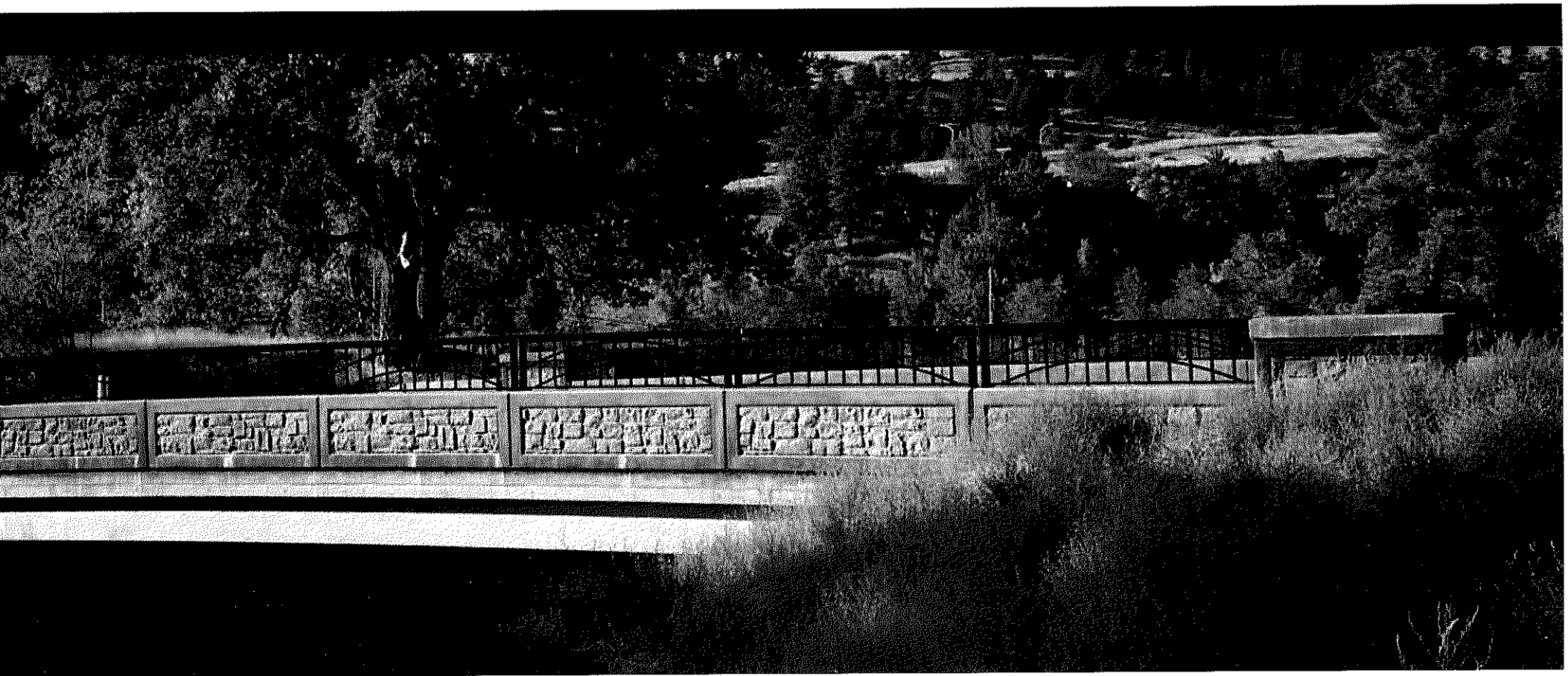
City of Billings, Montana

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR 2010
JULY 1, 2009 - JUNE 30, 2010



ABOUT THE COVER

Over the last two years, Billings' residents have watched Aronson Avenue undergo a transformation. The new design incorporates safety, as well as traffic flow improvements into and out of Billings' Heights.

The new extension connects Aronson Avenue to Alkali Creek Road by crossing the Billings Bench Water Association's canal and Alkali Creek. The interchange has a new intersection at Alkali Creek Road and Aronson Avenue, as well as an overpass bridge for Airport Road. Clover-leaf turn lanes provide access to Airport Road, Main Street, and 6th Avenue North. To make the design aesthetically pleasing, the architects included ornamental grasses and trees and an architectural finish for the bridge with ornamental steel guardrails. Following the road is a bike path that connects multiple trails at the Airport Road intersection.

The Aronson Avenue extension was honored by the Billings Engineers Club (BEC) as the "2009 Innovative Project of the Year" at the BEC Annual Awards Banquet held on February 27, 2009.

Cover picture courtesy of
Peaks to Plains Design.

CITY OF BILLINGS, MONTANA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

DEPARTMENT OF ADMINISTRATION
FINANCE DIVISION

PATRICK M. WEBER
FINANCIAL SERVICES MANAGER

FISCAL YEAR 2010

July 1, 2009 – June 30, 2010

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INTRODUCTORY SECTION

CITY OF BILLINGS

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

January 4, 2011

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, 2010, is hereby submitted. This report was prepared by the City Administration Department, Finance Division. Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

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

The City is required to undergo an annual Single Audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Information related to the Single Audit, including the Schedule of Expenditures of Federal Awards and the auditor's reports on internal controls and compliance, is included in the Single Audit section of this report.

CITY OF BILLINGS PROFILE

The City of Billings was incorporated in 1882 and is located in South Central Montana along Interstate 90. The City of Billings is located in Yellowstone County; the most populous county in Montana. Billings is the largest city in the state with a 2000 Census population of 89,847 and a current estimate of 105,845.

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.

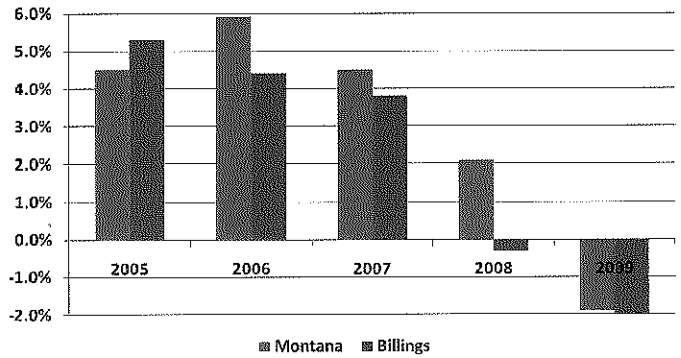
The City maintains budgetary controls, the objective of which is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council.

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, 2010. Per state law, encumbrances are automatically re-appropriated and added to the following year's adopted budget. This re-appropriation takes place without council action.

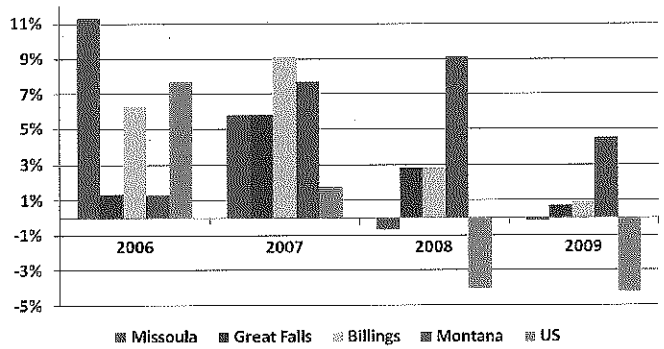
ECONOMIC CONDITION AND OUTLOOK

The University of Montana – Missoula, Bureau of Business and Economic Research publishes its Economic Outlook for selected counties in Montana. Following is some information contained in the publication. With an unemployment rate of 5.7% as of June 2010, the Billings economy is healthier than many parts of the United States, and the stable growth of the past decade as the following two charts indicate has slowed given the recent economic events.

Change in Nonfarm Labor Income



Index of Single-Family Home Prices



One of the City's largest industries is health care. Presently, the Billings Clinic Health System (approximately 3,508 employees) and Saint Vincent Hospital and Health Care Center (approximately 2,150 employees) employ approximately 5,658 employees. Both health care systems have embarked on major expansion programs that will increase the size of their facilities and their employment levels over the next several years.

There are also three new commercial developments within Billings' city limits. The Gabel Road development was created several years ago and contains restaurants, hotels, and various other retail businesses. The two newest are located on the corner of King Avenue West and Shiloh Road and the second at the corner of South Billings Boulevard and King Avenue East. The development on King Avenue West has Kohl's, Starbucks, Carmike Theatre and various other retail businesses. The development on King Avenue East has a Cabela's, Sam's Club, and plans for hotel(s), restaurants and other retail businesses.

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 costs more money.

The City Council used the minimum fund balance policy when adopting the FY 10 budget. The policy gives the Council a bench mark for reserves when adopting a budget.

MAJOR INITIATIVES

The City Council adopts annual goals before beginning budget preparations.

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

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

- Updated the Capital Improvements Plan.
- Finished construction of the MET transfer center.
- Completed multiple road construction projects.

DEPARTMENT FOCUS

The City of Billings annually selects a department to highlight for its efforts and accomplishments. For Fiscal Year 2009-2010, the Billings Library will be highlighted.

When people think of libraries, they think of books. While still a big part of the service, the definition of "books" has changed for libraries. Parmly Billings Library may have the traditional hardback, but it may also have that book in large-print, on CD, and as a downloadable file in both audio format for your iPod or MP3 player and eBook formats for a Sony Reader, Nook or other portable reader. Many of the services the Library provides today would be incomprehensible to the librarian from only twenty years ago.

Since 1990, the service area in Billings and Yellowstone County has increased in population by 26%. The number of books and other materials the Library checks out has grown an astounding 157%. In fact, during FY 2010, the Library checked out over 943,000 items. This is equivalent to seven

items for every man, woman and child in our large service area. 355,954 people walked through the doors of the downtown facility, and thousands more were served off-site by the Bookmobile and the Senior/Homebound outreach service.

The Library serves people throughout the course of their lives. In FY 2010, the Library offered over 540 free lectures, performances, story times, book discussions and craft programs.

The very newest members of our community are welcomed to Books and Babies, where they learn to enjoy and interact with books and words as they gain their first language skills. Toddlers and young children attend story time four times each week to be introduced to the pleasure of reading. School-age children and teens maintain their reading skills with the help of the Summer Reading Program, where in 2010 over 1,900 participants logged 61,000 hours of reading.

Teens are big participants in Summer Reading, but also have a number of programs just for them. Teens have the Freaky Friday film series, teen book discussions, gaming days, and programming targeted for the needs and interests of their age group. In partnership with Montana Job Service, the Library held its first job fair for teens this fall.

Library services for adults are wide-ranging. Along with lunchtime and evening lectures, author visits, and performances, 200 adults got into the fun with their own Summer Reading Program this year. The various film series this year highlighted foreign films, documentaries, and the works of directors Woody Allen and Alfred Hitchcock. There are now over 100 book club kits, 10 copies and a discussion guide in a tote bag, available for local groups to check out and read together. While still a great source of free access to books, magazines, CDs, and DVDs, the library also offers technology training in the new computer lab and workshops on topics such as résumé-writing or job-interview skills.

When people can't come to the Library, the Library comes to them! The Bookmobile made nearly 700 stops in neighborhoods, at schools and at senior centers throughout the community. For seniors, the Senior/Homebound Outreach Service brings the Library experience to 25 nursing homes and residential facilities and makes deliveries to more people who are unable to visit the downtown facility.

The newest service point is at the Community Library on the campus of MSU-Billings College of Technology, which opened in October 2010. The partnership with the MSU Libraries allows the community to use computers and to browse, pick up, and return library materials at the West End location.

The Library is still a great source for assistance in locating information, and staff answered over 50,000 questions for users last year. Questions came across the service desks, of course, but also over the telephone, via email, and through the Library's website and online catalog.

Like other public libraries, Parmly Billings Library has retained traditional services, but embraces technology and the possibilities it can offer its customers. In tough economic times, the library becomes a lifeline. The community is turning to the public library in ever larger numbers for access to resources for employment, lifelong learning, and government services. Further, with more businesses requiring applicants to apply on line, job-

seeking resources are among the most critical and most in demand. Library computers were used for over 48,000 internet sessions over the past year, and the Library also provides wireless access for users who bring in their own laptops and other devices.

Increasingly, the Library serves as a facilitator to those wanting to locate information, both online and off. Librarians teach dozens of computer classes each month, teaching general information literacy, internet skills, and how to access online information on the open web. The Library also licenses high-quality online resources on behalf of the community. That online content was accessed over 134,000 times in the last year and includes magazine and journal articles, health information, genealogy tools, auto repair guides, legal guides, language learning tools, and much more. Additionally, Library users are big fans of the downloadable audio books and eBooks made available through MontanaLibrary2Go, a cooperative partnership among a number of Montana public libraries.

Whether the challenge is preparing children for school, helping a job applicant succeed, presenting technology training for lifelong learners, mastering a new language, or offering books, music, and movies in an increasing number of formats, the Library is part of the solution.

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. Eide Bailly LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Billings, Montana's financial statements for the year ended June 30, 2010. The independent auditor's report is located at the front of the financial section of this report.

CASH MANAGEMENT

The City earned $1,026,912 in its investment program in fiscal year 2010. The City's average rate of return amounted to 1.26% on an average monthly investment balance of approximately $94.4 million.

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

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Billings, Montana, for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the twenty-sixth consecutive year the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a

governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

For the eighteenth consecutive year, the City received the GFOA's Award for Distinguished Budget Presentation for its 2009-2010 annual budget. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including policy documentation, financial planning and organization.

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

Respectfully submitted,

Patrick M. Weber
Financial Services Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Billings

Montana

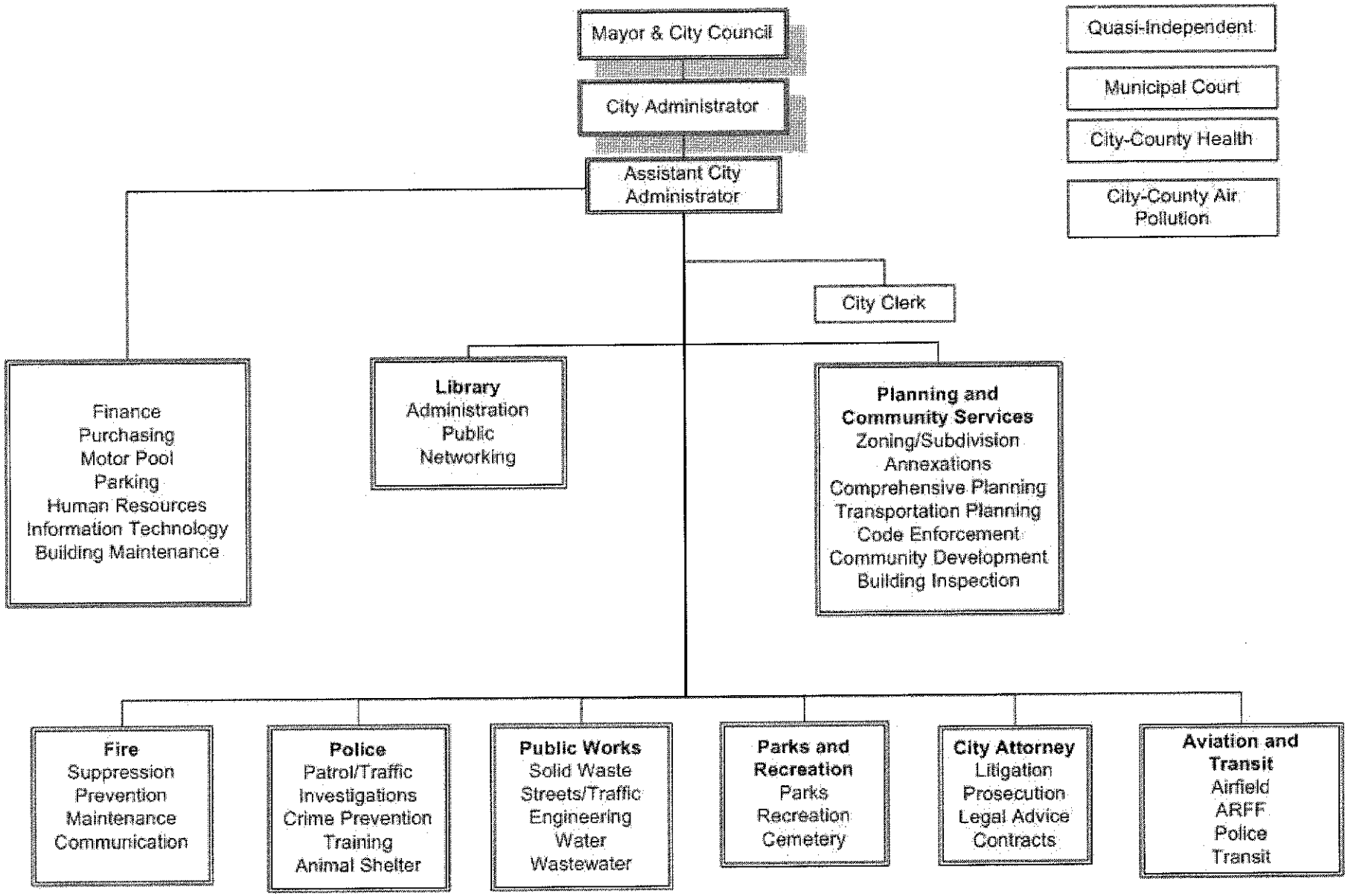
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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

President

Executive Director

City of Billings
Organizational Chart



Mayor
Thomas Hanel

Council Members

Jim Ronquillo	Ward One	**Peggie Denney Gaghen**
Denis Pitman	Ward Two	**Angela Cimmino**
Vince Ruegamer	Ward Three	**Richard McFadden**
Jani McCall	Ward Four	**Ed Ulledalen**
Richard Clark	Ward Five	**Mark Astle**

FINANCIAL SECTION

EideBailly

CPAs & BUSINESS ADVISORS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Billings, Montana, (the City) as of and for the year ended June 30, 2010 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

www.eidebailly.com

401 N. 31st St., Ste. 1120 | P.O. Box 7112 | Billings, MT 59103-7112 | TF 800.824.9797 | T 406.896.2400 | F 701.252.8600 | EOE

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2011 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying required supplementary information, such as management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements, supporting schedules, statistical tables and the schedule of expenditures of federal awards as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and budgetary schedules, and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Eide Bailly LLP

Billings, Montana
January 4, 2011

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, 2010. In addition to this overview and analysis based on currently know 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 15 of this report, respectively.

Financial Highlights

- The assets of the City exceeded its liabilities at the fiscal year end by $536,167,679 (Net Assets).
- The total fiscal year end governmental fund balance was $63,072,234 as reported in the balance sheet.
- The total general fund and public safety fund balances at fiscal year end were $13,192,892 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, and
3) Notes to the Financial Statements.

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

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

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

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

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

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

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 18-24 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 25-29 of this report.

Government-wide Financial Analysis

Net assets over time may serve useful as an indicator of a government's financial position. The net assets for the fiscal year ending June 30, 2010, were $536,167,679 (assets exceeded liabilities), which was an increase of $22,341,027.

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

The following two tables present condensed financial information on the City's Net Assets and Changes in Net Assets as of, and for, the fiscal years ended June 30, 2010, and June 30, 2009:

City of Billings, Montana's Net Assets

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 95,909,991	$ 88,134,392	$ 63,519,159	$ 60,157,001	$ 159,429,150	$ 148,291,393
Capital assets	178,064,663	176,875,158	319,874,919	302,956,045	497,939,582	479,831,203
Total assets	273,974,654	265,009,550	383,394,078	363,113,046	657,368,732	628,122,596
Long-term liabilities outstanding	52,957,923	54,711,614	54,134,251	44,210,146	107,092,174	98,921,760
Other liabilities	7,617,431	7,751,413	6,491,448	7,622,771	14,108,879	15,374,184
Total liabilities	60,575,354	62,463,027	60,625,699	51,832,917	121,201,053	114,295,944
Net assets:						
Invested in capital assets, net of related debt	137,282,035	133,025,665	271,665,893	264,674,147	408,947,928	397,699,812
Restricted	58,566,827	55,867,078	5,175,032	4,272,707	63,741,859	60,139,785
Unrestricted	17,550,438	13,653,780	45,927,454	42,333,275	63,477,892	55,987,055
Total net assets	$ 213,399,300	$ 202,546,523	$ 322,768,379	$ 311,280,129	$ 536,167,679	$ 513,826,652

The restricted portion of fiscal year 2010 Net Assets (11.9%) represents resources that are subject to external restrictions as to how they may be used.

City of Billings, Montana's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
Revenues:	2010	2009	2010	2009	2010	2009
Program revenues:						
Charges for services	$ 28,517,382	$ 29,124,436	$ 51,653,007	$ 49,106,168	$ 80,170,389	$ 78,230,604
Operating grants and contributions	13,125,245	11,514,178	2,384,127	2,280,750	15,509,372	13,794,928
Capital grants and contributions	7,554,833	13,183,186	9,246,812	7,186,764	16,801,645	20,369,950
General revenues:						
Property taxes	28,106,325	25,876,891	1,774,322	1,744,254	29,880,647	27,621,145
Franchise fees	2,785,611	2,711,170	-	-	2,785,611	2,711,170
Business licenses	643,460	634,475	-	-	643,460	634,475
Unrestricted federal/state shared revenue	12,706,946	12,231,505	323,710	312,194	13,030,656	12,543,699
Unrestricted investment earnings	228,637	555,335	640,761	1,335,688	869,398	1,891,023
Gain on sale of property and equipment	(273,349)	1,477,634	20,272	43,986	(253,077)	1,521,620
Miscellaneous	53,287	124,310	205,433	546,429	258,720	670,739
Total revenues	93,448,377	97,433,120	66,248,444	62,556,233	159,696,821	159,989,353

(Continued)

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

	Governmental Activities		Business-type Activities		Total	
Expenses:	2010	2009	2010	2009	2010	2009
General government	7,239,546	7,287,776	-	-	7,239,546	7,287,776
Public safety	40,841,223	38,311,791	-	-	40,841,223	38,311,791
Public works	17,530,513	20,238,384	-	-	17,530,513	20,238,384
Public health	816,410	857,598	-	-	816,410	857,598
Culture and recreation	8,117,685	7,799,166	-	-	8,117,685	7,799,166
Housing and economic development	5,879,497	4,068,355	-	-	5,879,497	4,068,355
Other	-	-	-	-	-	-
Interest on long-term debt	2,377,213	2,440,454	-	-	2,377,213	2,440,454
Solid Waste	-	-	8,509,656	8,933,234	8,509,656	8,933,234
Airport	-	-	11,613,443	11,598,103	11,613,443	11,598,103
Water	-	-	15,609,904	15,633,608	15,609,904	15,633,608
Wastewater	-	-	10,050,048	8,904,328	10,050,048	8,904,328
Parking	-	-	2,783,788	2,718,008	2,783,788	2,718,008
Transit	-	-	5,563,587	5,338,206	5,563,587	5,338,206
Golf Course	-	-	423,281	414,862	423,281	414,862
Total expenses	82,802,087	81,003,524	54,553,707	53,540,349	137,355,794	134,543,873
Increase in net assets before transfers	10,646,290	16,429,596	11,694,737	9,015,884	22,341,027	25,445,480
Transfers	206,487	(872,651)	(206,487)	872,651	-	-
Change in net assets	10,852,777	15,556,945	11,488,250	9,888,535	22,341,027	25,445,480
Net assets, beginning of year as restated	202,546,523	186,989,578	311,280,129	301,391,594	513,826,652	488,381,172
Net assets, end of year	$ 213,399,300	$ 202,546,523	$ 322,768,379	$ 311,280,129	$ 536,167,679	$ 513,826,652

Governmental activities. Net Assets in governmental activities increased by $10,852,777 during fiscal year 2010. This is a combination of an increase of current and other assets of $7,775,599, an increase in capital assets of $1,189,505, and debt proceeds spent on capital assets. Public Works invested $4,811,000 for sanitary sewer improvements to McDonald Drive and Clubhouse Way, rebuilt Alkali Creek road, repaved various streets and several other miscellaneous projects. Investments of $406,000 for parkland and park improvements were also made. Police and Fire purchased $1,081,000 vehicles and equipment. Certain assets are donated or paid for with current revenues, thus creating an increase in net assets.

Business-type activities. Net Assets in business-type activities increased by $11,488,250 during fiscal year 2010. Program revenues restricted for the acquisition and/or construction of capital assets were received in fiscal year 2010. The program revenues in excess of expenses in water of $6,996,301 and wastewater of $1,085,002 will be used for construction projects. The program revenues of $6,449,171 were used for an emergency generator, straightening of Taxiway A, constructing a new Taxiway F and various other projects at the Airport. Transit's Downtown Transfer Center was completed for $752,588.

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, an unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. The combined fund balance for governmental funds for the fiscal year ending June 30, 2010, was $63,072,234. Fund balance is classified as unspendable, restricted and committed to indicate it is not available for spending as follows: Restricted due to laws or other outside parties $20,375,023, capital projects $8,246,878, debt service $10,897,495, committed by Council or binding contracts $18,740,253, and endowments $600,693.

The City of Billings Public Safety Fund received approximately 53.0% of its funding from the General Fund. Therefore, both funds are directly related. The combined balance for the General and Public Safety funds increased by $2.5 million in the current year. The increase resulted from ongoing cost containments and General Fund revenues exceeded expenditures.

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

Unrestricted net assets in the major proprietary funds were $39,458,618 for fiscal year ended June 30, 2010, an increase of $2.8 million. The most significant increases in unrestricted net assets were in Water and Wastewater. The increases were from current resources that were to be used for capital projects that didn't get completed.

General Fund Budgetary Highlights

Significant variances between the final revenue budget and actual revenue resulted from receiving less property taxes, intergovernmental, fines and forfeiture, and other revenue. Variances between the final expenditure budget and actual expenditures resulted mainly from vacancy savings, council contingency that was not used, and a cost of services study that was not implemented. The difference between the original budget and final budget was mainly due to budget amendments for mental health costs for Municipal Court and additional funding for weed abatement.

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, 2010, was $497,939,582 (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 $24.1 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	
	2010	2009	2010	2009	2010	2009
Land	$ 30,100,727	$ 30,101,434	$ 11,205,684	$ 10,951,714	$ 41,306,411	$ 41,053,148
Buildings	15,041,820	15,583,608	39,663,418	37,260,943	54,705,238	52,844,551
Improvements other than buildings	24,226,328	24,775,655	37,402,521	32,930,869	61,628,849	57,706,524
Machinery and equipment	8,315,304	9,021,864	20,519,400	18,146,631	28,834,704	27,168,495
Infrastructure	94,875,290	94,570,153	198,675,660	175,721,455	293,550,950	270,291,608
Construction In progress	5,505,194	2,822,444	12,408,236	27,944,433	17,913,430	30,766,877
Total	$ 178,064,663	$ 176,875,158	$ 319,874,919	$ 302,956,045	$ 497,939,582	$ 479,831,203

Additional information on the City of Billings' capital assets can be found on pages 56-59 of this report.

