funds	2,801,204	-
Developer contributions prior to related construction:		
Non major governmental funds	-	805,818
Total	\$ 20,201,285	\$ 805,818

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 \$139,000,000, and accumulated depreciation of approximately \$85,000,000. The following is a schedule by years of minimum future rentals on non-cancelable operating leases as of June 30, 2013:

Year ending June 30:

2014	\$ 3,882,540
2015	4,561,455
2016	4,689,068
2017	2,985,424
2018	480,767
2019-2023	2,065,963
2024-2028	1,449,340
2029-2031	165,927
Total	<u>\$ 20,280,484</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, 2013, was as follows:

Governmental activities:	<u>Balance June 30, 2012</u>	<u>Prior Period Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer In/Out</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:						
Land	\$ 31,231,261	\$ -	\$ 7,439,017	\$ -	\$ -	\$ 38,670,278
Construction in Progress	8,379,160	-	15,909,212	-	(6,891,725)	17,396,647
Total capital assets, not being depreciated	<u>39,610,421</u>	<u>-</u>	<u>23,348,229</u>	<u>-</u>	<u>(6,891,725)</u>	<u>56,066,925</u>
Capital assets being depreciated:						
Buildings	24,747,491	-	570,192	-	17,421	25,335,104
Improvements other than Buildings	33,935,543	-	482,770	-	2,066,665	36,484,978
Equipment	31,140,813	-	1,944,362	759,088	219,262	32,545,349
Infrastructure	211,938,067	(4,733,642)	15,936,022	-	4,588,377	227,728,824
Total capital assets, being depreciated	<u>301,761,914</u>	<u>(4,733,642)</u>	<u>18,933,346</u>	<u>759,088</u>	<u>6,891,725</u>	<u>322,094,255</u>
Less accumulated depreciation for:						
Buildings	10,631,023	-	541,354	-	-	11,172,377
Improvements other than Buildings	9,468,499	-	1,115,833	-	-	10,584,332
Equipment	19,667,389	-	2,009,497	739,480	-	20,937,406
Infrastructure	79,644,411	(768,783)	10,404,197	-	-	89,279,825
Total accumulated depreciation	<u>119,411,322</u>	<u>(768,783)</u>	<u>14,070,881</u>	<u>739,480</u>	<u>-</u>	<u>131,973,940</u>
Total capital assets, being depreciated, net	<u>182,350,592</u>	<u>(3,964,859)</u>	<u>4,862,465</u>	<u>19,608</u>	<u>6,891,725</u>	<u>190,120,315</u>
Governmental activities capital assets, net	<u>\$ 221,961,013</u>	<u>\$ (3,964,859)</u>	<u>\$ 28,210,694</u>	<u>\$ 19,608</u>	<u>\$ -</u>	<u>\$ 246,187,240</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Business-type activities:	Balance <u>June 30, 2012</u>	Prior Period <u>Adjustment</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer In/Out</u>	Balance <u>June 30, 2013</u>
Capital assets not being depreciated:						
Land	\$ 13,636,192	\$ -	\$ 494,041	\$ 840,000	\$ -	\$ 13,290,233
Construction in Progress	10,006,842	-	15,030,279	-	(7,430,656)	17,606,465
Total capital assets, not being depreciated	<u>23,643,034</u>	<u>-</u>	<u>15,524,320</u>	<u>840,000</u>	<u>(7,430,656)</u>	<u>30,896,698</u>
Capital assets being depreciated:						
Buildings	90,963,026	-	1,988,459	4,547,796	1,858,200	90,261,889
Improvements other than Buildings	97,692,412	-	1,080,057	-	-	98,772,469
Equipment	60,427,646	-	2,843,976	1,910,768	369,660	61,730,514
Infrastructure	332,073,687	-	10,614,821	448,071	5,202,796	347,443,233
Total capital assets, being depreciated	<u>581,156,771</u>	<u>-</u>	<u>16,527,313</u>	<u>6,906,635</u>	<u>7,430,656</u>	<u>598,208,105</u>
Less accumulated depreciation for:						
Buildings	50,788,269	-	2,574,603	3,199,682	-	50,163,190
Improvements other than Buildings	57,137,880	-	3,592,264	-	-	60,730,144
Equipment	40,104,733	-	3,677,414	1,686,599	-	42,095,548
Infrastructure	110,192,472	-	7,804,381	352,707	-	117,644,146
Total accumulated depreciation	<u>258,223,354</u>	<u>-</u>	<u>17,648,662</u>	<u>5,238,988</u>	<u>-</u>	<u>270,633,028</u>
Total capital assets, being depreciated, net	<u>322,933,417</u>	<u>-</u>	<u>(1,121,349)</u>	<u>1,667,647</u>	<u>7,430,656</u>	<u>327,575,077</u>
Business-type activities capital assets, net	<u>\$346,576,451</u>	<u>\$ -</u>	<u>\$14,402,971</u>	<u>\$2,507,647</u>	<u>\$ -</u>	<u>\$358,471,775</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	\$ 47,371
Public Safety	1,272,637
Public Works	10,857,712
Public Health	74,075
Culture & recreation	1,234,542
Housing and community development	76,173
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>508,371</u>
Total depreciation expense - governmental activities	<u>\$ 14,070,881</u>
Business-type activities:	
Solid Waste	\$ 1,473,917
Airport	4,950,886
Water	5,694,638
Wastewater	3,719,623
Parking	656,026
Transit	1,095,954
Golf Course	<u>57,618</u>
Total depreciation expense - business-type activities	<u>\$ 17,648,662</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Construction Commitments

The City has active construction projects as of June 30, 2013. At year end, the City's commitments with the contractors, rounded to the nearest thousand, are as follows:

General Fund	\$ 65
Public Safety Fund	93
Solid Waste Fund	720
Airport Fund	9,115
Water Fund	6,326
Wastewater Fund	3,567
Nonmajor Governmental Funds	23,038
Nonmajor Internal Services Funds	247
	<u>\$43,171</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, 2013, the Tax Increment fund had commitments of \$10 million for the Empire Garage project.

At June 30, 2013, the Airport fund had commitments of \$8,293,685 for runway work at the airfield and \$573,000 for various new heavy equipment.

At June 30, 2013, the General Fund had commitments of \$65,000 for lighting projects at City Hall.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Prior Period Adjustment

During FY 2013, an error was discovered in capital assets and accumulated depreciation relating to infrastructure. In FY 2009, a bridge that is part of the Aronson Avenue project was added to the City's fixed assets. It was determined during FY 2013 that all bridges are maintained by the County; and, therefore, this asset is not a City asset. A total asset cost of \$4,733,642 and accumulated depreciation of \$768,783 was disposed as a prior period adjustment in FY 2013. The effect on changes in net position in the previous period is a decrease of \$3,964,859.

E. Interfund Receivables, Payables, and Transfers

The composition of inter-fund balances as of June 30, 2013, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 238,112
Nonmajor Governmental Funds	Nonmajor Governmental Funds	366,392
Totals		<u>\$ 604,504</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.

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	Parking Fund	Internal Service	Total
Transfers Out:								
General	\$ -	\$ 20,391,752	\$ -	\$ 1,420,119	\$ -	\$ -	\$ 773,479	\$ 22,585,350
Public Safety	-	-	-	875,015	-	-	268,976	1,143,991
North 27th Street Tax Increment Operating Fund	-	-	-	-	-	100,000	-	100,000
Special Improvement Districts Fund	1,838,096	-	-	25,895	-	-	-	1,863,991
Nonmajor Governmental Funds	1,614	-	23,563	1,944,414	389,650	-	207,502	2,566,743
Nonmajor Enterprise Fund	-	-	-	15,000	-	-	-	15,000
Subtotal	<u>1,839,710</u>	<u>20,391,752</u>	<u>23,563</u>	<u>4,280,443</u>	<u>389,650</u>	<u>100,000</u>	<u>1,249,957</u>	<u>28,275,075</u>
Internal Service Funds	-	-	-	-	-	-	95,769	95,769
Total	<u>\$ 1,839,710</u>	<u>\$ 20,391,752</u>	<u>\$ 23,563</u>	<u>\$ 4,280,443</u>	<u>\$ 389,650</u>	<u>\$ 100,000</u>	<u>\$ 1,345,726</u>	<u>\$ 28,370,844</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. In 2013, the City paid in full this obligation and issued Certificates of Participation to refinance the Billings Operation Center. The term of the lease ends September 2023.

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. In September 2012, Park 4 Garage was sold and the proceeds of the sale were applied to reduce the debt of the Park II loan. This reduced the remaining capital lease obligation from \$4,756,651 to \$2,640,384 and reduced interest expense by \$780,057 over the life of the lease.

Capital Lease Payable – Airport (Business-Type Activities) – On September 12, 2011, the City Council approved the Investment Grade energy audit findings. Because of this audit, the City undertook energy efficiency improvements to various buildings and facilities at the Airport and within certain City-owned parking garages. The City entered into an energy performance contract with McKinstry Essention, Inc to complete the improvements, and signed a Purchase Lease Agreement with U.S. Bancorp to finance the improvements over the next 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
Accumulated depreciation	<u>(1,188,000)</u>	<u>(1,153,055)</u>
Total	<u>\$ 5,412,000</u>	<u>\$ 4,776,945</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, 2013:

<u>Year ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2014	\$ 294,394	\$ 201,961
2015	480,200	201,961
2016	475,875	201,961
2017	474,475	201,961
2018	477,700	201,961
2019-2023	1,905,550	1,009,803
2024-2028	686,350	1,009,803
2029-2033	-	1,009,800
Total minimum lease payments	<u>4,794,544</u>	<u>4,039,211</u>
Less: Amount representing interest	<u>(694,544)</u>	<u>(1,398,827)</u>
Present value of minimum lease payments	<u>\$ 4,100,000</u>	<u>\$ 2,640,384</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, 2013, 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.	\$ 870,000
General Obligation Bonds Series 2012A, issued in the total aggregate amount of \$3,460,000, and interest is 3.00%, due July 1, 2024, payable in annual installments of \$245,000 to \$345,000, callable on or after July 1, 2021.	3,460,000
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.	8,790,000
General Obligation Bonds Series 2012A, issued in the total aggregate amount of \$925,000, and interest rate is 3.00%, due July 1, 2017, payable in annual installments of \$175,000 to \$190,000.	925,000
General Obligation Bonds Series 2012, issued in the total aggregate amount of \$15,460,000, and interest ranging from 2.00% - 4.00%, due July 1, 2032, payable in annual installments of \$620,000 to \$860,000, callable on or after July 1, 2021.	<u>15,460,000</u>
	<u>\$ 29,505,000</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Tax Increment Bonds Payable – The City issued tax increment bonds to provide funds for the construction of the Empire Parking Garage and retail space. At June 30, 2013, the outstanding tax increment bonds indebtedness of the City was as follows:

Tax Increment Revenue Bonds, Series 2013, issued in total aggregate amount of \$13,210,000, and interest ranging from 2.50%-6.50% due July 1, 2038, payable in annual installments of \$387,813 to \$967,750. \$ 13,210,000

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, 2013 are as follows:

Special improvement districts, issued in the total aggregate amount of \$26,015,000 and interest rates ranging from 2.8%-6.0%, payable from the special improvement districts fund in varying installments to 2028. \$ 14,038,481

Sidewalk and curb districts, issued in the total aggregate amount of \$4,976,000 and interest rates ranging from 3.25%-5.4%, payable from the sidewalk and curb districts fund in varying installments to 2025. 1,733,000

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. 385,000

\$ 16,156,481

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Notes Payable – In the current year, the City did not pay 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 4.0%. At June 30, 2013, the rate was 4.0% 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, 2013, the amount outstanding is as follows:

<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>\$ 385,875</u>	<u>\$ 1,505,642</u>	<u>\$ 1,891,517</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, 2013, the amount outstanding is as follows:

<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>\$ 14,388</u>	<u>\$ 67,891</u>	<u>\$ 82,279</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, 2013, the amount outstanding is as follows:

	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
Cameras	<u>\$ 65,609</u>	<u>\$ 66,926</u>	<u>\$ 132,535</u>
Toughbooks	<u>\$ 89,189</u>	<u>\$ 90,940</u>	<u>\$ 180,129</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, 2013, are \$1,332,124 for Wastewater and \$2,140,434 for Water.

	<u>Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>
Wastewater:			
Headworks Building	\$ 4,515,000	2.25%	July 1, 2025
Briarwood Sewer	\$ 7,400,000	3.00%	July 1, 2028
Ultra-violet System	\$ 2,900,000	3.00%	July 1, 2030
Ultra-violet System	\$ 816,000	3.00%	July 1, 2030
Ultra-violet System	\$ 384,000	forgiven	
Wastewater Replacement Lines	\$ 5,387,000	3.00%	July 1, 2029
Wastewater Replacement Lines	\$ 359,300	1.75%	July 1, 2029
5 Mile Lift Station	\$ 3,100,000	3.00%	July 1, 2033
Water:			
Filter Building	\$17,300,000	2.25%	July 1, 2025
Water Replacement Lines	\$ 2,750,000	3.00%	July 1, 2029
Water Replacement Lines	\$ 333,700	1.75%	July 1, 2029
Zone 4 Water Lines	\$ 7,412,000	3.00%	July 1, 2029
2010 Water Replacement Lines	\$ 2,800,000	3.00%	July 1, 2030
2010 Water Replacement Lines	\$ 500,000	forgiven	
Zone 3 Water Lines	\$ 3,100,000	3.00%	July 1, 2032

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The amounts outstanding as of June 30, 2013, are as follows:

	<u>Due within One year</u>	<u>Due after One year</u>	<u>Total</u>
Wastewater	<u>\$ 857,000</u>	<u>\$ 15,601,068</u>	<u>\$ 16,458,068</u>
Water	<u>\$1,371,000</u>	<u>\$ 21,842,998</u>	<u>\$ 23,213,998</u>

Revenue Bonds Payable – At June 30, 2013, 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.	\$ 6,250,000
Deferred amount on bond refunding	<u>(303,191)</u>
	5,946,809
Less current portion	<u>(710,000)</u>
Total	\$ <u>5,236,809</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.	\$ 6,290,000
Less current portion	<u>(250,000)</u>
Total	\$ <u>6,040,000</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, 2013.

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>1,175,000</u>
	<u>\$ 2,664,044</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 (\$1,090,212) and expenses, AIP grants, and all other Airport operations. However, investors in the Series 2010B revenue bonds rely on the revenue generated CFC collections (\$785,550) 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, 2013, \$3,505,000 of outstanding general obligation bonds and \$4,945,000 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, 2013, are as follows:

GOVERNMENTAL ACTIVITIES

Year ending June 30	General Obligation Bonds		Tax Increment		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal*	Interest
	2014	\$ 1,785,000	\$ 1,018,738	\$ -	\$ 495,883	\$ 690,497
2015	1,740,000	952,544	140,000	659,429	1,258,432	567,295
2016	1,785,000	902,669	295,000	653,549	1,619,419	516,051
2017	1,830,000	849,481	305,000	644,691	1,879,458	466,731
2018	1,875,000	790,707	315,000	634,373	1,739,553	401,104
2019-2023	8,915,000	3,036,016	1,780,000	2,946,244	5,413,340	1,286,684
2024-2028	7,565,000	1,461,713	2,355,000	2,386,794	3,160,782	394,810
2029-2033	4,010,000	351,150	3,130,000	1,626,221	395,000	8,393
2034-2038	-	-	3,975,000	744,875	-	-
2039-2043	-	-	915,000	22,875	-	-
	<u>\$ 29,505,000</u>	<u>\$ 9,363,017</u>	<u>\$ 13,210,000</u>	<u>\$ 10,814,934</u>	<u>\$ 16,156,481</u>	<u>\$ 4,377,906</u>

	Intercap Notes Payable		Notes Payable		Capital Lease Payable-BOC	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 5,366	\$ 788	\$ 555,061	\$ 92,659	\$ 180,000	\$ 114,394
2015	5,366	721	577,984	72,751	370,000	110,200
2016	5,366	654	441,074	51,847	375,000	100,875
2017	5,366	589	463,022	35,498	385,000	89,475
2018	5,366	520	249,319	6,853	400,000	77,700
2019-2023	26,830	1,594	-	-	1,720,000	186,550
2024-2028	10,742	167	-	-	670,000	16,350
2029-2033	-	-	-	-	-	-
	<u>\$ 64,402</u>	<u>\$ 5,033</u>	<u>\$ 2,286,460</u>	<u>\$ 259,608</u>	<u>\$ 4,100,000</u>	<u>\$ 695,544</u>

* 73,000 called but not redeemed is reported as a current liability at June 30, 2013

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
2014	\$ 960,000	\$ 488,163	\$ 67,377	\$ 61,573	\$ 86,422	\$ 115,539
2015	1,000,000	455,113	70,760	58,190	88,309	113,652
2016	1,040,000	417,038	74,314	54,636	92,239	109,722
2017	1,080,000	375,450	78,046	50,904	96,344	105,617
2018	1,120,000	331,847	81,965	46,985	100,631	101,330
2019-2023	4,035,000	1,015,203	475,855	168,895	574,447	435,356
2024-2028	1,935,000	511,300	409,688	41,637	714,154	295,649
2029-2033	1,370,000	91,438	-	-	887,838	121,962
	<u>\$ 12,540,000</u>	<u>\$ 3,685,552</u>	<u>\$ 1,258,005</u>	<u>\$ 482,820</u>	<u>\$ 2,640,384</u>	<u>\$ 1,398,827</u>

	Notes Payable-Water		Notes Payable-Wastewater		Capital Lease Payable-Parking	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 1,371,000	\$ 592,700	\$ 857,000	\$ 444,070	29,439	24,380
2015	1,405,000	557,469	883,000	434,885	30,811	23,008
2016	1,442,000	521,407	907,000	409,429	32,246	21,573
2017	1,478,000	484,412	932,000	385,311	33,749	20,071
2018	1,516,000	447,499	959,000	359,498	35,321	18,498
2019-2023	8,172,000	1,641,376	5,211,000	1,522,922	202,877	66,220
2024-2028	6,385,800	609,171	5,240,000	610,499	172,148	16,219
2029-2033	1,444,198	52,589	1,469,068	53,850	-	-
	<u>\$ 23,213,998</u>	<u>\$ 4,906,623</u>	<u>\$16,458,068</u>	<u>\$ 4,220,464</u>	<u>\$ 536,591</u>	<u>\$ 189,969</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Changes in Long-Term Obligations – During the year ended June 30, 2013, the following changes occurred in liabilities reported in the long-term obligations:

	<u>Balance June 30, 2012</u>	<u>Issued/ Accrued</u>	<u>Refunded/ Redeemed/ Matured</u>	<u>Balance June 30, 2013</u>	<u>Due within one year</u>
Governmental Activities:					
General obligation bonds:					
Series 2010 Parks	\$ 975,000	\$ -	\$ 105,000	\$ 870,000	\$ 105,000
Add: premium received	25,422	-	2,825	22,597	-
Less: deferred loss on refunding	(5,108)	-	(567)	(4,541)	-
Series 2004A/2012A Streets	3,730,000	3,460,000	3,730,000	3,460,000	265,000
Add: premium received	21,225	248,461	40,337	229,349	-
Less: deferred loss on refunding		(278,614)	(21,432)	(257,182)	-
Series 2007A Ballpark	9,210,000	-	420,000	8,790,000	435,000
Add: premium received	32,383	-	2,159	30,224	-
Series 2007B/2012A Ballpark	1,165,000	925,000	1,165,000	925,000	190,000
Add: premium received	-	55,341	9,224	46,117	-
Less: deferred loss on refunding	-	(42,053)	(7,009)	(35,044)	-
Series 2012 Library	-	15,460,000	-	15,460,000	790,000
Add: premium received	-	1,071,488	51,023	1,020,465	-
Tax Increment	-	13,210,000	-	13,210,000	140,000
Add: premium received	-	59,173	3,481	55,692	-
Less: bond discount	-	(2,749)	(162)	(2,587)	-
Special assessment debt with governmental commitment	17,229,736	6,120,000	7,193,255	16,156,481	690,497
Less: bond discounts	(268,213)	-	(132,678)	(135,535)	-
Less: deferred loss on refunding	(21,950)	(1,118,448)	(80,879)	(1,059,519)	-
Add: premium received	7,142	-	3,571	3,571	-
Intercap notes payable	69,768	-	5,366	64,402	5,366
Notes payable	2,820,599	-	534,139	2,286,460	555,061
Capital lease payable	4,428,222	4,100,000	4,428,222	4,100,000	180,000
Add: premium received	-	249,380	20,782	228,598	-
Compensated absences	6,414,924	7,923,451	5,543,465	8,794,910	5,048,638
Total governmental activities	<u>\$ 45,834,150</u>	<u>\$ 51,440,430</u>	<u>\$ 23,015,122</u>	<u>\$ 74,259,458</u>	<u>\$ 8,404,562</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

	Balance June 30, 2012	Issued/ Accrued	Refunded/ Redeemed/ Matured	Balance June 30, 2013	Due within one year
Business Activities:					
Notes Payable					
Golf Course					
Water from DNRC	\$ 13,014,000	\$ -	\$ 796,000	\$ 12,218,000	\$ 857,000
Water from DNRC-ARRA Part B	299,000	-	14,000	285,000	15,000
Water from DNRC- Rehab	2,507,000	-	107,000	2,400,000	115,000
Water from DNRC-Zone 4	5,874,159	226,764	268,923	5,832,000	278,000
Water from DNRC-Waterlines	2,331,697	7,915	319,612	2,020,000	89,000
Wastewater from DNRC-Briarwood	5,677,000	-	262,000	5,415,000	279,000
Wastewater from DNRC	3,397,000	-	208,000	3,189,000	223,000
Wastewater from DNRC	320,000	-	16,000	304,000	16,000
Wastewater from DNRC	3,751,000	-	161,000	3,590,000	171,000
Wastewater from DNRC-UV	2,292,863	41,493	183,356	2,151,000	95,000
Wastewater from DNRC-UV	774,000	-	31,000	743,000	33,000
Wastewater from DNRC-5 Mile	-	1,066,068	-	1,066,068	40,000
Water from DNRC-Zone 3	-	509,226	50,228	458,998	17,000
Capital lease payable - Park II	4,979,187	-	2,338,803	2,640,384	86,422
Capital lease payable - Parking	564,720	-	28,129	536,591	29,439
Airport Series 2010A Refunding	6,940,000	-	690,000	6,250,000	710,000
Less: deferred amount on refunding	(375,276)	-	(72,085)	(303,191)	-
Add: premium received	48,224	-	9,263	38,961	-
Airport Series 2010B Revenue	6,525,000	-	235,000	6,290,000	250,000
Add: premium received	6,380	-	570	5,810	-
Capital lease payable - Airport	1,322,160	-	64,155	1,258,005	67,377
Compensated absences	2,899,261	2,294,467	1,864,629	3,329,099	1,806,182
Total business type activities	<u>\$ 63,147,375</u>	<u>\$ 4,145,933</u>	<u>\$ 7,575,584</u>	<u>\$ 59,717,724</u>	<u>\$ 5,177,420</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Governmental activities include internal service fund liabilities for capital lease payable, compensated absences, and intercap notes payable. Internal service fund compensated absences totaled \$939,041 and \$1,165,748 at June 30, 2012 and 2013, 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, 2013, 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 2013 were 13.4% 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 two self-insured medical plans: Plan C, and Plan D. A closed group of retirees age 65 and older are enrolled in one of the plans.

The number of participants as of July 1, 2012, 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	841
Retired employees	<u>126</u>
Total	<u>967</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, 2013, is \$49,640,886. The ratio of the FY 2013 unfunded actuarial accrued liability to annual covered payroll is 0.248.

