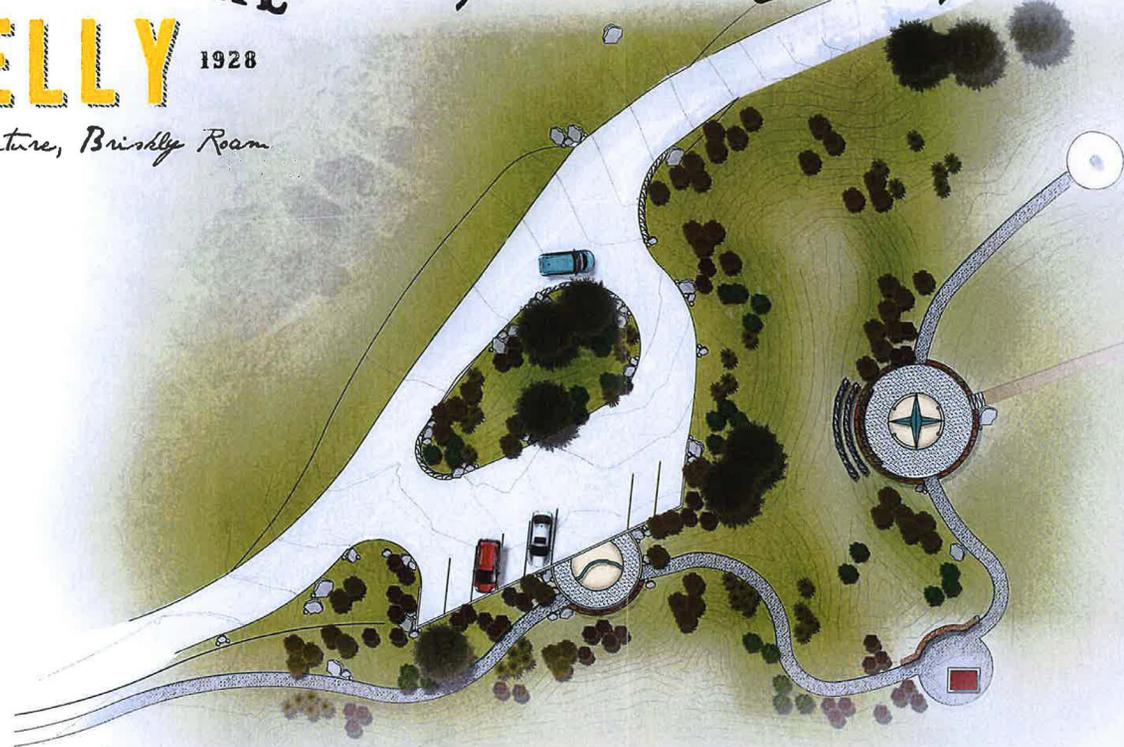


CITY OF BILLINGS MONTANA

Fiscal Year 2017

Proposed Interpretive Site


YELLOWSTONE
1849 **KELLY** 1928
Brisibly Venture, Brisibly Roam



*"May the wind whisper tender requiems
over this consecrated grave..."*

COMPREHENSIVE
Annual Financial Report

ABOUT THE COVER

Situated at the east end of Swords Rimrock Park, atop the rimrocks overlooking Billings, is the site of “Yellowstone” Luther Sage Kelly. Yellowstone Kelly was born July 27, 1849. As a young man he served in the military during the Civil War; as a military scout in the Northwest region of the country, including Montana and the Dakotas; and explored and mapped the Yellowstone region. Just prior to his death on December 17, 1928, because of his experiences in and his love for this area, he made a request to be buried in Montana.

Over the years, Yellowstone Kelly’s gravesite fell into disrepair and was subject to vandalism. Approximately three years ago, Billings Parks and Recreation partnered with the Billings Chamber of Commerce to make much needed improvements to the gravesite; and further to develop the Yellowstone Kelly Interpretive Site. The Chamber of Commerce has raised over \$500,000 toward this project. At this time of this writing, the site is currently under construction with an expected completion of late summer 2017. When completed, visitors will be able to view the gravesite and learn more about Yellowstone Kelly’s life and many adventures in the Montana region.

CITY OF BILLINGS, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT

FINANCE DEPARTMENT

ANDREW ZOELLER, CPA
INTERIM FINANCE DIRECTOR

FISCAL YEAR 2017

July 1, 2016 – June 30, 2017

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INTRODUCTORY SECTION



CITY OF BILLINGS

FINANCE DEPARTMENT

- P.O BOX 1178
- BILLINGS, MONTANA 59103
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December 29, 2017

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

The Comprehensive Annual Financial Report (CAFR) of the City of Billings, Montana (the City) for Fiscal Year ended June 30, 2017, is hereby submitted. This report was prepared by the Finance Department. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Office of Management and Budget Uniform Guidance, Audits of States, Local Governments and Non-Profit Organizations. Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards and the auditor's reports on internal controls and compliance is included in the Single Audit section of this report.

CITY OF BILLINGS PROFILE

The City of Billings was incorporated in 1882 and is located in South Central Montana along Interstate 90. The City of Billings is located in Yellowstone County, the most populous county in Montana. Billings is the largest city in the state with a 2010 Census population of 104,170 and a current estimate of 110,323.

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.

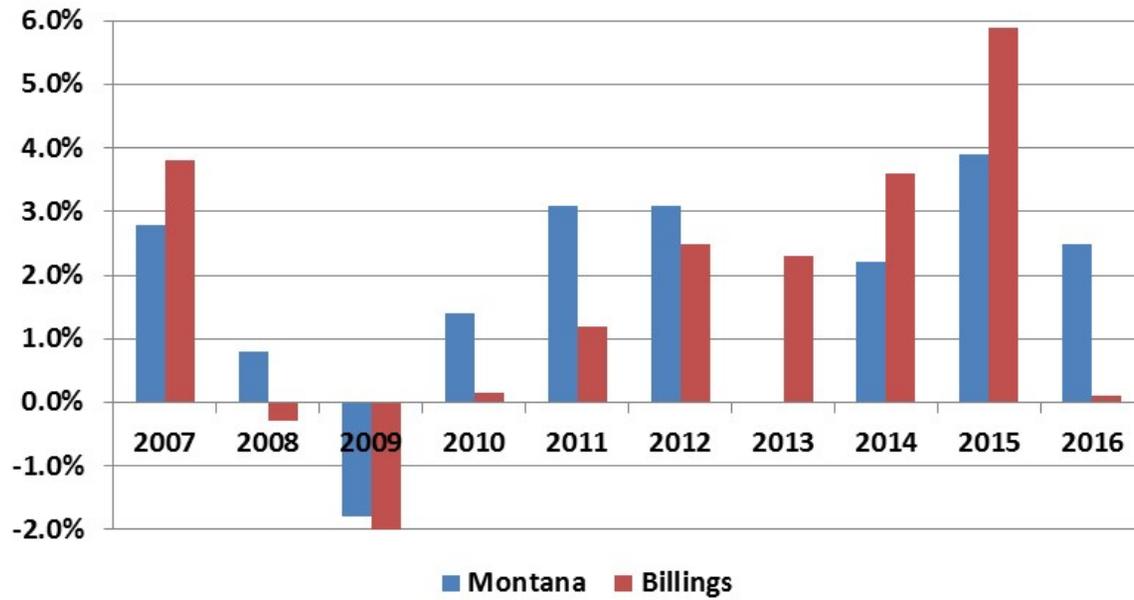
The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

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, 2017. Per state law, encumbrances are automatically re-appropriated and added to the following year's adopted budget. This re-appropriation takes place without council action.

ECONOMIC CONDITION AND OUTLOOK

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

Change in Nonfarm Labor Income



One of the City's largest industries is health care. Presently, the Billings Clinic Health System (approximately 4,150 employees) and Saint Vincent Healthcare (approximately 1,750 employees) employ approximately 5,900 employees. Both

healthcare systems have embarked on major expansion programs that will increase the size of their facilities and their employment levels over the next several years.

LONG-TERM FINANCIAL PLANNING

The City of Billings annually completes five year plans for the General Fund, Public Safety Fund, Library Fund, Airport Fund, Transit Fund and other operating funds. Currently, the Public Safety Fund gets around 50% of its revenue from the General Fund. Through years of modest spending combined with improved property tax revenues, the General Fund balance has continued to increase. As a result of continued population growth, the City will need to make many decisions related to expansion of City facilities over the next five years. This will likely use a portion of the unassigned General Fund balance. The City is also in the process of completing Priority Based Budgeting for all operational funds. This information will be used when completing the FY19 budget.

RELEVANT FINANCIAL POLICIES

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

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

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

MAJOR INITIATIVES

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

- ∞ Honest, Responsive Government: Striving to be a principle-centered organization that promotes responsibility, accountability, trust, and open, accessible government.
- ∞ Comprehensive Orderly Growth: Careful consideration and management of the process of community growth.

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

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

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

INDEPENDENT AUDIT

The State of Montana requires a biennial audit of the basic financial statements of the City by independent certified public accountants selected by the City Council. However, the City Council has recommended that an annual audit be performed. An annual audit provides a higher level of financial management and fiscal responsibility. JCCS P.C., Certified Public Accountants, have issued an unmodified (“clean”) opinion on the City of Billings, Montana’s financial statements for the year ended June 30, 2017. The independent auditors’ report is located at the front of the financial section of this report.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Billings, Montana, for its comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the 33rd 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 26th consecutive year, the City received the GFOA's Award for Distinguished Budget Presentation for its 2017-2018 annual budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories including policy documentation, financial planning, and organization.

ACKNOWLEDGEMENTS

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

Respectfully submitted,



Andy Zoeller, CPA
Interim Finance Director



Government Finance Officers Association

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

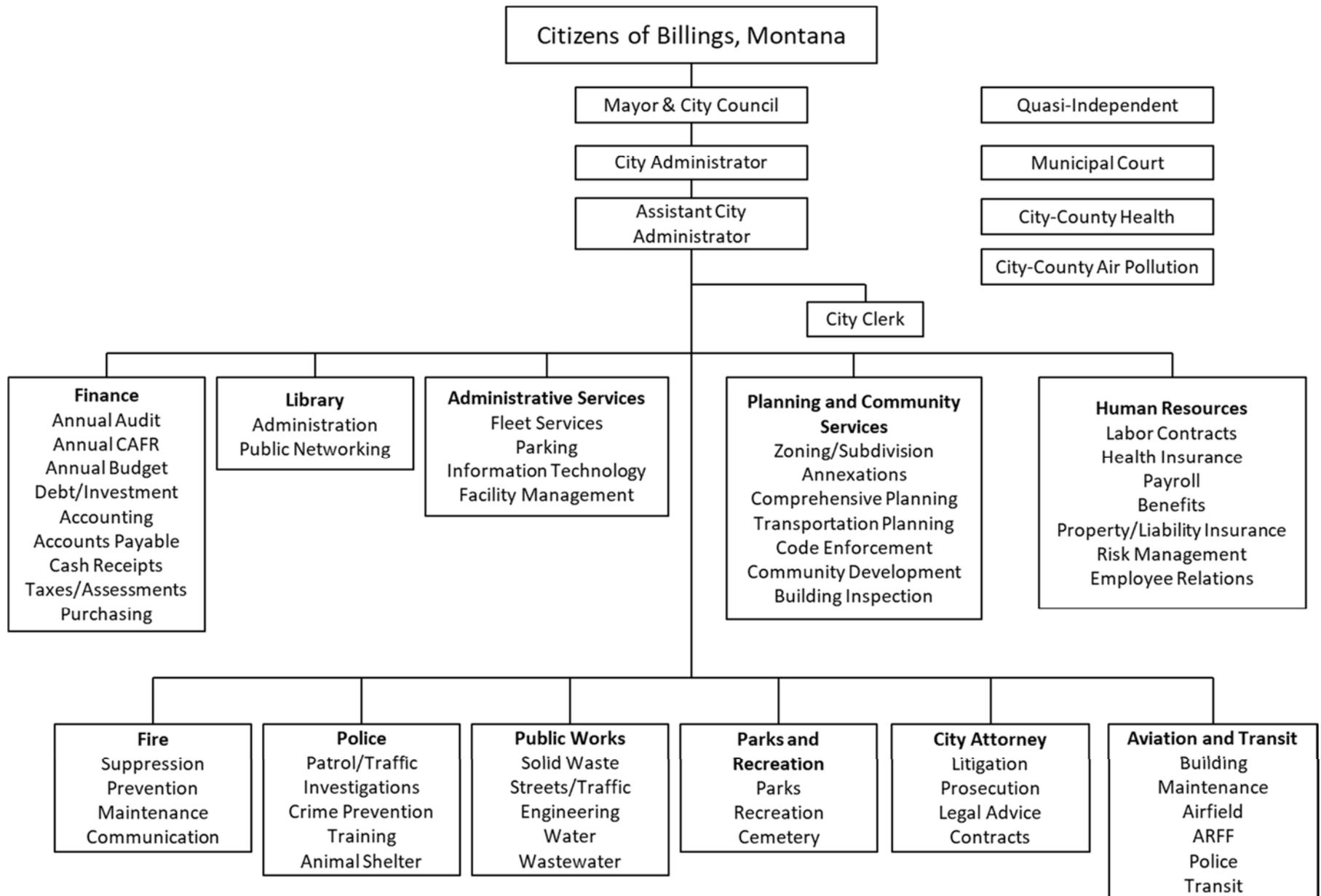
Presented to

**City of Billings
Montana**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

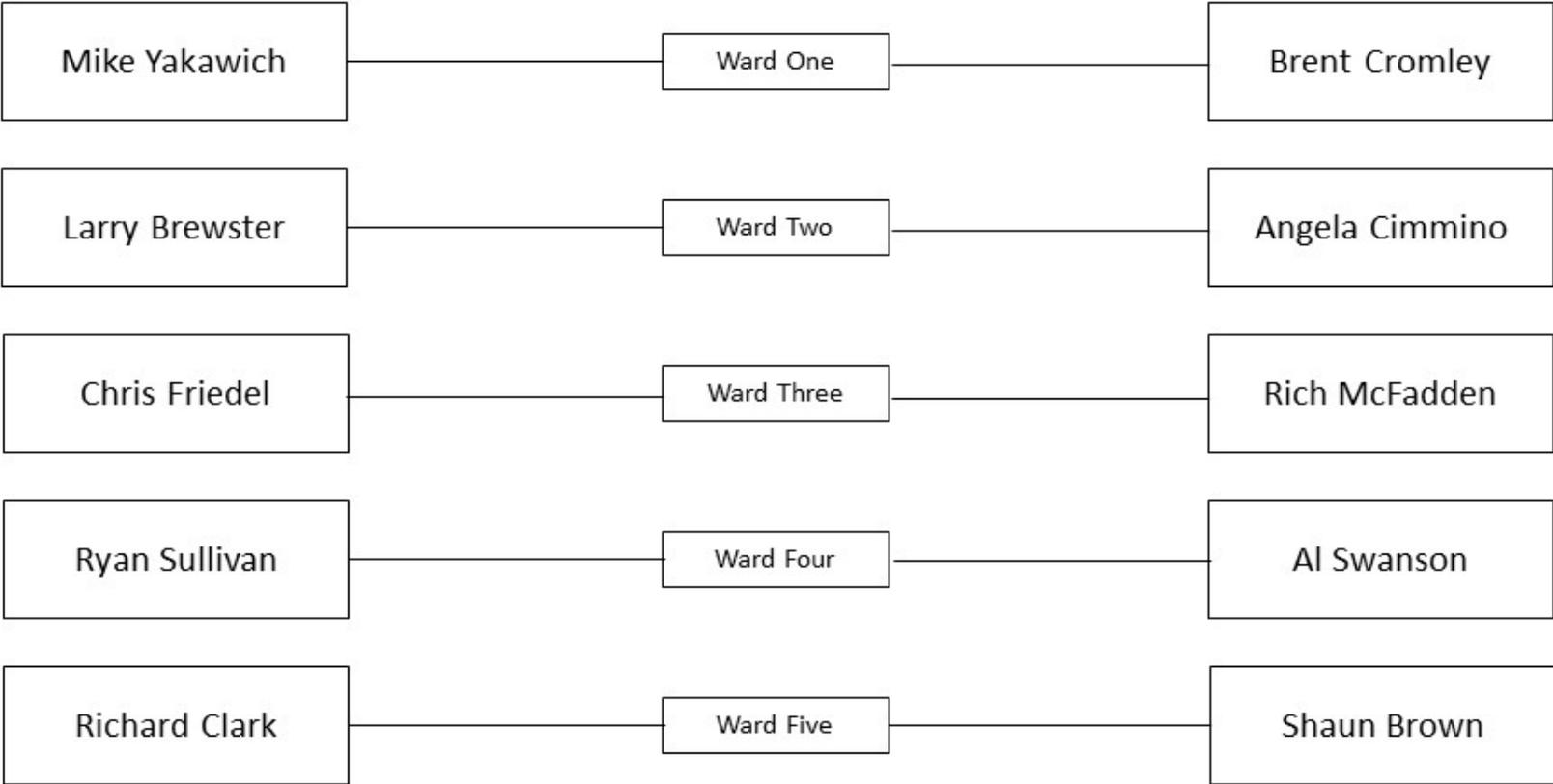
Executive Director/CEO



City of Billings, Montana
Official Roster

Mayor
Tom Hanel

Council Members



FINANCIAL SECTION

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Billings, Montana, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City of Billings, Montana's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Billings, Montana, as of June 30, 2017, 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 12 and 109 through 121 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Billings, Montana's, basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017, 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 29, 2017

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, 2017. In addition to this overview and analysis based on currently known facts, decisions, and conditions, the City encourages readers to consider the information presented in the City's letter of transmittal and the City's financial statements, which begin on pages i and 13 of this report, respectively.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the fiscal year end by \$726,142,337 (Net Position).
- The total fiscal year end governmental fund balance was \$110,016,613 as reported in the balance sheet.
- The total general fund and public safety fund balances at the fiscal year end were \$28,272,380 and \$1,600,000, respectively. More information regarding the general fund and public safety fund balances is contained in the Economic Factors and Future Outlook toward the end of the Management Discussion and Analysis (MD&A).

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Net position over time may serve useful as an indicator of a government's financial position. The net position for the fiscal year ending June 30, 2017, was \$726,142,337 (assets exceeded liabilities), which was an increase of \$24,943,261.

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, 2017, and June 30, 2016:

City of Billings, Montana's Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 134,131,561	\$ 134,902,757	\$ 178,840,228	\$ 109,451,235	\$ 312,971,789	\$ 244,353,992
Capital assets	280,116,897	277,681,719	428,606,240	412,428,621	708,723,137	690,110,340
Total assets	414,248,458	412,584,476	607,446,468	521,879,856	1,021,694,926	934,464,332
Deferred outflows	10,358,118	7,252,081	3,868,853	1,368,334	14,226,971	8,620,415
Long-term liabilities outstanding	137,210,511	133,511,691	146,503,220	82,836,980	283,713,731	216,348,671
Other liabilities	11,003,593	12,107,529	11,768,510	7,336,932	22,772,103	19,444,461
Total liabilities	148,214,104	145,619,220	158,271,730	90,173,912	306,485,834	235,793,132
Deferred inflows	2,928,156	4,660,056	365,570	1,432,483	3,293,726	6,092,539
Net position:						
Net investment in capital assets	208,499,119	201,511,490	309,890,080	353,451,259	518,389,199	554,962,749
Restricted	53,672,385	62,749,069	55,100,602	7,766,110	108,772,987	70,515,179
Unrestricted	11,292,812	5,296,722	87,687,339	70,424,426	98,980,151	75,721,148
Total net position	\$ 273,464,316	\$ 269,557,281	\$ 452,678,021	\$ 431,641,795	\$ 726,142,337	\$ 701,199,076

The restricted portion of fiscal year 2017 Net position (15%) represents resources that are subject to external restrictions as to how they may be used.

City of Billings, Montana's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 36,549,811	\$ 36,197,632	\$ 71,952,899	\$ 71,128,324	\$ 108,502,710	\$ 107,325,956
Operating grants and contributions	12,033,947	11,712,534	4,024,429	3,894,090	16,058,376	15,606,624
Capital grants and contributions	11,036,308	9,567,960	9,163,621	12,326,771	20,199,929	21,894,731
General revenues:						
Property taxes	37,269,138	36,635,514	2,054,164	1,981,394	39,323,302	38,616,908
Franchise fees	3,833,171	3,945,763	-	-	3,833,171	3,945,763
Business licenses	763,179	755,095	-	-	763,179	755,095
Unrestricted federal/state shared revenue	16,407,062	15,876,960	-	-	16,407,062	15,876,960
Unrestricted investment earnings	227,662	332,457	656,677	751,528	884,339	1,083,985
Gain/(Loss) on sale of property and equipment	266,712	(2,212,314)	27,969	-	294,681	(2,212,314)
Miscellaneous	143,627	194,362	835,022	153,476	978,649	347,838
Total revenues	118,530,617	113,005,963	88,714,781	90,235,583	207,245,398	203,241,546

(Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Expenses:						
General government	8,800,809	8,166,344	-	-	8,800,809	8,166,344
Public safety	45,516,446	43,854,611	-	-	45,516,446	43,854,611
Public works	38,203,091	32,694,939	-	-	38,203,091	32,694,939
Public health	1,002,363	957,498	-	-	1,002,363	957,498
Culture and recreation	11,269,160	10,866,744	-	-	11,269,160	10,866,744
Housing and economic development	5,889,765	4,474,822	-	-	5,889,765	4,474,822
Interest on long-term debt	2,774,845	2,939,372	-	-	2,774,845	2,939,372
Solid Waste	-	-	12,117,275	11,988,460	12,117,275	11,988,460
Airport	-	-	12,907,441	12,538,288	12,907,441	12,538,288
Water	-	-	19,533,689	18,534,453	19,533,689	18,534,453
Wastewater	-	-	14,749,957	12,953,167	14,749,957	12,953,167
Parking	-	-	2,401,137	2,424,648	2,401,137	2,424,648
Transit	-	-	5,666,518	5,715,233	5,666,518	5,715,233
Golf Course	-	-	478,030	449,530	478,030	449,530
Total expenses	113,456,479	103,954,330	67,854,047	64,603,779	181,310,526	168,558,109
Increase in net position before transfers	5,074,138	9,051,633	20,860,734	25,631,804	25,934,872	34,683,437
Transfers	(502,126)	(100,576)	502,126	100,576	-	-
Change in net position	4,572,012	8,951,057	21,362,860	25,732,380	25,934,872	34,683,437
Net position, beginning of year	269,557,281	260,606,224	431,641,795	405,909,415	701,199,076	666,515,639
Prior period adjustment	(664,977)	-	(326,634)	-	(991,611)	-
Net position, end of year	\$ 273,464,316	\$ 269,557,281	\$ 452,678,021	\$ 431,641,795	\$ 726,142,337	\$ 701,199,076

Governmental activities. Net Position in governmental activities increased by \$4,572,012 during fiscal year 2017. Net Position increased due to the combination of increased property tax collections and capital grants.

Business-type activities. Net Position in business-type activities increased by \$21,362,860 during fiscal year 2017. Net Position increased due to Airport, Water, and Wastewater contributed capital of \$7.6 million and charges exceeding operating expenses in Solid Waste, Water, and Wastewater by \$14.7 million.

Financial Analysis of the City's Funds

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

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

The City of Billings Public Safety Fund received approximately 50% of its funding from the General Fund. Therefore, both funds are directly related. The combined fund balances for the General and Public Safety funds increased by \$1.2 million in the current fiscal year. The increase resulted from ongoing cost containments in the General and Public Safety funds. The City also benefited from increased property taxes as a result of increased property values.

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

Unrestricted net position in the proprietary funds is \$88,296,392 for fiscal year ended June 30, 2017, an increase of \$16 million. The most significant increases in unrestricted net position were related to capital contributions and net operating income.

The net position of the Solid Waste Fund increased by \$2.8 million due to a net operating income of \$2.7 million. The Airport Fund's net position increased by \$3.8 million due to capital contributions of \$4.6 million. The Water Fund's net position increased by \$6.7 million due to contributed capital of \$814,000 and a net operating income of \$6.2 million. The Wastewater Fund's net position increased by \$8.2 million due to contributed capital of \$2.2 million and a net operating income of \$6.3 million. The Parking Fund's net position decreased by \$241,000 due to a net operating loss.

General Fund Budgetary Highlights

Variances between the final revenue budget and actual revenues received is a result of more taxes from increased property valuations, a larger amount was received for personal property reimbursement, and charges for services was greater than anticipated due to an increase in participation of recreation activities. Variances between the final expenditure budget and actual expenditures resulted from

vacancy savings, unused council contingency funds, and vacancy savings in the Public Safety Fund resulting in a transfer that was less than budgeted.

Capital Asset and Debt Administration

Capital Assets. The City of Billings investment in capital assets for its governmental and business-type activities as of June 30, 2017, was \$708,723,136 (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 \$80.9 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	
	2017	2016	2017	2016	2017	2016
Land	\$ 43,844,673	\$ 40,323,862	\$ 13,755,814	\$ 13,755,814	\$ 57,600,487	\$ 54,079,676
Buildings	24,033,654	24,800,127	55,982,750	52,537,481	80,016,404	77,337,608
Improvements other than buildings	30,417,511	31,715,768	48,311,683	46,113,275	78,729,194	77,829,043
Machinery and equipment	14,740,000	15,808,800	20,423,961	19,997,775	35,163,961	35,806,575
Infrastructure	160,784,573	158,777,896	271,092,235	265,830,826	431,876,808	424,608,722
Construction In progress	6,296,486	6,255,267	19,039,797	14,193,450	25,336,283	20,448,717
Total	\$ 280,116,897	\$ 277,681,719	\$ 428,606,240	\$ 412,428,621	\$ 708,723,136	\$ 690,110,340

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

City of Billings, Montana's Outstanding Debt

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 30,109,235	\$ 25,290,723	\$ -	\$ -	\$ 30,109,235	\$ 25,290,723
Refunding bonds	-	-	3,259,105	4,489,095	3,259,105	4,489,095
Special assessment debt with governmental commitment	19,584,522	21,362,720	-	-	19,584,522	21,362,720
Revenue bonds	25,516,200	26,032,082	68,518,498	5,509,757	94,034,698	31,541,839
Notes payable	249,319	712,341	42,767,000	42,374,000	43,016,319	43,086,341
Intercap notes payable	42,938	48,304	-	-	42,938	48,304
Capital lease payable	2,935,470	3,362,034	3,654,924	6,600,296	6,590,394	9,962,330
Total	\$ 78,437,684	\$ 76,808,204	\$ 118,199,527	\$ 58,973,148	\$ 196,637,211	\$ 135,781,352

Long-term debt. The City of Billings had total bonded debt and notes outstanding of \$196,637,211 at the end of the current fiscal year. The majority of the debt consists of revenue bonds payable in the amount of \$118,199,527 for business activity consisting mostly of loans for a major Wastewater plant project. General Obligation Bonds in the amount of \$30,109,235 of debt is backed by the full faith and credit of the government. The remaining amounts are special assessment debt in the amount of \$19,584,522, which is assessed to benefit property owners, \$94,034,698 of revenue bonds secured by specified revenue sources, and \$6,590,394 for capital leases. Notes payable in the amount of \$249,319 for governmental activity is a combination of notes for the Dehler Park Scoreboard and firefighter lawsuit 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, 2017, the City's general obligation bonded debt of \$30,109,235 was well below the legal debt limit of \$291,981,354. General obligation net bonded debt per capita equated to \$272.92.

Additional information on the City of Billings long-term debt can be found on pages 61-72 of this report.

Economic Factors and Future Outlook

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

The 2015 legislature changed the method of property valuation from a six-year reappraisal with a phased value adjustment spread over six years to a two-year reappraisal cycle without a phase in period. This change caused assessed taxable value to be much more in line with actual property values, resulting in increased property taxes. Fund balance projections for the General Fund will be above the minimum recommended reserve level as of June 30, 2017. The recommended reserve of 29% of the annual budget was derived from analyzing 10 years of cash flow needs. These reserves are necessary because property taxes, which are the greatest source of revenue for the General Fund, are paid in two installments, November 30th and May 31st. As a result, cash balance in the fund decreases significantly in between tax payments.

The Billings City Council approved a decrease in the number of mills levied for tax year 2017 by 2.27 mills. This was in response to the growth in property values within the City. Of the total mills levied within the City of Billings (City, County, School, and State), the City's portion is approximately 23%. The city has seen modest growth in both new construction and existing property values. We expect this trend to continue, and anticipate modest growth in property tax revenue for FY18.

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, 2017
(Page 1 of 2)

	Governmental Activities	Business-type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 50,326,169	\$ 66,650,384	\$ 116,976,553
Restricted cash and cash equivalents with fiscal agent	12,158,206	7,282,145	19,440,351
Investments	63,419,481	83,817,297	147,236,778
Receivables	12,344,072	10,595,371	22,939,443
Internal balances	(5,504,942)	5,504,942	-
Inventories	303,887	1,821,163	2,125,050
Prepaid items	15,457	5,988	21,445
Property held for resale	378,825	-	378,825
Restricted assets:			
Temporarily restricted:			
Investments with trustee	-	3,162,938	3,162,938
Permanently restricted:			
Cash and cash equivalents	305,628	-	305,628
Investments	384,778	-	384,778
Capital assets:			
Land and construction in progress	50,141,159	32,795,611	82,936,770
Other capital assets, net of depreciation	229,975,738	395,810,629	625,786,367
Total capital assets	280,116,897	428,606,240	708,723,137
Total assets	414,248,458	607,446,468	1,021,694,926
<u>Deferred Outflows</u>			
Deferred charge on refunding of debt	1,112,597	70,861	1,183,458
Other post employment benefits	1,740,091	854,726	2,594,817
Pensions	7,505,430	2,943,266	10,448,696
Total deferred outflows	10,358,118	3,868,853	14,226,971
<u>Liabilities</u>			
Accounts payable	4,276,633	8,819,181	13,095,814
Accrued wages and benefits	2,482,540	1,187,165	3,669,705
Incurred but not reported health benefits	750,000	-	750,000
Accrued interest	1,370,068	1,761,986	3,132,054
Unearned Revenue	751,352	178	751,530
Other liabilities	73,000	-	73,000
Claims and judgments - due within one year	1,300,000	-	1,300,000
Long-term liabilities:			
Due within one year	16,940,505	9,892,242	26,832,747
Due in more than one year	69,441,828	112,087,244	181,529,072
Other post-employment benefits	6,997,316	3,464,604	10,461,920
Net pension liability	43,830,862	17,848,565	61,679,427
Landfill closure and postclosure - due in more than one year	-	3,210,565	3,210,565
Total liabilities	148,214,104	158,271,730	306,485,834

(continued)

CITY OF BILLINGS, MONTANA
Statement of Net Position
June 30, 2017
(Page 2 of 2)

<u>Deferred Inflows</u>			
Other post employment benefits	526,667	258,697	785,364
Pensions	2,401,489	106,873	2,508,362
Total deferred inflows	2,928,156	365,570	3,293,726
	<u>Governmental</u>	<u>Business-type</u>	
	Activities	Activities	Total
<u>Net Position</u>			
Net investment in capital assets	208,499,119	309,890,080	518,389,199
Restricted for:			
Public works	17,735,914	-	17,735,914
Culture and recreation	823,398	-	823,398
Housing and economic development	13,239,167	-	13,239,167
Capital projects	6,134,249	49,554,696	55,688,945
Debt service	15,048,084	5,545,906	20,593,990
Endowments - nonexpendable	691,573	-	691,573
Unrestricted	11,292,812	87,687,339	98,980,151
Total net position	\$ 273,464,316	\$ 452,678,021	\$ 726,142,337

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

CITY OF BILLINGS, MONTANA
Statement of Activities
For The Fiscal Year Ended June 30, 2017

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Operating		Capital Grants and Contributions	Primary Government		
		Charges for Services	Grants and Contributions		Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs:</u>							
Primary government							
Governmental activities:							
General government	\$ 8,800,809	\$ 3,414,040	\$ 1,689,339	\$ 326,186	\$ (3,371,244)	\$ -	\$ (3,371,244)
Public safety	45,516,446	5,200,340	2,569,688	82,798	(37,663,620)	-	(37,663,620)
Public works	38,203,091	25,476,293	2,004,093	8,335,553	(2,387,152)	-	(2,387,152)
Public health	1,002,363	48,496	81,199	-	(872,668)	-	(872,668)
Culture and recreation	11,269,160	2,375,401	2,613,458	2,291,771	(3,988,530)	-	(3,988,530)
Housing and economic development	5,889,765	35,241	2,255,620	-	(3,598,904)	-	(3,598,904)
Interest on long-term debt	2,774,845	-	-	-	(2,774,845)	-	(2,774,845)
Total governmental activities	<u>113,456,479</u>	<u>36,549,811</u>	<u>12,033,947</u>	<u>11,036,308</u>	<u>(53,836,413)</u>	<u>-</u>	<u>(53,836,413)</u>
Business-type activities:							
Solid Waste	12,117,275	14,714,947	67,896	-	-	2,665,568	2,665,568
Airport	12,907,441	10,077,852	189,143	6,139,655	-	3,499,209	3,499,209
Water	19,533,689	24,687,426	73,423	814,160	-	6,041,320	6,041,320
Wastewater	14,749,957	19,797,652	59,042	2,209,806	-	7,316,543	7,316,543
Parking	2,401,137	1,601,461	10,174	-	-	(789,502)	(789,502)
Transit	5,666,518	633,983	3,624,751	-	-	(1,407,784)	(1,407,784)
Golf Course	478,030	439,578	-	-	-	(38,452)	(38,452)
Total business-type activities	<u>67,854,047</u>	<u>71,952,899</u>	<u>4,024,429</u>	<u>9,163,621</u>	<u>-</u>	<u>17,286,902</u>	<u>17,286,902</u>
Total primary government	<u>\$ 181,310,526</u>	<u>\$ 108,502,710</u>	<u>\$ 16,058,376</u>	<u>\$ 20,199,929</u>	<u>(53,836,413)</u>	<u>17,286,902</u>	<u>(36,549,511)</u>
General revenues:							
Property taxes					37,269,138	2,054,164	39,323,302
Franchise fees					3,833,171	-	3,833,171
Business license tax					763,179	-	763,179
Unrestricted federal/state shared revenue					16,407,062	-	16,407,062
Unrestricted investment earnings					227,662	656,677	884,339
Gain on sale of capital assets					266,712	27,969	294,681
Miscellaneous					143,627	835,022	978,649
Transfers					(502,126)	502,126	-
Total general revenues and transfers					<u>58,408,425</u>	<u>4,075,958</u>	<u>62,484,383</u>
Change in net position					4,572,012	21,362,860	25,934,872
Net position, beginning of year, as previously stated					<u>269,557,281</u>	<u>431,641,795</u>	<u>701,199,076</u>
Prior period adjustment (Note IV H)					(664,977)	(326,634)	(991,611)
Net position, beginning of year					<u>268,892,304</u>	<u>431,315,161</u>	<u>700,207,465</u>
Net position, end of year					<u>\$ 273,464,316</u>	<u>\$ 452,678,021</u>	<u>\$ 726,142,337</u>