City of Billings, Montana's Outstanding Debt

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds	$ 16,845,000	$ 17,655,000	$ -	$ -	$ 16,845,000	$ 17,655,000
Special assessment debt with governmental commitment	18,881,889	20,919,000	-	-	18,881,889	20,919,000
Revenue bonds	-	-	8,120,000	8,635,000	8,120,000	8,635,000
Notes payable	4,113,960	4,066,112	34,815,180	24,292,773	38,929,140	28,358,885
Intercap notes payable	80,500	-	-	-	80,500	-
Capital lease payable	5,153,729	5,520,380	5,390,176	5,579,798	10,543,905	11,100,178
Total	$ 45,075,078	$ 48,160,492	$ 48,325,356	$ 38,507,571	$ 93,400,434	$ 86,668,063

Long-term debt. The City of Billings had total bonded debt and notes outstanding of $93,400,434 at the end of the current fiscal year. The majority of the debt consists of notes payable in the amount of $34,815,180 for business activity consisting of nine loans from DNRC for Water and Wastewater projects. General Obligation Bonds in the amount of $16,845,000 of debt is backed by the full faith and credit of the government. The remaining amounts are special assessment debt in the amount of $18,881,889, which is assessed to benefiting property owners, $8,120,000 of revenue bonds for business-type activities secured by specified revenue sources, and $10,543,905 for capital leases. Notes payable in the amount of $4,113,960 for governmental activity is a combination of notes for the Dehler Scoreboard, Fire Fighter lawsuit, and revolving loans.

Under the current State statutes, City general obligation bonded debt issuances are subject to a legal limitation based on 2.50% of assessed market value of the property subject to taxation. As of June 30, 2010, the City's general obligation bonded debt of $16,845,000, combined with general obligation notes payable of $4,113,960 and a general obligation lease payable of $5,153,729, was well below the legal debt limit of $106,233,829. General obligation net bonded debt per capita equated to $142.90.

Additional information on the City of Billings long-term debt can be found on pages 64-74 of this report.

Economic Factors and Future Outlook

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

Absent new construction, property tax income has not kept pace with inflation over the last decade. Fund balance projections for the General Fund and Public Safety Fund (the majority of funding for the Public Safety Fund comes from the General Fund) will be slightly above the minimum recommended reserve level as of June 30, 2010. The recommended reserve of 28% of the annual budget was derived from analyzing 10 years of cash flow needs. These reserves are necessary because the first installment of property taxes is due by November 30 of each year, and property taxes are the major income for these funds. Cash balances decrease between July 1st and November 30th; therefore, the reserves are needed to pay expenditures over these five months.

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

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

The 2011 Legislature will begin meeting in January, and the major priority is to resolve the State's fiscal problems. While Montana's tax collections have not declined as much as in many states, the Legislature's budget office predicts that there will be a $350 million shortfall for the 2012-2013 biennium. Local governments are concerned that the Legislature might balance the State's budget by cutting resources local governments receive. This could hurt many local governments given the lack of growth in taxable market value due to the property reappraisal mitigation described above and due to the recession.

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 Financial Services Manager at the following address: P.O. Box 1178, Billings, MT 59103.

BASIC FINANCIAL STATEMENTS

CITY OF BILLINGS, MONTANA
Statement of Net Assets
June 30, 2010
(Page 1 of 2)

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 26,988,108	$ 16,658,936	$ 43,647,044
Restricted cash and cash equivalents with fiscal agent	3,318,659	2,262,046	5,580,705
Investments	44,144,433	27,372,655	71,517,088
Receivables (net of allowance of $720,807)	26,866,107	6,070,860	32,936,967
Internal balances	(7,458,296)	7,458,296	-
Inventories	285,785	1,234,137	1,519,922
Prepaid items	12,417	5,725	18,142
Bond issue costs, net	557,835	66,608	624,443
Property held for resale	595,125	-	595,125
Restricted assets:			
Temporarily restricted:			
Investments with trustee	-	2,389,896	2,389,896
Permanently restricted:			
Cash and cash equivalents	225,701	-	225,701
Investments	374,117	-	374,117
Property and equipment:			
Land and construction in progress	35,605,921	23,613,920	59,219,841
Other property and equipment, net of depreciation	142,458,742	296,260,999	438,719,741
Total assets	273,974,654	383,394,078	657,368,732
Liabilities			
Accounts payable	2,532,261	4,470,267	7,002,528
Accrued wages and benefits	2,081,612	903,558	2,985,170
Incurred but not reported health benefits	700,000	-	700,000
Accrued interest	982,585	1,117,623	2,100,208
Other liabilities	63,000	-	63,000
Unearned revenue	707,973	-	707,973
Claims and judgments - due within one year	550,000	-	550,000
Long-term liabilities:			
Due within one year	6,911,743	4,058,346	10,970,089
Due in more than one year	43,989,908	47,069,022	91,058,930
Other post-employment benefits	2,056,272	1,029,730	3,086,002
Landfill closure and postclosure - due in more than one year	-	1,977,153	1,977,153
Total liabilities	60,575,354	60,625,699	121,201,053

(continued)

CITY OF BILLINGS, MONTANA
Statement of Net Assets
June 30, 2010
(Page 2 of 2)

	Governmental Activities	Business-type Activities	Total
Net assets			
Invested in capital assets, net of related debt	137,282,035	271,665,893	408,947,928
Restricted for:			
General government	203,163	-	203,163
Public safety	6,768,392	-	6,768,392
Public works	10,722,518	-	10,722,518
Public health	74,949	-	74,949
Culture and recreation	5,760,486	-	5,760,486
Housing and economic development	4,827,828	-	4,827,828
Capital projects	1,051,490	-	1,051,490
Debt service	28,557,308	5,175,032	33,732,340
Endowments - nonexpendable	600,693	-	600,693
Unrestricted	17,550,438	45,927,454	63,477,892
Total net assets	$ 213,399,300	$ 322,768,379	$ 536,167,679

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

CITY OF BILLINGS
Statement of Activities
For The Fiscal Year Ended June 30, 2010

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
					Primary Government		
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government							
Governmental activities:							
General government	$ 7,239,546	$ 2,290,672	$ 1,322,118	$ -	$ (3,626,756)	$ -	$ (3,626,756)
Public safety	40,841,223	6,171,426	7,164,060	566,714	(26,939,023)	-	(26,939,023)
Public works	17,530,513	18,238,167	268,199	6,382,480	7,358,333	-	7,358,333
Public health	816,410	44,865	20,692	-	(750,853)	-	(750,853)
Culture and recreation	8,117,685	1,768,502	1,123,441	605,639	(4,620,103)	-	(4,620,103)
Housing and economic development	5,879,497	3,750	3,226,735	-	(2,649,012)	-	(2,649,012)
Interest on long-term debt	2,377,213	-	-	-	(2,377,213)	-	(2,377,213)
Total governmental activities	82,802,087	28,517,382	13,125,245	7,554,833	(33,604,627)	-	(33,604,627)
Business-type activities:							
Solid Waste	8,509,656	9,143,868	-	-	-	634,212	634,212
Airport	11,613,443	8,278,241	175,786	6,449,171	-	3,289,755	3,289,755
Water	15,609,904	21,098,729	290,512	1,216,964	-	6,996,301	6,996,301
Wastewater	10,050,048	10,282,017	24,944	828,089	-	1,085,002	1,085,002
Parking	2,783,788	1,745,714	-	-	-	(1,038,074)	(1,038,074)
Transit	5,563,587	688,663	1,892,885	752,588	-	(2,229,451)	(2,229,451)
Golf Course	423,281	415,775	-	-	-	(7,506)	(7,506)
Total business-type activities	54,553,707	51,653,007	2,384,127	9,246,812	-	8,730,239	8,730,239
Total primary government	$137,355,794	$ 80,170,389	$ 15,509,372	$ 16,801,645	(33,604,627)	8,730,239	(24,874,388)
General revenues:							
Property taxes					28,106,325	1,774,322	29,880,647
Franchise fees					2,785,611	-	2,785,611
Business license tax					643,460	-	643,460
Unrestricted federal/state shared revenue					12,706,946	323,710	13,030,656
Unrestricted investment earnings					228,637	640,761	869,398
Gain (loss) on sale of property and equipment					(273,349)	20,272	(253,077)
Miscellaneous					53,287	205,433	258,720
Transfers					206,487	(206,487)	-
Total general revenues and transfers					44,457,404	2,758,011	47,215,415
Change in net assets					10,852,777	11,488,250	22,341,027
Net assets (deficit), beginning of year					202,546,523	311,280,129	513,826,652
Net assets, end of year					$ 213,399,300	$ 322,768,379	$ 536,167,679

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

CITY OF BILLINGS, MONTANA

Governmental Funds

Balance Sheet

June 30, 2010

	General Fund	Public Safety Fund	Special Improvement Districts Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$ 5,001,012	$ 1,236,310	$ 2,090,858	$ 15,933,883	$ 24,262,063
Cash with fiscal agent	-	-	1,078,001	2,240,658	3,318,659
Investments	7,817,274	2,038,435	3,444,125	26,321,224	39,621,058
Receivables:					
Property taxes	721,543	695,230	-	496,128	1,912,901
Accounts and unbilled usage	315,999	7,750	-	111,564	435,313
Delinquent special assessments	6,141	-	128,839	684,183	819,163
Deferred special assessments	917	-	15,357,092	947,745	16,305,754
Accrued interest	12,519	3,264	8,715	57,828	82,326
Notes	-	-	-	4,871,809	4,871,809
Due from other funds	542,263	-	294,696	269,747	1,106,706
Receivables from other governments	-	-	-	1,614,008	1,614,008
Property held for resale	-	-	155,997	439,128	595,125
Total assets	$14,417,668	$ 3,980,989	$ 22,558,323	$ 53,987,905	$ 94,944,885
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 375,045	$ 100,783	$ 250	$ 1,609,374	$ 2,085,452
Accrued wages & benefits	324,146	1,206,590	-	329,878	1,860,614
Due to other funds	-	570,764	-	3,751,587	4,322,351
Other liabilities	-	-	63,000	-	63,000
Deferred revenue	525,585	502,852	15,433,656	7,079,141	23,541,234
Total liabilities	1,224,776	2,380,989	15,496,906	12,769,980	31,872,651
Fund balances:					
Unspendable	-	-	-	600,693	600,693
Restricted	-	1,600,000	7,061,417	30,857,979	39,519,396
Committed	8,981,000	-	-	9,759,253	18,740,253
Assigned	-	-	-	-	-
Unassigned	4,211,892	-	-	-	4,211,892
Total fund balances	13,192,892	1,600,000	7,061,417	41,217,925	63,072,234
Total liabilities and fund balances	$14,417,668	$ 3,980,989	$ 22,558,323	$ 53,987,905	$ 94,944,885

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

CITY OF BILLINGS, MONTANA
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2010

Total *fund balances* for governmental funds		$ 63,072,234
Total *net assets* reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	$ 28,714,398	
Buildings and improvements	15,212,073	
Improvements other than buildings	29,674,770	
Machinery and equipment	22,042,244	
Infrastructure	162,301,022	
Construction in progress	5,442,764	
Less accumulated depreciation	(96,746,693)	166,640,578
Other long-term assets are not available to pay for the current-period expenditures and therefore are deferred in the funds		22,833,261
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	(16,845,000)	
add: bond premium	(61,321)	
Special assessment bonds payable	(18,881,889)	
less: deferred charge on refunding	43,902	
less: bond discount	366,840	
add: bond premium	(14,284)	
Notes payable	(4,194,460)	
Capital lease payable	(153,814)	
Bond Issuance costs	557,835	
Compensated absences payable	(5,354,090)	
Other post-employment benefits	(1,814,152)	
Claims and judgments	(550,000)	
Accrued interest	(896,920)	(47,797,353)
Internal service funds are used by the City to charge the cost of certain activities to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets		8,650,580
Total net assets of governmental activities		$ 213,399,300

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 Fiscal Year Ended June 30, 2010

	General Fund	Public Safety Fund	Special Improvement Districts Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	$ 12,986,900	$ 11,418,224	$ -	$ 3,435,663	$ 27,840,787
Licenses and permits	3,439,945	112,387	-	1,206,258	4,758,590
Intergovernmental	8,669,387	6,835,514	-	11,713,854	27,218,755
Charges for services	2,869,558	1,169,587	-	5,704,127	9,743,272
Fines and forteitures	1,502,325	1,200	-	305,709	1,809,234
Special assessments	-	-	2,081,658	15,902,811	17,984,469
Other	379,931	50,720	50,429	2,280,089	2,761,169
Total revenues	29,848,046	19,587,632	2,132,087	40,548,511	92,116,276
Expenditures:					
Current:					
General government	5,086,126	-	1,500	2,059,635	7,147,261
Public safety	204,342	34,048,193	-	4,548,809	38,801,344
Public works	317,562	-	-	12,084,814	12,402,376
Public health	-	726,788	-	35	726,823
Culture and recreation	3,095,241	-	-	3,848,906	6,944,147
Housing and economic development	-	-	-	5,860,634	5,860,634
Capital outlay	232,486	115,311	-	7,964,703	8,312,500
Debt service:					
Principal	-	420,707	1,770,111	2,398,587	4,589,405
Interest and fiscal charges	-	198,556	996,344	977,039	2,171,939
Bond issuance costs	-	-	-	8,500	8,500
Total expenditures	8,935,757	35,509,555	2,767,955	39,751,662	86,964,929
Revenues over (under) expenditure	20,912,289	(15,921,923)	(635,868)	796,849	5,151,347
Other financing sources (uses):					
Transfers in	240,722	16,606,456	295,234	3,739,369	20,881,781
Transfers out	(18,329,903)	(982,462)	-	(2,284,786)	(21,597,151)
Issuance of debt	-	-	-	880,500	880,500
Special assessment bonds issued	-	-	-	988,000	988,000
Sale of capital assets	600	1,000	-	340,570	342,170
Total other financing sources (uses)	(18,088,581)	15,624,994	295,234	3,663,653	1,495,300
Net change in fund balances	2,823,708	(296,929)	(340,634)	4,460,502	6,646,647
Fund balance, beginning of year	10,369,184	1,896,929	7,402,051	36,757,423	56,425,587
Fund balances at end of year	$ 13,192,892	$ 1,600,000	$ 7,061,417	$ 41,217,925	$ 63,072,234

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, 2010

(Page 1 of 2)

Net change in *fund balances* - total governmental funds		$ 6,646,647
The change in *net assets* 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	$ 8,312,500	
Depreciation	(7,373,364)	939,136
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.		(663,038)
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 and developer contributions	1,278,281	
Transfer to Enterprise Fund	(46,820)	
Transfer to Internal Service Fund	(67,838)	1,163,623
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		279,561
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	(988,000)	
Notes issued	(880,500)	(1,868,500)
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	7,428	
Bond discounts	(29,890)	
Deferred loss on refunding	(10,976)	
Bond issuance cost	(35,473)	(68,911)

(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, 2010

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Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
General obligation debt	810,000	
Special assessment debt	3,025,111	
Capital lease payable	101,842	
Notes payable	752,152	4,689,105
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.		497,081
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	14,823	
Other post-employment benefits	(872,267)	
Claims and judgments	-	
Interest and amortization expenses	95,517	(761,927)
Change in net assets of governmental activities		$ 10,852,777

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

CITY OF BILLINGS, MONTANA

General Fund

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

For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	$ 12,731,484	$ 12,731,484	$ 12,986,900	$ (255,416)
Licenses and permits	3,273,240	3,273,240	3,439,945	(166,705)
Intergovernmental	8,743,013	8,743,013	8,669,387	73,626
Charges for services	2,871,356	2,891,556	2,869,558	21,998
Fines and forteitures	1,443,650	1,443,650	1,502,325	(58,675)
Other	256,962	377,668	379,931	(2,263)
Total revenues	29,319,705	29,460,611	29,848,046	(387,435)
Expenditures:				
Current:				
General government	5,408,403	5,462,435	5,086,126	376,309
Public safety	255,554	266,554	204,342	62,212
Public works	341,034	341,034	317,562	23,472
Culture and recreation	3,017,570	3,145,430	3,095,241	50,189
Capital outlay	266,432	386,138	232,486	153,652
Total expenditures	9,288,993	9,601,591	8,935,757	665,834
Revenues over (under) expenditures	20,030,712	19,859,020	20,912,289	(1,053,269)
Other financing sources (uses):				
Transfers in	241,982	241,982	240,722	1,260
Transfers out	(19,435,087)	(19,865,642)	(18,329,903)	(1,535,739)
Sale of capital assets	-	-	600	(600)
Total other financing sources (uses)	(19,193,105)	(19,623,660)	(18,088,581)	(1,535,079)
Net change in fund balances	837,607	235,360	2,823,708	(2,588,348)
Fund balance, beginning of year			10,369,184	
Fund balance, end of year			$ 13,192,892	

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

CITY OF BILLINGS, MONTANA

Major Special Revenue Fund - Public Safety

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

For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	$ 11,609,001	$ 11,609,001	$ 11,418,224	$ 190,777
Licenses and permits	117,059	117,059	112,387	4,672
Intergovernmental	2,000,973	2,000,973	2,003,041	(2,068)
Charges for services	1,036,844	1,036,844	1,169,587	(132,743)
Fines and forteitures	-	-	1,200	(1,200)
Other	85,514	85,514	50,720	34,794
Total revenues	14,849,391	14,849,391	14,755,159	94,232
Expenditures:				
Current:				
Public safety	29,660,902	30,003,732	29,215,720	788,012
Public health	753,838	753,838	726,788	27,050
Capital outlay	130,220	129,430	115,311	14,119
Debt service:				
Principal	1,069,378	1,069,378	420,707	648,671
Interest and fiscal charges	225,884	225,884	198,556	27,328
Total expenditures	31,840,222	32,182,262	30,677,082	1,505,180
Revenues over (under) expenditures	(16,990,831)	(17,332,871)	(15,921,923)	(1,410,948)
Other financing sources (uses):				
Transfers in	17,720,000	18,000,000	16,606,456	1,393,544
Transfers out	(982,462)	(982,462)	(982,462)	-
Sale of capital assets	60,000	60,000	1,000	59,000
Total other financing sources (uses)	16,797,538	17,077,538	15,624,994	1,452,544
Net change in fund balances	(193,293)	(255,333)	(296,929)	41,596
Fund balance, beginning of year			1,896,929	
Fund balance, end of year			$ 1,600,000	

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

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

	Business-type Activities							
	Solid Waste Fund	Airport Fund	Water Fund	Wasterwater Fund	Parking Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Assets								
Current assets:								
Cash and cash equivalents	$ 2,356,868	$ 2,719,217	$ 7,477,112	$ 2,655,293	$ 647,620	$ 802,826	$ 16,658,936	$ 2,951,746
Restricted cash and cash equivalents with fiscal agent	-	795,953	893,857	571,662	-	574	2,262,046	-
Investments	3,886,512	4,511,705	12,416,484	4,402,762	1,067,375	1,087,817	27,372,655	4,897,492
Receivables:								
Property taxes	-	-	-	-	-	102,325	102,325	-
Accounts and unbilled usage	665,636	679,766	2,258,808	1,238,618	17,185	9,419	4,869,432	13,716
Accrued interest	6,201	11,013	29,946	8,451	2,517	1,648	59,776	11,117
Notes	-	-	-	-	-	-	-	50,000
Due from other funds	3,215,646	-	-	-	-	-	3,215,646	-
Receivables from other governments	-	15,856	500,000	-	-	523,471	1,039,327	-
Inventories	-	7,548	1,225,929	-	-	660	1,234,137	285,785
Prepaid items	-	-	-	-	-	5,725	5,725	12,417
Total current assets	10,130,863	8,741,058	24,802,136	8,876,786	1,734,697	2,534,465	56,820,005	8,222,273
Noncurrent assets:								
Bond issue costs, net	-	66,608	-	-	-	-	66,608	-
Notes receivable	-	-	-	-	-	-	-	750,000
Restricted investments with trustee	2,389,896	-	-	-	-	-	2,389,896	-
Property and equipment::								
Land	493,448	3,076,010	1,659,888	465,545	4,075,502	1,435,291	11,205,684	1,386,329
Buildings	188,095	23,813,163	14,001,100	14,619,566	24,300,174	8,601,517	85,523,615	9,349,144
Improvements other than buildings	3,421,829	79,258,013	1,241,174	2,810,810	400,568	987,849	88,120,243	2,006,539
Equipment and vehicles	11,354,102	10,521,373	15,010,006	12,828,525	701,133	8,302,965	58,718,104	3,591,320
Infrastructure	-	-	163,289,171	134,435,934	-	-	297,725,105	-
Construction in progress	980,986	1,248,338	7,479,185	2,291,318	-	408,409	12,408,236	62,430
Less: accumulated depreciation	(7,203,020)	(70,660,180)	(75,038,127)	(60,214,855)	(12,246,238)	(8,463,648)	(233,826,068)	(4,971,677)
Total noncurrent assets	11,625,336	47,323,325	127,642,397	107,236,843	17,231,139	11,272,383	322,331,423	12,174,085
Total assets	$21,756,199	$ 56,064,383	$152,444,533	$ 116,113,629	$ 18,965,836	$13,806,848	$379,151,428	$20,396,358

(continued)

CITY OF BILLINGS, MONTANA

Proprietary Funds

Statement of Net Assets

(Page 2 of 2)

	Business-type Activities							Internal Service Funds
	Solid Waste Fund	Airport Fund	Water Fund	Wasterwater Fund	Parking Fund	Nonmajor Enterprise Funds	Total	
Liabilities								
Current liabilities:								
Accounts payable	$ 116,889	$ 784,881	$ 2,462,251	$ 999,678	$ 21,011	$ 85,557	$ 4,470,267	$ 446,809
Accrued wages and benefits	183,854	170,672	190,624	144,046	29,310	185,052	903,558	220,998
Compensate absences	336,906	371,017	426,019	335,547	23,910	284,019	1,777,418	491,882
Accrued interest payable	-	-	362,857	262,662	246,151	-	871,670	85,665
Incurred but not reported health benefits	-	-	-	-	-	-	-	700,000
Notes payable	-	-	915,812	590,102	200,014	25,000	1,730,928	278,595
Accrued interest payable from restricted assets	-	245,953	-	-	-	-	245,953	-
Revenue bonds payable from restricted assets	-	550,000	-	-	-	-	550,000	-
Total current liabilities	637,649	2,122,523	4,357,563	2,332,035	520,396	579,628	10,549,794	2,223,949
Noncurrent liabilities:								
Compensated absences	216,260	238,156	273,462	215,387	15,348	182,311	1,140,924	315,738
Other post employment benefits	217,724	191,760	225,558	142,674	50,674	201,340	1,029,730	242,120
Revenue bonds payable	-	7,570,000	-	-	-	-	7,570,000	-
Deferred loss on bond refunding	-	(191,329)	-	-	-	-	(191,329)	-
Notes payable	-	-	19,290,594	14,018,672	5,190,161	50,000	38,549,427	4,721,320
Landfill closure and postclosure-payable from restricted assets	1,977,153	-	-	-	-	-	1,977,153	-
Total noncurrent liabilities	2,411,137	7,808,587	19,789,614	14,376,733	5,256,183	433,651	50,075,905	5,279,178
Total liabilities	3,048,786	9,931,110	24,147,177	16,708,768	5,776,579	1,013,279	60,625,699	7,503,127
Net assets								
Invested in capital assets, net of related debt	9,235,440	39,328,046	107,435,991	92,628,069	11,840,964	11,197,383	271,665,893	6,424,170
Restricted for:								
Bond and notes payable ordinance reserve	-	2,317,183	1,720,320	1,137,529	-	-	5,175,032	-
Unrestricted	9,471,973	4,488,044	19,141,045	5,639,263	1,348,293	1,596,186	41,684,804	6,469,061
Total net assets	18,707,413	46,133,273	128,297,356	99,404,861	13,189,257	12,793,569	318,525,729	12,893,231
Total liabilities and net assets	$21,756,199	$ 56,064,383	$152,444,533	$ 116,113,629	$ 18,965,836	$13,806,848		$20,396,358

Some amounts reported for business-type activities in the statement of net assets are different because certain internal fund net assets and liabilities are included with business-type activities.	4,242,650
Net assets of business-type activities	$322,768,379

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

CITY OF BILLINGS, MONTANA

Proprietary Funds

Statement of Revenues, Expenses, and Changes in Fund Net Assets

For the Year Ended June 30, 2010

	Business-type Activities							
	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues:								
Charges for services	$ 9,143,868	$ 8,278,241	$ 21,098,729	$ 10,282,017	$ 1,745,714	$ 1,104,438	$ 51,653,007	$19,513,232
Operating expenses:								
Salaries and benefits	3,789,487	3,830,488	4,060,811	3,043,568	685,313	3,430,164	18,839,831	14,401,686
Supplies	1,592,680	958,017	1,883,075	911,645	338,385	742,110	6,425,912	332,679
Contracted services	1,134,716	812,820	1,441,210	884,920	448,594	323,409	5,045,669	2,250,159
Utilities	49,444	685,986	1,642,053	974,793	135,726	115,166	3,603,168	603,735
Other	1,048,826	167,849	1,143,040	531,598	70,507	199,390	3,161,210	2,070,756
Depreciation	1,488,006	4,590,163	4,839,453	3,276,951	792,320	1,139,409	16,126,302	472,524
Landfill closure and post-closure	(630,000)	-	-	-	-	-	(630,000)	-
Total operating expenses	8,473,159	11,045,323	15,009,642	9,623,475	2,470,845	5,949,648	52,572,092	20,131,539
Operating income (loss)	670,709	(2,767,082)	6,089,087	658,542	(725,131)	(4,845,210)	(919,085)	(618,307)
Nonoperating revenue (expenses):								
Taxes	-	-	-	-	-	1,774,322	1,774,322	22,876
Intergovernmental	-	175,786	290,512	24,944	-	2,216,595	2,707,837	-
Interest expense	-	(535,309)	(526,275)	(364,230)	(297,114)	(1,997)	(1,724,925)	(262,710)
Interest and investment income	225,900	72,850	217,257	73,416	18,979	10,962	619,364	70,639
Passenger Facilities Charges	-	1,013,217	-	-	-	-	1,013,217	-
Gain (loss) on sale of capital assets	168	-	(33,111)	-	-	20,104	(12,839)	1,902
Other	-	68,927	40,687	73,626	-	5,133	188,373	61,044
Total nonoperating revenue (expense)	226,068	795,471	(10,930)	(192,244)	(278,135)	4,025,119	4,565,349	(106,249)
Income (loss) before capital contributions and transfers	896,777	(1,971,611)	6,078,157	466,298	(1,003,266)	(820,091)	3,646,264	(724,556)
Capital contributions	-	5,456,800	1,242,938	828,089	-	752,588	8,280,415	67,838
Transfers in	-	-	-	-	-	-	-	1,064,446
Transfers out	-	-	-	-	(233,307)	(20,000)	(253,307)	(95,769)
Change in net assets	896,777	3,485,189	7,321,095	1,294,387	(1,236,573)	(87,503)	11,673,372	311,959
Net assets, beginning of year	17,810,636	42,648,084	120,976,261	98,110,474	14,425,830	12,881,072		12,581,272
Net assets, end of year	$18,707,413	$ 46,133,273	$128,297,356	$ 99,404,861	$ 13,189,257	$12,793,569		$12,893,231