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 parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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	\$ 723,000
Amortization	491,000
Interest on net OPEB obligation	212,000
Adjustment to ARC	<u>(180,000)</u>
Annual required contribution	1,246,000
Contribution for fiscal year ended June 30, 2013	<u>(523,000)</u>
Increase in net OPEB	723,000
Net OPEB Obligation – beginning of year	<u>4,717,000</u>
Net OPEB Obligation – end of year	<u><u>\$ 5,440,000</u></u>
Percent of annual OPEB cost contributed FY 2013	42.0%

The annual OPEB costs, the percentage of OPEB cost contributed to the plan, and the net OPEB obligation for June 30, 2013, 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, 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
June 30, 2013	1,246,000	42.0%	5,440,000

Benefit Obligation, Normal Cost and Funding Progress

Actuarial Value of Assets	\$ -
Actuarial Accrued Liability:	
Active Employees	\$ 7,895,000
Retired Employees	<u>4,405,000</u>
Unfunded actuarial liability (UAAL)	<u><u>\$ 12,300,000</u></u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Schedule of Funding Progress:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2008	\$ -	\$ 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%
7/1/2012	\$ -	\$ 12,300,000	\$ 12,300,000	0%	\$ 49,640,886	24.8%

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, 2012, 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 10% healthcare cost trend increase for fiscal year 2013-2014, 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 limit is \$451,240,827 with a blanket amount of \$400 million underwritten by Affiliated FM Insurance Company. There have

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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, 2013, the City's cost to repair and/or replace damaged capital assets totaled \$127,104.

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 2011, 2012, and 2013:

	<u>Beginning-of- fiscal-year liability</u>	<u>Incurred claims and claim administrative expenses</u>	<u>Payments of claims and claim administrative expenses</u>	<u>End-of- fiscal-year liability</u>
2010-2011	700,000	9,694,876	9,694,876	700,000
2011-2012	700,000	9,336,368	9,336,368	700,000
2012-2013	700,000	8,531,372	8,531,372	700,000

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

Approximately 126 retired and terminated employees participated in the City's health plan. Claims paid in excess of premiums received for these participants totaled approximately \$611,667 for the fiscal year ended June 30, 2013. There

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

have been no material changes in health insurance coverage from the previous year. The City has a two-tiered health insurance plan. The amount of employee contributions is based on the level of coverage chosen from the three tiers. Beginning January 1, 2012, the City implemented a two-tiered health insurance plan and will have only one area hospital 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.

C. Subsequent Events

Management has evaluated subsequent events through December 30, 2013, the date on which the financial statements were available to be issued.

On November 12, 2013, the City issued storm sewer revenue bonds for the storm drain improvements at the Shiloh Conservation Area. The debt service payments will be paid from the storm sewer operating fund for 20 years at an interest rate of 3.875%.

D. Claims and Judgments

The City is involved with numerous other lawsuits from other claimants. Based on past claims history and management's best estimates, the City expects to pay approximately \$1,800,000 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>
2011	\$ 550,000	\$ -	\$ -	\$ -	\$ 550,000	\$ 550,000
2012	\$ 550,000	\$ -	\$ -	\$ -	\$ 550,000	\$ 550,000
2013	\$ 550,000	\$ -	\$ 1,250,000	\$ -	\$ 1,800,000	\$ 1,800,000

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 \$2,456,506 reported as landfill closure and post-closure care liability at June 30, 2013, represents the cumulative amount reported to date based on the use of approximately 46 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 2013. 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 39 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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

year 2013, \$61,522 was paid into the trust. The cumulative amount of payments of \$2,704,020 is reported as restricted investments at June 30, 2013.

	<u>Balance</u> <u>June 30, 2012</u>	<u>Accrual</u> <u>Amount</u>	<u>Balance</u> <u>June 30, 2013</u>
Net change in Landfill Liability	<u>\$ 2,334,129</u>	<u>\$ 122,377</u>	<u>\$ 2,456,506</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. In FY 14, the City settled the matter and paid MMIA \$500,000 for its portion of the judgment not covered by MMIA.

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

3. Grants

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

F. **Conduit Debt**

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

As of June 30, 2013, there were 16 series of industrial revenue bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1997, was approximately \$12.6 million at June 30, 2013. The aggregate principal amount payable at June 30, 2013, for the 13 series issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled \$52.1 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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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-DRCP (Defined 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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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.

Membership in the plan on June 30, 2012, is as follows:

<u>Number of Members</u>	
Retirees and Beneficiaries	18,738
Vested Terminated	2,560
Non-vested Terminated	6,164
Active	<u>28,548</u>
Total Membership	<u>56,010</u>
Number of participating employers:	538

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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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 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, 2012, is as follows:

<u>Number of Members</u>	
Retirees and Beneficiaries	17
Vested Terminated	172
Non-vested Terminated	388
Active	<u>2,032</u>
Total Membership	<u>2,609</u>
Number of participating employers:	258

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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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 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, 2012, is as follows:

<u>Number of Members</u>	
Retirees and Beneficiaries	571
Vested Terminated	13
Non-vested Terminated	62
Active	<u>590</u>
Total Membership	<u>1,236</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>.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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.

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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.

Membership in the plan on June 30, 2012, is as follows:

<u>Number of Members</u>	
Retirees and Beneficiaries	683
Vested Terminated	49
Non-vested Terminated	76
Active	<u>736</u>
Total Membership	<u>1,544</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>
2010-2011	\$ 2,065,930	\$ 2,012,164	\$ 29,186
2011-2012	2,127,678	2,127,225	30,688
2012-2013	2,123,910	2,043,053	31,041

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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. 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>
2010-2011	\$ 1,149,420	\$ 855,494	\$ 2,610,207
2011-2012	1,194,971	889,389	2,712,181
2012-2013	1,233,291	907,727	2,800,669

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>
2010-2011	\$ 1,140,523	\$ 711,451	\$ 2,324,708
2011-2012	1,156,174	721,368	2,356,536
2012-2013	1,416,762	790,311	2,887,599

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 13,765,114	\$ 13,765,114	\$ 13,515,765	\$ 249,349
Licenses and permits	4,007,789	4,007,789	4,301,684	(293,895)
Intergovernmental	9,081,317	9,081,317	9,315,578	(234,261)
Charges for services	3,207,819	3,207,819	3,241,784	(33,965)
Fines and forfeitures	1,727,910	1,727,910	1,809,948	(82,038)
Special assessments	-	-	13,838	(13,838)
Other	45,380	45,380	100,470	(55,090)
Total revenues	<u>31,835,329</u>	<u>31,835,329</u>	<u>32,299,067</u>	<u>(463,738)</u>
Expenditures:				
Current:				
Salaries and benefits	6,912,807	6,912,807	6,474,537	438,270
Operations and maintenance	4,406,642	3,561,483	2,939,900	621,583
Capital outlay	145,500	949,055	935,410	13,645
Total expenditures	<u>11,464,949</u>	<u>11,423,345</u>	<u>10,349,847</u>	<u>1,073,498</u>
Revenues over (under) expenditures	<u>20,370,380</u>	<u>20,411,984</u>	<u>21,949,220</u>	<u>(1,537,236)</u>
Other financing sources (uses):				
Transfers in	1,840,838	1,841,938	1,839,710	2,228
Transfers out	(22,175,197)	(22,650,197)	(22,585,350)	(64,847)
Sale of capital assets	100,500	100,500	800	99,700
Total other financing sources (uses)	<u>(20,233,859)</u>	<u>(20,707,759)</u>	<u>(20,744,840)</u>	<u>37,081</u>
Net change in fund balances	<u>\$ 136,521</u>	<u>\$ (295,775)</u>	<u>1,204,380</u>	<u>\$ (1,500,155)</u>
Fund balance, beginning of year			20,010,980	
Fund balance, end of year			<u>\$ 21,215,360</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 11,920,342	\$ 11,920,342	\$ 11,580,978	\$ 339,364
Licenses and permits	124,877	124,877	26,961	97,916
Intergovernmental	2,128,671	2,128,671	2,229,768	(101,097)
Charges for services	1,162,933	1,162,933	1,291,241	(128,308)
Fines and forfeitures	2,400	2,400	3,795	(1,395)
Other	26,275	26,275	27,926	(1,651)
Total revenues	<u>15,365,498</u>	<u>15,365,498</u>	<u>15,160,669</u>	<u>204,829</u>
Expenditures:				
Current:				
Salaries and benefits	28,423,567	28,623,567	28,352,708	270,859
Operations and maintenance	5,390,053	5,415,053	5,341,487	73,566
Capital outlay	64,033	64,033	69,482	(5,449)
Debt service:				
Principal	455,737	455,737	455,999	(262)
Interest and fiscal charges	109,967	109,967	109,966	1
Total expenditures	<u>34,443,357</u>	<u>34,668,357</u>	<u>34,329,642</u>	<u>338,715</u>
Revenues over (under) expenditures	<u>(19,077,859)</u>	<u>(19,302,859)</u>	<u>(19,168,973)</u>	<u>(133,886)</u>
Other financing sources (uses):				
Transfers in	20,166,752	20,391,752	20,391,752	-
Transfers out	(1,165,546)	(1,165,546)	(1,143,991)	(21,555)
Sale of capital assets	-	-	725	(725)
Total other financing sources (uses)	<u>19,001,206</u>	<u>19,226,206</u>	<u>19,248,486</u>	<u>(22,280)</u>
Net change in fund balances	<u>\$ (76,653)</u>	<u>\$ (76,653)</u>	<u>79,513</u>	<u>\$ (156,166)</u>
Fund balance, beginning of year			1,427,000	
Fund balance, end of year			<u>\$ 1,506,513</u>	

CITY OF BILLINGS, MONTANA
Major Special Revenue Fund - North 27th Street Tax Increment Operating Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 1,800,000	\$ 1,800,000	\$ 1,876,629	\$ (76,629)
Intergovernmental	-	-	122,055	(122,055)
Other	1,156,075	1,156,075	(9,123)	1,165,198
Total revenues	<u>2,956,075</u>	<u>2,956,075</u>	<u>1,989,561</u>	<u>966,514</u>
Expenditures:				
Current:				
Operations and maintenance	708,174	708,174	439,509	268,665
Capital outlay	13,193,552	14,093,552	3,934,770	10,158,782
Debt service:				
Interest and fiscal charges	113,663	113,663	-	113,663
Bond issuance costs	476,000	476,000	304,536	171,464
Total expenditures	<u>14,491,389</u>	<u>15,391,389</u>	<u>4,678,815</u>	<u>10,712,574</u>
Revenues over (under) expenditures	<u>(11,535,314)</u>	<u>(12,435,314)</u>	<u>(2,689,254)</u>	<u>(9,746,060)</u>
Other financing sources (uses):				
Transfers out	(100,000)	(100,000)	(100,000)	-
Bond discount costs	-	-	(2,749)	2,749
Issuance of debt	12,811,600	12,811,600	13,210,000	(398,400)
Premium on bond debt	-	-	59,173	(59,173)
Sale of capital assets	-	-	68,446	(68,446)
Total other financing sources (uses)	<u>12,711,600</u>	<u>12,711,600</u>	<u>13,234,870</u>	<u>(523,270)</u>
Net change in fund balances	<u>\$ 1,176,286</u>	<u>\$ 276,286</u>	<u>10,545,616</u>	<u>\$ (10,269,330)</u>
Fund balance, beginning of year			793,657	
Fund balance, end of year			<u>\$ 11,339,273</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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Special assessments	\$ 2,305,000	\$ 2,305,000	\$ 2,576,528	\$ (271,528)
Other	13,300	13,300	(12,001)	25,301
Total revenues	<u>2,318,300</u>	<u>2,318,300</u>	<u>2,564,527</u>	<u>(246,227)</u>
Expenditures:				
Debt service:				
Principal	1,575,000	6,700,000	6,698,621	1,379
Interest and fiscal charges	880,115	1,563,660	1,461,188	102,472
Bond issuance costs	-	120,000	119,278	722
Total expenditures	<u>2,455,115</u>	<u>8,383,660</u>	<u>8,279,087</u>	<u>104,573</u>
Revenues over (under) expenditures	<u>(136,815)</u>	<u>(6,065,360)</u>	<u>(5,714,560)</u>	<u>(350,800)</u>
Other financing sources (uses):				
Transfers in	-	-	23,563	(23,563)
Transfers out	(1,838,096)	(1,838,096)	(1,863,991)	25,895
Special assessment bonds issued	-	5,545,000	5,545,000	-
Total other financing sources (uses)	<u>(1,838,096)</u>	<u>3,706,904</u>	<u>3,704,572</u>	<u>2,332</u>
Net change in fund balances	<u>\$ (1,974,911)</u>	<u>\$ (2,358,456)</u>	<u>(2,009,988)</u>	<u>\$ (348,468)</u>
Fund balance, beginning of year			7,347,035	
Fund balance, end of year			<u>\$ 5,337,047</u>	

CITY OF BILLINGS, MONTANA
Major Capital Projects Fund - New Library Construction Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Other	\$ -	\$ -	\$ 20,853	\$ (20,853)
Total revenues	<u>-</u>	<u>-</u>	<u>20,853</u>	<u>(20,853)</u>
Expenditures:				
Capital outlay	205,670	15,777,220	10,239,697	5,537,523
Debt service:				
Bond issuance costs	-	220,757	220,756	1
Total expenditures	<u>205,670</u>	<u>15,997,977</u>	<u>10,460,453</u>	<u>5,537,524</u>
Revenues over (under) expenditures	<u>(205,670)</u>	<u>(15,997,977)</u>	<u>(10,439,600)</u>	<u>(5,558,377)</u>
Other financing sources (uses):				
Issuance of debt	-	-	15,460,000	(15,460,000)
Premium on bond debt	-	-	1,071,488	(1,071,488)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>16,531,488</u>	<u>(16,531,488)</u>
Net change in fund balances	<u>\$ (205,670)</u>	<u>\$ (15,997,977)</u>	<u>6,091,888</u>	<u>\$ (22,089,865)</u>
Fund balance, beginning of year			(402,984)	
Fund balance, end of year			<u>\$ 5,688,904</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, 2013

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 23,003,709	\$ 206,121	\$ 2,440,471	\$ 344,770	\$ 25,995,071
Cash with fiscal agent	-	2,839,294	-	-	2,839,294
Investments	19,575,865	180,097	2,082,389	292,011	22,130,362
Receivables:					
Property taxes	299,364	215,799	-	-	515,163
Accounts and unbilled usage	84,443	10,000	-	-	94,443
Delinquent special assessments	653,409	14,025	-	-	667,434
Deferred special assessments	-	1,475,030	-	-	1,475,030
Accrued interest	14,488	626	1,336	194	16,644
Notes	2,454,125	393,166	-	-	2,847,291
Due from other funds	366,392	-	-	-	366,392
Due from other governments	1,054,425	-	-	-	1,054,425
Inventories	74,057	-	-	-	74,057
Property held for resale	103,800	-	187,828	-	291,628
Total assets	<u>\$ 47,684,077</u>	<u>\$ 5,334,158</u>	<u>\$ 4,712,024</u>	<u>\$ 636,975</u>	<u>\$ 58,367,234</u>
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
Accounts payable	\$ 2,479,344	\$ -	\$ 118,399	\$ -	\$ 2,597,743
Accrued wages & benefits	212,765	-	-	-	212,765
Other liabilities	-	10,000	-	-	10,000
Due to other funds	164,469	73,643	366,392	-	604,504
Total liabilities	<u>2,856,578</u>	<u>83,643</u>	<u>484,791</u>	<u>-</u>	<u>3,425,012</u>
Deferred inflows:					
Deferred revenue	<u>3,564,551</u>	<u>2,038,254</u>	<u>-</u>	<u>-</u>	<u>5,602,805</u>
Fund balance:					
Unspendable	-	-	-	636,975	636,975
Restricted	32,592,507	3,212,261	4,686,822	-	40,491,590
Committed	8,681,426	-	-	-	8,681,426
Assigned	-	-	-	-	-
Unassigned	(10,985)	-	(459,589)	-	(470,574)
Total fund balances	<u>41,262,948</u>	<u>3,212,261</u>	<u>4,227,233</u>	<u>636,975</u>	<u>49,339,417</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 47,684,077</u>	<u>\$ 5,334,158</u>	<u>\$ 4,712,024</u>	<u>\$ 636,975</u>	<u>\$ 58,367,234</u>

CITY OF BILLINGS, MONTANA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 2,997,443	\$ 2,159,915	\$ -	\$ -	\$ 5,157,358
Licenses and permits	2,184,083	-	-	-	2,184,083
Intergovernmental	8,162,405	-	-	-	8,162,405
Charges for services	6,238,148	-	-	10,455	6,248,603
Fines and forfeitures	579,449	-	-	-	579,449
Special assessments	18,407,464	396,581	-	-	18,804,045
Other	1,579,442	562,120	66,279	1,222	2,209,063
Total revenues	<u>40,148,434</u>	<u>3,118,616</u>	<u>66,279</u>	<u>11,677</u>	<u>43,345,006</u>
Expenditures:					
Current:					
General government	2,003,004	-	1,310	-	2,004,314
Public safety	4,872,295	-	-	-	4,872,295
Public works	15,987,685	-	107,677	-	16,095,362
Culture and recreation	4,115,915	-	-	-	4,115,915
Housing and economic development	2,558,623	-	131,299	-	2,689,922
Capital outlay	5,106,157	-	1,588,608	-	6,694,765
Debt service:					
Principal	78,140	5,920,000	-	-	5,998,140
Interest and fiscal charges	26,463	1,090,318	-	-	1,116,781
Bond issuance costs	-	88,920	35,975	-	124,895
Total expenditures	<u>34,748,282</u>	<u>7,099,238</u>	<u>1,864,869</u>	<u>-</u>	<u>43,712,389</u>
Revenues over (under) expenditures	<u>5,400,152</u>	<u>(3,980,622)</u>	<u>(1,798,590)</u>	<u>11,677</u>	<u>(367,383)</u>
Other financing sources (uses):					
Transfers in	2,941,827	229,242	1,109,374	-	4,280,443
Transfers out	(2,538,874)	(3,084)	(23,563)	(1,222)	(2,566,743)
Issuance of debt	-	4,385,000	-	-	4,385,000
Premium on bond debt	-	303,802	-	-	303,802
Special assessment bonds issued	-	-	575,000	-	575,000
Sale of capital assets	260,068	-	138,390	-	398,458
Total other financing sources (uses)	<u>663,021</u>	<u>4,914,960</u>	<u>1,799,201</u>	<u>(1,222)</u>	<u>7,375,960</u>
Net change in fund balances	6,063,173	934,338	611	10,455	7,008,577
Fund balance, beginning of year	35,199,775	2,277,923	4,226,622	626,520	42,330,840
Fund balance, end of year	<u>\$ 41,262,948</u>	<u>\$ 3,212,261</u>	<u>\$ 4,227,233</u>	<u>\$ 636,975</u>	<u>\$ 49,339,417</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 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.
- The Park District 1 Fund accounts for the city-wide park assessment, maintenance, and improvements.

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2013
(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 Districts Fund</u>
Assets								
Cash and cash equivalents	\$2,692,275	\$2,938,483	\$ 18,441	\$ 213,582	\$ 1,772,689	\$ 134,209	\$ 1,135,339	\$ 92,753
Investments	2,272,880	2,487,832	16,056	181,314	1,498,518	113,945	957,747	78,733
Receivables:								
Property taxes	-	-	-	-	129,878	-	-	-
Accounts and unbilled usage	22,560	-	-	-	-	-	-	-
Delinquent special assessments	-	-	-	-	-	-	232,994	30,288
Accrued interest	1,601	2,450	10	-	868	75	344	-
Notes	-	-	-	222,051	-	-	-	-
Due from other funds	366,392	-	-	-	-	-	-	-
Receivables from other governments	-	241,288	-	209,579	17,465	-	-	-
Inventories	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	103,800	-	-	-	-
Total assets	<u>\$5,355,708</u>	<u>\$5,670,053</u>	<u>\$ 34,507</u>	<u>\$ 930,326</u>	<u>\$ 3,419,418</u>	<u>\$ 248,229</u>	<u>\$ 2,326,424</u>	<u>\$ 201,774</u>
Liabilities, Deferred Inflows and Fund Balances								
Liabilities:								
Accounts payable	\$ 828,559	\$ 9,080	\$ -	\$ 81,977	\$ 81,375	\$ 3,000	\$ -	\$ 171,487
Accrued wages & benefits	1,560	-	-	7,459	41,540	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>1,635,937</u>	<u>9,080</u>	<u>-</u>	<u>89,436</u>	<u>122,915</u>	<u>3,000</u>	<u>-</u>	<u>171,487</u>
Deferred inflows:								
Deferred revenue	805,818	-	-	222,051	113,056	-	56,763	30,250
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	3,719,771	5,660,973	-	618,839	1,687,227	245,229	2,269,661	-
Committed	-	-	34,507	-	1,496,220	-	-	37
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>3,719,771</u>	<u>5,660,973</u>	<u>34,507</u>	<u>618,839</u>	<u>3,183,447</u>	<u>245,229</u>	<u>2,269,661</u>	<u>37</u>
Total liabilities, deferred inflows and fund balances	<u>\$5,355,708</u>	<u>\$5,670,053</u>	<u>\$ 34,507</u>	<u>\$ 930,326</u>	<u>\$ 3,419,418</u>	<u>\$ 248,229</u>	<u>\$ 2,326,424</u>	<u>\$ 201,774</u>

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2013
(Page 2 of 4)

	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	Parks Program Fund
Assets								
Cash and cash equivalents	\$ 735,852	\$ 50,921	\$ 2,798,764	\$ -	\$ 1,586,654	\$ 257,283	\$ -	\$ 1,158,599
Investments	623,288	43,229	2,372,048	-	1,342,838	217,745	2,694	983,598
Receivables:								
Property taxes	-	-	-	-	98,970	66,691	-	-
Accounts and unbilled usage	-	-	-	-	-	-	-	3,000
Delinquent special assessments	65,933	18,006	130,671	-	-	-	-	-
Accrued interest	342	(43)	1,547	-	830	104	1,813	587
Notes	-	-	-	-	-	-	-	80,000
Due from other funds	-	-	-	-	-	-	-	-
Receivables from other governments	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,425,415</u>	<u>\$ 112,113</u>	<u>\$ 5,303,030</u>	<u>\$ -</u>	<u>\$ 3,029,292</u>	<u>\$ 541,823</u>	<u>\$ 4,507</u>	<u>\$ 2,225,784</u>
Liabilities, Deferred Inflows and Fund Balances								
Liabilities:								
Accounts payable	\$ 136,329	\$ 41,303	\$ 187,618	\$ -	\$ 15,030	\$ -	\$ -	\$ 50,602
Accrued wages & benefits	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>136,329</u>	<u>41,303</u>	<u>187,618</u>	<u>-</u>	<u>15,030</u>	<u>-</u>	<u>-</u>	<u>50,602</u>
Deferred inflows:								
Deferred revenue	<u>12,824</u>	<u>3,884</u>	<u>39,903</u>	<u>-</u>	<u>19,714</u>	<u>29,151</u>	<u>-</u>	<u>80,000</u>
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	1,276,262	66,926	5,075,509	-	2,994,548	512,672	4,507	-
Committed	-	-	-	-	-	-	-	2,095,182
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>1,276,262</u>	<u>66,926</u>	<u>5,075,509</u>	<u>-</u>	<u>2,994,548</u>	<u>512,672</u>	<u>4,507</u>	<u>2,095,182</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,425,415</u>	<u>\$ 112,113</u>	<u>\$ 5,303,030</u>	<u>\$ -</u>	<u>\$ 3,029,292</u>	<u>\$ 541,823</u>	<u>\$ 4,507</u>	<u>\$ 2,225,784</u>