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

CITY OF BILLINGS, MONTANA

Governmental Funds

Balance Sheet

June 30, 2017

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 12,455,327	\$ 1,099,756	\$ 30,950,238	\$ 44,505,321
Cash with fiscal agent	-	-	12,158,206	12,158,206
Investments	15,666,978	1,383,263	39,018,630	56,068,871
Receivables:				
Property taxes	835,601	846,549	712,177	2,394,327
Accounts and unbilled usage	1,533	43,868	76,927	122,328
Delinquent special assessments	14,539	-	1,161,560	1,176,099
Special assessments receivable	-	-	5,233,573	5,233,573
Accrued interest	41,772	316	103,954	146,042
Notes	-	-	2,039,644	2,039,644
Due from other funds	86,609	-	131,240	217,849
Due from other governments	-	-	721,498	721,498
Inventories	-	-	116,679	116,679
Property held for resale	-	-	378,825	378,825
Total assets	\$ 29,102,359	\$ 3,373,752	\$ 92,803,151	\$ 125,279,262
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
Accounts payable	\$ 229,214	\$ 208,632	\$ 3,475,909	\$ 3,913,755
Accrued wages & benefits	423,498	1,327,199	443,525	2,194,222
Due to other funds	-	-	217,849	217,849
Unearned Revenue	-	-	750,824	750,824
Other liabilities	-	-	73,000	73,000
Total Liabilities	\$ 652,712	\$ 1,535,831	\$ 4,961,107	\$ 7,149,650
Deferred inflows:				
Unavailable Revenue	177,267	237,921	7,697,811	8,112,999
Fund balances:				
Unspendable	-	-	808,252	808,252
Restricted	-	1,600,000	70,432,080	72,032,080
Committed	11,651,000	-	9,021,634	20,672,634
Unassigned	16,621,380	-	(117,733)	16,503,647
Total fund balances	28,272,380	1,600,000	80,144,233	110,016,613
Total liabilities, deferred inflows and fund balances	\$ 29,102,359	\$ 3,373,752	\$ 92,803,151	\$ 125,279,262

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

CITY OF BILLINGS, MONTANA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017

Total <i>fund balances</i> for governmental funds		\$ 110,016,613
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	\$ 41,854,790	
Buildings and improvements	27,102,041	
Improvements other than buildings	44,355,960	
Machinery and equipment	34,771,913	
Infrastructure	298,273,197	
Construction in progress	6,274,754	
Less accumulated depreciation	<u>(184,170,682)</u>	268,461,973
Deferred outflow of resources are not financial resources, and therefore are not reported in the funds and include:		
Gov't deferred outflows of resources - unavailable tax revenue	8,112,999	
Gov't deferred outflows of resources - pensions	<u>8,022,607</u>	16,135,606
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	(28,635,000)	
add: bond premium	(1,474,235)	
Tax increment bonds payable	(25,530,000)	
less: bond discount	(41,768)	
add: bond premium	55,567	
Special assessment bonds payable	(19,017,928)	
less: bond discount	52,116	
add: bond premium	(618,710)	
Notes payable	(292,206)	
Compensated absences payable	(6,717,792)	
Other post-employment benefits	(6,139,894)	
Net pension liability	(37,764,494)	
Claims and judgments	(1,300,000)	
Accrued interest	<u>(1,342,168)</u>	(128,766,512)
Deferred inflow of resources related to pensions are not available to pay for current period expenditures, and therefore are not recorded in the funds		
Deferred charge on refunding	1,112,597	
Pensions	<u>(2,824,472)</u>	(1,711,875)
Internal service funds are used by the City to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position		
		<u>9,328,510</u>
Total net position of governmental activities		<u><u>\$ 273,464,316</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, 2017

	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 15,153,915	\$ 12,323,714	\$ 9,734,952	\$ 37,212,581
Licenses and permits	4,609,685	38,732	1,947,618	6,596,035
Intergovernmental	11,140,476	8,905,627	8,944,913	28,991,016
Charges for services	4,335,366	1,542,613	7,686,695	13,564,674
Fines and forfeitures	1,448,183	2,400	303,884	1,754,467
Special assessments	-	-	22,920,695	22,920,695
Other	137,846	146,663	3,915,184	4,199,693
Total revenues	<u>36,825,471</u>	<u>22,959,749</u>	<u>55,453,941</u>	<u>115,239,161</u>
Expenditures:				
Current:				
General government	6,110,613	-	2,220,517	8,331,130
Public safety	424,112	43,239,054	3,442,520	47,105,686
Public works	398,014	-	21,463,776	21,861,790
Public health	-	820,772	-	820,772
Culture and recreation	4,098,123	-	4,102,611	8,200,734
Housing and economic development	-	-	5,718,031	5,718,031
Capital outlay	316,693	307,780	13,820,645	14,445,118
Debt service:				
Principal	-	445,535	4,355,135	4,800,670
Interest and fiscal charges	-	27,820	2,706,027	2,733,847
Bond issuance costs	-	-	68,586	68,586
Total expenditures	<u>11,347,555</u>	<u>44,840,961</u>	<u>57,897,848</u>	<u>114,086,364</u>
Revenues over (under) expenditures	<u>25,477,916</u>	<u>(21,881,212)</u>	<u>(2,443,907)</u>	<u>1,152,797</u>
Other financing sources (uses):				
Transfers in	3,889	22,907,140	5,340,705	28,251,734
Transfers out	(24,400,232)	(868,631)	(3,754,332)	(29,023,195)
Special assessment bonds issued	-	-	226,000	226,000
Sale of capital assets	-	-	266,712	266,712
Total other financing sources (uses)	<u>(24,396,343)</u>	<u>22,038,509</u>	<u>2,079,085</u>	<u>(278,749)</u>
Net change in fund balances	1,081,573	157,297	(364,822)	874,048
Fund balance, beginning of year	27,190,807	1,442,703	80,509,055	109,142,565
Fund balance, end of year	<u>\$ 28,272,380</u>	<u>\$ 1,600,000</u>	<u>\$ 80,144,233</u>	<u>\$ 110,016,613</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, 2017
(Page 1 of 2)

Net change in <i>fund balances</i> - total governmental funds		\$	874,048
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			14,445,117
Depreciation			(17,380,091)
			(2,934,974)
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.			
			(102,454)
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			6,047,682
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Unavailable tax revenue			(189,838)
Deferred outflow of resources - pensions and OPEB			2,331,462
			2,141,624
Proceeds from debt issues are other financing sources in the funds, but debt issues are long-term liabilities in the statement of net assets.			
Special assessment bond issued			(226,000)
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			192,848
Bond discounts			(71,365)
Deferred inflow of resource - pensions and OPEB			1,454,011
Deferred loss on refunding			(20,675)
			1,554,819
			(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, 2017
(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	1,830,000	
Tax increment debt	515,000	
Special assessment debt	1,987,282	
Capital lease payable	-	
Notes payable	<u>468,388</u>	4,800,670

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. (1,095,828)

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	(589,070)	
Other post-employment benefits	(1,462,848)	
Net Pension Liability	(4,427,509)	
Interest and amortization expenses	<u>(8,148)</u>	<u>(6,487,575)</u>

Change in net position of governmental activities \$ 4,572,012

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, 2017

	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	\$ 5,639,181	\$ 5,181,145	\$ 15,576,918	\$ 38,320,429	\$ 329,270	\$ 1,603,441	\$ 66,650,384	\$ 6,126,476
Restricted cash and cash equivalents with fiscal agent	-	1,296,644	1,379,018	4,606,483	-	-	7,282,145	-
Investments	7,082,153	6,522,126	19,640,282	48,463,063	409,912	1,699,761	83,817,297	7,735,388
Receivables:								
Property taxes	-	-	-	-	-	123,467	123,467	-
Accounts and unbilled usage	1,775,464	788,495	4,025,850	2,763,288	75,021	22,082	9,450,200	37,327
Accrued interest	25,627	20,725	56,828	56,647	1,163	2,045	163,035	23,234
Notes	-	-	-	-	-	-	-	50,000
Receivables from other governments	-	529,190	-	-	-	329,479	858,669	-
Inventories	-	43,348	1,599,659	-	-	178,156	1,821,163	187,208
Prepaid items	-	-	-	620	-	5,368	5,988	15,457
Total current assets	14,522,425	14,381,673	42,278,555	94,210,530	815,366	3,963,799	170,172,348	14,175,090
Noncurrent assets:								
Notes receivable	-	-	-	-	-	-	-	400,000
Restricted investments with trustee	3,162,938	-	-	-	-	-	3,162,938	-
Property and equipment:								
Land	493,448	3,402,517	1,799,888	959,585	5,665,085	1,435,291	13,755,814	1,989,883
Buildings	188,095	31,403,479	22,106,079	16,645,434	35,538,914	9,652,056	115,534,057	9,381,235
Improvements other than buildings	9,543,138	109,043,465	436,754	2,810,810	400,568	1,005,756	123,240,491	2,057,137
Equipment and vehicles	16,054,072	15,215,476	15,635,817	13,455,254	517,642	10,200,740	71,079,001	8,217,873
Infrastructure	-	-	242,344,819	179,849,077	-	-	422,193,896	-
Construction in progress	268,084	1,777,733	2,487,694	14,129,758	376,528	-	19,039,797	21,732
Less: accumulated depreciation	(12,858,313)	(101,609,329)	(107,531,690)	(85,886,660)	(14,137,490)	(14,213,334)	(336,236,816)	(10,012,936)
Total noncurrent assets	16,851,462	59,233,341	177,279,361	141,963,258	28,361,247	8,080,509	431,769,178	12,054,924
Total assets	31,373,887	73,615,014	219,557,916	236,173,788	29,176,613	12,044,308	601,941,526	26,230,014
Deferred Outflows								
Bond refunding	-	70,861	-	-	-	-	70,861	-
Other post employment benefits	186,768	161,069	173,233	130,462	37,692	165,502	854,726	222,557
Pensions	603,759	581,057	652,906	525,024	90,475	490,045	2,943,266	1,000,357
Total assets and deferred outflows	\$ 32,164,414	\$ 74,428,001	\$220,384,055	\$236,829,274	\$ 29,304,780	\$ 12,699,855	\$605,810,379	\$ 27,452,928

(continued)

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Net Position (Page 2 of 2)
June 30, 2017

	Business-type Activities						Total	Internal Service Funds
	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Nonmajor Enterprise Funds		
Liabilities								
Current liabilities:								
Accounts payable	\$ 1,333,587	\$ 678,930	\$ 2,536,143	\$ 4,138,314	\$ 47,755	\$ 84,452	\$ 8,819,181	\$ 362,878
Accrued wages and benefits	255,903	205,895	243,167	185,252	37,999	258,949	1,187,165	288,318
Compensated absences	543,382	513,882	655,041	431,390	33,612	352,018	2,529,325	902,118
Accrued interest payable	-	10,400	382,018	207,561	84,441	-	684,420	27,900
Incurred but not reported health benefits	-	-	-	-	-	-	-	750,000
Notes payable	-	81,965	2,007,000	1,033,000	135,952	-	3,257,917	400,000
Unearned Revenue	178	-	-	-	-	-	178	528
Accrued interest payable from restricted assets	-	176,644	-	900,922	-	-	1,077,566	-
Revenue bonds payable from restricted assets	-	1,120,000	-	2,985,000	-	-	4,105,000	-
Total current liabilities	2,133,050	2,787,716	5,823,369	9,881,439	339,759	695,419	21,660,752	2,731,742
Noncurrent liabilities:								
Compensated absences	195,637	185,015	235,838	155,315	12,101	126,739	910,645	324,793
Other post employment benefits	753,094	646,609	728,978	497,591	163,237	675,095	3,464,604	857,422
Net pension liability	3,661,316	3,523,648	3,959,356	3,183,853	548,659	2,971,733	17,848,565	6,066,368
Revenue bonds payable	-	7,352,827	-	60,659,765	-	-	68,012,592	-
Notes payable	-	885,543	26,257,000	13,470,000	2,551,464	-	43,164,007	2,535,471
Landfill closure and postclosure-payable from restricted assets	3,210,565	-	-	-	-	-	3,210,565	-
Total noncurrent liabilities	7,820,612	12,593,642	31,181,172	77,966,524	3,275,461	3,773,567	136,610,978	9,784,054
Total liabilities	9,953,662	15,381,358	37,004,541	87,847,963	3,615,220	4,468,986	158,271,730	12,515,796
Deferred Inflows								
Other post employment benefits	56,529	48,750	52,432	39,486	11,408	50,092	258,697	67,360
Pensions	21,923	21,099	23,708	19,064	3,285	17,794	106,873	36,324
Total deferred inflows of resources	78,452	69,849	76,140	58,550	14,693	67,886	365,570	103,684
Net Position								
Net investment in capital assets	13,688,524	49,616,362	149,015,361	63,815,493	25,673,831	8,080,509	309,890,080	8,719,453
Restricted for:								
Bond and notes payable ordinance reserve	-	2,715,044	1,386,571	1,444,291	-	-	5,545,906	-
Capital Projects	-	1,963,637	-	47,585,599	-	5,460	49,554,696	-
Unrestricted	8,443,776	4,681,751	32,901,442	36,077,378	1,036	77,014	82,182,397	6,113,995
Total net position	22,132,300	58,976,794	183,303,374	148,922,761	25,674,867	8,162,983	447,173,079	14,833,448
Total liabilities, deferred inflows, and net position	\$ 32,164,414	\$ 74,428,001	\$ 220,384,055	\$ 236,829,274	\$ 29,304,780	\$ 12,699,855	\$ 452,678,021	\$ 27,452,928
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							5,504,942	
							Net position of business-type activities	\$452,678,021

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, 2017

	Business-type Activities					Nonmajor		Internal
	Solid Waste	Airport Fund	Water Fund	Wastewater	Parking Fund	Enterprise	Totals	Service Funds
	Fund			Fund		Funds		
Operating revenues:								
Charges for services	\$ 14,873,731	\$ 10,129,900	\$ 25,064,842	\$ 19,841,468	\$ 1,621,188	\$ 1,148,707	\$ 72,679,836	\$ 22,716,491
Operating expenses:								
Salaries and benefits	4,873,622	4,419,034	4,860,122	4,214,630	753,972	3,931,349	23,052,729	18,684,265
Supplies	2,054,969	959,742	1,773,485	923,330	98,107	680,305	6,489,938	254,325
Contracted services	1,798,577	1,095,724	2,244,892	1,186,877	406,627	397,495	7,130,192	2,787,634
Utilities	74,427	770,330	1,864,905	1,331,380	84,108	135,100	4,260,250	522,474
Other	1,114,877	208,510	1,208,983	1,496,164	73,793	127,464	4,229,791	1,840,539
Depreciation	2,058,849	5,024,997	6,912,318	4,378,450	861,143	872,436	20,108,193	870,631
Landfill closure and post-closure	141,954	-	-	-	-	-	141,954	-
Total operating expenses	12,117,275	12,478,337	18,864,705	13,530,831	2,277,750	6,144,149	65,413,047	24,959,868
Operating income (loss)	2,756,456	(2,348,437)	6,200,137	6,310,637	(656,562)	(4,995,442)	7,266,789	(2,243,377)
Nonoperating revenue (expenses):								
Taxes	-	-	-	-	-	2,054,164	2,054,164	24,491
Intergovernmental	67,896	189,143	73,423	59,042	10,174	3,624,751	4,024,429	-
Interest expense	-	(429,103)	(665,167)	(1,211,366)	(122,115)	(399)	(2,428,150)	(66,344)
Interest and investment income	41,288	56,299	179,240	351,828	2,562	6,674	637,891	61,319
Customer Facility Charge	-	860,703	-	-	-	-	860,703	-
Passenger Facility Charge	-	681,783	-	-	-	-	681,783	-
Gain (loss) on sale of capital assets	1,684	18,647	(3,817)	(7,760)	-	7,638	16,392	4,893
Other	3,072	190,686	128,215	454,300	2,293	1,462	780,028	199,424
Total nonoperating revenue (expense)	113,940	1,568,158	(288,106)	(353,956)	(107,086)	5,694,290	6,627,240	223,783
Income (loss) before capital contributions and transfers	2,870,396	(780,279)	5,912,031	5,956,681	(763,648)	698,848	13,894,029	(2,019,594)
Capital contributions	-	4,597,169	814,160	2,209,806	-	-	7,621,135	-
Transfers in	-	-	13,650	-	522,125	-	535,775	545,906
Transfers out	-	-	-	-	-	(20,000)	(20,000)	(290,221)
Change in net position	2,870,396	3,816,890	6,739,841	8,166,487	(241,523)	678,848	22,030,939	(1,763,909)
Net position, beginning of year	19,333,278	55,221,456	176,629,734	140,806,130	25,930,794	7,547,382	16,682,407	16,682,407
Prior period adjustment (See Note IV H)	(71,374)	(61,552)	(66,201)	(49,856)	(14,404)	(63,247)	-	(85,050)
Net position, end of year	\$ 22,132,300	\$ 58,976,794	\$ 183,303,374	\$ 148,922,761	\$ 25,674,867	\$ 8,162,983	-	\$ 14,833,448
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds							(668,079)	
							\$ 21,362,860	

Change in net position of business-type activities

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

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2017
(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	\$ 14,731,745	\$10,048,067	\$ 26,036,968	\$ 19,753,979	\$ 1,555,095	\$ 1,426,963	\$ 73,552,817	\$ 640,843
Cash received from interfund services provided	-	-	-	-	-	-	-	22,089,835
Cash received from paid to other sources	-	77,101	(3,817)	454,300	2,293	7,462	537,339	188,504
Cash paid to employees for services	(4,470,509)	(4,290,033)	(4,647,047)	(4,009,339)	(589,808)	(3,778,337)	(21,785,073)	(18,589,905)
Cash paid to suppliers and contracted services	(4,455,104)	(3,126,017)	(7,008,959)	(2,236,476)	(766,792)	(1,461,336)	(19,054,684)	(5,083,164)
Net cash provided (used) by operating activities	<u>5,806,132</u>	<u>2,709,118</u>	<u>14,377,145</u>	<u>13,962,464</u>	<u>200,788</u>	<u>(3,805,248)</u>	<u>33,250,399</u>	<u>(753,887)</u>
Cash flows from noncapital financing activities:								
Cash received from tax revenues	-	-	-	-	-	1,989,560	1,989,560	-
Cash received from intergovernmental revenues	-	143,320	-	-	-	3,569,643	3,712,963	-
Transfers from other funds	-	-	-	-	522,125	-	522,125	71,431
Transfers to other funds	-	-	-	-	-	(20,000)	(20,000)	(276,571)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>143,320</u>	<u>-</u>	<u>-</u>	<u>522,125</u>	<u>5,539,203</u>	<u>6,204,648</u>	<u>(205,140)</u>
Cash flows from capital and related financing activities:								
Capital grants and contributions	-	4,542,333	-	-	-	-	4,542,333	-
Acquisition and construction of capital assets	(3,175,892)	(6,462,797)	(10,847,422)	(11,038,973)	(352,540)	(968,430)	(32,846,054)	(295,837)
Proceeds from sales of capital assets	1,684	5,824	-	-	-	-	7,508	53,640
Cash received from insurance proceeds	-	113,585	66,574	174,399	-	-	354,558	-
Cash paid for interest	-	(413,428)	(798,371)	(436,234)	(125,687)	-	(1,773,720)	(90,976)
Loan proceeds	-	-	178,108	-	-	-	178,108	-
Principal paid on bonds, notes and capital leases payable	-	(1,158,045)	(1,952,000)	(1,005,000)	(130,093)	-	(4,245,138)	(385,000)
Proceeds from bonds, including premium	-	-	-	63,110,285	-	-	63,110,285	-
Transfers from other funds	-	-	13,650	-	-	-	13,650	474,475
Facilities charges	-	1,368,425	-	-	-	-	1,368,425	-
Net cash provided (used) by capital and related financing activities	<u>(3,174,208)</u>	<u>(2,004,103)</u>	<u>(13,339,461)</u>	<u>50,804,477</u>	<u>(608,320)</u>	<u>(968,430)</u>	<u>30,709,955</u>	<u>(243,697)</u>
Cash flows from investing activities:								
Cash received from interest	67,472	86,629	290,819	255,612	4,255	10,761	715,548	104,340
Sale of investments	2,513,427	3,289,132	10,813,667	-	169,766	504,805	17,290,797	5,273,174
Purchase of investments	(3,137,908)	(2,832,485)	(8,511,627)	(31,858,198)	(180,009)	(739,257)	(47,259,484)	(3,356,753)
Net cash provided (used) by investing activities	<u>(557,009)</u>	<u>543,276</u>	<u>2,592,859</u>	<u>(31,602,586)</u>	<u>(5,988)</u>	<u>(223,691)</u>	<u>(29,253,139)</u>	<u>2,020,761</u>
Net increase (decrease) in cash and cash equivalents	2,074,915	1,391,611	3,630,543	33,164,355	108,605	541,834	40,911,863	818,037
Cash and cash equivalents, beginning of year	<u>3,564,266</u>	<u>5,086,178</u>	<u>13,325,393</u>	<u>9,762,557</u>	<u>220,665</u>	<u>1,060,368</u>	<u>33,019,427</u>	<u>5,322,089</u>
Cash and cash equivalents, end of year	<u>\$ 5,639,181</u>	<u>\$ 6,477,789</u>	<u>\$ 16,955,936</u>	<u>\$ 42,926,912</u>	<u>\$ 329,270</u>	<u>\$ 1,602,202</u>	<u>\$ 73,931,290</u>	<u>\$ 6,140,126</u>
Cash and cash equivalents consists of:								
Cash and cash equivalents	\$ 5,639,181	\$ 5,181,145	\$ 15,576,918	\$ 38,320,429	\$ 329,270	\$ 1,603,441	\$ 66,650,384	\$ 6,126,476
Restricted cash and cash equivalents with fiscal agent	-	1,296,644	1,379,018	4,606,483	-	-	7,282,145	-
Cash and cash equivalents, end of year	<u>\$ 5,639,181</u>	<u>\$ 6,477,789</u>	<u>\$ 16,955,936</u>	<u>\$ 42,926,912</u>	<u>\$ 329,270</u>	<u>\$ 1,603,441</u>	<u>\$ 73,932,529</u>	<u>\$ 6,126,476</u>

(continued)

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2017
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	<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)	\$ 2,756,456	\$ (2,348,437)	\$ 6,200,137	\$ 6,310,637	\$ (656,562)	\$ (4,995,442)	\$ 7,266,789	\$ (2,243,377)
Other nonoperating income (expense)	4,756	77,101	(3,817)	454,300	2,293	7,462	542,095	227,758
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	2,058,849	5,024,997	6,912,318	4,378,450	861,143	872,436	20,108,193	870,631
Landfill closure and postclosure	141,954	-	-	-	-	-	141,954	-
(Increase) decrease in receivables	(141,986)	(81,833)	1,093,441	(87,490)	(66,093)	(10,110)	705,929	(10,304)
(Increase) decrease in receivables from other governments & other funds	1,684	-	310	-	-	-	1,994	-
(Increase) decrease in inventories	-	(12,460)	(121,625)	-	-	(21,035)	(155,120)	(42,529)
(Increase) decrease in prepaid items	-	-	-	-	-	(464)	(464)	(18)
Increase (decrease) in accounts payable	966,731	(79,250)	83,306	2,701,276	13,436	28,556	3,714,055	(43,218)
Increase (decrease) in accrued liabilities	17,688	129,000	213,075	205,291	46,571	313,349	924,974	487,170
Net cash provided (used) by operating activities	<u>\$ 5,806,132</u>	<u>\$ 2,709,118</u>	<u>\$ 14,377,145</u>	<u>\$ 13,962,464</u>	<u>\$ 200,788</u>	<u>\$ (3,805,248)</u>	<u>\$ 33,250,399</u>	<u>\$ (753,887)</u>
Noncash investing, capital and financing activities:								
Increase (decrease) in investment market value	(37,499)	(39,093)	(131,235)	(84,241)	(2,229)	(4,087)	(298,384)	(50,527)
Contribution of capital assets	-	-	814,160	2,209,806	-	-	3,023,966	-

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

CITY OF BILLINGS, MONTANA
Fiduciary Funds
Statement of Fiduciary Net Position
June 30, 2017

	<u>Assets</u>	Agency Funds
Cash and cash equivalents		\$ 602
Total assets		<u>\$ 602</u>
	<u>Liabilities</u>	
Accounts payable		\$ 602
Total liabilities		<u>\$ 602</u>

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

NOTES TO FINANCIAL STATEMENTS

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

I. Summary of Significant Accounting Policies

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

The City's significant accounting policies are described below.

A. Reporting Entity

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

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

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

The City has no discretely presented component units.

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

The City reports the following major governmental funds:

General Fund

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

Public Safety

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

The City reports the following major proprietary funds:

Solid Waste Fund

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Airport Fund

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

Water Fund

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

Wastewater Fund

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

Parking Fund

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

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

Internal Service Funds

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

Fiduciary Funds

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

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

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

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

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

1. Cash and Cash Equivalents and Investments

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

2. Receivables and Payables

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

Under its Home Rule Charter, the City is permitted to levy taxes at a maximum rate for payment for general governmental services and payment of principal and interest on long-term general obligation debt. The City is currently levying at the rate of 160.40 mills.

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

Notes receivable are reported net of allowances for amounts deemed uncollectible. Allowances are computed from receivables net of amounts collected in the 60 days subsequent to June 30, 2017. Estimated percentages for uncollectible amounts at June 30, 2017, based on net receivables are as follows: 5% 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. There is no allowance calculated for real property taxes, as any uncollected amount results in a lien on the property.

3. Inventories and Prepaid Items

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

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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

4. Restricted Assets

Governmental Activities:

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

Business-type Activities:

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Series 2010A Revenue Refunding Bonds	
Debt service reserve	\$ 764,000
Maintenance and operating reserve	1,226,000
Capital replacement reserve	225,000
Series 2010B Revenue Bonds	
Debt service reserve	500,044
Passenger Facility Charges	815,945
Customer Facility Charges	1,152,340
Transit Grantor Restriction	<u>5,460</u>
Total Restricted Assets	<u>\$4,688,789</u>

5. Capital Assets

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

<u>Fund</u>	<u>Total</u> <u>Interest Expense</u>	<u>Capitalized</u> <u>Interest</u>	<u>Construction Project</u>
Airport Fund	\$ 442,730	\$ 13,627	Pond D Drainage Conveyance Sys., West Gen Aviation Taxilane, Water/Sewer Line Extension to Gen Aviation Area, Concourse B Improvements.
Water Fund	776,611	111,444	2016 Water Replacement Projects, I-90 Water System Loop, WTP-Chemical Building Disinfection Improvements, 2017 Water Projects.
Wastewater Fund	1,323,113	111,747	2016 Sewer Repl Project, WWTP Nutrient Upgrade, 2017 Sewer Projects.

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

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

6. Property Held for Resale

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

7. Compensated Absences

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

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

All accumulated vacation and 25% of accumulated sick leave are accrued when incurred in the government-wide and proprietary financial statements. This liability, which totals \$11,384,674 at June 30, 2017, includes the related FICA, Medicare, and retirement costs. The unrecorded accumulated sick leave benefits total \$10,178,197 at June 30, 2017.

8. Long-term Obligations

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

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

9. Pensions

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

10. Fund Balance

Governmental funds fund 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 16 of the governmental funds balance sheet. GASB Statement 54 requires the disclosure of the purpose of each major fund.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

	<u>Major Special Revenue</u>		All Other Governmental Funds	Total Governmental Funds
	<u>General Fund</u>	<u>Public Safety</u>		
Unspendable				
Cemetery Perpetual Care	\$ -	\$ -	\$ 691,573	\$ 691,573
Nonspendable form	-	-	116,679	116,679
Restricted				
Building Inspection	-	-	2,507,577	2,507,577
Tax Increment Districts	-	-	10,719,720	10,719,720
Roads and Streets	-	-	13,887,903	13,887,903
Grants	-	-	2,225,504	2,225,504
Cemetery Improvements	-	-	167,522	167,522
Emergency 911	-	-	6,819,218	6,819,218
Public Safety	-	1,600,000	-	1,600,000
Planning	-	-	511,180	511,180
Library	-	-	1,018,100	1,018,100
Street & Traffic	-	-	4,354,460	4,354,460
Light Maintenance Districts	-	-	1,619,590	1,619,590
Park Maintenance Districts	-	-	4,023,151	4,023,151
Debt Service	-	-	16,443,906	16,443,906
Capital Projects	-	-	6,134,249	6,134,249
Committed				
General Government	11,651,000	-	-	11,651,000
Arterial	-	-	4,307,159	4,307,159
Park Programs	-	-	2,505,595	2,505,595
Animal Shelter Donations	-	-	37,905	37,905
Library	-	-	902,844	902,844
Downtown Revolving Loan	-	-	784,671	784,671
Ball Field Maintenance	-	-	483,460	483,460
Unassigned				
General Government	16,621,380	-	-	16,621,380
Capital Projects	-	-	(117,733)	(117,733)
Total Fund Balances	<u>\$ 28,272,380</u>	<u>\$ 1,600,000</u>	<u>\$ 80,144,233</u>	<u>\$ 110,016,613</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

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

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

“Exhibit A

“Recommended Fund and Working Capital Balances Policy

“Recommended Fund and Working Capital Balances policy statement:

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

“Recommended balances purpose:

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

“Recommended balances implementation authority:

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

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

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

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

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

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

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

11. Deferred Outflows/Inflows of Resources

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

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

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

E. New Accounting Pronouncements

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

Statement No. 75 "Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions." The provisions of the statement are effective for reporting periods beginning after June 15, 2017.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Statement No. 85 "Omnibus 2017." The provisions of the statement are effective for reporting periods beginning after June 15, 2017.

II. Stewardship, Compliance, and Accountability

A. Deficit Fund Equity

Funds with deficit fund balances at June 30, 2017, are listed below. The deficit fund balances do not represent any type of legal violation.

<u>Fund</u>	<u>Deficit</u>
Nonmajor Capital Projects Funds:	
Sidewalk and Curb Districts	\$ 117,733
Internal Service Funds	
Information Technology	158,449
Public Works Administration	684,833
Public Works Engineering	1,700,828

The Sidewalk and Curb Districts deficit fund balance will be eliminated by a transfer during Fiscal Year 2018. The internal service funds deficit net position will likely not be removed as it is largely a result of the net pension and other post-employment benefits liabilities.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

III. Detailed Notes on All Funds

A. Cash and Cash Equivalents and Investments

Cash and investments as of June 30, 2017, consist of the following:

Deposits in local banks	\$ 20,544,202
Outstanding checks and reconciling items	(581,016)
Montana State Short Term Investment Pool (STIP)	<u>97,318,995</u>
	<u>\$ 117,282,181</u>

Investments:

US Government and US Agency Obligations	\$ 140,191,008
Certificates of deposits	<u>10,593,486</u>
	<u>\$ 150,784,494</u>

Cash and investments as of June 30, 2017, are classified in the statement of net position as follows:

Cash and cash equivalents	\$ 116,976,553
Cash and cash equivalents, permanently restricted	<u>305,628</u>
	<u>\$ 117,282,181</u>

Investments	\$ 147,236,778
Investments, temporarily restricted	3,162,938
Investments, permanently restricted	<u>384,778</u>
	<u>\$ 150,784,494</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

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

Fair Value

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

The City has the following recurring fair value measurements as of June 30, 2017:

U.S. Treasury securities of \$137,984,341 million using quoted market prices (Level 1 inputs)

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

Interest Rate Risk

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

Investment Type	<u>Totals</u>	12 months or <u>Less</u>	13 to 24 <u>Months</u>	25 to 60 <u>Months</u>	Over 60 <u>Months</u>
US Treasury Notes	\$ 2,206,695	\$ 41,063	\$ 212,899	\$ 1,952,732	\$ -
US Government Agency Securities	137,984,314	37,131,015	80,540,655	20,312,644	-
Certificates of Deposit	10,593,486	10,593,486	-	-	-
	<u>\$150,784,494</u>	<u>\$47,765,564</u>	<u>\$80,753,554</u>	<u>\$22,265,376</u>	<u>\$ -</u>

Credit Risk

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

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

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2017, the City’s investments in U.S. Government Agency Securities were rated AAA by Moody’s Investors Service or by Standard and Poor. Of those not rated, there was an implied AAA rating. Although the Montana Short Term Investment Pool (STIP) investments have been rated by investments security type, STIP, as an external investment pool, has not been rated by the

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

Concentration of Credit Risk

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

<u>Issuer</u>	<u>Investment Type</u>	<u>Total</u>	
Federal Farm Credit	Federal agency securities	32,292,757	21.42%
Federal Home Loan Bank	Federal agency securities	18,018,209	11.95%
Federal Home Loan Mortgage Corp.	Federal agency securities	78,574,716	52.11%
Federal National Mortgage Assn.	Federal agency securities	9,098,632	6.03%
U.S. Bank	Certificates of Deposit	8,000,000	5.31%

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, 2017, the City had no exposure to custodial credit risk, because all of the City's deposits with financial institutions were insured or collateralized, which is allowed by State law.

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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, 2017, none of the City's investments are exposed to custodial credit risk because all counterparties provide insurance in excess of the investments held.

Restricted Cash and Cash Equivalents with Fiscal Agent

Cash of \$19,440,351 is restricted by bond covenants or for specific purposes as follows:

Current debt service:	
Nonmajor government funds	12,158,206
Airport fund	1,296,644
Water fund	1,379,018
Wastewater fund	<u>4,606,483</u>
Total	<u>\$ 19,440,351</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

B. Receivables

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

	General Fund	Public Safety Fund	Non-Major Governmental Funds	Internal Service Funds	Governmental Activities Total
Taxes	\$ 835,601	\$ 846,549	\$ 712,177	\$ -	\$ 2,394,327
Accounts	1,533	43,868	76,927	37,327	159,655
Special assessments	14,539	-	6,395,133	-	6,409,672
Accrued interest	41,772	316	103,954	23,234	169,276
Notes	-	-	2,039,644	450,000	2,489,644
From other governments	-	-	721,498	-	721,498
TOTAL	\$ 893,445	\$ 890,733	\$ 10,049,333	\$ 510,561	\$ 12,344,072

	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Non-Major Enterprise Funds	Business-type Activities Total
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 123,467	\$ 123,467
Accounts	1,775,464	788,495	4,025,850	2,763,288	75,021	22,082	9,450,200
Accrued interest	25,627	20,725	56,828	56,647	1,163	2,045	163,035
From other governments	-	529,190	-	-	-	329,479	858,669
TOTAL	\$ 1,801,091	\$ 1,338,410	\$ 4,082,678	\$ 2,819,935	\$ 76,184	\$ 477,073	\$ 10,595,371

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

	<u>Unavailable</u>
Delinquent property taxes receivable:	
General fund	\$ 172,334
Public safety fund	237,921
Nonmajor governmental funds	267,462
Special assessments not yet due:	
General fund	4,932
Nonmajor governmental funds	5,540,705
Notes receivable not yet due:	
Nonmajor governmental funds	<u>1,889,644</u>
Total	<u><u>\$ 8,112,998</u></u>

C. Operating Lease Receivable

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

Cancelable:

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

calculated using a compensatory formula to recover certain operating, capital, and debt service costs. The landing fee rates are calculated based on a residual methodology by which landing fees plus terminal rents plus non-airline revenues cover all of the Airport's costs. Thus, keeping the Airport fiscally whole each year. The lease terms are for the period of July 1, 2013 through June 30, 2019 and allows the lessee to terminate with 180 days' written notice. Fiscal Year 2017 revenues for landing fees and terminal building rents totaled \$1,233,290 and \$2,120,455 respectively.