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal funds is reported with business-type activities.	$ (185,122)
The notes to the financial statement are an intregral part of this statement	$ 11,488,250

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010
(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	$10,222,673	$ 9,273,235	$21,059,346	$10,537,156	$1,734,257	$ 1,086,566	$53,913,233	$ 778,283
Cash received from interfund services provided	-	-	-	-	-	-	-	18,744,109
Cash received from other sources	-	68,927	40,687	-	-	5,133	114,747	61,439
Cash paid to employees for services	(3,618,977)	(3,698,345)	(3,954,069)	(2,900,745)	(661,617)	(3,281,946)	(18,115,699)	(13,872,330)
Cash paid to suppliers and contracted services	(3,850,678)	(2,627,353)	(5,991,649)	(4,212,014)	(1,011,553)	(1,947,739)	(19,640,986)	(5,158,642)
Cash paid to other sources	-	-	(33,111)	73,626	-	-	40,515	-
Net cash provided (used) by operating activities	2,753,018	3,016,464	11,121,204	3,498,023	61,087	(4,137,986)	16,311,810	552,859
Cash flows from noncapital financing activities:								
Cash received from tax revenues	-	-	-	-	-	1,757,315	1,757,315	-
Cash received from intergovernmental revenues	-	175,786	790,512	408,944	-	2,609,298	3,984,540	-
Transfers to other funds	-	-	-	-	(233,308)	(20,000)	(253,308)	(95,769)
Loans repaid to other funds	-	-	-	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	-	175,786	790,512	408,944	(233,308)	4,346,613	5,488,547	436,622
Cash flows from capital and related financing activities:								
Capital contributions	-	3,760,567	742,938	444,089	-	359,885	5,307,479	67,838
Acquisition and construction of capital assets	(3,482,090)	(7,691,362)	(12,104,065)	(6,867,816)	(267,209)	(809,266)	(31,221,808)	(222,308)
Proceeds from sales of capital assets	168	-	-	-	-	12,794	12,962	51,902
Cash paid for interest	-	(506,446)	(446,938)	(360,738)	(305,773)	(1,998)	(1,621,893)	(267,247)
Loan proceeds	-	-	5,606,406	5,971,301	-	75,000	11,652,707	-
Principal paid on bonds, notes and capital leases payable	-	(515,000)	(521,000)	(534,300)	(189,623)	-	(1,759,923)	(264,809)
Transfers from other funds	-	-	-	-	-	-	-	532,055
Passenger facilities charges	-	1,013,217	-	-	-	-	1,013,217	-
Net cash provided (used) by capital and related financing activ	(3,481,922)	(3,939,024)	(6,722,659)	(1,347,464)	(762,605)	(363,585)	(16,617,259)	(102,569)
Cash flows from investing activities:								
Cash received from interest	255,887	115,073	301,173	98,499	32,868	17,180	820,680	103,289
Sale of investments	6,499,475	7,457,213	15,111,158	4,910,768	2,350,625	1,814,570	38,143,809	6,787,778
Purchase of investments	(5,251,998)	(5,898,853)	(16,220,254)	(5,760,182)	(1,404,897)	(1,436,880)	(35,973,064)	(6,403,286)
Net cash provided (used) by investing activities	1,503,364	1,673,433	(807,923)	(750,915)	978,596	394,870	2,991,425	487,781
Net increase (decrease) in cash and cash equivalents	774,460	926,659	4,381,134	1,808,588	43,770	239,912	8,174,523	1,374,693
Cash and cash equivalents, beginning of year	1,582,408	2,588,511	3,989,835	1,418,367	603,850	563,488	10,746,459	1,577,053
Cash and cash equivalents, end of year	$ 2,356,868	$ 3,515,170	$ 8,370,969	$ 3,226,955	$ 647,620	$ 803,400	$18,920,982	$ 2,951,746
Cash and cash equivalents consists of:								
Cash and cash equivalents	$ 2,356,868	$ 2,719,217	$ 7,477,112	$ 2,655,293	$ 647,620	$ 802,826	$16,658,936	$ 2,951,746
Restricted cash and cash equivalents with fiscal agent	-	795,953	893,857	571,662	-	574	2,262,046	-
Cash and cash equivalents, end of year	$ 2,356,868	$ 3,515,170	$ 8,370,969	$ 3,226,955	$ 647,620	$ 803,400	$18,920,982	$ 2,951,746

(continued)

CITY OF BILLINGS, MONTANA
Proprietary Funds
Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010
(Page 2 of 2)

	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Nonmajor Enterprise Funds	Total	Internal Service Funds
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	$ 670,709	$(2,767,082)	$ 6,089,087	$ 658,542	$ (725,131)	$(4,845,210)	$ (919,085)	$ (618,307)
Other nonoperating income (expense)	-	68,927	7,576	$ 73,626	$ -	5,133	155,262	84,315
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation expense	1,488,006	4,590,163	4,839,453	3,276,951	792,320	1,139,409	16,126,302	472,524
Landfill closure and postclosure	(630,000)	-	-	-	-	-	(630,000)	-
(Increase) decrease in receivables	(95,087)	(12,186)	(197,932)	(146,521)	(11,457)	29,580	(433,603)	(13,716)
(Increase) decrease in receivables from other governments & other funds	1,173,892	1,007,180	244,937	395,160	-	(46,600)	2,774,569	-
(Increase) decrease in inventories	-	-	(92,888)	-	-	-	(92,888)	(53,733)
(Increase) decrease in prepaid items	-	-	6,500	6,500	-	(852)	12,148	(3,417)
Increase (decrease) in accounts payable	(25,012)	(2,681)	117,729	(909,058)	(18,341)	(568,985)	(1,406,348)	155,837
Increase (decrease) in accrued liabilities	170,510	132,143	106,742	142,823	23,696	149,539	725,453	529,356
Net cash provided (used) by operating activities	$ 2,753,018	$ 3,016,464	$ 11,121,204	$ 3,498,023	$ 61,087	$(4,137,986)	$ 16,311,810	$ 552,859
Noncash investing, capital and financing activities:								
Increase (decrease) in investment market value	(2,806)	(5,124)	(14,235)	(3,855)	(1,437)	(551)	(28,008)	(4,439)
Contribution of capital assets	-	1,696,233	1,242,938	828,089	-	752,588	4,519,848	67,838

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

CITY OF BILLINGS
Fiduciary Funds
Statement of Fiduciary Net Assets
June 30, 2010

	Agency Funds
Assets	
Due from other governments	$ 8,579
Total assets	$ 8,579
Liabilities	
Due to other governments	$ 8,579
Total liabilities	$ 8,579

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

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

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

The City's significant accounting policies are described below.

A. Reporting Entity

The City of Billings financial statements include those separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the organization's governing body must be appointed by the City, and either a) the City must be able to impose its will, or b) the City may potentially benefit financially or be financially responsible for the organization. Blended component units, although legally separate entities, are, in substance, part of the City's operations. Data from these units are combined with data of the primary government.

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

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

The City has no discretely presented component units.

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

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

B. Government-wide and Fund Financial Statements

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

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

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

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

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

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 Shelter, and the Fire Department operations.

Special Improvement Districts Fund

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

The City reports the following major proprietary funds:

Solid Waste Fund

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

Airport Fund

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

Water Fund

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

Wastewater Fund

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

Parking Fund

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

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

Internal Service Funds

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

Fiduciary Funds

The fiduciary funds are used to account for assets held by the City as an agent for private organizations or other governments. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City currently has four such funds including the Downtown Business Improvement District, Tourism Business Improvement District, License Plate Fund, and Montana Arts Council Fund. These funds receive money from either Yellowstone County or a trust fund, and the City remits the monies to the appropriate BID or grantee as prescribed by either state law or a grant agreement.

The City has prepared its government-wide and proprietary fund financial statements in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Cash and Cash Equivalents and Investments

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

Generally, cash resources of the individual funds are combined to form a pool of cash and investments which are managed by the City's financial services manager. Investments and cash equivalents consist primarily of U.S. Treasury and U.S. agency obligations, State of Montana Short-Term Investment Pool (STIP), and overnight repurchase agreements collateralized by U.S. government securities held by the financial institution.

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

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

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

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

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

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

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

2. Receivables and Payables

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

Under its Home Rule Charter, the City is permitted to levy taxes at a maximum rate, currently 171.42, for payment for general governmental services and payment of principal and interest on long-term general obligation debt.

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

Real property tax, special assessment, and notes receivable are reported net of allowances for amounts deemed uncollectable. Allowances are computed from receivables net of amounts collected in the 60 days subsequent to June 30, 2010. Estimated percentages for uncollectable amounts at June 30, 2010, based on net receivables are as follows: 15% of delinquent property, 15% of delinquent special assessments, 2% of notes receivable that are current,

and 100% of notes receivable that are in default. Personal property tax is exempt from this process as an amount cannot be estimated, as this tax is not levied.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

Governmental Activities:

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

Business-type Activities:

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

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

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

5. Capital Assets

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

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

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:

Fund	Total Interest Expense	Capitalized Interest	Construction Project
Airport Fund	$ 538,455	$ 3,146	Airport – Taxi lane resurfacing and construction of New Taxiway.
Water Fund	674,758	148,483	Water – Zone 4 water system upgrade, Staples redundant water main extension, water line replacements, and water treatment plant SCADA system upgrade.
Wastewater Fund	480,901	116,671	Wastewater – Briarwood Sewer Project, wastewater treatment plant disinfection, sewer line replacements, and wastewater treatment plant electrical upgrade.

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

Asset	Years
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.

7. Compensated Absences

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

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

All accumulated vacation and 25% of accumulated sick leave are accrued when incurred in the government-wide and proprietary financial statements. This liability, which totals $9,080,051 at June 30, 2010, includes the related FICA, Medicare, and retirement costs. The unrecorded accumulated sick leave benefits total $9,322,833 at June 30, 2010.

8. Long-term Obligations

In the government-wide financial statements and in the proprietary fund type financial statements, long-term debt and other long-term obligations, such as notes payable, are reported as liabilities in the applicable governmental activities,

business-type activities, or proprietary fund type statement of net assets. Bond premiums, discounts, and issuance costs are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

9. Fund Equity

The City chose to implement GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, in FY 2010, which was earlier than required for reporting the classifications of government fund balances, as illustrated on the following page.

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

	General Fund	Major Special Revenue: Public Safety	Major Debt Service: Special Improvement Districts Fund	All Other Governmental Funds	Total Governmental Funds
Unspendable					
Cemetery Perpetual Care	$ -	$ -	$ -	$ 600,693	$ 600,693
Restricted					
Building Inspection	-	-	-	313,072	313,072
Tax Increment Districts	-	-	-	1,679,923	1,679,923
Roads and Streets	-	-	-	7,868,188	7,868,188
Grants	-	-	-	963,809	963,809
Emergency 911	-	-	-	4,067,898	4,067,898
Public Safety	-	1,600,000	-	-	1,600,000
Planning	-	-	-	396,587	396,587
Library	-	-	-	2,024,599	2,024,599
Street Light Maintenance Districts	-	-	-	1,271,432	1,271,432
Park Maintenance Districts	-	-	-	189,515	189,515
Debt Service	-	-	7,061,417	3,836,078	10,897,495
Capital Projects	-	-	-	8,246,878	8,246,878
Committed					
General Government	8,981,000	-	-	-	8,981,000
Library	-	-	-	1,795,399	1,795,399
Roads and Streets	-	-	-	2,654,889	2,654,889
Park Programs	-	-	-	1,969,288	1,969,288
Cemetery Improvements	-	-	-	281,296	281,296
Animal Shelter Donations	-	-	-	74,949	74,949
Downtown Revolving Loan	-	-	-	258,655	258,655
Ball Field Maintenance	-	-	-	268,111	268,111
Fire Hydrant Maintenance	-	-	-	2,456,666	2,456,666
Assigned					
Unassigned					
General Government	4,211,892	-	-	-	4,211,892
Total Fund Balances	$ 13,192,892	$ 1,600,000	$ 7,061,417	$ 41,217,925	$ 63,072,234

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

The restricted category contains balances that are legally enforceable by an external party. External parties include grantors, debt covenants voters, and laws and regulations of other governments. The roads and streets label contains the Street Maintenance, Gas Tax and Storm Sewer funds.

The committed category contains balances pursuant to constraints imposed by formal action of the government's highest level of decision making authority. The Billings City Council is the authority that makes these commitments. The balance in the General Fund column represents a minimum fund balance per Resolution Number 10-18914 and $795,000 for the vacation and sick accrual. The minimum balance is necessary because of how property taxes are billed. The City needs five months of reserves to cover payroll and operating expenses due to the timing of tax receipt collection. The remaining funds are committed by City Council when they adopt the annual budget resolution. The roads and streets label contains the Arterial and Street / Traffic funds.

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 unassigned category contains the residual amount for the General Fund.

The Library Fund has amounts in the restricted and committed categories. The restricted portion is the part of the fund balance that voters approved through specific mills. The committed portion of the 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.

II. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are legally required and are prepared for all the City's governmental funds. Except for on-behalf payments by the State of Montana for pension plan contributions, these budgets are prepared on the same basis and use the same accounting practices as

are used to account for and prepare financial reports for the governmental funds, consistent with accounting principles generally accepted in the United States of America.

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

1) On or before June 1st, all departments and agencies of the City submit requests for appropriations to the city administrator so that a budget may be prepared.

2) Before June 10th, the proposed budget and tax levy must be submitted to the city clerk and then is presented to the city council for review and approval.

3) The council holds public hearings and a final budget and tax levy must be prepared, adopted, and submitted to the county auditor, no later than the second Monday in August or within 45 calendar days of receiving certified taxable values from the department of revenue.

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

Annual appropriated budgets are adopted for all the City's funds, and all annual appropriations lapse at fiscal year end. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrances outstanding at year end will be re-appropriated and honored during the subsequent year. The annual appropriated budget was amended during the year. The major amendments were for the General Fund; Special Improvement Districts Fund; Nonmajor Special Revenue Funds: Fire Programs Fund, Park Maintenance Districts Fund, Development Services Grants Fund, Public Safety Fund, and Tax increment District Funds; Nonmajor Capital Project Funds: Tax Increment South Capital Replacement Fund and Baseball Field/Stadium Construction Fund; Enterprise Funds: Airport Fund and Transit Fund; and Internal Service Fund: Health Insurance Fund, Motor Pool Fund and Public Works Engineering Fund.

Management can transfer appropriations between and among expenditure classes of salaries and benefits, operations and maintenance, capital outlay, interest and debt redemption, or miscellaneous without city council approval or a public hearing,

provided that no salary shall be increased above the amount appropriated. As a matter of management accountability, the city council is informed of all appropriation transfers.

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

The variance from budget in the nonmajor special revenue funds capital outlay in the amount of approximately $3.6 million is due to budgeted construction projects not being completed prior to fiscal year end.

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

	Public Safety Fund
Revenues	
Actual amounts (budgetary basis) "Total revenues" from the budget	$ 14,755,159
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	4,832,473
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$ 19,587,632
Expenditures	
Acutal amounts (budgetary basis) "Total expenditures" from the budget	$ 30,677,082
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	4,832,473
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances-governmental funds	$ 35,509,555

C. Deficit Fund Equity

Funds with deficit fund balances at June 30, 2010, are listed below. The deficit fund balances do not represent any type of legal violation.

Fund	Deficit
Nonmajor Special Revenue Funds:	
Transportation Enhancement	$ 2,021
Municipal Drug Court Grant Fund	$ 60,890
Nonmajor Capital Projects Funds:	
Sidewalk and Curb Districts	$ 180,472

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

The Municipal Drug Court Grant Fund deficit fund balance will be eliminated by reimbursements of $30,000 from the General fund. The remaining balance will be eliminated by draws from granting agencies.

The Sidewalk and Curb Districts deficit fund balance will be eliminated by sales of bonds during fiscal year 2011.

III. Detailed Notes on All Funds

A. Cash and Cash Equivalents and Investments

Cash and investments as of June 30, 2010, consist of the following:

Cash and cash equivalents:	
Deposits in local banks	$ 1,617,064
Outstanding checks and reconciling items	(2,727,509)
Repurchase agreements	44,976,948
Montana State Short Term Investment Pool (STIP)	6,242
	$ 43,872,745
Investments:	
US Government and US Agency Obligations	$ 60,250,217
Certificate of deposits	14,030,884
	$ 74,281,101

Cash and investments as of June 30, 2010, are classified in the statement of net assets as follows:

Cash and cash equivalents	$ 43,647,044
Cash and cash equivalents, permanently restricted	225,701
	$ 43,872,745
Investments	$ 71,517,088
Investments, temporarily restricted	2,389,896
Investments, permanently restricted	374,117
	$ 74,281,101

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

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

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment is, the greater the sensitivity its fair value will be to changes in market interest rates. The City's investments are not highly sensitive to interest rate fluctuations. The City employs a "buy and hold" investment strategy whereby investments are held to maturity at which time the investment is redeemed at par.

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

Investment Type	Totals	12 Months or Less	13 to 24 Months	25 to 60 Months	Over 60 Months
US Treasury Notes	$ 282,574	$ -	$ -	$ 282,574	$ -
US Government Agency Securities	59,967,643	4,853,666	53,345,007	1,768,970	-
Certificates of Deposit	14,030,884	4,030,884	-	10,000,000	-
	$ 74,281,101	$ 8,884,550	$ 53,345,007	$ 12,051,544	$ -

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, 2010, the City's investments in U.S. Government Agency Securities were rated AAA by Moody's Investor's Service or by Standard and Poor. Of those not rated, there was an implied AAA rating. Although the Montana Short Term Investment Pool (STIP) investments have been rated by investments security type, STIP, as an external investment pool, has not been rated by the Nationally Recognized Statistical Rating Organizations. More information on STIP is available at the Montana Department of Commerce Board of Investments website at http://www.investmentmt.com/Programs/STIP.

Concentration of Credit Risk

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

Issuer	Investment Type	Total	
US Bank	Certificates of deposit	$ 11,500,000	15.49%
Federal Farm Credit	Federal agency securities	20,291,213	27.33%
Federal Home Loan Bank	Federal agency securities	32,629,906	43.95%
Federal National Mortgage Assoc.	Federal agency securities	3,863,195	5.20%

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, 2010, the City had no exposure to custodial credit risk because all of the City's deposits with financial institutions were insured and collateralized, which is allowed by state law.

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

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

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

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

safekeeping by the primary agent. As of June 30, 2010, none of the City's investments are exposed to custodial credit risk because all counterparties provide insurance in excess of the investments held.

Restricted Cash and Cash Equivalents with Fiscal Agent

Cash of $5,580,705 is restricted by bond covenants or for specific purposes as follows:

Current debt service:	
Special Improvements Districts Fund	$ 1,078,001
Nonmajor government funds	2,240,658
Airport Fund	795,953
Water Fund	893,857
Wastewater Fund	571,662
Nonmajor enterprise funds	574
Total	$ 5,580,705

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	Special Improvement Districts Fund	Non-Major Governmental Funds	Internal Service Funds	Governmental Activities Total
Taxes	$ 813,497	$ 783,969	$ -	$ 574,771	$ -	$ 2,172,237
Accounts	315,999	7,750	-	111,564	13,465	448,778
Special assessments	7,058	-	15,499,463	1,693,694	282	17,200,497
Accrued interest	12,519	3,264	8,715	57,828	11,117	93,443
Notes	-	-	-	5,211,777	800,000	6,011,777
From other governments	-	-	-	1,614,008	-	1,614,008
Gross receivables	1,149,073	794,983	15,508,178	9,263,642	824,864	27,540,740
Less: Allowance	(91,954)	(88,739)	(13,532)	(480,377)	(31)	(674,633)
TOTAL	$ 1,057,119	$ 706,244	$ 15,494,646	$ 8,783,265	$ 824,833	$ 26,866,107

	Solid Waste Fund	Airport Fund	Water Fund	Wastewater Fund	Parking Fund	Non-Major Enterprise Funds	Business-type Activities Total
Taxes	$ -	$ -	$ -	$ -	$ -	$ 115,652	$ 115,652
Accounts	698,483	679,766	2,258,808	1,238,618	17,185	9,419	4,902,279
Special assessments	-	-	-	-	-	-	-
Accrued interest	6,201	11,013	29,946	8,451	2,517	1,648	59,776
Notes	-	-	-	-	-	-	-
From other governments	-	15,856	500,000	-	-	523,471	1,039,327
Gross receivables	704,684	706,635	2,788,754	1,247,069	19,702	650,190	6,117,034
Less: Allowance	(32,847)	-	-	-	-	(13,327)	(46,174)
TOTAL	$ 671,837	$ 706,635	$ 2,788,754	$ 1,247,069	$ 19,702	$ 636,863	$ 6,070,860

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

	Unavailable	Unearned
Delinquent property taxes receivable:		
General fund	$ 521,075	$ -
Public safety fund	502,852	-
Nonmajor governmental funds	795,670	-
Special assessments not yet due:		
General fund	4,510	-
Special improvement districts fund	15,433,656	-
Nonmajor governmental funds	947,746	-
Notes receivable not yet due:		
Nonmajor governmental funds	4,627,752	-
Developer contributions prior to related construction:		
Non major governmental funds	-	707,973
Total	$ 22,833,261	$ 707,973

C. Operating Lease Receivable

The City leases a certain amount of its property to others under operating leases which expire through 2029. The property under long-term lease is primarily the airport and related facilities which are recorded at a cost of approximately $118,000,000, and accumulated depreciation of approximately $71,000,000. The following is a schedule by years of minimum future rentals on non-cancelable operating leases as of June 30, 2010:

Year ending June 30:	
2011	2,267,797
2012	858,770
2013	748,217
2014	588,569
2015	501,045
2016-2020	1,783,075
2021-2025	1,135,117
2026-2029	373,591
Total	$ 8,256,181

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

D. Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

Governmental activities:	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Land	$ 30,101,434	$ 25,267	$ 25,974	$ 30,100,727
Construction in Progress	2,822,444	6,595,947	3,913,197	5,505,194
Total capital assets, not being depreciated	32,923,878	6,621,214	3,939,171	35,605,921
Capital assets being depreciated:				
Buildings	24,525,469	35,748	-	24,561,217
Improvements other than Buildings	31,277,882	473,477	70,051	31,681,308
Equipment	25,685,947	1,762,467	1,814,849	25,633,565
Infrastructure	157,490,487	4,810,535	-	162,301,022
Total capital assets, being depreciated	238,979,785	7,082,227	1,884,900	244,177,112
Less accumulated depreciation for:				
Buildings	8,941,861	577,536	-	9,519,397
Improvements other than Buildings	6,502,227	982,914	30,161	7,454,980
Equipment	16,664,083	2,005,729	1,351,551	17,318,261
Infrastructure	62,920,334	4,505,398	-	67,425,732
Total accumulated depreciation	95,028,505	8,071,577	1,381,712	101,718,370
Total capital assets, being depreciated, net	143,951,280	(989,350)	503,188	142,458,742
Governmental activities capital assets, net	$ 176,875,158	$ 5,631,864	$ 4,442,359	$ 178,064,663

Business-type activities:	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Capital assets not being depreciated:				
Land	$ 10,951,714	$ 253,970	$ -	$ 11,205,684
Construction in Progress	27,944,433	20,182,195	35,718,392	12,408,236
Total capital assets, not being depreciated	38,896,147	20,436,165	35,718,392	23,613,920
Capital assets being depreciated:				
Buildings	80,173,811	5,349,804	-	85,523,615
Improvements other than Buildings	80,442,445	7,677,798	-	88,120,243
Equipment	54,764,525	6,051,569	2,097,990	58,718,104
Infrastructure	268,905,793	29,352,174	532,862	297,725,105
Total capital assets, being depreciated	484,286,574	48,431,345	2,630,852	530,087,067
Less accumulated depreciation for:				
Buildings	42,912,869	2,947,323	-	45,860,192
Improvements other than Buildings	47,511,576	3,206,146	-	50,717,722
Equipment	36,617,894	3,574,864	1,994,049	38,198,709
Infrastructure	93,184,338	6,397,969	532,862	99,049,445
Total accumulated depreciation	220,226,677	16,126,302	2,526,911	233,826,068
Total capital assets, being depreciated, net	264,059,897	32,305,043	103,941	296,260,999
Business-type activities capital assets, net	$ 302,956,044	$ 52,741,208	$ 35,822,333	$ 319,874,919

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

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

Governmental actvities	
General Government	$ 56,442
Public Safety	1,181,465
Public Works	4,846,104
Public Health	56,292
Culture & recreation	1,123,978
Housing and community development	109,083
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	698,213
Total depreciation expense - govenmental activities	$ 8,071,577
Business-type activities:	
Solid Waste	$ 1,488,006
Airport	4,590,163
Water	4,839,453
Wastewater	3,276,951
Parking	792,320
Transit	1,067,851
Golf Course	71,558
Total depreciation expense - business-type activities	$ 16,126,302

Construction Commitments

The City has active construction projects as of June 30, 2010. At year end, the City's commitments with the contractors, rounded to the nearest thousand, are as follows:

Infrastructure - Gas Tax projects	$ 1,717
Infrastructure - Storm Sewer projects	356
Infrastructure - Arterial Fees	1,793
Transportation Enhancement projects	894
Water projects	8,743
Wastewater projects	5,083
Airport projects	3,456
Solid Waste projects	137
Other	2,008
	$24,187

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, 2010, the Tax Increment fund had commitments of $782,000 for economic development.

At June 30, 2010, the Airport fund had a commitment for parking consulting services of $106,500, which will be funded by charges for services.

At June 30, 2010, the Transit fund had commitments of $910,284 to purchase buses and paratransit vans.

E. Interfund Receivables, Payables, and Transfers

The composition of inter-fund balances as of June 30, 2010, is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 542,263
Special Improvement Districts	Nonmajor Governmental Funds	294,696
Nonmajor Governmental Funds	Nonmajor Governmental Funds	269,747
Solid Waste Fund	Public Safety	570,764
Solid Waste Fund	Nonmajor Governmental Funds	2,644,881
Totals		$4,322,351

During the course of its operation, the City has numerous transactions between funds to finance operations, reimbursable grants, debt service, and capital outlay in advance of loan proceeds. The Solid Waste fund advanced the Arterial Fees fund $2,644,882 for the King Avenue West project. To the extent certain transactions between funds had not been paid or received at year end, balances of interfund amounts receivable and payable are reported as due to and due from other funds. All interfund balances are expected to be repaid within one year, except for the $2,644,882 due from Arterial Fees fund to the Solid Waste fund. This is due in annual installments maturing in Fiscal Year 2013 and is payable on demand.