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2013
(Page 3 of 4)

	Police Programs Fund	Amend Park Fund	Transportation Enhancement Fund	City-County Planning Fund	Building Inspection Fund	Street & Traffic Fund	City Attorney Grants Fund	Fire Programs Fund
Assets								
Cash and cash equivalents	\$ 212,077	\$ 108,734	\$ -	\$ 207,283	\$ 624,179	\$ 2,665,570	\$ 1,900	\$ 99,121
Investments	179,662	92,106	-	174,820	615,357	2,254,825	1,443	83,769
Receivables:								
Property taxes	-	-	-	3,825	-	-	-	-
Accounts and unbilled usage	-	-	-	-	56,446	2,437	-	-
Delinquent special assessments	-	-	-	-	-	-	-	-
Accrued interest	136	58	-	114	331	1,322	-	60
Notes	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Receivables from other governments	177,630	-	20,515	151,411	-	1,179	-	-
Inventories	-	-	-	-	-	74,057	-	-
Property held for resale	-	-	-	-	-	-	-	-
Total assets	\$ 569,505	\$ 200,898	\$ 20,515	\$ 537,453	\$1,296,313	\$ 4,999,390	\$ 3,343	\$ 182,950
Liabilities, Deferred Inflows and Fund Balances								
Liabilities:								
Accounts payable	\$ 116,832	\$ -	\$ 22,485	\$ 29,090	\$ 2,726	\$ 105,127	\$ -	\$ 385
Accrued wages & benefits	7,034	-	-	18,702	26,859	90,886	6,037	-
Due to other funds	-	-	6,321	-	-	-	-	-
Total liabilities	123,866	-	28,806	47,792	29,585	196,013	6,037	385
Deferred inflows:								
Deferred revenue	-	-	-	3,825	-	-	-	-
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	445,639	-	-	485,836	1,266,728	4,803,377	-	182,565
Committed	-	200,898	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	(8,291)	-	-	-	(2,694)	-
Total fund balances	445,639	200,898	(8,291)	485,836	1,266,728	4,803,377	(2,694)	182,565
Total liabilities, deferred inflows and fund balances	\$ 569,505	\$ 200,898	\$ 20,515	\$ 537,453	\$1,296,313	\$ 4,999,390	\$ 3,343	\$ 182,950

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2013
(Page 4 of 4)

	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	Park District 1 Fund	Total Nonmajor Special Revenue Funds
Assets								
Cash and cash equivalents	\$ 2,494	\$ 176,967	\$ 185,395	\$ 2,371,288	\$ 24,340	\$ 10,408	\$ 728,109	\$23,003,709
Investments	2,117	151,520	156,837	2,024,766	20,660	8,807	616,711	19,575,865
Receivables:								
Property taxes	-	-	-	-	-	-	-	299,364
Accounts and unbilled usage	-	-	-	-	-	-	-	84,443
Delinquent special assessments	-	-	-	129,309	-	-	46,208	653,409
Accrued interest	-	111	96	1,490	-	-	242	14,488
Notes	-	2,152,074	-	-	-	-	-	2,454,125
Due from other funds	-	-	-	-	-	-	-	366,392
Receivables from other governments	214,058	-	-	-	21,300	-	-	1,054,425
Inventories	-	-	-	-	-	-	-	74,057
Property held for resale	-	-	-	-	-	-	-	103,800
Total assets	\$ 218,669	\$2,480,672	\$ 342,328	\$ 4,526,853	\$ 66,300	\$ 19,215	\$ 1,391,270	\$47,684,077
Liabilities, Deferred Inflows and Fund Balances								
Liabilities:								
Accounts payable	\$ 75,250	\$ -	\$ -	\$ 368,731	\$ -	\$ 3,485	\$ 148,873	\$ 2,479,344
Accrued wages & benefits	6,210	-	-	-	-	-	6,478	212,765
Due to other funds	136,848	-	-	-	21,300	-	-	164,469
Total liabilities	218,308	-	-	368,731	21,300	3,485	155,351	2,856,578
Deferred inflows:								
Deferred revenue	-	2,104,387	-	37,883	-	-	5,042	3,564,551
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	361	-	-	-	45,000	-	1,230,877	32,592,507
Committed	-	376,285	342,328	4,120,239	-	15,730	-	8,681,426
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	(10,985)
Total fund balances	361	376,285	342,328	4,120,239	45,000	15,730	1,230,877	41,262,948
Total liabilities, deferred inflows and fund balances	\$ 218,669	\$2,480,672	\$ 342,328	\$ 4,526,853	\$ 66,300	\$ 19,215	\$ 1,391,270	\$47,684,077

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2013
(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>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 915,495	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,844,954	971,960	-	826,633	1,097,269	-	-	104,174
Charges for services	-	-	-	24,050	132,567	12,540	-	-
Fines and forfeitures	-	-	-	-	63,320	-	-	-
Special assessments	-	-	-	-	-	-	6,791,501	41,101
Other	150,330	3,637	464	388,949	42,710	509	3,688	4,106
Total revenues	<u>1,995,284</u>	<u>975,597</u>	<u>464</u>	<u>1,239,632</u>	<u>2,251,361</u>	<u>13,049</u>	<u>6,795,189</u>	<u>149,381</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	368,810	-	-	-	-	-	2,058,635
Public works	2,232,881	-	-	-	-	-	4,847,952	-
Culture and recreation	-	-	-	-	2,907,403	-	-	-
Housing and economic development	-	-	-	1,451,033	-	-	-	-
Capital outlay	1,502,927	-	-	176,297	182,974	79,036	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>3,735,808</u>	<u>368,810</u>	<u>-</u>	<u>1,627,330</u>	<u>3,090,377</u>	<u>79,036</u>	<u>4,847,952</u>	<u>2,058,635</u>
Revenues over (under) expenditures	<u>(1,740,524)</u>	<u>606,787</u>	<u>464</u>	<u>(387,698)</u>	<u>(839,016)</u>	<u>(65,987)</u>	<u>1,947,237</u>	<u>(1,909,254)</u>
Other financing sources (uses):								
Transfers in	1,700,000	-	-	250,000	822,288	-	-	-
Transfers out	-	-	-	-	(32,901)	-	(1,700,000)	(389,650)
Sale of capital assets	125,143	-	-	59,169	133	-	-	-
Total other financing sources (uses)	<u>1,825,143</u>	<u>-</u>	<u>-</u>	<u>309,169</u>	<u>789,520</u>	<u>-</u>	<u>(1,700,000)</u>	<u>(389,650)</u>
Net change in fund balances	84,619	606,787	464	(78,529)	(49,496)	(65,987)	247,237	(2,298,904)
Fund balance, beginning of year	3,635,152	5,054,186	34,043	697,368	3,232,943	311,216	2,022,424	2,298,941
Fund balance, end of year	<u>\$3,719,771</u>	<u>\$5,660,973</u>	<u>\$ 34,507</u>	<u>\$ 618,839</u>	<u>\$ 3,183,447</u>	<u>\$ 245,229</u>	<u>\$ 2,269,661</u>	<u>\$ 37</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, 2013
(Page 2 of 4)

	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	Parks Program Fund
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ 250,375	\$1,113,707	\$ 332,570	\$ -	\$ -
Licenses and permits	-	-	3,704	-	-	-	-	-
Intergovernmental	-	-	-	-	190,169	101,475	-	(3,709)
Charges for services	-	-	-	-	-	-	-	4,880
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	2,118,486	827,546	3,414,833	-	-	-	-	-
Other	2,632	(67)	10,467	-	3,816	(340)	-	178,620
Total revenues	2,121,118	827,479	3,429,004	250,375	1,307,692	433,705	-	179,791
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-	-
Public works	2,234,665	-	1,239,554	-	-	-	-	-
Culture and recreation	-	924,554	-	-	-	-	-	38,723
Housing and economic development	-	-	-	250,374	55,511	305,567	-	-
Capital outlay	-	-	1,096,199	-	98,823	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	13,481
Interest and fiscal charges	-	-	-	-	-	-	-	6,435
Total expenditures	2,234,665	924,554	2,335,753	250,374	154,334	305,567	-	58,639
Revenues over (under) expenditures	(113,547)	(97,075)	1,093,251	1	1,153,358	128,138	-	121,152
Other financing sources (uses):								
Transfers in	-	-	3,084	-	-	-	-	15,000
Transfers out	-	-	(203,347)	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	75,000
Total other financing sources (uses)	-	-	(200,263)	-	-	-	-	90,000
Net change in fund balances	(113,547)	(97,075)	892,988	1	1,153,358	128,138	-	211,152
Fund balance, beginning of year	1,389,809	164,001	4,182,521	(1)	1,841,190	384,534	4,507	1,884,030
Fund balance, end of year	\$ 1,276,262	\$ 66,926	\$ 5,075,509	\$ -	\$2,994,548	\$ 512,672	\$ 4,507	\$2,095,182

(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, 2013
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	<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 & Traffic Fund</u>	<u>City Attorney Grants Fund</u>	<u>Fire Programs Fund</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ 385,296	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	31,005	2,149,374	-	-	-
Intergovernmental	740,142	-	299,183	592,568	-	575,562	71,732	177,181
Charges for services	133,136	-	-	253,479	-	5,677,436	-	-
Fines and forfeitures	443,275	-	-	-	-	-	72,854	-
Special assessments	-	-	-	-	-	-	-	-
Other	501	391	27,483	3,358	4,863	22,172	1	9,710
Total revenues	<u>1,317,054</u>	<u>391</u>	<u>326,666</u>	<u>1,265,706</u>	<u>2,154,237</u>	<u>6,275,170</u>	<u>144,587</u>	<u>186,891</u>
Expenditures:								
Current:								
General government	-	-	-	1,249,529	-	-	266,779	-
Public safety	1,083,121	-	-	-	1,333,713	-	-	28,016
Public works	-	-	-	-	-	5,292,575	-	-
Culture and recreation	-	488	-	-	-	-	-	-
Housing and economic development	-	-	-	-	-	-	-	-
Capital outlay	24,404	-	307,822	-	-	460,907	-	133,014
Debt service:								
Principal	64,659	-	-	-	-	-	-	-
Interest and fiscal charges	3,516	-	-	-	-	-	-	-
Total expenditures	<u>1,175,700</u>	<u>488</u>	<u>307,822</u>	<u>1,249,529</u>	<u>1,333,713</u>	<u>5,753,482</u>	<u>266,779</u>	<u>161,030</u>
Revenues over (under) expenditures	<u>141,354</u>	<u>(97)</u>	<u>18,844</u>	<u>16,177</u>	<u>820,524</u>	<u>521,688</u>	<u>(122,192)</u>	<u>25,861</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	123,606	-
Transfers out	-	(392)	-	(5,082)	-	(207,502)	-	-
Sale of capital assets	-	-	-	-	-	623	-	-
Total other financing sources (uses)	<u>-</u>	<u>(392)</u>	<u>-</u>	<u>(5,082)</u>	<u>-</u>	<u>(206,879)</u>	<u>123,606</u>	<u>-</u>
Net change in fund balances	<u>141,354</u>	<u>(489)</u>	<u>18,844</u>	<u>11,095</u>	<u>820,524</u>	<u>314,809</u>	<u>1,414</u>	<u>25,861</u>
Fund balance, beginning of year	<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>	<u>156,704</u>
Fund balance, end of year	<u>\$ 445,639</u>	<u>\$ 200,898</u>	<u>\$ (8,291)</u>	<u>\$ 485,836</u>	<u>\$ 1,266,728</u>	<u>\$ 4,803,377</u>	<u>\$ (2,694)</u>	<u>\$ 182,565</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, 2013
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	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	Park District 1 Fund	Total Nonmajor Special Revenue Funds
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,997,443
Licenses and permits	-	-	-	-	-	-	-	2,184,083
Intergovernmental	428,967	-	-	-	122,771	21,374	-	8,162,405
Charges for services	60	-	-	-	-	-	-	6,238,148
Fines and forfeitures	-	-	-	-	-	-	-	579,449
Special assessments	-	-	-	3,361,190	-	-	1,852,807	18,407,464
Other	-	652,838	45,610	10,703	-	13,091	(800)	1,579,442
Total revenues	429,027	652,838	45,610	3,371,893	122,771	34,465	1,852,007	40,148,434
Expenditures:								
Current:								
General government	458,925	-	-	-	27,771	-	-	2,003,004
Public safety	-	-	-	-	-	-	-	4,872,295
Public works	-	-	-	140,058	-	-	-	15,987,685
Culture and recreation	-	-	442	-	-	-	244,305	4,115,915
Housing and economic development	-	496,138	-	-	-	-	-	2,558,623
Capital outlay	-	-	-	579,416	50,000	37,513	376,825	5,106,157
Debt service:								
Principal	-	-	-	-	-	-	-	78,140
Interest and fiscal charges	-	(256)	-	16,768	-	-	-	26,463
Total expenditures	458,925	495,882	442	736,242	77,771	37,513	621,130	34,748,282
Revenues over (under) expenditures	(29,898)	156,956	45,168	2,635,651	45,000	(3,048)	1,230,877	5,400,152
Other financing sources (uses):								
Transfers in	27,849	-	-	-	-	-	-	2,941,827
Transfers out	-	-	-	-	-	-	-	(2,538,874)
Sale of capital assets	-	-	-	-	-	-	-	260,068
Total other financing sources (uses)	27,849	-	-	-	-	-	-	663,021
Net change in fund balances	(2,049)	156,956	45,168	2,635,651	45,000	(3,048)	1,230,877	6,063,173
Fund balance, beginning of year	2,410	219,329	297,160	1,484,588	-	18,778	-	35,199,775
Fund balance, end of year	\$ 361	\$ 376,285	\$ 342,328	\$4,120,239	\$ 45,000	\$ 15,730	\$1,230,877	\$41,262,948

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, 2013
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	Gas Tax Fund				EOC 911 Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,840,375	1,840,375	1,844,954	4,579	975,162	975,162	971,960	(3,202)
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	18,000	18,000	150,330	132,330	20,080	20,080	3,637	(16,443)
Total revenues	<u>1,858,375</u>	<u>1,858,375</u>	<u>1,995,284</u>	<u>136,909</u>	<u>995,242</u>	<u>995,242</u>	<u>975,597</u>	<u>(19,645)</u>
Expenditures:								
Current:								
Salaries and benefits	69,720	69,720	53,499	16,221	-	-	-	-
Operations and maintenance	368,815	368,815	2,179,382	(1,810,567)	769,058	769,058	368,810	400,248
Capital outlay	5,684,551	5,812,439	1,502,927	4,309,512	165,645	165,645	-	165,645
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>6,123,086</u>	<u>6,250,974</u>	<u>3,735,808</u>	<u>2,515,166</u>	<u>934,703</u>	<u>934,703</u>	<u>368,810</u>	<u>565,893</u>
Revenues over (under) expenditures	<u>(4,264,711)</u>	<u>(4,392,599)</u>	<u>(1,740,524)</u>	<u>2,652,075</u>	<u>60,539</u>	<u>60,539</u>	<u>606,787</u>	<u>546,248</u>
Other financing sources (uses):								
Transfers in	1,700,000	1,700,000	1,700,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	125,143	125,143	-	-	-	-
Total other financing sources (uses)	<u>1,700,000</u>	<u>1,700,000</u>	<u>1,825,143</u>	<u>125,143</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$(2,564,711)</u>	<u>\$(2,692,599)</u>	<u>84,619</u>	<u>\$ 2,777,218</u>	<u>\$ 60,539</u>	<u>\$ 60,539</u>	<u>606,787</u>	<u>\$ 546,248</u>
Fund balance, beginning of year			<u>3,635,152</u>				<u>5,054,186</u>	
Fund balance, end of year			<u>\$ 3,719,771</u>				<u>\$ 5,660,973</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, 2013
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	<u>Animal Shelter Donation Fund</u>				<u>Development Services Grant Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,427,314	1,427,314	826,633	600,681
Charges for services	-	-	-	-	-	-	24,050	(24,050)
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	41,878	41,878	464	41,414	4,086	4,086	388,949	(384,863)
Total revenues	<u>41,878</u>	<u>41,878</u>	<u>464</u>	<u>41,414</u>	<u>1,431,400</u>	<u>1,431,400</u>	<u>1,239,632</u>	<u>191,768</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	314,938	319,155	322,074	(2,919)
Operations and maintenance	39,854	39,854	-	39,854	535,683	2,537,706	1,128,959	1,408,747
Capital outlay	-	-	-	-	-	199,702	176,297	23,405
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>39,854</u>	<u>39,854</u>	<u>-</u>	<u>39,854</u>	<u>850,621</u>	<u>3,056,563</u>	<u>1,627,330</u>	<u>1,429,233</u>
Revenues over (under) expenditures	<u>2,024</u>	<u>2,024</u>	<u>464</u>	<u>1,560</u>	<u>580,779</u>	<u>(1,625,163)</u>	<u>(387,698)</u>	<u>(1,237,465)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	258,826	250,000	8,826
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	59,169	(59,169)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>258,826</u>	<u>309,169</u>	<u>(50,343)</u>
Net change in fund balances	<u>\$ 2,024</u>	<u>\$ 2,024</u>	<u>464</u>	<u>\$ 1,560</u>	<u>\$ 580,779</u>	<u>\$(1,366,337)</u>	<u>(78,529)</u>	<u>\$(1,287,808)</u>
Fund balance, beginning of year			34,043				697,368	
Fund balance, end of year			<u>\$ 34,507</u>				<u>\$ 618,839</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, 2013
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	Library Fund				Cemetery Improvements Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 930,151	\$ 930,151	\$ 915,495	\$ 14,656	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	997,772	997,772	1,097,269	(99,497)	-	-	-	-
Charges for services	75,756	75,756	132,567	(56,811)	14,000	14,000	12,540	1,460
Fines and forfeitures	89,000	89,000	63,320	25,680	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	85,542	85,542	42,710	42,832	800	800	509	291
Total revenues	<u>2,178,221</u>	<u>2,178,221</u>	<u>2,251,361</u>	<u>(73,140)</u>	<u>14,800</u>	<u>14,800</u>	<u>13,049</u>	<u>1,751</u>
Expenditures:								
Current:								
Salaries and benefits	1,883,840	1,883,840	1,854,422	29,418	-	-	-	-
Operations and maintenance	1,257,423	1,257,423	1,052,981	204,442	10,000	10,000	-	10,000
Capital outlay	278,239	320,974	182,974	138,000	81,445	79,036	79,036	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>3,419,502</u>	<u>3,462,237</u>	<u>3,090,377</u>	<u>371,860</u>	<u>91,445</u>	<u>89,036</u>	<u>79,036</u>	<u>10,000</u>
Revenues over (under) expenditures	<u>(1,241,281)</u>	<u>(1,284,016)</u>	<u>(839,016)</u>	<u>(445,000)</u>	<u>(76,645)</u>	<u>(74,236)</u>	<u>(65,987)</u>	<u>(8,249)</u>
Other financing sources (uses):								
Transfers in	837,136	837,136	822,288	14,848	-	-	-	-
Transfers out	(32,901)	(32,901)	(32,901)	-	-	-	-	-
Sale of capital assets	2,000	2,000	133	1,867	-	-	-	-
Total other financing sources (uses)	<u>806,235</u>	<u>806,235</u>	<u>789,520</u>	<u>16,715</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (435,046)</u>	<u>\$ (477,781)</u>	<u>(49,496)</u>	<u>\$ (428,285)</u>	<u>\$ (76,645)</u>	<u>\$ (74,236)</u>	<u>(65,987)</u>	<u>\$ (8,249)</u>
Fund balance, beginning of year			3,232,943				311,216	
Fund balance, end of year			<u>\$ 3,183,447</u>				<u>\$ 245,229</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, 2013
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	<u>Street Maintenance Districts Fund</u>				<u>Fire Hydrant District Maintenance Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	106,000	106,000	104,174	1,826
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	6,662,000	6,662,000	6,791,501	(129,501)	95,000	95,000	41,101	53,899
Other	8,400	8,400	3,688	4,712	1,700	1,700	4,106	(2,406)
Total revenues	<u>6,670,400</u>	<u>6,670,400</u>	<u>6,795,189</u>	<u>(124,789)</u>	<u>202,700</u>	<u>202,700</u>	<u>149,381</u>	<u>53,319</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	4,847,952	4,847,952	4,847,952	-	2,058,744	2,058,744	2,058,635	109
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>4,847,952</u>	<u>4,847,952</u>	<u>4,847,952</u>	<u>-</u>	<u>2,058,744</u>	<u>2,058,744</u>	<u>2,058,635</u>	<u>109</u>
Revenues over (under) expenditures	<u>1,822,448</u>	<u>1,822,448</u>	<u>1,947,237</u>	<u>(124,789)</u>	<u>(1,856,044)</u>	<u>(1,856,044)</u>	<u>(1,909,254)</u>	<u>53,210</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(1,700,000)	(1,700,000)	(1,700,000)	-	(435,793)	(435,793)	(389,650)	(46,143)
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>(1,700,000)</u>	<u>-</u>	<u>(435,793)</u>	<u>(435,793)</u>	<u>(389,650)</u>	<u>(46,143)</u>
Net change in fund balances	<u>\$ 122,448</u>	<u>\$ 122,448</u>	<u>247,237</u>	<u>\$ (124,789)</u>	<u>\$(2,291,837)</u>	<u>\$(2,291,837)</u>	<u>(2,298,904)</u>	<u>\$ 7,067</u>
Fund balance, beginning of year			2,022,424				2,298,941	
Fund balance, end of year			<u>\$ 2,269,661</u>				<u>\$ 37</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, 2013
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	Light Maintenance Districts Fund				Park Maintenance Districts Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	1,950,000	1,950,000	2,118,486	(168,486)	829,289	829,289	827,546	1,743
Other	6,000	6,000	2,632	3,368	172	172	(67)	239
Total revenues	<u>1,956,000</u>	<u>1,956,000</u>	<u>2,121,118</u>	<u>(165,118)</u>	<u>829,461</u>	<u>829,461</u>	<u>827,479</u>	<u>1,982</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	2,210,358	2,235,358	2,234,665	693	816,910	976,910	924,554	52,356
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>2,210,358</u>	<u>2,235,358</u>	<u>2,234,665</u>	<u>693</u>	<u>816,910</u>	<u>976,910</u>	<u>924,554</u>	<u>52,356</u>
Revenues over (under) expenditures	<u>(254,358)</u>	<u>(279,358)</u>	<u>(113,547)</u>	<u>(165,811)</u>	<u>12,551</u>	<u>(147,449)</u>	<u>(97,075)</u>	<u>(50,374)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (254,358)</u>	<u>\$ (279,358)</u>	<u>(113,547)</u>	<u>\$ (165,811)</u>	<u>\$ 12,551</u>	<u>\$ (147,449)</u>	<u>(97,075)</u>	<u>\$ (50,374)</u>
Fund balance, beginning of year			1,389,809				164,001	
Fund balance, end of year			<u>\$ 1,276,262</u>				<u>\$ 66,926</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, 2013
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	Storm Sewer Fund				Miller Crossing Tax Increment Operating Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 253,500	\$ 253,500	\$ 250,375	\$ 3,125
Licenses and permits	4,200	4,200	3,704	496	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	3,372,000	3,372,000	3,414,833	(42,833)	-	-	-	-
Other	13,252	13,252	10,467	2,785	-	-	-	-
Total revenues	3,389,452	3,389,452	3,429,004	(39,552)	253,500	253,500	250,375	3,125
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	1,159,295	1,383,795	1,239,554	144,241	298,500	298,500	250,374	48,126
Capital outlay	3,555,815	4,153,842	1,096,199	3,057,643	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	4,715,110	5,537,637	2,335,753	3,201,884	298,500	298,500	250,374	48,126
Revenues over (under) expenditures	(1,325,658)	(2,148,185)	1,093,251	(3,241,436)	(45,000)	(45,000)	1	(45,001)
Other financing sources (uses):								
Transfers in	-	-	3,084	(3,084)	45,000	45,000	-	45,000
Transfers out	(203,250)	(203,250)	(203,347)	97	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(203,250)	(203,250)	(200,263)	(2,987)	45,000	45,000	-	45,000
Net change in fund balances	\$(1,528,908)	\$(2,351,435)	892,988	\$(3,244,423)	\$ -	\$ -	1	\$ (1)
Fund balance, beginning of year			4,182,521				(1)	
Fund balance, end of year			<u>\$ 5,075,509</u>				<u>\$ -</u>	