Operating lease agreements with a U.S. Government agency consist of two leases for ground and building space. Each agreement allows the lessee to terminate with 60 days' written notice. Each lease's term is for a ten-year period – one ending August 31, 2022 and the other ending April 30, 2029. Fiscal Year 2017 payments totaled \$166,525.

Non-cancelable:

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

Agreements under which the Airport received revenue from the operation of concessions located on Airport property which provide for the payment of a fee based on the greater of an aggregated percentage of gross receipts or a guaranteed minimum. Payments contingent on gross receipts that are associated with these non-cancelable leases totaled \$4,511,661 for the fiscal year ended June 30, 2017.

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

	Acquisition Cost	Accumulated Depreciation
Land	\$ 90,768	\$ -
Building	21,428,361	15,602,013
Improvements other than Buildings	5,587,332	2,310,721
Equipment	2,631,195	1,253,238
Total	<u>\$ 29,737,656</u>	<u>\$19,165,972</u>

CITY OF BILLINGS, MONTANA

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At June 30, 2017, minimum future rents and fees to be received under the non-cancelable leases or concession agreements for each fiscal year are as follows:

Year Ending June 30:

2018	\$	4,406,363
2019		4,333,863
2020		4,191,083
2021		3,099,161
2022		586,914
2023-2027		2,247,946
2028-2032		959,949
2033-2037		857,114
2038-2041		59,207
Total	\$	<u>20,741,600</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

D. Capital Assets

Capital asset activity for the year ended June 30, 2017, was as follows:

Governmental activities:	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer In/Out</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:					
Land	\$ 40,323,862	\$ 3,520,811	\$ -	\$ -	\$ 43,844,673
Construction in Progress	6,255,267	12,426,114	-	(12,384,895)	6,296,486
Total capital assets, not being depreciated	<u>46,579,129</u>	<u>15,946,925</u>	<u>-</u>	<u>(12,384,895)</u>	<u>50,141,159</u>
Capital assets being depreciated:					
Buildings	36,475,932	88,915	85,820	4,249	36,483,276
Improvements other than Buildings	46,152,307	87,843	-	172,947	46,413,097
Equipment	41,852,682	1,771,142	689,330	55,292	42,989,787
Infrastructure	283,212,985	3,884,970	-	11,175,242	298,273,197
Total capital assets, being depreciated	<u>407,693,906</u>	<u>5,832,870</u>	<u>775,150</u>	<u>11,407,730</u>	<u>424,159,357</u>
Less accumulated depreciation for:					
Buildings	11,675,805	777,068	3,251	-	12,449,622
Improvements other than Buildings	14,436,539	1,559,047	-	-	15,995,586
Equipment	26,043,882	2,861,358	669,445	13,992	28,249,787
Infrastructure	124,435,089	13,053,535	-	-	137,488,624
Total accumulated depreciation	<u>176,591,315</u>	<u>18,251,008</u>	<u>672,696</u>	<u>13,992</u>	<u>194,183,619</u>
Total capital assets, being depreciated, net	<u>231,102,591</u>	<u>(12,418,138)</u>	<u>102,454</u>	<u>11,393,738</u>	<u>229,975,738</u>
Governmental activities capital assets, net	<u>\$ 277,681,719</u>	<u>\$ 3,528,787</u>	<u>\$ 102,454</u>	<u>\$ (991,157)</u>	<u>\$ 280,116,897</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Business-type activities:	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfer In/Out</u>	<u>Balance</u> <u>June 30, 2017</u>
Capital assets not being depreciated:					
Land	\$ 13,755,814	\$ -	\$ -	\$ -	\$ 13,755,814
Construction in Progress	14,193,450	23,081,617	-	(18,235,270)	19,039,797
Total capital assets, not being depreciated	<u>27,949,264</u>	<u>23,081,617</u>	<u>-</u>	<u>(18,235,270)</u>	<u>32,795,611</u>
Capital assets being depreciated:					
Buildings	109,294,189	170,632	94,114	6,163,350	115,534,057
Improvements other than Buildings	117,048,131	5,027,078	-	1,165,282	123,240,491
Equipment	68,877,148	5,040,991	2,839,138	-	71,079,001
Infrastructure	408,399,196	2,032,807	135,902	11,897,795	422,193,896
Total capital assets, being depreciated	<u>703,618,664</u>	<u>12,271,508</u>	<u>3,069,154</u>	<u>19,226,427</u>	<u>732,047,445</u>
Less accumulated depreciation for:					
Buildings	57,132,328	2,513,094	94,115	-	59,551,307
Improvements other than Buildings	70,352,386	4,576,422	-	-	74,928,808
Equipment	49,086,221	4,370,399	2,801,580	-	50,655,040
Infrastructure	142,568,370	8,668,776	135,485	-	151,101,661
Total accumulated depreciation	<u>319,139,305</u>	<u>20,128,691</u>	<u>3,031,180</u>	<u>-</u>	<u>336,236,816</u>
Total capital assets, being depreciated, net	<u>384,479,359</u>	<u>(7,857,183)</u>	<u>37,974</u>	<u>19,226,427</u>	<u>395,810,629</u>
Business-type activities capital assets, net	<u>\$ 412,428,623</u>	<u>\$ 15,224,434</u>	<u>\$ 37,974</u>	<u>\$ 991,157</u>	<u>\$ 428,606,240</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	\$ 48,084
Public Safety	1,359,089
Public Works	13,796,455
Public Health	87,013
Culture & recreation	2,013,210
Housing and community development	76,240
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>871,413</u>
Total depreciation expense - governmental activities	<u>\$ 18,251,504</u>
Business-type activities:	
Solid Waste	\$ 2,058,849
Airport	5,024,997
Water	6,912,318
Wastewater	4,378,450
Parking	861,143
Transit	813,729
Golf Course	<u>58,707</u>
Total depreciation expense - business-type activities	<u>\$ 20,108,193</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Construction Commitments

The City has active construction projects as of June 30, 2017. At year end, the City's commitments with the contractors, rounded to the nearest thousand, are as follows:

General Fund	\$ 54
Public Safety Fund	183
Solid Waste Fund	2,374
Airport Fund	2,080
Water Fund	4,321
Wastewater Fund	65,092
Nonmajor Enterprise Funds	512
Nonmajor Governmental Funds	6,222
Nonmajor Internal Services Funds	132
	<u>\$80,970</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, 2017, the Water fund had commitments of \$4 million for various water and sewer replacement projects.

At June 30, 2017, the Wastewater fund had commitments for over \$60 million for the new Water Reclamation Facility.

At June 30, 2017, the Airport Fund had commitments of \$2 million for runway and remodeling projects.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

E. Interfund Receivables, Payables, and Transfers

The composition of inter-fund balances as of June 30, 2017, is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 86,609
Nonmajor Governmental Funds	Nonmajor Governmental Funds	<u>131,240</u>
Totals		<u>\$ 217,849</u>

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

Interfund transfers:

	<u>Transfers in:</u>							
	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Fund</u>	<u>Parking Fund</u>	<u>Parking Fund</u>	<u>Internal Service</u>	<u>Total</u>
Transfers Out:								
General	\$ -	\$ 22,907,140	\$ 1,493,092	\$ -	\$ -	\$ -	\$ -	\$24,400,232
Public Safety	-	-	797,200	-	-	-	71,431	868,631
Nonmajor Governmental Funds	3,889	-	2,753,843	-	522,125	-	474,475	3,754,332
Nonmajor Enterprise Fund	-	-	20,000	-	-	-	-	20,000
Subtotal	<u>3,889</u>	<u>22,907,140</u>	<u>5,064,135</u>	<u>-</u>	<u>522,125</u>	<u>-</u>	<u>545,906</u>	<u>29,043,195</u>
Internal Service Funds	-	-	276,571	13,650	-	-	-	290,221
Total	<u>\$ 3,889</u>	<u>\$ 22,907,140</u>	<u>\$ 5,340,706</u>	<u>\$ 13,650</u>	<u>\$ 522,125</u>	<u>\$ -</u>	<u>\$ 545,906</u>	<u>\$29,333,416</u>

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

F. Capital Lease Obligations

Governmental Activities:

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

Business-Type Activities:

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Assets:		
Buildings	\$ 6,600,000	\$ 5,930,000
Accumulated Depreciation	<u>(1,716,000)</u>	<u>(1,943,722)</u>
Total	<u>\$ 4,884,000</u>	<u>\$ 3,986,278</u>

The following is a schedule, by year, of the future minimum lease payments at June 30, 2017:

<u>Year ending June 30</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2018	477,700	201,961
2019	475,550	201,961
2020	478,025	201,961
2021	475,125	201,961
2022	476,850	201,961
2023-2027	686,350	1,009,803
2028-2032	-	1,009,803
2033	-	201,961
Total minimum lease payments	<u>3,069,600</u>	<u>3,231,372</u>
Less: Amount representing interest	<u>(279,600)</u>	<u>(954,298)</u>
Present value of minimum lease payments	<u>\$ 2,790,000</u>	<u>\$ 2,277,074</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, 2017, 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.	\$ 445,000
General Obligation Bonds Series 2004A, issued in the total aggregate amount of \$3,460,000 and interest rate is 3.00%, due July 1, 2024, payable in annual installments of \$245,000 to \$345,000, callable on or after July 1, 2021.	2,440,000
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.	6,945,000
General Obligation Bonds Series 2015, issued in the total aggregate amount of \$6,270,000 and interest ranging from 2.00%-3.50%, due July 1, 2027. These bonds were issued to refund General Obligation Bonds Series 2007A on July 1, 2018. The bond proceeds are held in an escrow account until the refunding date.	6,270,000
General Obligation Bonds Series 2007B, 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.	190,000
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>12,345,000</u>
	<u>\$ 28,635,000</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Tax Increment Bonds Payable – At June 30, 2017, 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. The City issued tax increment bonds to provide funds for the construction of the Empire Parking Garage and retail space.	\$ 12,470,000
Tax Increment Refunding Bonds Series 2015, issued in the total aggregate amount of \$5,170,000 and interest ranging from 2.00%-4.38%, due July 1, 2039, payable in annual installments of \$125,000 to \$330,000. These bonds were issued to retire the debt for the Special Improvement District 1385 bonds.	5,045,000
Tax Increment Revenue Bonds Series 2015, issued in the total aggregate amount of \$3,165,000 and interest ranging from 2.00%-4.65%, due July 1, 2039, payable in annual installments of \$85,000 to \$200,000. The bond proceeds were used for improvements in the East Billings Urban Renewal District.	3,080,000
Tax Increment Revenue Bonds 2016, issued in the total aggregate amount of \$4,935,000 and interest ranging from 2.00% to 3.75%, due July 1, 2040, payable in annual installments of \$150,000 to \$295,000. The bonds were issued for reconstruct and sewer improvements in the South Billings Urban Renewal District.	<u>4,935,000</u>
	<u>\$25,530,000</u>

Special Assessment Debt With Government Commitment – Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within the special improvement district. State Law states, “To the extent that such special assessment collections are not sufficient to make the required debt service payments, the City is obligated to levy and collect a general property tax on all taxable property in the City to provide additional funding for the debt service payments.” However, since the City of Billings is governed by its Charter, the voters must approve all levy increases. The cash reserve balance in the special improvement districts funds must equal at least 10% of the principal amount of bonds outstanding. The bonds are issued with specified maturity dates, but must be called and repaid earlier, at par value plus accrued interest, if the related special assessments are collected.

CITY OF BILLINGS, MONTANA

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The various bonds outstanding at June 30, 2017, are as follows:

Special improvement districts, issued in the total aggregate amount of \$26,015,000 and interest ranging from 2.8%-6.0%, payable from the special improvement districts fund in varying installments to 2029.	\$ 4,116,928
Sidewalk and curb districts, issued in the total aggregate amount of \$4,976,000 and interest ranging from 3.25%-5.4%, payable from the sidewalk and curb districts fund in varying installments to 2026.	1,741,000
Storm Sewer Revenue Bonds Series 2013, issued in the total aggregate amount of \$4,270,000 and interest ranging from 3.00%-5.00%, payable from the storm sewer fund in varying installments to 2033, callable on or after July 1, 2023.	3,845,000
Storm Sewer Revenue Bonds Series 2015, issued in the total aggregate amount of \$9,615,000 and interest ranging from 2.00%-5.00%, payable from the Storm Sewer fund in varying installments to 2035, callable on or after July 1, 2025.	<u>9,315,000</u>
	<u>\$ 19,017,928</u>

Notes Payable – 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, 2017, the amount outstanding is as follows:

<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>\$ 230,648</u>	=	<u>\$ 230,648</u>

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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, 2017, the amount outstanding is as follows:

<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
<u>\$ 18,671</u>	=	<u>\$ 18,671</u>

Business-Type Activities:

Notes Payable – The Montana Department of Natural Resources and Conservation (DNRC) authorized the issuance of notes payable for various construction and rehabilitation projects related to the water and wastewater systems as noted in the following table. All notes are due in semi-annual installments with terms of 20 years. The covenants of both the water and wastewater notes require that funds be set aside in reserve for the delinquency of the debt. The required reserve is the highest amount of principal and interest for any annual debt service over the 20 year note payable for Wastewater, and half of the highest annual debt service payment for Water. The amounts reserved as of June 30, 2017, are \$1,444,291 for Wastewater and \$1,386,571 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
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

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CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Zone 4 Water Lines	\$ 7,412,000	3.00%	July 1, 2029
2010 Water Replacement Lines	\$ 2,800,000	3.00%	July 1, 2030
Zone 3 Water Lines	\$ 3,100,000	3.00%	July 1, 2032
Zone 3 Chapple Reservoir	\$ 6,100,000	3.00%	July 1, 2034
Briarwood Reservoir	\$ 3,700,000	2.50%	July 1, 2035

The amounts outstanding as of June 30, 2017, are as follows:

	<u>Due within one year</u>	<u>Due after one year</u>	<u>Total</u>
Wastewater	<u>\$ 1,033,000</u>	<u>\$13,420,000</u>	<u>\$14,503,000</u>
Water	<u>\$ 2,007,000</u>	<u>\$26,257,000</u>	<u>\$28,264,000</u>

Revenue Bonds Payable – At June 30, 2017, the outstanding revenue bonded indebtedness of the City was as follows:

2010A Airport Revenue Refunding Bonds, issued in the total aggregate amount of \$6,940,000 and interest ranging from 2.50%-5.00%, due July 1, 2020, payable in annual installments of \$670,000 to \$895,000. The bonds are not subject to optional redemption prior to their stated maturities.

	\$ 3,250,000
Deferred amount on bond refunding	<u>(70,861)</u>
	3,179,139
Less current portion	<u>(825,000)</u>
Total	\$ <u>2,354,139</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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

2010B Airport Revenue Refunding Bonds issued in the aggregate amount of \$6,525,000, and interest ranging from 3.00%-4.37% due July 1, 2030, payable in annual installments of \$235,000 to \$475,000, callable on or after July 1, 2021.	\$ 5,210,000
Less current portion	<u>(295,000)</u>
Total	\$ <u>4,915,000</u>

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

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

Revenue bond ordinances include various restrictive covenants. The 2010A and 2010B 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 reserves for debt service, facilities and equipment replacement, and for operations. The City is in compliance with all covenants as of June 30, 2017.

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>1,226,000</u>
	<u>\$ 2,715,044</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 (\$681,783) and expenses, AIP grants, and all other Airport operations. However, investors in the Series 2010B revenue bonds rely on the revenue generated by CFC collections (\$860,703) and investors in the 2010A revenue bonds rely on airport operating revenues net of AIP grants and CFC and PFC collections.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

2017 Sewer System Revenue Bonds, issued in the aggregate amount of \$56,505,000 and interest ranging from 2.00% - 5.00%, due July 1, 2036, payable in annual installments of \$3,886,000 to \$5,330,000, callable on or after July 1, 2027.	\$ 56,505,000
Less current portion	-
Total	\$ <u>56,505,000</u>

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

Defeased Debt – In prior years, the City defeased certain revenue and special assessment bonds by the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City’s financial statements. At June 30, 2017, there were no bonds.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Summary of Debt Maturities – Annual debt service principal and interest payments required on all outstanding debt at June 30, 2017, are as follows:

GOVERNMENTAL ACTIVITIES

Year ending June 30	General Obligation Bonds		Tax Increment		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	1,875,000	991,757	705,000	1,099,904	1,019,100	793,434
2019	2,280,000	930,444	730,000	1,079,732	1,211,461	752,314
2020	2,340,000	860,769	750,000	1,057,133	998,368	699,001
2021	2,410,000	777,913	775,000	1,031,015	1,183,324	653,324
2022	2,360,000	699,094	795,000	1,001,530	1,472,331	599,205
2023-2027	11,135,000	2,229,022	4,520,000	4,472,764	5,775,344	2,273,862
2028-2032	5,375,000	519,988	5,710,000	3,298,728	4,238,000	1,205,837
2033-2037	860,000	13,974	7,110,000	1,847,575	3,120,000	334,722
2038-2042	-	-	4,435,000	280,855	-	-
	<u>\$ 28,635,000</u>	<u>\$ 7,022,961</u>	<u>\$25,530,000</u>	<u>\$ 15,169,236</u>	<u>\$ 19,017,928</u>	<u>\$7,311,699</u>

	Intercap Notes Payable		Notes Payable		Capital Lease Payable-BOC	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	5,366	520	249,319	6,853	400,000	77,700
2019	5,366	453	-	-	410,000	65,550
2020	5,366	386	-	-	425,000	53,025
2021	5,366	319	-	-	435,000	40,125
2022	5,366	252	-	-	1,120,000	43,200
2023-2027	16,108	352	-	-	-	-
2028-2032	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-
	<u>\$ 42,938</u>	<u>\$ 2,282</u>	<u>\$ 249,319</u>	<u>\$ 6,853</u>	<u>\$ 2,790,000</u>	<u>\$ 279,600</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Changes in Long-Term Obligations – During the year ended June 30, 2017, the following changes occurred in liabilities reported in the long-term obligations:

	Balance June 30, 2016	Issued/ Accrued	Refunded/ Redeemed/ Matured	Balance June 30, 2017	Due within one year
Governmental Activities:					
General obligation bonds:					
Series 2010 Parks	\$ 555,000	\$ -	\$ 110,000	\$ 445,000	\$ 110,000
Add: premium received	14,122	-	2,825	11,297	-
Series 2004A Streets	2,700,000	-	260,000	2,440,000	270,000
Add: premium received	172,013	-	19,112	152,901	-
Series 2007A Ballpark	7,435,000	-	490,000	6,945,000	6,945,000
Add: premium received	23,747	-	23,747	-	-
Series 2007B Ballpark	375,000	-	185,000	190,000	190,000
Add: premium received	18,445	-	9,224	9,221	-
Series 2007 Crossover	6,270,000	-	-	6,270,000	-
Add: premium received	532,887	-	48,444	484,443	-
Series 2012 Library	13,130,000	-	785,000	12,345,000	795,000
Add: premium received	867,396	-	51,023	816,373	-
Tax Increment	26,045,000	-	515,000	25,530,000	705,000
Add: premium received	45,249	-	3,481	41,768	-
Less: bond discount	(58,167)	-	(2,599)	(55,568)	-
Special assessment debt with governmental commitment	20,779,210	226,000	1,987,282	19,017,928	1,019,100
Less: bond discounts	(70,192)	-	(18,076)	(52,116)	-
Add: premium received	653,702	-	34,992	618,710	-
Intercap notes payable	48,304	-	5,366	42,938	5,366
Notes payable	712,341	-	463,022	249,319	249,319
Capital lease payable	3,175,000	-	385,000	2,790,000	400,000
Add: premium received	187,034	-	41,564	145,470	-
Compensated absences	7,333,441	7,246,867	6,635,605	7,944,703	6,142,035
Total governmental activities	\$ 90,944,532	\$ 7,472,867	\$ 12,035,012	\$ 86,382,387	\$ 16,830,820

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

	Balance June 30, 2016	Issued/ Accrued	Refunded/ Redeemed/ Matured	Balance June 30, 2017	Due within one year
Business Activities:					
Notes Payable					
Water from DNRC	\$ 9,590,000	\$ -	\$ 916,000	\$ 8,674,000	\$ 937,000
Water from DNRC-ARRA Part B	238,000	-	16,000	222,000	16,000
Water from DNRC-Rehab	2,047,000	-	125,000	1,922,000	129,000
Water from DNRC-Zone 4	4,973,000	-	304,000	4,669,000	313,000
Water from DNRC-Waterlines	1,743,000	-	97,000	1,646,000	101,000
Wastewater from DNRC-Briarwood	4,522,000	-	303,000	4,219,000	312,000
Wastewater from DNRC-Headworks	2,503,000	-	239,000	2,264,000	245,000
Wastewater from DNRC-ARRA	256,000	-	17,000	239,000	18,000
Wastewater from DNRC-Rehab	3,062,000	-	187,000	2,875,000	193,000
Wastewater from DNRC-UV	1,857,000	-	104,000	1,753,000	107,000
Wastewater from DNRC-UV	641,000	-	36,000	605,000	37,000
Wastewater from DNRC-5 Mile	2,665,000	-	117,000	2,548,000	121,000
Water from DNRC-Zone 3 Waterlines	2,519,000	-	120,000	2,399,000	123,000
Water from DNRC-Zone 3 Chapple	5,758,000	-	237,000	5,521,000	244,000
Water from DNRC-Briarwood	3,181,329	178,108	148,437	3,211,000	144,000
Sewer System Revenue Bonds	-	56,505,000	-	56,505,000	2,985,000
Add: premium received	-	7,139,765	339,989	6,799,776	-
Capital lease payable-Park II	2,373,414	-	96,344	2,277,070	100,631
Capital lease payable-Parking	444,095	-	33,749	410,346	35,321
Airport Series 2010A Refunding	4,045,000	-	795,000	3,250,000	825,000
Add: premium received	14,757	-	5,652	9,105	-
Airport Series 2010B Revenue	5,495,000	-	285,000	5,210,000	295,000
Add: premium received	4,214	-	492	3,722	-
Capital lease payable-Airport	1,045,553	-	78,045	967,508	81,965
Compensated absences	3,183,837	2,938,695	2,682,561	3,439,971	2,529,325
Total business type activities	\$ 62,161,199	\$ 66,761,568	\$ 7,283,269	\$ 121,639,498	\$ 9,892,242

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Governmental activities include internal service fund liabilities for capital lease payable, compensated absences, and intercap notes payable. Internal service fund compensated absences totaled \$1,204,717 and \$1,226,911 at June 30, 2016 and 2017, 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, 2017, the City had no arbitrage rebate liability for its governmental and business-type activities.

H. Post-Employment Healthcare Benefits

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

Plan Description. The City provides continuous medical insurance coverage for eligible participants enrolled in the City sponsored plan, a single-employer plan, called the City of Billings Employee Benefit Plan (the Plan). Total plan contributions paid by the City in 2017 were 11.7% of total payroll and benefits. The retiree benefits are provided in the form of an implicit rate subsidy where pre 65 retirees and a closed group of post 65 retirees receive health insurance coverage by paying a combined retiree/active rate. Dental and life insurance benefits are also provided on a fully contributory basis. The Plan does not prepare separate financial statements, but is included in the City's CAFR and reported as an internal service fund as City Health Insurance Fund. A Plan Document describing the Plan in its entirety, including contribution rates, eligibility, etc., can be obtained from the Human Resources Department of the City of Billings.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

Police and Fire employees:

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

All Other Employees:

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

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

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

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

Funding Policy. The City currently pays for post-employment healthcare benefits on a pay-as-you-go basis. Although the City has studied the establishment of trusts that would be used to accumulate and invest assets necessary to pay for any accumulated liability on an actuarial basis, these financial statements assume that pay-as-you-go funding will continue. The amount of covered payroll related to the plan for the year ending June 30, 2017, is \$49,635,849. The ratio of the FY 2017 net OPEB liability to annual covered payroll is 0.21.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Total OPEB Liability – Start of Year	\$7,960,611	\$ -	\$7,960,611
Changes for the year			
Service cost	555,749	-	555,749
Interest cost	319,718	-	319,718
Changes of benefit term	-	-	-
Differences between expected and actual experience	(908,269)	-	(908,269)
Changes in assumptions or other inputs (Other changes, separately identified if significant)	3,000,891	-	3,000,891
Contributions – employer	-	-	-
Net Investment Income	-	-	-
Benefit payments	(466,780)	-	(466,780)
Admin Expense	-	-	-
Net change in total OPEB liability	<u>\$2,501,309</u>	<u>-</u>	<u>\$2,501,309</u>
Total OPEB Liability – End of Year	<u>\$10,461,921</u>	<u>\$-</u>	<u>\$10,461,921</u>

The annual OPEB expense recognized in fiscal year 2017 is as follows:

Service Cost	\$ 555,749
Interest Cost	319,718
Changes of benefit terms	-
Current recognized deferred outflows/(inflows)	
Difference between expected and actual experience	(\$ 122,905)
Changes in assumptions or other inputs (Other changes, separately identified, if significant)	406,075
Total Expense	<u>\$1,158,637</u>

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

	Deferred Outflows of Resources	Deferred Inflow of Resources
Differences between actual and expected experience	-	(\$ 785,364)
Changes of assumptions	\$ 2,594,816	-
Total	<u>\$ 2,594,816</u>	<u>(\$ 785,364)</u>

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

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

The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016, actuarial valuation, the liabilities were computed using the entry age normal based on level percentage of projected salary. The actuarial assumptions utilized a 3.86% discount rate. Because the plan is unfunded, the discount rate is based on the index rate for 20-year tax exempt general obligation bonds with an average rating of AA or higher. The valuation assumes a 7% healthcare cost trend increase for fiscal year 2016-2017, reduced each year until an ultimate health care cost trend rate of 4.65% is reached.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

The Plan may be modified by the Health Insurance Committee.

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

Healthcare cost trend sensitivity analysis

	Net OPEB Liability	% Difference
1% Decrease	\$ 8,787,000	-16%
Current Trend	\$10,462,000	0%
1% Increase	\$11,430,000	9%

Discount Rate trend sensitivity analysis

	Net OPEB Liability	% Difference
1% Increase 4.86%	\$ 8,735,000	-17%
Current Trend 3.86	\$10,462,000	0%
1% Decrease 2.86%	\$11,533,000	10%

IV. Other Notes

A. Risk Management

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

For damage to and destruction of buildings and facilities, the City has elected to insure its buildings and facilities with insurance purchased from a private carrier. Such insurance has a deductible of \$100,000 per occurrence. The rateable exposure limit is \$638,321,126 (inclusive of Business Income Coverage) with a blanket policy limit of \$500 million, underwritten by Affiliated FM Insurance Company. There have been no significant changes to levels of insurance from the previous year, and settlement payments have not exceeded insurance coverage during the current year or the two previous fiscal years.

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Following is a summary of the changes in the balances of health insurance claim liabilities, which are included in accrued liabilities in the Combined Balance Sheet, during fiscal years 2015, 2016, and 2017:

	Beginning-of- fiscal-year <u>liability</u>	Incurred claims and claim administrative <u>expenses</u>	Payments of claims and claim administrative <u>expenses</u>	End-of- fiscal-year <u>liability</u>
2014-2015	600,000	8,711,989	8,561,989	750,000
2015-2016	750,000	11,186,393	10,936,393	1,000,000
2016-2017	1,000,000	11,689,018	11,939,018	750,000

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 102 retired and terminated employees participated in the City’s health plan. Claims paid in excess of premiums received for these participants totaled approximately \$735,583 for the fiscal year ended June 30, 2017. There have been no material changes in health insurance coverage from the previous year. The City has a two-tiered health insurance plan. The amount of employee contributions is based on the level of coverage chosen from the two tiers. Beginning January 1, 2012, the City implemented a two-tiered health insurance plan and will have only one area hospital in-network. These changes were completed using the RFP process and were approved and implemented by the Health Insurance Committee in order to reduce health care costs and avoid increases in premiums for both the City and employees.

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

B. Pollution Remediation

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

C. Subsequent Events

Management has evaluated subsequent events through December 29, 2017, the date on which the financial statements were available to be issued. There are no subsequent events to report.

D. Claims and Judgments

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

Changes in Claims and Judgments:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year</u>	<u>Changes in the Estimate for Claims of Prior Periods</u>	<u>Claims Incurred During Year</u>	<u>Payments of Claims</u>	<u>End of Fiscal Year</u>	<u>Amount Due Within One Year</u>
2015	\$ 1,300,000	\$ -	\$ -	\$ -	\$ 1,300,000	\$ 1,300,000
2016	\$ 1,300,000	\$ -	\$ -	\$ -	\$ 1,300,000	\$ 1,300,000
2017	\$ 1,300,000	\$ -	\$ -	\$ -	\$ 1,300,000	\$ 1,300,000

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

E. Contingent Liabilities

1. Landfill Closure and Post-closure

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on the estimate of landfill capacity used as of each balance sheet date. The \$3,210,565 reported as landfill closure and post-closure care liability at June 30, 2017, represents the cumulative amount reported to date based on the use of approximately 49 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of \$3.4 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 2017. Revised engineering studies were completed during fiscal year 2014, which increased 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 42 years, in the year 2059. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has established an irrevocable solid waste management financial assurance trust. The City is required to make payments into the trust over the life of the landfill to provide funds for closure and post-closure care. In fiscal year 2017, \$56,629 was paid into, or earned by, the trust. The cumulative amount of payments of \$3,162,934 is reported as restricted investments at June 30, 2017.

	<u>Balance June 30, 2016</u>	<u>Accrual Amount</u>	<u>Balance June 30, 2017</u>
Net change in Landfill Liability	<u>\$ 3,068,611</u>	<u>\$ 141,954</u>	<u>\$ 3,210,565</u>

2. Lawsuits

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

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

3. Grants

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

F. Conduit Debt

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

As of June 30, 2017, there were 3 series of industrial revenue bonds outstanding. The aggregate principal amount payable for the 3 series issued was approximately \$9.6 million at June 30, 2017.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

G. Pension Plans

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

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

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

Net Pension Liability

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2017, was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

Special Funding

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Not Special Funding

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

The proportionate shares of the employer’s and the state of Montana’s NPL for June 30, 2017, and 2016, are displayed below. The employer’s proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid.

The employer recorded a liability of \$41,741,337 and the employers proportionate share was 2.4505 percent.

As of measurement date:	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 41,741,337	\$ 34,676,423	2.4505%	2.4807%	-0.0301%
State of Montana Proportionate Share associated with the Employer	\$ 510,031	\$ 425,941	0.0299%	0.0305%	-0.0005%
Total	\$ 42,251,368	\$ 35,102,364	2.4804%	2.5112%	-0.0306%

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Pension Expense

As of reporting date	Pension Expense as of 6/30/2017	Pension Expense as of 6/30/2016
Employer's Proportionate Share of PERS	\$ 2,896,600	\$ 1,548,673
State of Montana Proportionate Share associated with the Employer	\$ 42,741	\$ 24,467
Grant Revenue - State of Montana Coal Tax for employer	\$ 731,319	\$ 832,197
Total	\$ 3,670,660	\$ 2,405,337

At June 30, 2017, the employer recognized its proportionate share of the PERS' Pension Expense of \$ 2,896,600. The employer also recognized grant revenue of \$ 42,741 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer and grant revenue of \$ 731,319 from the Coal Tax Fund.

Recognition of Deferred Inflows and Outflows

At June 30, 2017, the employer recognized its proportionate share of PERS' deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$ 225,224	\$ 138,165
Projected Investment Earnings vs. Actual Investment Earnings	\$ 3,927,027	\$ -
Changes in Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	\$ -	\$ 111,775
Employer Contributions subsequent to the measurement date	\$ 2,730,986	
Total	\$ 6,883,237	\$ 249,940

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

For the Reporting Year ended June 30:	Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense
2017	\$ 190,124
2018	\$ 190,124
2019	\$ 2,231,585
2020	\$ 1,402,251
2021	\$ -
Thereafter	\$ -

Plan Description

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

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Summary of Benefits

Eligibility for benefit

Service retirement:

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

Hired on or after July 1, 2011: Age 65, 5 years of membership service;
Age 70, regardless of membership service.

Early Retirement

Early retirement, actuarially reduced:

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

Hired on or after July1, 2011: Age 55, 5 years of membership service.

Vesting

5 years of membership service

Member's highest average compensation (HAC)

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

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

Compensation Cap

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

Monthly benefit formula

Members hired prior to July 1, 2011:

Less than 25 years of membership service: 1.785% of HAC per year of service credit;

25 years of membership service or more: 2% of HAC per year of service credit.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Members hired on or after July 1, 2011:

Less than 10 years of membership service: 1.5% of HAC per year of service credit;

10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit

30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

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

3% for members hired prior to July 1, 2007

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

Members hired on or after July 1, 2013:

1.5% for each year PERS is funded at or above 90%;

1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and

0% whenever the amortization period for PERS is 40 years or more.

Overview of Contributions

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

1. Member contributions to the system of 7.9% are temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
2. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative Session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following an actuary valuation that shows the amortization period of the PERS-DBRP has dropped below 25 years

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

and remains below the 25 years following the reduction of both the additional employer and member contributions rates.

- b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
 - c. The Plan Choice Rate (PCR), that directed a portion of employer contributions for DC members to the PERS defined benefit plan, are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
3. Non Employer Contributions
- a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
 - ii. The State contributes 0.37% of member's compensation on behalf of school district entities.
 - b. Not Special Funding
 - i. The State contributes a portion of the Coal Severance Tax income and earnings from the Coal Trust Permanent Trust fund.

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Stand-Alone Statements

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by an actuarial valuation date of June 30, 2015, with update procedures to roll forward the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six-year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

Investment Return (net of admin expense)	7.75%
Admin Expense as % of Payroll	0.27%
General Wage Growth*	4%
*includes Inflation at	3%
Merit Increases	0 to 6%
Postretirement Benefit Increases	

Guaranteed Annual Benefit Adjustment (GABA)

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

3% for members hired prior to July 1, 2007

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

Members hired on or after July 1, 2013

1.5% for each year PERS is funded at or above 90%;

1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and

0% whenever the amortization period for PERS is 40 years or more.

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries are based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non- employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets is reviewed as part of the regular experience study prepared for the System. The most recent analysis, performed for the period of fiscal years 2003 through 2009, is outlined in a report dated June 2010 and is located on the MPERA website. Several factors are considered in evaluation the long-term rate of return assumption. These factors include rates of return adopted by similar public sector systems, as well as the utilization of a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by an investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in the future years. Summarized in the table below are best estimates of the arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.6%	4.00%	0.10%
Domestic Equity	36.0%	4.55%	1.64%
Foreign Equity	18.0%	6.35%	1.14%
Fixed Income	23.4%	1.00%	0.23%
Private Equity	12.0%	7.75%	0.93%
Real Estate	8.0%	4.00%	0.32%
Total	100%		4.37
		Inflation	3.00%
		Portfolio Return Expectation	7.37%

Sensitivity Analysis

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

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
Employer's Net Pension Liability	\$60,569,759	\$41,741,337	\$25,522,497

Summary of Significant Accounting Policies

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

2. Firefighters' Unified Retirement System (FURS)

Net Pension Liability

In accordance with GASB Statement 68, Accounting and Financial Reporting for Pensions, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Firefighters' Unified Retirement System (the Plan). Employers are required to record and report their proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. This report provides information for employers who are using a June 30, 2016 measurement date for the 2017 reporting.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2017, was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

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

The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2017, and 2016, are displayed below. The employer's proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid.