Interfund transfers:

	Transfers in:					
	General Fund	Public Safety Fund	Special Improvement Districts Fund	Nonmajor Governmental Funds	Internal Service	Total
Transfers Out:						
General	$ -	$ 16,606,456	$ -	$ 1,231,247	$ 492,200	$ 18,329,903
Public Safety	-	-	-	713,486	268,976	982,462
Nonmajor Governmental Funds	7,415	-	295,234	1,774,636	207,501	2,284,786
Parking Fund	233,307	-	-	-	-	233,307
Nonmajor Enterprise Funds	-	-	-	20,000	-	20,000
Subtotal	240,722	16,606,456	295,234	3,739,369	968,677	21,850,458
Internal Service Funds	-	-	-	-	95,769	95,769
Total	$ 240,722	$ 16,606,456	$ 295,234	$ 3,739,369	$ 1,064,446	$ 21,946,227

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

F. Capital Lease Obligations

Governmental Activities:

Capital Lease Payable – Billings Operation Center – On March 1, 2003, the City entered into a capital lease to partially finance the construction of the Billings Operation Center. The terms of the lease ends on March 1, 2023, at which time the City will purchase the building for $1.

Capital Lease Payable – Portable Computers – On September 12, 2007, the City signed a capital lease obligation with Portable Computer Systems, Inc. to finance the purchase of 74 portable computers to be used in police cars. The first loan payment was due in December 2007. The lease term ends in November 2011, at which time the City may purchase the equipment for $1.

Business-Type Activities:

Capital Lease Payable – Park II (Business-Type Activities) – On September 1, 2006, the City signed a capital lease obligation with Koch Financial to finance the construction of an expansion of the Park II Parking Garage which is a six level parking structure located in the heart of downtown Billings. The first lease payment was due in September 2008. The construction was completed in September 2008 as well.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Assets:		
Buildings	$ 6,600,000	$ 5,930,000
Equipment	404,500	-
Accumulated depreciation	(1,053,239)	(560,055)
Total	$ 5,951,261	$5,369,945

The following is a schedule, by year, of the future minimum lease payments at June 30, 2010:

Year ending June 30	Governmental Activities	Business-type Activities
2011	$ 644,501	$ 495,396
2012	578,907	495,396
2013	532,056	495,395
2014	532,056	495,395
2015	532,056	495,395
2016-2020	2,660,279	2,476,977
2021-2025	1,688,341	2,476,976
2026-2030	-	990,792
Total minimum lease payments	7,168,196	8,421,722
Less: Amount represental interest	(2,014,466)	(3,031,547)
Present value of minimum lease payments	$ 5,153,730	$ 5,390,175

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, 2010, the outstanding general obligation bonded indebtedness of the City, serviced by the City's debt service funds, was as follows:

General Obligation Bonds Series 2000, issued in the total aggregate amount of $1,700,000, and interest ranging from 5.10%-6.25%, due July 1, 2020, payable in annual installments of $20,000 to $140,000, callable on or after July 1, 2010.	$ 1,185,000
General Obligation Bonds Series 2004A, issued in the total aggregate amount of $5,200,000, and interest ranging from 3.00%-4.20%, due July 1, 2027, payable in annual installments of $190,000 to $365,000, callable on or after July 1, 2014.	4,160,000
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.	10,000,000
General Obligation Bonds Series 2007B, issued in the total aggregate amount of $1,800,000, and interest ranging from 4.00%-4.10%, due July 1, 2017, payable in annual installments of $145,000 to $215,000, callable on or after July 1, 2012.	1,500,000
	$ 16,845,000

Special Assessment Debt With Government Commitment – Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within the special improvement district. State Law states, "To the extent that such special assessment collections are not sufficient to make the required debt service payments, the City is obligated to levy and collect a general property tax on all taxable property in the City to provide additional funding for the debt service payments." However, since the City of Billings is governed by its Charter, the voters must approve all levy increases. The cash reserve balance in the special improvement districts funds must equal at least 10% of the principal amount of bonds outstanding. The bonds are issued with specified maturity dates, but must be called and repaid earlier, at par value plus accrued interest, if the related special assessments are collected. The various bonds outstanding at June 30, 2010, are as follows:

Special improvement districts, issued in the total aggregate amount of $24,194,000 and interest rates ranging from 4.5%-6.25%, payable from the special improvement districts fund in varying installments to 2028.	$ 15,849,889
Sidewalk and curb districts, issued in the total aggregate amount of $5,944,000 and interest rates ranging from 4.5%-7.00%, payable from the sidewalk and curb districts fund in varying installments to 2021.	1,322,000
Storm Sewer Gross Revenue Refunding Series 2003, issued in the total aggregate amount of $7,055,000 and interest rates ranging from 2.00%-3.00%, payable from the storm sewer fund in varying installments to 2014, callable on or after July 1, 2005.	1,710,000
	$ 18,881,889

Notes Payable – In the current year, the City borrowed an additional $800,000 and paid $323,317 on its revolving line of credit from various banks for the downtown revolving loan program fund. The maximum combined loan balance from all banks is $3,200,000. The proceeds of the notes were used to make loans to various entities (end-loans) with approved construction and/or acquisition projects in the downtown area. The notes are secured by end-loan collateral and by end-loan principal and interest payments to the City. The City uses principal and interest payments from end-loans to determine its monthly installment to the banks. Interest is adjusted each November 1 to the preceding September 30 prime rate less 300 basis points with a floor of 4%. At June 30, 2010, the rate was 4.00% and the outstanding notes payable due within one year are based on estimated current collections of all loans receivable in the fund.

Due within one year	Due after one year	Total
$ 300,000	$ 749,283	$ 1,049,283

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, 2010, the amount outstanding is as follows:

Due within one year	Due after one year	Total
$ 334,203	$ 2,610,244	$ 2,944,447

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

At June 30, 2010, the amount outstanding is as follows:

Due within one year	Due after one year	Total
$ 11,837	$ 108,393	$ 120,230

Business-Type Activities:

Notes Payable – The Montana Department of Natural Resources and Conservation (DNRC) authorized the issuance of notes payable for various construction and rehabilitation projects related to the water and wastewater systems as noted in the following table. All notes are due in semi-annual installments with terms of 20 years. The covenants of both the water and wastewater notes require that funds be set aside in reserve for the delinquency of the debt. The required reserve is the highest amount of principal and interest for any annual debt service over the 20 year note payable. The amounts reserved as of June 30, 2010, are $1,137,529 for Wastewater and $1,720,320 for Water.

	Amount	Interest Rate	Maturity Date
Wastewater:			
Headworks Building	$ 4,515,000	3.75%	July 1, 2025
Briarwood Sewer	$ 7,400,000	3.75%	July 1, 2028
Ultra-violet System	$ 4,100,000	3.75%	July 1, 2030
Wastewater Replacement Lines	$ 5,387,000	3.75%	July 1, 2029
Wastewater Replacement Lines	$ 359,300	1.75%	July 1, 2029
Water:			
Filter Building	$17,300,000	3.75%	July 1, 2025
Water Replacement Lines	$ 2,750,000	3.75%	July 1, 2029
Water Replacement Lines	$ 333,000	1.75%	July 1, 2029
Zone 4 Water Lines	$ 7,412,000	3.75%	July 1, 2029

The amounts outstanding as of June 30, 2010, are as follows:

	Due within One year	Due after One year	Total
Wastewater	$ 590,102	$ 14,018,672	$ 14,608,774
Water	$ 915,812	$ 19,290,594	$ 20,206,406

Revenue Bonds Payable – At June 30, 2010, the outstanding revenue bonded indebtedness of the City was as follows:

2000 Airport Revenue Refunding Bonds issued on April 1, 2000, with principal totaling $11,965,000, and interest ranging from 4.70%-6.20% due July 1, 2020, payable in annual installments of $350,000 to $970,000, callable on or after July 1, 2010.	$ 8,120,000
Deferred loss on bond refunding	(191,329)
	7,928,671
Less current portion	(550,000)
Total	$ 7,378,671

Of the bonds outstanding, $8,120,000 will be paid from the airport fund.

Revenue bond ordinances include various restrictive covenants. The more significant covenants restrict net assets for replacement of facilities, operations, and debt service. Some covenants also specify minimum required operating revenue. The City is in compliance with all covenants as of June 30, 2010.

The revenue bond ordinance restrictions are as follows:

	Airport Fund
Debt Service	$ 1,032,773
Replacement and depreciation	225,000
Operations and Maintenance	1,059,410
	$ 2,317,183

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, 2010, $8,350,000 of outstanding revenue bonds and $2,840,000 of outstanding special assessment bonds are considered defeased.

Summary of Debt Maturities – Annual debt service principal and interest payments required on all outstanding debt at June 30, 2010, are as follows:

GOVERNMENTAL ACTIVITIES

Year ending June 30	General Obligation Bonds		Notes Payable		Special Assessment Bonds	
	Principal	Interest	Principal	Interest	Principal*	Interest
2011	$ 845,000	$ 703,953	$ 646,040	$ 146,881	$ 1,097,449	$ 998,828
2012	875,000	669,030	763,241	129,681	571,704	974,822
2013	910,000	632,601	730,584	111,621	1,120,025	935,751
2014	945,000	593,059	400,262	92,660	1,453,418	883,586
2015	980,000	552,014	420,171	72,751	1,807,884	811,407
2016-2020	5,120,000	2,099,914	1,153,662	88,600	8,237,321	2,541,437
2011-2025	4,945,000	1,032,888	-	-	2,962,087	1,107,385
2026-2030	2,225,000	152,664	-	-	1,632,000	271,880
	$ 16,845,000	$ 6,436,123	$ 4,113,960	$ 642,194	$18,881,889	$ 8,525,097

	Capital Lease Payable-Facilities Management		Capital Lease Payable-Public Safety		Intercap Notes Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 278,595	$ 253,461	$ 107,373	$ 5,072	$ 5,366	$ 1,530
2012	293,099	238,957	46,441	410	5,366	1,437
2013	308,358	223,698	-	-	5,366	1,335
2014	324,411	207,645	-	-	5,366	1,227
2015	341,300	190,756	-	-	5,366	1,122
2016-2020	1,992,260	668,019	-	-	26,830	4,048
2021-2025	1,461,893	226,448	-	-	26,840	1,437
2026-2030	-	-	-	-	-	-
	$ 4,999,916	$ 2,008,984	$ 153,814	$ 5,482	$ 80,500	$ 12,137

* $33,000 called but not redeemed is reported as a current liability at June 30, 2010

BUSINESS TYPE ACTIVITIES

Year ending June 30	Revenue Bonds-Airport		Notes Payable-Golf Course	
	Principal	Interest	Principal	Interest
2011	$ 550,000	$ 460,830	$ 25,000	$ 3,750
2012	575,000	427,768	25,000	2,250
2013	610,000	392,083	25,000	750
2014	645,000	353,705	-	-
2015	680,000	312,225	-	-
2016-2020	4,090,000	776,400	-	-
2021-2025	970,000	60,140	-	-
2026-2030	-	-	-	-
	$ 8,120,000	$ 2,783,151	$ 75,000	$ 6,750

	Notes Payable-Water		Notes Payable-Wastewater		Capital Lease Payable-Parking	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 915,812	$ 742,759	$ 590,103	$ 535,407	$ 200,014	$ 295,382
2012	948,704	708,397	611,907	513,378	210,975	284,421
2013	984,743	672,764	635,271	490,533	222,536	272,859
2014	1,021,935	635,777	657,216	466,826	234,731	260,664
2015	1,061,285	597,386	681,766	442,272	247,594	247,801
2016-2020	5,933,669	2,358,213	3,815,843	1,890,176	1,456,988	1,019,989
2021-2025	7,132,966	1,156,384	4,585,320	1,039,924	1,902,422	574,555
2026-2030	2,207,292	150,401	3,031,348	242,033	914,915	75,876
	$ 20,206,406	$ 7,022,081	$14,608,774	$5,620,549	$ 5,390,175	$ 3,031,547

Changes in Long-Term Obligations – During the year ended June 30, 2010, the following changes occurred in liabilities:

	Balance June 30, 2009	Issued/ Accrued	Refunded/ Redeemed/ Matured	Balance June 30, 2010	Due within one year
Governmental Activities:					
General obligation bonds:					
Series 2000 Parks	$ 1,260,000	$ -	$ 75,000	$ 1,185,000	$ 80,000
Series 2004A Streets	4,365,000	-	205,000	4,160,000	210,000
Add: premium received	26,318	-	1,697	24,621	-
Series 2007A Ballpark	10,375,000	-	375,000	10,000,000	390,000
Add: premium received	38,860	-	2,160	36,700	-
Series 2007B Ballpark	1,655,000	-	155,000	1,500,000	165,000
Special assessment debt with governmental commitment	20,919,000	988,000	3,025,111	18,881,889	1,097,449
Less: bond discounts	(396,730)	(9,671)	(39,561)	(366,840)	-
Less: deferred loss on refunding	(54,878)	-	(10,976)	(43,902)	-
Add: premium received	17,855	-	3,571	14,284	-
Intercap notes payable	-	80,500	-	80,500	5,366
Notes payable	4,066,112	800,000	752,152	4,113,960	657,877
Capital lease payable	5,520,380	-	366,650	5,153,730	385,968
Compensated absences	5,891,561	4,431,271	4,161,123	6,161,709	3,920,083
Total governmental activities	$ 53,683,478	$ 6,290,100	$ 9,071,927	$ 50,901,651	$ 6,911,743

	Balance June 30, 2009	Issued/ Accrued	Refunded/ Redeemed/ Matured	Balance June 30, 2010	Due within one year
Business Activities:					
Notes Payable					
Golf Course	$ -	$ 75,000	$ -	$ 75,000	$ 25,000
Water from DNRC	15,121,000	-	676,000	14,445,000	702,000
Water from DNRC-ARRA Part B	-	333,700	6,700	327,000	14,000
Water from DNRC- Rehab	-	2,750,000	47,000	2,703,000	97,000
Water from DNRC-Zone 4	-	2,856,406	125,000	2,731,406	102,812
Wastewater from DNRC-Briarwood	5,225,773	1,190,227	259,000	6,157,000	235,789
Wastewater from DNRC-SRF	3,946,000	-	176,000	3,770,000	183,000
Wastewater from DNRC-SRF 10186	-	359,300	7,300	352,000	16,000
Wastewater from DNRC-SRF 10187	-	4,162,686	92,000	4,070,686	146,417
Wastewater from DNRC-UV	-	259,088	-	259,088	8,896
Capital lease payable - Park II	5,579,798	-	189,623	5,390,175	200,014
Airport Series 2000 Refunding	8,635,000	-	515,000	8,120,000	550,000
Less: deferred loss on refunding	(225,673)	-	(34,344)	(191,329)	-
Compensated absences	2,806,231	2,003,400	1,891,289	2,918,342	1,777,418
Total business type activities	$ 41,088,129	$ 13,989,807	$ 3,950,568	$ 51,127,368	$ 4,058,346

Governmental activities include internal service fund liabilities for capital lease payable, compensated absences, and intercap notes payable. Internal service fund compensated absences totaled $522,648 and $491,882 at June 30, 2009 and 2010, 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, 2010, the City had no arbitrage rebate liability for its governmental and business-type activities.

H. Post-Employment Healthcare Benefits

From an accrual accounting perspective, the cost of post-employment healthcare benefits, like the cost of pension benefits, generally should be associated with periods in which the cost occurs, rather than in the future year when it will be paid. In adopting the requirements of GASB Statement No. 45 during the year ended June 30, 2010, the City recognizes the cost of post-employment healthcare in the year when the employee services are received, reports the accumulated liability from prior years, and provides information useful in assessing potential demands on the City's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, commencing with the 2009 Fiscal Year.

Plan Description. The City provides continuous medical insurance coverage for eligible participants enrolled in the City sponsored plan called the City of Billings Employee Benefit Plan (the Plan). Total plan contributions paid by the City in 2009 were 2.9% 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.

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

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

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

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

The number of participants as of July 1, 2008, 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	852
Retired employees	148
Total	1,000

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, 2010, is $42,422,710. The ratio of the FY 2010 unfunded actuarial accrued liability to annual covered payroll is 0.598.

Annual OPEB Cost and Net OPEB Obligation. The City's other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Level Dollar Amortization

Calculation of Annual Required Contribution (ARC) under the Projected Unit Credit Method:	
ARC Normal Cost	$ 1,604,000
Amortization	1,012,000
Annual required contribution	2,616,000
Contribution for fiscal year ended June 30, 2009	(1,073,000)
Increase in net OPEB	1,543,000
Net OPEB Obligation – beginning of year	1,543,000
Net OPEB Obligation – end of year	$ 3,086,000
Percent of annual OPEB cost contributed FY 2009 and FY 2010	41%

Benefit Obligation, Normal Cost and Funding Progress

Actuarial Value of Assets	$ --
Actuarial Accrued Liability:	
Active Employees	$ 14,813,000
Retired Employees	10,539,000
Unfunded actuarial liability (UAAL)	$ 25,352,000

Actuarial Methods and Assumptions. Projections of benefits for financial reporting are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. Most included coverages are "community-rated," and annual premiums for community-rated coverages were used as a proxy for claims costs without age adjustment. The unfunded actuarial accrued liability is being amortized over 30 years on a level dollar open basis.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual

required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The 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, 2008, actuarial valuation, the liabilities were computed using the projected unit credit method and the level percentage of projected payroll amortization. The actuarial assumptions utilized a 4.5% discount rate. Because the plan is unfunded, reference to the general assets, which are short-term in nature (such as money market funds), was considered in the selection of the 4.5% rate. The valuation assumes a 11% healthcare cost trend increase for fiscal year 2009-2010, reduced by decrements to a rate of 5.0% after 12 years.

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

The Plan may be modified by the Health Insurance Committee.

IV. Other Notes

A. Risk Management

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

For general liability and injuries to employees, the City has elected to participate in the Montana Municipal Interlocal Authority – Liability Insurance (MMIA – Liability Insurance) and the Montana Municipal Interlocal Authority – Workers' Compensation (MMIA – Workers' Compensation) Insurance programs. These entities are public entity risk pools currently operating as common risk management and insurance programs, pursuant to their formation by Interlocal Agreements under the Interlocal Cooperation Act. The City pays annual premiums to the MMIA – Liability Insurance

and the MMIA – Workers' Compensation for its general liability and workers' compensation insurance coverage and for its portion of the debt service for the bonds sold by the MMIA – Liability and the MMIA – Workers' Compensation to establish initial insurance reserves. The City remains responsible for its portion of these bond issues. There have been no significant changes to levels of insurance from the previous year. Additionally, two settlement payments have exceeded or were not covered by insurance during the current year or the two previous fiscal years. MMIA – Liability Insurance has obtained reinsurance through commercial companies for claims in excess of $750,000 per claim and $1.5 million per occurrence. MMIA – Workers' Compensation has obtained reinsurance through commercial companies for claims in excess of $750,000 for each accident, limited to $10 million.

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

For damage to and destruction of buildings and facilities, the City has elected to insure its buildings and facilities with insurance purchased from a private carrier. Such insurance has a deductible of $25,000 per occurrence with a maximum paid of $100 million. There have been no significant changes to levels of insurance from the previous year, and settlement payments have not exceeded insurance coverage during the current year or the two previous fiscal years. The City does not insure for damage and destruction of vehicles and equipment. During the fiscal year ended June 30, 2010, the City's cost to repair and/or replace damaged property and equipment totaled $144,300.

The City has established a medical self-insurance fund to pay medical claims of the City's employees and their covered dependents. Revenues to the plan from the various funds and employee contributions are recorded as a charge for service in the City health insurance fund, an internal service fund. Medical claims over $200,000 per individual per calendar year are covered through a private insurance carrier. The fund records health care costs as expenses when claims are incurred; including incurred but not reported (IBNR) claims. The fund establishes claims liabilities, including IBNR, based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that modify past experience. Claims liabilities include only specific, incremental claim adjustment expenses. Estimated recoveries on claims are evaluated in terms of their estimated realizable value and deducted from the liability for unpaid claims.

Following is a summary of the changes in the balances of health insurance claim liabilities, which are included in accrued liabilities in the Combined Balance Sheet, during fiscal years 2008, 2009, and 2010:

	Beginning-of-fiscal-year liability	Incurred claims and claim administrative expenses	Payments of claims and claim administrative expenses	End-of-fiscal-year liability
2007-2008	$ 1,500,000	6,382,663	7,182,663	$ 700,000
2008-2009	$ 700,000	8,309,402	8,309,402	$ 700,000
2009-2010	$ 700,000	8,310,525	8,310,525	$ 700,000

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

Approximately 139 retired and terminated employees participated in the City's health plan. Claims paid in excess of premiums received for these participants totaled approximately $640,944 for the fiscal year ended June 30, 2010. There have been no material changes in health insurance coverage from the previous year. The City has a three tiered health insurance plan. The amount of employee contributions is based on the level of coverage chosen from the three tiers.

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

B. Pollution Remediation

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

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

C. Subsequent Events

The Department of Natural Resources and Conservation (DNRC) authorized the issuance of $3,300,000 water revenue bonds on July 12, 2010. $500,000 of the loan will be forgiven upon completion of the Compliance Certificate and Request. The proceeds from the bond sale will go towards the 2010 water replacement projects.

On August 23, 2010, a negotiated sale was held for the sale of Special Improvement District (SID) 1388 Bonds and Pooled Series 2010A Sidewalk Bonds. D.A. Davidson purchased both series. The bonds are payable from assessments levied against the property owners in each of the districts. SID 1388 will be assessed over 15 years at an interest rate of 4.9%, and the Series 2010A will be assessed over 12 years at an interest rate of 4.6%.

On July 12, 2010, the Council authorized refunding the Series 2000 General Obligation Bonds. The original bonds were issued in 2000 for the purpose of refurbishing and rehabilitating playgrounds and tennis courts in existing parks and also building bike/pedestrian trails. The present value debt service savings of $223,487 was achieved by refunding the bonds. This savings will allow the City to reduce the levy assessed to the tax payers for the general obligation bonds.

On July 14, 2010, the City issued $7,640,000 of Airport Revenue Refunding Bonds for an advance refunding of $7,570,000 of Airport Revenue Refunding Bonds, Series 2000. The refunding was undertaken to change bond covenants to provide for the issuance of additional bonds and to reduce total future debt service payments. The refunding bonds are secured by all Airport revenues except Customer Facility Charges (CFC). The reacquisition price exceeded the net carrying amount of the old debt by $501,503. This amount is being netted against the new debt and

amortized over the new debt's life, which is the same as the old debt. The transaction also resulted in an economic gain of $195,570 and a reduction of $296,753 in future debt service payments.

On September 15, 2010, the City issued bonds for a new Quick Turn Around (QTA) Facility. A new car wash and maintenance facility that will be utilized by all rental car companies located at the airport to wash, detail, and maintain their fleet, was financed using revenue bonds. On April 12, 2010, the Council approved the Airport's Recovery Zone Facility Bond Application for this purpose. The new bond issue is for $6,525,000, with a term of 20 years, at a true interest cost (including issuance costs) of 4.185%. CFC revenue generated by a $3 per day car rental charge will pay for the principle and interest on these bonds with the remainder of the Airport revenue as back up to the CFC.

D. Claims and Judgments

The City was sued by a current Police Officer because the officer received a letter of reprimand in his file. MMIA settled the case out of court for $300,000.

The City is involved with numerous other lawsuits from other claimants. Based on past claims history and management's best estimates, the City expects to pay approximately $550,000 for insurance deductibles and amounts not covered by insurance.

Changes in Claims and Judgments:

Fiscal Year	Beginning of Fiscal Year	Changes in the Estimate for Claims of Prior Periods	Claims Incurred During Year	Payments of Claims	End of Fiscal Year	Amount Due Within One Year
2008	4,813,000	-	835,000	(4,813,000)	835,000	835,000
2009	835,000	-	-	(285,000)	550,000	550,000
2010	550,000	-	300,000	(300,000)	550,000	550,000

E. Contingent Liabilities

1. Landfill Closure and Post-closure

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs as an operating expense in each period based on the estimate of landfill capacity used as of each balance sheet date. The $1,977,153 reported as landfill closure and post-closure care liability at June 30, 2010, represents the cumulative amount reported to date based on the use of approximately 40 percent of the estimated capacity of the landfill. The City will recognize the remaining estimated cost of closure and post-closure care of $2.3 million as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2010. Revised engineering studies were completed during fiscal year 2010, which reduced the total estimated remaining costs for closure and post-closure care and extended the life of the landfill. The City expects to close the landfill in 42 years, in the year 2052. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has established an irrevocable solid waste management financial assurance trust. The City is required to make payments into the trust over the life of the landfill to provide funds for closure and post-closure care. In fiscal year 2009, $236,983 was paid into the trust. The cumulative amount of payments of $2,250,702 is reported as restricted investments at June 30, 2010.

	Balance June 30, 2009	Accrual Amount	Balance June 30, 2010
Net change in Landfill Liability	$ 2,607,153	$(630,000)	$ 1,977,153

2. Lawsuits

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

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

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

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. Industrial Revenue Bonds

From time to time, the City has issued industrial revenue bonds 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; most times this amount is in excess of the actual amount issued. When completely paid or called, they must notify the City of this event.

As of June 30, 2010, there were 18 series of industrial revenue bonds outstanding. The aggregate principal amount payable for the two series issued after July 1, 1997, was approximately $14.7 million at June 30, 2010. The aggregate principal amount payable at June 30, 2010, for the 16 series issued prior to July 1, 1996, could not be determined; however, their original issue amounts totaled $59.3 million.

G. Pension Plans

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

1. Descriptions of Individual Pension Plans

Public Employees' Retirement System (PERS)

All new hires are initially members of the PERS-DBRP (Defined Benefit Retirement Plan). New hires have a 12-month window during which they may choose to remain in the current PERS-DBRP or join the PERS-DRCP (Defined Contribution Retirement Plan). Members may not be active members of both the defined contribution and defined benefit retirement plans. The choice is irrevocable.

PERS-defined benefit retirement plan (DBRP)

The PERS-defined benefit retirement plan (DBRP) is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, Chapters 2 & 3, Montana Code Annotated (MCA). This plan covers the State, local governments, and certain employees of the school districts and university system.

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefit eligibility is age 60 with at least five years of service, age 65 regardless of service, or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least 5 years of service. Monthly retirement benefits for employees with less than 25 years of service are determined by taking 1/56 times the number of years of service times the highest average compensation during any consecutive 36 months; and for employees with 25 years of service or greater, the monthly retirement benefits are determined by taking 1/50 times the number of years of service times the highest average compensation during any consecutive 36 months. A guaranteed annual benefit adjustment (GABA) is provided each January for benefit recipients if they have been receiving a benefit for at least 12 months.