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2013
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	<u>South Tax Increment Operating Fund</u>				<u>East 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>
Revenues:								
Taxes	\$ 1,200,000	\$ 1,200,000	\$ 1,113,707	\$ 86,293	\$ 245,000	\$ 245,000	\$ 332,570	\$ (87,570)
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	190,169	(190,169)	-	-	101,475	(101,475)
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	1,185	1,185	3,816	(2,631)	645	645	(340)	985
Total revenues	<u>1,201,185</u>	<u>1,201,185</u>	<u>1,307,692</u>	<u>(106,507)</u>	<u>245,645</u>	<u>245,645</u>	<u>433,705</u>	<u>(188,060)</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	84,064	84,064	55,511	28,553	340,988	340,988	305,567	35,421
Capital outlay	380,000	380,000	98,823	281,177	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>464,064</u>	<u>464,064</u>	<u>154,334</u>	<u>309,730</u>	<u>340,988</u>	<u>340,988</u>	<u>305,567</u>	<u>35,421</u>
Revenues over (under) expenditures	<u>737,121</u>	<u>737,121</u>	<u>1,153,358</u>	<u>(416,237)</u>	<u>(95,343)</u>	<u>(95,343)</u>	<u>128,138</u>	<u>(223,481)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	<u> </u>	<u>\$ 737,121</u>	<u>1,153,358</u>	<u>\$ (416,237)</u>	<u>\$ (95,343)</u>	<u>\$ (95,343)</u>	<u>128,138</u>	<u>\$ (223,481)</u>
Fund balance, beginning of year			<u>1,841,190</u>				<u>384,534</u>	
Fund balance, end of year			<u>\$ 2,994,548</u>				<u>\$ 512,672</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, 2013
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	Downtown Tax Increment Operating Fund				Park Program Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	12,780	(3,709)	(16,489)
Charges for services	-	-	-	-	30,000	30,000	4,880	(25,120)
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	-	-	-	-	74,545	74,545	178,620	104,075
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>104,545</u>	<u>117,325</u>	<u>179,791</u>	<u>62,466</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	-	-	-	-	291,020	310,428	38,723	271,705
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	12,630	12,630	13,481	(851)
Interest and fiscal charges	-	-	-	-	9,700	9,700	6,435	3,265
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>313,350</u>	<u>332,758</u>	<u>58,639</u>	<u>274,119</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(208,805)</u>	<u>(215,433)</u>	<u>121,152</u>	<u>336,585</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	15,000	15,000
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	50,000	50,000	75,000	25,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>	<u>90,000</u>	<u>40,000</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>	<u>\$ (158,805)</u>	<u>\$ (165,433)</u>	<u>211,152</u>	<u>\$ 376,585</u>
Fund balance, beginning of year			4,507				1,884,030	
Fund balance, end of year			<u>\$ 4,507</u>				<u>\$ 2,095,182</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, 2013
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	<u>Police Program Fund</u>				<u>Amend Park Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	689,938	694,991	740,142	45,151	-	-	-	-
Charges for services	120,000	120,000	133,136	13,136	-	-	-	-
Fines and forfeitures	121,000	121,000	443,275	322,275	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	9,840	9,840	501	(9,339)	423	423	391	32
Total revenues	<u>940,778</u>	<u>945,831</u>	<u>1,317,054</u>	<u>371,223</u>	<u>423</u>	<u>423</u>	<u>391</u>	<u>32</u>
Expenditures:								
Current:								
Salaries and benefits	454,208	455,523	375,239	80,284	-	-	-	-
Operations and maintenance	501,759	580,116	707,882	(127,766)	45,488	45,488	488	45,000
Capital outlay	14,300	14,514	24,404	(9,890)	-	-	-	-
Principal	204,974	204,974	64,659	140,315	-	-	-	-
Interest and fiscal charges	3,517	3,517	3,516	1	-	-	-	-
Total expenditures	<u>1,178,758</u>	<u>1,258,644</u>	<u>1,175,700</u>	<u>82,944</u>	<u>45,488</u>	<u>45,488</u>	<u>488</u>	<u>45,000</u>
Revenues over (under) expenditures	<u>(237,980)</u>	<u>(312,813)</u>	<u>141,354</u>	<u>454,167</u>	<u>(45,065)</u>	<u>(45,065)</u>	<u>(97)</u>	<u>(44,968)</u>
Other financing sources (uses):								
Transfers in	21,555	21,555	-	(21,555)	-	-	-	-
Transfers out	-	-	-	-	(1,202)	(1,202)	(392)	(810)
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>21,555</u>	<u>21,555</u>	<u>-</u>	<u>(21,555)</u>	<u>(1,202)</u>	<u>(1,202)</u>	<u>(392)</u>	<u>(810)</u>
Net change in fund balances	<u>\$ (216,425)</u>	<u>\$ (291,258)</u>	<u>141,354</u>	<u>\$ 432,612</u>	<u>\$ (46,267)</u>	<u>\$ (46,267)</u>	<u>(489)</u>	<u>\$ (45,778)</u>
Fund balance, beginning of year			304,285				201,387	
Fund balance, end of year			<u>\$ 445,639</u>				<u>\$ 200,898</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, 2013
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	Transportation Enhancement Fund				City-County Planning Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 375,000	\$ 375,000	\$ 385,296	\$ (10,296)
Licenses and permits	-	-	-	-	15,700	15,700	31,005	(15,305)
Intergovernmental	1,235,842	1,235,842	299,183	936,659	566,500	566,500	592,568	(26,068)
Charges for services	-	-	-	-	245,812	245,812	253,479	(7,667)
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	-	-	27,483	(27,483)	1,069	1,069	3,358	(2,289)
Total revenues	<u>1,235,842</u>	<u>1,235,842</u>	<u>326,666</u>	<u>909,176</u>	<u>1,204,081</u>	<u>1,204,081</u>	<u>1,265,706</u>	<u>(61,625)</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	842,663	842,663	799,304	43,359
Operations and maintenance	-	-	-	-	534,231	534,231	450,225	84,006
Capital outlay	1,527,232	1,520,643	307,822	1,212,821	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>1,527,232</u>	<u>1,520,643</u>	<u>307,822</u>	<u>1,212,821</u>	<u>1,376,894</u>	<u>1,376,894</u>	<u>1,249,529</u>	<u>127,365</u>
Revenues over (under) expenditures	<u>(291,390)</u>	<u>(284,801)</u>	<u>18,844</u>	<u>(303,645)</u>	<u>(172,813)</u>	<u>(172,813)</u>	<u>16,177</u>	<u>(188,990)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(5,082)	(5,082)	(5,082)	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,082)</u>	<u>(5,082)</u>	<u>(5,082)</u>	<u>-</u>
Net change in fund balances	<u>\$ (291,390)</u>	<u>\$ (284,801)</u>	<u>18,844</u>	<u>\$ (303,645)</u>	<u>\$ (177,895)</u>	<u>\$ (177,895)</u>	<u>11,095</u>	<u>\$ (188,990)</u>
Fund balance, beginning of year			(27,135)				474,741	
Fund balance, end of year			<u>\$ (8,291)</u>				<u>\$ 485,836</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, 2013
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	<u>Building Inspection Fund</u>				<u>Street & Traffic Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	1,404,600	1,404,600	2,149,374	(744,774)	-	-	-	-
Intergovernmental	-	-	-	-	580,000	580,000	575,562	4,438
Charges for services	200	200	-	200	5,803,500	5,803,500	5,677,436	126,064
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	2,451	2,451	4,863	(2,412)	20,000	20,000	22,172	(2,172)
Total revenues	<u>1,407,251</u>	<u>1,407,251</u>	<u>2,154,237</u>	<u>(746,986)</u>	<u>6,403,500</u>	<u>6,403,500</u>	<u>6,275,170</u>	<u>128,330</u>
Expenditures:								
Current:								
Salaries and benefits	1,022,628	1,022,628	1,012,164	10,464	3,279,651	3,279,651	2,976,790	302,861
Operations and maintenance	348,897	348,897	321,549	27,348	2,792,176	2,792,176	2,315,785	476,391
Capital outlay	-	-	-	-	787,315	787,315	460,907	326,408
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>1,371,525</u>	<u>1,371,525</u>	<u>1,333,713</u>	<u>37,812</u>	<u>6,859,142</u>	<u>6,859,142</u>	<u>5,753,482</u>	<u>1,105,660</u>
Revenues over (under) expenditures	<u>35,726</u>	<u>35,726</u>	<u>820,524</u>	<u>(784,798)</u>	<u>(455,642)</u>	<u>(455,642)</u>	<u>521,688</u>	<u>(977,330)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(207,502)	(207,502)	(207,502)	-
Sale of capital assets	-	-	-	-	-	-	623	(623)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(207,502)</u>	<u>(207,502)</u>	<u>(206,879)</u>	<u>(623)</u>
Net change in fund balances	<u>\$ 35,726</u>	<u>\$ 35,726</u>	<u>820,524</u>	<u>\$ (784,798)</u>	<u>\$ (663,144)</u>	<u>\$ (663,144)</u>	<u>314,809</u>	<u>\$ (977,953)</u>
Fund balance, beginning of year			446,204				4,488,568	
Fund balance, end of year			<u>\$ 1,266,728</u>				<u>\$ 4,803,377</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, 2013
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	<u>City Attorney Grants Fund</u>				<u>Fire Program Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	71,732	71,732	71,732	-	44,167	177,181	177,181	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	60,000	60,000	72,854	(12,854)	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	-	-	1	(1)	2,880	2,880	9,710	(6,830)
Total revenues	<u>131,732</u>	<u>131,732</u>	<u>144,587</u>	<u>(12,855)</u>	<u>47,047</u>	<u>180,061</u>	<u>186,891</u>	<u>(6,830)</u>
Expenditures:								
Current:								
Salaries and benefits	280,056	280,056	265,282	14,774	14,000	14,000	12,507	1,493
Operations and maintenance	1,800	1,800	1,497	303	100,819	100,819	15,509	85,310
Capital outlay	-	-	-	-	-	230,712	133,014	97,698
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>281,856</u>	<u>281,856</u>	<u>266,779</u>	<u>15,077</u>	<u>114,819</u>	<u>345,531</u>	<u>161,030</u>	<u>184,501</u>
Revenues over (under) expenditures	<u>(150,124)</u>	<u>(150,124)</u>	<u>(122,192)</u>	<u>(27,932)</u>	<u>(67,772)</u>	<u>(165,470)</u>	<u>25,861</u>	<u>(191,331)</u>
Other financing sources (uses):								
Transfers in	150,124	150,124	123,606	26,518	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>150,124</u>	<u>150,124</u>	<u>123,606</u>	<u>26,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,414</u>	<u>\$ (1,414)</u>	<u>\$ (67,772)</u>	<u>\$ (165,470)</u>	<u>25,861</u>	<u>\$ (191,331)</u>
Fund balance, beginning of year			(4,108)				156,704	
Fund balance, end of year			<u>\$ (2,694)</u>				<u>\$ 182,565</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, 2013
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	<u>Municipal Court Grant Fund</u>				<u>Downtown Revolving Loan Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	106,125	428,966	428,967	(1)	-	-	-	-
Charges for services	-	60	60	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	-	-	-	-	680,083	680,083	652,838	27,245
Total revenues	<u>106,125</u>	<u>429,026</u>	<u>429,027</u>	<u>(1)</u>	<u>680,083</u>	<u>680,083</u>	<u>652,838</u>	<u>27,245</u>
Expenditures:								
Current:								
Salaries and benefits	106,125	157,903	155,608	2,295	-	-	-	-
Operations and maintenance	-	303,319	303,317	2	1,046,582	1,046,582	496,138	550,444
Capital outlay	-	-	-	-	-	-	-	-
Principal	-	-	-	-	600,000	600,000	-	600,000
Interest and fiscal charges	-	-	-	-	33,501	33,501	(256)	33,757
Total expenditures	<u>106,125</u>	<u>461,222</u>	<u>458,925</u>	<u>2,297</u>	<u>1,680,083</u>	<u>1,680,083</u>	<u>495,882</u>	<u>1,184,201</u>
Revenues over (under) expenditures	<u>-</u>	<u>(32,196)</u>	<u>(29,898)</u>	<u>(2,298)</u>	<u>(1,000,000)</u>	<u>(1,000,000)</u>	<u>156,956</u>	<u>(1,156,956)</u>
Other financing sources (uses):								
Transfers in	30,000	30,000	27,849	2,151	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>30,000</u>	<u>30,000</u>	<u>27,849</u>	<u>2,151</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Net change in fund balances	<u>\$ 30,000</u>	<u>\$ (2,196)</u>	<u>(2,049)</u>	<u>\$ (147)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>156,956</u>	<u>\$ (156,956)</u>
Fund balance, beginning of year			2,410				219,329	
Fund balance, end of year			<u>\$ 361</u>				<u>\$ 376,285</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, 2013
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	Baseball Field / Stadium Donation For Capital Maintenance Fund				Arterial Fees Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	3,300,000	3,300,000	3,361,190	(61,190)
Other	40,700	40,700	45,610	(4,910)	16,000	16,000	10,703	5,297
Total revenues	40,700	40,700	45,610	(4,910)	3,316,000	3,316,000	3,371,893	(55,893)
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	20,442	20,442	442	20,000	140,058	140,058	140,058	-
Capital outlay	-	-	-	-	3,010,997	2,997,625	579,416	2,418,209
Principal	-	-	-	-	1,544,882	1,544,882	-	1,544,882
Interest and fiscal charges	-	-	-	-	46,346	46,346	16,768	29,578
Total expenditures	20,442	20,442	442	20,000	4,742,283	4,728,911	736,242	3,992,669
Revenues over (under) expenditures	20,258	20,258	45,168	(24,910)	(1,426,283)	(1,412,911)	2,635,651	(4,048,562)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	(45,000)	(45,000)	-	(45,000)
Net change in fund balances	\$ 20,258	\$ 20,258	45,168	\$ (24,910)	\$(1,471,283)	\$(1,457,911)	2,635,651	\$(4,093,562)
Fund balance, beginning of year			297,160				1,484,588	
Fund balance, end of year			\$ 342,328				\$ 4,120,239	

(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, 2013
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	<u>Administration Grants Fund</u>				<u>Bike Paths and Trails Donations Fund</u>			
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	122,771	(122,771)	-	-	21,374	(21,374)
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	-	-	-	-	178,588	178,588	13,091	165,497
Total revenues	<u>-</u>	<u>-</u>	<u>122,771</u>	<u>(122,771)</u>	<u>178,588</u>	<u>178,588</u>	<u>34,465</u>	<u>144,123</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	-	-	27,771	(27,771)	-	-	-	-
Capital outlay	81,121	81,121	50,000	31,121	217,948	217,759	37,513	180,246
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>81,121</u>	<u>81,121</u>	<u>77,771</u>	<u>3,350</u>	<u>217,948</u>	<u>217,759</u>	<u>37,513</u>	<u>180,246</u>
Revenues over (under) expenditures	<u>(81,121)</u>	<u>(81,121)</u>	<u>45,000</u>	<u>(126,121)</u>	<u>(39,360)</u>	<u>(39,171)</u>	<u>(3,048)</u>	<u>(36,123)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (81,121)</u>	<u>\$ (81,121)</u>	<u>45,000</u>	<u>\$ (126,121)</u>	<u>\$ (39,360)</u>	<u>\$ (39,171)</u>	<u>(3,048)</u>	<u>\$ (36,123)</u>
Fund balance, beginning of year			-				18,778	
Fund balance, end of year			<u>\$ 45,000</u>				<u>\$ 15,730</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, 2013
(Page 16 of 16)

	<u>Park District 1 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>
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,003,651	\$ 3,003,651	\$ 2,997,443	\$ 6,208
Licenses and permits	-	-	-	-	1,424,500	1,424,500	2,184,083	(759,583)
Intergovernmental	-	-	-	-	8,640,927	9,114,615	8,162,405	952,210
Charges for services	-	-	-	-	6,289,268	6,289,328	6,238,148	51,180
Fines and forfeitures	-	-	-	-	270,000	270,000	579,449	(309,449)
Special assessments	1,855,000	1,855,000	1,852,807	2,193	18,063,289	18,063,289	18,407,464	(344,175)
Other	-	-	(800)	800	1,228,319	1,228,319	1,579,442	(351,123)
Total revenues	<u>1,855,000</u>	<u>1,855,000</u>	<u>1,852,007</u>	<u>2,993</u>	<u>38,919,954</u>	<u>39,393,702</u>	<u>40,148,434</u>	<u>(754,732)</u>
Expenditures:								
Current:								
Salaries and benefits	182,525	182,525	46,360	136,165	8,450,354	8,507,664	7,873,249	634,415
Operations and maintenance	537,475	537,475	197,945	339,530	21,158,391	23,970,998	21,664,273	2,306,725
Capital outlay	1,135,000	1,135,000	376,825	758,175	16,919,608	18,096,327	5,106,157	12,990,170
Principal	-	-	-	-	2,362,486	2,362,486	78,140	2,284,346
Interest and fiscal charges	-	-	-	-	93,064	93,064	26,463	66,601
Total expenditures	<u>1,855,000</u>	<u>1,855,000</u>	<u>621,130</u>	<u>1,233,870</u>	<u>48,983,903</u>	<u>53,030,539</u>	<u>34,748,282</u>	<u>18,282,257</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,230,877</u>	<u>(1,230,877)</u>	<u>(10,063,949)</u>	<u>(13,636,837)</u>	<u>5,400,152</u>	<u>(19,036,989)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	2,783,815	3,042,641	2,941,827	100,814
Transfers out	-	-	-	-	(2,630,730)	(2,630,730)	(2,538,874)	(91,856)
Sale of capital assets	-	-	-	-	52,000	52,000	260,068	(208,068)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,205,085</u>	<u>1,463,911</u>	<u>663,021</u>	<u>800,890</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,230,877</u>	<u>\$(1,230,877)</u>	<u>\$(8,858,864)</u>	<u>\$(12,172,926)</u>	<u>6,063,173</u>	<u>\$ (18,236,099)</u>
Fund balance, beginning of year			-				35,199,775	
Fund balance, end of year			<u>\$1,230,877</u>				<u>\$41,262,948</u>	

NONMAJOR DEBT SERVICE FUNDS

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

- The Series 2012 Library Fund accounts for the payment of debt issued for the construction of the new library building.
- The Storm Sewer Fund accounts for the payment of debt used for the construction of storm sewers.
- The Series 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, 2013

	<u>Series 2012 Library Fund</u>	<u>Storm Sewer Fund</u>	<u>Series 2000 Parks Fund</u>	<u>Series 2004A Street Improvements Fund</u>	<u>Series 2007A Baseball Field/Stadium Fund</u>	<u>Series 2007B Baseball Field/Stadium Fund</u>	<u>Sidewalk Curb Districts Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ 265	\$ -	\$ 13,989	\$ 73,868	\$ 117,999	\$ 206,121
Cash with fiscal agent	1,035,000	390,775	115,237	328,722	629,190	207,036	133,334	2,839,294
Investments	(1,149)	-	(1,608)	(385)	16,335	63,694	103,210	180,097
Receivables:								
Property taxes	48,269	-	14,537	41,432	98,759	12,802	-	215,799
Accounts and unbilled usage	-	-	-	-	-	10,000	-	10,000
Delinquent special assessments	-	-	-	-	-	-	14,025	14,025
Deferred special assessments	-	-	-	-	-	-	1,475,030	1,475,030
Accrued interest	215	-	29	62	127	77	116	626
Notes	-	-	-	-	-	393,166	-	393,166
Total assets	<u><u>\$ 1,082,335</u></u>	<u><u>\$ 390,775</u></u>	<u><u>\$ 128,460</u></u>	<u><u>\$ 369,831</u></u>	<u><u>\$ 758,400</u></u>	<u><u>\$ 760,643</u></u>	<u><u>\$1,843,714</u></u>	<u><u>\$ 5,334,158</u></u>
Liabilities, Deferred Inflows and Fund Balances								
Liabilities:								
Due to other funds	\$ 48,283	\$ -	\$ -	\$ 25,360	\$ -	\$ -	\$ -	\$ 73,643
Other liabilities	-	-	-	-	-	-	10,000	10,000
Total liabilities	<u>48,283</u>	<u>-</u>	<u>-</u>	<u>25,360</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	<u>83,643</u>
Deferred Inflows:								
Deferred revenue	27,563	-	12,549	34,434	81,766	403,833	1,478,109	2,038,254
Fund balances:								
Restricted	1,006,489	390,775	115,911	310,037	676,634	356,810	355,605	3,212,261
Total fund balances	<u>1,006,489</u>	<u>390,775</u>	<u>115,911</u>	<u>310,037</u>	<u>676,634</u>	<u>356,810</u>	<u>355,605</u>	<u>3,212,261</u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 1,082,335</u></u>	<u><u>\$ 390,775</u></u>	<u><u>\$ 128,460</u></u>	<u><u>\$ 369,831</u></u>	<u><u>\$ 758,400</u></u>	<u><u>\$ 760,643</u></u>	<u><u>\$1,843,714</u></u>	<u><u>\$ 5,334,158</u></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, 2013

	<u>Series 2012 Library Fund</u>	<u>Storm Sewer Fund</u>	<u>Series 2000 Parks Fund</u>	<u>Series 2004A Street Improvements Fund</u>	<u>Series 2007A Baseball Field/Stadium Fund</u>	<u>Series 2007B Baseball Field/Stadium Fund</u>	<u>Sidewalk and Curb Districts Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
Revenues:								
Taxes	\$ 910,559	\$ -	\$ 88,457	\$ 311,237	\$ 755,598	\$ 94,064	\$ -	\$ 2,159,915
Special assessments	-	-	-	-	-	-	396,581	396,581
Other	300,332	(65)	117	1,100	(138)	260,586	188	562,120
Total revenues	<u>1,210,891</u>	<u>(65)</u>	<u>88,574</u>	<u>312,337</u>	<u>755,460</u>	<u>354,650</u>	<u>396,769</u>	<u>3,118,616</u>
Expenditures:								
Debt service:								
Principal	-	185,000	105,000	3,730,000	420,000	1,165,000	315,000	5,920,000
Interest and fiscal charges	204,402	16,311	25,763	320,756	400,463	44,711	77,912	1,090,318
Bond issuance costs	-	-	-	70,868	-	18,052	-	88,920
Total expenditures	<u>204,402</u>	<u>201,311</u>	<u>130,763</u>	<u>4,121,624</u>	<u>820,463</u>	<u>1,227,763</u>	<u>392,912</u>	<u>7,099,238</u>
Revenues over (under) expenditures	<u>1,006,489</u>	<u>(201,376)</u>	<u>(42,189)</u>	<u>(3,809,287)</u>	<u>(65,003)</u>	<u>(873,113)</u>	<u>3,857</u>	<u>(3,980,622)</u>
Other financing sources:								
Transfers in	-	203,347	-	-	-	-	25,895	229,242
Transfers out	-	(3,084)	-	-	-	-	-	(3,084)
Issuance of debt	-	-	-	3,460,000	-	925,000	-	4,385,000
Premium on bond debt	-	-	-	248,461	-	55,341	-	303,802
Total other financing sources	<u>-</u>	<u>200,263</u>	<u>-</u>	<u>3,708,461</u>	<u>-</u>	<u>980,341</u>	<u>25,895</u>	<u>4,914,960</u>
Net change in fund balances	<u>1,006,489</u>	<u>(1,113)</u>	<u>(42,189)</u>	<u>(100,826)</u>	<u>(65,003)</u>	<u>107,228</u>	<u>29,752</u>	<u>934,338</u>
Fund balance, beginning of year	-	391,888	158,100	410,863	741,637	249,582	325,853	2,277,923
Fund balance, end of year	<u>\$ 1,006,489</u>	<u>\$ 390,775</u>	<u>\$ 115,911</u>	<u>\$ 310,037</u>	<u>\$ 676,634</u>	<u>\$ 356,810</u>	<u>\$355,605</u>	<u>\$ 3,212,261</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, 2013
(Page 1 of 4)