The employer recorded a liability of \$7,366,593 and the employer's proportionate share was 6.4499 percent.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

As of reporting date:	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 7,366,593	\$ 6,829,124	6.4499%	6.6771%	-0.2272%
State of Montana Proportionate Share associated with the Employer	\$ 16,690,380	\$ 15,210,273	14.6133%	14.8716%	-0.2583%
Total	\$ 24,056,973	\$ 22,039,397	21.0632%	21.5487%	-0.4855%

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

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

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

Pension Expense

As of reporting date	Pension Expense as of 6/30/2017	Pension Expense as of 6/30/2016
Employer's Proportionate Share of FURS	\$ 931,680	\$ 765,417
Employer Grant Revenue - State of Montana Proportionate Share for the Employer	\$ 2,163,760	\$ 1,646,724
Total	\$ 3,095,440	\$ 2,412,141

At June 30, 2017, the employer recognized its proportionate share of the FURS' Pension Expense of \$ 931,680. The employer also recognized grant revenue of \$ 2,163,760 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Recognition of Beginning Deferred Outflow

At June 30, 2017, the employer reported its proportionate share of FURS' deferred outflows of resources and deferred inflows of resources relate to FURS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$ -	\$ 69,349
Projected Investment Earnings vs. Actual Investment Earnings	\$ 771,207	\$ -
Changes in Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	\$ -	\$ 151,386
Employer Contributions subsequent to the measurement date	\$ 2,391,066	
Total	\$ 3,162,273	\$ 220,735

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

For the Reporting Year ended June 30:	Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense
2017	\$ 55,967
2018	\$ 55,967
2019	\$ 368,606
2020	\$ 233,813
2021	\$ (12,495)
Thereafter	\$ -

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Plan Description

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

Summary of Benefits

Eligibility for benefit

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

Vesting

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

Member's highest average compensation (HAC)

Hired prior to July 1, 1981 and not electing GABA – highest monthly compensation (HMC)
Hired after June 30, 1981 and those electing GABA – highest average compensation (HAC) during any consecutive 36 months.

Monthly benefit formula

Members hired prior to July 1, 1981 and not electing GABA are entitled to the greater of
2.5% of HMC per year of service, OR

- i. If less than 20 years of service – 2% of HMC for each year of service
- ii. If more than 20 years of service – 50% of the member's HMC plus 2% of the member's HMC for each year of service over 20 years.

Members hired on or after July 1, 1981 and those electing GABA – 2.5% of HAC per year of membership service

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

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

Overview of Contributions

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

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

Stand-Alone Statements

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2015, actuarial valuation and applying standard roll forward procedures to update the TPL to June 30, 2016. There were several significant

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016, valuation were based on the results of the last actuarial experience study, dated June 2010, for the six- year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

Investment Return (net of admin expense)	7.75%
Admin Expense as % of Payroll	0.19%
General Wage Growth*	4.00%
*includes Inflation at	3.00%
Merit Increases	0% to 7.3%
Post Retirement Increases	

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

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

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 32.61% of the salaries paid by employers. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long- term expected rate of return on pension

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.6%	4.00%	-0.25%
Domestic Equity	36.0%	4.55%	4.55%
Foreign Equity	18.0%	6.35%	6.10%
Fixed Income	23.4%	1.00%	1.25%
Private Equity	12.0%	7.75%	8.00%
Real Estate	8.0%	4.00%	4.25%
Total	100.0%		4.37%
Inflation			3.00%
Portfolio Return Expectation			7.37%

Sensitivity Analysis

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

	1.0% Decrease 6.75%	Current Discount Rate	1.0% Increase 8.75%
Employer's Net Pension Liability	\$ 11,599,332	\$ 7,366,593	\$ 3,886,343

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Summary of Significant Accounting Policies

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

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

3. Municipal Police Officers' Retirement System (MPORS)

Net Pension Liability

In accordance with GASB Statement 68, *Accounting and Financial Reporting for Pensions*, employers and the non-employer contributing entity are required to recognize and report certain amounts associated with participation in the Municipal Police Officers' Retirement System (the Plan). Employers are required to record and report the proportionate share of the collective Net Pension Liability; Pension Expense; and Deferred Outflows and Deferred Inflows of Resources associated with pensions. This report provides information for employers who are using a June 30, 2016, measurement date for the 2017 reporting.

The Total Pension Liability (TPL) minus the Fiduciary Net Position equals the Net Pension Liability (NPL). As GASB Statement 68 allows, a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2017, was determined by taking the results of the June 30, 2016, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The update procedures are in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

MPORS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to MPORS on behalf of the employers. Due to the existence of this special funding situation, employers are

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

required to report the portion of the State of Montana’s proportionate share of the collective Net Pension Liability that is associated with the employer.

The proportionate shares of the employer’s and the state of Montana’s NPL for June 30, 2017, and 2016, are displayed below. The employer’s proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for a particular employer to the total state contributions paid.

The employer recorded a liability of \$12,571,489 and employer’s proportionate share was 6.9836 percent.

As of measurement date:	Net Pension Liability as of 6/30/2017	Net Pension Liability as of 6/30/2016	Percent of Collective NPL as of 6/30/2017	Percent of Collective NPL as of 6/30/2016	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 12,571,489	\$ 11,661,479	6.9836%	7.0496%	-0.0660%
State of Montana Proportionate Share associated with the Employer	\$ 24,954,951	\$ 23,627,265	13.8628%	14.2831%	-0.4203%
Total	\$ 37,526,440	\$ 35,288,744	20.8464%	21.3327%	-0.4863%

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

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

Changes in proportionate share: Between the measurement date of the collective NPL and the employer’s reporting date there were some changes in proportion that may have an effect on the employer’s proportionate share of the collective NPL. *(Employers must disclose the details of significant changes or state no changes.)*

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Pension Expense

As of reporting date	Pension Expense as of 6/30/2017	Pension Expense as of 6/30/2016
Employer's Proportionate Share of MPORS	\$ 1,280,613	\$ 1,127,412
State of Montana Proportionate Share associated with the Employer	\$ 2,674,032	\$ 2,402,961
Total	\$ 3,954,645	\$ 3,530,373

At June 30, 2017, the employer recognized its proportionate share of the MPORS' Pension Expense of \$ 1,280,613. The employer also recognized grant revenue of \$ 2,674,032 for the support provided by the State of Montana for its proportionate share of the Pension Expense that is associated with the employer.

Deferred Inflows and Outflows

At June 30, 2017, the employer reported its proportionate share of MPORS' deferred outflows of resources and deferred inflows of resources related to MPORS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Expected vs. Actual Experience	\$ -	\$ 256,115
Projected Investment Earnings vs. Actual Investment Earnings	\$ 815,161	\$ -
Changes in Assumptions	\$ -	\$ -
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	\$ -	\$ 196,765
Employer Contributions subsequent to the measurement date	\$ 2,466,878	\$ -
Total	\$ 3,282,039	\$ 452,880

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

For the Reporting Year ended <u>June 30:</u>	<u>Amount of deferred outflows and deferred inflows recognized in future years as an increase or (decrease) to Pension Expense</u>	
2017	\$	(25,686)
2018	\$	(25,868)
2019	\$	346,304
2020	\$	264,114
2021	\$	-
Thereafter	\$	-

Plan Description

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

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Summary of Benefits

Eligibility for benefit

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

Vesting

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

Member's highest average compensation (HAC)

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

Compensation Cap

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

Monthly benefit formula

2.5% of FAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum benefit adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA - the monthly retirement, disability or survivor's benefit may not be less than $\frac{1}{2}$ the compensation of a newly confirmed officer in the city that the member was last employed.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Overview of Contributions

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

Fiscal Year	Member				Employer	State
	Hired <7/1/75	Hired >6/30/75	Hired >6/30/79	Hired >6/30/97 GABA		
2000-2016	5.80%	7.00%	8.50%	9.00%	14.41%	29.37%
1998-1999	7.80%	9.00%	10.50%	11.00%	14.41%	29.37%
1997	7.80%	9.00%	10.50%		14.36%	29.37%

Stand-Alone Statements

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

Actuarial Assumptions

The TPL used to calculate the NPL was determined by an actuarial valuation as of June 30, 2015, with update procedures to roll forward the TPL to June 30, 2016. There were several significant assumptions and other inputs used to measure the TPL. The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the last actuarial experience study, dated June 2010 for the six year period July 1, 2003 to June 30, 2009. Among those assumptions were the following:

Investment Return (net of admin expense)	7.75%
Admin Expense as % of Payroll	0.20%
General Wage Growth*	4.00%
*includes Inflation at	3.00%
Merit Increases	0% to 7.3%
Post Retirement Increases	

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

Guaranteed Annual Benefit Adjustment (GABA)

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

Minimum Benefit Adjustment (non-GABA)

If hired before July 1, 1997 and member did not elect GABA – the monthly retirement, disability or survivor's benefit may not be less than $\frac{1}{2}$ the compensation of a newly confirmed officer in the city that the member was last employed.

Mortality assumptions among contributing members, terminated vested members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Employee and Annuitant Mortality Tables with no projections. No future mortality improvement is assumed.

Discount Rate

The discount rate used to measure the TPL was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 29.37% of the salaries paid by employers. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2117. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

Target Allocations

The long-term expected return on pension plan assets was reviewed as part of the regular experience study prepared for the Plan. The experience study, performed for the period of fiscal years 2003 through 2009, was outlined in a report dated June 2010 and can be located on the MPERA website. The long-term expected rate of return on pension plan investments was determined by considering information from various sources, including historical rates of return, rate of return assumptions adopted by similar public sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges were combined to produce the long-term expected

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2016, are summarized below.

Asset Class	Target Asset Allocation	Real Rate of Return Arithmetic Basis	Long-Term Expected Real Rate of Return
	(a)	(b)	(a) x (b)
Cash Equivalents	2.6%	4.00%	0.10%
Domestic Equity	36.0%	4.55%	1.64%
Foreign Equity	18.0%	6.35%	1.14%
Fixed Income	23.4%	1.00%	0.23%
Private Equity	12.0%	7.75%	0.93%
Real Estate	8.0%	4.00%	0.32%
Total	100.0%		4.37%
		Inflation	3.00%
		Portfolio Return Expectation	7.37%

Sensitivity Analysis

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

	1.0% Decrease (6.75%)	Current Discount Rate	1.0% Increase (8.75%)
Employer's Net Pension Liability	\$16,926,841	\$12,571,489	\$7,820,565

Summary of Significant Accounting Policies

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

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

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

4. PERS-defined contributions retirement plan (DCRP)

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

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

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

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

The member contribution rate for fiscal year 2017 was 6.9% of member's compensation for members hired before July 1, 2011. Members hired on or after July 1, 2011, have a contribution rate of 7.9%. The employer and state rate for fiscal year 2017 is 8.37% and is allocated as follows: 6.56% allocated to the member's retirement account, 1.47% 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.

CITY OF BILLINGS, MONTANA

Notes to Financial Statements

H. Prior Period Adjustment

A prior period adjustment of \$664,977 was made to decrease the governmental activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of GASB 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

Governmental Activities

Net position at July 1, 2016, as previously stated	\$ 269,557,281
OPEB liability adjustment	<u>(664,977)</u>
Net position at July 1, 2016, as restated	<u>\$ 268,892,304</u>

A prior period adjustment of \$326,634 was made to decrease the business-type activities' beginning net position. The adjustment was made to reflect the prior period costs related to the implementation of GASB 75, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

Business-type Activities

Net position at July 1, 2016, as previously stated	\$ 431,641,795
OPEB liability adjustment	<u>(326,634)</u>
Net position at July 1, 2016, as restated	<u>\$ 431,315,161</u>

REQUIRED SUPPLEMENTAL INFORMATION

Required Supplemental Information

CITY OF BILLINGS, MONTANA

General Fund

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

For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 14,655,056	\$ 14,655,056	\$ 15,153,915	\$ (498,859)
Licenses and permits	4,538,184	4,538,184	4,609,685	(71,501)
Intergovernmental	10,629,035	10,629,035	11,140,476	(511,441)
Charges for services	3,612,209	3,612,209	4,335,366	(723,157)
Fines and forfeitures	1,657,113	1,657,113	1,448,183	208,930
Other	130,240	130,240	137,846	(7,606)
Total revenues	<u>35,221,837</u>	<u>35,221,837</u>	<u>36,825,471</u>	<u>(1,603,634)</u>
Expenditures:				
Current:				
General government	\$ 6,252,636	\$ 6,561,638	\$ 6,110,613	\$ 451,025
Public safety	508,005	510,960	424,112	86,848
Public works	411,377	411,377	398,014	13,363
Public health	-	-	-	-
Culture and recreation	4,228,947	4,263,251	4,098,123	165,128
Capital outlay	432,494	459,661	316,693	142,968
Debt service:				
Total expenditures	<u>11,833,459</u>	<u>12,206,887</u>	<u>11,347,555</u>	<u>859,332</u>
Revenues over (under) expenditures	<u>23,388,378</u>	<u>23,014,950</u>	<u>25,477,916</u>	<u>(2,462,966)</u>
Other financing sources (uses):				
Transfers in	4,045	4,045	3,889	156
Transfers out	(25,282,788)	(25,623,136)	(24,400,232)	(1,222,904)
Sale of capital assets	500	500	-	500
Total other financing sources (uses)	<u>(25,278,243)</u>	<u>(25,618,591)</u>	<u>(24,396,343)</u>	<u>(1,222,248)</u>
Net change in fund balances	<u>\$ (1,889,865)</u>	<u>\$ (2,603,641)</u>	<u>1,081,573</u>	<u>\$ (3,685,214)</u>
Fund balance, beginning of year			<u>27,190,807</u>	
Fund balance, end of year			<u>\$ 28,272,380</u>	

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

Required Supplemental Information

CITY OF BILLINGS, MONTANA
Major Special Revenue Fund - Public Safety
Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2017

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	\$ 12,319,929	\$ 12,319,929	\$ 12,323,714	\$ (3,785)
Licenses and permits	33,050	33,050	38,732	(5,682)
Intergovernmental	2,553,125	2,553,125	2,622,276	(69,151)
Charges for services	1,493,759	1,493,759	1,542,613	(48,854)
Fines and forfeitures	3,400	3,400	2,400	1,000
Other	33,009	33,009	146,663	(113,654)
Total revenues	<u>16,436,272</u>	<u>16,436,272</u>	<u>16,676,398</u>	<u>(240,126)</u>
Expenditures:				
Current:				
Public safety	37,789,843	38,303,210	36,955,703	1,347,507
Public health	901,315	903,675	820,772	82,903
Capital outlay	243,805	403,352	307,780	95,572
Debt service:				
Principal	445,535	445,535	445,535	-
Interest and fiscal charges	27,470	27,470	27,820	(350)
Total expenditures	<u>39,407,968</u>	<u>40,083,242</u>	<u>38,557,610</u>	<u>1,525,632</u>
Revenues over (under) expenditures	<u>(22,971,696)</u>	<u>(23,646,970)</u>	<u>(21,881,212)</u>	<u>(1,765,758)</u>
Other financing sources (uses):				
Transfers in	23,782,668	24,118,668	22,907,140	1,211,528
Transfers out	(974,782)	(974,782)	(868,631)	(106,151)
Total other financing sources (uses)	<u>22,807,886</u>	<u>23,143,886</u>	<u>22,038,509</u>	<u>1,105,377</u>
Net change in fund balances	<u>\$ (163,810)</u>	<u>\$ (503,084)</u>	<u>157,297</u>	<u>\$ (660,381)</u>
Fund balance, beginning of year			1,442,703	
Fund balance, end of year			<u>\$ 1,600,000</u>	

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

Required Supplemental Information

A. Budgetary Information

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

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

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

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

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

Required Supplemental Information

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

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

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

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

	Public Safety Fund
<u>Revenues</u>	
Actual amounts (budgetary basis) "Total revenues" from the budget	\$ 16,676,398
Differences-budget to GAAP:	
On-behalf payments by the State of Montana for pension plan contributions are not a budgetary resource but are revenues for financial reporting purposes	6,283,351
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	\$ 22,959,749
<u>Expenditures</u>	
Actual amounts (budgetary basis) "Total expenditures" from the budget	\$ 38,557,610
Differences-budget to GAAP:	
On-behalf payments by the State of Montana for pension plan contributions are not a budgetary outflow but are expenditures for financial reporting purposes	6,283,351
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	\$ 44,840,961

Required Supplemental Information

C. Other Post-Employment Benefits Liability

Actuarial Assumptions and Methods

Valuation Date July 1, 2016

Discount Rate 3.86% per annum

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

Salary Increase Rate 3.0% per annum

Inflation Rate 3.0% per annum

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

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

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

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

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

Amortization Method

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

Mortality Rates

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

Required Supplemental Information

Plan Participation Percentage

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

Health Care Cost Trend Rate

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

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

Per Capita Health Claim Cost

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

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

Non-Claim Expenses

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

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

Plan Election Percentage

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

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

Required Supplemental Information

Age Based Morbidity

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

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

Retirement Age

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

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

Required Supplemental Information

Termination

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

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

Valuation of Excise Tax

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

Pre-Medicare Plan Costs for Excise Tax

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

Excise Tax Thresholds

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

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

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

Required Supplemental Information

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

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

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

Required Supplemental Information

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	41,741	34,676	30,549
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	2.45%	2.48%	2.45%
State of MT proportionate share of the net pension liability associated with the Employer	510	426	373
Total	<u>42,251</u>	<u>35,102</u>	<u>30,922</u>
Employer's covered-employee payroll	29,353	28,950	27,754
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	142.20%	119.78%	110.07%
Plan fiduciary net position the total pension liability (as a percentage)	74.71%	78.40%	79.90%

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

Required Supplemental Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	7,367	6,829	6,450
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	6.45%	6.68%	6.61%
State of MT proportionate share of the net pension liability associated with the Employer	<u>16,690</u>	<u>15,210</u>	<u>14,551</u>
Total	<u><u>24,057</u></u>	<u><u>22,039</u></u>	<u><u>21,001</u></u>
Employer's covered-employee payroll	9,083	8,973	8,583
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	81.11%	76.11%	75.15%
Plan fiduciary net position the total pension liability (as a percentage)	75.48%	76.90%	76.70%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Employer's proportion of the net pension liability	12,571	11,661	11,275
Employer's proportionate share of the net pension liability associated with the Employer (as a percentage)	6.98%	7.05%	7.18%
State of MT proportionate share of the net pension liability associated with the Employer	<u>24,955</u>	<u>23,627</u>	<u>22,778</u>
Total	<u><u>37,526</u></u>	<u><u>35,288</u></u>	<u><u>34,053</u></u>
Employer's covered-employee payroll	9,859	9,757	9,628
Employer's proportionate share of the net pension liability as of its covered-employee payroll (as a percentage)	127.52%	119.52%	117.11%
Plan fiduciary net position the total pension liability (as a percentage)	65.62%	66.90%	67.00%

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

Required Supplemental Information

E. Schedules of the City's Contributions

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	2,731	2,536	2,510
Contributions in relation to the contractually required contributions	2,731	2,536	2,510
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	29,353	29,353	28,950
Contributions of covered-employee payroll (as a percentage)	9.30%	8.64%	8.67%

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

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	2,391	1,299	1,314
Contributions in relation to the contractually required contributions	2,391	1,299	1,314
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	9,083	9,083	8,973
Contributions of covered-employee payroll (as a percentage)	26.32%	14.30%	14.64%

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

Required Supplemental Information

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	2,467	1,446	1,414
Contributions in relation to the contractually required contributions	2,467	1,446	1,414
Contribution deficiency (excess)	-	-	-
Employer's covered-employee payroll	9,859	9,859	9,760
Contributions of covered-employee payroll (as a percentage)	25.02%	14.67%	14.49%

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

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 14,655,056	\$ 14,655,056	\$ 15,153,915	\$ (498,859)
Licenses and permits	4,538,184	4,538,184	4,609,685	(71,501)
Intergovernmental	10,629,035	10,629,035	11,140,476	(511,441)
Charges for services	3,612,209	3,612,209	4,335,366	(723,157)
Fines and forfeitures	1,657,113	1,657,113	1,448,183	208,930
Other	130,240	130,240	137,846	(7,606)
Total revenues	<u>35,221,837</u>	<u>35,221,837</u>	<u>36,825,471</u>	<u>(1,603,634)</u>
Expenditures:				
Current:				
Salaries and benefits	7,990,241	8,139,270	7,847,666	291,604
Operations and maintenance	3,410,724	3,607,956	3,183,196	424,760
Capital outlay	432,494	459,661	316,693	142,968
Total expenditures	<u>11,833,459</u>	<u>12,206,887</u>	<u>11,347,555</u>	<u>859,332</u>
Revenues over (under) expenditures	<u>23,388,378</u>	<u>23,014,950</u>	<u>25,477,916</u>	<u>(2,462,966)</u>
Other financing sources (uses):				
Transfers in	4,045	4,045	3,889	156
Transfers out	(25,282,788)	(25,623,136)	(24,400,232)	(1,222,904)
Sale of capital assets	500	500	-	500
Total other financing sources (uses)	<u>(25,278,243)</u>	<u>(25,618,591)</u>	<u>(24,396,343)</u>	<u>(1,222,248)</u>
Net change in fund balances	<u>\$ (1,889,865)</u>	<u>\$ (2,603,641)</u>	1,081,573	<u>\$ (3,685,214)</u>
Fund balance, beginning of year			27,190,807	
Fund balance, end of year			<u>\$ 28,272,380</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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 12,319,929	\$ 12,319,929	\$ 12,323,714	\$ (3,785)
Licenses and permits	33,050	33,050	38,732	(5,682)
Intergovernmental	2,553,125	2,553,125	2,622,276	(69,151)
Charges for services	1,493,759	1,493,759	1,542,613	(48,854)
Fines and forfeitures	3,400	3,400	2,400	1,000
Other	33,009	33,009	146,663	(113,654)
Total revenues	<u>16,436,272</u>	<u>16,436,272</u>	<u>16,676,398</u>	<u>(240,126)</u>
Expenditures:				
Current:				
Salaries and benefits	33,457,638	33,835,744	32,400,601	1,435,143
Operations and maintenance	5,233,520	5,371,141	5,375,874	(4,733)
Capital outlay	243,805	403,352	307,780	95,572
Debt service:				
Principal	445,535	445,535	445,535	-
Interest and fiscal charges	27,470	27,470	27,820	(350)
Total expenditures	<u>39,407,968</u>	<u>40,083,242</u>	<u>38,557,610</u>	<u>1,525,632</u>
Revenues over (under) expenditures	<u>(22,971,696)</u>	<u>(23,646,970)</u>	<u>(21,881,212)</u>	<u>(1,765,758)</u>
Other financing sources (uses):				
Transfers in	23,782,668	24,118,668	22,907,140	1,211,528
Transfers out	(974,782)	(974,782)	(868,631)	(106,151)
Total other financing sources (uses)	<u>22,807,886</u>	<u>23,143,886</u>	<u>22,038,509</u>	<u>1,105,377</u>
Net change in fund balances	<u>\$ (163,810)</u>	<u>\$ (503,084)</u>	<u>157,297</u>	<u>\$ (660,381)</u>
Fund balance, beginning of year			1,442,703	
Fund balance, end of year			<u>\$ 1,600,000</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, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	\$ 25,698,402	\$ 2,304,351	\$ 2,641,857	\$ 305,628	\$ 30,950,238
Cash with fiscal agent	1,259,698	10,898,508	-	-	12,158,206
Investments	32,395,032	2,893,617	3,345,203	384,778	39,018,630
Receivables:					
Property taxes	559,897	152,280	-	-	712,177
Accounts and unbilled usage	76,927	-	-	-	76,927
Delinquent special assessments	1,071,878	89,682	-	-	1,161,560
Special assessments receivable	-	5,233,573	-	-	5,233,573
Accrued interest	90,045	3,561	9,181	1,167	103,954
Notes	1,889,644	150,000	-	-	2,039,644
Due from other funds	131,240	-	-	-	131,240
Due from other governments	721,498	-	-	-	721,498
Inventories	116,679	-	-	-	116,679
Property held for resale	35,000	155,997	187,828	-	378,825
Total assets	\$ 64,045,940	\$ 21,881,569	\$ 6,184,069	\$ 691,573	\$ 92,803,151
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
Accounts payable	\$ 3,433,554	\$ 6,042	\$ 36,313	\$ -	\$ 3,475,909
Accrued wages & benefits	443,525	-	-	-	443,525
Unearned Revenue	750,824	-	-	-	750,824
Other liabilities	-	73,000	-	-	73,000
Due to other funds	86,609	-	131,240	-	217,849
Total liabilities	4,714,512	79,042	167,553	-	4,961,107
Deferred inflows:					
Unavailable Revenue	2,339,190	5,358,621	-	-	7,697,811
Fund balance:					
Unspendable	116,679	-	-	691,573	808,252
Restricted	47,853,925	16,443,906	6,134,249	-	70,432,080
Committed	9,021,634	-	-	-	9,021,634
Unassigned	-	-	(117,733)	-	(117,733)
Total fund balances	56,992,238	16,443,906	6,016,516	691,573	80,144,233
Total liabilities, deferred inflows and fund balances	\$ 64,045,940	\$ 21,881,569	\$ 6,184,069	\$ 691,573	\$ 92,803,151

CITY OF BILLINGS, MONTANA
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 7,740,427	\$ 1,994,525	\$ -	\$ -	\$ 9,734,952
Licenses and permits	1,947,618	-	-	-	1,947,618
Intergovernmental	8,944,913	-	-	-	8,944,913
Charges for services	7,673,012	-	-	13,683	7,686,695
Fines and forfeitures	303,884	-	-	-	303,884
Special assessments	21,247,970	1,672,725	-	-	22,920,695
Other	3,333,944	514,581	63,654	3,005	3,915,184
Total revenues	<u>51,191,768</u>	<u>4,181,831</u>	<u>63,654</u>	<u>16,688</u>	<u>55,453,941</u>
Expenditures:					
Current:					
General government	2,207,980	9,515	3,022	-	2,220,517
Public safety	3,442,520	-	-	-	3,442,520
Public works	21,330,931	3,100	129,745	-	21,463,776
Culture and recreation	4,102,611	-	-	-	4,102,611
Housing and economic development	5,707,932	-	10,099	-	5,718,031
Capital outlay	13,313,739	-	506,906	-	13,820,645
Debt service:					
Principal	532,487	3,822,648	-	-	4,355,135
Interest and fiscal charges	1,042,663	1,663,364	-	-	2,706,027
Bond issuance costs	58,586	-	10,000	-	68,586
Total expenditures	<u>51,739,449</u>	<u>5,498,627</u>	<u>659,772</u>	<u>-</u>	<u>57,897,848</u>
Revenues over (under) expenditures	<u>(547,681)</u>	<u>(1,316,796)</u>	<u>(596,118)</u>	<u>16,688</u>	<u>(2,443,907)</u>
Other financing sources (uses):					
Transfers in	3,093,788	1,019,720	1,227,197	-	5,340,705
Transfers out	(3,739,975)	(11,332)	(15)	(3,010)	(3,754,332)
Special assessment bonds issued	-	-	226,000	-	226,000
Sale of capital assets	244,917	-	21,795	-	266,712
Total other financing sources (uses)	<u>(401,270)</u>	<u>1,008,388</u>	<u>1,474,977</u>	<u>(3,010)</u>	<u>2,079,085</u>
Net change in fund balances	(948,951)	(308,408)	878,859	13,678	(364,822)
Fund balance, beginning of year	57,941,189	16,752,314	5,137,657	677,895	80,509,055
Fund balance, end of year	<u>\$ 56,992,238</u>	<u>\$ 16,443,906</u>	<u>\$ 6,016,516</u>	<u>\$ 691,573</u>	<u>\$ 80,144,233</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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

- The South Tax Increment Operating Fund accounts for revenues from property tax levies in the South Tax Increment District, not including the Miller Crossing properties, on increased values. Amounts collected are used for the benefit of the tax increment district from which collections were assessed.
- The East Tax Increment Operating Fund accounts for revenues from property tax levies on increased taxable values in the East Tax Increment District. Amounts collected are used for the benefit of the tax increment district from which collections were assessed.
- The Parks Program Fund accounts for revenues and expenditures related to park acquisitions and park improvements.
- The Police Programs Fund accounts for the following programs: Montana Board of Crime Control, Justice Assistant Grants, High Intensity Drug Traffic Area, Technology Grants, Homeland Security Grants, Internet Crimes Against Children, Highway Traffic Safety Grants, Community Police Officer, and other law enforcement related programs.
- The Amend Park Fund accounts for funds designated for the maintenance of Amend Park.
- The 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 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, 2017
 (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>Road Maintenance District 6 Fund</u>
Assets								
Cash and cash equivalents	\$ 2,725,549	\$ 3,057,373	\$ 16,559	\$ 196,404	\$ 882,081	\$ 73,925	\$ 1,452,322	\$ 2,488
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	3,427,288	3,847,533	21,283	248,511	1,100,319	93,315	1,830,393	3,151
Receivables:								
Property taxes	-	-	-	-	61,464	-	-	-
Accounts and unbilled usage	-	-	-	-	-	-	-	-
Delinquent special assessments	-	-	-	-	-	-	374,078	111
Accrued interest	8,328	17,076	63	79	2,248	282	5,865	-
Notes	-	-	-	165,195	-	-	-	-
Due from other funds	131,240	-	-	-	-	-	-	-
Due from other governments	-	-	-	69,486	83,117	-	-	-
Inventories	-	-	-	-	-	-	-	-
Property held for resale	-	-	-	35,000	-	-	-	-
Total assets	\$ 6,292,405	\$ 6,921,982	\$ 37,905	\$ 714,675	\$ 2,129,229	\$ 167,522	\$ 3,662,658	\$ 5,750
Liabilities, Deferred Inflows and Fund Balances								
Liabilities:								
Accounts payable	\$ 1,198,731	\$ 101,503	\$ -	\$ 99,821	\$ 89,662	\$ -	\$ -	\$ -
Accrued wages & benefits	2,658	1,261	-	16,205	102,321	-	-	-
Due to other funds	-	-	-	35,445	-	-	-	-
Unearned Revenue	750,824	-	-	-	-	-	-	-
Total liabilities	1,952,213	102,764	-	151,471	191,983	-	-	-
Deferred inflows:								
Unavailable Revenue	-	-	-	165,195	16,302	-	103,117	1
Fund balances:								
Unspendable	-	-	-	-	-	-	-	-
Restricted	4,340,192	6,819,218	-	398,009	1,018,100	167,522	3,559,541	5,749
Committed	-	-	37,905	-	902,844	-	-	-
Total fund balances	4,340,192	6,819,218	37,905	398,009	1,920,944	167,522	3,559,541	5,749
Total liabilities, deferred inflows and fund balances	\$ 6,292,405	\$ 6,921,982	\$ 37,905	\$ 714,675	\$ 2,129,229	\$ 167,522	\$ 3,662,658	\$ 5,750

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Balance Sheet
June 30, 2017
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	Light Maintenance Districts Fund	Park Maintenance Districts Fund	Storm Sewer Fund	North 27th Street Tax Increment Operating Fund	South Tax Increment Operating Fund	East Tax Increment Operating Fund	Parks Program Fund
Assets							
Cash and cash equivalents	\$ 749,145	\$ 213,163	\$ 2,627,879	\$ 912,018	\$ 2,778,657	\$ 496,077	\$ 1,048,199
Cash with fiscal agent	-	-	-	634,982	474,497	150,219	-
Investments	946,506	269,808	3,314,697	1,150,461	3,500,400	627,726	1,321,283
Receivables:							
Property taxes	-	-	-	192,940	277,217	28,276	-
Accounts and unbilled usage	-	-	-	-	-	-	-
Delinquent special assessments	98,453	27,794	204,705	-	-	-	-
Accrued interest	2,479	370	10,057	1,307	9,191	1,661	3,908
Notes	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-
Due from other governments	-	-	22,664	-	-	-	-
Inventories	-	-	-	-	-	-	-
Property held for resale	-	-	-	-	-	-	-
Total assets	\$ 1,796,583	\$ 511,135	\$ 6,180,002	\$ 2,891,708	\$ 7,039,962	\$ 1,303,959	\$ 2,373,390
Liabilities, Deferred Inflows and Fund Balances							
Liabilities:							
Accounts payable	\$ 153,096	\$ 72,921	\$ 144,353	\$ 3,581	\$ 355,232	\$ 2,110	\$ 81,267
Accrued wages & benefits	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-
Total liabilities	153,096	72,921	144,353	3,581	355,232	2,110	81,267
Deferred inflows:							
Unavailable Revenue	23,897	6,423	53,228	121,434	24,796	8,756	-
Fund balances:							
Unspendable	-	-	-	-	-	-	-
Restricted	1,619,590	431,791	5,982,421	2,766,693	6,659,934	1,293,093	-
Committed	-	-	-	-	-	-	2,292,123
Total fund balances	1,619,590	431,791	5,982,421	2,766,693	6,659,934	1,293,093	2,292,123
Total liabilities, deferred inflows and fund balances	\$ 1,796,583	\$ 511,135	\$ 6,180,002	\$ 2,891,708	\$ 7,039,962	\$ 1,303,959	\$ 2,373,390

(continued)

CITY OF BILLINGS, MONTANA
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 June 30, 2017
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	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	\$ 662,805	\$ 94,539	\$ -	\$ 155,465	\$ 1,109,817	\$ 2,099,059	\$ -	\$ 105,341
Cash with fiscal agent	-	-	-	-	-	-	-	-
Investments	837,102	119,053	-	195,836	1,397,781	2,643,973	(171)	133,081
Receivables:								
Property taxes	-	-	-	-	-	-	-	-
Accounts and unbilled usage	-	-	-	18,452	58,475	-	-	-
Delinquent special assessments	-	-	-	-	-	-	-	-
Accrued interest	1,081	359	-	424	2,863	5,600	-	2,022
Notes	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Due from other governments	165,863	-	-	251,684	-	-	25,325	-
Inventories	-	-	-	-	-	116,679	-	-
Property held for resale	-	-	-	-	-	-	-	-
Total assets	<u>\$ 1,666,851</u>	<u>\$ 213,951</u>	<u>\$ -</u>	<u>\$ 621,861</u>	<u>\$ 2,568,936</u>	<u>\$ 4,865,311</u>	<u>\$ 25,154</u>	<u>\$ 240,444</u>
Liabilities, Deferred Inflows and Fund Balances								
Liabilities:								
Accounts payable	\$ 116,160	\$ 479	\$ -	\$ 76,139	\$ 3,350	\$ 194,415	\$ 12,230	\$ 3,488
Accrued wages & benefits	6,214	-	-	34,542	58,009	199,757	-	-
Due to other funds	-	-	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-	-	-
Total liabilities	<u>122,374</u>	<u>479</u>	<u>-</u>	<u>110,681</u>	<u>61,359</u>	<u>394,172</u>	<u>12,230</u>	<u>3,488</u>
Deferred inflows:								
Unavailable Revenue	-	-	-	-	-	-	-	-
Fund balances:								
Unspendable	-	-	-	-	-	116,679	-	-
Restricted	1,544,477	-	-	511,180	2,507,577	4,354,460	12,924	236,956
Committed	-	213,472	-	-	-	-	-	-
Total fund balances	<u>1,544,477</u>	<u>213,472</u>	<u>-</u>	<u>511,180</u>	<u>2,507,577</u>	<u>4,471,139</u>	<u>12,924</u>	<u>236,956</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 1,666,851</u>	<u>\$ 213,951</u>	<u>\$ -</u>	<u>\$ 621,861</u>	<u>\$ 2,568,936</u>	<u>\$ 4,865,311</u>	<u>\$ 25,154</u>	<u>\$ 240,444</u>