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

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

Membership in the plan on June 30, 2009, is as follows:

Number of Members	
Retirees and Beneficiaries	17,075
Vested Terminated	2,476
Non-vested Terminated	5,670
Active	28,983
Total Membership	54,204
Number of participating employers:	529

PERS-defined contribution retirement plan (DCRP)

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

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

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

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

The employer and state rate of 6.9% for fiscal year 2007 is allocated as follows: 4.19% allocated to the member's retirement account, 2.37% allocated to the defined benefit plan choice rate, 0.04% allocated to defined contribution education fund, and 0.3% allocated to the long-term disability plan.

Membership in the plan on June 30, 2009, is as follows:

	Number of Members
Retirees and Beneficiaries	4
Vested Terminated	108
Non-vested Terminated	255
Active	1,979
Total Membership	2,346
Number of participating employers:	271

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

Firefighters' Unified Retirement System (FURS)

The FURS is a statewide retirement plan established in 1981 and governed by Title 19, Chapters 2 & 13, MCA. This system provides retirement benefits to firefighters employed by first and second-class cities, other cities and rural fire district departments that adopt the plan, and to firefighters hired by the Montana Air National Guard on or after October 1, 2001.

The FURS offers retirement, disability, and death benefits to plan members and their beneficiaries. A member may retire with a normal retirement benefit after completing 20 years of service, regardless of age, or at age 50 with 5 years of service. Members hired prior to July 1, 1981, and not electing GABA are entitled to the greater of: 2.5% of final average compensation per year of service; or if less than 20 years of service, 2% of final monthly compensation for each year of service; and if more than 20 years of service, 50% of the member's final monthly compensation plus 2% of the member's final monthly compensation for each year of service over 20 years. For those hired on or after July 1, 1981, or those electing GABA, the retirement allowance is equal to 2.5% of the product of the final average compensation for the last 36 months and the years of service. For

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

Membership in the plan on June 30, 2009, is as follows:

Number of Members	
Retirees and Beneficiaries	542
Vested Terminated	9
Non-vested Terminated	49
Active	558
Total Membership	1,158
Number of participating employers:	21

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

Municipal Police Officers' Retirement System (MPORS)

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

The MPORS offers retirement, disability, and death benefits to plan members and their beneficiaries. Minimum years of service are 20 for benefit eligibility or age 50 with 5 years of service. The retirement benefit for members is calculated as follows: 2.5% of the product of the average monthly compensation of the final year of service and the years of service. The final average compensation for those hired prior to July 1, 1977, is the average monthly compensation of the final year of service; and for those hired after June 30, 1977, it is the average monthly compensation for the last consecutive 36 months. If hired before July 1, 1997, and the member did not elect GABA, the benefit increases to ½ the annual compensation of a newly confirmed officer in the city where the member was last employed. A guaranteed annual benefit adjustment (GABA) of 3.0% is provided each January for benefit recipients electing GABA if they have been receiving a benefit for at least 12 months. Rights become vested after 5 years of service. The authority to establish, amend, and provide cost of living adjustments for the plan is assigned to the State legislature.

Deferred Retirement Option Plan (DROP)

Beginning July 2002, eligible members of MPORS have the opportunity to participate in the DROP by filing a one-time irrevocable election with the Board. The DROP is governed by Title 19, Chapter 9, Part 12, MCA. An eligible member must have completed at least 20 years of membership service. They may elect to participate in the DROP for a minimum of one month and a maximum of five years and may participate in the DROP only once. A participant remains a member of the MPORS, but will not receive membership service or service credit in the system for the duration of the member's DROP period. During the participation in the DROP, all mandatory contributions continue to be made to the retirement system. A monthly benefit is calculated based on salary and years of service to the date of the beginning of the DROP period. The monthly benefit is paid into the DROP account until the end of the DROP participation period. At the end of the DROP period, the participant may receive the balance of the DROP account in a lump-sum payment or in a direct rollover to another eligible plan as allowed by the IRS. If the participant continues employment after the DROP period ends, they will again accrue membership service and service credit, and the DROP account cannot be distributed until employment is formally terminated.

Membership in the plan on June 30, 2009, is as follows:

	Number of Members
Retirees and Beneficiaries	646
Vested Terminated	48
Non-vested Terminated	59
Active	692
Total Membership	1,445
Number of participating employers:	29

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

2. Funding Policy

Public Employees' Retirement System – The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 6.9% of monthly compensation. Beginning in Fiscal Year 2008, local governments are required to contribute 6.935% of members' compensation. The State of Montana is required to contribute .1% of members' compensation on behalf of local government entities. One hundred percent of required contributions were made for the current year and each of the two preceding years. Required contributions were made as follows:

Fiscal Year	City	Employee	State of Montana
2007-2008	1,793,506	1,783,415	25,847
2008-2009	1,896,746	1,884,257	27,308
2009-2010	1,991,807	1,941,786	28,096

Firefighters' Unified Retirement System – The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 9.50% (for members hired prior to July 1, 1997, and not electing GABA) and 10.7% (for members hired after July 1, 1997, and those electing GABA) of monthly compensation. Employers are required to contribute 14.36% of members' compensation. The State of Montana is required to contribute 32.61% of members' compensation. One hundred percent of required contributions were made for the current year and each of the two preceding years. Required contributions were made as follows:

Fiscal Year	City	Employee	State of Montana
2007-2008	922,606	686,706	2,095,138
2008-2009	1,120,763	759,137	2,316,191
2009-2010	1,104,309	821,902	2,507,765

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

Fiscal Year	City	Employee	State of Montana
2007-2008	$ 995,089	$ 619,007	$ 2,028,159
2008-2009	1,045,599	651,794	2,130,221
2009-2010	1,140,523	711,451	2,324,708

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, 2010

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	$ 12,731,484	$ 12,731,484	$ 12,986,900	$ 255,416
Licenses and permits	3,273,240	3,273,240	3,439,945	166,705
Intergovernmental	8,743,013	8,743,013	8,669,387	(73,626)
Charges for services	2,871,356	2,891,556	2,869,558	(21,998)
Fines and forteitures	1,443,650	1,443,650	1,502,325	58,675
Other	256,962	377,668	379,931	2,263
Total revenues	29,319,705	29,460,611	29,848,046	387,435
Expenditures:				
Current:				
Salaries and benefits	5,974,907	5,986,307	5,839,674	146,633
Operations and maintenance	3,047,654	3,229,146	2,863,597	365,549
Capital outlay	266,432	386,138	232,486	153,652
Total expenditures	9,288,993	9,601,591	8,935,757	665,834
Revenues over (under) expenditures	20,030,712	19,859,020	20,912,289	1,053,269
Other financing sources (uses):				
Transfers in	241,982	241,982	240,722	(1,260)
Transfers out	(19,435,087)	(19,865,642)	(18,329,903)	1,535,739
Sale of capital assets	-	-	600	600
Total other financing sources (uses)	(19,193,105)	(19,623,660)	(18,088,581)	1,535,079
Net change in fund balances	837,607	235,360	2,823,708	2,588,348
Fund balance, beginning of year			10,369,184	
Fund balance, end of year			$ 13,192,892	

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, 2010

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	$ 11,609,001	$ 11,609,001	$ 11,418,224	$ (190,777)
Licenses and permits	117,059	117,059	112,387	(4,672)
Intergovernmental	2,000,973	2,000,973	2,003,041	2,068
Charges for services	1,036,844	1,036,844	1,169,587	132,743
Fines and forteitures	-	-	1,200	1,200
Other	85,514	85,514	50,720	(34,794)
Total revenues	14,849,391	14,849,391	14,755,159	(94,232)
Expenditures:				
Current:				
Salaries and benefits	25,546,564	25,891,564	25,233,659	657,905
Operations and maintenance	4,868,176	4,866,006	4,708,849	157,157
Capital outlay	130,220	129,430	115,311	14,119
Debt service:				
Principal	1,069,378	1,069,378	420,707	648,671
Interest and fiscal charges	225,884	225,884	198,556	27,328
Total expenditures	31,840,222	32,182,262	30,677,082	1,505,180
Revenues over (under) expenditures	(16,990,831)	(17,332,871)	(15,921,923)	1,410,948
Other financing sources (uses):				
Transfers in	17,720,000	18,000,000	16,606,456	(1,393,544)
Transfers out	(982,462)	(982,462)	(982,462)	-
Sale of capital assets	60,000	60,000	1,000	(59,000)
Total other financing sources (uses)	16,797,538	17,077,538	15,624,994	(1,452,544)
Net change in fund balances	(193,293)	(255,333)	(296,929)	(41,596)
Fund balance, beginning of year			1,896,929	
Fund balance, end of year			$ 1,600,000	

CITY OF BILLINGS, MONTANA

Major Debt Service Fund - Special Improvement Districts Fund

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

For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Special assessments	$ 2,395,619	$ 2,395,619	$ 2,081,658	$ (313,961)
Other	33,422	33,422	50,429	17,007
Total revenues	2,429,041	2,429,041	2,132,087	(296,954)
Expenditures:				
Operations and maintenance	-	-	1,500	(1,500)
Debt service:				
Principal	2,130,000	2,130,000	1,770,111	359,889
Interest and fiscal charges	949,200	949,200	996,344	(47,144)
Total expenditures	3,079,200	3,079,200	2,767,955	311,245
Revenues over (under) expenditures	(650,159)	(650,159)	(635,868)	14,291
Other financing sources (uses):				
Transfers in	-	205,047	295,234	90,187
Transfers out	-	-	-	-
Total other financing sources (uses)	-	205,047	295,234	90,187
Net change in fund balances	(650,159)	(445,112)	(340,634)	104,478
Fund balance, beginning of year			7,402,051	
Fund balances at end of year			$ 7,061,417	

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, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Assets					
Cash and cash equivalents	$ 11,840,917	$ 767,367	$ 3,099,898	$ 225,701	$ 15,933,883
Cash with fiscal agent	98,131	2,142,527	-	-	2,240,658
Investments	19,627,341	1,166,539	5,153,227	374,117	26,321,224
Receivables:					
Property taxes	400,993	95,135	-	-	496,128
Accounts and unbilled usage	95,396	15,000	1,168	-	111,564
Delinquent special assessments	664,201	19,982	-	-	684,183
Deferred special assessments	-	947,745	-	-	947,745
Accrued interest	42,689	3,148	11,116	875	57,828
Notes	3,672,322	1,199,487	-	-	4,871,809
Due from other funds	269,747	-	-	-	269,747
Due from other governments	1,591,231	-	22,777	-	1,614,008
Property held for resale	103,800	-	335,328	-	439,128
Total assets	$ 38,406,768	$ 6,356,930	$ 8,623,514	$ 600,693	$ 53,987,905
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ 1,428,964	$ -	$ 180,410	$ -	$ 1,609,374
Accrued wages & benefits	329,878	-	-	-	329,878
Due to other funds	3,260,666	294,695	196,226	-	3,751,587
Deferred revenue	4,852,984	2,226,157	-	-	7,079,141
Total liabilities	9,872,492	2,520,852	376,636	-	12,769,980
Fund balance:					
Reserved for:					
Encumbrances	5,879,863	-	2,154,508	-	8,034,371
Property held for resale	103,800	-	335,328	-	439,128
Debt service	-	3,836,078	-	-	3,836,078
Endowments	-	-	-	600,693	600,693
Unreserved:					
Designated for payment of future employee benefits	1,153,207	-	-	-	1,153,207
Designated for capital replacement	1,489,754	-	-	-	1,489,754
Undesignated	19,907,652	-	5,757,042	-	25,664,694
Total fund balances	28,534,276	3,836,078	8,246,878	600,693	41,217,925
Total liabilities and fund balances	$ 38,406,768	$ 6,356,930	$ 8,623,514	$ 600,693	$ 53,987,905

CITY OF BILLINGS, MONTANA

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

For the Year Ended June 30, 2010

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	$ 2,194,386	$ 1,241,277	$ -	$ -	$ 3,435,663
Licenses and permits	1,206,258	-	-	-	1,206,258
Intergovernmental	11,601,023	-	112,831	-	11,713,854
Charges for services	5,694,668	-	-	9,459	5,704,127
Fines and forfeitures	305,709	-	-	-	305,709
Special assessments	15,518,031	384,780	-	-	15,902,811
Other	1,360,919	194,027	719,619	5,524	2,280,089
Total revenues	37,880,994	1,820,084	832,450	14,983	40,548,511
Expenditures:					
Current:					
General government	2,059,635	-	-	-	2,059,635
Public safety	4,548,809	-	-	-	4,548,809
Public works	12,039,831	-	44,983	-	12,084,814
Public health	35	-	-	-	35
Culture and recreation	3,826,230	-	22,676	-	3,848,906
Housing and economic development	5,860,634	-	-	-	5,860,634
Capital outlay	5,810,429	-	2,154,274	-	7,964,703
Debt service:					
Principal	333,587	2,065,000	-	-	2,398,587
Interest and fiscal charges	112,861	864,178	-	-	977,039
Bond issuance costs	-	-	8,500	-	8,500
Total expenditures	34,592,051	2,929,178	2,230,433	-	39,751,662
Revenues over (under) expenditures	3,288,943	(1,109,094)	(1,397,983)	14,983	796,849
Other financing sources (uses):					
Transfers in	1,208,309	999,240	1,531,820	-	3,739,369
Transfers out	(2,134,222)	-	(145,022)	(5,542)	(2,284,786)
Bond discount costs	-	-	-	-	-
Issuance of debt	800,000	-	80,500	-	880,500
Special assessment bonds issued	-	-	988,000	-	988,000
Sale of capital assets	340,570	-	-	-	340,570
Total other financing sources (uses)	214,657	999,240	2,455,298	(5,542)	3,663,653
Net change in fund balances	3,503,600	(109,854)	1,057,315	9,441	4,460,502
Fund balance, beginning of year	25,030,676	3,945,932	7,189,563	591,252	36,757,423
Fund balance, end of year	$ 28,534,276	$ 3,836,078	$ 8,246,878	$ 600,693	$ 41,217,925

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 Donation 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 Parmly Billings Library.
- The Cemetery Improvements Fund accounts for expansion projects at the cemetery.
- The Street Maintenance Districts Fund accounts for various street programs.
- The Fire Hydrant Maintenance District Fund accounts for the maintenance of fire hydrants.
- The Light Maintenance Districts Fund accounts for the maintenance of street lighting systems within several such districts in the City.
- The Park Maintenance Districts Fund accounts for revenues and expenditures which are related to parks maintenance within the various districts of the City.
- The Storm Sewer Fund accounts for the operation and maintenance of the storm sewer system.
- The Tax Increment Operating Fund accounts for revenues from property tax levies on increased taxable values in the Downtown, East, South, Miller Crossing and North 27th Tax Increment Districts. Amounts collected are used for the benefit of the tax increment district from which collections were assessed.
- The Parks Program Fund accounts for revenues and expenditures related to park acquisitions and park improvements.

- The Police Programs Fund accounts for the following programs: Montana Board of Crime Control, Justice Assistant Grants, High Intensity Drug Traffic Area, Technology Grants, Homeland Security Grants, Internet Crimes Against Children, Highway Traffic Safety Grants, Community Police Officer, and other law enforcement related programs.

- The Amend Park Fund accounts for funds designated for the maintenance of Amend Park.

- The Transportation Enhancement Fund accounts for federal grant monies designed to enhance the transportation system by providing facilities for bicycles, pedestrians, and beautification of various portions of the transportation system.

- The City-County Planning Fund, through an inter-local agreement, accounts for the operation of the Planning Department, which promotes the health, safety, convenience, and welfare of the Community.

- The Building Inspection Fund accounts for building permits and inspections for private construction in the City.

- The Street & Traffic Fund accounts for street cleaning, snow removal, minor street repairs, signage, street striping, forestry, and traffic signal maintenance.

- The City Attorney Grants Fund accounts for grants from the Montana Board of Crime Control that includes the Victim/Witness Grant and Domestic Violence Unit Grant to supplement the City Attorney's efforts.

- The Fire Programs Fund accounts for the Regional HazMat Team, grants, donations, and other fire related programs.

- The Municipal Court Grants Fund is funded by grants.

- The Downtown Revolving Loan Program Fund accounts for low-interest loans to qualified property owners located in downtown Billings. Loans are funded by local banks and the City of Billings.

- Baseball Field/Stadium Donations for Capital Maintenance Fund accounts for donations to fund future capital maintenance for the new baseball field/stadium.

- The Arterial Fees Fund complements other funds in the construction of arterial streets within the City.

- The Administration Grants Fund accounts for the Department of Energy grant, which provides energy efficiency programs to various City departments.

CITY OF BILLINGS, MONTANA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

(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	Fire Hydrant Maintenance Districts Fund
Assets								
Cash and cash equivalents	$ 1,406,857	$ 1,528,937	$ 27,999	$ 69,302	$ 1,470,848	$ 105,605	$ 747,048	$ 917,555
Cash with fiscal agent	-	-	-	98,131	-	-	-	-
Investments	2,323,214	2,533,767	46,840	114,685	2,433,688	175,286	1,232,433	1,519,876
Receivables:								
Property taxes	-	-	-	-	91,854	-	-	-
Accounts and unbilled usage	-	-	-	-	23,016	-	-	-
Delinquent special assessments	-	-	-	-	-	-	197,677	69,989
Accrued interest	5,822	5,633	110	26	4,946	405	2,371	3,058
Notes	-	-	-	303,166	-	-	-	-
Due from other funds	205,806	-	-	-	-	-	-	-
Receivables from other governments	388,962	-	-	212,176	30,931	-	-	-
Property held for resale	-	-	-	103,800	-	-	-	-
Total assets	$ 4,330,661	$ 4,068,337	$ 74,949	$ 901,286	$ 4,055,283	$ 281,296	$ 2,179,529	$ 2,510,478
Liabilities and Fund Balances								
Liabilities:								
Accounts payable	$ 369,424	$ 439	$ -	$ 24,511	$ 90,401	$ -	$ -	$ 18,509
Accrued wages & benefits	2,547	-	-	11,388	66,448	-	-	-
Due to other funds	-	-	-	131,274	-	-	-	-
Deferred revenue	707,973	-	-	300,432	78,436	-	102,604	35,303
Total liabilities	1,079,944	439	-	467,605	235,285	-	102,604	53,812
Fund balances:								
Reserved for:								
Encumbrances	1,717,583	3,687	-	-	87,236	-	-	-
Property held for resale	-	-	-	103,800	-	-	-	-
Unreserved:								
Designated for payment of future employee benefits	11,088	-	-	123,552	275,262	-	-	-
Designated for capital replacement	-	1,489,754	-	-	-	-	-	-
Undesignated	1,522,046	2,574,457	74,949	206,329	3,457,500	281,296	2,076,925	2,456,666
Total fund balances	3,250,717	4,067,898	74,949	433,681	3,819,998	281,296	2,076,925	2,456,666
Total liabilities and fund balances	$ 4,330,661	$ 4,068,337	$ 74,949	$ 901,286	$ 4,055,283	$ 281,296	$ 2,179,529	$ 2,510,478

(continued)

CITY OF BILLINGS, MONTANA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

(Page 2 of 4)

	Light Maintenance Districts Fund	Park Maintenance Districts Fund	Storm Sewer Fund	Tax Increment Fund	Parks Program Fund	Police Programs Fund	Amend Park Fund
Assets							
Cash and cash equivalents	$ 485,802	$ 84,792	$ 983,175	$ 627,468	$ 656,934	$ 127,598	$ 75,994
Cash with fiscal agent	-	-	-	-	-	-	-
Investments	804,315	140,273	1,630,075	1,042,024	1,091,440	211,738	125,972
Receivables:							
Property taxes	-	-	-	305,314	-	-	-
Accounts and unbilled usage	-	-	-	-	-	-	-
Delinquent special assessments	86,102	23,752	145,048	-	-	-	-
Accrued interest	1,422	138	3,874	2,816	2,510	667	297
Notes	-	-	41,712	-	160,000	-	-
Due from other funds	-	-	-	-	-	-	-
Receivables from other governments	-	-	-	-	-	213,279	-
Property held for resale	-	-	-	-	-	-	-
Total assets	$ 1,377,641	$ 248,955	$ 2,803,884	$ 1,977,622	$ 1,910,884	$ 553,282	$ 202,263
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ -	$ 43,991	$ 147,389	$ 6,457	$ 3,859	$ 76,364	$ -
Accrued wages & benefits	-	-	-	-	-	10,098	-
Due to other funds	63,941	-	-	-	-	-	-
Deferred revenue	42,268	15,449	115,949	291,242	140,000	-	-
Total liabilities	106,209	59,440	263,338	297,699	143,859	86,462	-
Fund balances:							
Reserved for:							
Encumbrances	-	-	403,578	790,642	-	58,382	-
Property held for resale	-	-	-	-	-	-	-
Unreserved:							
Designated for payment of future employee benefits	-	-	-	-	-	-	-
Designated for capital replacement	-	-	-	-	-	-	-
Undesignated	1,271,432	189,515	2,136,968	889,281	1,767,025	408,438	202,263
Total fund balances	1,271,432	189,515	2,540,546	1,679,923	1,767,025	466,820	202,263
Total liabilities and fund balances	$ 1,377,641	$ 248,955	$ 2,803,884	$ 1,977,622	$ 1,910,884	$ 553,282	$ 202,263

(continued)

CITY OF BILLINGS, MONTANA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

(Page 3 of 4)

	Transportation Enhancement Fund	City-County Planning Fund	Building Inspection Fund	Street & Traffic Fund	City Attorney Grants Fund	Fire Programs Fund	Municipal Court Grant Fund
Assets							
Cash and cash equivalents	$ -	$ 102,340	$ 130,885	$ 546,987	$ 1,298	$ 48,027	$ 7,762
Cash with fiscal agent	-	-	-	-	-	-	-
Investments	-	168,600	217,697	905,830	1,973	79,534	12,843
Receivables:							
Property taxes	-	3,825	-	-	-	-	-
Accounts and unbilled usage	-	-	19,864	52,516	-	-	-
Delinquent special assessments	-	-	-	-	-	-	-
Accrued interest	-	312	482	1,227	4	165	-
Notes	-	-	-	-	-	-	-
Due from other funds	-	-	-	63,941	-	-	-
Receivables from other governments	53,967	171,579	-	1,059	6,774	-	397,164
Property held for resale	-	-	-	-	-	-	-
Total assets	$ 53,967	$ 446,656	$ 368,928	$ 1,571,560	$ 10,049	$ 127,726	$ 417,769
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ 46,408	$ 15,388	$ 2,018	$ 39,448	$ -	$ 1,724	$ 63,424
Accrued wages & benefits	-	29,226	53,838	140,625	9,832	-	5,876
Due to other funds	9,580	1,630	-	-	-	-	409,359
Deferred revenue	-	3,825	-	-	-	-	-
Total liabilities	55,988	50,069	55,856	180,073	9,832	1,724	478,659
Fund balances:							
Reserved for:							
Encumbrances	893,671	-	-	65,557	-	43,077	-
Property held for resale	-	-	-	-	-	-	-
Unreserved:							
Designated for payment of future employee benefits	-	80,740	168,308	494,257	-	-	-
Designated for capital replacement	-	-	-	-	-	-	-
Undesignated	(895,692)	315,847	144,764	831,673	217	82,925	(60,890)
Total fund balances	(2,021)	396,587	313,072	1,391,487	217	126,002	(60,890)
Total liabilities and fund balances	$ 53,967	$ 446,656	$ 368,928	$ 1,571,560	$ 10,049	$ 127,726	$ 417,769

(continued)

CITY OF BILLINGS, MONTANA

Nonmajor Special Revenue Funds

Combining Balance Sheet

June 30, 2010

(Page 4 of 4)

	Downtown Revolving Loan Fund	Baseball Field/Stadium Donations for Capital Maintenance Fund	Arterial Fees Fund	Administration Grants Fund	Total Nonmajor Special Revenue Funds
Assets					
Cash and cash equivalents	$ 13,350	$ 100,807	$ 1,573,547	$ -	$11,840,917
Cash with fiscal agent	-	-	-	-	98,131
Investments	23,931	166,912	2,624,395	-	19,627,341
Receivables:					
Property taxes	-	-	-	-	400,993
Accounts and unbilled usage	-	-	-	-	95,396
Delinquent special assessments	-	-	141,633	-	664,201
Accrued interest	52	392	5,960	-	42,689
Notes	3,167,444	-	-	-	3,672,322
Due from other funds	-	-	-	-	269,747
Receivables from other governments	-	-	-	115,340	1,591,231
Property held for resale	-	-	-	-	103,800
Total assets	$ 3,204,777	$ 268,111	$ 4,345,535	$ 115,340	$38,406,768
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	$ -	$ -	$ 363,870	$ 115,340	$ 1,428,964
Accrued wages & benefits	-	-	-	-	329,878
Due to other funds	-	-	2,644,882	-	3,260,666
Deferred revenue	2,946,122	-	73,381	-	4,852,984
Total liabilities	2,946,122	-	3,082,133	115,340	9,872,492
Fund balances:					
Reserved for:					
Encumbrances	-	-	1,816,450	-	5,879,863
Property held for resale	-	-	-	-	103,800
Unreserved:					
Designated for payment of future employee benefits	-	-	-	-	1,153,207
Designated for capital replacement	-	-	-	-	1,489,754
Undesignated	258,655	268,111	(553,048)	-	19,907,652
Total fund balances	258,655	268,111	1,263,402	-	28,534,276
Total liabilities and fund balances	$ 3,204,777	$ 268,111	$ 4,345,535	$ 115,340	$38,406,768

CITY OF BILLINGS, MONTANA

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

(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	Fire Hydrant Maintenance District Fund
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ 872,470	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	2,336,596	986,649	-	2,075,541	943,413	-	-	96,519
Charges for services	68,281	-	-	3,750	172,597	12,436	-	-
Fines and forteitures	-	-	-	-	84,214	-	-	-
Special assessments	-	-	-	-	-	-	4,385,978	2,038,674
Other	55,355	34,331	1,058	310,945	76,784	2,571	10,460	18,963
Total revenues	2,460,232	1,020,980	1,058	2,390,236	2,149,478	15,007	4,396,438	2,154,156
Expenditures:								
Current:								
General government	-	-	-	-	-	-	-	-
Public safety	-	368,785	-	-	-	-	-	1,711,042
Public works	455,910	-	-	-	-	7,172	3,846,049	-
Public health	-	-	35	-	-	-	-	-
Culture and recreation	-	-	-	-	2,856,990	-	-	-
Housing and economic development	-	-	-	2,335,082	-	-	-	-
Capital outlay	2,018,661	-	-	-	16,212	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	2,474,571	368,785	35	2,335,082	2,873,202	7,172	3,846,049	1,711,042
Revenues over (under) expenditures	(14,339)	652,195	1,023	55,154	(723,724)	7,835	550,389	443,114
Other financing sources (uses):								
Transfers in	150,000	-	-	-	791,007	-	-	-
Transfers out	-	-	-	-	(25,795)	-	(150,000)	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	82,400	-	-	-	219,004	-	-	-
Total other financing sources (uses)	232,400	-	-	-	984,216	-	(150,000)	-
Net change in fund balances	218,061	652,195	1,023	55,154	260,492	7,835	400,389	443,114
Fund balance, beginning of year	3,032,656	3,415,703	73,926	378,527	3,559,506	273,461	1,676,536	2,013,552
Fund balances at end of year	$ 3,250,717	$ 4,067,898	$ 74,949	$ 433,681	$ 3,819,998	$ 281,296	$ 2,076,925	$ 2,456,666