	Series 2012 Library Fund				Storm Sewer Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 1,009,674	\$ 1,009,674	\$ 910,559	\$ (99,115)	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-	-
Other	300,420	300,420	300,332	(88)	74	74	(65)	(139)
Total revenues	<u>1,310,094</u>	<u>1,310,094</u>	<u>1,210,891</u>	<u>(99,203)</u>	<u>74</u>	<u>74</u>	<u>(65)</u>	<u>(139)</u>
Expenditures:								
Principal	-	-	-	-	185,000	185,000	185,000	-
Interest and fiscal charges	281,000	281,000	204,402	76,598	16,338	16,818	16,311	507
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	<u>281,000</u>	<u>281,000</u>	<u>204,402</u>	<u>76,598</u>	<u>201,338</u>	<u>201,818</u>	<u>201,311</u>	<u>507</u>
Revenues over (under) expenditures	<u>1,029,094</u>	<u>1,029,094</u>	<u>1,006,489</u>	<u>(22,605)</u>	<u>(201,264)</u>	<u>(201,744)</u>	<u>(201,376)</u>	<u>368</u>
Other financing sources:								
Transfers in	-	-	-	-	203,250	203,250	203,347	97
Transfers out	-	-	-	-	-	(3,300)	(3,084)	216
Issuance of debt	-	-	-	-	-	-	-	-
Premium on bond debt	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>203,250</u>	<u>199,950</u>	<u>200,263</u>	<u>313</u>
Net change in fund balances	<u>\$ 1,029,094</u>	<u>\$ 1,029,094</u>	<u>1,006,489</u>	<u>\$ (22,605)</u>	<u>\$ 1,986</u>	<u>\$ (1,794)</u>	<u>(1,113)</u>	<u>\$ 681</u>
Fund balance, beginning of year			-				391,888	
Fund balance, end of year			<u>\$ 1,006,489</u>				<u>\$ 390,775</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, 2013
(Page 2 of 4)

	Series 2000 Parks Fund				Series 2004A Street Improvements Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 138,033	\$ 138,033	\$ 88,457	\$ 49,576	\$ 336,553	\$ 336,553	\$ 311,237	\$ 25,316
Special assessments	-	-	-	-	-	-	-	-
Other	96	96	117	(21)	307	307	1,100	(793)
Total revenues	<u>138,129</u>	<u>138,129</u>	<u>88,574</u>	<u>49,555</u>	<u>336,860</u>	<u>336,860</u>	<u>312,337</u>	<u>24,523</u>
Expenditures:								
Principal	105,000	105,000	105,000	-	225,000	3,730,000	3,730,000	-
Interest and fiscal charges	25,590	26,070	25,763	307	139,743	321,014	320,756	258
Bond issuance costs	-	-	-	-	-	71,000	70,868	132
Total expenditures	<u>130,590</u>	<u>131,070</u>	<u>130,763</u>	<u>307</u>	<u>364,743</u>	<u>4,122,014</u>	<u>4,121,624</u>	<u>390</u>
Revenues over (under) expenditures	<u>7,539</u>	<u>7,059</u>	<u>(42,189)</u>	<u>49,248</u>	<u>(27,883)</u>	<u>(3,785,154)</u>	<u>(3,809,287)</u>	<u>24,133</u>
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	3,460,000	(3,460,000)
Premium on bond debt	-	-	-	-	-	-	248,461	(248,461)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,708,461</u>	<u>(3,708,461)</u>
Net change in fund balances	<u>\$ 7,539</u>	<u>\$ 7,059</u>	<u>(42,189)</u>	<u>\$ 49,248</u>	<u>\$ (27,883)</u>	<u>\$ (3,785,154)</u>	<u>(100,826)</u>	<u>\$ (3,684,328)</u>
Fund balance, beginning of year			158,100				410,863	
Fund balance, end of year			<u>\$ 115,911</u>				<u>\$ 310,037</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, 2013
(Page 3 of 4)

	Series 2007A Baseball Field / Stadium Fund				Series 2007B Baseball Field / Stadium Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 798,732	\$ 798,732	\$ 755,598	\$ 43,134	\$ 10,000	\$ 10,000	\$ 94,064	\$ (84,064)
Special assessments	-	-	-	-	-	-	-	-
Other	375	375	(138)	513	210,000	210,000	260,586	(50,586)
Total revenues	<u>799,107</u>	<u>799,107</u>	<u>755,460</u>	<u>43,647</u>	<u>220,000</u>	<u>220,000</u>	<u>354,650</u>	<u>(134,650)</u>
Expenditures:								
Principal	420,000	420,000	420,000	-	175,000	1,340,000	1,165,000	175,000
Interest and fiscal charges	399,991	400,471	400,463	8	45,032	45,272	44,711	561
Bond issuance costs	-	-	-	-	-	18,100	18,052	48
Total expenditures	<u>819,991</u>	<u>820,471</u>	<u>820,463</u>	<u>8</u>	<u>220,032</u>	<u>1,403,372</u>	<u>1,227,763</u>	<u>175,609</u>
Revenues over (under) expenditures	<u>(20,884)</u>	<u>(21,364)</u>	<u>(65,003)</u>	<u>43,639</u>	<u>(32)</u>	<u>(1,183,372)</u>	<u>(873,113)</u>	<u>(310,259)</u>
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	925,000	(925,000)
Premium on bond debt	-	-	-	-	-	-	55,341	(55,341)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>980,341</u>	<u>(980,341)</u>
Net change in fund balances	<u>\$ (20,884)</u>	<u>\$ (21,364)</u>	<u>(65,003)</u>	<u>\$ 43,639</u>	<u>\$ (32)</u>	<u>\$ (1,183,372)</u>	<u>107,228</u>	<u>\$ (1,290,600)</u>
Fund balance, beginning of year			741,637				249,582	
Fund balance, end of year			<u>\$ 676,634</u>				<u>\$ 356,810</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, 2013
(Page 4 of 4)

	Sidewalk and Curb Districts Fund				Total Nonmajor Debt Service Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,292,992	\$ 2,292,992	\$ 2,159,915	\$ 133,077
Special assessments	370,000	370,000	396,581	(26,581)	370,000	370,000	396,581	(26,581)
Other	360	360	188	172	511,632	511,632	562,120	(50,488)
Total revenues	<u>370,360</u>	<u>370,360</u>	<u>396,769</u>	<u>(26,409)</u>	<u>3,174,624</u>	<u>3,174,624</u>	<u>3,118,616</u>	<u>56,008</u>
Expenditures:								
Principal	330,000	330,000	315,000	15,000	1,440,000	6,110,000	5,920,000	190,000
Interest and fiscal charges	73,550	73,550	77,912	(4,362)	981,244	1,164,195	1,090,318	73,877
Bond issuance costs	-	-	-	-	-	89,100	88,920	180
Total expenditures	<u>403,550</u>	<u>403,550</u>	<u>392,912</u>	<u>10,638</u>	<u>2,421,244</u>	<u>7,363,295</u>	<u>7,099,238</u>	<u>264,057</u>
Revenues over (under) expenditures	<u>(33,190)</u>	<u>(33,190)</u>	<u>3,857</u>	<u>(37,047)</u>	<u>753,380</u>	<u>(4,188,671)</u>	<u>(3,980,622)</u>	<u>(208,049)</u>
Other financing sources:								
Transfers in	-	-	25,895	(25,895)	203,250	203,250	229,242	(25,992)
Transfers out	-	-	-	-	-	(3,300)	(3,084)	(216)
Issuance of debt	-	-	-	-	-	-	4,385,000	(4,385,000)
Premium on bond debt	-	-	-	-	-	-	303,802	(303,802)
Total other financing sources	<u>-</u>	<u>-</u>	<u>25,895</u>	<u>(25,895)</u>	<u>203,250</u>	<u>199,950</u>	<u>4,914,960</u>	<u>(4,715,010)</u>
Net change in fund balances	<u>\$ (33,190)</u>	<u>\$ (33,190)</u>	<u>29,752</u>	<u>\$ (62,942)</u>	<u>\$ 956,630</u>	<u>\$ (3,988,721)</u>	<u>934,338</u>	<u>\$ (4,923,059)</u>
Fund balance, beginning of year			325,853				2,277,923	
Fund balance, end of year			<u>\$ 355,605</u>				<u>\$ 3,212,261</u>	

NONMAJOR CAPITAL PROJECTS FUNDS

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

- The Urban Renewal Property Acquisition Fund is used to account for the local urban renewal projects.
- The Sidewalk and Curb Districts Fund accounts for the construction of sidewalks and curbs.
- The Special Improvement Districts Fund accounts for the construction of streets, water, and wastewater trunk lines.
- The Capital Replacement Fund is used for capital replacement for governmental funds.
- The Dog Park Construction Fund accounts for the construction of the new dog park in the Billings' Heights.

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2013

	Urban Renewal Property Acquisition Fund	Sidewalk and Curb Districts Fund	Special Improvements Districts Fund	Capital Replacement Fund	Dog Park Construction Fund	Total Nonmajor Capital Projects Funds
Assets						
Cash and cash equivalents	\$ 65,861	\$ -	\$ 13,634	\$ 2,358,457	\$ 2,519	\$ 2,440,471
Investments	55,995	-	11,538	2,012,718	2,138	2,082,389
Receivables:						
Accrued interest	63	-	10	1,263	-	1,336
Property held for resale	187,828	-	-	-	-	187,828
Total assets	\$ 309,747	\$ -	\$ 25,182	\$ 4,372,438	\$ 4,657	\$ 4,712,024
Liabilities and Fund Balances						
Liabilities:						
Accounts payable	\$ 20	\$ 76,903	\$ 41,476	\$ -	\$ -	\$ 118,399
Due to other funds	-	300,890	65,502	-	-	366,392
Total liabilities	20	377,793	106,978	-	-	484,791
Fund balance (deficit)						
Restricted	309,727	-	-	4,372,438	4,657	4,686,822
Unassigned	-	(377,793)	(81,796)	-	-	(459,589)
Total fund balance (deficit)	309,727	(377,793)	(81,796)	4,372,438	4,657	4,227,233
Total liabilities and fund balances	\$ 309,747	\$ -	\$ 25,182	\$ 4,372,438	\$ 4,657	\$ 4,712,024

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	Urban Renewal Property Acquisition Fund	Sidewalk and Curb Districts Fund	Special Improvements Districts Fund	Capital Replacement Fund	Dog Park Construction Fund	Total Nonmajor Capital Projects Funds
Revenues:						
Other	563	12,602	42,565	8,414	2,135	66,279
Total revenues	<u>563</u>	<u>12,602</u>	<u>42,565</u>	<u>8,414</u>	<u>2,135</u>	<u>66,279</u>
Expenditures:						
General government	-	-	-	1,310	-	1,310
Public works	-	107,677	-	-	-	107,677
Housing and economic development	131,299	-	-	-	-	131,299
Capital outlay	5,277	172,530	410,505	1,000,068	228	1,588,608
Debt service:						
Bond issuance costs	-	27,975	8,000	-	-	35,975
Total expenditures	<u>136,576</u>	<u>308,182</u>	<u>418,505</u>	<u>1,001,378</u>	<u>228</u>	<u>1,864,869</u>
Revenues over (under) expenditures	<u>(136,013)</u>	<u>(295,580)</u>	<u>(375,940)</u>	<u>(992,964)</u>	<u>1,907</u>	<u>(1,798,590)</u>
Other financing sources (uses):						
Transfers in	-	-	-	1,109,374	-	1,109,374
Transfers out	-	-	(23,563)	-	-	(23,563)
Special assessment bonds issued	-	390,000	185,000	-	-	575,000
Sale of capital assets	108,400	-	-	29,990	-	138,390
Total other financing sources (uses)	<u>108,400</u>	<u>390,000</u>	<u>161,437</u>	<u>1,139,364</u>	<u>-</u>	<u>1,799,201</u>
Net change in fund balances	<u>(27,613)</u>	<u>94,420</u>	<u>(214,503)</u>	<u>146,400</u>	<u>1,907</u>	<u>611</u>
Fund balance (deficit), beginning of year	337,340	(472,213)	132,707	4,226,038	2,750	4,226,622
Fund balance (deficit), end of year	<u>\$ 309,727</u>	<u>\$ (377,793)</u>	<u>\$ (81,796)</u>	<u>\$ 4,372,438</u>	<u>\$ 4,657</u>	<u>\$ 4,227,233</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, 2013

(Page 1 of 3)

	Urban Renewal Property Acquisition Fund				Sidewalk and Curb Districts Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Other	30	30	563	533	-	-	12,602	(12,602)
Total revenues	<u>30</u>	<u>30</u>	<u>563</u>	<u>533</u>	<u>-</u>	<u>-</u>	<u>12,602</u>	<u>(12,602)</u>
Expenditures:								
Operations and maintenance	11,366	139,366	131,299	8,067	-	-	107,677	(107,677)
Capital outlay	75,000	75,000	5,277	69,723	444,348	644,568	172,530	472,038
Debt service:								
Bond issuance costs	-	-	-	-	6,425	6,425	27,975	(21,550)
Total expenditures	<u>86,366</u>	<u>214,366</u>	<u>136,576</u>	<u>77,790</u>	<u>450,773</u>	<u>650,993</u>	<u>308,182</u>	<u>342,811</u>
Revenues over (under) expenditures	<u>(86,336)</u>	<u>(214,336)</u>	<u>(136,013)</u>	<u>78,323</u>	<u>(450,773)</u>	<u>(650,993)</u>	<u>(295,580)</u>	<u>(355,413)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	(8,826)	-	8,826	-	-	-	-
Bond discount costs	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	281,095	391,995	390,000	1,995
Sale of capital assets	-	255,900	108,400	(147,500)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>247,074</u>	<u>108,400</u>	<u>(138,674)</u>	<u>281,095</u>	<u>391,995</u>	<u>390,000</u>	<u>1,995</u>
Net change in fund balances	<u>\$ (86,336)</u>	<u>\$ 32,738</u>	<u>(27,613)</u>	<u>\$ (60,351)</u>	<u>\$ (169,678)</u>	<u>\$ (258,998)</u>	<u>94,420</u>	<u>\$ (353,418)</u>
Fund balance (deficit), beginning of year			337,340				(472,213)	
Fund balance (deficit), end of year			<u>\$ 309,727</u>				<u>\$ (377,793)</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, 2013

(Page 2 of 3)

	Special Improvement Districts Fund				Capital Replacement Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Other	-	-	42,565	(42,565)	10,982	10,982	8,414	2,568
Total revenues	-	-	42,565	(42,565)	10,982	10,982	8,414	2,568
Expenditures:								
Operations and maintenance	-	-	-	-	1,310	1,310	1,310	-
Capital outlay	1,577,742	1,577,742	410,505	1,167,237	1,086,656	1,086,656	1,000,068	86,588
Debt service:								
Bond issuance costs	35,204	35,204	8,000	27,204	-	-	-	-
Total expenditures	1,612,946	1,612,946	418,505	1,194,441	1,087,966	1,087,966	1,001,378	86,588
Revenues over (under) expenditures	(1,612,946)	(1,612,946)	(375,940)	(1,237,006)	(1,076,984)	(1,076,984)	(992,964)	(84,020)
Other financing sources (uses):								
Transfers in	-	-	-	-	1,109,374	1,109,374	1,109,374	-
Transfers out	-	-	(23,563)	23,563	-	-	-	-
Bond discount costs	-	-	-	-	-	-	-	-
Special assessment bonds issued	1,483,641	1,483,641	185,000	1,298,641	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	29,990	(29,990)
Total other financing sources (uses)	1,483,641	1,483,641	161,437	1,322,204	1,109,374	1,109,374	1,139,364	(29,990)
Net change in fund balances	\$ (129,305)	\$ (129,305)	(214,503)	\$ 85,198	\$ 32,390	\$ 32,390	146,400	\$ (114,010)
Fund balance (deficit), beginning of year			132,707				4,226,038	
Fund balance (deficit), end of year			<u>\$ (81,796)</u>				<u>\$ 4,372,438</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, 2013

(Page 3 of 3)

	Dog Park Construction Fund				Total Nonmajor Capital Project Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Other	12,000	12,000	2,135	9,865	23,012	23,012	66,279	(43,267)
Total revenues	<u>12,000</u>	<u>12,000</u>	<u>2,135</u>	<u>9,865</u>	<u>23,012</u>	<u>23,012</u>	<u>66,279</u>	<u>(43,267)</u>
Expenditures:								
Operations and maintenance	-	-	-	-	12,676	140,676	240,286	(99,610)
Capital outlay	12,000	12,000	228	11,772	3,195,746	3,395,966	1,588,608	1,807,358
Debt service:								
Bond issuance costs	-	-	-	-	41,629	41,629	35,975	5,654
Total expenditures	<u>12,000</u>	<u>12,000</u>	<u>228</u>	<u>11,772</u>	<u>3,250,051</u>	<u>3,578,271</u>	<u>1,864,869</u>	<u>1,713,402</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>1,907</u>	<u>(1,907)</u>	<u>(3,227,039)</u>	<u>(3,555,259)</u>	<u>(1,798,590)</u>	<u>(1,756,669)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	1,109,374	1,109,374	1,109,374	-
Transfers out	-	-	-	-	-	(8,826)	(23,563)	14,737
Bond discount costs	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	1,764,736	1,875,636	575,000	1,300,636
Sale of capital assets	-	-	-	-	-	255,900	138,390	117,510
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,874,110</u>	<u>3,232,084</u>	<u>1,799,201</u>	<u>1,432,883</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>1,907</u>	<u>\$ (1,907)</u>	<u>\$ (352,929)</u>	<u>\$ (323,175)</u>	<u>611</u>	<u>\$ (323,786)</u>
Fund balance (deficit), beginning of year			2,750				4,226,622	
Fund balance (deficit), end of year			<u>\$ 4,657</u>				<u>\$ 4,227,233</u>	

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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, 2013

	<u>Cemetery Perpetual Care Fund</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 637,425
Investments	(644)
Accrued interest receivable	194
Total assets	<u>\$ 636,975</u>
<u>Fund Balance</u>	
Fund balance:	
Unspendable	<u>\$ 636,975</u>
Total fund balance	<u>\$ 636,975</u>

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, 2013

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 12,300	\$ 12,300	\$ 10,455	\$ (1,845)
Other	1,540	2,640	1,222	(1,418)
Total revenues	<u>13,840</u>	<u>14,940</u>	<u>11,677</u>	<u>(3,263)</u>
Other financing sources (uses):				
Transfers out	(1,540)	(2,640)	(1,222)	1,418
Total other financing sources (uses)	<u>(1,540)</u>	<u>(2,640)</u>	<u>(1,222)</u>	<u>1,418</u>
Net change in fund balances	<u>\$ 12,300</u>	<u>\$ 12,300</u>	10,455	<u>\$ (1,845)</u>
Fund balance, beginning of year			<u>626,520</u>	
Fund balance, end of year			<u>\$ 636,975</u>	

NONMAJOR ENTERPRISE FUNDS

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

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

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Net Position
June 30, 2013
(Page 1 of 2)

Assets	Transit Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
Current assets:			
Cash and cash equivalents	\$ 1,472,172	\$ 147,057	\$ 1,619,229
Restricted cash and cash equivalents with fiscal agent	-	349	349
Investments	1,238,354	-	1,238,354
Receivables:			
Property taxes	192,658	-	192,658
Accounts and unbilled usage	23,266	-	23,266
Accrued interest	659	-	659
Receivables from other governments	232,889	-	232,889
Inventories	-	660	660
Prepaid items	-	6,039	6,039
Total current assets	3,159,998	154,105	3,314,103
Noncurrent assets:			
Property and equipment:			
Land	1,435,291	-	1,435,291
Buildings	8,161,983	1,375,296	9,537,279
Improvements other than buildings	987,849	-	987,849
Equipment and vehicles	8,892,477	-	8,892,477
Construction in progress	-	-	-
Less: accumulated depreciation	(9,951,494)	(855,736)	(10,807,230)
Total noncurrent assets	9,526,106	519,560	10,045,666
Total assets	12,686,104	673,665	13,359,769

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Net Position
June 30, 2013
(Page 2 of 2)

	<u>Transit Fund</u>	<u>Golf Course Fund</u>	<u>Total Nonmajor Enterprise Funds</u>
Liabilities			
Current liabilities:			
Accounts payable	17,454	7,011	24,465
Accrued wages and benefits	94,133	57,003	151,136
Compensated absences	261,635	-	261,635
Total current liabilities	<u>373,222</u>	<u>64,014</u>	<u>437,236</u>
Noncurrent liabilities:			
Compensated absences	220,603	-	220,603
Other post employment benefits	353,944	-	353,944
Total noncurrent liabilities	<u>574,547</u>	<u>-</u>	<u>574,547</u>
Total liabilities	<u>947,769</u>	<u>64,014</u>	<u>1,011,783</u>
Net Position			
Net position:			
Invested in capital assets, net of related debt	9,526,106	519,560	10,045,666
Unrestricted	2,212,229	90,091	2,302,320
Total net position	<u>\$ 11,738,335</u>	<u>\$ 609,651</u>	<u>\$ 12,347,986</u>

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

	<u>Transit Fund</u>	<u>Golf Course Fund</u>	<u>Total Nonmajor Enterprise Fund</u>
Operating revenues:			
Charges for services and use of facilities	\$ 661,866	\$ 478,410	\$ 1,140,276
Operating expenses:			
Salaries and benefits	3,503,750	242,361	3,746,111
Supplies	907,795	54,037	961,832
Contracted services	276,303	11,304	287,607
Utilities	133,934	22,388	156,322
Other	103,397	65,375	168,772
Depreciation	1,095,954	57,618	1,153,572
Total operating expenses	<u>6,021,133</u>	<u>453,083</u>	<u>6,474,216</u>
Operating income (loss)	<u>(5,359,267)</u>	<u>25,327</u>	<u>(5,333,940)</u>
Nonoperating revenues (expenses):			
Taxes	1,864,282	-	1,864,282
Intergovernmental	2,738,691	-	2,738,691
Interest and investment income	4,066	(262)	3,804
Gain (loss) on sale of capital assets	12,012	16,250	28,262
Other	1,390	-	1,390
Total nonoperating revenue (expense)	<u>4,620,441</u>	<u>15,988</u>	<u>4,636,429</u>
Income (loss) before capital contributions and transfers	<u>(738,826)</u>	<u>41,315</u>	<u>(697,511)</u>
Capital contributions	339,444	-	339,444
Transfers out	-	(15,000)	(15,000)
Change in net position	<u>(399,382)</u>	<u>26,315</u>	<u>(373,067)</u>
Net position, beginning of year	<u>12,137,717</u>	<u>583,336</u>	<u>12,721,053</u>
Net position, end of year	<u>\$ 11,738,335</u>	<u>\$ 609,651</u>	<u>\$ 12,347,986</u>