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2017

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Baseball

Field/Stadium
Donations for

	Municipal Court Grant Fund	Downtown Revolving Loan Fund	Capital Maintenance Fund	Arterial Fees Fund	Bike Paths and Trails Donations Fund	Park District 1 Fund	Total Nonmajor Special Revenue Funds
Assets							
Cash and cash equivalents	\$ 14,813	\$ 346,612	\$ 213,743	\$ 1,964,884	\$ -	\$ 1,699,485	\$ 25,698,402
Cash with fiscal agent	-	-	-	-	-	-	1,259,698
Investments	18,769	436,760	268,898	2,495,197	-	2,146,079	32,395,032
Receivables:							
Property taxes	-	-	-	-	-	-	559,897
Accounts and unbilled usage	-	-	-	-	-	-	76,927
Delinquent special assessments	-	-	-	206,922	-	159,815	1,071,878
Accrued interest	-	1,313	819	6,967	-	5,683	90,045
Notes	-	1,724,449	-	-	-	-	1,889,644
Due from other funds	-	-	-	-	-	-	131,240
Due from other governments	101,532	-	-	1,827	-	-	721,498
Inventories	-	-	-	-	-	-	116,679
Property held for resale	-	-	-	-	-	-	35,000
Total assets	\$ 135,114	\$ 2,509,134	\$ 483,460	\$ 4,675,797	\$ -	\$ 4,011,062	\$ 64,045,940
Liabilities, Deferred Inflows and Fund Balances							
Liabilities:							
Accounts payable	\$ 44,959	\$ 14	\$ -	\$ 322,297	\$ -	\$ 357,746	\$ 3,433,554
Accrued wages & benefits	5,853	-	-	-	-	16,705	443,525
Due to other funds	51,164	-	-	-	-	-	86,609
Unearned Revenue	-	-	-	-	-	-	750,824
Total liabilities	101,976	14	-	322,297	-	374,451	4,714,512
Deferred inflows:							
Unavailable Revenue	-	1,724,449	-	46,341	-	45,251	2,339,190
Fund balances:							
Unspendable	-	-	-	-	-	-	116,679
Restricted	33,138	-	-	-	-	3,591,360	47,853,925
Committed	-	784,671	483,460	4,307,159	-	-	9,021,634
Total fund balances	33,138	784,671	483,460	4,307,159	-	3,591,360	56,992,238
Total liabilities, deferred inflows and fund balances	\$ 135,114	\$ 2,509,134	\$ 483,460	\$ 4,675,797	\$ -	\$ 4,011,062	\$ 64,045,940

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017
(Page 1 of 4)

	Gas Tax Fund	EOC 911 Fund	Animal Shelter Donations Fund	Development Services Grants Fund	Library Fund	Cemetery Improvements Fund	Street Maintenance Districts Fund	Road Maintenance District 6 Fund
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 1,022,755	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,855,550	1,038,326	-	1,317,397	1,346,030	-	-	-
Charges for services	-	-	-	35,241	16,258	13,527	-	-
Fines and forfeitures	-	-	-	-	73,848	-	-	-
Special assessments	-	-	-	-	-	-	7,762,228	2,874
Other	843,873	30,513	168	536,708	110,922	735	15,677	-
Total revenues	2,699,423	1,068,839	168	1,889,346	2,569,813	14,262	7,777,905	2,874
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	525,423	-	-	-	-	-	-
Public works	2,604,115	-	-	-	-	11,214	6,253,903	-
Culture and recreation	-	-	-	-	3,368,032	-	-	-
Housing and economic development	-	-	-	2,129,971	-	-	-	-
Capital outlay	1,134,388	595,187	-	-	17,357	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	3,738,503	1,120,610	-	2,129,971	3,385,389	11,214	6,253,903	-
Revenues over (under) expenditures	(1,039,080)	(51,771)	168	(240,625)	(815,576)	3,048	1,524,002	2,874
Other financing sources (uses):								
Transfers in	1,500,000	-	-	420,436	899,552	-	-	-
Transfers out	(79,535)	-	-	(362,418)	(27,596)	-	(1,500,000)	-
Sale of capital assets	-	-	-	232,282	122	-	-	-
Total other financing sources (uses)	1,420,465	-	-	290,300	872,078	-	(1,500,000)	-
Net change in fund balances	381,385	(51,771)	168	49,675	56,502	3,048	24,002	2,874
Fund balance, beginning of year	3,958,807	6,870,989	37,737	348,334	1,864,442	164,474	3,535,539	2,875
Fund balance, end of year	\$ 4,340,192	\$ 6,819,218	\$ 37,905	\$ 398,009	\$ 1,920,944	\$ 167,522	\$ 3,559,541	\$ 5,749

(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, 2017
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	Light Maintenance Districts Fund	Park Maintenance Districts Fund	Storm Sewer Fund	North 27th Street Tax Increment Operating Fund	South Tax Increment Operating Fund	East Tax Increment Operating Fund	Parks Program Fund
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ 2,996,782	\$ 2,591,329	\$ 669,141	\$ -
Licenses and permits	-	-	8,400	-	-	-	-
Intergovernmental	-	-	-	211,821	256,218	146,654	-
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-
Special assessments	2,421,927	979,561	4,037,515	-	-	-	-
Other	39,090	1,296	193,499	4,212	27,772	4,212	185,450
Total revenues	<u>2,461,017</u>	<u>980,857</u>	<u>4,239,414</u>	<u>3,212,815</u>	<u>2,875,319</u>	<u>820,007</u>	<u>185,450</u>
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Public works	2,261,874	1,058,305	1,344,630	-	-	-	-
Culture and recreation	-	-	-	-	-	-	184,111
Housing and economic development	-	-	-	1,598,184	305,773	529,652	-
Capital outlay	-	-	1,163,777	42,284	4,241,736	-	200,000
Debt service:							
Principal	-	-	-	305,000	125,000	85,000	17,487
Interest and fiscal charges	-	-	-	645,291	272,955	121,988	2,429
Bond issuance costs	-	-	-	-	58,586	-	-
Total expenditures	<u>2,261,874</u>	<u>1,058,305</u>	<u>2,508,407</u>	<u>2,590,759</u>	<u>5,004,050</u>	<u>736,640</u>	<u>404,027</u>
Revenues over (under) expenditures	<u>199,143</u>	<u>(77,448)</u>	<u>1,731,007</u>	<u>622,056</u>	<u>(2,128,731)</u>	<u>83,367</u>	<u>(218,577)</u>
Other financing sources (uses):							
Transfers in	-	-	-	-	-	-	24,348
Transfers out	-	-	(1,009,000)	(522,125)	(24,987)	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,009,000)</u>	<u>(522,125)</u>	<u>(24,987)</u>	<u>-</u>	<u>24,348</u>
Net change in fund balances	199,143	(77,448)	722,007	99,931	(2,153,718)	83,367	(194,229)
Fund balance, beginning of year	1,420,447	509,239	5,260,414	2,666,762	8,813,652	1,209,726	2,486,352
Fund balance, end of year	<u>\$ 1,619,590</u>	<u>\$ 431,791</u>	<u>\$ 5,982,421</u>	<u>\$ 2,766,693</u>	<u>\$ 6,659,934</u>	<u>\$ 1,293,093</u>	<u>\$ 2,292,123</u>

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017
(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
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ 460,420	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	31,911	1,907,307	-	-	-
Intergovernmental	533,440	-	196,640	823,619	-	676,185	71,396	49,588
Charges for services	112,452	47,859	-	292,158	-	7,146,998	-	8,519
Fines and forfeitures	178,639	-	-	-	-	-	51,397	-
Special assessments	-	-	-	-	-	-	-	-
Other	418,507	860	8,750	1,193	14,449	55,808	-	73,147
Total revenues	1,243,038	48,719	205,390	1,609,301	1,921,756	7,878,991	122,793	131,254
Expenditures:								
Current:								
General government	-	-	-	1,474,518	-	-	302,997	-
Public safety	1,032,993	-	-	-	1,797,277	-	-	86,827
Public works	-	-	712,920	-	-	6,871,516	-	-
Culture and recreation	-	27,402	-	-	-	-	-	-
Housing and economic development	-	-	-	-	-	-	-	-
Capital outlay	45,793	-	-	-	157,878	608,268	-	9,658
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	1,078,786	27,402	712,920	1,474,518	1,955,155	7,479,784	302,997	96,485
Revenues over (under) expenditures	164,252	21,317	(507,530)	134,783	(33,399)	399,207	(180,204)	34,769
Other financing sources (uses):								
Transfers in	-	-	25,876	1,031	-	-	192,545	-
Transfers out	-	(879)	-	(5,933)	-	(207,502)	-	-
Sale of capital assets	-	-	-	-	10,966	1,547	-	-
Total other financing sources (uses)	-	(879)	25,876	(4,902)	10,966	(205,955)	192,545	-
Net change in fund balances	164,252	20,438	(481,654)	129,881	(22,433)	193,252	12,341	34,769
Fund balance, beginning of year	1,380,225	193,034	481,654	381,299	2,530,010	4,277,887	583	202,187
Fund balance, end of year	\$ 1,544,477	\$ 213,472	\$ -	\$ 511,180	\$ 2,507,577	\$ 4,471,139	\$ 12,924	\$ 236,956

(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, 2017

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	Municipal Court Grant Fund	Downtown Revolving Loan Fund	Baseball Field/Stadium Donations for Capital Maintenance Fund	Arterial Fees Fund	Bike Paths and Trails Donations Fund	Park District 1 Fund	Total Nonmajor Special Revenue Funds
Revenues:							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,740,427
Licenses and permits	-	-	-	-	-	-	1,947,618
Intergovernmental	420,222	-	-	1,827	-	-	8,944,913
Charges for services	-	-	-	-	-	-	7,673,012
Fines and forfeitures	-	-	-	-	-	-	303,884
Special assessments	-	-	-	3,937,889	-	2,105,976	21,247,970
Other	-	311,959	17,318	22,784	32	415,010	3,333,944
Total revenues	420,222	311,959	17,318	3,962,500	32	2,520,986	51,191,768
Expenditures:							
Current:							
General government	430,465	-	-	-	-	-	2,207,980
Public safety	-	-	-	-	-	-	3,442,520
Public works	-	-	-	212,454	-	-	21,330,931
Culture and recreation	-	-	15,231	-	-	507,835	4,102,611
Housing and economic development	-	1,144,352	-	-	-	-	5,707,932
Capital outlay	-	-	-	4,008,895	-	1,088,518	13,313,739
Debt service:							
Principal	-	-	-	-	-	-	532,487
Interest and fiscal charges	-	-	-	-	-	-	1,042,663
Bond issuance costs	-	-	-	-	-	-	58,586
Total expenditures	430,465	1,144,352	15,231	4,221,349	-	1,596,353	51,739,449
Revenues over (under) expenditures	(10,243)	(832,393)	2,087	(258,849)	32	924,633	(547,681)
Other financing sources (uses):							
Transfers in	30,000	-	-	-	-	-	3,093,788
Transfers out	-	-	-	-	-	-	(3,739,975)
Sale of capital assets	-	-	-	-	-	-	244,917
Total other financing sources (uses)	30,000	-	-	-	-	-	(401,270)
Net change in fund balances	19,757	(832,393)	2,087	(258,849)	32	924,633	(948,951)
Fund balance, beginning of year	13,381	1,617,064	481,373	4,566,008	(32)	2,666,727	57,941,189
Fund balance, end of year	\$ 33,138	\$ 784,671	\$ 483,460	\$ 4,307,159	\$ -	\$ 3,591,360	\$ 56,992,238

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, 2017
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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	1,853,349	1,853,349	1,855,550	(2,201)	1,194,756	1,194,756	1,038,326	156,430
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	1,518,000	1,518,000	843,873	674,127	22,645	22,645	30,513	(7,868)
Total revenues	<u>3,371,349</u>	<u>3,371,349</u>	<u>2,699,423</u>	<u>671,926</u>	<u>1,217,401</u>	<u>1,217,401</u>	<u>1,068,839</u>	<u>148,562</u>
Expenditures:								
Current:								
Salaries and benefits	62,610	63,257	62,669	588	30,179	30,394	29,655	739
Operations and maintenance	256,497	256,497	2,541,446	(2,284,949)	913,320	915,820	495,768	420,052
Capital outlay	4,700,000	6,477,859	1,134,388	5,343,471	710,000	710,000	595,187	114,813
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>5,019,107</u>	<u>6,797,613</u>	<u>3,738,503</u>	<u>3,059,110</u>	<u>1,653,499</u>	<u>1,656,214</u>	<u>1,120,610</u>	<u>535,604</u>
Revenues over (under) expenditures	<u>(1,647,758)</u>	<u>(3,426,264)</u>	<u>(1,039,080)</u>	<u>(2,387,184)</u>	<u>(436,098)</u>	<u>(438,813)</u>	<u>(51,771)</u>	<u>(387,042)</u>
Other financing sources (uses):								
Transfers in	1,500,000	1,500,000	1,500,000	-	-	-	-	-
Transfers out	-	-	(79,535)	79,535	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,420,465</u>	<u>79,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u><u>\$ (147,758)</u></u>	<u><u>\$(1,926,264)</u></u>	<u><u>381,385</u></u>	<u><u>\$(2,307,649)</u></u>	<u><u>\$ (436,098)</u></u>	<u><u>\$ (438,813)</u></u>	<u><u>(51,771)</u></u>	<u><u>\$(387,042)</u></u>
Fund balance, beginning of year			3,958,807				6,870,989	
Fund balance, end of year			<u><u>\$4,340,192</u></u>				<u><u>\$6,819,218</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, 2017
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	Animal Shelter Donation Fund				Development Services Grant Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	1,390,061	1,371,823	1,317,397	54,426
Charges for services	-	-	-	-	20,000	20,000	35,241	(15,241)
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	6,649	6,649	168	6,481	3,028	79,804	536,708	(456,904)
Total revenues	<u>6,649</u>	<u>6,649</u>	<u>168</u>	<u>6,481</u>	<u>1,413,089</u>	<u>1,471,627</u>	<u>1,889,346</u>	<u>(417,719)</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	393,598	443,049	322,392	120,657
Operations and maintenance	6,000	6,000	-	6,000	906,424	2,226,913	1,807,579	419,334
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>	<u>1,300,022</u>	<u>2,669,962</u>	<u>2,129,971</u>	<u>539,991</u>
Revenues over (under) expenditures	<u>649</u>	<u>649</u>	<u>168</u>	<u>481</u>	<u>113,067</u>	<u>(1,198,335)</u>	<u>(240,625)</u>	<u>(957,710)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	58,000	58,000	420,436	(362,436)
Transfers out	-	-	-	-	-	-	(362,418)	362,418
Sale of capital assets	-	-	-	-	50,000	50,000	232,282	(182,282)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,000</u>	<u>108,000</u>	<u>290,300</u>	<u>(182,300)</u>
Net change in fund balances	<u>\$ 649</u>	<u>\$ 649</u>	<u>168</u>	<u>\$ 481</u>	<u>\$ 221,067</u>	<u>\$ (1,090,335)</u>	<u>49,675</u>	<u>\$ (1,140,010)</u>
Fund balance, beginning of year			37,737				348,334	
Fund balance, end of year			<u>\$ 37,905</u>				<u>\$ 398,009</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, 2017
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	Library Fund				Cemetery Improvements Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 1,031,921	\$ 1,031,921	\$ 1,022,755	\$ 9,166	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,301,430	1,301,430	1,346,030	(44,600)	-	-	-	-
Charges for services	13,725	13,725	16,258	(2,533)	14,000	14,000	13,527	473
Fines and forfeitures	74,850	74,850	73,848	1,002	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	110,424	110,424	110,922	(498)	632	632	735	(103)
Total revenues	<u>2,532,350</u>	<u>2,532,350</u>	<u>2,569,813</u>	<u>(37,463)</u>	<u>14,632</u>	<u>14,632</u>	<u>14,262</u>	<u>370</u>
Expenditures:								
Current:								
Salaries and benefits	2,245,098	2,255,789	2,286,840	(31,051)	-	-	-	-
Operations and maintenance	1,205,210	1,211,760	1,081,192	130,568	20,000	20,000	11,214	8,786
Capital outlay	16,360	16,360	17,357	(997)	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>3,466,668</u>	<u>3,483,909</u>	<u>3,385,389</u>	<u>98,520</u>	<u>20,000</u>	<u>20,000</u>	<u>11,214</u>	<u>8,786</u>
Revenues over (under) expenditures	<u>(934,318)</u>	<u>(951,559)</u>	<u>(815,576)</u>	<u>(135,983)</u>	<u>(5,368)</u>	<u>(5,368)</u>	<u>3,048</u>	<u>(8,416)</u>
Other financing sources (uses):								
Transfers in	920,587	920,587	899,552	21,035	-	-	-	-
Transfers out	(27,596)	(27,596)	(27,596)	-	-	-	-	-
Sale of capital assets	500	500	122	378	-	-	-	-
Total other financing sources (uses)	<u>893,491</u>	<u>893,491</u>	<u>872,078</u>	<u>21,413</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (40,827)</u>	<u>\$ (58,068)</u>	<u>56,502</u>	<u>\$ (114,570)</u>	<u>\$ (5,368)</u>	<u>\$ (5,368)</u>	<u>3,048</u>	<u>\$ (8,416)</u>
Fund balance, beginning of year			1,864,442				164,474	
Fund balance, end of year			<u>\$ 1,920,944</u>				<u>\$ 167,522</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, 2017
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	Street Maintenance Districts Fund				Road Maintenance Dist. 6 Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	7,476,000	7,476,000	7,762,228	(286,228)	2,875	2,875	2,874	1
Other	6,200	6,200	15,677	(9,477)	-	-	-	-
Total revenues	<u>7,482,200</u>	<u>7,482,200</u>	<u>7,777,905</u>	<u>(295,705)</u>	<u>2,875</u>	<u>2,875</u>	<u>2,874</u>	<u>1</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	6,405,255	6,405,255	6,253,903	151,352	-	-	-	-
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>6,405,255</u>	<u>6,405,255</u>	<u>6,253,903</u>	<u>151,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>1,076,945</u>	<u>1,076,945</u>	<u>1,524,002</u>	<u>(447,057)</u>	<u>2,875</u>	<u>2,875</u>	<u>2,874</u>	<u>1</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(1,500,000)	(1,500,000)	(1,500,000)	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>(1,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (423,055)</u>	<u>\$ (423,055)</u>	<u>24,002</u>	<u>\$ (447,057)</u>	<u>\$ 2,875</u>	<u>\$ 2,875</u>	<u>2,874</u>	<u>\$ 1</u>
Fund balance, beginning of year			3,535,539				2,875	
Fund balance, end of year			<u>\$ 3,559,541</u>				<u>\$ 5,749</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, 2017
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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	2,634,000	2,634,000	2,421,927	212,073	1,075,754	1,075,754	979,561	96,193
Other	3,000	3,000	39,090	(36,090)	-	-	1,296	(1,296)
Total revenues	<u>2,637,000</u>	<u>2,637,000</u>	<u>2,461,017</u>	<u>175,983</u>	<u>1,075,754</u>	<u>1,075,754</u>	<u>980,857</u>	<u>94,897</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	2,606,674	2,606,674	2,261,874	344,800	1,120,201	1,120,201	1,058,305	61,896
Capital outlay	-	-	-	-	-	10,010	-	10,010
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>2,606,674</u>	<u>2,606,674</u>	<u>2,261,874</u>	<u>344,800</u>	<u>1,120,201</u>	<u>1,130,211</u>	<u>1,058,305</u>	<u>71,906</u>
Revenues over (under) expenditures	<u>30,326</u>	<u>30,326</u>	<u>199,143</u>	<u>(168,817)</u>	<u>(44,447)</u>	<u>(54,457)</u>	<u>(77,448)</u>	<u>22,991</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>\$ 30,326</u>	<u>\$ 30,326</u>	<u>199,143</u>	<u>\$ (168,817)</u>	<u>\$ (44,447)</u>	<u>\$ (54,457)</u>	<u>(77,448)</u>	<u>\$ 22,991</u>
Fund balance, beginning of year			1,420,447				509,239	
Fund balance, end of year			<u>\$ 1,619,590</u>				<u>\$ 431,791</u>	

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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, 2017
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	Storm Sewer Fund				North 27th Street Tax Increment Operating Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,531,750	\$ 3,531,750	\$ 2,996,782	\$ 534,968
Licenses and permits	12,000	12,000	8,400	3,600	-	-	-	-
Intergovernmental	-	-	-	-	212,000	212,000	211,821	179
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	3,875,000	3,875,000	4,037,515	(162,515)	-	-	-	-
Other	20,252	20,252	193,499	(173,247)	7,500	7,500	4,212	3,288
Total revenues	<u>3,907,252</u>	<u>3,907,252</u>	<u>4,239,414</u>	<u>(332,162)</u>	<u>3,751,250</u>	<u>3,751,250</u>	<u>3,212,815</u>	<u>538,435</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	1,323,113	1,323,113	1,344,630	(21,517)	1,675,385	1,875,285	1,598,184	277,101
Capital outlay	2,565,000	3,462,348	1,163,777	2,298,571	-	40,000	42,284	(2,284)
Debt service:								
Principal	-	-	-	-	305,000	305,000	305,000	-
Interest and fiscal charges	-	-	-	-	644,700	644,700	645,291	(591)
Total expenditures	<u>3,888,113</u>	<u>4,785,461</u>	<u>2,508,407</u>	<u>2,277,054</u>	<u>2,625,085</u>	<u>2,864,985</u>	<u>2,590,759</u>	<u>274,226</u>
Revenues over (under) expenditures	<u>19,139</u>	<u>(878,209)</u>	<u>1,731,007</u>	<u>(2,609,216)</u>	<u>1,126,165</u>	<u>886,265</u>	<u>622,056</u>	<u>264,209</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(1,015,000)	(1,015,000)	(1,009,000)	(6,000)	(522,125)	(522,125)	(522,125)	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,015,000)</u>	<u>(1,015,000)</u>	<u>(1,009,000)</u>	<u>(6,000)</u>	<u>(522,125)</u>	<u>(522,125)</u>	<u>(522,125)</u>	<u>-</u>
Net change in fund balances	<u>\$ (995,861)</u>	<u>\$ (1,893,209)</u>	<u>722,007</u>	<u>\$ (2,615,216)</u>	<u>\$ 604,040</u>	<u>\$ 364,140</u>	<u>99,931</u>	<u>\$ 264,209</u>
Fund balance, beginning of year			5,260,414				2,666,762	
Fund balance, end of year			<u>\$ 5,982,421</u>				<u>\$ 2,766,693</u>	

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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, 2017
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	South Tax Increment Operating Fund				East Tax Increment Operating Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 2,345,370	\$ 2,345,370	\$ 2,591,329	\$ (245,959)	\$ 623,880	\$ 623,880	\$ 669,141	\$ (45,261)
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	256,000	256,000	256,218	(218)	146,000	146,000	146,654	(654)
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	17,758	17,758	27,772	(10,014)	8,776	8,776	4,212	4,564
Total revenues	<u>2,619,128</u>	<u>2,619,128</u>	<u>2,875,319</u>	<u>(256,191)</u>	<u>778,656</u>	<u>778,656</u>	<u>820,007</u>	<u>(41,351)</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	398,121	398,121	305,595	92,526	374,054	544,464	529,652	14,812
Capital outlay	700,000	4,913,269	4,241,914	671,355	-	-	-	-
Debt service:								
Principal	125,000	125,000	125,000	-	85,000	85,000	85,000	-
Interest and fiscal charges	192,000	273,000	331,541	(58,541)	120,500	120,500	121,988	(1,488)
Total expenditures	<u>1,415,121</u>	<u>5,709,390</u>	<u>5,004,050</u>	<u>705,340</u>	<u>579,554</u>	<u>749,964</u>	<u>736,640</u>	<u>13,324</u>
Revenues over (under) expenditures	<u>1,204,007</u>	<u>(3,090,262)</u>	<u>(2,128,731)</u>	<u>(961,531)</u>	<u>199,102</u>	<u>28,692</u>	<u>83,367</u>	<u>(54,675)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(24,987)	24,987	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(24,987)</u>	<u>24,987</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 1,204,007</u>	<u>\$ (3,090,262)</u>	<u>(2,153,718)</u>	<u>\$ (936,544)</u>	<u>\$ 199,102</u>	<u>\$ 28,692</u>	<u>83,367</u>	<u>\$ (54,675)</u>
Fund balance, beginning of year			8,813,652				1,209,726	
Fund balance, end of year			<u>\$ 6,659,934</u>				<u>\$ 1,293,093</u>	

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance-Budget to Actual
For the Fiscal Year Ended June 30, 2017
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	Park Program Fund				Police Program Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	418,529	418,529	533,440	(114,911)
Charges for services	3,000	3,000	-	3,000	147,868	147,868	112,452	35,416
Fines and forfeitures	-	-	-	-	190,800	190,800	178,639	12,161
Special assessments	-	-	-	-	-	-	-	-
Other	185,597	185,597	185,450	147	362,705	362,705	418,507	(55,802)
Total revenues	<u>188,597</u>	<u>188,597</u>	<u>185,450</u>	<u>3,147</u>	<u>1,119,902</u>	<u>1,119,902</u>	<u>1,243,038</u>	<u>(123,136)</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	663,616	666,750	315,867	350,883
Operations and maintenance	559,943	613,408	184,111	429,297	456,793	468,425	717,126	(248,701)
Capital outlay	-	-	200,000	(200,000)	6,000	51,793	45,793	6,000
Debt service:								
Principal	16,000	16,000	17,487	(1,487)	-	-	-	-
Interest and fiscal charges	4,000	4,000	2,429	1,571	-	-	-	-
Total expenditures	<u>579,943</u>	<u>633,408</u>	<u>404,027</u>	<u>229,381</u>	<u>1,126,409</u>	<u>1,186,968</u>	<u>1,078,786</u>	<u>108,182</u>
Revenues over (under) expenditures	<u>(391,346)</u>	<u>(444,811)</u>	<u>(218,577)</u>	<u>(226,234)</u>	<u>(6,507)</u>	<u>(67,066)</u>	<u>164,252</u>	<u>(231,318)</u>
Other financing sources (uses):								
Transfers in	-	4,348	24,348	(20,000)	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	100,000	100,000	-	100,000	-	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>104,348</u>	<u>24,348</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (291,346)</u>	<u>\$ (340,463)</u>	<u>(194,229)</u>	<u>\$ (146,234)</u>	<u>\$ (6,507)</u>	<u>\$ (67,066)</u>	<u>164,252</u>	<u>\$ (231,318)</u>
Fund balance, beginning of year			2,486,352				1,380,225	
Fund balance, end of year			<u>\$ 2,292,123</u>				<u>\$ 1,544,477</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, 2017
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	Amend Park Fund				Transportation Enhancement Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	196,640	(196,640)
Charges for services	900	900	47,859	(46,959)	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	931	931	860	71	-	-	8,750	(8,750)
Total revenues	<u>1,831</u>	<u>1,831</u>	<u>48,719</u>	<u>(46,888)</u>	<u>-</u>	<u>-</u>	<u>205,390</u>	<u>(205,390)</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	51,219	51,219	27,402	23,817	-	-	-	-
Capital outlay	-	-	-	-	-	712,921	712,920	1
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>51,219</u>	<u>51,219</u>	<u>27,402</u>	<u>23,817</u>	<u>-</u>	<u>712,921</u>	<u>712,920</u>	<u>1</u>
Revenues over (under) expenditures	<u>(49,388)</u>	<u>(49,388)</u>	<u>21,317</u>	<u>(70,705)</u>	<u>-</u>	<u>(712,921)</u>	<u>(507,530)</u>	<u>(205,391)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	25,876	(25,876)
Transfers out	(1,000)	(1,000)	(879)	(121)	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>(1,000)</u>	<u>(1,000)</u>	<u>(879)</u>	<u>(121)</u>	<u>-</u>	<u>-</u>	<u>25,876</u>	<u>(25,876)</u>
Net change in fund balances	<u>\$ (50,388)</u>	<u>\$ (50,388)</u>	<u>20,438</u>	<u>\$ (70,826)</u>	<u>\$ -</u>	<u>\$ (712,921)</u>	<u>(481,654)</u>	<u>\$ (231,267)</u>
Fund balance, beginning of year			193,034				481,654	
Fund balance, end of year			<u>\$ 213,472</u>				<u>\$ -</u>	

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Special Revenue Funds
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances-Budget to Actual
For the Fiscal Year Ended June 30, 2017
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	City-County Planning Fund				Building Inspection Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 440,000	\$ 440,000	\$ 460,420	\$ (20,420)	\$ -	\$ -	\$ -	\$ -
Licenses and permits	30,000	30,000	31,911	(1,911)	1,619,900	1,619,900	1,907,307	(287,407)
Intergovernmental	781,969	781,969	823,619	(41,650)	-	-	-	-
Charges for services	266,900	266,900	292,158	(25,258)	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	2,760	2,760	1,193	1,567	8,861	8,861	14,449	(5,588)
Total revenues	<u>1,521,629</u>	<u>1,521,629</u>	<u>1,609,301</u>	<u>(87,672)</u>	<u>1,628,761</u>	<u>1,628,761</u>	<u>1,921,756</u>	<u>(292,995)</u>
Expenditures:								
Current:								
Salaries and benefits	988,661	1,005,157	899,163	105,994	1,254,238	1,271,613	1,236,928	34,685
Operations and maintenance	576,281	636,490	575,355	61,135	585,136	606,076	560,349	45,727
Capital outlay	-	-	-	-	171,000	171,000	157,878	13,122
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>1,564,942</u>	<u>1,641,647</u>	<u>1,474,518</u>	<u>167,129</u>	<u>2,010,374</u>	<u>2,048,689</u>	<u>1,955,155</u>	<u>93,534</u>
Revenues over (under) expenditures	<u>(43,313)</u>	<u>(120,018)</u>	<u>134,783</u>	<u>(254,801)</u>	<u>(381,613)</u>	<u>(419,928)</u>	<u>(33,399)</u>	<u>(386,529)</u>
Other financing sources (uses):								
Transfers in	1,031	1,031	1,031	-	-	-	-	-
Transfers out	(5,933)	(5,933)	(5,933)	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	10,966	(10,966)
Total other financing sources (uses)	<u>(4,902)</u>	<u>(4,902)</u>	<u>(4,902)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,966</u>	<u>(10,966)</u>
Net change in fund balances	<u>\$ (48,215)</u>	<u>\$ (124,920)</u>	<u>129,881</u>	<u>\$ (254,801)</u>	<u>\$ (381,613)</u>	<u>\$ (419,928)</u>	<u>(22,433)</u>	<u>\$ (397,495)</u>
Fund balance, beginning of year			381,299				2,530,010	
Fund balance, end of year			<u>\$ 511,180</u>				<u>\$ 2,507,577</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, 2017
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	Street & Traffic Fund				City Attorney Grants Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	674,000	674,000	676,185	(2,185)	70,542	70,542	71,396	(854)
Charges for services	6,965,500	6,965,500	7,146,998	(181,498)	-	-	-	-
Fines and forfeitures	-	-	-	-	60,000	64,000	51,397	12,603
Special assessments	-	-	-	-	-	-	-	-
Other	22,000	22,000	55,808	(33,808)	-	-	-	-
Total revenues	<u>7,661,500</u>	<u>7,661,500</u>	<u>7,878,991</u>	<u>(217,491)</u>	<u>130,542</u>	<u>134,542</u>	<u>122,793</u>	<u>11,749</u>
Expenditures:								
Current:								
Salaries and benefits	3,734,762	3,759,227	3,736,299	22,928	316,535	322,212	300,621	21,591
Operations and maintenance	3,310,282	3,340,863	3,135,217	205,646	1,800	1,800	2,376	(576)
Capital outlay	825,662	1,106,860	608,268	498,592	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>7,870,706</u>	<u>8,206,950</u>	<u>7,479,784</u>	<u>727,166</u>	<u>318,335</u>	<u>324,012</u>	<u>302,997</u>	<u>21,015</u>
Revenues over (under) expenditures	<u>(209,206)</u>	<u>(545,450)</u>	<u>399,207</u>	<u>(944,657)</u>	<u>(187,793)</u>	<u>(189,470)</u>	<u>(180,204)</u>	<u>(9,266)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	183,793	183,793	192,545	(8,752)
Transfers out	(207,502)	(207,502)	(207,502)	-	-	-	-	-
Sale of capital assets	-	-	1,547	(1,547)	-	-	-	-
Total other financing sources (uses)	<u>(207,502)</u>	<u>(207,502)</u>	<u>(205,955)</u>	<u>(1,547)</u>	<u>183,793</u>	<u>183,793</u>	<u>192,545</u>	<u>(8,752)</u>
Net change in fund balances	<u>\$ (416,708)</u>	<u>\$ (752,952)</u>	<u>193,252</u>	<u>\$ (946,204)</u>	<u>\$ (4,000)</u>	<u>\$ (5,677)</u>	<u>12,341</u>	<u>\$ (18,018)</u>
Fund balance, beginning of year			4,277,887				583	
Fund balance, end of year			<u>\$ 4,471,139</u>				<u>\$ 12,924</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, 2017
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	Fire Program Fund				Municipal Court Grant Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	44,167	44,167	49,588	(5,421)	580,339	580,339	420,222	160,117
Charges for services	-	-	8,519	(8,519)	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	5,464	5,464	73,147	(67,683)	-	-	-	-
Total revenues	<u>49,631</u>	<u>49,631</u>	<u>131,254</u>	<u>(81,623)</u>	<u>580,339</u>	<u>580,339</u>	<u>420,222</u>	<u>160,117</u>
Expenditures:								
Current:								
Salaries and benefits	24,000	24,000	4,153	19,847	225,366	227,954	177,005	50,949
Operations and maintenance	110,093	175,462	82,674	92,788	357,120	357,120	253,460	103,660
Capital outlay	-	9,658	9,658	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>134,093</u>	<u>209,120</u>	<u>96,485</u>	<u>112,635</u>	<u>582,486</u>	<u>585,074</u>	<u>430,465</u>	<u>154,609</u>
Revenues over (under) expenditures	<u>(84,462)</u>	<u>(159,489)</u>	<u>34,769</u>	<u>(194,258)</u>	<u>(2,147)</u>	<u>(4,735)</u>	<u>(10,243)</u>	<u>5,508</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	30,000	30,000	30,000	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
Net change in fund balances	<u>\$ (84,462)</u>	<u>\$ (159,489)</u>	<u>34,769</u>	<u>\$ (194,258)</u>	<u>\$ 27,853</u>	<u>\$ 25,265</u>	<u>19,757</u>	<u>\$ 5,508</u>
Fund balance, beginning of year			202,187				13,381	
Fund balance, end of year			<u>\$ 236,956</u>				<u>\$ 33,138</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, 2017
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	Downtown Revolving Loan Fund				Baseball Field / Stadium Donation For Capital Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	275,580	275,580	311,959	(36,379)	32,486	32,486	17,318	15,168
Total revenues	<u>275,580</u>	<u>275,580</u>	<u>311,959</u>	<u>(36,379)</u>	<u>32,486</u>	<u>32,486</u>	<u>17,318</u>	<u>15,168</u>
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	449,053	1,199,053	1,144,352	54,701	100,696	100,696	15,231	85,465
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	<u>449,053</u>	<u>1,199,053</u>	<u>1,144,352</u>	<u>54,701</u>	<u>100,696</u>	<u>100,696</u>	<u>15,231</u>	<u>85,465</u>
Revenues over (under) expenditures	<u>(173,473)</u>	<u>(923,473)</u>	<u>(832,393)</u>	<u>(91,080)</u>	<u>(68,210)</u>	<u>(68,210)</u>	<u>2,087</u>	<u>(70,297)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ (173,473)</u>	<u>\$ (923,473)</u>	<u>(832,393)</u>	<u>\$ (91,080)</u>	<u>\$ (68,210)</u>	<u>\$ (68,210)</u>	<u>2,087</u>	<u>\$ (70,297)</u>
Fund balance, beginning of year			1,617,064				481,373	
Fund balance, end of year			<u>\$ 784,671</u>				<u>\$ 483,460</u>	