CITY OF BILLINGS, MONTANA

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

(Page 2 of 4)

	Light Maintenance Districts Fund	Park Maintenance Districts Fund	Storm Sewer Fund	Tax Increment Fund	Parks Program Fund	Police Programs Fund	Amend Park Fund
Revenues:							
Taxes	$ -	$ -	$ -	$ 977,845	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-
Intergovernmental	-	-	34,539	-	-	1,093,424	-
Charges for services	-	-	-	-	-	53,956	-
Fines and forteitures	-	-	-	-	-	152,153	-
Special assessments	2,159,821	640,110	3,214,124	78	-	-	-
Other	20,929	1,174	30,497	18,991	83,005	29,712	1,880
Total revenues	2,180,750	641,284	3,279,160	996,914	83,005	1,329,245	1,880
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	935,431	-
Public works	1,942,402	-	1,153,381	-	-	-	-
Public health	-	-	-	-	-	-	-
Culture and recreation	-	737,097	-	-	24,006	-	486
Housing and economic development	-	-	-	2,674,480	-	-	-
Capital outlay	-	-	1,002,934	-	-	473,832	-
Debt service:							
Principal	-	-	-	-	10,270	-	-
Interest and fiscal charges	-	-	-	-	9,647	-	-
Total expenditures	1,942,402	737,097	2,156,315	2,674,480	43,923	1,409,263	486
Revenues over (under) expenditures	238,348	(95,813)	1,122,845	(1,677,566)	39,082	(80,018)	1,394
Other financing sources (uses):							
Transfers in	-	-	-	-	20,000	1,751	-
Transfers out	-	-	(987,795)	(81,449)	-	-	(1,872)
Issuance of debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	39,166	-	-	-	-
Total other financing sources (uses)	-	-	(948,629)	(81,449)	20,000	1,751	(1,872)
Net change in fund balances	238,348	(95,813)	174,216	(1,759,015)	59,082	(78,267)	(478)
Fund balance, beginning of year	1,033,084	285,328	2,366,330	3,438,938	1,707,943	545,087	202,741
Fund balances at end of year	$ 1,271,432	$ 189,515	$ 2,540,546	$ 1,679,923	$ 1,767,025	$ 466,820	$ 202,263

CITY OF BILLINGS, MONTANA

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

(Page 3 of 4)

	Transportation Enhancement Fund	City-County Planning Fund	Building Inspection Fund	Street & Traffic Fund	City Attorney Grants Fund	Fire Programs Fund	Municipal Court Grant Fund
Revenues:							
Taxes	$ -	$ 344,071	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	20,734	1,185,524	-	-	-	-
Intergovernmental	598,223	593,314	11,870	546,808	86,569	68,931	518,477
Charges for services	-	226,960	2,527	5,107,741	-	-	46,420
Fines and forteitures	-	-	-	-	69,342	-	-
Special assessments	-	-	-	-	-	-	-
Other	-	1,408	5,862	18,541	33	18,461	-
Total revenues	598,223	1,186,487	1,205,783	5,673,090	155,944	87,392	564,897
Expenditures:							
Current:							
General government	-	1,073,022	-	-	230,326	-	631,756
Public safety	-	-	1,515,522	-	-	18,029	-
Public works	-	-	-	4,521,672	-	-	-
Public health	-	-	-	-	-	-	-
Culture and recreation	-	-	-	206,471	-	-	-
Housing and economic development	-	-	-	-	-	-	-
Capital outlay	580,175	-	-	-	-	-	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	580,175	1,073,022	1,515,522	4,728,143	230,326	18,029	631,756
Revenues over (under) expenditures	18,048	113,465	(309,739)	944,947	(74,382)	69,363	(66,859)
Other financing sources (uses):							
Transfers in	-	-	-	160,000	67,718	-	-
Transfers out	-	(4,630)	-	(784,639)	-	-	-
Issuance of debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(4,630)	-	(624,639)	67,718	-	-
Net change in fund balances	18,048	108,835	(309,739)	320,308	(6,664)	69,363	(66,859)
Fund balance, beginning of year	(20,069)	287,752	622,811	1,071,179	6,881	56,639	5,969
Fund balances at end of year	$ (2,021)	$ 396,587	$ 313,072	$ 1,391,487	$ 217	$ 126,002	$ (60,890)

CITY OF BILLINGS, MONTANA

Nonmajor Special Revenue Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Year Ended June 30, 2010

(Page 4 of 4)

	Downtown Revolving Loan Fund	Baseball Field/Stadium Donations for Capital Maintenance Fund	Arterial Fees Fund	Administration Grants Fund	Total Nonmajor Special Revenue Funds
Revenues:					
Taxes	$ -	$ -	$ -	$ -	$ 2,194,386
Licenses and permits	-	-	-	-	1,206,258
Intergovernmental	-	-	1,485,619	124,531	11,601,023
Charges for services	-	-	-	-	5,694,668
Fines and forteitures	-	-	-	-	305,709
Special assessments	-	-	3,079,246	-	15,518,031
Other	565,364	4,723	49,872	-	1,360,919
Total revenues	565,364	4,723	4,614,737	124,531	37,880,994
Expenditures:					
Current:					
General government	-	-	-	124,531	2,059,635
Public safety	-	-	-	-	4,548,809
Public works	-	-	113,245	-	12,039,831
Public health	-	-	-	-	35
Culture and recreation	-	1,180	-	-	3,826,230
Housing and economic development	851,072	-	-	-	5,860,634
Capital outlay	-	-	1,718,615	-	5,810,429
Debt service:					
Principal	323,317	-	-	-	333,587
Interest and fiscal charges	32,683	-	70,531	-	112,861
Total expenditures	1,207,072	1,180	1,902,391	124,531	34,592,051
Revenues over (under) expenditures	(641,708)	3,543	2,712,346	-	3,288,943
Other financing sources (uses):					
Transfers in	-	-	17,833	-	1,208,309
Transfers out	-	-	(98,042)	-	(2,134,222)
Issuance of debt	800,000	-	-	-	800,000
Sale of capital assets	-	-	-	-	340,570
Total other financing sources (uses)	800,000	-	(80,209)	-	214,657
Net change in fund balances	158,292	3,543	2,632,137	-	3,503,600
Fund balance, beginning of year	100,363	264,568	(1,368,735)	-	25,030,676
Fund balances at end of year	$ 258,655	$ 268,111	$ 1,263,402	$ -	$ 28,534,276

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, 2010

(Page 1 of 14)

	Gas Tax Fund				EOC 911 Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	1,799,416	1,799,416	2,336,596	537,180	937,644	937,644	986,649	49,005
Charges for services	-	-	68,281	68,281	-	-	-	-
Fines and forteitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	43,537	43,537	55,355	11,818	57,584	57,584	34,331	(23,253)
Total revenues	1,842,953	1,842,953	2,460,232	617,279	995,228	995,228	1,020,980	25,752
Expenditures:								
Current:								
Salaries and benefits	63,604	63,604	63,197	407	-	-	-	-
Operations and maintenance	265,924	265,924	392,713	(126,789)	673,027	673,027	368,785	304,242
Capital outlay	4,113,189	4,077,772	2,018,661	2,059,111	10,000	10,000	-	10,000
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	4,442,717	4,407,300	2,474,571	1,932,729	683,027	683,027	368,785	314,242
Revenues over (under) expenditures	(2,599,764)	(2,564,347)	(14,339)	2,550,008	312,201	312,201	652,195	339,994
Other financing sources (uses):								
Transfers in	150,000	150,000	150,000	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	82,400	82,400	-	-	-	-
Total other financing sources (uses)	150,000	150,000	232,400	82,400	-	-	-	-
Net change in fund balances	$(2,449,764)	$(2,414,347)	218,061	$2,632,408	$ 312,201	$ 312,201	652,195	$ 339,994
Fund balance, beginning of year			3,032,656				3,415,703	
Fund balances at end of year			$3,250,717				$4,067,898	

(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, 2010

(Page 2 of 14)

	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	-	-	-	-	2,044,272	2,991,516	2,075,541	915,975
Charges for services	-	-	-	-	-	3,750	3,750	-
Fines and forteitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	1,300	1,300	1,058	242	25	886	310,945	(310,059)
Total revenues	1,300	1,300	1,058	242	2,044,297	2,996,152	2,390,236	605,916
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	267,024	273,326	264,699	8,627
Operations and maintenance	9,750	6,000	35	5,965	1,783,248	2,810,343	2,070,383	739,960
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	9,750	6,000	35	5,965	2,050,272	3,083,669	2,335,082	748,587
Revenues over (under) expenditures	(8,450)	(4,700)	1,023	(5,723)	(5,975)	(87,517)	55,154	(142,671)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	$ (8,450)	$ (4,700)	1,023	$ (5,723)	$ (5,975)	$ (87,517)	55,154	$(142,671)
Fund balance, beginning of year			73,926				378,527	
Fund balances at end of year			$ 74,949				$ 433,681	

(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, 2010

(Page 3 of 14)

	Library Fund				Cemetery Improvements Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ 870,668	$ 870,668	$ 872,470	$ (1,802)	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	967,964	967,964	943,413	24,551	-	-	-	-
Charges for services	160,335	160,335	172,597	(12,262)	14,000	14,000	12,436	1,564
Fines and forteitures	89,000	89,000	84,214	4,786	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	124,796	124,796	76,784	48,012	3,080	3,080	2,571	509
Total revenues	2,212,763	2,212,763	2,149,478	63,285	17,080	17,080	15,007	2,073
Expenditures:								
Current:								
Salaries and benefits	1,656,069	1,656,069	1,664,610	(8,541)	-	-	-	-
Operations and maintenance	1,469,862	1,469,862	1,192,380	277,482	10,000	10,000	7,172	2,828
Capital outlay	193,144	156,380	16,212	140,168	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	3,319,075	3,282,311	2,873,202	409,109	10,000	10,000	7,172	2,828
Revenues over (under) expenditures	(1,106,312)	(1,069,548)	(723,724)	(345,824)	7,080	7,080	7,835	(755)
Other financing sources (uses):								
Transfers in	783,602	826,602	791,007	35,595	-	-	-	-
Transfers out	(25,795)	(25,795)	(25,795)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	300	300	219,004	(218,704)	-	-	-	-
Total other financing sources (uses)	758,107	801,107	984,216	(183,109)	-	-	-	-
Net change in fund balances	$(348,205)	$(268,441)	260,492	$(528,933)	$ 7,080	$ 7,080	7,835	$ (755)
Fund balance, beginning of year			3,559,506				273,461	
Fund balances at end of year			$3,819,998				$ 281,296	

(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, 2010

	Street Maintenance Districts Fund				Fire Hydrant District Maintenance Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	93,000	93,000	96,519	(3,519)
Charges for services	-	-	-	-	-	-	-	-
Fines and forteitures	-	-	-	-	-	-	-	-
Special assessments	4,343,572	4,343,572	4,385,978	(42,406)	1,915,853	1,915,853	2,038,674	(122,821)
Other	4,810	4,810	10,460	(5,650)	21,332	21,332	18,963	2,369
Total revenues	4,348,382	4,348,382	4,396,438	(48,056)	2,030,185	2,030,185	2,154,156	(123,971)
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	3,851,414	3,851,414	3,846,049	5,365	1,750,079	1,750,079	1,711,042	39,037
Capital outlay	-	-	-	-	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	3,851,414	3,851,414	3,846,049	5,365	1,750,079	1,750,079	1,711,042	39,037
Revenues over (under) expenditures	496,968	496,968	550,389	(53,421)	280,106	280,106	443,114	(163,008)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(150,000)	(150,000)	(150,000)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(150,000)	(150,000)	(150,000)	-	-	-	-	-
Net change in fund balances	$ 346,968	$ 346,968	400,389	$ (53,421)	$ 280,106	$ 280,106	443,114	$(163,008)
Fund balance, beginning of year			1,676,536				2,013,552	
Fund balances at end of year			$2,076,925				$2,456,666	

(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, 2010

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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 forteitures	-	-	-	-	-	-	-	-
Special assessments	2,135,000	2,135,000	2,159,821	(24,821)	671,380	671,380	640,110	31,270
Other	6,870	6,870	20,929	(14,059)	1,877	1,877	1,174	703
Total revenues	2,141,870	2,141,870	2,180,750	(38,880)	673,257	673,257	641,284	31,973
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	2,125,063	2,125,063	1,942,402	182,661	673,757	746,161	737,097	9,064
Capital outlay	5,000	5,000	-	5,000	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	2,130,063	2,130,063	1,942,402	187,661	673,757	746,161	737,097	9,064
Revenues over (under) expenditures	11,807	11,807	238,348	(226,541)	(500)	(72,904)	(95,813)	22,909
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	$ 11,807	$ 11,807	238,348	$(226,541)	$ (500)	$ (72,904)	(95,813)	$ 22,909
Fund balance, beginning of year			1,033,084				285,328	
Fund balances at end of year			$1,271,432				$ 189,515	

(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, 2010

	Storm Sewer Fund				Tax Increment Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ -	$ 214,870	$ 977,845	$ (762,975)
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	34,539	(34,539)	-	-	-	-
Charges for services	-	-	-	-	-	-	-	-
Fines and forteitures	-	-	-	-	-	-	-	-
Special assessments	3,175,000	3,175,000	3,214,124	(39,124)	-	-	78	(78)
Other	36,657	36,657	30,497	6,160	39,349	39,349	18,991	20,358
Total revenues	3,211,657	3,211,657	3,279,160	(67,503)	39,349	254,219	996,914	(742,695)
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	991,574	991,574	1,153,381	(161,807)	2,382,104	3,557,124	2,674,480	882,644
Capital outlay	2,234,465	2,233,687	1,002,934	1,230,753	-	-	-	-
Debt service:								
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	3,226,039	3,225,261	2,156,315	1,068,946	2,382,104	3,557,124	2,674,480	882,644
Revenues over (under) expenditures	(14,382)	(13,604)	1,122,845	(1,136,449)	(2,342,755)	(3,302,905)	(1,677,566)	(1,625,339)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(993,000)	(993,000)	(987,795)	(5,205)	-	(81,449)	(81,449)	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	39,166	(39,166)	-	-	-	-
Total other financing sources (uses)	(993,000)	(993,000)	(948,629)	(44,371)	-	(81,449)	(81,449)	-
Net change in fund balances	$(1,007,382)	$(1,006,604)	174,216	$(1,180,820)	$(2,342,755)	$(3,384,354)	(1,759,015)	$(1,625,339)
Fund balance, beginning of year			2,366,330				3,438,938	
Fund balances at end of year			$2,540,546				$1,679,923	

(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, 2010

	Park Program Fund				Police Program Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	13,500	13,500	-	(13,500)	607,763	1,370,149	1,093,424	(276,725)
Charges for services	-	5,000	-	(5,000)	66,465	66,465	53,956	(12,509)
Fines and forteitures	-	-	-	-	85,000	85,000	152,153	67,153
Special assessments	-	-	-	-	-	-	-	-
Other	119,238	136,215	83,005	(53,210)	12,162	29,728	29,712	(16)
Total revenues	132,738	154,715	83,005	(71,710)	771,390	1,551,342	1,329,245	(222,097)
Expenditures:								
Current:								
Salaries and benefits	6,000	6,000	-	6,000	471,098	514,032	407,707	106,325
Operations and maintenance	27,968	49,945	24,006	25,939	244,115	752,697	527,724	224,973
Capital outlay	7,500	7,500	-	7,500	276,137	572,241	473,832	98,409
Principal	10,270	10,270	10,270	-	-	-	-	-
Interest and fiscal charges	9,647	9,647	9,647	-	-	-	-	-
Total expenditures	61,385	83,362	43,923	39,439	991,350	1,838,970	1,409,263	429,707
Revenues over (under) expenditures	71,353	71,353	39,082	(32,271)	(219,960)	(287,628)	(80,018)	207,610
Other financing sources (uses):								
Transfers in	-	-	20,000	20,000	1,751	1,751	1,751	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	20,000	20,000	1,751	1,751	1,751	-
Net change in fund balances	$ 71,353	$ 71,353	59,082	$ (12,271)	$(218,209)	$(285,877)	(78,267)	$ 207,610
Fund balance, beginning of year			1,707,943				545,087	
Fund balances at end of year			$1,767,025				$ 466,820	

(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, 2010

	Amend Park Fund				Transportation Enhancement Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	-	-	-	2,412,939	2,655,125	598,223	2,056,902
Charges for services	-	-	-	-	-	-	-	-
Fines and forteitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	2,358	2,358	1,880	478	-	-	-	-
Total revenues	2,358	2,358	1,880	478	2,412,939	2,655,125	598,223	2,056,902
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	486	486	486	-	-	-	-	-
Capital outlay	-	-	-	-	2,675,887	2,914,103	580,175	2,333,928
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	486	486	486	-	2,675,887	2,914,103	580,175	2,333,928
Revenues over (under) expenditures	1,872	1,872	1,394	478	(262,948)	(258,978)	18,048	(277,026)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(1,872)	(1,872)	(1,872)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(1,872)	(1,872)	(1,872)	-	-	-	-	-
Net change in fund balances	$ -	$ -	(478)	$ 478	$(262,948)	$(258,978)	18,048	$(277,026)
Fund balance, beginning of year			202,741				(20,069)	
Fund balances at end of year			$ 202,263				$ (2,021)	

(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, 2010

	City-County Planning Fund				Building Inspection Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ 300,000	$ 300,000	$ 344,071	$ (44,071)	$ -	$ -	$ -	$ -
Licenses and permits	10,000	10,000	20,734	(10,734)	1,355,600	1,355,600	1,185,524	170,076
Intergovernmental	502,469	512,267	593,314	(81,047)	-	-	11,870	(11,870)
Charges for services	318,284	318,284	226,960	91,324	1,500	1,500	2,527	(1,027)
Fines and forteitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	-	-	1,408	(1,408)	10,888	10,888	5,862	5,026
Total revenues	1,130,753	1,140,551	1,186,487	(45,936)	1,367,988	1,367,988	1,205,783	162,205
Expenditures:								
Current:								
Salaries and benefits	669,176	669,176	660,384	8,792	1,112,201	1,112,201	1,114,548	(2,347)
Operations and maintenance	464,210	474,086	412,638	61,448	462,452	462,452	400,974	61,478
Capital outlay	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	1,133,386	1,143,262	1,073,022	70,240	1,574,653	1,574,653	1,515,522	59,131
Revenues over (under) expenditures	(2,633)	(2,711)	113,465	(116,176)	(206,665)	(206,665)	(309,739)	103,074
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(4,630)	(4,630)	(4,630)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(4,630)	(4,630)	(4,630)	-	-	-	-	-
Net change in fund balances	$ (7,263)	$ (7,341)	108,835	$(116,176)	$(206,665)	$(206,665)	(309,739)	$ 103,074
Fund balance, beginning of year			287,752				622,811	
Fund balances at end of year			$ 396,587				$ 313,072	

(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, 2010

	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	551,301	551,301	546,808	4,493	90,000	90,000	86,569	3,431
Charges for services	5,191,629	5,191,629	5,107,741	83,888	-	-	-	-
Fines and forteitures	-	-	-	-	60,000	64,500	69,342	(4,842)
Special assessments	-	-	-	-	-	-	-	-
Other	12,048	12,048	18,541	(6,493)	3	3	33	(30)
Total revenues	5,754,978	5,754,978	5,673,090	81,888	150,003	154,503	155,944	(1,441)
Expenditures:								
Current:								
Salaries and benefits	2,805,399	2,805,399	2,714,547	90,852	229,716	228,937	224,935	4,002
Operations and maintenance	2,292,996	2,292,996	2,013,596	279,400	1,800	7,079	5,391	1,688
Capital outlay	-	-	-	-	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	5,098,395	5,098,395	4,728,143	370,252	231,516	236,016	230,326	5,690
Revenues over (under) expenditures	656,583	656,583	944,947	(288,364)	(81,513)	(81,513)	(74,382)	(7,131)
Other financing sources (uses):								
Transfers in	160,000	160,000	160,000	-	81,513	81,513	67,718	13,795
Transfers out	(784,639)	(784,639)	(784,639)	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	(624,639)	(624,639)	(624,639)	-	81,513	81,513	67,718	13,795
Net change in fund balances	$ 31,944	$ 31,944	320,308	$(288,364)	$ -	$ -	(6,664)	$ 6,664
Fund balance, beginning of year			1,071,179				6,881	
Fund balances at end of year			$1,391,487				$ 217	

(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, 2010

	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	80,693	68,931	11,762	113,336	886,876	518,477	368,399
Charges for services	-	-	-	-	-	30,000	46,420	(16,420)
Fines and forteitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	2,496	2,989	18,461	(15,472)	-	-	-	-
Total revenues	46,663	83,682	87,392	(3,710)	113,336	916,876	564,897	351,979
Expenditures:								
Current:								
Salaries and benefits	-	20,891	7,754	13,137	27,476	198,928	131,461	67,467
Operations and maintenance	71,971	111,490	10,275	101,215	117,955	747,036	500,295	246,741
Capital outlay	714	714	-	714	-	-	-	-
Principal	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-
Total expenditures	72,685	133,095	18,029	115,066	145,431	945,964	631,756	314,208
Revenues over (under) expenditures	(26,022)	(49,413)	69,363	(118,776)	(32,095)	(29,088)	(66,859)	37,771
Other financing sources (uses):								
Transfers in	-	-	-	-	30,000	30,000	-	30,000
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	30,000	30,000	-	30,000
Net change in fund balances	$ (26,022)	$ (49,413)	69,363	$(118,776)	$ (2,095)	$ 912	(66,859)	$ 67,771
Fund balance, beginning of year			56,639				5,969	
Fund balances at end of year			$ 126,002				$ (60,890)	

(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, 2010

	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 forteitures	-	-	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-	-	-
Other	900,464	900,464	565,364	335,100	52,507	52,507	4,723	47,784
Total revenues	900,464	900,464	565,364	335,100	52,507	52,507	4,723	47,784
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	-	-	-
Operations and maintenance	1,051,096	1,051,096	851,072	200,024	5,000	5,000	1,180	3,820
Capital outlay	-	-	-	-	-	-	-	-
Principal	748,904	748,904	323,317	425,587	-	-	-	-
Interest and fiscal charges	100,000	100,000	32,683	67,317	-	-	-	-
Total expenditures	1,900,000	1,900,000	1,207,072	692,928	5,000	5,000	1,180	3,820
Revenues over (under) expenditures	(999,536)	(999,536)	(641,708)	(357,828)	47,507	47,507	3,543	43,964
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Issuance of debt	1,000,000	1,000,000	800,000	200,000	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	1,000,000	1,000,000	800,000	200,000	-	-	-	-
Net change in fund balances	$ 464	$ 464	158,292	$(157,828)	$ 47,507	$ 47,507	3,543	$ 43,964
Fund balance, beginning of year			100,363				264,568	
Fund balances at end of year			$ 258,655				$ 268,111	

(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, 2010

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	Arterial Fees Fund				Administration Grants Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Licenses and permits	-	-	-	-	-	-	-	-
Intergovernmental	-	1,650,688	1,485,619	165,069	-	139,340	124,531	14,809
Charges for services	-	-	-	-	-	-	-	-
Fines and forteitures	-	-	-	-	-	-	-	-
Special assessments	2,988,000	2,988,000	3,079,246	(91,246)	-	-	-	-
Other	256,581	256,581	49,872	206,709	-	-	-	-
Total revenues	3,244,581	4,895,269	4,614,737	280,532	-	139,340	124,531	14,809
Expenditures:								
Current:								
Salaries and benefits	-	-	-	-	-	5,500	-	5,500
Operations and maintenance	331,203	331,203	113,245	217,958	-	133,840	124,531	9,309
Capital outlay	2,321,189	5,313,767	1,718,615	3,595,152	-	-	-	-
Principal	500,000	500,000	-	500,000	-	-	-	-
Interest and fiscal charges	115,732	115,732	70,531	45,201	-	-	-	-
Total expenditures	3,268,124	6,260,702	1,902,391	4,358,311	-	139,340	124,531	14,809
Revenues over (under) expenditures	(23,543)	(1,365,433)	2,712,346	(4,077,779)	-	-	-	-
Other financing sources (uses):								
Transfers in	-	17,833	17,833	-	-	-	-	-
Transfers out	-	(98,043)	(98,042)	(1)	-	-	-	-
Issuance of debt	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(80,210)	(80,209)	(1)	-	-	-	-
Net change in fund balances	$ (23,543)	$(1,445,643)	2,632,137	$(4,077,780)	$ -	$ -	-	$ -
Fund balance, beginning of year			(1,368,735)				-	
Fund balances at end of year			$1,263,402				$ -	

(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, 2010

(Page 14 of 14)

	Total Nonmajor Special Revenue Funds			
	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	$ 1,170,668	$ 1,385,538	$ 2,194,386	$ (808,848)
Licenses and permits	1,365,600	1,365,600	1,206,258	159,342
Intergovernmental	10,177,771	14,739,479	11,601,023	3,138,456
Charges for services	5,752,213	5,790,963	5,694,668	96,295
Fines and forteitures	234,000	238,500	305,709	(67,209)
Special assessments	15,228,805	15,228,805	15,518,031	(289,226)
Other	1,709,962	1,745,859	1,360,919	384,940
Total revenues	35,639,019	40,494,744	37,880,994	2,613,750
Expenditures:				
Current:				
Salaries and benefits	7,307,763	7,554,063	7,253,842	300,221
Operations and maintenance	21,057,054	24,675,977	21,081,332	3,594,645
Capital outlay	11,837,225	15,291,164	5,810,429	9,480,735
Principal	1,259,174	1,259,174	333,587	925,587
Interest and fiscal charges	225,379	225,379	112,861	112,518
Total expenditures	41,686,595	49,005,757	34,592,051	14,413,706
Revenues over (under) expenditures	(6,047,576)	(8,511,013)	3,288,943	(11,799,956)
Other financing sources (uses):				
Transfers in	1,206,866	1,267,699	1,208,309	59,390
Transfers out	(1,959,936)	(2,139,428)	(2,134,222)	(5,206)
Issuance of debt	1,000,000	1,000,000	800,000	200,000
Sale of capital assets	300	300	340,570	(340,270)
Total other financing sources (uses)	247,230	128,571	214,657	(86,086)
Net change in fund balances	$(5,800,346)	$(8,382,442)	3,503,600	$(11,886,042)
Fund balance, beginning of year			25,030,676	
Fund balances at end of year			$28,534,276	

NONMAJOR DEBT SERVICE FUNDS

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

- The Storm Sewer Fund accounts for the payment of debt used for the construction of storm sewers.
- The Series 2000 Parks Fund accounts for payment of debt used for City-wide park improvements.
- The Series 2004A Street Improvements Fund accounts for payment of debt used for City-wide street improvements.
- The Series 2007A Baseball Field/Stadium Fund accounts for payment of debt used for the construction of the new baseball field and stadium.
- The Series 2007B Baseball Field/Stadium Fund accounts for payment of debt used for the construction of certain portions of the new baseball field and stadium that will be donated from individual pledges.
- The Sidewalk and Curb Districts Fund accounts for the accumulation for and payment of special assessment debt used for the construction of sidewalks and curbs.