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013
(Page 1 of 2)

	Transit Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers and users	\$ 490,763	\$ 479,738	\$ 970,501
Cash received from other sources	1,390	16,250	17,640
Cash paid to employees for services	(3,422,270)	(242,361)	(3,664,631)
Cash paid to suppliers and contracted services	(1,448,865)	(137,854)	(1,586,719)
Cash paid to other sources	-	-	-
Net cash provided (used) by operating activities	(4,378,982)	115,773	(4,263,209)
Cash flows from noncapital financing activities:			
Cash received from tax revenues	1,851,569	-	1,851,569
Cash received from intergovernmental revenues	2,738,691	-	2,738,691
Cash received from nonoperating activities	-	-	-
Net cash provided (used) by noncapital financing activities	4,590,260	(15,000)	4,575,260
Cash flows from capital and related financing activities:			
Capital contributions	339,444	-	339,444
Acquisition and construction of capital assets	(430,201)	(80,139)	(510,340)
Proceeds from sales of capital assets	12,012	-	12,012
Cash paid for interest	-	-	-
Transfers From Other Funds	-	-	-
Principal paid on bonds and notes payable	-	-	-
Passenger Facilities Charges	-	-	-
Net cash provided (used) by capital and related financing activities	(78,745)	(80,139)	(158,884)
Cash flows from investing activities:			
Cash received from interest	7,633	(262)	7,371
Sale of investments	1,859,836	-	1,859,836
Purchase of investments	(1,522,388)	-	(1,522,388)
Net cash provided (used) by investing activities	345,081	(262)	344,819
Net increase (decrease) in cash and cash equivalents	477,614	20,372	497,986
Cash and cash equivalents, beginning of year	994,558	127,034	1,121,592
Cash and cash equivalents, end of year	\$ 1,472,172	\$ 147,406	\$ 1,619,578
Cash and cash equivalents consists of:			
Cash and cash equivalents	\$ 1,472,172	\$ 147,057	\$ 1,619,229
Restricted cash and cash equivalents with fiscal agent	-	349	349
Cash and cash equivalents, end of year	\$ 1,472,172	\$ 147,406	\$ 1,619,578

(continued)

CITY OF BILLINGS, MONTANA
 Nonmajor Enterprise Funds
 Combining Statement of Cash Flows
 For The Fiscal Year Ended June 30, 2013
 (Page 2 of 2)

	Transit Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
Reconciliation of operating income to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (5,359,267)	\$ 25,327	\$ (5,333,940)
Other nonoperating income (expense)	1,390	16,250	17,640
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	1,095,954	57,618	1,153,572
(Increase) decrease in receivables	(5,646)	-	(5,646)
(Increase) decrease in receivables from other governments	(165,457)	-	(165,457)
(Increase) decrease in prepaid items	-	1,328	1,328
Increase (decrease) in accounts payable	(27,436)	414	(27,022)
Increase (decrease) in accrued liabilities	81,480	14,836	96,316
Net cash provided (used) by operating activities	<u>\$ (4,378,982)</u>	<u>\$ 115,773</u>	<u>\$ (4,263,209)</u>
Noncash investing, capital and financing activities:			
Increase (decrease) in investment market value	(2,887)	-	(2,887)

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 Position
June 30, 2013
(Page 1 of 4)

Assets	Fleet Services Fund	Central Service Fund	Information Technology Fund	City Health Insurance Fund	Central Telephone Services Fund	Property Insurance Fund
Current assets:						
Cash and cash equivalents	\$ 502,142	\$ 78,150	\$ 625,004	\$ 1,916,173	\$ 176,622	\$ 1,203,031
Investments	419,763	66,312	529,479	1,626,887	149,927	1,025,723
Receivables:						
Accounts and unbilled usage	-	-	-	-	-	-
Deferred special assessments	-	-	-	-	-	-
Accrued interest	262	41	342	936	96	694
Notes	50,000	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Deposits held by others	-	-	-	-	-	-
Inventories	364,668	-	-	-	-	-
Total current assets	<u>1,336,835</u>	<u>144,503</u>	<u>1,154,825</u>	<u>3,543,996</u>	<u>326,645</u>	<u>2,229,448</u>
Notes receivable	600,000	-	-	-	-	-
Bond issue costs, net	-	-	-	-	-	-
Property and equipment:						
Land	-	-	-	-	-	-
Buildings	32,091	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-	-
Equipment and vehicles	748,033	184,779	1,170,950	-	729,594	-
Construction in progress	-	-	93,591	-	4,344	-
Less: accumulated depreciation	<u>(592,932)</u>	<u>(151,019)</u>	<u>(880,143)</u>	<u>-</u>	<u>(517,810)</u>	<u>-</u>
Total noncurrent assets	<u>787,192</u>	<u>33,760</u>	<u>384,398</u>	<u>-</u>	<u>216,128</u>	<u>-</u>
Total assets	<u>2,124,027</u>	<u>178,263</u>	<u>1,539,223</u>	<u>3,543,996</u>	<u>542,773</u>	<u>2,229,448</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2013
(Page 2 of 4)

Assets	Radio Communications Fund	Facilities Management Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
Current assets:					
Cash and cash equivalents	\$ 47,455	\$ 358,626	\$ 133,551	\$ 588,565	\$ 5,629,319
Investments	40,521	303,491	112,997	498,203	4,773,303
Receivables:					
Accounts and unbilled usage	-	-	-	14,119	14,119
Deferred special assessments	-	-	-	437	437
Accrued interest	12	200	68	236	2,887
Notes	-	-	-	-	50,000
Prepaid items	-	-	5,296	7,944	13,240
Deposits held by others	-	2,537	-	-	2,537
Inventories	-	-	-	-	364,668
Total current assets	<u>87,988</u>	<u>664,854</u>	<u>251,912</u>	<u>1,109,504</u>	<u>10,850,510</u>
Notes receivable	-	-	-	-	600,000
Bond issue costs, net	-	206,988	-	-	206,988
Property and equipment:					
Land	-	1,989,883	-	-	1,989,883
Buildings	385,655	8,963,489	-	-	9,381,235
Improvements other than buildings	19,692	2,025,051	-	-	2,044,743
Equipment and vehicles	1,216,958	102,356	14,744	318,440	4,485,854
Construction in progress	2,069,805	26,890	-	-	2,194,630
Less: accumulated depreciation	<u>(1,584,593)</u>	<u>(2,673,566)</u>	<u>(6,308)</u>	<u>(192,579)</u>	<u>(6,598,950)</u>
Total noncurrent assets	<u>2,107,517</u>	<u>10,641,091</u>	<u>8,436</u>	<u>125,861</u>	<u>14,304,383</u>
Total assets	<u>2,195,505</u>	<u>11,305,945</u>	<u>260,348</u>	<u>1,235,365</u>	<u>25,154,893</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2013
(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>
Liabilities						
Current liabilities:						
Accounts payable	\$ 145,443	\$ 10,958	\$ 103,766	\$ 81,617	\$ 11,750	\$ 7,538
Accrued wages and benefits	31,884	-	31,074	-	2,138	1,990
Compensated absences	117,450	-	136,343	-	3,419	11,468
Accrued interest payable	-	-	-	-	-	-
Incurred but not reported health benefits	-	-	-	700,000	-	-
Notes payable	-	-	-	-	-	-
Total current liabilities	<u>294,777</u>	<u>10,958</u>	<u>271,183</u>	<u>781,617</u>	<u>17,307</u>	<u>20,996</u>
Noncurrent liabilities:						
Compensated absences	99,030	-	114,961	-	2,883	9,669
Other post employment benefits	103,461	-	111,833	-	7,292	6,378
Notes payable	-	-	-	-	-	-
Total noncurrent liabilities	<u>202,491</u>	<u>-</u>	<u>226,794</u>	<u>-</u>	<u>10,175</u>	<u>16,047</u>
Total liabilities	<u>497,268</u>	<u>10,958</u>	<u>497,977</u>	<u>781,617</u>	<u>27,482</u>	<u>37,043</u>
Net Position						
Net position:						
Invested in capital assets, net of related debt	187,192	33,760	384,398	-	216,128	-
Unrestricted	1,439,567	133,545	656,848	2,762,379	299,163	2,192,405
Total net position	<u>\$ 1,626,759</u>	<u>\$ 167,305</u>	<u>\$ 1,041,246</u>	<u>\$ 2,762,379</u>	<u>\$ 515,291</u>	<u>\$ 2,192,405</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2013
(Page 4 of 4)

	Radio Communications Fund	Facilities Management Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
Liabilities					
Current liabilities:					
Accounts payable	\$ 680	\$ 64,958	\$ 7,109	\$ 11,776	\$ 445,595
Accrued wages and benefits	-	8,381	15,082	42,495	133,044
Compensated absences	-	37,023	91,574	235,192	632,469
Accrued interest payable	-	38,296	-	-	38,296
Incurred but not reported health benefits	-	-	-	-	700,000
Notes payable	-	180,000	-	-	180,000
Total current liabilities	680	328,658	113,765	289,463	2,129,404
Noncurrent liabilities:					
Compensated absences	-	31,216	77,213	198,307	533,279
Other post employment benefits	-	35,549	44,966	122,576	432,055
Notes payable	-	4,148,598	-	-	4,148,598
Total noncurrent liabilities	-	4,215,363	122,179	320,883	5,113,932
Total liabilities	680	4,544,021	235,944	610,346	7,243,336
Net Position					
Net position:					
Invested in capital assets, net of related debt	2,107,517	6,105,505	8,436	125,861	9,168,797
Unrestricted	87,308	656,419	15,968	499,158	8,742,760
Total net position	\$ 2,194,825	\$ 6,761,924	\$ 24,404	\$ 625,019	\$ 17,911,557

CITY OF BILLINGS, MONTANA

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Position

For the Year Ended June 30, 2013

(Page 1 of 2)

	Fleet Services Fund	Central Service Fund	Information Technology Fund	City Health Insurance Fund	Central Telephone Services Fund	Property Insurance Fund
Operating revenues:						
Charges for services and use of facilities	\$ 1,483,164	\$ 96,496	\$ 1,981,369	\$ 11,728,336	\$ 355,981	\$ 1,927,304
Operating expenses:						
Salaries and benefits	1,192,645	-	1,464,131	8,701,240	96,726	85,913
Supplies	57,930	24,813	26,897	-	3,039	190
Contracted services	100,649	53,897	160,101	908,535	74,253	12,871
Utilities	6,572	-	36,069	-	105,847	-
Other	114,060	-	167,088	121,117	638	2,209,638
Depreciation	58,743	9,990	53,842	-	54,952	-
Total operating expenses	<u>1,530,599</u>	<u>88,700</u>	<u>1,908,128</u>	<u>9,730,892</u>	<u>335,455</u>	<u>2,308,612</u>
Operating income (loss)	<u>(47,435)</u>	<u>7,796</u>	<u>73,241</u>	<u>1,997,444</u>	<u>20,526</u>	<u>(381,308)</u>
Nonoperating revenues (expenses):						
Taxes	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Interest and investment income	1,622	284	1,987	2,983	540	5,709
Gain (loss) on sale of capital assets	-	-	702	-	-	-
Other	7,381	-	-	4,911	-	25,009
Total nonoperating revenue (expense)	<u>9,003</u>	<u>284</u>	<u>2,689</u>	<u>7,894</u>	<u>540</u>	<u>30,718</u>
Income (loss) before capital contributions and transfers	<u>(38,432)</u>	<u>8,080</u>	<u>75,930</u>	<u>2,005,338</u>	<u>21,066</u>	<u>(350,590)</u>
Capital contributions	-	-	-	-	-	-
Transfers in	-	-	-	-	-	120,000
Transfers out	(95,769)	-	-	-	-	-
Change in net position	<u>(134,201)</u>	<u>8,080</u>	<u>75,930</u>	<u>2,005,338</u>	<u>21,066</u>	<u>(230,590)</u>
Net position, beginning 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>
Net position, end of year	<u>\$ 1,626,759</u>	<u>\$ 167,305</u>	<u>\$ 1,041,246</u>	<u>\$ 2,762,379</u>	<u>\$ 515,291</u>	<u>\$ 2,192,405</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2013

(Page 2 of 2)

	Radio Communications Fund	Facilities Management Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
Operating revenues:					
Charges for services and use of facilities	\$ 627,768	\$ 1,098,623	\$ 898,583	\$ 2,770,359	\$ 22,967,983
Operating expenses:					
Salaries and benefits	-	393,424	706,474	1,847,954	14,488,507
Supplies	-	97,331	8,406	60,487	279,093
Contracted services	163,854	215,066	144,718	341,183	2,175,127
Utilities	17,160	243,133	17,070	140,292	566,143
Other	-	41,716	79,274	22,721	2,756,252
Depreciation	18,856	301,336	2,432	8,220	508,371
Total operating expenses	199,870	1,292,006	958,374	2,420,857	20,773,493
Operating income (loss)	427,898	(193,383)	(59,791)	349,502	2,194,490
Nonoperating revenues (expenses):					
Taxes	-	-	-	23,924	23,924
Interest expense	-	(185,336)	-	-	(185,336)
Interest and investment income	761	1,087	455	554	15,982
Gain (loss) on sale of capital assets	18,000	-	-	2,437	21,139
Other	-	-	-	-	37,301
Total nonoperating revenue (expense)	18,761	(184,249)	455	26,915	(86,990)
Income (loss) before capital contributions and transfers	446,659	(377,632)	(59,336)	376,417	2,107,500
Capital contributions	-	603,554	-	-	603,554
Transfers in	693,670	532,056	-	-	1,345,726
Transfers out	-	-	-	-	(95,769)
Change in net position	1,140,329	757,978	(59,336)	376,417	3,961,011
Net position, beginning of year	1,054,496	6,003,946	83,740	248,602	13,950,546
Net position, end of year	\$ 2,194,825	\$ 6,761,924	\$ 24,404	\$ 625,019	\$ 17,911,557

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013
(Page 1 of 4)

	Fleet Services Fund	Central Service Fund	Information Technology Fund	City Health Insurance Fund	Central Telephone Services Fund	Property Insurance Fund
Cash flows from operating activities:						
Cash received from customers and users	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Cash received from interfund services provided	1,483,164	96,496	1,981,369	11,728,336	355,981	1,927,304
Cash received from other sources	7,381	-	-	4,911	-	25,009
Cash paid to employees for services	(1,164,615)	-	(1,433,376)	(8,701,794)	(91,668)	(85,881)
Cash paid to suppliers and contracted services	(231,371)	(74,675)	(324,307)	(1,107,452)	(196,694)	(2,215,725)
Net cash provided (used) by operating activities	<u>94,559</u>	<u>21,821</u>	<u>223,686</u>	<u>1,924,001</u>	<u>67,619</u>	<u>(349,293)</u>
Cash flows from noncapital financing activities:						
Transfers from other funds	-	-	-	-	-	120,000
Transfers to other funds	(95,769)	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>(95,769)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,000</u>
Cash flows from capital and related financing activities:						
Capital contributions	-	-	-	-	-	-
Acquisition and construction of capital assets	(22,202)	(32,982)	(147,460)	-	(50,554)	-
Proceeds from sales of capital assets	50,000	-	702	-	-	-
Cash paid for interest	-	-	-	-	-	-
Principal paid on notes payable and capital lease payable	-	-	-	-	-	-
Cash paid for bond issue costs	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>27,798</u>	<u>(32,982)</u>	<u>(146,758)</u>	<u>-</u>	<u>(50,554)</u>	<u>-</u>
Cash flows from investing activities:						
Cash received from interest	3,068	537	3,898	7,197	1,065	9,537
Sale of investments	645,531	109,835	776,479	1,345,693	222,324	1,725,335
Purchase of investments	(519,271)	(80,816)	(646,323)	(1,981,535)	(182,647)	(1,244,067)
Net cash provided by investing activities	<u>129,328</u>	<u>29,556</u>	<u>134,054</u>	<u>(628,645)</u>	<u>40,742</u>	<u>490,805</u>
Net increase (decrease) in cash and cash equivalents	155,916	18,395	210,982	1,295,356	57,807	261,512
Cash and cash equivalents, beginning 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>
Cash and cash equivalents, end of year	<u>\$ 502,142</u>	<u>\$ 78,150</u>	<u>\$ 625,004</u>	<u>\$ 1,916,173</u>	<u>\$ 176,622</u>	<u>\$ 1,203,031</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013
(Page 2 of 4)

	Radio Communica- tions Fund	Facilities Manage- ment Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from customers and users	\$ -	\$ 625,349	\$ -	\$ 104,332	\$ 729,681
Cash received from interfund services provided	627,768	473,274	898,583	2,693,122	22,265,397
Cash received from other sources	-	-	-	-	37,301
Cash paid to employees for services	-	(365,557)	(648,365)	(1,669,271)	(14,160,527)
Cash paid to suppliers and contracted services	(182,033)	(563,516)	(250,796)	(565,577)	(5,712,146)
Net cash provided (used) by operating activities	<u>445,735</u>	<u>169,550</u>	<u>(578)</u>	<u>562,606</u>	<u>3,159,706</u>
Cash flows from noncapital financing activities:					
Transfers from other funds	693,670	-	-	-	813,670
Transfers to other funds	-	-	-	-	(95,769)
Net cash provided (used) by noncapital financing activities	<u>693,670</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>717,901</u>
Cash flows from capital and related financing activities:					
Capital contributions	-	-	-	-	-
Acquisition and construction of capital assets	(1,198,805)	(65,094)	-	(17,849)	(1,534,946)
Proceeds from sales of capital assets	18,000	-	-	2,437	71,139
Cash paid for interest	-	(222,911)	-	-	(222,911)
Principal paid on notes payable and capital lease payable	-	(99,623)	-	-	(99,623)
Cash paid for bond issue costs	-	(206,988)	-	-	(206,988)
Transfers from other funds	-	532,056	-	-	532,056
Net cash provided (used) by capital and related financing activities	<u>(1,180,805)</u>	<u>(62,560)</u>	<u>-</u>	<u>(15,412)</u>	<u>(1,461,273)</u>
Cash flows from investing activities:					
Cash received from interest	1,105	2,135	850	1,799	31,191
Sale of investments	87,500	406,968	176,368	440,502	5,936,535
Purchase of investments	(49,073)	(370,859)	(138,106)	(608,641)	(5,821,338)
Net cash provided by investing activities	<u>39,532</u>	<u>38,244</u>	<u>39,112</u>	<u>(166,340)</u>	<u>146,388</u>
Net increase (decrease) in cash and cash equivalents	(1,868)	145,234	38,534	380,854	2,562,722
Cash and cash equivalents, beginning of year	<u>49,323</u>	<u>213,392</u>	<u>95,017</u>	<u>207,711</u>	<u>3,066,597</u>
Cash and cash equivalents, end of year	<u>\$ 47,455</u>	<u>\$ 358,626</u>	<u>\$ 133,551</u>	<u>\$ 588,565</u>	<u>\$ 5,629,319</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013
(Page 3 of 4)

	Fleet Services Fund	Central Service Fund	Information Technology Fund	City Health Insurance Fund	Central Telephone Services Fund	Property Insurance Fund
Reconciliation of operating income to net cash provided (used) by operating activities:						
Operating income (loss)	(47,435)	\$ 7,796	\$ 73,241	\$ 1,997,444	\$ 20,526	\$ (381,308)
Other nonoperating income (expense)	7,381	-	-	4,911	-	25,009
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	58,743	9,990	53,842	-	54,952	-
(Increase) decrease in receivables	-	-	-	-	-	-
(Increase) decrease in inventories	32,326	-	-	-	-	-
(Increase) decrease in prepaid items and deposits	-	-	-	-	-	-
Increase (decrease) in accounts payable	15,514	4,035	65,848	(77,800)	(12,917)	6,974
Increase (decrease) in accrued liabilities	28,030	-	30,755	(554)	5,058	32
Net cash provided (used) by operating activities	<u>\$ 94,559</u>	<u>\$ 21,821</u>	<u>\$ 223,686</u>	<u>\$ 1,924,001</u>	<u>\$ 67,619</u>	<u>\$ (349,293)</u>
Noncash investing, capital and financing activities:						
Increase (decrease) in investment market value	(1,203)	(199)	(1,581)	(4,396)	(438)	(2,981)
Contribution of capital assets	-	-	-	-	-	-

(continued)

Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2013
(Page 4 of 4)

	<u>Radio Communica- tions Fund</u>	<u>Facilities Manage- ment Fund</u>	<u>Public Works Administration Fund</u>	<u>Public Works Engineering Fund</u>	<u>Total Internal Service Funds</u>
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ 427,898	\$ (193,383)	\$ (59,791)	\$ 349,502	\$ 2,194,490
Other nonoperating income (expense)	-	-	-	23,924	61,225
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	18,856	301,336	2,432	8,220	508,371
(Increase) decrease in receivables	-	-	-	3,171	3,171
(Increase) decrease in inventories	-	-	-	-	32,326
(Increase) decrease in prepaid items and deposits	-	(2,537)	(5,296)	(7,944)	(15,777)
Increase (decrease) in accounts payable	(1,019)	36,267	3,968	7,050	47,920
Increase (decrease) in accrued liabilities	-	27,867	58,109	178,683	327,980
Net cash provided (used) by operating activities	<u>\$ 445,735</u>	<u>\$ 169,550</u>	<u>\$ (578)</u>	<u>\$ 562,606</u>	<u>\$ 3,159,706</u>
Noncash investing, capital and financing activities:					
Increase (decrease) in investment market value	(277)	(933)	(302)	(1,234)	(13,544)
Contribution of capital assets	-	603,554	-	-	603,554

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, 2013
(Page 1 of 2)

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Downtown Business Improvement District				
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 277,234	\$ 177,315	\$ 99,919
Total assets	<u>\$ -</u>	<u>\$ 277,234</u>	<u>\$ 177,315</u>	<u>\$ 99,919</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 277,234	\$ 177,315	\$ 99,919
Total liabilities	<u>\$ -</u>	<u>\$ 277,234</u>	<u>\$ 177,315</u>	<u>\$ 99,919</u>
Tourism Business Improvement District				
<u>Assets</u>				
Cash and cash equivalents	\$ 14,168	\$ 855,407	\$ 433,835	\$ 435,740
Total assets	<u>\$ 14,168</u>	<u>\$ 855,407</u>	<u>\$ 433,835</u>	<u>\$ 435,740</u>
<u>Liabilities</u>				
Accounts payable	\$ 14,168	\$ 855,407	\$ 433,835	\$ 435,740
Total liabilities	<u>\$ 14,168</u>	<u>\$ 855,407</u>	<u>\$ 433,835</u>	<u>\$ 435,740</u>
License Plate Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 3,220	\$ 9,040	\$ 11,570	\$ 690
Total assets	<u>\$ 3,220</u>	<u>\$ 9,040</u>	<u>\$ 11,570</u>	<u>\$ 690</u>
<u>Liabilities</u>				
Accounts payable	\$ 3,220	\$ 9,040	\$ 11,570	\$ 690
Total liabilities	<u>\$ 3,220</u>	<u>\$ 9,040</u>	<u>\$ 11,570</u>	<u>\$ 690</u>

(continued)

CITY OF BILLINGS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2013
(Page 2 of 2)

	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Montana Arts Council				
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 9,345	\$ 9,345	\$ -
Total assets	<u>\$ -</u>	<u>\$ 9,345</u>	<u>\$ 9,345</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 9,345	\$ 9,345	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 9,345</u>	<u>\$ 9,345</u>	<u>\$ -</u>
Totals - All Agency Funds				
<u>Assets</u>				
Cash and cash equivalents	\$ 17,388	\$ 1,151,026	\$ 632,065	\$ 536,349
Total assets	<u>\$ 17,388</u>	<u>\$ 1,151,026</u>	<u>\$ 632,065</u>	<u>\$ 536,349</u>
<u>Liabilities</u>				
Accounts payable	\$ 17,388	\$ 1,151,026	\$ 632,065	\$ 536,349
Total liabilities	<u>\$ 17,388</u>	<u>\$ 1,151,026</u>	<u>\$ 632,065</u>	<u>\$ 536,349</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.