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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, 2017
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	Arterial Fees Fund				Bike Paths and Trails Donations Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	1,827	(1,827)	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	-
Special assessments	3,785,000	3,785,000	3,937,889	(152,889)	-	-	-	-
Other	10,000	10,000	22,784	(12,784)	-	-	32	(32)
Total revenues	3,795,000	3,795,000	3,962,500	(167,500)	-	-	32	(32)
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	106,944	106,944	212,454	(105,510)	-	-	-	-
Capital outlay	4,716,865	7,426,108	4,008,895	3,417,213	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	4,823,809	7,533,052	4,221,349	3,311,703	-	-	-	-
Revenues over (under) expenditures	(1,028,809)	(3,738,052)	(258,849)	(3,479,203)	-	-	32	(32)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	\$ (1,028,809)	\$ (3,738,052)	(258,849)	\$ (3,479,203)	\$ -	\$ -	32	\$ (32)
Fund balance, beginning of year			4,566,008				(32)	
Fund balance, end of year			\$ 4,307,159				\$ -	

(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, 2017
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	Park District 1 Fund				Total Nonmajor Special Revenue Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 7,972,921	\$ 7,972,921	\$ 7,740,427	\$ 232,494
Licenses and permits	-	-	-	-	1,661,900	1,661,900	1,947,618	(285,718)
Intergovernmental	-	-	-	-	8,923,142	8,904,904	8,944,913	(40,009)
Charges for services	-	-	-	-	7,431,893	7,431,893	7,673,012	(241,119)
Fines and forfeitures	-	-	-	-	325,650	329,650	303,884	25,766
Special assessments	2,040,000	2,040,000	2,105,976	(65,976)	20,888,629	20,888,629	21,247,970	(359,341)
Other	8,200	8,200	415,010	(406,810)	2,639,448	2,716,224	3,333,944	(617,720)
Total revenues	<u>2,048,200</u>	<u>2,048,200</u>	<u>2,520,986</u>	<u>(472,786)</u>	<u>49,843,583</u>	<u>49,906,121</u>	<u>51,191,768</u>	<u>(1,285,647)</u>
Expenditures:								
Current:								
Salaries and benefits	289,236	289,883	267,779	22,104	10,227,899	10,359,285	9,639,371	719,914
Operations and maintenance	459,297	470,292	235,866	234,426	24,334,911	27,037,951	26,435,315	602,636
Capital outlay	3,578,964	3,624,700	1,092,708	2,531,992	17,989,851	28,732,886	14,031,027	14,701,859
Debt service:								
Principal	-	-	-	-	531,000	531,000	532,487	(1,487)
Interest and fiscal charges	-	-	-	-	961,200	1,042,200	1,101,249	(59,049)
Total expenditures	<u>4,327,497</u>	<u>4,384,875</u>	<u>1,596,353</u>	<u>2,788,522</u>	<u>54,044,861</u>	<u>67,703,322</u>	<u>51,739,449</u>	<u>15,963,873</u>
Revenues over (under) expenditures	<u>(2,279,297)</u>	<u>(2,336,675)</u>	<u>924,633</u>	<u>(3,261,308)</u>	<u>(4,201,278)</u>	<u>(17,797,201)</u>	<u>(547,681)</u>	<u>(17,249,520)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	2,693,411	2,697,759	3,093,788	(396,029)
Transfers out	-	-	-	-	(3,279,156)	(3,279,156)	(3,739,975)	460,819
Sale of capital assets	-	-	-	-	150,500	150,500	244,917	(94,417)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(435,245)</u>	<u>(430,897)</u>	<u>(401,270)</u>	<u>(29,627)</u>
Net change in fund balances	<u>\$ (2,279,297)</u>	<u>\$ (2,336,675)</u>	<u>924,633</u>	<u>\$ (3,261,308)</u>	<u>\$ (4,586,135)</u>	<u>\$ (18,177,710)</u>	<u>(948,951)</u>	<u>\$ (17,208,321)</u>
Fund balance, beginning of year			2,666,727				57,941,189	
Fund balance, end of year			<u>\$ 3,591,360</u>				<u>\$ 56,992,238</u>	

NONMAJOR DEBT SERVICE FUNDS

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

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

CITY OF BILLINGS, MONTANA
Nonmajor Debt Service Funds
Combining Balance Sheet
June 30, 2017

	Series 2012 Library Fund	Storm Sewer Fund	Series 2010 Parks Fund	Series 2004A Street Improvements Fund	Series 2007A Baseball Field/Stadium Fund	Series 2007B Baseball Field/Stadium Fund	Series 2015 G.O. Refunding Fund	Special Improvement Districts Fund	Sidewalk Curb Districts Fund	Total Nonmajor Debt Service Funds
Assets										
Cash and cash equivalents	\$ 22,979	\$ 447,466	\$ 7,819	\$ 11,300	\$ 25,179	\$ 31,318	\$ 1,443	\$ 1,661,342	\$ 95,505	\$ 2,304,351
Cash with fiscal agent	1,008,850	769,572	115,988	306,600	661,516	192,850	6,786,542	956,311	100,279	10,898,508
Investments	26,892	562,381	8,003	13,616	35,857	40,186	1,826	2,083,459	121,397	2,893,617
Receivables:										
Property taxes	66,801	-	9,313	22,879	53,209	78	-	-	-	152,280
Delinquent special assessments	-	-	-	-	-	-	-	76,116	13,566	89,682
Special assessments receivable	-	-	-	-	-	-	-	3,709,641	1,523,932	5,233,573
Accrued interest	865	360	101	259	543	338	-	884	211	3,561
Notes	-	-	-	-	-	150,000	-	-	-	150,000
Property held for resale	-	-	-	-	-	-	-	155,997	-	155,997
Total assets	\$ 1,126,387	\$ 1,779,779	\$ 141,224	\$ 354,654	\$ 776,304	\$ 414,770	\$ 6,789,811	\$ 8,643,750	\$ 1,854,890	\$ 21,881,569
Liabilities, Deferred Inflows and Fund Balances										
Liabilities:										
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,475	\$ 3,267	\$ 300	\$ -	\$ 6,042
Other liabilities	-	-	-	-	-	-	-	63,000	10,000	73,000
Total liabilities	-	-	-	-	-	2,475	3,267	63,300	10,000	79,042
Deferred Inflows:										
Unavailable Revenue	20,056	-	2,587	7,130	16,401	50,000	-	3,734,540	1,527,907	5,358,621
Fund balances:										
Restricted	1,106,331	1,779,779	138,637	347,524	759,903	362,295	6,786,544	4,845,910	316,983	16,443,906
Total fund balances	1,106,331	1,779,779	138,637	347,524	759,903	362,295	6,786,544	4,845,910	316,983	16,443,906
Total liabilities, deferred inflows and fund balances	\$ 1,126,387	\$ 1,779,779	\$ 141,224	\$ 354,654	\$ 776,304	\$ 414,770	\$ 6,789,811	\$ 8,643,750	\$ 1,854,890	\$ 21,881,569

CITY OF BILLINGS, MONTANA
Nonmajor Debt Service Funds
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Series 2012 Library Fund	Storm Sewer Fund	Series 2010 Parks Fund	Series 2004A Street Improvements Fund	Series 2007A Baseball Field/Stadium Fund	Series 2007B Baseball Field/Stadium Fund	Series 2015 G.O. Refunding Fund	Special Improvement Districts Fund	Sidewalk and Curb Districts Fund	Total Nonmajor Debt Service Funds
Revenues:										
Taxes	\$ 879,432	\$ -	\$ 126,672	\$ 296,157	\$ 692,264	\$ -	\$ -	\$ -	\$ -	\$ 1,994,525
Special assessments	-	-	-	-	-	-	-	1,270,559	402,166	1,672,725
Other	302,159	216	266	727	1,557	205,795	4	3,513	344	514,581
Total revenues	1,181,591	216	126,938	296,884	693,821	205,795	4	1,274,072	402,510	4,181,831
Expenditures:										
Current:										
General government	5,303	675	270	-	-	-	3,267	-	-	9,515
Public works	-	-	-	-	-	-	-	-	3,100	3,100
Debt service:										
Principal	785,000	465,000	110,000	260,000	490,000	185,000	-	1,228,648	299,000	3,822,648
Interest and fiscal charges	435,900	487,220	15,915	80,593	321,911	13,076	-	223,297	85,452	1,663,364
Total expenditures	1,226,203	952,895	126,185	340,593	811,911	198,076	3,267	1,451,945	387,552	5,498,627
Revenues over (under) expenditures	(44,612)	(952,679)	753	(43,709)	(118,090)	7,719	(3,263)	(177,873)	14,958	(1,316,796)
Other financing sources:										
Transfers in	-	1,009,014	-	-	-	-	-	-	10,706	1,019,720
Transfers out	-	-	-	-	-	-	-	(11,332)	-	(11,332)
Total other financing sources (uses)	-	1,009,014	-	-	-	-	-	(11,332)	10,706	1,008,388
Net change in fund balances	(44,612)	56,335	753	(43,709)	(118,090)	7,719	(3,263)	(189,205)	25,664	(308,408)
Fund balance, beginning of year	1,150,943	1,723,444	137,884	391,233	877,993	354,576	6,789,807	5,035,115	291,319	16,752,314
Fund balance, end of year	\$ 1,106,331	\$ 1,779,779	\$ 138,637	\$ 347,524	\$ 759,903	\$ 362,295	\$ 6,786,544	\$ 4,845,910	\$316,983	\$16,443,906

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, 2017
(Page 1 of 5)

	Series 2012 Library Fund				Storm Sewer Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 1,043,588	\$ 1,043,588	\$ 879,432	\$ 164,156	\$ -	\$ -	\$ -	\$ -
Special assessments	2,197	2,197	-	2,197	-	-	-	-
Other	300,000	300,000	302,159	(2,159)	697	697	216	481
Total revenues	<u>1,345,785</u>	<u>1,345,785</u>	<u>1,181,591</u>	<u>164,194</u>	<u>697</u>	<u>697</u>	<u>216</u>	<u>481</u>
Expenditures:								
Current:								
Operations and maintenance	5,033	5,303	5,303	-	1,951	2,577	675	1,902
Debt service:								
Principal	785,000	785,000	785,000	-	465,000	465,000	465,000	-
Interest and fiscal charges	435,907	435,907	435,900	7	482,320	485,320	487,220	(1,900)
Total expenditures	<u>1,225,940</u>	<u>1,226,210</u>	<u>1,226,203</u>	<u>7</u>	<u>949,271</u>	<u>952,897</u>	<u>952,895</u>	<u>2</u>
Revenues over (under) expenditures	<u>119,845</u>	<u>119,575</u>	<u>(44,612)</u>	<u>164,187</u>	<u>(948,574)</u>	<u>(952,200)</u>	<u>(952,679)</u>	<u>479</u>
Other financing sources:								
Transfers in	-	-	-	-	1,015,000	1,015,015	1,009,014	6,001
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,015,000</u>	<u>1,015,015</u>	<u>1,009,014</u>	<u>6,001</u>
Net change in fund balances	<u>\$ 119,845</u>	<u>\$ 119,575</u>	<u>(44,612)</u>	<u>\$ 164,187</u>	<u>\$ 66,426</u>	<u>\$ 62,815</u>	<u>56,335</u>	<u>\$ 6,480</u>
Fund balance, beginning of year			1,150,943				1,723,444	
Fund balance, end of year			<u>\$ 1,106,331</u>				<u>\$ 1,779,779</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, 2017
(Page 2 of 5)

	Series 2010 Parks Fund				Series 2004A Street Improvements Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ 139,256	\$ 139,256	\$ 126,672	\$ 12,584	\$ 382,537	\$ 382,537	\$ 296,157	\$ 86,380
Special assessments	-	-	-	-	-	-	-	-
Other	148	148	266	(118)	537	537	727	(190)
Total revenues	<u>139,404</u>	<u>139,404</u>	<u>126,938</u>	<u>12,466</u>	<u>383,074</u>	<u>383,074</u>	<u>296,884</u>	<u>86,190</u>
Expenditures:								
Current:								
Operations and maintenance	2,490	2,760	270	2,490	6,317	6,317	-	6,317
Debt service:								
Principal	110,000	110,000	110,000	-	260,000	260,000	260,000	-
Interest and fiscal charges	13,425	13,425	15,915	(2,490)	77,400	77,400	80,593	(3,193)
Total expenditures	<u>125,915</u>	<u>126,185</u>	<u>126,185</u>	<u>-</u>	<u>343,717</u>	<u>343,717</u>	<u>340,593</u>	<u>3,124</u>
Revenues over (under) expenditures	<u>13,489</u>	<u>13,219</u>	<u>753</u>	<u>12,466</u>	<u>39,357</u>	<u>39,357</u>	<u>(43,709)</u>	<u>83,066</u>
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ 13,489</u>	<u>\$ 13,219</u>	<u>753</u>	<u>\$ 12,466</u>	<u>\$ 39,357</u>	<u>\$ 39,357</u>	<u>(43,709)</u>	<u>\$ 83,066</u>
Fund balance, beginning of year			137,884				391,233	
Fund balance, end of year			<u>\$ 138,637</u>				<u>\$ 347,524</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, 2017

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	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	\$ 919,431	\$ 919,431	\$ 692,264	\$ 227,167	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-	-	-	-
Other	1,127	1,127	1,557	(430)	210,779	210,779	205,795	4,984
Total revenues	<u>920,558</u>	<u>920,558</u>	<u>693,821</u>	<u>226,737</u>	<u>210,779</u>	<u>210,779</u>	<u>205,795</u>	<u>4,984</u>
Expenditures:								
Current:								
Operations and maintenance	8,090	8,090	-	8,090	4,882	4,882	-	4,882
Debt service:								
Principal	490,000	490,000	490,000	-	185,000	185,000	185,000	-
Interest and fiscal charges	316,485	316,485	321,911	(5,426)	8,575	8,575	13,076	(4,501)
Total expenditures	<u>814,575</u>	<u>814,575</u>	<u>811,911</u>	<u>2,664</u>	<u>198,457</u>	<u>198,457</u>	<u>198,076</u>	<u>381</u>
Revenues over (under) expenditures	<u>105,983</u>	<u>105,983</u>	<u>(118,090)</u>	<u>224,073</u>	<u>12,322</u>	<u>12,322</u>	<u>7,719</u>	<u>4,603</u>
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-	-
Net change in fund balances	<u>\$ 105,983</u>	<u>\$ 105,983</u>	<u>(118,090)</u>	<u>\$ 224,073</u>	<u>\$ 12,322</u>	<u>\$ 12,322</u>	<u>7,719</u>	<u>\$ 4,603</u>
Fund balance, beginning of year			877,993				354,576	
Fund balance, end of year			<u>\$ 759,903</u>				<u>\$ 362,295</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, 2017
(Page 4 of 5)

	Series 2015 G.O. Refunding Fund				Special Improvement Districts Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	1,850,000	1,850,000	1,270,559	579,441
Other	-	-	4	(4)	2,000	2,000	3,513	(1,513)
Total revenues	<u>-</u>	<u>-</u>	<u>4</u>	<u>(4)</u>	<u>1,852,000</u>	<u>1,852,000</u>	<u>1,274,072</u>	<u>577,928</u>
Expenditures:								
Current:								
Operations and maintenance	-	3,268	3,267	1	8,200	8,200	-	8,200
Debt service:								
Principal	-	-	-	-	1,585,000	1,585,000	1,228,648	356,352
Interest and fiscal charges	-	-	-	-	261,800	261,800	223,297	38,503
Total expenditures	<u>-</u>	<u>3,268</u>	<u>3,267</u>	<u>1</u>	<u>1,855,000</u>	<u>1,855,000</u>	<u>1,451,945</u>	<u>403,055</u>
Revenues over (under) expenditures	<u>-</u>	<u>(3,268)</u>	<u>(3,263)</u>	<u>(5)</u>	<u>(3,000)</u>	<u>(3,000)</u>	<u>(177,873)</u>	<u>174,873</u>
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	(25,000)	(25,000)	(11,332)	(13,668)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(50,000)</u>	<u>(25,000)</u>	<u>(11,332)</u>	<u>(13,668)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (3,268)</u>	<u>(3,263)</u>	<u>\$ (5)</u>	<u>\$ (53,000)</u>	<u>\$ (28,000)</u>	<u>(189,205)</u>	<u>\$ 161,205</u>
Fund balance, beginning of year			6,789,807				5,035,115	
Fund balance, end of year			<u>\$ 6,786,544</u>				<u>\$ 4,845,910</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, 2017

(Page 5 of 5)

	Sidewalk and Curb Districts Fund				Total Nonmajor Debt Service Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 2,484,812	\$ 2,484,812	\$ 1,994,525	\$ 490,287
Special assessments	370,000	370,000	402,166	(32,166)	2,222,197	2,222,197	1,672,725	549,472
Other	200	200	344	(144)	515,488	515,488	514,581	907
Total revenues	<u>370,200</u>	<u>370,200</u>	<u>402,510</u>	<u>(32,310)</u>	<u>4,852,297</u>	<u>4,852,297</u>	<u>3,779,321</u>	<u>1,072,976</u>
Expenditures:								
Current:								
Operations and maintenance	-	-	3,100	(3,100)	36,963	41,397	12,615	28,782
Debt service:								
Principal	310,000	310,000	299,000	11,000	4,190,000	4,190,000	3,822,648	367,352
Interest and fiscal charges	94,000	94,000	85,452	8,548	1,689,912	1,692,912	1,663,364	29,548
Total expenditures	<u>404,000</u>	<u>404,000</u>	<u>387,552</u>	<u>16,448</u>	<u>5,916,875</u>	<u>5,924,309</u>	<u>5,498,627</u>	<u>425,682</u>
Revenues over (under) expenditures	<u>(33,800)</u>	<u>(33,800)</u>	<u>14,958</u>	<u>(48,758)</u>	<u>(694,378)</u>	<u>(701,812)</u>	<u>(1,316,796)</u>	<u>614,984</u>
Other financing sources:								
Transfers in	-	-	10,706	(10,706)	1,015,000	1,015,015	1,019,720	(4,705)
Transfers out	-	-	-	-	(25,000)	(25,000)	(11,332)	(13,668)
Total other financing sources	-	-	10,706	(10,706)	965,000	990,015	1,008,388	(18,373)
Net change in fund balances	<u>\$ (33,800)</u>	<u>\$ (33,800)</u>	<u>25,664</u>	<u>\$ (59,464)</u>	<u>\$ 304,422</u>	<u>\$ 288,203</u>	<u>(308,408)</u>	<u>\$ 633,357</u>
Fund balance, beginning of year			291,319				16,752,314	
Fund balance, end of year			<u>\$ 316,983</u>				<u>\$16,443,906</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 Storm Sewer Construction Fund accounts for construction of storm sewers.
- The Rose Park Pool Construction Fund will be used to reconstruct the bathrooms and concession areas that were damaged by fire.
- The Dog Park Construction Fund accounts for the construction of the new dog park in the Billings' Heights.

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds
Combining Balance Sheet
June 30, 2017

	Urban Renewal Property Acquisition Fund	Sidewalk and Curb Districts Fund	Special Improvements Districts Fund	Capital Replacement Fund	Storm Sewer Construction	Rose Park Pool Construction Fund	Dog Park Construction Fund	Total Nonmajor Capital Projects Funds
Assets								
Cash and cash equivalents	\$ 31,723	\$ 12,085	\$ -	\$ 2,524,443	\$ -	\$ 71,709	\$ 1,897	\$ 2,641,857
Cash with fiscal agent								-
Investments	40,194	15,305	-	3,196,484	-	90,818	2,402	3,345,203
Receivables:								
Accrued interest	123	-	-	9,058	-	-	-	9,181
Property held for resale	187,828	-	-	-	-	-	-	187,828
Total assets	\$ 259,868	\$ 27,390	\$ -	\$ 5,729,985	\$ -	\$ 162,527	\$ 4,299	\$ 6,184,069
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	\$ -	\$ 13,883	\$ -	\$ 11,800	\$ -	\$ 10,630	\$ -	\$ 36,313
Due to other funds	-	131,240	-	-	-	-	-	131,240
Total Liabilities	-	145,123	-	11,800	-	10,630	-	167,553
Fund balance (deficit)								
Restricted	259,868	-	-	5,718,185	-	151,897	4,299	6,134,249
Unassigned	-	(117,733)	-	-	-	-	-	(117,733)
Total fund balance (deficit)	259,868	(117,733)	-	5,718,185	-	151,897	4,299	6,016,516
Total liabilities and fund balances	\$ 259,868	\$ 27,390	\$ -	\$ 5,729,985	\$ -	\$ 162,527	\$ 4,299	\$ 6,184,069

CITY OF BILLINGS, MONTANA
Nonmajor Capital Projects Funds
Combining Statement of Revenue, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017

	Urban Renewal Property Acquisition Fund	Sidewalk and Curb Districts Fund	Special Improvements Districts Fund	Capital Replacement Fund	Storm Sewer Construction	Rose Park Pool Construction Fund	Dog Park Construction Fund	Total Nonmajor Capital Projects Funds
Revenues:								
Other	\$ 7,312	\$ -	\$ 1	\$ 56,142	\$ -	\$ -	\$ 199	\$ 63,654
Total revenues	<u>7,312</u>	<u>-</u>	<u>1</u>	<u>56,142</u>	<u>-</u>	<u>-</u>	<u>199</u>	<u>63,654</u>
Expenditures:								
Current:								
General government	-	-	-	3,022	-	-	-	3,022
Public works	-	129,745	-	-	-	-	-	129,745
Culture and recreation	-	-	-	-	-	-	-	-
Housing and economic development	10,099	-	-	-	-	-	-	10,099
Capital outlay	-	792	8,236	377,308	-	120,570	-	506,906
Debt service:								
Bond issuance costs	-	10,000	-	-	-	-	-	10,000
Total expenditures	<u>10,099</u>	<u>140,537</u>	<u>8,236</u>	<u>380,330</u>	<u>-</u>	<u>120,570</u>	<u>-</u>	<u>659,772</u>
Revenues over (under) expenditures	<u>(2,787)</u>	<u>(140,537)</u>	<u>(8,235)</u>	<u>(324,188)</u>	<u>-</u>	<u>(120,570)</u>	<u>199</u>	<u>(596,118)</u>
Other financing sources (uses):								
Transfers in	-	627	79,535	966,235	-	180,800	-	1,227,197
Transfers out	-	-	-	-	(15)	-	-	(15)
Special assessment bonds issued	-	226,000	-	-	-	-	-	226,000
Sale of capital assets	-	-	-	21,795	-	-	-	21,795
Total other financing sources (uses)	<u>-</u>	<u>226,627</u>	<u>79,535</u>	<u>988,030</u>	<u>(15)</u>	<u>180,800</u>	<u>-</u>	<u>1,474,977</u>
Net change in fund balances	<u>(2,787)</u>	<u>86,090</u>	<u>71,300</u>	<u>663,842</u>	<u>(15)</u>	<u>60,230</u>	<u>199</u>	<u>878,859</u>
Fund balance (deficit), beginning of year	262,655	(203,823)	(71,300)	5,054,343	15	91,667	4,100	5,137,657
Fund balance (deficit), end of year	<u>\$ 259,868</u>	<u>\$ (117,733)</u>	<u>\$ -</u>	<u>\$ 5,718,185</u>	<u>\$ -</u>	<u>\$ 151,897</u>	<u>\$ 4,299</u>	<u>\$ 6,016,516</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, 2017
(Page 1 of 4)

	Urban Renewal Property Acquisition Fund				Sidewalk and Curb Districts Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Other	\$ 195	\$ 195	\$ 7,312	\$ (7,117)	\$ -	\$ -	\$ -	\$ -
Total revenues	195	195	7,312	(7,117)	-	-	-	-
Expenditures:								
Current:								
Operations and maintenance	15,749	15,749	10,099	5,650	-	-	129,745	(129,745)
Capital outlay	75,000	75,000	-	75,000	454,000	557,896	792	557,104
Debt service:								
Bond issuance costs	-	-	-	-	12,000	12,000	10,000	2,000
Total expenditures	90,749	90,749	10,099	80,650	466,000	569,896	140,537	429,359
Revenues over (under) expenditures	(90,554)	(90,554)	(2,787)	(87,767)	(466,000)	(569,896)	(140,537)	(429,359)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	627	(627)
Transfers out	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	466,000	466,000	226,000	240,000
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	466,000	466,000	226,627	239,373
Net change in fund balances	\$ (90,554)	\$ (90,554)	(2,787)	\$ (87,767)	\$ -	\$ (103,896)	86,090	\$ (189,986)
Fund balance (deficit), beginning of year			262,655				(203,823)	
Fund balance (deficit), end of year			\$ 259,868				\$ (117,733)	

(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, 2017

(Page 2 of 4)

	Special Improvement Districts Fund				Capital Replacement Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Other	\$ -	\$ -	\$ 1	\$ (1)	\$ 17,676	\$ 17,676	\$ 56,142	\$ (38,466)
Total revenues	<u>-</u>	<u>-</u>	<u>1</u>	<u>(1)</u>	<u>17,676</u>	<u>17,676</u>	<u>56,142</u>	<u>(38,466)</u>
Expenditures:								
Current:								
Operations and maintenance	-	-	-	-	3,022	3,022	3,022	-
Capital outlay	907,000	915,236	8,236	907,000	426,558	426,558	377,308	49,250
Debt service:								
Bond issuance costs	32,000	32,000	-	32,000	-	-	-	-
Total expenditures	<u>939,000</u>	<u>947,236</u>	<u>8,236</u>	<u>939,000</u>	<u>429,580</u>	<u>429,580</u>	<u>380,330</u>	<u>49,250</u>
Revenues over (under) expenditures	<u>(939,000)</u>	<u>(947,236)</u>	<u>(8,235)</u>	<u>(939,001)</u>	<u>(411,904)</u>	<u>(411,904)</u>	<u>(324,188)</u>	<u>(87,716)</u>
Other financing sources (uses):								
Transfers in	-	-	79,535	(79,535)	966,235	966,235	966,235	-
Transfers out	-	-	-	-	-	-	-	-
Special assessment bonds issued	939,000	939,000	-	939,000	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	21,795	(21,795)
Total other financing sources (uses)	<u>939,000</u>	<u>939,000</u>	<u>79,535</u>	<u>859,465</u>	<u>966,235</u>	<u>966,235</u>	<u>988,030</u>	<u>(21,795)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (8,236)</u>	<u>71,300</u>	<u>\$ (79,536)</u>	<u>\$ 554,331</u>	<u>\$ 554,331</u>	<u>663,842</u>	<u>\$ (109,511)</u>
Fund balance (deficit), beginning of year			<u>(71,300)</u>				<u>5,054,343</u>	
Fund balance (deficit), end of year			<u>\$ -</u>				<u>\$ 5,718,185</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, 2017
(Page 3 of 4)

	Storm Sewer Construction Fund				Rose Park Pool Construction Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Other	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-	-	-	-	-
Expenditures:								
Current:								
Operations and maintenance	-	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	100,000	143,084	120,570	22,514
Debt service:								
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	-	-	-	-	100,000	143,084	120,570	22,514
Revenues over (under) expenditures	-	-	-	-	(100,000)	(143,084)	(120,570)	(22,514)
Other financing sources (uses):								
Transfers in	-	-	-	-	100,000	100,000	180,800	(80,800)
Transfers out	-	(15)	(15)	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(15)	(15)	-	100,000	100,000	180,800	(80,800)
Net change in fund balances	\$ -	\$ (15)	(15)	\$ -	\$ -	\$ (43,084)	60,230	\$ (103,314)
Fund balance (deficit), beginning of year			15				91,667	
Fund balance (deficit), end of year			\$ -				\$ 151,897	

(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, 2017

(Page 4 of 4)

	Dog Park Construction Fund				Total Nonmajor Capital Project Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Other	\$ 20,000	\$ 20,000	\$ 199	\$ 19,801	\$ 37,871	\$ 37,871	\$ 63,654	\$ (25,783)
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>199</u>	<u>19,801</u>	<u>37,871</u>	<u>37,871</u>	<u>63,654</u>	<u>(25,783)</u>
Expenditures:								
Current:								
Operations and maintenance	-	-	-	-	18,771	18,771	142,866	(124,095)
Capital outlay	20,000	20,000	-	20,000	1,982,558	2,137,774	506,906	1,630,868
Debt service:								
Bond issuance costs	-	-	-	-	44,000	44,000	10,000	34,000
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>2,045,329</u>	<u>2,200,545</u>	<u>659,772</u>	<u>1,540,773</u>
Revenues over (under) expenditures	<u>-</u>	<u>-</u>	<u>199</u>	<u>(199)</u>	<u>(2,007,458)</u>	<u>(2,162,674)</u>	<u>(596,118)</u>	<u>(1,566,556)</u>
Other financing sources (uses):								
Transfers in	-	-	-	-	1,066,235	1,066,235	1,227,197	(160,962)
Transfers out	-	-	-	-	-	(15)	(15)	-
Special assessment bonds issued	-	-	-	-	1,405,000	1,405,000	226,000	1,179,000
Sale of capital assets	-	-	-	-	-	-	21,795	(21,795)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,471,235</u>	<u>2,471,220</u>	<u>1,474,977</u>	<u>996,243</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>199</u>	<u>\$ (199)</u>	<u>\$ 463,777</u>	<u>\$ 308,546</u>	<u>878,859</u>	<u>\$ (570,313)</u>
Fund balance (deficit), beginning of year			4,100				5,137,657	
Fund balance (deficit), end of year			<u>\$ 4,299</u>				<u>\$ 6,016,516</u>	

NONMAJOR PERMANENT FUND

The City's non-major permanent fund is:

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

CITY OF BILLINGS, MONTANA
Nonmajor Permanent Fund
Balance Sheet
June 30, 2017

	Cemetery Perpetual Care Fund
Assets	
Cash and cash equivalents	\$ 305,628
Investments	384,778
Accrued interest receivable	1,167
Total assets	\$ 691,573
Fund Balance	
Liabilities:	
Total liabilities	-
Fund balance:	
Unspendable	\$ 691,573
Total fund balance	\$ 691,573

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, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Charges for services	\$ 12,300	\$ 12,300	\$ 13,683	\$ 1,383
Other	3,045	3,045	3,005	(40)
Total revenues	<u>15,345</u>	<u>15,345</u>	<u>16,688</u>	<u>1,343</u>
Expenditures:				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>15,345</u>	<u>15,345</u>	<u>16,688</u>	<u>1,343</u>
Other financing sources (uses):				
Transfers out	<u>(3,045)</u>	<u>(3,045)</u>	<u>(3,010)</u>	<u>35</u>
Total other financing sources (uses)	<u>(3,045)</u>	<u>(3,045)</u>	<u>(3,010)</u>	<u>35</u>
Net change in fund balances	<u>\$ 12,300</u>	<u>\$ 12,300</u>	<u>\$ 13,678</u>	<u>\$ 1,378</u>
Fund balance, beginning of year			<u>677,895</u>	
Fund balance, end of year			<u>\$ 691,573</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, 2017
(Page 1 of 2)

Assets	Transit Fund	Golf Course	Total
Current assets:			
Cash and cash equivalents	\$ 1,352,239	\$ 251,202	\$ 1,603,441
Restricted cash and cash equivalents with Investments	1,699,761	-	1,699,761
Receivables:			
Property taxes	123,467	-	123,467
Accounts and unbilled usage	22,082	-	22,082
Accrued interest	2,045	-	2,045
Receivables from other governments	329,479	-	329,479
Inventories	177,496	660	178,156
Prepaid items	-	5,368	5,368
Total current assets	3,706,569	257,230	3,963,799
Noncurrent assets:			
Property and equipment:			
Land	1,435,291	-	1,435,291
Buildings	8,161,983	1,490,073	9,652,056
Improvements other than buildings	1,005,756	-	1,005,756
Equipment and vehicles	10,200,740	-	10,200,740
Less: accumulated depreciation	(13,175,141)	(1,038,193)	(14,213,334)
Total noncurrent assets	7,628,629	451,880	8,080,509
Total assets	11,335,198	709,110	12,044,308
Deferred Outflows			
Other post employment benefits	165,502	-	165,502
Pensions	490,045	-	490,045
Total assets and deferred outflows	\$ 11,990,745	\$ 709,110	\$ 12,699,855

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Net Position
June 30, 2017
(Page 2 of 2)

	<u>Transit Fund</u>	<u>Golf Course</u>	<u>Total</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 77,861	\$ 6,591	\$ 84,452
Accrued wages and benefits	188,530	70,419	258,949
Compensated absences	352,018	-	352,018
Total current liabilities	<u>618,409</u>	<u>77,010</u>	<u>695,419</u>
Noncurrent liabilities:			
Compensated absences	126,739	-	126,739
Other post employment benefits	675,095	-	675,095
Net pension liability	2,971,733	-	2,971,733
Total noncurrent liabilities	<u>3,773,567</u>	<u>-</u>	<u>3,773,567</u>
Total liabilities	<u>4,391,976</u>	<u>77,010</u>	<u>4,468,986</u>
Deferred Inflows			
Other post employment benefits	50,092	-	50,092
Pensions	17,794	-	17,794
Total deferred inflows of resources	<u>67,886</u>	<u>-</u>	<u>67,886</u>
Net Position			
Net investment in capital assets	7,628,629	451,880	8,080,509
Restricted for:			
Capital Projects	-	5,460	5,460
Unrestricted	(97,746)	174,760	77,014
Total net position	<u>7,530,883</u>	<u>632,100</u>	<u>8,162,983</u>
Total liabilities, deferred inflows, and net position	<u>\$ 11,990,745</u>	<u>\$ 709,110</u>	<u>\$ 12,699,855</u>