CITY OF BILLINGS, MONTANA

Nonmajor Debt Service Funds

Combining Balance Sheet

June 30, 2010

	Storm Sewer Fund	Series 2000 Parks Fund	Series 2004A Street Improvements Fund	Series 2007A Baseball Field/Stadium Fund	Series 2007B Baseball Field/Stadium Fund	Sidewalk Curb Districts Fund	Total Nonmajor Debt Service Funds
Assets							
Cash and cash equivalents	$ 375,889	$ 59,474	$ 69,377	$ 68,583	$ 64,952	$ 129,092	$ 767,367
Cash with fiscal agent	982,795	-	287,790	609,903	195,310	66,729	2,142,527
Investments	622,779	98,148	114,711	112,777	-	218,124	1,166,539
Receivables:							
Property taxes	-	10,250	25,736	59,149	-	-	95,135
Accounts and unbilled usage	-	-	-	-	15,000	-	15,000
Delinquent special assessments	-	-	-	-	-	19,982	19,982
Deferred special assessments	-	-	-	-	-	947,745	947,745
Accrued interest	1,485	166	438	583	-	476	3,148
Notes	-	-	-	-	1,199,487	-	1,199,487
Total assets	$ 1,982,948	$ 168,038	$ 498,052	$ 850,995	$ 1,474,749	$ 1,382,148	$ 6,356,930
Liabilities and Fund Balances							
Liabilities:							
Due to other funds	$ -	$ -	$ -	$ -	$ -	$ 294,695	$ 294,695
Deferred revenue	-	7,772	19,604	44,768	1,199,487	954,526	2,226,157
Total liabilities	-	7,772	19,604	44,768	1,199,487	1,249,221	2,520,852
Fund balances:							
Reserved for - debt service	1,982,948	160,266	478,448	806,227	275,262	132,927	3,836,078
Total fund balances	1,982,948	160,266	478,448	806,227	275,262	132,927	3,836,078
Total liabilities and fund balances	$ 1,982,948	$ 168,038	$ 498,052	$ 850,995	$ 1,474,749	$ 1,382,148	$ 6,356,930

CITY OF BILLINGS, MONTANA

Nonmajor Debt Service Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2010

	Storm Sewer Fund	Series 2000 Parks Fund	Series 2004A Street Improvements Fund	Series 2007A Baseball Field/Stadium Fund	Series 2007B Baseball Field/Stadium Fund	Sidewalk and Curb Districts Fund	Total Nonmajor Debt Service Funds
Revenues:							
Taxes	$ -	$ 134,029	$ 330,872	$ 776,376	$ -	$ -	$ 1,241,277
Special assessments	-	-	-	-	-	384,780	384,780
Other	9,400	857	2,558	3,241	175,093	2,878	194,027
Total revenues	9,400	134,886	333,430	779,617	175,093	387,658	1,820,084
Expenditures:							
Debt service:							
Principal	935,000	75,000	205,000	375,000	155,000	320,000	2,065,000
Interest and fiscal charges	57,961	68,644	161,428	448,354	64,041	63,750	864,178
Total expenditures	992,961	143,644	366,428	823,354	219,041	383,750	2,929,178
Revenues over (under) expenditures	(983,561)	(8,758)	(32,998)	(43,737)	(43,948)	3,908	(1,109,094)
Other financing sources:							
Transfers in	987,795	-	-	-	-	11,445	999,240
Total other financing sources	987,795	-	-	-	-	11,445	999,240
Net change in fund balances	4,234	(8,758)	(32,998)	(43,737)	(43,948)	15,353	(109,854)
Fund balance, beginning of year	1,978,714	169,024	511,446	849,964	319,210	117,574	3,945,932
Fund balance, end of year	$ 1,982,948	$ 160,266	$ 478,448	$ 806,227	$ 275,262	$ 132,927	$ 3,836,078

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, 2010

(Page 1 of 4)

	Storm Sewer Fund				Series 2000 Parks Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ 137,857	$ 137,857	$ 134,029	$ 3,828
Special assessments	-	-	-	-	-	-	-	-
Other	17,950	17,950	9,400	8,550	1,123	1,123	857	266
Total revenues	17,950	17,950	9,400	8,550	138,980	138,980	134,886	4,094
Expenditures:								
Principal	935,000	935,000	935,000	-	75,000	75,000	75,000	-
Interest and fiscal charges	58,000	58,000	57,961	39	68,644	68,644	68,644	-
Total expenditures	993,000	993,000	992,961	39	143,644	143,644	143,644	-
Revenues over (under) expenditures	(975,050)	(975,050)	(983,561)	8,511	(4,664)	(4,664)	(8,758)	4,094
Other financing sources:								
Transfers in	993,000	993,000	987,795	5,205	-	-	-	-
Total other financing sourceS	993,000	993,000	987,795	5,205	-	-	-	-
Net change in fund balances	$ 17,950	$ 17,950	4,234	$ 13,716	$ (4,664)	$ (4,664)	(8,758)	$ 4,094
Fund balance, beginning of year			1,978,714				169,024	
Fund balance, end of year			$ 1,982,948				$ 160,266	

(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, 2010

(Page 2 of 4)

	Series 2004A Street Improvements Fund				Series 2007A Baseball Field / Stadium Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ 341,014	$ 341,014	$ 330,872	$ 10,142	$ 799,569	$ 799,569	$ 776,376	$ 23,193
Special assessments	-	-	-	-	-	-	-	-
Other	3,783	3,783	2,558	1,225	3,300	3,300	3,241	59
Total revenues	344,797	344,797	333,430	11,367	802,869	802,869	779,617	23,252
Expenditures:								
Principal	205,000	205,000	205,000	-	375,000	375,000	375,000	-
Interest and fiscal charges	161,128	161,428	161,428	-	448,304	448,354	448,354	-
Total expenditures	366,128	366,428	366,428	-	823,304	823,354	823,354	-
Revenues over (under) expenditures	(21,331)	(21,631)	(32,998)	11,367	(20,435)	(20,485)	(43,737)	23,252
Other financing sources:								
Transfers in	-	-	-	-	-	-	-	-
Total other financing sourceS	-	-	-	-	-	-	-	-
Net change in fund balances	$ (21,331)	$ (21,631)	(32,998)	$ 11,367	$ (20,435)	$ (20,485)	(43,737)	$ 23,252
Fund balance, beginning of year			511,446				849,964	
Fund balance, end of year			$ 478,448				$ 806,227	

(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, 2010

(Page 3 of 4)

	Series 2007B Baseball Field / Stadium Fund				Sidewalk and Curb Districts Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Special assessments	-	-	-	-	369,086	369,086	384,780	(15,694)
Other	110,085	110,085	175,093	(65,008)	2,285	2,285	2,878	(593)
Total revenues	110,085	110,085	175,093	(65,008)	371,371	371,371	387,658	(16,287)
Expenditures:								
Principal	155,000	155,000	155,000	-	350,000	350,000	320,000	30,000
Interest and fiscal charges	63,741	64,041	64,041	-	62,300	62,300	63,750	(1,450)
Total expenditures	218,741	219,041	219,041	-	412,300	412,300	383,750	28,550
Revenues over (under) expenditures	(108,656)	(108,956)	(43,948)	(65,008)	(40,929)	(40,929)	3,908	(44,837)
Other financing sources:								
Transfers in	-	-	-	-	-	-	11,445	(11,445)
Total other financing sourceS	-	-	-	-	-	-	11,445	(11,445)
Net change in fund balances	$ (108,656)	$ (108,956)	(43,948)	$ (65,008)	$ (40,929)	$ (40,929)	15,353	$ (56,282)
Fund balance, beginning of year			319,210				117,574	
Fund balance, end of year			$ 275,262				$ 132,927	

(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, 2010

(Page 4 of 4)

	Total Nonmajor Debt Service Funds			
	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes	$ 1,278,440	$ 1,278,440	$ 1,241,277	$ 37,163
Special assessments	369,086	369,086	384,780	(15,694)
Other	138,526	138,526	194,027	(55,501)
Total revenues	1,786,052	1,786,052	1,820,084	(34,032)
Expenditures:				
Principal	2,095,000	2,095,000	2,065,000	30,000
Interest and fiscal charges	862,117	862,767	864,178	(1,411)
Total expenditures	2,957,117	2,957,767	2,929,178	28,589
Revenues over (under) expenditures	(1,171,065)	(1,171,715)	(1,109,094)	(62,621)
Other financing sources:				
Transfers in	993,000	993,000	999,240	(6,240)
Total other financing sourceS	993,000	993,000	999,240	(6,240)
Net change in fund balances	$ (178,065)	$ (178,715)	(109,854)	$ (68,861)
Fund balance, beginning of year			3,945,932	
Fund balance, end of year			$ 3,836,078	

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.
- Tax Increment South Fund accounts for the capital infrastructure and road improvements in the South Billings Tax Increment District, which includes a portion of King Avenue East.
- The Sidewalk and Curb Districts Fund accounts for the construction of sidewalks and curbs.
- The Special Improvement Districts Fund accounts for the construction of streets, water, and wastewater trunk lines.
- Main Street Underpass Construction accounts for the construction of the walking/biking path that is funded by an economic stimulus grant.
- The Capital Replacement Fund is used capital replacement for governmental funds.
- The Series 2000 Parks Improvements Fund accounts for the construction of city-wide parks improvements which were financed by general obligation bonds.
- The Aquatic Facilities Construction Fund accounts for construction of aquatic facilities.
- The Baseball Field / Stadium Construction Fund accounts for the demolition of the existing Cobb Field and for the construction of the new baseball field and stadium.

CITY OF BILLINGS, MONTANA

Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2010

(Page 1 of 2)

	Urban Renewal Property Acquisition Fund	Tax Increment South Fund	Sidewalk and Curb Districts Fund	Special Improvements Districts Fund	Main Street Underpass Construction Fund	Capital Replacement Fund	Series 2000 Parks Improvements Fund
Assets							
Cash and cash equivalents	$ 9,368	$ 832	$ 11,644	$ 240,813	$ -	$ 2,768,091	$ 54,428
Investments	15,932	(503)	19,275	399,020	-	4,599,412	90,778
Receivables:							
Accounts and unbilled usage	-	-	-	-	-	-	1,168
Accrued interest	41	16	6	680	-	10,111	208
Receivables from other governments	-	-	-	-	-	-	22,777
Property held for resale	335,328	-	-	-	-	-	-
Total assets	$ 360,669	$ 345	$ 30,925	$ 640,513	$ -	$ 7,377,614	$ 169,359
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	$ -	$ -	$ 18,620	$ 134,136	$ -	$ 2,100	$ 25,554
Due to other funds	-	-	192,776	3,450	-	-	-
Total liabilities	-	-	211,396	137,586	-	2,100	25,554
Fund balance (deficit)							
Reserved for:							
Encumbrances	-	-	559,029	119,566	1,000,000	137,731	1,650
Property held for resale	335,328	-	-	-	-	-	-
Unreserved-undesignated	25,341	345	(739,500)	383,361	(1,000,000)	7,237,783	142,155
Total fund balance (deficit)	360,669	345	(180,471)	502,927	-	7,375,514	143,805
Total liabilities and fund balances	$ 360,669	$ 345	$ 30,925	$ 640,513	$ -	$ 7,377,614	$ 169,359

(continued)

CITY OF BILLINGS, MONTANA

Nonmajor Capital Projects Funds

Combining Balance Sheet

June 30, 2010

(Page 2 of 2)

	Aquatic Facilities Construction Fund	Baseball Field/Stadium Construction Fund	Total Nonmajor Capital Projects Funds
Assets			
Cash and cash equivalents	$ 13,592	$ 1,130	$ 3,099,898
Investments	20,347	8,966	5,153,227
Receivables:			
Accounts and unbilled usage	-	-	1,168
Accrued interest	52	2	11,116
Receivables from other governments	-	-	22,777
Property held for resale	-	-	335,328
Total assets	$ 33,991	$ 10,098	$ 8,623,514
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	$ -	$ -	$ 180,410
Due to other funds	-	-	196,226
Total liabilities	-	-	376,636
Fund balance (deficit)			
Reserved for:			
Encumbrances	-	336,532	2,154,508
Property held for resale	-	-	335,328
Unreserved-undesignated	33,991	(326,434)	5,757,042
Total fund balance (deficit)	33,991	10,098	8,246,878
Total liabilities and fund balances	$ 33,991	$ 10,098	$ 8,623,514

CITY OF BILLINGS, MONTANA

Nonmajor Capital Projects Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2010

(Page 1 of 2)

	Urban Renewal Property Acquisition Fund	Tax Increment South Fund	Sidewalk and Curb Districts Fund	Special Improvements Districts Fund	Main Street Underpass Construction Fund	Capital Replacement Fund	Series 2000 Parks Improvements Fund
Revenues:							
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ 112,831
Other	299	1,294	44,393	540,691	-	111,892	20,633
Total revenues	299	1,294	44,393	540,691	-	111,892	133,464
Expenditures:							
Public works	-	-	-	44,983	-	-	-
Culture and recreation	-	-	-	-	-	-	21,080
Capital outlay	12,147	123,561	259,390	837,689	-	808,006	95,503
Debt service:							
Bond issuance costs	-	-	8,500	-	-	-	-
Total expenditures	12,147	123,561	267,890	882,672	-	808,006	116,583
Revenues over (under) expenditures	(11,848)	(122,267)	(223,497)	(341,981)	-	(696,114)	16,881
Other financing sources (uses):							
Transfers in	-	-	-	-	-	1,451,461	-
Transfers out	-	-	(11,445)	(133,577)	-	-	-
Bond discount costs	-	-	-	-	-	-	-
Issuance of debt	-	-	-	80,500	-	-	-
Special assessment bonds issued	-	-	297,000	691,000	-	-	-
Total other financing sources (uses)	-	-	285,555	637,923	-	1,451,461	-
Net change in fund balances	(11,848)	(122,267)	62,058	295,942	-	755,347	16,881
Fund balance (deficit), beginning of year	372,517	122,612	(242,529)	206,985	-	6,620,167	126,924
Fund balance (deficit), end of year	$ 360,669	$ 345	$ (180,471)	$ 502,927	$ -	$ 7,375,514	$ 143,805

(continued)

CITY OF BILLINGS, MONTANA

Nonmajor Capital Projects Funds

Combining Statement of Revenue, Expenditures and Changes in Fund Balances

For the Fiscal Year Ended June 30, 2010

(Page 2 of 2)

	Aquatic Facilities Construction Fund	Baseball Field/Stadium Construction Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Intergovernmental	$ -	$ -	$ 112,831
Other	334	83	719,619
Total revenues	334	83	832,450
Expenditures:			
Public works	-	-	44,983
Culture and recreation	-	1,596	22,676
Capital outlay	-	17,978	2,154,274
Debt service:			
Bond issuance costs	-	-	8,500
Total expenditures	-	19,574	2,230,433
Revenues over (under) expenditures	334	(19,491)	(1,397,983)
Other financing sources (uses):			
Transfers in	-	80,359	1,531,820
Transfers out	-	-	(145,022)
Bond discount costs	-	-	-
Issuance of debt	-	-	80,500
Special assessment bonds issued	-	-	988,000
Total other financing sources (uses)	-	80,359	2,455,298
Net change in fund balances	334	60,868	1,057,315
Fund balance (deficit), beginning of year	33,657	(50,770)	7,189,563
Fund balance (deficit), end of year	$ 33,991	$ 10,098	$ 8,246,878

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, 2010

(Page 1 of 5)

	Urban Renewal Property Acquisition Fund				Tax Increment - South Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	100,539	100,539	299	100,240	577	577	1,294	(717)
Total revenues	100,539	100,539	299	100,240	577	577	1,294	(717)
Expenditures:								
Operations and maintenance	-	-	-	-	-	-	-	-
Capital outlay	90,128	90,128	12,147	77,981	89,303	123,561	123,561	-
Debt service:								
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	90,128	90,128	12,147	77,981	89,303	123,561	123,561	-
Revenues over (under) expenditures	10,411	10,411	(11,848)	22,259	(88,726)	(122,984)	(122,267)	(717)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Bond discount costs	-	-	-	-	-	-	-	-
General obiligation bonds issued	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	10,411	10,411	(11,848)	22,259	(88,726)	(122,984)	(122,267)	(717)
Fund balance (deficit), beginning of year			372,517				122,612	
Fund balance (deficit), end of year			$ 360,669				$ 345	

(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, 2010

(Page 2 of 5)

	Sidewalk and Curb Districts Fund				Special Improvement Districts Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Other	-	-	44,393	(44,393)	-	-	540,691	(540,691)
Total revenues	-	-	44,393	(44,393)	-	-	540,691	(540,691)
Expenditures:								
Operations and maintenance	-	-	-	-	-	-	44,983	(44,983)
Capital outlay	945,015	1,075,015	259,390	815,625	412,184	1,235,611	837,689	397,922
Debt service:								
Bond issuance costs	-	-	8,500	(8,500)	-	-	-	-
Total expenditures	945,015	1,075,015	267,890	807,125	412,184	1,235,611	882,672	352,939
Revenues over (under) expenditures	(945,015)	(1,075,015)	(223,497)	(851,518)	(412,184)	(1,235,611)	(341,981)	(893,630)
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	(11,445)	11,445	-	(17,833)	(133,577)	115,744
Bond discount costs	-	-	-	-	-	-	-	-
General obiligation bonds issued	-	-	-	-	-	-	80,500	(80,500)
Special assessment bonds issued	761,421	761,421	297,000	464,421	409,144	409,144	691,000	(281,856)
Total other financing sources (uses)	761,421	761,421	285,555	475,866	409,144	391,311	637,923	(246,612)
Net change in fund balances	(183,594)	(313,594)	62,058	(375,652)	(3,040)	(844,300)	295,942	(1,140,242)
Fund balance (deficit), beginning of year			(242,529)				206,985	
Fund balance (deficit), end of year			$ (180,471)				$ 502,927	

(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, 2010

(Page 3 of 5)

	Main Street Underpass Construction Fund				Capital Replacement Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Intergovernmental	$ -	$1,000,000	$ -	$1,000,000	$ -	$ -	$ -	$ -
Other	-	-	-	-	82,650	82,650	111,892	(29,242)
Total revenues	-	1,000,000	-	1,000,000	82,650	82,650	111,892	(29,242)
Expenditures:								
Operations and maintenance	-	-	-	-	-	-	-	-
Capital outlay	-	1,000,000	-	1,000,000	1,218,248	1,238,248	808,006	430,242
Debt service:								
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	-	1,000,000	-	1,000,000	1,218,248	1,238,248	808,006	430,242
Revenues over (under) expenditures	-	-	-	-	(1,135,598)	(1,155,598)	(696,114)	(459,484)
Other financing sources (uses):								
Transfers in	-	-	-	-	1,451,461	1,451,461	1,451,461	-
Transfers out	-	-	-	-	-	-	-	-
Bond discount costs	-	-	-	-	-	-	-	-
General obiligation bonds issued	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	1,451,461	1,451,461	1,451,461	-
Net change in fund balances	-	-	-	-	315,863	295,863	755,347	(459,484)
Fund balance (deficit), beginning of year			-				6,620,167	
Fund balance (deficit), end of year			$ -				$7,375,514	

(continued)

(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, 2010

(Page 4 of 5)

	Series 2000 Parks Improvements Fund				Aquatic Facilities Construction Fund			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Intergovernmental	$ 279,277	$ 279,277	$ 112,831	$ 166,446	$ -	$ -	$ -	$ -
Other	172,765	172,765	20,633	152,132	414	414	334	80
Total revenues	452,042	452,042	133,464	318,578	414	414	334	80
Expenditures:								
Operations and maintenance	-	-	21,080	(21,080)	-	-	-	-
Capital outlay	620,522	619,907	95,503	524,404	-	-	-	-
Debt service:								
Bond issuance costs	-	-	-	-	-	-	-	-
Total expenditures	620,522	619,907	116,583	503,324	-	-	-	-
Revenues over (under) expenditures	(168,480)	(167,865)	16,881	(184,746)	414	414	334	80
Other financing sources (uses):								
Transfers in	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-
Bond discount costs	-	-	-	-	-	-	-	-
General obiligation bonds issued	-	-	-	-	-	-	-	-
Special assessment bonds issued	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-
Net change in fund balances	(168,480)	(167,865)	16,881	(184,746)	414	414	334	80
Fund balance (deficit), beginning of year			126,924				33,657	
Fund balance (deficit), end of year			$ 143,805				$ 33,991	

(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, 2010

(Page 5 of 5)

	Baseball Field/Stadium Construction Fund				Total Nonmajor Capital Project Funds			
	Original Budget	Final Budget	Actual	Variance	Original Budget	Final Budget	Actual	Variance
Revenues:								
Intergovernmental	$ -	$ -	$ -	$ -	$ 279,277	$1,279,277	$ 112,831	$1,166,446
Other	-	-	83	(83)	356,945	356,945	719,619	(362,674)
Total revenues	-	-	83	(83)	636,222	1,636,222	832,450	803,772
Expenditures:								
Operations and maintenance	-	-	1,596	(1,596)	-	-	67,659	(67,659)
Capital outlay	27,250	23,378	17,978	5,400	3,402,650	5,405,848	2,154,274	3,251,574
Debt service:								
Bond issuance costs	-	-	-	-	-	-	8,500	(8,500)
Total expenditures	27,250	23,378	19,574	3,804	3,402,650	5,405,848	2,230,433	3,175,415
Revenues over (under) expenditures	(27,250)	(23,378)	(19,491)	(3,887)	(2,766,428)	(3,769,626)	(1,397,983)	(2,371,643)
Other financing sources (uses):								
Transfers in	-	82,000	80,359	1,641	1,451,461	1,533,461	1,531,820	1,641
Transfers out	-	-	-	-	-	(17,833)	(145,022)	127,189
Bond discount costs	-	-	-	-	-	-	-	-
General obiligation bonds issued	-	-	-	-	-	-	80,500	(80,500)
Special assessment bonds issued	-	-	-	-	1,170,565	1,170,565	988,000	182,565
Total other financing sources (uses)	-	82,000	80,359	1,641	2,622,026	2,686,193	2,455,298	230,895
Net change in fund balances	(27,250)	58,622	60,868	(2,246)	(144,402)	(1,083,433)	1,057,315	(2,140,748)
Fund balance (deficit), beginning of year			(50,770)				7,189,563	
Fund balance (deficit), end of year			$ 10,098				$8,246,878	

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NONMAJOR PERMANENT FUND

The City's non-major permanent fund is:

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

CITY OF BILLINGS, MONTANA

Nonmajor Permanent Fund

Balance Sheet

June 30, 2010

	Cemetery Perpetual Care Fund
Assets	
Cash and cash equivalents	$ 225,701
Investments	374,117
Accrued interest receivable	875
Total assets	$ 600,693
Fund Balance	
Fund balance:	
Reserved for endowments	$ 600,693
Total fund balance	$ 600,693

CITY OF BILLINGS, MONTANA

Nonmajor Permanent Fund

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

For the Fiscal Year Ended June 30, 2010

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Charges for services	$ 12,300	$ 12,300	$ 9,459	$ 2,841
Other	6,802	6,802	5,524	1,278
Total revenues	19,102	19,102	14,983	4,119
Other financing sources (uses):				
Transfers out	(6,802)	(6,802)	(5,542)	(1,260)
Total other financing sources (uses	(6,802)	(6,802)	(5,542)	(1,260)
Net change in fund balances	12,300	12,300	9,441	2,859
Fund balance, beginning of year			591,252	
Fund balance, end of year			$ 600,693	

NONMAJOR ENTERPRISE FUNDS

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

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

CITY OF BILLINGS, MONTANA

Nonmajor Enterprise Funds

Combining Statement of Net Assets

June 30, 2010

(Page 1 of 2)

Assets	Transit Fund	Golf Course Fund	Nonmajor Enterprise Funds
Current assets:			
Cash and cash equivalents	$ 662,364	$ 140,462	$ 802,826
Restricted cash and cash equivalents with fiscal ag	-	574	574
Investments	1,087,817	-	1,087,817
Receivables:			
Property taxes	102,325	-	102,325
Accounts and unbilled usage	8,748	671	9,419
Accrued interest	1,648	-	1,648
Receivables from other governments	523,471	-	523,471
Inventories	-	660	660
Prepaid items	-	5,725	5,725
Total current assets	2,386,373	148,092	2,534,465
Noncurrent assets:			
Property and equipment:			
Land	1,435,291	-	1,435,291
Buildings	7,311,310	1,290,207	8,601,517
Improvements other than buildings	987,849	-	987,849
Equipment and vehicles	8,302,965	-	8,302,965
Construction in progress	408,409	-	408,409
Less: accumulated depreciation	(7,743,510)	(720,138)	(8,463,648)
Total noncurrent assets	10,702,314	570,069	11,272,383
Total assets	13,088,687	718,161	13,806,848

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Net Assets
June 30, 2010
(Page 2 of 2)

	Transit Fund	Golf Course Fund	Nonmajor Enterprise Funds
Liabilities			
Current liabilities:			
Accounts payable	83,307	2,250	85,557
Accrued wages and benefits	145,306	39,746	185,052
Compensated absences	284,019	-	284,019
Notes payable	-	25,000	25,000
Total current liabilities	512,632	66,996	579,628
Noncurrent liabilities:			
Compensated absences	182,311	-	182,311
Other post employment benefits	201,340	-	201,340
Notes payable	-	50,000	50,000
Total noncurrent liabilities	383,651	50,000	433,651
Total liabilities	896,283	116,996	1,013,279
Net Assets			
Net assets:			
Invested in capital assets, net of related debt	10,702,314	495,069	11,197,383
Unrestricted	1,490,090	106,096	1,596,186
Total net assets	$ 12,192,404	$ 601,165	$ 12,793,569