<u>Contents</u>	<u>Pages</u>
Financial Trends	158-167
<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	168-171
<i>These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.</i>	
Debt Capacity	172-180
<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	181-182
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within the City of Billings.</i>	
Operating Information	183-187
<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 Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

	Fiscal Year									
	<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>	<u>2013</u>
Governmental activities										
Net invested in capital assets	\$ 65,754	\$ 77,148	\$ 86,426	\$ 100,659	\$ 117,182	\$ 133,026	\$ 137,282	\$ 156,927	\$ 185,242	\$ 197,845
Restricted	53,599	50,545	52,517	51,945	50,652	55,867	58,567	56,725	58,125	67,391
Unrestricted	<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>	<u>21,213</u>
Total governmental activities net position	<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>	<u>\$ 286,449</u>
Business-type activities										
Net invested in capital assets	\$ 203,427	\$ 215,134	\$ 237,516	\$ 255,886	\$ 252,847	\$ 264,674	\$ 271,666	\$ 285,474	\$ 286,328	\$ 304,407
Restricted	2,081	2,105	2,839	3,488	3,774	4,273	5,175	5,977	5,657	6,142
Unrestricted	<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>	<u>60,613</u>
Total business-type activities net position	<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>	<u>\$ 371,162</u>
Primary government										
Net invested in capital assets	\$ 269,181	\$ 292,282	\$ 323,942	\$ 356,545	\$ 370,029	\$ 397,700	\$ 408,948	\$ 442,401	\$ 471,570	\$ 502,252
Restricted	55,680	52,650	55,356	55,433	54,426	60,140	63,742	62,702	63,782	73,533
Unrestricted	<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>	<u>81,826</u>
Total primary government net position	<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>	<u>\$ 657,611</u>

Source: City of Billings, Montana

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

	Fiscal Year									
	<u>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>	<u>2013</u>
Expenses										
Governmental activities:										
General government	\$ 5,744	\$ 6,457	\$ 7,016	\$ 6,844	\$ 6,289	\$ 7,288	\$ 7,240	\$ 7,397	\$ 7,543	\$ 7,249
Public safety	25,867	31,215	29,754	34,533	36,647	38,312	40,841	42,735	37,410	47,884
Public works	13,976	13,328	14,476	18,048	18,558	20,238	17,531	19,284	21,609	26,939
Public health	610	572	588	609	799	858	816	865	851	871
Culture and recreation	7,297	6,282	6,687	7,068	7,417	7,799	8,118	8,133	8,312	8,799
Housing and economic development	6,650	5,358	4,145	3,189	3,246	4,068	5,879	3,709	3,561	3,212
Interest on long-term debt	1,685	1,809	1,830	1,779	2,270	2,440	2,377	2,216	2,212	2,083
Total governmental activities expenses	<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>	<u>97,037</u>
Business-type activities:										
Solid waste	6,387	6,969	7,321	7,982	8,921	8,933	8,510	9,996	10,296	10,482
Airport	9,246	9,493	9,832	9,941	11,657	11,598	11,613	12,038	13,098	12,763
Water	10,722	11,398	12,724	13,172	15,023	15,634	15,610	16,420	16,481	17,876
Wastewater	7,204	7,683	8,467	8,466	9,074	8,905	10,050	10,168	10,831	12,291
Parking	1,590	1,525	1,607	1,836	2,272	2,718	2,784	2,616	3,166	2,057
Transit	4,170	4,356	4,681	4,971	5,080	5,338	5,564	5,737	6,017	6,021
Golf course	363	340	392	380	415	415	423	428	434	453
Total business-type activities expenses	<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>	<u>61,943</u>
Total primary government expenses	<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>	<u>\$ 158,980</u>

(continued)

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

	Fiscal Year									
	<u>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>	<u>2013</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,498	\$ 2,113	\$ 1,921	\$ 1,734	\$ 1,907	\$ 2,229	\$ 2,291	\$ 2,365	\$ 2,788	\$ 2,611
Public safety	4,993	4,873	5,426	6,347	6,377	5,847	6,172	6,630	5,982	5,847
Public works	13,455	17,064	18,097	18,294	18,774	19,278	18,238	18,933	21,221	21,433
Culture and recreation	1,290	1,372	1,632	1,586	1,785	1,648	45	46	45	36
Other activities	178	198	158	167	166	123	1,772	1,838	1,887	1,948
Operating grants and contributions	12,513	6,591	7,557	11,021	11,359	11,514	13,125	12,229	7,006	12,503
Capital grants and contributions	9,049	8,460	8,297	5,415	6,963	13,182	7,555	14,133	26,658	28,524
Total governmental activities program revenues	<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>	<u>72,902</u>
Business-type activities:										
Charges for services:										
Solid waste	7,393	7,500	7,456	7,482	7,887	8,169	9,144	9,801	10,731	10,161
Airport	6,809	6,863	7,045	7,496	7,791	7,987	8,278	8,483	9,568	9,841
Water	15,731	14,468	16,398	17,827	18,870	19,458	21,099	19,538	23,569	25,904
Wastewater	9,108	9,125	9,684	9,554	10,230	10,574	10,282	10,919	14,144	16,123
Other activities	2,324	2,305	2,362	2,595	2,821	2,919	2,850	2,810	2,902	3,071
Operating grants and contributions	1,740	1,465	1,487	1,669	2,605	2,281	2,384	2,224	2,260	2,533
Capital grants and contributions	7,506	11,146	9,386	9,281	9,746	7,187	9,247	15,707	6,041	8,426
Total business-type activities program revenues	<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>	<u>76,059</u>
Total primary government program revenues	<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>	<u>\$ 148,961</u>
Net (expense)/revenue										
Governmental activities	\$ (18,853)	\$ (24,350)	\$ (21,408)	\$ (27,506)	\$ (27,895)	\$ (27,182)	\$ (33,604)	\$ (28,165)	\$ (15,911)	\$ (24,135)
Business-type activities	10,929	11,108	8,794	9,156	7,508	5,034	8,730	12,079	8,892	14,116
Total primary government	<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>	<u>\$ (10,019)</u>

(continued)

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

	Fiscal Year									
	<u>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>	<u>2013</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 16,303	\$ 17,088	\$ 20,371	\$ 23,192	\$ 26,001	\$ 25,877	\$ 28,106	\$ 31,642	\$ 31,165	\$ 32,686
Franchise fees	1,903	2,030	2,128	2,316	2,488	2,711	2,786	2,946	3,348	3,598
Business license tax	578	594	613	596	610	634	643	744	706	701
Unrestricted federal/state shared revenue	11,350	11,723	11,835	11,923	12,339	12,232	12,707	13,247	13,544	14,023
Unrestricted investment earnings	229	384	562	881	1,347	555	229	129	133	77
Gain on sale of property and equipment	94	221	179	1,519	235	1,478	(273)	(13)	139	465
Miscellaneous	272	223	403	50	118	124	53	77	59	78
Transfers	266	(2,250)	200	253	(38)	(873)	206	(1,561)	146	(4,409)
Total governmental activities	<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>	<u>47,219</u>
Business-type activities:										
Property taxes	1,406	1,420	1,544	1,548	1,630	1,744	1,774	1,833	1,880	1,864
Unrestricted federal/state shared revenue	-	306	306	305	306	312	324	341	341	341
Unrestricted investment earnings	474	1,000	1,728	2,793	2,358	1,336	641	436	419	226
Gain on sale of property and equipment	-	255	10	60	33	44	20	(24)	(547)	468
Miscellaneous	123	84	113	93	312	546	205	150	742	200
Transfers	(266)	2,250	(200)	(253)	38	873	(206)	1,561	(146)	4,409
Total business-type activities	<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>	<u>7,508</u>
Total primary government	<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>	<u>\$ 54,727</u>
Change in Net Position										
Governmental activities	\$ 12,142	\$ 5,663	\$ 14,883	\$ 13,224	\$ 15,205	\$ 15,556	\$ 10,853	\$ 19,046	\$ 33,329	\$ 23,084
Business-type activities	12,666	16,423	12,295	13,702	12,185	9,889	11,488	16,376	11,581	21,624
Total primary government net position	<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>	<u>\$ 44,708</u>

Source: City of Billings, Montana

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

Fiscal Year	Property Tax	Business License Tax	Total
2004	\$ 16,303	\$ 578	\$ 15,643
2005	17,088	594	16,881
2006	20,371	613	17,682
2007	23,192	596	20,984
2008	26,001	610	23,788
2009	25,878	634	26,611
2010	28,106	643	26,512
2011	31,642	744	28,749
2012	31,165	706	32,386
2013	32,686	701	33,387

Source: City of Billings, Montana

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

	Fiscal Years			
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Fund				
Unspendable	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Committed	8,186	8,610	9,726	8,603
Assigned	-	-	-	-
Unassigned	<u>5,007</u>	<u>8,131</u>	<u>10,285</u>	<u>11,612</u>
Total	<u><u>\$13,193</u></u>	<u><u>\$16,741</u></u>	<u><u>\$20,011</u></u>	<u><u>\$20,215</u></u>
All other governmental funds				
Unspendable	\$ 601	\$ 614	\$ 626	\$ 637
Restricted	40,044	39,936	43,818	64,363
Committed	9,477	8,547	7,958	8,681
Assigned	-	-	-	-
Unassigned	<u>(243)</u>	<u>(496)</u>	<u>(906)</u>	<u>(470)</u>
Total	<u><u>\$49,879</u></u>	<u><u>\$48,601</u></u>	<u><u>\$51,496</u></u>	<u><u>\$73,211</u></u>

Source: City of Billings, Montana

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

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

	Fiscal Years									
	<u>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>	<u>2013</u>
Revenues										
Taxes	\$ 16,443	\$ 17,008	\$ 20,049	\$ 22,953	\$ 25,446	\$ 26,006	\$ 27,841	\$ 32,062	\$ 30,654	\$ 32,131
Licenses and permits	4,109	4,281	4,340	4,786	5,200	4,952	4,759	5,126	5,611	6,513
Intergovernmental	16,123	16,951	17,818	21,425	22,044	23,933	27,219	27,704	20,698	25,518
Charges for services	9,012	10,270	10,776	10,688	10,385	10,801	9,743	10,725	11,128	10,782
Fines and forfeitures	1,605	1,401	1,651	2,017	1,869	1,650	1,809	2,035	2,052	2,393
Special assessments	14,348	16,149	16,874	16,890	17,180	18,021	17,984	18,635	20,276	21,394
Other	2,443	5,513	3,604	4,208	5,592	3,188	2,761	1,918	1,674	2,337
Total revenues	<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>	<u>101,068</u>
Expenditures										
Current:										
General government	5,567	6,358	6,679	7,083	6,452	6,942	7,147	7,208	7,323	7,335
Public safety	24,482	25,799	27,652	33,519	39,867	36,479	38,801	40,529	36,145	43,716
Public works	12,028	11,756	12,482	12,934	13,036	13,708	12,402	13,514	14,133	16,415
Public health	566	510	520	556	707	745	727	766	769	787
Culture and recreation	5,803	5,353	5,603	6,150	6,387	6,570	6,944	6,981	7,133	7,633
Housing and economic development	6,468	5,182	3,984	3,056	3,121	3,936	5,860	3,599	3,478	3,129
Capital outlay	13,748	10,454	13,996	9,858	29,671	17,072	8,313	17,007	13,980	21,874
Debt service:										
Principal	5,961	7,253	9,436	6,208	7,277	4,700	4,590	5,934	6,967	13,153
Interest and fiscal charges	1,642	1,538	1,565	1,433	1,693	1,858	2,172	1,942	1,752	2,688
Bond issuance costs	57	113	55	212	-	212	9	64	135	769
Total expenditures	<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>	<u>117,499</u>
Excess of revenues over (under) expenditures	<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>	<u>\$(16,431)</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>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>	<u>2013</u>
Other financing sources (uses)										
Transfers in	\$ 22,725	\$ 22,123	\$ 22,903	\$ 25,752	\$ 23,191	\$ 20,691	\$ 21,267	\$ 25,054	\$ 24,532	\$ 26,535
Transfers out	(22,848)	(22,296)	(23,086)	(25,955)	(23,398)	(20,874)	(21,982)	(25,730)	(24,886)	(28,260)
Issuance of debt	4,434	1,108	611	228	4,033	213	881	1,125	3,630	33,055
Capital leases	-	-	-	-	404	-	-	-	-	-
General obligation bonds issued	-	5,200	-	12,500	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	380	168	6,665	988	945	2,325	6,120
Special assessment refunding bonds issued	7,055	1,275	3,371	-	-	-	-	-	-	-
Payment to bond refunding escrow agent	(6,976)	-	-	-	-	-	-	-	-	-
Premium on bonds issued	39	34	-	43	-	-	-	31	-	1,435
Bond discounts	(50)	(15)	(41)	-	-	(152)	-	(30)	(57)	(2)
Sale of capital assets	<u>47</u>	<u>169</u>	<u>128</u>	<u>1,504</u>	<u>229</u>	<u>649</u>	<u>342</u>	<u>213</u>	<u>343</u>	<u>468</u>
Total other financing sources (uses)	<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>	<u>39,351</u>
Net change in fund balances	<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>	<u>\$ 22,920</u>
Debt service as a percentage of noncapital expenditures	12.2%	13.8%	16.2%	10.7%	11.4%	8.7%	8.6%	9.8%	11.2%	16.6%

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)

Fiscal Year	Property Tax	Business License Tax	Total
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
2013	30,516	701	31,217

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) ¹</u>	<u>Percentage of (ARC) ¹</u>
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%
2013	8,103,061	491,000	6%

Source: City of Billings, Montana

¹ 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 ^{3,4}		Personal Property		Total ⁵		Direct Tax Rate	Ratio of Assessed Value to Estimated Market
	Estimated Market Value	Assessed Value	Estimated Market Value	Assessed Value	Estimated Market Value ¹	Assessed Value ²		
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 ⁶	153,507,307	163.76	3.2%
2010	4,846,545,852	150,316,617	289,007,798	8,596,230	5,135,553,650	158,912,847	169.44	3.1%
2011	6,045,049,971	158,774,355	261,866,181	7,680,497	6,306,916,152	166,454,852	171.42	2.6%
2012	5,391,987,991	160,074,588	253,361,134	7,357,320	5,645,349,125	167,431,908	168.73	3.0%
2013	5,578,809,490	159,681,901	257,791,168	5,720,433	5,836,600,658	165,402,334	174.58	2.8%

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

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

³ Market value and assessed value includes Utilities category.

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

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

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

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	
	General ⁴	Library ⁴	Safety ²	Transit ⁴	General Obligation		School County	School Education ¹	School District	State	Total	
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
2013	74.00	5.00	71.11	10.00	14.47	174.58	117.19	102.50	204.53	3.09	52.09	653.98

Source: Yellowstone County, Montana, Treasurer

¹ Includes School Equalization Levy and other Education Levies.

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

³ Under State Law, voter approval is required for additional tax rate increases.

⁴ General mills are fixed by charter, increases require an amendment to the charter.

⁵ During FY 08 Ball Park Bonds were issued for 7.07 mills thus increasing the General Obligation Bond total to 11.28, and in FY 2013 a General Obligation Library Bond for 6.12 mills was issued.

CITY OF BILLINGS, MONTANA
Principal Property Taxpayers
June 30, 2013 and Ten Years Ago
(Unaudited)

Taxpayer	Tax Year 2012			Tax Year 2003		
	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Northwestern Corp Transmission	\$ 7,404,380	1	4.5%	\$ 4,242,376	1	3.5%
Bresnan Broadband DbA Mt Teleg	4,373,411	2	2.6%	-		0.0%
Qwest Corporation	3,243,259	3	2.0%	3,642,278	2	3.0%
Montana Dakota Utilities	2,208,617	4	1.3%	1,157,573	3	0.9%
Verizon Wireless	1,015,142	5	0.6%	-		0.0%
AT & T Mobility LLC	926,439	6	0.6%	-		0.0%
Wal-Mart Real Estate Business	812,083	7	0.5%	586,493	5	0.5%
Rimrock Owner LP	639,078	8	0.4%	-		0.0%
MWSH Billings LLC	471,309	9	0.3%	-		0.0%
Wells Fargo Corporate Properties	454,479	10	0.3%	-		0.0%
Macerich Rimrock Limited Partner			0.0%	828,462	4	0.7%
Touch America	-		0.0%	370,739	10	0.3%
Western Sugar Co.	-		0.0%	516,716	6	0.4%
United Industries	-		0.0%	404,170	8	0.3%
West Park Plaza Investors	-		0.0%	379,051	9	0.3%
Irte Properties	-		0.0%	417,692	7	0.3%
Total	\$ 21,548,197		13.0%	\$ 12,545,550		10.2%
Total assessed value	\$ 165,402,334			\$ 122,425,248		

Source: City of Billings, Montana

CITY OF BILLINGS, MONTANA
Property Tax Levies and Collections ¹
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy¹ for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Delinquent
		Amount	Percentage of Levy		Amount	Percentage of Levy	
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
2013	26,886,158	25,426,270	94.6%	642,009	26,068,279	97.0%	1,459,888

Source: City of Billings, Montana

¹ The total tax levy, collections and outstanding delinquent taxes are net of tax increment amounts.

CITY OF BILLINGS, MONTANA
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(amounts expressed in thousands, except per capita amount)
(Unaudited)

Fiscal Year	Governmental Activities					
	General Obligation	Tax Increment	Special Assessment	Intercap Notes	Notes Payable	Capital Leases
	Bonds	Bonds	Bonds	Payable	Payable	Payable
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
2013	30,557	13,210	16,156	64	2,287	4,100

Fiscal Year	Business-Type Activities								
	Revenue Bonds	Notes Payable	Rev Bonds/ Notes Payable	Rev Bonds/ Notes Payable	Capital Lease Payable	Capital Lease Payable	Total Primary	Percentage of Personal Income ¹	Per Capita
	Airport	Golf Course	Water	Wastewater	Parking	Airport	Government		
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	5,544	1,322	100,198	1.59%	0.96
2013	12,540	-	23,214	16,458	3,177	1,258	123,021	1.82%	1.15

Source: City of Billings, Montana

¹ 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)

Fiscal Year	Population ¹	Assessed Value ²	General Obligation Bonds ³	Less: Amounts Available in Debt Service Funds ⁴	Net	Percentage of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
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
2013	106,954	165,402,334	30,556,896	2,465,881	28,091,015	17.0%	262.65

Sources and other information:

¹ Census taken every ten years. Actual census figures given for 2011.

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

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

³ Amount does not include Special Assessment, tax increment or revenue bonds. In 2013, recorded net of adjustments.

⁴ 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, 2013
(Unaudited)

Governmental Unit	Debt Outstanding	Percent Applicable to City	Estimated Share of Overlapping Debt
Overlapping:			
Yellowstone County	\$ 7,094,434	46.0%	\$ 3,263,440
School Districts			
Elder Grove SD #4	6,085,000	0.1%	4,868
Elysian SD #23	9,465,000	4.6%	432,551
Independent SD #52	3,130,000	0.3%	9,703
Total School Districts	18,680,000		447,122
Direct:			
City of Billings	30,556,986	100.0%	30,556,986
Total direct and overlapping debt	<u>\$ 56,331,420</u>		<u>\$ 34,267,547</u>

Source and other information:

- ¹ Does not include Special Assessment debt with government commitment or tax increment debt.
- ² Finance Department, Yellowstone County, Montana.
- ³ City of Billings, Montana
- ⁴ 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>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>	<u>2013</u>
Debt limit	\$ 57,316	\$ 64,743	\$ 69,070	\$ 73,734	\$ 130,496	\$ 120,260	\$ 126,264	\$ 110,757	\$ 125,971	\$ 145,915
Total net debt applicable to limit	<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>	<u>27,875</u>
Legal debt margin	<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>	<u>\$ 118,040</u>
Total net debt applicable to the limit as a percentage of debt limit	18.48%	22.54%	19.62%	33.93%	17.07%	17.60%	15.86%	17.46%	10.99%	19.10%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed market value:	
Real property	\$ 5,256,524,047
Personal property	257,791,168
Utilities	<u>322,285,443</u>
Total assessed value	<u>\$ 5,836,600,658</u>
Debt amount limited to 2.5% of total assessed value	\$ 145,915,016
Less:	
General obligation bonded debt outstanding	30,556,986
Total net debt applicable to limit	30,556,986
Plus:	
Amount set aside for repayment of GO debt	<u>2,682,274</u>
Total net debt applicable to limit	<u>27,874,712</u>
Legal debt margin	<u>\$ 118,040,304</u>

Source: City of Billings, Montana

Note: Under state law, the City of Billings, Montana's outstanding general obligation debt was not to exceed 1.51% prior to FY 08 and 2.50% starting in FY 08 of total assessed market value.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Water and Wastewater Debt
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Gross Revenue ¹	Less: Operating Expense ²	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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 ³	85,658	456,658	2720%
2007	28,495,544	15,161,687	13,333,857	763,000	519,548	1,282,548	1040%
2008	30,114,284	16,280,346	13,833,938	792,000	651,314	1,443,314	958%
2009	31,535,859	16,507,448	15,028,411	948,000	753,501	1,701,501	883%
2010	31,671,419	16,516,713	15,154,706	1,389,000	1,155,659	2,544,659	596%
2011	30,683,732	16,666,260	14,017,472	1,926,000	1,415,188	3,341,188	420%
2012	37,852,987	17,146,622	20,706,365	1,938,000	1,493,738	3,431,738	603%
2013	41,905,740	19,526,272	22,379,468	2,417,119	1,473,370	3,890,489	575%

Source: City of Billings, Montana

¹ Includes operating revenue and interest income.

² Total operating expenses exclusive of depreciation.

³ SRF Loan proceeds began in FY 05-06 as well as the related principal and interest payments.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Airport Revenue Bonds
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Gross Revenue ¹	Less: Operating Expense ²	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 6,865,738	\$ 4,904,501	\$ 1,961,237	\$ 385,000	\$ 683,963	\$ 1,068,963	183%
2005	7,009,310	5,135,523	1,873,787	400,000	676,581	1,076,581	174%
2006	7,328,189	5,351,434	1,976,755	425,000	649,790	1,074,790	184%
2007	7,896,925	5,370,760	2,526,165	445,000	628,802	1,073,802	235%
2008	8,084,353	6,016,118	2,068,235	470,000	600,575	1,070,575	193%
2009	8,172,942	6,499,711	1,673,231	490,000	570,242	1,060,242	158%
2010	8,351,091	6,455,160	1,895,931	515,000	538,455	1,053,455	180%
2011	8,534,227	6,589,404	1,944,823 ^{3,4}	550,000	520,438	1,070,438	182%
2012	9,562,661	7,229,282	2,333,379	700,000	561,919	1,261,919	185%
2013	9,704,667	7,156,337	2,548,330	925,000	516,438	1,441,438	177%

Source: City of Billings, Montana

¹ Includes operating revenue and interest income.

² Total operating expense exclusive of depreciation.

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

⁴ In Fiscal year 2011, Airport series 2010B revenue bonds were issued for the CFC project.