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017

	<u>Transit Fund</u>	<u>Golf Course Fund</u>	<u>Total Nonmajor Enterprise Fund</u>
Operating revenues:			
Charges for services and use of facilities	\$ 709,129	\$ 439,578	\$ 1,148,707
Operating expenses:			
Salaries and benefits	3,696,042	235,307	3,931,349
Supplies	597,083	83,222	680,305
Contracted services	385,845	11,650	397,495
Utilities	102,477	32,623	135,100
Other	71,342	56,122	127,464
Depreciation	813,729	58,707	872,436
Total operating expenses	<u>5,666,518</u>	<u>477,631</u>	<u>6,144,149</u>
Operating income (loss)	<u>(4,957,389)</u>	<u>(38,053)</u>	<u>(4,995,442)</u>
Nonoperating revenues (expenses):			
Taxes	2,054,164	-	2,054,164
Intergovernmental	3,624,751	-	3,624,751
Interest expense	-	(399)	(399)
Interest and investment income	6,674	-	6,674
Gain (loss) on sale of capital assets	1,638	6,000	7,638
Other	1,462	-	1,462
Total nonoperating revenue (expense)	<u>5,688,689</u>	<u>5,601</u>	<u>5,694,290</u>
Income (loss) before capital contributions and transfers	<u>731,300</u>	<u>(32,452)</u>	<u>698,848</u>
Transfers out	<u>-</u>	<u>(20,000)</u>	<u>(20,000)</u>
Change in net position	731,300	(52,452)	678,848
Net position, beginning of year	6,862,830	684,552	7,547,382
Prior period adjustment (See Note IV H)	(63,247)	-	(63,247)
Net position, end of year	<u>\$ 7,530,883</u>	<u>\$ 632,100</u>	<u>\$ 8,162,983</u>

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2017
(Page 1 of 2)

	Transit Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers and users	\$ 987,849	\$ 439,114	\$ 1,426,963
Cash received from other sources	1,462	6,000	7,462
Cash paid to employees for services	(3,543,030)	(235,307)	(3,778,337)
Cash paid to suppliers and contracted services	(1,298,000)	(163,336)	(1,461,336)
Net cash provided (used) by operating activities	<u>(3,851,719)</u>	<u>46,471</u>	<u>(3,805,248)</u>
Cash flows from noncapital financing activities:			
Cash received from tax revenues	1,989,560	-	1,989,560
Cash received from intergovernmental revenues	3,569,643	-	3,569,643
Transfers to other funds	-	(20,000)	(20,000)
Net cash provided (used) by noncapital financing activities	<u>5,559,203</u>	<u>(20,000)</u>	<u>5,539,203</u>
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(935,048)	(33,382)	(968,430)
Proceeds from sales of capital assets	1,638	-	1,638
Net cash provided (used) by capital and related financing activities	<u>(933,410)</u>	<u>(33,781)</u>	<u>(967,191)</u>
Cash flows from investing activities:			
Cash received from interest	10,761	-	10,761
Sale of investments	504,805	-	504,805
Purchase of investments	(739,257)	-	(739,257)
Net cash provided (used) by investing activities	<u>(223,691)</u>	<u>-</u>	<u>(223,691)</u>
Net increase (decrease) in cash and cash equivalents	550,383	(7,310)	543,073
Cash and cash equivalents, beginning of year	<u>801,856</u>	<u>258,512</u>	<u>1,060,368</u>
Cash and cash equivalents, end of year	<u>\$ 1,352,239</u>	<u>\$ 251,202</u>	<u>\$ 1,603,441</u>
Cash and cash equivalents consists of:			
Cash and cash equivalents	\$ 1,352,239	\$ 251,202	\$ 1,603,441
Cash and cash equivalents, end of year	<u>\$ 1,352,239</u>	<u>\$ 251,202</u>	<u>\$ 1,603,441</u>

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2017
(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)	\$ (4,957,389)	\$ (38,053)	\$ (4,995,442)
Other nonoperating income (expense)	1,462	6,000	7,462
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	813,729	58,707	872,436
(Increase) decrease in receivables	(10,110)	-	(10,110)
(Increase) decrease in inventories	(21,035)	-	(21,035)
(Increase) decrease in prepaid items	-	(464)	(464)
Increase (decrease) in accounts payable	27,525	1,031	28,556
Increase (decrease) in accrued liabilities	294,099	19,250	313,349
Net cash provided (used) by operating activities	\$ (3,851,719)	\$ 46,471	\$ (3,805,248)

INTERNAL SERVICE FUNDS

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

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

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2017
(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	\$ 573,030	\$ 79,430	\$ 475,654	\$ 2,551,694	\$ 226,100	\$ 1,083,048
Investments	733,822	100,212	598,962	3,214,232	285,170	1,369,774
Receivables:						
Accounts and unbilled usage	-	-	-	-	-	-
Accrued interest	2,172	290	1,756	9,898	858	4,344
Notes	50,000	-	-	-	-	-
Inventories	187,208	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Total current assets	<u>1,546,232</u>	<u>179,932</u>	<u>1,076,372</u>	<u>5,775,824</u>	<u>512,128</u>	<u>2,457,166</u>
Noncurrent assets:						
Notes receivable	400,000	-	-	-	-	-
Property and equipment:						
Land	-	-	-	-	-	-
Buildings	32,091	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-	-
Equipment and vehicles	873,723	220,467	2,112,897	-	833,574	-
Construction in progress	-	-	4,800	-	-	-
Less: accumulated depreciation	(816,905)	(211,551)	(1,422,828)	-	(684,069)	-
Total noncurrent assets	<u>488,909</u>	<u>8,916</u>	<u>694,869</u>	<u>-</u>	<u>149,505</u>	<u>-</u>
Total assets	<u>2,035,141</u>	<u>188,848</u>	<u>1,771,241</u>	<u>5,775,824</u>	<u>661,633</u>	<u>2,457,166</u>
Deferred Outflows						
Other post employment benefits	54,642	-	52,554	-	3,244	2,933
Pensions	179,921	-	255,162	-	16,247	15,158
Total assets and deferred outflows	<u>\$2,269,704</u>	<u>\$ 188,848</u>	<u>\$2,078,957</u>	<u>\$5,775,824</u>	<u>\$ 681,124</u>	<u>\$2,475,257</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2017
(Page 2 of 4)

	Radio Communications Fund	Facilities Management Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
Assets					
Current assets:					
Cash and cash equivalents	\$ 169,582	\$ 599,020	\$ 165,954	\$ 202,964	\$ 6,126,476
Investments	214,492	755,650	208,987	254,087	7,735,388
Receivables:					
Accounts and unbilled usage	-	-	-	37,327	37,327
Accrued interest	615	2,041	614	646	23,234
Notes	-	-	-	-	50,000
Inventories	-	-	-	-	187,208
Prepaid items	-	-	3,091	12,366	15,457
Total current assets	<u>384,689</u>	<u>1,356,711</u>	<u>378,646</u>	<u>507,390</u>	<u>14,175,090</u>
Noncurrent assets:					
Notes receivable	-	-	-	-	400,000
Property and equipment:					
Land	-	1,989,883	-	-	1,989,883
Buildings	385,655	8,963,489	-	-	9,381,235
Improvements other than buildings	19,692	2,037,445	-	-	2,057,137
Equipment and vehicles	3,395,791	344,200	50,358	386,863	8,217,873
Construction in progress	-	16,932	-	-	21,732
Less: accumulated depreciation	<u>(2,664,927)</u>	<u>(3,942,089)</u>	<u>(25,006)</u>	<u>(245,561)</u>	<u>(10,012,936)</u>
Total noncurrent assets	<u>1,136,211</u>	<u>9,409,860</u>	<u>25,352</u>	<u>141,302</u>	<u>12,054,924</u>
Total assets	<u>1,520,900</u>	<u>10,766,571</u>	<u>403,998</u>	<u>648,692</u>	<u>26,230,014</u>
Deferred Outflows					
Other post employment benefits	-	17,723	29,665	61,796	222,557
Pensions	-	55,398	146,683	331,788	1,000,357
Total assets and deferred outflows	<u>\$ 1,520,900</u>	<u>\$ 10,839,692</u>	<u>\$ 580,346</u>	<u>\$ 1,042,276</u>	<u>\$ 27,452,928</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2017
(Page 3 of 4)

	Fleet Services Fund	Central Service Fund	Information Technology Fund	City Health Insurance Fund	Central Telephone Services Fund	Property Insurance Fund
Liabilities						
Current liabilities:						
Accounts payable	\$ 71,220	\$ 12,024	\$ 96,354	\$ 107,263	\$ 11,535	\$ 38
Accrued wages and benefits	67,787	-	67,717	1,637	4,340	4,047
Compensated absences	191,508	-	211,076	-	5,664	20,110
Accrued interest payable	-	-	-	-	-	-
Incurred but not reported health benefits	-	-	-	750,000	-	-
Notes payable	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Total current liabilities	<u>330,515</u>	<u>12,024</u>	<u>375,147</u>	<u>858,900</u>	<u>21,539</u>	<u>24,195</u>
Noncurrent liabilities:						
Compensated absences	68,949	-	75,995	-	2,039	7,240
Other post employment benefits	207,920	-	213,742	-	13,631	12,120
Net pension liability	1,091,080	-	1,547,351	-	98,526	91,922
Notes payable	-	-	-	-	-	-
Total noncurrent liabilities	<u>1,367,949</u>	<u>-</u>	<u>1,837,088</u>	<u>-</u>	<u>114,196</u>	<u>111,282</u>
Total liabilities	<u>1,698,464</u>	<u>12,024</u>	<u>2,212,235</u>	<u>858,900</u>	<u>135,735</u>	<u>135,477</u>
Deferred Inflows						
Other post employment benefits	16,538	-	15,906	-	982	888
Pensions	6,533	-	9,265	-	590	550
Total deferred inflows of resources	<u>23,071</u>	<u>-</u>	<u>25,171</u>	<u>-</u>	<u>1,572</u>	<u>1,438</u>
Net Position						
Net investment in capital assets	88,909	8,916	694,869	-	149,505	-
Unrestricted	459,260	167,908	(853,318)	4,916,924	394,312	2,338,342
Total net position	<u>548,169</u>	<u>176,824</u>	<u>(158,449)</u>	<u>4,916,924</u>	<u>543,817</u>	<u>2,338,342</u>
Total liabilities, deferred inflows, and net position	<u>\$ 2,269,704</u>	<u>\$ 188,848</u>	<u>\$ 2,078,957</u>	<u>\$ 5,775,824</u>	<u>\$ 681,124</u>	<u>\$ 2,475,257</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Net Position
June 30, 2017
(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	\$ 461	\$ 53,095	\$ 5,341	\$ 5,547	\$ 362,878
Accrued wages and benefits	-	19,967	40,420	82,403	288,318
Compensated absences	-	42,332	159,262	272,166	902,118
Accrued interest payable	-	27,900	-	-	27,900
Incurred but not reported health benefits	-	-	-	-	750,000
Notes payable	-	400,000	-	-	400,000
Unearned Revenue	-	-	-	528	528
Total current liabilities	<u>461</u>	<u>543,294</u>	<u>205,023</u>	<u>360,644</u>	<u>2,731,742</u>
Noncurrent liabilities:					
Compensated absences	-	15,241	57,340	97,989	324,793
Other post employment benefits	-	69,321	98,997	241,691	857,422
Net pension liability	-	335,946	889,514	2,012,029	6,066,368
Notes payable	-	2,535,471	-	-	2,535,471
Total noncurrent liabilities	<u>-</u>	<u>2,955,979</u>	<u>1,045,851</u>	<u>2,351,709</u>	<u>9,784,054</u>
Total liabilities	<u>461</u>	<u>3,499,273</u>	<u>1,250,874</u>	<u>2,712,353</u>	<u>12,515,796</u>
Deferred Inflows					
Other post employment benefits	-	5,364	8,979	18,703	67,360
Pensions	-	2,012	5,326	12,048	36,324
Total deferred inflows of resources	<u>-</u>	<u>7,376</u>	<u>14,305</u>	<u>30,751</u>	<u>103,684</u>
Net Position					
Net investment in capital assets	1,136,211	6,474,389	25,352	141,302	8,719,453
Unrestricted	384,228	858,654	(710,185)	(1,842,130)	6,113,995
Total net position	<u>1,520,439</u>	<u>7,333,043</u>	<u>(684,833)</u>	<u>(1,700,828)</u>	<u>14,833,448</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,520,900</u>	<u>\$ 10,839,692</u>	<u>\$ 580,346</u>	<u>\$ 1,042,276</u>	<u>\$ 27,452,928</u>

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017
(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	\$ 1,667,466	\$ 103,692	\$ 2,236,241	\$11,941,037	\$ 374,704	\$ 1,325,859
Operating expenses:						
Salaries and benefits	1,444,506	-	1,802,540	11,130,884	112,301	110,253
Supplies	47,199	8,549	50,226	-	2,187	16
Contracted services	127,841	76,446	189,266	1,406,679	69,557	13,151
Utilities	6,779	-	43,617	-	153,300	-
Other	42,929	-	154,292	71,148	357	1,320,890
Depreciation	31,039	13,734	179,638	-	23,699	-
Total operating expenses	1,700,293	98,729	2,419,579	12,608,711	361,401	1,444,310
Operating income (loss)	(32,827)	4,963	(183,338)	(667,674)	13,303	(118,451)
Nonoperating revenues (expenses):						
Taxes	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Interest and investment income	5,863	724	4,443	27,308	2,130	10,646
Gain (loss) on sale of capital assets	1,229	-	24	-	-	-
Other	34,791	-	29,744	3,107	1,827	2,614
Total nonoperating revenue (expense)	41,883	724	34,211	30,415	3,957	13,260
Income (loss) before capital contributions and transfers	9,056	5,687	(149,127)	(637,259)	17,260	(105,191)
Transfers in	-	-	-	-	-	71,431
Transfers out	(109,420)	-	-	-	-	(180,801)
Change in net position	(100,364)	5,687	(149,127)	(637,259)	17,260	(214,561)
Net position, beginning of year	669,414	171,137	10,761	5,554,183	527,797	2,554,024
Prior period adjustment (See Note IV H)	(20,881)	-	(20,083)	-	(1,240)	(1,121)
Net position, end of year	\$ 548,169	\$ 176,824	\$ (158,449)	\$ 4,916,924	\$ 543,817	\$ 2,338,342

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2017
(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	\$ 275,157	\$ 1,210,139	\$ 1,214,485	\$ 2,367,711	\$22,716,491
Operating expenses:					
Salaries and benefits	-	424,537	1,197,388	2,461,856	18,684,265
Supplies	-	90,949	24,821	30,378	254,325
Contracted services	190,793	250,823	153,207	309,871	2,787,634
Utilities	15,165	249,553	16,068	37,992	522,474
Other	-	42,033	74,752	134,138	1,840,539
Depreciation	260,654	320,147	6,380	35,340	870,631
Total operating expenses	466,612	1,378,042	1,472,616	3,009,575	24,959,868
Operating income (loss)	(191,455)	(167,903)	(258,131)	(641,864)	(2,243,377)
Nonoperating revenues (expenses):					
Taxes	-	-	-	24,491	24,491
Interest expense	-	(66,344)	-	-	(66,344)
Interest and investment income	1,460	4,936	1,429	2,380	61,319
Gain (loss) on sale of capital assets	-	1,911	-	1,729	4,893
Other	-	71,006	16,495	39,840	199,424
Total nonoperating revenue (expense)	1,460	11,509	17,924	68,440	223,783
Income (loss) before capital contributions and transfers	(189,995)	(156,394)	(240,207)	(573,424)	(2,019,594)
Transfers in	-	474,475	-	-	545,906
Transfers out	-	-	-	-	(290,221)
Change in net position	(189,995)	318,081	(240,207)	(573,424)	(1,763,909)
Net position, beginning of year	1,710,434	7,021,735	(433,289)	(1,103,789)	16,682,407
Prior period adjustment (See Note IV H)	-	(6,773)	(11,337)	(23,615)	(85,050)
Net position, end of year	\$ 1,520,439	\$ 7,333,043	\$ (684,833)	\$(1,700,828)	\$14,833,448

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2017
(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	1,667,466	103,692	2,236,241	11,941,037	374,704	1,325,859
Cash received from other sources	34,791	-	29,768	3,107	1,827	2,614
Cash paid to employees for services	(1,331,363)	-	(1,737,806)	(11,381,757)	(107,825)	(101,538)
Cash paid to suppliers and contracted services	(243,562)	(79,874)	(358,833)	(1,500,628)	(219,989)	(1,488,529)
Net cash provided (used) by operating activities	<u>127,332</u>	<u>23,818</u>	<u>169,370</u>	<u>(938,241)</u>	<u>48,717</u>	<u>(261,594)</u>
Cash flows from noncapital financing activities:						
Transfers from other funds	-	-	-	-	-	71,431
Transfers to other funds	(95,770)	-	-	-	-	(180,801)
Net cash provided (used) by noncapital financing activities	<u>(95,770)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(109,370)</u>
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(24,140)	-	(168,010)	-	-	-
Proceeds from sales of capital assets	50,000	-	-	-	-	-
Cash paid for interest	-	-	-	-	-	-
Principal paid on notes payable and capital lease payable	-	-	-	-	-	-
Transfers to other funds	(13,650)	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	<u>12,210</u>	<u>-</u>	<u>(168,010)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities:						
Cash received from interest	8,924	1,146	7,306	47,201	3,289	19,637
Sale of investments	389,813	43,355	350,924	2,490,380	135,765	1,039,604
Purchase of investments	(320,733)	(43,424)	(260,035)	(1,394,988)	(123,607)	(592,093)
Net cash provided by investing activities	<u>78,004</u>	<u>1,077</u>	<u>98,195</u>	<u>1,142,593</u>	<u>15,447</u>	<u>467,148</u>
Net increase (decrease) in cash and cash equivalents	121,776	24,895	99,555	204,352	64,164	96,184
Cash and cash equivalents, beginning of year	<u>451,254</u>	<u>54,535</u>	<u>376,099</u>	<u>2,347,342</u>	<u>161,936</u>	<u>986,864</u>
Cash and cash equivalents, end of year	<u>\$ 573,030</u>	<u>\$ 79,430</u>	<u>\$ 475,654</u>	<u>\$ 2,551,694</u>	<u>\$ 226,100</u>	<u>\$ 1,083,048</u>

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2017
(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	\$ -	\$ 549,441	\$ -	\$ 91,402	\$ 640,843
Cash received from interfund services provided	275,157	660,698	1,214,485	2,290,496	22,089,835
Cash received from other sources	-	74,828	-	41,569	188,504
Cash paid to employees for services	-	(392,413)	(1,110,601)	(2,426,602)	(18,589,905)
Cash paid to suppliers and contracted services	(205,802)	(603,872)	(133,580)	(248,495)	(5,083,164)
Net cash provided (used) by operating activities	<u>69,355</u>	<u>288,682</u>	<u>(29,696)</u>	<u>(251,630)</u>	<u>(753,887)</u>
Cash flows from noncapital financing activities:					
Transfers from other funds	-	-	-	-	71,431
Transfers to other funds	-	-	-	-	(276,571)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(205,140)</u>
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	-	(16,932)	-	(86,755)	(295,837)
Proceeds from sales of capital assets	-	1,911	-	1,729	53,640
Cash paid for interest	-	(90,976)	-	-	(90,976)
Principal paid on notes payable and capital lease payable	-	(385,000)	-	-	(385,000)
Transfers to other funds	-	-	-	-	(13,650)
Transfers from other funds	-	474,475	-	-	474,475
Net cash provided (used) by capital and related financing activities	<u>-</u>	<u>(16,521)</u>	<u>-</u>	<u>(85,026)</u>	<u>(257,347)</u>
Cash flows from investing activities:					
Cash received from interest	2,466	6,941	2,493	4,937	104,340
Sale of investments	80,555	257,334	142,033	343,411	5,273,174
Purchase of investments	(92,709)	(327,479)	(90,726)	(110,959)	(3,356,753)
Net cash provided by investing activities	<u>(9,688)</u>	<u>(63,204)</u>	<u>53,800</u>	<u>237,389</u>	<u>2,020,761</u>
Net increase (decrease) in cash and cash equivalents	59,667	208,957	24,104	(99,267)	804,387
Cash and cash equivalents, beginning of year	<u>109,915</u>	<u>390,063</u>	<u>141,850</u>	<u>302,231</u>	<u>5,322,089</u>
Cash and cash equivalents, end of year	<u>\$ 169,582</u>	<u>\$ 599,020</u>	<u>\$ 165,954</u>	<u>\$ 202,964</u>	<u>\$ 6,126,476</u>

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2017
(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)	\$ (32,827)	\$ 4,963	\$ (183,338)	\$ (667,674)	\$ 13,303	\$ (118,451)
Other nonoperating income (expense)	36,020	-	28,718	3,107	1,827	2,614
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	31,039	13,734	179,638	-	23,699	-
(Increase) decrease in receivables	-	-	-	-	-	-
(Increase) decrease in inventories	(42,529)	-	-	-	-	-
(Increase) decrease in prepaid items and deposits	-	-	-	-	-	-
Increase (decrease) in accounts payable	23,715	5,121	78,568	(22,802)	5,487	(154,854)
Increase (decrease) in accrued liabilities	111,914	-	65,784	(250,872)	4,401	9,097
Net cash provided (used) by operating activities	<u>\$ 127,332</u>	<u>\$ 23,818</u>	<u>\$ 169,370</u>	<u>\$ (938,241)</u>	<u>\$ 48,717</u>	<u>\$ (261,594)</u>
Noncash investing, capital and financing activities:						
Increase (decrease) in investment market value	(3,941)	(554)	(3,559)	(22,677)	(1,548)	(10,329)

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2017
(Page 4 of 4)

	Radio Communica- tions Fund	Facilities Manage- ment Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:					
Operating income (loss)	\$ (191,455)	\$ (167,903)	\$ (258,131)	\$ (641,864)	\$ (2,243,377)
Other nonoperating income (expense)	-	72,917	16,495	66,060	227,758
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	260,654	320,147	6,380	35,340	870,631
(Increase) decrease in receivables	-	-	-	(10,304)	(10,304)
(Increase) decrease in inventories	-	-	-	-	(42,529)
(Increase) decrease in prepaid items and deposits	-	-	2,821	(2,839)	(18)
Increase (decrease) in accounts payable	156	18,937	2,439	15	(43,218)
Increase (decrease) in accrued liabilities	-	44,584	200,300	301,962	487,170
Net cash provided (used) by operating activities	<u>\$ 69,355</u>	<u>\$ 288,682</u>	<u>\$ (29,696)</u>	<u>\$ (251,630)</u>	<u>\$ (753,887)</u>
Noncash investing, capital and financing activities:					
Increase (decrease) in investment market value	(1,318)	(2,934)	(1,198)	(2,469)	(50,527)

AGENCY FUNDS

The City's agency funds and their purposes are:

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

CITY OF BILLINGS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2017
(Page 1 of 2)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Downtown Business Improvement District				
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 324,921	\$ 324,921	\$ -
Total assets	<u>\$ -</u>	<u>\$ 324,921</u>	<u>\$ 324,921</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 324,921	\$ 324,921	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 324,921</u>	<u>\$ 324,921</u>	<u>\$ -</u>
 Tourism Business Improvement District				
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 1,670,303	\$ 1,670,303	\$ -
Total assets	<u>\$ -</u>	<u>\$ 1,670,303</u>	<u>\$ 1,670,303</u>	<u>\$ -</u>
<u>Liabilities</u>				
Accounts payable	\$ -	\$ 1,670,303	\$ 1,670,303	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 1,670,303</u>	<u>\$ 1,670,303</u>	<u>\$ -</u>
 License Plate Fund				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,298	\$ 10,840	\$ 11,536	\$ 602
Total assets	<u>\$ 1,298</u>	<u>\$ 10,840</u>	<u>\$ 11,536</u>	<u>\$ 602</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,298	\$ 10,840	\$ 11,536	\$ 602
Total liabilities	<u>\$ 1,298</u>	<u>\$ 10,840</u>	<u>\$ 11,536</u>	<u>\$ 602</u>

(continued)

CITY OF BILLINGS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2017
(Page 2 of 2)

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>
Totals - All Agency Funds				
<u>Assets</u>				
Cash and cash equivalents	\$ 1,298	\$ 2,006,064	\$ 2,006,760	\$ 602
Total assets	<u>\$ 1,298</u>	<u>\$ 2,006,064</u>	<u>\$ 2,006,760</u>	<u>\$ 602</u>
<u>Liabilities</u>				
Accounts payable	\$ 1,298	\$ 2,006,064	\$ 2,006,760	\$ 602
Total liabilities	<u>\$ 1,298</u>	<u>\$ 2,006,064</u>	<u>\$ 2,006,760</u>	<u>\$ 602</u>

STATISTICAL SECTION (UNAUDITED)

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

Contents

Pages

Financial Trends

181-189

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

Revenue Capacity

190-193

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

Debt Capacity

194-202

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

Demographic and Economic Information

203-204

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

Operating Information

205-209

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

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities										
Net invested in capital assets	\$ 117,182	\$ 133,026	\$ 137,282	\$ 156,927	\$ 185,242	\$ 197,845	\$ 196,250	\$ 173,274	\$ 201,511	\$ 208,499
Restricted	50,652	55,867	58,567	56,725	58,125	67,391	71,418	61,917	62,749	53,672
Unrestricted	11,510	13,654	17,550	20,350	23,962	21,213	24,885	25,416	5,297	11,293
Total governmental activities net position	<u>\$ 179,344</u>	<u>\$ 202,547</u>	<u>\$ 213,399</u>	<u>\$ 234,002</u>	<u>\$ 267,329</u>	<u>\$ 286,449</u>	<u>\$ 292,553</u>	<u>\$ 260,607</u>	<u>\$ 269,557</u>	<u>\$ 273,464</u>
Business-type activities										
Net invested in capital assets	\$ 252,847	\$ 264,674	\$ 271,666	\$ 285,474	\$ 286,328	\$ 304,407	\$ 321,736	\$ 337,910	\$ 353,451	\$ 309,890
Restricted	3,774	4,273	5,175	5,977	5,657	6,142	9,667	7,412	4,930	55,101
Unrestricted	44,771	42,333	45,927	48,090	57,552	60,613	70,894	60,588	73,261	87,687
Total business-type activities net position	<u>\$ 301,392</u>	<u>\$ 311,280</u>	<u>\$ 322,768</u>	<u>\$ 339,541</u>	<u>\$ 349,537</u>	<u>\$ 371,162</u>	<u>\$ 402,297</u>	<u>\$ 405,910</u>	<u>\$ 431,642</u>	<u>\$ 452,678</u>
Primary government										
Net invested in capital assets	\$ 370,029	\$ 397,700	\$ 408,948	\$ 442,401	\$ 471,570	\$ 502,252	\$ 517,986	\$ 511,184	\$ 554,962	\$ 518,389
Restricted	54,426	60,140	63,742	62,702	63,782	73,533	81,085	69,329	67,679	108,773
Unrestricted	56,281	55,987	63,477	68,440	81,514	81,826	95,779	86,004	78,558	98,980
Total primary government net position	<u>\$ 480,736</u>	<u>\$ 513,827</u>	<u>\$ 536,167</u>	<u>\$ 573,543</u>	<u>\$ 616,866</u>	<u>\$ 657,611</u>	<u>\$ 694,850</u>	<u>\$ 666,517</u>	<u>\$ 701,199</u>	<u>\$ 726,142</u>

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Expenses										
Governmental activities:										
General government	\$ 6,289	\$ 7,288	\$ 7,240	\$ 7,397	\$ 7,543	\$ 7,249	\$ 8,319	\$ 9,533	\$ 8,166	\$ 8,801
Public safety	36,647	38,312	40,841	42,735	37,410	47,884	43,124	43,085	43,855	45,516
Public works	18,558	20,238	17,531	19,284	21,609	26,939	30,322	31,320	32,695	38,203
Public health	799	858	816	865	851	871	905	1,059	957	1,002
Culture and recreation	7,417	7,799	8,118	8,133	8,312	8,799	9,577	11,212	10,867	11,269
Housing and economic development	3,246	4,068	5,879	3,709	3,561	3,212	3,475	4,612	4,475	5,890
Interest on long-term debt	2,270	2,440	2,377	2,216	2,212	2,083	2,602	2,779	2,939	2,775
Total governmental activities expenses	<u>75,226</u>	<u>81,003</u>	<u>82,802</u>	<u>84,339</u>	<u>81,498</u>	<u>97,037</u>	<u>98,324</u>	<u>103,600</u>	<u>103,954</u>	<u>113,456</u>
Business-type activities:										
Solid waste	8,921	8,933	8,510	9,996	10,296	10,482	11,314	11,823	11,988	12,117
Airport	11,657	11,598	11,613	12,038	13,098	12,763	12,711	12,616	12,538	12,907
Water	15,023	15,634	15,610	16,420	16,481	17,876	17,497	17,652	18,534	19,534
Wastewater	9,074	8,905	10,050	10,168	10,831	12,291	12,232	12,314	12,953	14,750
Parking	2,272	2,718	2,784	2,616	3,166	2,057	2,095	2,538	2,425	2,401
Transit	5,080	5,338	5,564	5,737	6,017	6,021	6,264	6,170	5,715	5,667
Golf course	415	415	423	428	434	453	443	436	450	478
Total business-type activities expenses	<u>52,442</u>	<u>53,541</u>	<u>54,554</u>	<u>57,403</u>	<u>60,323</u>	<u>61,943</u>	<u>62,556</u>	<u>63,549</u>	<u>64,603</u>	<u>67,854</u>
Total primary government expenses	<u>\$ 127,668</u>	<u>\$ 134,544</u>	<u>\$ 137,356</u>	<u>\$ 141,742</u>	<u>\$ 141,821</u>	<u>\$ 158,980</u>	<u>\$ 160,880</u>	<u>\$ 167,149</u>	<u>\$ 168,557</u>	<u>\$ 181,310</u>

(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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 1,907	\$ 2,229	\$ 2,291	\$ 2,365	\$ 2,788	\$ 2,611	\$ 2,463	\$ 2,855	\$ 3,286	\$ 3,414
Public safety	6,377	5,847	6,172	6,630	5,982	5,847	4,900	5,857	5,627	5,200
Public works	18,774	19,278	18,238	18,933	21,221	21,433	22,427	23,271	24,763	25,476
Culture and recreation	1,785	1,648	45	46	45	36	59	42	50	48
Other activities	166	123	1,772	1,838	1,887	1,948	2,074	2,326	2,472	2,411
Operating grants and contributions	11,359	11,514	13,125	12,229	7,006	12,503	13,648	16,554	11,713	12,034
Captial grants and contributions	6,963	13,182	7,555	14,133	26,658	28,524	13,626	7,884	9,568	11,036
Total governmental activities program revenues	<u>47,331</u>	<u>53,821</u>	<u>49,198</u>	<u>56,174</u>	<u>65,587</u>	<u>72,902</u>	<u>59,197</u>	<u>58,789</u>	<u>57,479</u>	<u>59,619</u>
Business-type activities:										
Charges for services:										
Solid waste	7,887	8,169	9,144	9,801	10,731	10,161	11,024	13,925	13,888	14,715
Airport	7,791	7,987	8,278	8,483	9,568	9,841	9,046	9,536	9,915	10,078
Water	18,870	19,458	21,099	19,538	23,569	25,904	22,928	24,740	25,914	24,686
Wastewater	10,230	10,574	10,282	10,919	14,144	16,123	18,054	18,469	18,915	19,798
Other activities	2,821	2,919	2,850	2,810	2,902	3,071	2,758	2,752	2,496	2,675
Operating grants and contributions	2,605	2,281	2,384	2,224	2,260	2,533	2,815	2,195	3,894	4,024
Captial grants and contributions	9,746	7,187	9,247	15,707	6,041	8,426	15,274	4,366	12,326	9,163
Total business-type activities program revenues	<u>59,950</u>	<u>58,575</u>	<u>63,284</u>	<u>69,482</u>	<u>69,215</u>	<u>76,059</u>	<u>81,899</u>	<u>75,983</u>	<u>87,348</u>	<u>85,139</u>
Total primary government program revenues	<u>\$ 107,281</u>	<u>\$ 112,396</u>	<u>\$ 112,482</u>	<u>\$ 125,656</u>	<u>\$ 134,802</u>	<u>\$ 148,961</u>	<u>\$ 141,096</u>	<u>\$ 134,772</u>	<u>\$ 144,827</u>	<u>\$ 144,758</u>
Net (expense)/revenue										
Governmental activities	\$ (33,672)	\$ (27,182)	\$ (33,604)	\$ (25,324)	\$ (31,450)	\$ (24,135)	\$ (39,127)	\$ (44,811)	\$ (46,475)	\$ (53,837)
Business-type activities	6,409	5,034	8,730	9,159	7,272	14,116	19,343	12,434	22,745	17,285
Total primary government	<u>\$ (27,263)</u>	<u>\$ (22,148)</u>	<u>\$ (24,874)</u>	<u>\$ (16,165)</u>	<u>\$ (24,178)</u>	<u>\$ (10,019)</u>	<u>\$ (19,784)</u>	<u>\$ (32,377)</u>	<u>\$ (23,730)</u>	<u>\$ (36,552)</u>

(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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Property taxes	\$ 26,001	\$ 25,877	\$ 28,106	\$ 31,642	\$ 31,165	\$ 32,686	\$ 36,507	\$ 32,198	\$ 36,636	\$ 37,269
Franchise fees	2,488	2,711	2,786	2,946	3,348	3,598	2,770	3,808	3,946	3,833
Business license tax	610	634	643	744	706	701	740	759	755	763
Unrestricted federal/state shared revenue	12,339	12,232	12,707	13,247	13,544	14,023	15,117	15,550	15,878	16,408
Unrestricted investment earnings	1,347	555	229	129	133	77	151	196	332	228
Gain on sale of property and equipment	235	1,478	(273)	(13)	139	465	411	949	(2,212)	267
Miscellaneous	118	124	53	77	59	78	(201)	221	194	144
Transfers	(38)	(873)	206	(1,561)	146	(4,409)	(9,046)	(4,144)	(101)	(502)
Total governmental activities	<u>43,100</u>	<u>42,738</u>	<u>44,457</u>	<u>47,211</u>	<u>49,240</u>	<u>47,219</u>	<u>46,449</u>	<u>49,537</u>	<u>55,428</u>	<u>58,410</u>
Business-type activities:										
Property taxes	1,630	1,744	1,774	1,833	1,880	1,864	1,992	1,865	1,981	2,054
Unrestricted federal/state shared revenue	306	312	324	341	341	341	-	421	-	-
Unrestricted investment earnings	2,358	1,336	641	436	419	226	400	445	752	657
Gain on sale of property and equipment	33	44	20	(24)	(547)	468	285	61	-	28
Miscellaneous	312	546	205	150	742	200	273	353	153	835
Transfers	38	873	(206)	1,561	(146)	4,409	9,046	4,144	101	502
Total business-type activities	<u>4,677</u>	<u>4,855</u>	<u>2,758</u>	<u>4,297</u>	<u>2,689</u>	<u>7,508</u>	<u>11,996</u>	<u>7,289</u>	<u>2,987</u>	<u>4,076</u>
Total primary government	<u>\$ 47,777</u>	<u>\$ 47,593</u>	<u>\$ 47,215</u>	<u>\$ 51,508</u>	<u>\$ 51,929</u>	<u>\$ 54,727</u>	<u>\$ 58,445</u>	<u>\$ 56,826</u>	<u>\$ 58,415</u>	<u>\$ 62,486</u>
Change in Net Position										
Governmental activities	\$ 9,428	\$ 15,556	\$ 10,853	\$ 21,887	\$ 17,790	\$ 23,084	\$ 7,322	\$ 4,726	\$ 8,953	\$ 4,573
Business-type activities	11,086	9,889	11,488	13,456	9,961	21,624	31,339	19,723	25,732	21,361
Total primary government net position	<u>\$ 20,514</u>	<u>\$ 25,445</u>	<u>\$ 22,341</u>	<u>\$ 35,343</u>	<u>\$ 27,751</u>	<u>\$ 44,708</u>	<u>\$ 38,661</u>	<u>\$ 24,449</u>	<u>\$ 34,685</u>	<u>\$ 25,934</u>