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

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Special Assessment Bonds
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Gross¹		Debt Service Requirements			Coverage			
	Revenue		Principal	Interest	Total				
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%
2013		6,665,868		7,013,621		1,539,100		8,552,721	77.9%

Source: City of Billings, Montana

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

¹ Gross Revenue includes special assessments and investment earnings on reserves.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Storm Sewer Bonds²
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Gross¹ Revenue	Less: Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2004	\$ 2,673,684	\$ 737,419	\$ 1,936,265	\$ 670,000	\$ 285,554	\$ 955,554	202.6%
2005	2,795,567	1,081,148	1,714,419	845,000	146,660	991,660	172.9%
2006	2,986,222	2,445,344	540,878	865,000	131,118	996,118	54.3%
2007	2,994,862	1,115,485	1,879,377	880,000	113,179	993,179	189.2%
2008	3,256,003	2,369,751	886,252	900,000	95,396	995,396	89.0%
2009	3,235,041	2,625,836	609,205	920,000	77,693	997,693	61.1%
2010	3,318,326	2,156,315	1,162,011	935,000	57,961	992,961	117.0%
2011	3,289,314	4,186,201	(896,887)	960,000	35,449	995,449	-90.1%
2012	3,377,947	1,542,725	1,835,222	180,000	20,000	200,000	917.6%
2013	3,429,004	2,335,753	1,093,251	185,000	16,311	201,311	543.1%

Source: City of Billings, Montana

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

¹ Gross revenue includes assessments and investment earnings.

² Included in special assessment bonds in the financial statements and related notes.

CITY OF BILLINGS, MONTANA
Pledged-Revenue Coverage
Parking Note Payable ³
Last Seven Fiscal Years ⁴
(Unaudited)

Fiscal Year	Gross ¹ Revenue	Less: Operating Expense ²	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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	160%
2009	1,922,134	1,545,816	376,318	179,771	315,624	495,395	76%
2010	1,764,693	1,678,525	86,168	189,622	305,773	495,395	17%
2011	1,732,269	1,551,195	181,074	200,014	295,381	495,395	37%
2012	1,724,876	2,110,306	(385,430)	210,974	284,421	495,395	-78%
2013	1,755,582	1,220,805	534,777 ⁵	222,536	272,859	495,395	108%

Source: City of Billings, Montana

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

¹ Gross revenue includes operating revenue and interest income.

² Total operating expense exclusive of depreciation

³ Included in note payable in the financial statements and related notes.

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

⁵ The Capital lease for Parking was refinanced in FY2013. The debt service requirements will decrease in subsequent years.

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

Fiscal Year	Population ¹	Total Personal Income ⁵ (In billions)	Per Capita Income ²	Median Age ²	School Enrollment ³	Unemployment Rate 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%
2013	106,954	6,765,732	41,546	37	16,238	3.7%

Sources and other information:

¹ Census taken every ten years. Actual census figures given for 2011.

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

² Census and Economic Information Center (CEIC), Montana Department of Commerce

³ Billings School District #2.

⁴ State of Montana Research & Analysis Bureau.

⁵ 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)**

Employer	2013			2004		
	<u>Number of Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment²</u>	<u>Number of Employees¹</u>	<u>Rank</u>	<u>Percentage of Total City Employment³</u>
Billings Clinic	3,636	1	4.36%	2,500	1	-
St. Vincent Healthcare	2,100	2	2.52%	1,850	3	-
School District #2	1,920	3	2.30%	2,010	2	-
Stillwater Mining Company	1,729	4	2.07%	1,570	4	-
Wal Mart	905	5	1.09%	900	5	-
City of Billings	878	6	1.05%	809	6	-
Avitus Group	914	7	1.10%	580	7	-
Yellowstone County	764	8	0.92%	unavailable	-	-
St John's Lutheran Home	596	9	0.71%	412	9	-
Montana State University-Billings	608	10	0.73%	540	8	-
Total	14,050		16.85%	11,171		-

Sources and other information:

¹ Information obtained from each individual company. Numbers given may be estimates.

² Montana Research and Analysis Bureau, State of Montana. Based on 83,400 employees in the greater Billings Metro Area.

³ Total City Employment not available for 2004.

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

	<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>	<u>2013</u>
General government	107.8	107.3	115.3	109.8	98.5	101.5	83.0	83.5	84.8	87.8
Planning and community services	31.3	34.3	35.8	36.8	36.1	37.1	28.0	31.0	31.6	31.6
Library	29.6	30.2	30.2	30.4	30.6	30.7	30.7	31.7	31.7	31.7
Public safety ¹										
Police	153.0	150.0	155.0	158.0	160.0	163.0	167.0	167.0	167.0	165.0
Animal shelter	7.0	7.0	7.0	7.0	9.0	10.0	7.0	7.0	7.0	7.0
Fire	139.2	139.0	146.0	152.0	155.0	147.0	148.0	146.0	146.0	146.5
Streets/Traffic	39.0	39.0	40.0	44.0	43.0	43.0	43.0	43.0	45.0	45.0
Water and Wastewater	103.0	97.0	101.0	103.0	107.0	103.0	104.0	104.0	103.0	103.0
Sanitation	50.0	51.5	52.5	53.5	58.5	62.5	62.5	63.5	63.5	63.5
Parking	14.8	14.8	14.8	14.8	14.8	15.8	15.3	15.3	15.3	12.3
Aviation	53.0	53.0	53.0	53.0	56.0	56.0	56.0	56.0	56.0	56.0
Transit	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3
Internal services	28.0	33.0	34.5	38.0	46.0	49.0	72.0	74.0	75.0	75.0
Total	<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>	<u>879.7</u>

Source: City of Billings Annual Budget

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

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

Activity	Report Period¹	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police											
Dispatched Calls	FY	57,382	59,857	59,736	59,958	60,156	60,112	59,840	60,686	63,915	66,510
Arrests	CY	8,311	8,069	7,360	8,348	7,256	7,631	6,815	7,324	9,116	9,265
Traffic Violations	CY	24,529	28,056	37,143	33,698	24,567	28,884	24,024	27,240	30,473	26,478
Traffic Accidents	CY	3,328	3,504	7,136	3,695	3,313	3,081	2,912	3,623	3,524	3,329
Fire											
Dispatched Calls	FY	9,673	11,309	11,629	11,879	11,426	10,728	10,499	10,841	11,228	11,194
Inspections	CY	2,728	2,464	1,799	2,723	1,835	2,840	1,021	1,972	1,191	1,209
Solid Waste											
Residential Customers	FY	28,286	28,805	29,381	29,981	30,477	31,101	31,554	31,800	32,359	32,772
Commerical Customers	FY	3,331	3,436	3,511	3,566	3,596	3,642	3,704	3,889	3,982	4,071
Landfill trips	FY	140,407	145,690	150,872	153,634	169,101	120,821	143,046	153,010	164,667	166,777
Water											
Customers	FY	27,651	27,656	28,055	28,406	28,864	29,073	29,248	29,309	29,537	29,811
Average Daily Consumption (millions of gallons)	FY	24	19	25	25	23	21	20	19	23	23
Wastewater											
Customers	FY	29,334	29,719	30,235	30,748	31,637	31,909	32,193	32,390	32,586	32,951
Average Daily Treatment (millions of gallons)	FY	15	15	15	16	16	15	16	16	16	16

Source: City of Billings Operating Budget, Billings, Montana

¹ CY represents a Calendar Year, FY represents a Fiscal Year

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

Date of Incorporation - 1882	Report Period ¹	Years									
		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Form of Government - Council/Administrator											
Area in Square Miles	FY	38.8	38.8	39.1	40.4	40.4	40.1	40.1	42.0	42.0	42.0
Activity											
Public Safety											
Police											
Stations	FY	1	1	1	1	1	1	1	1	1	1
Police Officers	FY	128	129	132	129	134	143	143	142	141	140
Fire											
Stations	FY	6	6	6	6	7	7	7	7	7	7
Firefighters/Officers/Dispatchers	FY	135	145	144	143	144	146	148	148	148	146
Streets											
Streets (miles)	CY	510	521	531	531	540	458	523	523.4	526.2	530.0
Streetlights	FY	7,722	7,624	7,660	7,816	7,816	7,993	8,000	8,179	8,202	8,202
Street Light Maintenance Districts	FY	168	168	168	177	180	183	181	184	185	185
City Parks											
Developed Acres	FY	505	522	534	1,080	625	1,183	1,183	1,183	1,183	1,183
Undeveloped Acres	FY	445	457	460	200	440	290	290	290	290	290
Natural Park Acres	FY	1,868	1,892	1,909	717	1,900	1,107	1,107	1,107	1,107	1,107
Parking											
Garages	FY	4	4	4	4	4	4	4	4	4	3

(continued)

Source: City of Billings Operating Budget, Billings, Montana

¹ CY represents a Calendar Year, FY represents a Fiscal Year

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

	<u>Report Period¹</u>	<u>Years</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>	<u>2013</u>
Water											
Water Mains (miles)	FY	404	413	426	433	436	441	447	447	465	467
Fire Hydrants	FY	3,676	3,681	3,825	3,853	3,912	3,969	4,145	4,204	4,211	4,242
Maximum Daily Capacity (millions of gallons)	FY	50	50	60	65	60	46	60	60	60	60
Wastewater											
Storm Sewers (miles)	FY	139	141	146	147	147	149	149	149.2	149.2	149.2
Sanitary Sewers (miles)	FY	396	412	423	429	433	444	466	473	461	486
Maximum Daily Capacity (millions of gallons)	FY	26	26	26	27	27	26	26	26	26	26

Source: City of Billings Operating Budget, Billings, Montana

¹ 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)

Fiscal Year	<u>Construction</u> ¹		<u>Residential</u> ²		Bank Deposits (in thousands) ³	Property Value ^{4,5}
	<u>Commercial</u>					
	Number of Permits	Value	Number of Permits	Value		
2004	94	\$ 34,640,124	450	\$ 62,714,706	\$ 1,607,785	\$ 3,546,229,334
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 ⁵	496	89,502,065	2,222,151	4,883,017,682
2008	69	107,949,910 ⁷	388	71,378,452	2,858,991	5,219,829,310
2009	71	63,332,381	227	38,331,029 ⁸	3,144,622	4,810,404,010 ⁹
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
2013	74	109,879,817 ¹⁰	434	97,412,566	4,315,837	5,836,600,658

Sources and other information:

¹ Building Department (new construction permits), City of Billings, Montana.

² Single family only.

³ Individual banks and credit unions.

⁴ State of Montana Department of Revenue.

⁵ Commercial values increased although the number of permits issued decreased because a new commercial area is being developed, which includes hotels, a hospital, and an educational facility. Other large projects in the City include a new parking garage and trauma care center.

⁶ For fiscal years beginning in 2006 the property value includes the Tax Increment District.

⁷ Medical facilities had permits that totaled \$27 million. Other large projects included a senior living center, motel, office building, retail stores, bank processing center and church additions.

⁸ Residential construction is down due to the economy.

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

¹⁰ Commercial values increased due to several large projects, including a new library, parking garage, a large sporting goods retailer and a VA clinic.

SINGLE AUDIT SECTION



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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Billings, Montana as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City of Billings, Montana's basic financial statements and have issued our report thereon dated December 23, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we considered to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness (2013-1).

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*.

The City of Billings, Montana's Response to Findings

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

Purpose of this Report

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

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

Great Falls, Montana
December 23, 2013



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

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR 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**

Report on Compliance for Each Major Federal Program

We have audited the City of Billings, Montana's compliance with the types of compliance requirements described in the *OMB 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, 2013. The City of Billings, Montana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Billings, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Billings, Montana's compliance.

Opinion on Each Major Federal Program

In our opinion, the City of Billings, Montana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Billings, Montana, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Billings, Montana's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 the City of Billings, Montana's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

Great Falls, Montana
December 23, 2013

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013
(Page 1 of 4)

<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>
<u>U.S. Department of Housing and Urban Development</u>					
Community Development Block Grants and Entitlement Grants:	14.218	Nonmajor			
Grant entitlement B-09-MC-30-001				\$ 711,407	\$ 11,059
Grant entitlement B-10-MC-30-001				7,725,435	84,669
Grant entitlement B-11-MC-30-001				646,256	101,771
Grant entitlement B-12-MC-30-001				570,374	449,895
CFDA subtotal				<u>9,653,472</u>	<u>647,394</u>
Special Project Grant-Consolidated Appropriations Act 2008	14.251	Major			
B-09-SP-MT-0090				475,000	755,168
B-10-SP-MT-0074				974,000	19,300
CFDA subtotal				<u>1,449,000</u>	<u>774,468</u>
Home Investment Partnerships Program:	14.239	Nonmajor			
Grant entitlement M 10 MC 300213				538,119	48,924
Grant entitlement M 11 MC 300213				473,640	166,063
Grant entitlement M 12 MC 300213				315,079	122,534
CFDA subtotal				<u>1,326,838</u>	<u>337,521</u>
Fair Housing Initiatives Program	14.416	Nonmajor			
Grant entitlement FH-400-G1-0009				125,000	13,000
CFDA subtotal				<u>125,000</u>	<u>13,000</u>
<u>Corporation for National and Community Service</u>					
AmeriCorps VISTA - VISTA State Support Grant 09-VSP-MT-001	94.013	Nonmajor		15,000	31,850
CFDA subtotal				<u>15,000</u>	<u>31,850</u>
<u>U.S. Department of Agriculture</u>					
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	10,438
CFDA subtotal				<u>300,000</u>	<u>10,438</u>
<u>U.S. Department of Transportation</u>					
Airport Improvement Program:	20.106	Major			
AIP3-30-008-42				313,500	95,222
AIP3-30-008-43				1,856,976	322,189
AIP3-30-008-44				6,054,169	489,794
CFDA subtotal				<u>8,224,645</u>	<u>907,205</u>

(continued)

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013
(Page 2 of 4)

<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>
<u>U.S. Department of Transportation (continued)</u>					
Federal Transit Capital and Operating Assistance Formula Grants	20.507	Major			
FTA Section 9-Capital MT-03-0026				4,383,547	339,444
FTA Section 9-Capital MT-04-0020				38,112	36,149
FTA Section 9-Operating MT-90-X103				<u>1,816,389</u>	<u>1,816,389</u>
CFDA subtotal				<u>6,238,048</u>	<u>2,191,982</u>
Federal Transit Metropolitan Planning Grants	20.505	Nonmajor			
FTA Section 5303-Operating-Passed Through the State of Montana Contract # 106088				164,498	27,370
FTA Section 5303-Operating-Passed Through the State of Montana Contract # 106742				<u>160,452</u>	<u>145,127</u>
CFDA subtotal				<u>324,950</u>	<u>172,497</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-X102				<u>152,244</u>	<u>152,244</u>
CFDA subtotal				<u>152,244</u>	<u>152,244</u>
Federal Transit Operating Grant-New Freedom Program	20.521	Nonmajor			
FTA Section 5317-Operating-Passed Through the State of Montana Contract # MT-90-X101				<u>65,913</u>	<u>65,913</u>
CFDA subtotal				<u>65,913</u>	<u>65,913</u>
State and Community Highway Safety:	20.600	Nonmajor			
Passed through the State of Montana:					
STEP OT Contract #106705				10,000	6,575
STEP OT Contract #105968				<u>10,000</u>	<u>4,561</u>
CFDA subtotal				<u>20,000</u>	<u>11,136</u>
Highway Planning and Construction:	20.205	Nonmajor			
Passed through the State of Montana					
RT 2012-03				21,374	21,374
CTEP Grant STPE 1099 (71)				718,614	35,167
CTEP Grant STPE 1099 (75)				77,974	8,787
CTEP Grant STPE 1099 (77)				176,289	169,996
CTEP Grant STPE 1099 (83)				73,067	73,067
CTEP Grant STPE 6632 Swords Park Trail II				399,004	12,166
Metropolitan Planning Funds SPR-PL-1 (49)				<u>848,600</u>	<u>585,568</u>
CFDA subtotal				<u>2,314,922</u>	<u>906,126</u>

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013
(Page 3 of 4)

<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>
<u>U.S. Department of Energy</u>					
Energy Efficiency & Conservation Block Grant DE-SC0002930-ARRA	81.128	Nonmajor	X	1,003,000	59,876
CFDA subtotal				<u>1,003,000</u>	<u>59,876</u>
<u>U.S. Department of Interior</u>					
Historic Preservation Fund Grants-In-Aid:	15.904	Nonmajor			
Passed through the Montana Historic Society;					
MT-12-012				5,750	5,750
CFDA subtotal				<u>5,750</u>	<u>5,750</u>
<u>U.S. Department of Justice</u>					
Office of Juvenile Justice Delinquency Program	16.543	Nonmajor			
Internet Crimes Against Children 2010-MC-CX-K007				676,685	256,834
CFDA subtotal				<u>676,685</u>	<u>256,834</u>
Billings Adult Misdemeanor Treatment Court-DUI Grant	16.585	Nonmajor			
2012-DC-BX-0043				350,000	32,086
CFDA subtotal				<u>350,000</u>	<u>32,086</u>
Violence Against Women Formula Grants passed through	16.588	Nonmajor			
State of Montana Board of Crime Control					
Victim/Witness Program 12-W03-91145				30,126	30,126
Domestic Violence Unit 11-W03-90931				41,606	41,606
Domestic Violence Investigator 12-W02-91129				17,841	17,302
Domestic Violence Investigator 11-W02-90927				34,464	8,360
CFDA subtotal				<u>124,037</u>	<u>97,394</u>
Justice Assistance Grants:					
2010-DJ-BX-1006	16.738	Nonmajor		80,500	15,786
2011-DJ-BX-3277				71,253	30,320
2012-DJ-BX-1081				52,130	35,222
CFDA subtotal				<u>203,883</u>	<u>81,328</u>
Billings Adult Misdemeanor Treatment Court-Mental Health Grant	16.745	Nonmajor			
2012-MO-BX-0008				200,000	29,644
CFDA subtotal				<u>200,000</u>	<u>29,644</u>
2009-SB-B9-0568 ARRA	16.804	Nonmajor	X	222,508	52,657
CFDA subtotal				<u>222,508</u>	<u>52,657</u>
Office of Justice Programs:					
Internet Crimes Against Children 2009-SN-B9-K037-ARRA	16.800	Nonmajor	X	422,046	89,323
CFDA subtotal				<u>422,046</u>	<u>89,323</u>

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2013
(Page 4 of 4)

<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>
<u>Department of Health and Human Services</u>					
Substance Abuse and Mental Health Services					
Administration Grant #1H79TI21895-01	93.243	Nonmajor		883,155	187,828
Billings Adult Misdemeanor Drug Court-SAMHSA				<u>971,630</u>	<u>82,652</u>
CFDA subtotal				<u>1,854,785</u>	<u>270,480</u>
<u>Department of Homeland Security</u>					
June 2011 Spring Storm and Flooding	97.036	Nonmajor			
FEMA-1996-DR-MT				<u>158,770</u>	<u>114,932</u>
CFDA subtotal				<u>158,770</u>	<u>114,932</u>
Homeland Security Grant Program	97.067	Nonmajor			
2010-SS-T0-0089 - Police				48,000	16,080
2011-SS-00052 - Police				99,000	14,197
2010-SS-T0-0089 - Fire				36,000	35,316
2011-SS-00052 - Fire				<u>97,698</u>	<u>97,698</u>
CFDA subtotal				<u>280,698</u>	<u>163,291</u>
<u>Office of National Drug Control Policy</u>					
High Intensity Drug Traffic Area Award:	95.001	Nonmajor			
2011 HIDTA #G11RM0038A				161,548	9,925
2012 HIDTA #G12RM0038A				190,257	106,586
2013 HIDTA #G13RM0038A				<u>191,289</u>	<u>76,181</u>
CFDA subtotal				<u>543,094</u>	<u>192,692</u>
<u>Environmental Protection Agency</u>					
Capitalization Grant-State Revolving Fund Passed Through the State of Montana-Dept of Natural Resources and Conservation	66.468	Major			
Waterline Replacement 2010 WRF - 11216 80% Fed				1,988,490	6,332
Zone 3 East Fox Reservoir WRF-13275 80% Fed				<u>2,480,000</u>	<u>412,798</u>
CFDA subtotal				<u>4,468,490</u>	<u>419,130</u>
Total federal awards (all sources)				<u>\$40,723,778</u>	<u>\$ 8,087,191</u>

CITY OF BILLINGS, MONTANA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

(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, 2013

(2) Relationship to General-Purpose Financial Statements

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

	<u>Inter- governmental</u>	<u>Charge for Services</u>	<u>Capital Contributions</u>	<u>Total</u>
General Fund	\$ -	\$ 72	\$ -	\$ 72
Special revenue funds:				
Development Services Grants Fund	688,399	-	-	688,399
Police Programs Fund	739,917	-	-	739,917
Transportation Enhancement Fund	299,183	-	-	299,183
City-County Planning Fund	591,068	248	-	591,316
Fire Programs Fund	133,014	-	-	133,014
City Attorney Grants Fund	71,732	-	-	71,732
Municipal Court Grants Fund	332,211	-	-	332,211
Administration Grants Fund	77,771	-	-	77,771
Bike Paths and Trails Donations Fund	21,374	-	-	21,374
Enterprise funds:				
Airport Fund	-	-	907,204	907,204
Transit Fund	2,243,192	-	339,444	2,582,636
Water Fund	755,168	-	-	755,168
Wastewater Fund	65,267	-	-	65,267
Facilities Management Fund	-	1,084	-	1,084
	<u>-</u>	<u>1,084</u>	<u>-</u>	<u>1,084</u>
Total	<u>\$ 6,018,296</u>	<u>\$ 1,404</u>	<u>\$ 1,246,648</u>	<u>\$ 7,266,348</u>

CITY OF BILLINGS, MONTANA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2013

State, local, and federal revenue of \$9,315,578 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 \$1,844,954 in the Gas Tax Fund, \$740,142 in the Police Programs Fund, \$592,568 in the City-County Planning Fund, \$177,181 in the Fire Programs Fund, and \$428,967 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 \$2,738,691 in the Transit fund and capital contributions of \$1,182,204 in the Airport fund are also included in the basic financial statements.

**CITY OF BILLINGS, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

Financial Statements

Type of auditors' report issued	unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	yes
Significant deficiencies identified not considered to be material weakness?	no
Non-compliance material to financial statements noted?	no

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	no
Significant deficiencies identified not considered to be material weakness?	no
Type of auditor's report issued on compliance for major programs	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:

Special Project Grant - Consolidated Appropriations Act 2010 - 14.251
 Airport Improvement Program - CFDA 20.106
 Federal Transit Capital and Operating Assistance Formula Grant - CFDA 20.507
 EPA Capitalization Grant - CFDA 66.468

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, 2013**

FINDINGS - FINANCIAL STATEMENT AUDIT

Prior Period Adjustment Infrastructure

2013-1

Criteria: Capital assets are required to be capitalized and depreciated over their estimated useful life according to ownership of the assets.

Condition: Capital assets were overstated by the amount of assets not belonging to the City.

Effect: The City's financial statements for the year ended June 30, 2013, reflect a prior period adjustment in the to correct the capital assets balance.

Cause: Finance personnel discovered an error in capital assets and accumulated depreciation relating to infrastructure. It was determined during FY13 that a bridge as part of the Aronson Avenue project is a County asset; and, therefore, is not a City asset.

Recommendation: The City should continue to monitor their capital assets for proper ownership recording.

Management Response: The City has made a note in its fixed asset manual maintained by Public Works of the State of Montana rule stating that all bridges constructed would be maintained by the County in which the asset is constructed regardless of whose financial resources were used. The City has since reviewed all fixed assets maintained on its fixed asset tracking system to ensure that no additional bridges are contained within the listing.

CITY OF BILLINGS, MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT

Prior Period Adjustment Water Fund

2012-I

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.

Current Status: This finding has been adequately addressed.



City of Billings, Montana