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
2008	\$ 26,001	\$ 610	\$ 26,611
2009	25,878	634	26,512
2010	28,106	643	28,749
2011	31,642	744	32,386
2012	31,165	706	31,871
2013	32,686	701	33,387
2014	36,507	739	37,246
2015	32,198	759	32,957
2016	36,636	755	37,391
2017	37,269	763	38,032

Source: City of Billings, Montana

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

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

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Revenues										
Taxes	\$ 25,446	\$ 26,006	\$ 27,841	\$ 32,062	\$ 30,654	\$ 32,131	\$ 36,457	\$ 33,763	\$ 37,286	\$ 37,213
Licenses and permits	5,200	4,952	4,759	5,126	5,611	6,513	5,489	6,984	6,879	6,596
Intergovernmental	22,044	23,933	27,219	27,704	20,698	25,518	27,768	28,279	30,061	28,991
Charges for services	10,385	10,801	9,743	10,725	11,128	10,782	11,512	11,966	13,144	13,565
Fines and forfeitures	1,869	1,650	1,809	2,035	2,052	2,393	2,064	2,079	1,964	1,754
Special assessments	17,180	18,021	17,984	18,635	20,276	21,394	21,548	22,303	22,515	22,921
Other	5,592	3,188	2,761	1,918	1,674	2,337	3,394	3,247	3,569	4,200
Total revenues	<u>87,716</u>	<u>88,551</u>	<u>92,116</u>	<u>98,205</u>	<u>92,093</u>	<u>101,068</u>	<u>108,232</u>	<u>108,621</u>	<u>115,418</u>	<u>115,240</u>
Expenditures										
Current:										
General government	6,452	6,942	7,147	7,208	7,323	7,335	8,288	7,869	8,074	8,331
Public safety	39,867	36,479	38,801	40,529	36,145	43,716	42,386	43,924	45,669	47,106
Public works	13,036	13,708	12,402	13,514	14,133	16,415	18,861	18,472	19,059	21,862
Public health	707	745	727	766	769	787	814	843	856	821
Culture and recreation	6,387	6,570	6,944	6,981	7,133	7,633	8,163	8,374	8,920	8,201
Housing and economic development	3,121	3,936	5,860	3,599	3,478	3,129	3,407	4,423	4,418	5,718
Capital outlay	29,671	17,072	8,313	17,007	13,980	21,874	30,294	18,893	25,726	14,445
Debt service:										
Principal	7,277	4,700	4,590	5,934	6,967	13,153	4,811	9,157	4,322	4,801
Interest and fiscal charges	1,693	1,858	2,172	1,942	1,752	2,688	2,349	2,492	2,551	2,734
Bond issuance costs	-	212	9	64	135	769	133	464	136	69
Total expenditures	<u>108,211</u>	<u>92,222</u>	<u>86,965</u>	<u>97,544</u>	<u>91,815</u>	<u>117,499</u>	<u>119,506</u>	<u>114,911</u>	<u>119,731</u>	<u>114,088</u>
Excess of revenues over (under) expenditures	<u>\$ (20,495)</u>	<u>\$ (3,671)</u>	<u>\$ 5,151</u>	<u>\$ 661</u>	<u>\$ 278</u>	<u>\$ (16,431)</u>	<u>\$ (11,274)</u>	<u>\$ (6,290)</u>	<u>\$ (4,313)</u>	<u>\$ 1,152</u>

(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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Other financing sources (uses)										
Transfers in	\$ 23,191	\$ 20,691	\$ 21,267	\$ 25,054	\$ 24,532	\$ 26,535	\$ 24,086	\$ 28,504	\$ 26,615	\$ 28,252
Transfers out	(23,398)	(20,874)	(21,982)	(25,730)	(24,886)	(28,260)	(24,773)	(29,094)	(27,194)	(29,023)
Issuance of debt	4,033	213	881	1,125	3,630	33,055	-	6,270	-	-
Capital leases	404	-	-	-	-	-	-	-	-	-
General obligation bonds issued	-	-	-	-	-	-	-	-	-	-
Special assessment bonds issued	168	6,665	988	945	2,325	6,120	4,820	18,655	5,375	226
Premium on bonds issued	-	-	-	31	-	1,435	233	1,130	-	-
Bond discounts	-	(152)	-	(30)	(57)	(2)	-	(61)	-	-
Sale of capital assets	229	649	342	213	343	468	124	1,852	119	267
Total other financing sources (uses)	<u>4,627</u>	<u>7,192</u>	<u>1,496</u>	<u>1,608</u>	<u>5,887</u>	<u>39,351</u>	<u>4,490</u>	<u>27,256</u>	<u>4,915</u>	<u>(278)</u>
Net change in fund balances	<u>\$ (15,868)</u>	<u>\$ 3,521</u>	<u>\$ 6,647</u>	<u>\$ 2,269</u>	<u>\$ 6,165</u>	<u>\$ 22,920</u>	<u>\$ (6,784)</u>	<u>\$ 20,966</u>	<u>\$ 602</u>	<u>\$ 874</u>
Debt service as a percentage of noncapital expenditures	11.4%	8.7%	8.6%	9.8%	11.2%	16.6%	8.0%	12.1%	7.3%	7.6%

Source: City of Billings, Montana

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

Fiscal Year	Property Tax	Business License Tax	Total
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	32,131	701	32,832
2014	36,457	740	37,197
2015	33,763	759	34,522
2016	37,286	755	38,041
2017	37,213	763	37,976

Source: City of Billings, Montana

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

Fiscal Year	Real Property ^{3,4}		Personal Property		Total ⁵		Direct Tax Rate	Ratio of Taxable Value to Estimated Market
	Estimated Market Value	Taxable Value	Estimated Market Value	Taxable Value	Estimated Market Value ¹	Taxable Value ²		
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%
2014	5,867,349,504	161,755,976	272,813,412	6,008,199	6,140,162,916	167,764,175	178.70	2.7%
2015	6,141,298,543	163,095,567	209,710,048	3,762,699	6,351,008,591	166,858,266	168.12	2.6%
2016	11,372,527,592 ⁷	187,958,670	254,824,924	4,087,311	11,627,352,516	192,045,981	158.84	1.7%
2017	11,491,184,706	191,197,155	252,088,832	3,979,017	11,743,273,538	195,176,172	160.40	1.7%

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

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

³ Market value and taxable value includes Utilities category.

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

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

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

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

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

Fiscal Year	City						County	School Education ¹	School District	Big Sky Economic Development Authority	State	Total Direct and Overlapping Total
	General ⁴	Library ⁴	Public Safety ²	Transit ⁴	General Obligation							
					Bonds	Total ³						
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 ⁵	160.11	117.19	102.50	204.53	3.09	52.09	639.51
2014	74.00	5.00	74.36	10.00	15.34	178.70	118.33	102.50	215.54	3.09	49.36	667.52
2015	74.00	5.00	64.59	10.00	14.53	168.12	117.10	102.50	249.75	3.09	46.10	686.66
2016	67.64	4.57	64.41	9.17	13.05	158.84	109.58	102.50	253.28	2.87	42.95	670.02
2017	70.61	4.77	64.30	9.54	11.18	160.40	113.71	102.50	255.52	2.95	50.61	685.69

Source: Yellowstone County, Montana, Treasurer

¹ Includes School Equalization Levy and other Education Levies.

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

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

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

⁵ General Obligation Library Bond for 6.12 mills was issued.

CITY OF BILLINGS, MONTANA
Principal Property Taxpayers
June 30, 2017 and Ten Years Ago
(Unaudited)

Taxpayer	Tax Year 2016			Tax Year 2007		
	Taxable Value	Rank	Percentage of Total Taxable Value	Taxable Value	Rank	Percentage of Total Taxable Value
Northwestern Energy	\$ 10,510,628	1	5.4%	\$ 6,898,759	1	4.6%
Charter Communications	3,351,105	2	1.7%	-		0.0%
Montana Dakota Utilities	3,127,594	3	1.6%	1,220,059	3	0.8%
Centurylink Inc	2,268,742	4	1.2%	-		0.0%
AT&T Communications	1,826,567	5	0.9%	707,281	5	0.5%
Verizon Wireless	1,163,720	6	0.6%	418,713	10	0.3%
Rimrock Owner LP	913,986	7	0.5%	-		0.0%
Sisters of Charity of Leavenworth	695,547	8	0.4%	-		0.0%
Wal-Mart Real Estate	646,837	9	0.3%	610,738	6	0.4%
Scheels All Sports Inc	578,999	10	0.3%	-		0.0%
Sky West Airlines	-		0.0%	495,965	9	0.3%
Qwest Corp	-		0.0%	4,090,482	2	2.7%
Macerich Rimrock Limited Partner	-		0.0%	875,526	4	0.6%
IRET Properties	-		0.0%	500,952	8	0.3%
Western Sugar Co.	-		0.0%	523,276	7	0.4%
West Park Plaza Investors	-		0.0%	-		0.0%
Total	\$ 25,083,725		12.9%	\$ 16,341,751		10.9%
 Total taxable value	 \$ 195,176,172			 \$ 149,400,741		

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	
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
2014	27,818,662	26,310,736	94.6%	658,806	26,969,542	96.9%	1,507,926
2015	26,391,143	25,590,811	97.0%	4,894,272	30,485,083	115.5%	800,332
2016	28,231,663	27,220,145	96.4%	1,041,105	28,261,250	100.1%	1,011,518
2017	28,795,414	27,087,538	94.1%	770,715	27,858,253	96.7%	1,707,876

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						Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Tax Incremental Bonds	Special Assessment Bonds	Intercap Notes Payable	Notes Payable	Capital Leases Payable			
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	13,263	16,156	64	2,287	4,100			
2014	28,717	13,260	17,645	59	1,732	4,128			
2015	26,921	20,376	22,737	54	1,153	3,737			
2016	32,094	26,032	21,363	48	712	3,362			
2017	30,109	25,516	19,585	43	249	2,935			

Fiscal Year	Business-Type Activities						Total Primary Government	Percentage of Personal Income	Per Capita
	Revenue Bonds Airport	Revenue Bonds Wastewater	Rev Bonds/ Notes Payable Water	Rev Bonds/ Notes Payable Wastewater	Capital Lease Payable Parking	Capital Lease Payable Airport			
2008	9,125	-	15,773	4,116	5,760	-	82,934	1.83%	0.80
2009	8,635	-	15,121	9,171	5,580	-	83,583	1.79%	0.80
2010	8,120	-	20,206	14,609	5,390	-	89,257	1.51%	0.84
2011	14,165	-	23,922	16,765	5,190	-	99,671	1.64%	0.96
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
2014	11,382	-	24,510	17,470	3,061	1,191	123,155	1.76%	1.13
2015	10,437	-	28,446	16,514	2,942	1,120	134,437	1.89%	1.23
2016	9,559	-	30,049	15,506	2,818	1,045	141,543	1.83%	1.28
2017	8,473	63,305	28,264	14,503	2,687	968	195,669	2.45%	1.77

Source: City of Billings, Montana

Beginning in 2014, amounts are recorded as net of adjustments.

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

Fiscal Year	Population ¹	Taxable Value ²	General Obligation Bonds ³	Less: Amounts Available in Debt Service Funds ⁴	Net	Percentage of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
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
2014	109,059	167,764,175	28,716,650	2,310,101	26,406,549	15.7%	242.13
2015	108,869	166,858,266	26,921,315	2,653,784	24,267,531	14.5%	222.91
2016	110,263	181,997,580	32,093,610	2,852,317	29,241,293	16.1%	265.20
2017	110,323	185,589,273	30,109,235	2,505,033	27,604,202	14.9%	250.21

Sources and other information:

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

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

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

³ Amount does not include Special Assessment, tax increment or revenue bonds. In 2013, 2014, 2015 and 2016 recorded net of adjustments.

⁴ Amount does not include Special Assessment, tax increment debt service funds or advanced cross over refunding.

CITY OF BILLINGS, MONTANA
Direct and Overlapping General Obligation Bonded Debt
June 30, 2017
(Unaudited)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percent Applicable to City ²</u>	<u>Estimated Share of Overlapping Debt</u>
Overlapping:			
Yellowstone County	\$ 3,427,000 ¹	55.03%	\$ 2,231,922
School Districts			
School District #2	\$ 143,504,396 ¹	42.53%	\$ 61,032,420
Elder Grove SD #4	4,820,000 ¹	5.28%	254,496
Elysian SD #23	8,380,000 ¹	2.88%	241,344
Canyon Creek SD #44	655,000 ¹	3.10%	20,305
<u>Independent SD #52</u>	<u>2,570,000</u> ¹	0.05%	<u>1,285</u>
Total School Districts	<u>159,929,396</u>		<u>61,549,850</u>
Total Overlapping Debt	<u>163,356,396</u>		<u>63,781,772</u>
Direct:			
City of Billings			
General Obligation	\$ 30,109,235		
Tax Increment	25,516,200		
Special Assesment	19,584,522		
Intercap Notes	42,938		
Notes Payable	249,319		
<u>Capital Lease</u>	<u>2,935,470</u>		
Total Direct Debt	<u>\$ 78,437,684</u>	100.0%	<u>\$ 78,437,684</u>
Total Direct and Overlapping Debt	<u><u>241,794,080</u></u>		<u><u>142,219,456</u></u>

Source and other information:

¹ Finance Department, Yellowstone County, Montana.

² The percentage of overlapping debt applicable to the City is estimated using taxable property values.

Applicable percentages were estimated by determining the portion of the other government's taxable value that is within the City's boundaries and dividing it by the other government total taxable value.

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

	Fiscal Year									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Debt limit	\$ 130,496	\$ 120,260	\$ 126,264	\$ 110,757	\$ 125,971	\$ 145,915	\$ 153,504	\$ 158,762	\$ 289,112	\$ 291,981
Total net debt applicable to limit	<u>22,280</u>	<u>21,170</u>	<u>20,030</u>	<u>19,343</u>	<u>13,846</u>	<u>27,875</u>	<u>26,407</u>	<u>23,326</u>	<u>27,260</u>	<u>32,622</u>
Legal debt margin	<u>\$ 108,216</u>	<u>\$ 99,090</u>	<u>\$ 106,234</u>	<u>\$ 91,414</u>	<u>\$ 112,125</u>	<u>\$ 118,040</u>	<u>\$ 127,098</u>	<u>\$ 135,436</u>	<u>\$ 261,852</u>	<u>\$ 259,360</u>
Total net debt applicable to the limit as a percentage of debt limit	17.07%	17.60%	15.86%	17.46%	10.99%	19.10%	17.20%	14.69%	9.43%	11.17%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed market value:		
Real property	\$ 11,152,963,070	
Personal property	188,069,469	
Utilities	<u>338,221,636</u>	
Total assessed value	<u>\$ 11,679,254,175</u>	
Debt amount limited to 2.5% of total assessed value		\$ 291,981,354
Less:		
General obligation bonded debt outstanding	30,109,235	
Total net debt applicable to limit		30,109,235
Plus:		
Amount set aside for repayment of GO debt		<u>(2,512,540)</u>
Total net debt applicable to limit		<u>27,596,695</u>
Legal debt margin		<u>\$ 259,359,579</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	
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%
2014	40,923,714	18,809,342	22,114,372	2,345,000	1,059,745	3,404,745	650%
2015	43,267,946	18,684,310	24,583,636	2,572,407	1,196,733	3,769,140	652%
2016	44,906,310	19,688,620	25,217,690	2,924,000	1,232,897	4,156,897	607%
2017	46,152,358	21,104,769	25,047,589	2,957,000	1,229,859	4,186,859	598%

Source: City of Billings, Montana

¹ Includes operating revenue and interest income.

² Total operating expenses exclusive of depreciation.

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

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

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

Fiscal Year	Gross Revenue ¹	Less: Operating Expense ²	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
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	8,680,524	6,589,404	2,091,120 ^{3,4}	550,000	520,438	1,070,438	195%
2012	9,907,148	7,229,282	2,677,866	700,000	587,861	1,287,861	208%
2013	10,338,400	7,156,337	3,182,063	925,000	516,438	1,441,438	221%
2014	9,518,557	7,306,389	2,212,168	960,000	488,163	1,448,163	153%
2015	9,658,046	7,198,727	2,459,319	1,000,000	455,113	1,455,113	169%
2016	10,261,314	7,095,930	3,165,384	1,040,000	417,038	1,457,038	217%
2017	10,375,342	7,453,340	2,922,002	1,080,000	375,450	1,455,450	201%

Source: City of Billings, Montana

¹ Includes operating revenue, other revenue, interest income and CFC income to the extent of CFC debt service.

² Total operating expense exclusive of depreciation.

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

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

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

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

Fiscal Year	Gross¹ Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
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%
2014	2,623,645	2,085,862	690,009	2,775,871	94.5%
2015	7,183,892	6,593,709	613,603	7,207,312	99.7%
2016	1,855,339	1,641,069	343,342	1,984,411	93.5%
2017	1,676,582	1,527,648	308,749	1,836,397	91.3%

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	
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%
2014	3,579,824	3,003,616	576,208	385,000	30,797	415,797	138.6%
2015	3,747,959	3,505,136	242,823	100,000	173,094	273,094	88.9%
2016	4,038,829	3,538,658	500,171	160,000	389,450	549,450	91.0%
2017	4,239,414	2,508,407	1,731,007	465,000	487,220	952,220	181.8%

Source: City of Billings, Montana

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

¹ Gross revenue includes assessments and investment earnings.

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

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

Fiscal Year	Gross¹ Revenue	Less: Operating Expense ²	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest ⁶	Total	
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%
2014	1,525,125	1,455,807	69,318	115,863	139,917	255,780	27%
2015	1,519,591	1,717,715	(198,124)	119,120	136,660	255,780	-77%
2016	1,590,253	1,520,808	69,445	124,485	131,295	255,780	27%
2017	1,636,217	1,538,722	97,495	130,092	125,688	255,780	38%

Source: City of Billings, Montana

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

¹ Gross revenue includes operating revenue and interest income.

² Total operating expense exclusive of depreciation

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

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

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

⁶ This interest reported is cash basis. However, the interest reported in the Government-Wide financial statement is accrued.

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

Fiscal Year	Population ¹	Total Personal	Per Capita	Median Age ²	School	Unemployment
		Income ⁵ <i>(In thousands)</i>	Personal Income ⁵		Enrollment ³	Rate ⁴
2008	103,100	4,525,000	37,247	37.5	15,505	3.1%
2009	103,994	4,675,202	36,513	37.9	15,681	4.7%
2010	105,845	5,900,362	38,737	38.1	15,608	5.5%
2011	104,170	6,060,376	39,212	39.0	15,715	5.2%
2012	104,170	6,308,626	38,488	39.0	16,223	4.3%
2013	106,954	6,765,732	41,546	37.0	16,238	3.7%
2014	109,059	7,014,133	42,417	36.8	16,328	2.9%
2015	108,869	7,110,250	42,606	38.3	16,120	2.9%
2016	110,263	7,749,711	46,052	38.1	16,644	3.2%
2017	110,323	8,002,260	47,148	38.1	16,648	3.2%

Sources and other information:

- ¹ Census taken every ten years. Actual census figures given for 2011.
All other years are estimated by City/County Planning, Yellowstone County, Montana.
- ² Census and Economic Information Center (CEIC), Montana Department of Commerce
- ³ Billings School District #2.
- ⁴ State of Montana Research & Analysis Bureau.
- ⁵ Bureau of Economic Analysis. Current Fiscal Year given as estimate only.

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

Employer	2017			2008		
	<u>Number of Employees</u>¹	<u>Rank</u>	<u>Percentage of Total City Employment</u>²	<u>Number of Employees</u>¹	<u>Rank</u>	<u>Percentage of Total City Employment</u>³
Billings Clinic	4,175	1	5.12%	3,500	1	4.31%
School District #2	2,500	2	3.07%	2,017	3	2.48%
St. Vincent Healthcare	1,704	3	2.09%	2,200	2	2.71%
Stillwater Mining Company	1,411	4	1.73%	1,622	4	2.00%
City of Billings	912	5	1.12%	869	8	1.07%
Wells Fargo	873	6	1.07%	925	7	1.14%
Wal Mart	787	7	0.97%	1,010	6	1.24%
St John's Lutheran Home	745	8	0.91%	-	-	-
Yellowstone County	721	9	0.88%	1,054	5	1.30%
Montana State University-Billings	554	10	0.68%	-	-	-
Avitus Group	N/A	-	-	825	9	1.02%
First Interstate Bank	N/A	-	-	690	10	0.85%
Total	14,382		17.64%	14,712		18.12%

Sources and other information:

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

² Montana Research and Analysis Bureau, State of Montana. Based on 81,541 employees in the greater Billings Metro Area.

³ Based on 82,042 employees in the greater Billings Metro Area.

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General government	98.5	101.5	83.0	83.5	84.8	87.8	90.6	84.6	84.6	85.9
Planning and community services	36.1	37.1	28.0	31.0	31.6	31.6	31.8	38.8	39.5	40.3
Library	30.6	30.7	30.7	31.7	31.7	31.7	31.7	31.9	31.8	32.8
Public safety ¹										
Police	160.0	163.0	167.0	167.0	167.0	165.0	166.0	166.0	167.3	173.3
Animal shelter	9.0	10.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0	7.0
Fire	155.0	147.0	148.0	146.0	146.0	146.5	146.5	146.5	147.1	157.1
Streets/Traffic	43.0	43.0	43.0	43.0	45.0	45.0	45.0	45.0	47.0	47.0
Water and Wastewater	107.0	103.0	104.0	104.0	103.0	103.0	103.0	103.0	103.0	104.1
Sanitation	58.5	62.5	62.5	63.5	63.5	63.5	64.5	64.5	63.5	63.5
Parking	14.8	15.8	15.3	15.3	15.3	12.3	12.0	12.0	12.0	12.5
Aviation	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0	56.0	55.6
Transit	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.3	55.7
Internal services	46.0	49.0	72.0	74.0	75.0	75.0	75.0	75.0	78.0	77.0
Total	<u>869.8</u>	<u>873.9</u>	<u>871.8</u>	<u>877.3</u>	<u>881.2</u>	<u>879.7</u>	<u>884.4</u>	<u>885.6</u>	<u>892.1</u>	<u>911.8</u>

Source: City of Billings Annual Budget

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

FY 2015 Grant positions moved out of general government

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

Activity	Report Period¹	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Police											
Dispatched Calls	FY	60,156	60,112	59,840	60,686	63,915	66,510	66,111	68,817	78,484	88,447
Arrests	CY	7,256	7,631	6,815	7,324	9,116	9,265	10,214	10,064	11,942	12,084
Traffic Violations	CY	24,567	28,884	24,024	27,240	30,473	26,478	24,813	15,460	17,068	24,463
Traffic Accidents	CY	3,313	3,081	2,912	3,623	3,524	3,329	3,988	3,845	2,518	2,521
Fire											
Dispatched Calls	FY	11,426	10,728	10,499	10,841	11,228	11,194	11,989	Not Available ²	13,263	13,880
Inspections	CY	1,835	2,840	1,021	1,972	1,191	1,209	1,553	2,027	1,043	2,516
Solid Waste											
Residential Customers	FY	30,477	31,101	31,554	31,800	32,359	32,772	33,127	35,623	31,721	31,874
Commerical Customers	FY	3,596	3,642	3,704	3,889	3,982	4,071	4,136	2,900	2,559	2,624
Landfill trips	FY	169,101	120,821	143,046	153,010	164,667	166,777	165,729	146,635	140,007	154,894
Water											
Customers	FY	28,864	29,073	29,248	29,309	29,537	29,811	30,113	30,326	30,651	30,311
Average Daily Consumption (millions of gallons)	FY	23	21	20	19	23	23	21	21	21.5	21.3
Wastewater											
Customers	FY	31,637	31,909	32,193	32,390	32,586	32,951	33,357	33,894	34,292	34,543
Average Daily Treatment (millions of gallons)	FY	16	15	16	16	16	16	16	16	15	16

Source: City of Billings Operating Budget, Billings, Montana

¹ CY represents a Calendar Year, FY represents a Fiscal Year (July 1-June30). Calendar Year stats are to date at the time of data inquiry (typically end of November).

² A new system was implemented, so an accurate number cannot be given for FY15.

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

Date of Incorporation - 1882	Report	Years									
	Period¹	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Form of Government - Council/Administrator											
Area in Square Miles	FY	40.4	40.1	40.1	42.0	42.0	42.0	42.0	42.5	43.0	42.9
Activity											
Public Safety											
Police											
Stations	FY	1	1	1	1	1	1	1	1	1	1
Police Officers	FY	134	143	143	142	141	140	141	141.4	142	150
Fire											
Stations	FY	7	7	7	7	7	7	7	7	7	7
Firefighters/Officers/Dispatchers	FY	144	146	148	148	148	144	144.5	145.1	144.8	153.8
Streets											
Streets (miles)	CY	540	458	523	523.4	526.2	530.0	530.0	537.8	545.1	545.6
Streetlights	FY	7,816	7,993	8,000	8,179	8,202	8,202	8,239	8,376	8,480	8,202
Street Light Maintenance Districts	FY	180	183	181	184	185	185	186	187	192	185
City Parks											
Developed Acres	FY	625	1,183	1,183	1,183	1,183	1,183	1,183	1,183	1,201	1,204
Undeveloped Acres	FY	440	290	290	290	290	290	290	290	282	279
Natural Park Acres	FY	1,900	1,107	1,107	1,107	1,107	1,107	1,107	1,107	1,167	1,213
Parking											
Garages	FY	4	4	4	4	4	3	3	4	4	4

(continued)

Source: City of Billings Operating Budget, Billings, Montana

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

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

	Report Period¹	Years									
		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Water											
Water Mains (miles)	FY	436	441	447	447	465	467	468	476	468	481
Fire Hydrants	FY	3,912	3,969	4,145	4,204	4,211	4,242	4,357	4,392	4,405	4,211
Maximum Daily Capacity (millions of gallons)	FY	60	46	60	60	60	60	60	60	60	60
Wastewater											
Storm Sewers (miles)	FY	147	149	149	149.2	149.2	149.2	213.8	232.0	219.0	264.0
Sanitary Sewers (miles)	FY	433	444	466	473	461	486	488	497	494.5	499.0
Maximum Daily Capacity (millions of gallons)	FY	27	26	26	26	26	26	26	26	26	26

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

Fiscal Year	Construction ¹		Residential ²		Bank Deposits (in thousands) ³	Property Value ^{4,6}
	Commercial Number of Permits	Value	Number of Permits	Value		
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
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 ⁹
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
2014	79	52,150,771	333	78,673,385	4,597,034	6,140,162,916
2015	76	75,258,982	419	100,954,761	4,886,513	6,350,470,915
2016	84	79,697,699	503	93,464,621	4,904,589	11,626,879,232
2017	67	78,801,883	294	69,702,982	5,019,961	11,743,014,785

Sources and other information:

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

² Single family only.

³ Individual banks and credit unions.

⁴ State of Montana Department of Revenue.

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

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

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

⁸ Residential construction is down due to the economy.

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

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

SINGLE AUDIT SECTION



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Billings, Montana as of and for the year ended June 30, 2017, 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 29, 2017.

Internal Control Over Financial Reporting

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

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

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



Compliance and Other Matters

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

Purpose of this Report

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

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

Great Falls, Montana
December 29, 2017



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Billings, Montana's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City of Billings, Montana's major federal programs for the year ended June 30, 2017. The City of Billings, Montana's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Billings, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Billings, Montana's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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



Opinion on Each Major Federal Program

In our opinion, the City of Billings, Montana complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

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

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

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

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

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

Great Falls, Montana
December 29, 2017

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017
(Page 1 of 4)

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grants and Entitlement Grants:	14.218			
Grant entitlement B-14-MC-30-001		-	556,352	-
Grant entitlement B-15-MC-30-001		-	562,741	150,906
Grant entitlement B-16-MC-30-001		-	581,942	280,336
CFDA subtotal		-	<u>1,701,035</u>	<u>431,242</u>
Home Investment Partnerships Program:	14.239			
Grant entitlement M 15 MC 300213		-	263,688	185,584
Grant entitlement M 16 MC 300213		-	263,688	297,981
CFDA subtotal		-	<u>527,376</u>	<u>483,565</u>
<u>Corporation for National and Community Service</u>				
AmeriCorps VISTA - VISTA State Support:				
Grant 09-VSP-MT-001/10-VS-120761	94.013	-	317,629	317,629
CFDA subtotal		-	<u>317,629</u>	<u>317,629</u>
<u>U.S. Department of Transportation</u>				
Airport Improvement Program:	20.106			
AIP3-30-008-50		-	2,080,586	58,539
AIP3-30-008-51		-	346,767	16,161
AIP3-30-008-52		-	2,038,916	1,934,390
AIP3-30-008-53		-	1,362,586	960,870
AIP3-30-008-54		-	1,264,194	1,243,209
AIP3-30-008-55		-	-	384,000
CFDA subtotal		-	<u>7,093,049</u>	<u>4,597,169</u>
Federal Transit Metropolitan Planning Grants:	20.505			
FTA Section 5303-Operating-Passed Through the State of Montana Contract # 108693		-	186,627	42,533
FTA Section 5303-Operating-Passed Through the State of Montana Contract # 109232		-	188,431	153,327
CFDA subtotal		-	<u>375,058</u>	<u>195,860</u>

(continued)

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017
(Page 2 of 4)

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<u>U.S. Department of Transportation (continued)</u>				
<i>Federal Transit Cluster</i>				
Federal Transit Capital and Operating Assistance Formula Grants:	20.507			
FTA Section 9-Operating MT-2017-011-004		-	1,946,140	1,946,140
FTA Section 9-Operating MT-2016-003-00		-	1,838,393	586,381
CFDA subtotal		-	<u>3,784,533</u>	<u>2,532,521</u>
Federal Transit Metropolitan Planning Grants:	20.526			
FTA Section 5309-Capital-Passed Through the State of Montana Contract #108697		-	766,226	766,226
FTA Section 5310-Capital-Passed Through the State of Montana Contract #109286		-	158,562	136,743
CFDA subtotal		-	<u>924,788</u>	<u>902,969</u>
<i>Federal Transit Cluster Total</i>		-	<u>4,709,321</u>	<u>3,435,490</u>
State and Community Highway Safety	20.600			
Passed through the State of Montana:				
STEP OT Contract #109098		-	10,000	1,030
STEP OT Contract #108493		-	10,000	3,664
CFDA subtotal		-	<u>20,000</u>	<u>4,694</u>
Highway Planning and Construction	20.205			
Passed through the State of Montana:				
STPU-MT UPN 6040		-	80,000	1,827
CTEP Grant UPN 8842 Barrett Road		-	173,522	51,998
CTEP Grant UPN 8836 Broadwater Elem. Landscape		-	163,459	144,642
Metropolitan Planning Funds SPR-PL-1 (54)		-	995,000	816,650
CFDA subtotal		-	<u>1,411,981</u>	<u>1,015,117</u>
<u>U.S. Department of Interior</u>				
Historic Preservation Fund Grants-In-Aid	15.904			
Passed through the Montana Historic Society:				
MT-16-011		-	5,500	5,500
CFDA subtotal		-	<u>5,500</u>	<u>5,500</u>

(continued)

**Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017
(Page 3 of 4)**

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<u>U.S. Department of Justice</u>				
Office of Juvenile Justice Delinquency Program:	16.543			
Internet Crimes Against Children 2016-MC-FX-K038		55,462	246,797	207,586
Internet Crimes Against Children 2013-MC-FX-K025		23,910	248,323	40,584
CFDA subtotal		<u>79,372</u>	<u>495,120</u>	<u>248,170</u>
Billings Adult Misdemeanor Treatment Court-DUI Grant: 2012-DC-BX-0043	16.585			
		-	350,000	15,460
		<u>-</u>	<u>350,000</u>	<u>15,460</u>
Violence Against Women Formula Grants passed through State of Montana Board of Crime Control: Domestic Violence Investigator 16-W02-91950	16.588			
		-	19,022	19,022
		<u>-</u>	<u>19,022</u>	<u>19,022</u>
Justice Assistance Grants:	16.738			
2015-DJ-BX-0920		-	66,745	26,037
2013-DJ-BX-1130		-	65,371	10,770
2014-DJ-BX-0684		-	66,515	25,468
		<u>-</u>	<u>198,631</u>	<u>62,275</u>
Billings Adult Misdemeanor Treatment Court-Mental Health: 2016-DC-BX-0099	16.745			
		-	349,253	64,924
		<u>-</u>	<u>349,253</u>	<u>64,924</u>
<u>Department of Health and Human Services</u>				
Substance Abuse and Mental Health Services	93.243			
Billings Adult Misdemeanor Drug Court-SAMHSA:				
1H79TI026115-01		-	973,806	248,781
12TI24208A		-	971,630	54,557
		<u>-</u>	<u>1,945,436</u>	<u>303,338</u>

(continued)

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2017
(Page 4 of 4)

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Passed Through to Subrecipients</u>	<u>Program Amount or Grant Award</u>	<u>Expenditures</u>
<u>Department of Homeland Security</u>				
Homeland Security Grant Program:	97.067			
2015-SS-0005-S01 - Police		-	28,000	19,197
CFDA subtotal		-	28,000	19,197
<u>Office of National Drug Control Policy</u>				
High Intensity Drug Traffic Area Award:	95.001			
2016 HIDTA #G16RM0038A		-	218,740	99,435
2017 HIDTA #G17RM0038A		-	221,450	75,684
CFDA subtotal		-	440,190	175,119
<u>Environmental Protection Agency</u>				
Capitalization Grant-State Revolving Fund Passed Through the State of Montana-Dept of Natural Resources and Conservation:	66.468			
Briarwood Reservoir WRF-15339 80% Fed		-	2,804,350	142,486
CFDA subtotal		-	2,804,350	142,486
Total federal awards (all sources)		\$ 79,372	\$22,790,951	\$ 11,536,257

CITY OF BILLINGS, MONTANA
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2017

(1) Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Billings, Montana for the year ended June 30, 2017. The City's reporting entity is described in Note 1 in the City's basic financial statements. All federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other governmental agencies, is included in the schedule. The information in this schedule is presented in accordance with requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

(2) Significant Accounting Policies

Amounts reported in the schedule of expenditures of federal awards are recognized on the modified accrual basis when they become a demand on current available federal resources and eligibility requirements are met, or on the accrual basis, at the time liabilities are incurred and all eligibility requirements are met, depending on the basis of accounting used by the respective fund. Such expenditures are recognized following the cost principles in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Rate

The City has elected not to use the 10% De Minimis indirect cost rate allowed under the Uniform Guidance.

**CITY OF BILLINGS, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be material weakness?	No
Type of auditor's report issued on compliance for major programs	Unmodified
Audit findings that are required to be reported Uniform Guidance are reported in this schedule.	No
Identification of major programs:	
Office of Juvenile Justice Delinquency Program - CFDA 16.543	
Airport Improvement Program - CFDA 20.106	
Dollar threshold used to distinguish between Type A and Type B	\$750,000
Auditee qualified as low-risk auditee?	No

**CITY OF BILLINGS, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

FINDINGS - NONE

**CITY OF BILLINGS, MONTANA
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2017**

FINDINGS - NONE



City of Billings, Montana

Fiscal Year 2017
CITY OF BILLINGS, MONTANA