CITY OF BILLINGS, MONTANA

Nonmajor Enterprise Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2010

	Transit Fund	Golf Course Fund	Total Nonmajor Enterprise Fund
Operating revenues:			
Charges for services and use of facilities	$ 688,663	$ 415,775	$ 1,104,438
Operating expenses:			
Salaries and benefits	3,224,401	205,763	3,430,164
Supplies	681,549	60,561	742,110
Contracted services	311,724	11,685	323,409
Utilities	93,962	21,204	115,166
Other	148,877	50,513	199,390
Depreciation	1,067,851	71,558	1,139,409
Total operating expenses	5,528,364	421,284	5,949,648
Operating income (loss)	(4,839,701)	(5,509)	(4,845,210)
Nonoperating revenues (expenses):			
Taxes	1,774,322	-	1,774,322
Intergovernmental	2,216,595	-	2,216,595
Interest expense	-	(1,997)	(1,997)
Interest and investment income	10,956	6	10,962
Gain (loss) on sale of capital assets	12,794	7,310	20,104
Other	5,133	-	5,133
Total nonoperating revenue (expense)	4,019,800	5,319	4,025,119
Income (loss) before capital contributions and transfers	(819,901)	(190)	(820,091)
Capital contributions	752,588	-	752,588
Transfers out	-	(20,000)	(20,000)
Change in net assets	(67,313)	(20,190)	(87,503)
Net assets, beginning of year	12,259,717	621,355	12,881,072
Net assets, end of year	$ 12,192,404	$ 601,165	$ 12,793,569

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010
(Page 1 of 2)

	Transit Fund	Golf Course Fund	Total Nonmajor Enterprise Funds
Cash flows from operating activities:			
Cash received from customers and users	$ 669,371	$ 417,195	$ 1,086,566
Cash received from other sources	5,133	-	5,133
Cash paid to employees for services	(3,076,183)	(205,763)	(3,281,946)
Cash paid to suppliers and contracted services	(1,803,626)	(144,113)	(1,947,739)
Cash paid to other sources	-	-	-
Net cash provided (used) by operating activities	(4,205,305)	67,319	(4,137,986)
Cash flows from noncapital financing activities:			
Cash received from tax revenues	1,757,315	-	1,757,315
Cash received from intergovernmental revenues	2,609,298	-	2,609,298
Transfers to other funds	-	(20,000)	(20,000)
Net cash provided (used) by noncapital financing activities	4,366,613	(20,000)	4,346,613
Cash flows from capital and related financing activities:			
Capital contributions	359,885	-	359,885
Acquisition and construction of capital assets	(707,604)	(101,662)	(809,266)
Proceeds from sales of capital assets	12,794	-	12,794
Cash paid for interest	-	(1,998)	(1,998)
Note proceeds	-	75,000	75,000
Passenger Facilities Charges	-	-	-
Net cash provided (used) by capital and related financing activities	(334,925)	(28,660)	(363,585)
Cash flows from investing activities:			
Cash received from interest	17,174	6	17,180
Sale of investments	1,814,570	-	1,814,570
Purchase of investments	(1,436,880)	-	(1,436,880)
Net cash provided (used) by investing activities	394,864	6	394,870
Net increase (decrease) in cash and cash equivalents	221,247	18,665	239,912
Cash and cash equivalents, beginning of year	441,117	122,371	563,488
Cash and cash equivalents, end of year	$ 662,364	$ 141,036	$ 803,400
Cash and cash equivalents consists of:			
Cash and cash equivalents	$ 662,364	$ 140,462	$ 802,826
Restricted cash and cash equivalents with fiscal agent	-	574	574
Cash and cash equivalents, end of year	$ 662,364	$ 141,036	$ 803,400

(continued)

CITY OF BILLINGS, MONTANA
Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010
(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)	$ (4,839,701)	$ (5,509)	$ (4,845,210)
Other nonoperating income (expense)	5,133	-	5,133
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation expense	1,067,851	71,558	1,139,409
(Increase) decrease in receivables	27,308	2,272	29,580
(Increase) decrease in receivables from other governments	(46,600)	-	(46,600)
(Increase) decrease in prepaid items	-	(852)	(852)
Increase (decrease) in accounts payable	(567,514)	(1,471)	(568,985)
Increase (decrease) in accrued liabilities	148,218	1,321	149,539
Net cash provided (used) by operating activities	$ (4,205,305)	$ 67,319	$ (4,137,986)
Noncash investing, capital and financing activities:			
Increase (decrease) in investment market value	(551)	-	(551)

INTERNAL SERVICE FUNDS

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

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

CITY OF BILLINGS, MONTANA

Internal Service Funds

Combining Statement of Net Assets

June 30, 2010

(Page 1 of 4)

Assets	Motor Pool Fund	Central Service Fund	Information Techology Fund	City Health Insurance Fund	Central Telephone Services Fund	Property Insurance Fund
Current assets:						
Cash and cash equivalents	$ 315,066	$ 53,343	$ 322,129	$ 636,508	$ 138,320	$ 938,871
Investments	516,543	88,537	534,115	1,058,614	229,418	1,563,057
Receivables:						
Accounts and unbilled usage	-	-	-	-	-	-
Deferred special assessments	-	-	-	-	-	-
Accrued interest	1,130	203	1,171	2,617	502	3,767
Notes	50,000	-	-	-	-	-
Prepaid items	-	-	-	-	-	-
Inventories	285,785	-	-	-	-	-
Total current assets	1,168,524	142,083	857,415	1,697,739	368,240	2,505,695
Notes receivable	750,000	-	-	-	-	-
Property and equipment:						
Land	-	-	-	-	-	-
Buildings	-	-	-	-	-	-
Improvements other than buildings	-	-	-	-	-	-
Equipment and vehicles	619,821	146,047	858,919	-	405,396	-
Construction in progress	-	-	-	-	62,430	-
Less: accumulated depreciation	(382,309)	(106,705)	(602,234)	-	(368,702)	-
Total noncurrent assets	987,512	39,342	256,685	-	99,124	-
Total assets	2,156,036	181,425	1,114,100	1,697,739	467,364	2,505,695

(continued)

CITY OF BILLINGS, MONTANA

Internal Service Funds

Combining Statement of Net Assets

June 30, 2010

(Page 2 of 4)

Assets	Radio Communications Fund	Facilities Management Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
Current assets:					
Cash and cash equivalents	$ 207,814	$ 125,217	$ 120,169	$ 94,309	$ 2,951,746
Investments	344,680	207,473	198,992	156,063	4,897,492
Receivables:					
Accounts and unbilled usage	-	-	-	13,465	13,465
Deferred special assessments	-	-	-	251	251
Accrued interest	770	425	451	81	11,117
Notes	-	-	-	-	50,000
Prepaid items	-	-	4,967	7,450	12,417
Inventories	-	-	-	-	285,785
Total current assets	553,264	333,115	324,579	271,619	8,222,273
Notes receivable	-	-	-	-	750,000
Property and equipment:					
Land	-	1,386,329	-	-	1,386,329
Buildings	385,655	8,963,489	-	-	9,349,144
Improvements other than buildings	19,692	1,986,847	-	-	2,006,539
Equipment and vehicles	1,216,958	53,369	5,700	285,110	3,591,320
Construction in progress	-	-	-	-	62,430
Less: accumulated depreciation	(1,528,025)	(1,761,432)	(950)	(221,320)	(4,971,677)
Total noncurrent assets	94,280	10,628,602	4,750	63,790	12,174,085
Total assets	647,544	10,961,717	329,329	335,409	20,396,358

(continued)

CITY OF BILLINGS, MONTANA

Internal Service Funds

Combining Statement of Net Assets

June 30, 2010

(Page 3 of 4)

	Motor Pool Fund	Central Service Fund	Information Techology Fund	City Health Insurance Fund	Central Telephone Services Fund	Property Insurance Fund
Liabilities						
Current liabilities:						
Accounts payable	$ 69,187	$ 5,762	$ 36,687	$ 211,848	$ 62,650	$ 39,268
Accrued wages and benefits	46,204	-	55,368	1,483	3,446	3,168
Compensated absences	101,573	-	137,684	-	849	10,471
Accrued interest payable	-	-	-	-	-	-
Incurred but not reported health benefits	-	-	-	700,000	-	-
Notes payable	-	-	-	-	-	-
Total current liabilities	216,964	5,762	229,739	913,331	66,945	52,907
Noncurrent liabilities:						
Compensated absences	65,199	-	88,380	-	545	6,721
Other post employment benefits	56,672	-	62,856	-	4,300	3,618
Notes payable	-	-	-	-	-	-
Total noncurrent liabilities	121,871	-	151,236	-	4,845	10,339
Total liabilities	338,835	5,762	380,975	913,331	71,790	63,246
Net Assets						
Net assets:						
Invested in capital assets, net of related debt	237,512	39,342	256,685	-	99,124	-
Unrestricted	1,579,689	136,321	476,440	784,408	296,450	2,442,449
Total net assets	$ 1,817,201	$ 175,663	$ 733,125	$ 784,408	$ 395,574	$ 2,442,449

(continued)

CITY OF BILLINGS, MONTANA

Internal Service Funds

Combining Statement of Net Assets

June 30, 2010

(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	$ 8,002	$ 12,903	$ 109	$ 393	$ 446,809
Accrued wages and benefits	-	14,310	26,564	70,455	220,998
Compensated absences	-	23,318	67,437	150,550	491,882
Accrued interest payable	-	85,665	-	-	85,665
Incurred but not reported health benefits	-	-	-	-	700,000
Notes payable	-	278,595	-	-	278,595
Total current liabilities	8,002	414,791	94,110	221,398	2,223,949
Noncurrent liabilities:					
Compensated absences	-	14,967	43,287	96,639	315,738
Other post employment benefits	-	19,614	25,442	69,618	242,120
Notes payable	-	4,721,320	-	-	4,721,320
Total noncurrent liabilities	-	4,755,901	68,729	166,257	5,279,178
Total liabilities	8,002	5,170,692	162,839	387,655	7,503,127
Net Assets					
Net assets:					
Invested in capital assets, net of related debt	94,280	5,628,687	4,750	63,790	6,424,170
Unrestricted	545,262	162,338	161,740	(116,036)	6,469,061
Total net assets	$ 639,542	$ 5,791,025	$ 166,490	$ (52,246)	$ 12,893,231

CITY OF BILLINGS, MONTANA

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2010

(Page 1 of 2)

	Motor Pool 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	$ 1,401,164	$ 107,398	$ 1,892,541	$ 9,495,287	$ 362,938	$ 1,826,949
Operating expenses:						
Salaries and benefits	995,612	-	1,334,587	9,131,786	84,341	78,856
Supplies	56,958	34,050	98,705	-	1,198	-
Contracted services	119,657	58,373	154,481	853,769	53,560	13,053
Utilities	6,566	-	43,835	-	126,229	-
Other	49,602	-	133,289	130,822	522	1,598,940
Depreciation	47,430	18,922	63,644	-	12,650	-
Total operating expenses	1,275,825	111,345	1,828,541	10,116,377	278,500	1,690,849
Operating income (loss)	125,339	(3,947)	64,000	(621,090)	84,438	136,100
Nonoperating revenues (expenses):						
Taxes	-	-	-	-	-	-
Interest expense	-	-	-	-	-	-
Interest and investment income	6,587	1,223	6,800	17,311	2,758	25,866
Gain (loss) on sale of capital assets	-	-	-	-	-	-
Other	6,910	-	300	1,790	-	51,683
Total nonoperating revenue (expense)	13,497	1,223	7,100	19,101	2,758	77,549
Income (loss) before capital contributions and transfers	138,836	(2,724)	71,100	(601,989)	87,196	213,649
Capital contributions	-	-	-	-	-	-
Transfers in	-	-	-	-	-	445,000
Transfers out	(95,769)	-	-	-	-	-
Change in net assets	43,067	(2,724)	71,100	(601,989)	87,196	658,649
Net assets, beginning of year	1,774,134	178,387	662,025	1,386,397	308,378	1,783,800
Net assets, end of year	$ 1,817,201	$ 175,663	$ 733,125	$ 784,408	$ 395,574	$ 2,442,449

(continued)

CITY OF BILLINGS, MONTANA

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Net Assets

For the Fiscal Year Ended June 30, 2010

(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	$ 243,254	$ 1,061,602	$ 830,551	$ 2,291,548	$ 19,513,232
Operating expenses:					
Salaries and benefits	-	329,920	622,763	1,823,821	14,401,686
Supplies	-	86,511	12,239	43,018	332,679
Contracted services	242,767	207,666	112,914	433,919	2,250,159
Utilities	16,915	237,827	17,690	154,673	603,735
Other	1,680	29,114	72,200	54,587	2,070,756
Depreciation	18,856	297,473	950	12,599	472,524
Total operating expenses	280,218	1,188,511	838,756	2,522,617	20,131,539
Operating income (loss)	(36,964)	(126,909)	(8,205)	(231,069)	(618,307)
Nonoperating revenues (expenses):					
Taxes	-	-	-	22,876	22,876
Interest expense	-	(262,710)	-	-	(262,710)
Interest and investment income	4,843	2,090	2,766	395	70,639
Gain (loss) on sale of capital assets	-	-	1,902	-	1,902
Other	-	-	38	323	61,044
Total nonoperating revenue (expense)	4,843	(260,620)	4,706	23,594	(106,249)
Income (loss) before capital contributions and transfers	(32,121)	(387,529)	(3,499)	(207,475)	(724,556)
Capital contributions	-	-	-	67,838	67,838
Transfers in	-	532,055	-	87,391	1,064,446
Transfers out	-	-	-	-	(95,769)
Change in net assets	(32,121)	144,526	(3,499)	(52,246)	311,959
Net assets, beginning of year	671,663	5,646,499	169,989	-	12,581,272
Net assets, end of year	$ 639,542	$ 5,791,025	$ 166,490	$ (52,246)	$ 12,893,231

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010
(Page 1 of 4)

	Motor Pool 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	$ -	$ -	$ -	$ -	$ -	$ 1,727
Cash received from interfund services provided	1,401,164	107,398	1,892,541	9,495,287	362,938	1,825,222
Cash received from other sources	6,910	-	300	1,790	-	51,683
Cash paid to employees for services	(947,050)	-	(1,291,282)	(9,131,662)	(81,569)	(75,751)
Cash paid to suppliers and contracted services	(250,947)	(92,524)	(438,273)	(888,740)	(123,219)	(1,606,081)
Net cash provided (used) by operating activities	210,077	14,874	163,286	(523,325)	158,150	196,800
Cash flows from noncapital financing activities:						
Transfers from other funds	-	-	-	-	-	445,000
Transfers to other funds	(95,769)	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	(95,769)	-	-	-	-	445,000
Cash flows from capital and related financing activities:						
Capital contributions	-	-	-	-	-	-
Acquisition and construction of capital assets	(12,661)	(1)	(65,127)	-	(62,430)	-
Proceeds from sales of capital assets	50,000	-	-	-	-	-
Cash paid for interest	-	-	-	-	-	-
Principal paid on notes payable and capital lease payable	-	-	-	-	-	-
Transfers from other funds	-	-	-	-	-	-
Net cash provided (used) by capital and related financing activities	37,339	(1)	(65,127)	-	(62,430)	-
Cash flows from investing activities:						
Cash received from interest	9,481	1,839	9,824	28,916	3,787	36,187
Sale of investments	681,857	123,577	740,822	2,008,542	277,206	1,879,612
Purchase of investments	(683,481)	(115,718)	(698,801)	(1,380,789)	(300,060)	(2,036,712)
Net cash provided by investing activities	7,857	9,698	51,845	656,669	(19,067)	(120,913)
Net increase (decrease) in cash and cash equivalents	159,504	24,571	150,004	133,344	76,653	520,887
Cash and cash equivalents, beginning of year	155,562	28,772	172,125	503,164	61,667	417,984
Cash and cash equivalents, end of year	$ 315,066	$ 53,343	$ 322,129	$ 636,508	$ 138,320	$ 938,871

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010
(Page 2 of 4)

	Radio Communications Fund	Facilities Management Fund	Public Works Administration Fund	Public Works Engineering Fund	Total Internal Service Funds
Cash flows from operating activities:					
Cash received from customers and users	$ -	$ 543,941	$ -	$ 232,615	$ 778,283
Cash received from interfund services provided	243,254	517,661	830,551	2,068,093	18,744,109
Cash received from other sources	-	-	38	718	61,439
Cash paid to employees for services	-	(309,779)	(598,678)	(1,436,559)	(13,872,330)
Cash paid to suppliers and contracted services	(256,974)	(587,163)	(221,467)	(693,254)	(5,158,642)
Net cash provided (used) by operating activities	(13,720)	164,660	10,444	171,613	552,859
Cash flows from noncapital financing activities:					
Transfers from other funds	-	-	-	87,391	532,391
Transfers to other funds	-	-	-	-	(95,769)
Net cash provided (used) by noncapital financing activities	-	-	-	87,391	436,622
Cash flows from capital and related financing activities:					
Capital contributions	-	-	-	67,838	67,838
Acquisition and construction of capital assets	-	-	(5,700)	(76,389)	(222,308)
Proceeds from sales of capital assets	-	-	1,902	-	51,902
Cash paid for interest	-	(267,247)	-	-	(267,247)
Principal paid on notes payable and capital lease payable	-	(264,809)	-	-	(264,809)
Transfers from other funds	-	532,055	-	-	532,055
Net cash provided (used) by capital and related financing activities	-	(1)	(3,798)	(8,551)	(102,569)
Cash flows from investing activities:					
Cash received from interest	7,008	2,436	3,909	(98)	103,289
Sale of investments	536,706	191,673	299,240	48,543	6,787,778
Purchase of investments	(450,817)	(271,634)	(260,685)	(204,589)	(6,403,286)
Net cash provided by investing activities	92,897	(77,525)	42,464	(156,144)	487,781
Net increase (decrease) in cash and cash equivalents	79,177	87,134	49,110	94,309	1,374,693
Cash and cash equivalents, beginning of year	128,637	38,083	71,059	-	1,577,053
Cash and cash equivalents, end of year	$ 207,814	$ 125,217	$ 120,169	$ 94,309	$ 2,951,746

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010
(Page 3 of 4)

	Motor Pool 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)	$ 125,339	$ (3,947)	$ 64,000	$ (621,090)	$ 84,438	$ 136,100
Other nonoperating income (expense)	6,910	-	300	1,790	-	51,683
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	47,430	18,922	63,644	-	12,650	-
(Increase) decrease in receivables	-	-	-	-	-	-
(Increase) decrease in inventories	(53,733)	-	-	-	-	-
(Increase) decrease in prepaid items	-	-	9,000	-	-	-
Increase (decrease) in accounts payable	35,569	(101)	(16,963)	95,851	58,290	5,912
Increase (decrease) in accrued liabilities	48,562	-	43,305	124	2,772	3,105
Net cash provided (used) by operating activities	$ 210,077	$ 14,874	$ 163,286	$ (523,325)	$ 158,150	$ 196,800
Noncash investing, capital and financing activities:						
Increase (decrease) in investment market value	(353)	(82)	(441)	(926)	(151)	(1,949)
Contribution of capital assets	-	-	-	-	-	-

(continued)

CITY OF BILLINGS, MONTANA
Internal Service Funds
Combining Statement of Cash Flows
For The Fiscal Year Ended June 30, 2010
(Page 4 of 4)

	Radio Communications Fund	Facilities Management 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)	$ (36,964)	$ (126,909)	$ (8,205)	$ (231,069)	$ (618,307)
Other nonoperating income (expense)	-	-	38	23,594	84,315
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation expense	18,856	297,473	950	12,599	472,524
(Increase) decrease in receivables	-	-	-	(13,716)	(13,716)
(Increase) decrease in inventories	-	-	-	-	(53,733)
(Increase) decrease in prepaid items	-	-	(4,967)	(7,450)	(3,417)
Increase (decrease) in accounts payable	4,388	(26,045)	(1,457)	393	155,837
Increase (decrease) in accrued liabilities	-	20,141	24,085	387,262	529,356
Net cash provided (used) by operating activities	$ (13,720)	$ 164,660	$ 10,444	$ 171,613	$ 552,859
Noncash investing, capital and financing activities:					
Increase (decrease) in investment market value	(244)	(120)	(190)	17	(4,439)
Contribution of capital assets	-	-	-	67,838	67,838

AGENCY FUNDS

The City's agency funds and their purposes are:

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

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

- The License Plate Fund accounts for amounts the City receives from Yellowstone County for license plate assessments and remits the same to the License Plate Fund as required by State Statutes.

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

CITY OF BILLINGS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2010
(Page 1 of 2)

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Downtown Business Improvement District				
Assets				
Cash and cash equivalents	$ -	$ 173,103	$ 173,103	$ -
Due from other governments	-	3,946	-	3,946
Total assets	$ -	$ 177,049	$ 173,103	$ 3,946
Liabilities				
Accounts payable	$ -	$ 173,103	$ 173,103	$ -
Due to other governments	-	3,946	-	3,946
Total liabilities	$ -	$ 177,049	$ 173,103	$ 3,946
Tourism Business Improvement District				
Assets				
Cash and cash equivalents	$ -	$ 633,162	$ 633,162	$ -
Due from other governments	-	4,633	-	4,633
Total assets	$ -	$ 637,795	$ 633,162	$ 4,633
Liabilities				
Accounts payable	$ -	$ 633,162	$ 633,162	$ -
Due to other governments	-	4,633	-	4,633
Total liabilities	$ -	$ 637,795	$ 633,162	$ 4,633
License Plate Fund				
Assets				
Cash and cash equivalents	$ -	$ 8,660	$ 8,660	$ -
Total assets	$ -	$ 8,660	$ 8,660	$ -
Liabilities				
Accounts payable	$ -	$ 8,660	$ 8,660	$ -
Total liabilities	$ -	$ 8,660	$ 8,660	$ -

(continued)

CITY OF BILLINGS
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For The Fiscal Year Ended June 30, 2010
(Page 2 of 2)

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
Montana Arts Council				
Assets				
Cash and cash equivalents	$ -	$ 13,525	$ 13,525	$ -
Due from other governments	5,400	-	5,400	-
Total assets	$ 5,400	$ 13,525	$ 18,925	$ -
Liabilities				
Accounts payable	$ 5,400	$ 13,525	$ 18,925	$ -
Total liabilities	$ 5,400	$ 13,525	$ 18,925	$ -
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	$ -	$ 828,450	$ 828,450	$ -
Due from other governments	5,400	8,579	5,400	8,579
Total assets	$ 5,400	$ 837,029	$ 833,850	$ 8,579
Liabilities				
Accounts payable	$ 5,400	$ 828,450	$ 833,850	$ -
Due to other governments	-	8,579	-	8,579
Total liabilities	$ 5,400	$ 837,029	$ 833,850	$ 8,579

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 154-162

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 163-166

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

Debt Capacity 167-175

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 176-177

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

Operating Information 178-182

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 Assets by Component
Last Eight Fiscal Years
(accrual basis of accounting)
(amounts expressed in thousands)
(Unaudited)

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

Source: City of Billings, Montana

[1] The City implemented GASB 34 in fiscal year 2003, therefore this schedule presents data for fiscal year 2003 and thereafter.

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

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

(continued)

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

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

(continued)

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

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

Source: City of Billings, Montana

[1] The City implemented GASB 34 in fiscal year 2003, therefore this schedule presents data for fiscal year 2003 and thereafter.

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

Fiscal Year	Property Tax	Business License Tax	Total
2003	$ 15,084	$ 559	$ 15,643
2004	16,303	578	16,881
2005	17,088	594	17,682
2006	20,371	613	20,984
2007	23,192	596	23,788
2008	26,001	610	26,611
2009	25,878	634	26,512
2010	28,106	643	28,749

Source: City of Billings, Montana

[1] The City implemented GASB 34 in fiscal year 2003, therefore this schedule presents data for fiscal year 2003 and thereafter

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

	Fiscal Years									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	$ 233	$ 211	$ 312	$ 748	$ 715	$ 145	$ 36	$ 130	$ 56	n/a
Unreserved	9,231	8,337	9,684	7,382	6,471	7,579	7,613	7,775	10,313	n/a
Total general fund	$ 9,464	$ 8,548	$ 9,996	$ 8,130	$ 7,186	$ 7,724	$ 7,649	$ 7,905	$ 10,369	n/a
All other governmental funds										
Reserved	$ 18,744	$ 17,962	$ 23,799	$ 19,863	$ 26,718	$ 18,947	$ 21,485	$ 22,651	$ 17,785	n/a
Unreserved, reported in:										
Special revenue funds	25,013	25,919	19,908	18,148	18,597	20,868	22,448	17,309	21,880	n/a
Debt service funds	-	-	-	14	-	-	908	-	-	n/a
Capital projects funds	3,648	1,882	3,868	3,603	2,835	4,824	16,283	5,040	6,392	n/a
Total all other governmental funds	$ 47,405	$ 45,763	$ 47,575	$ 41,628	$ 48,150	$ 44,639	$ 61,124	$ 45,000	$ 46,057	n/a

Source: City of Billings, Montana

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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	$ 15,024	$ 14,679	$ 14,942	$ 16,443	$ 17,008	$ 20,049	$ 22,953	$ 25,446	$ 26,006	$ 27,841
Licenses and permits	3,410	3,483	3,868	4,109	4,281	4,340	4,786	5,200	4,952	4,759
Intergovernmental	15,508	19,184	17,061	16,123	16,951	17,818	21,425	22,044	23,933	27,219
Charges for services:	6,909	6,943	8,525	9,012	10,270	10,776	10,688	10,385	10,801	9,743
Fines and forfeitures	1,604	1,486	1,419	1,605	1,401	1,651	2,017	1,869	1,650	1,809
Special assessments	10,496	11,769	12,881	14,348	16,149	16,874	16,890	17,180	18,021	17,984
Other	5,945	4,334	4,453	2,443	5,513	3,604	4,208	5,592	3,188	2,761
Total revenues	58,896	61,878	63,149	64,083	71,573	75,112	82,967	87,716	88,551	92,116
Expenditures										
Current:										
General government	4,863	5,546	5,252	5,567	6,358	6,679	7,083	6,452	6,942	7,147
Public safety	20,554	21,502	23,164	24,482	25,799	27,652	33,519	39,867	36,479	38,801
Public works	9,150	9,375	9,715	12,028	11,756	12,482	12,934	13,036	13,708	12,402
Public health	450	481	476	566	510	520	556	707	745	727
Culture and recreation	4,129	4,342	5,167	5,803	5,353	5,603	6,150	6,387	6,570	6,944
Housing and economic development	3,345	4,289	3,988	6,468	5,182	3,984	3,056	3,121	3,936	5,860
Capital outlay	13,273	14,505	17,781	13,748	10,454	13,996	9,858	29,671	17,072	8,313
Debt service:										
Principal	4,327	4,541	6,223	5,961	7,253	9,436	6,208	7,277	4,700	4,590
Interest and fiscal charges	1,958	1,982	1,829	1,642	1,538	1,565	1,433	1,693	1,858	2,172
Bond issuance costs	-	-	204	57	113	55	212	-	212	9
Total expenditures	62,049	66,563	73,799	76,322	74,316	81,972	81,009	108,211	92,222	86,965
Excess of revenues over (under) expenditures	$ (3,153)	$ (4,685)	$ (10,650)	$ (12,239)	$ (2,743)	$ (6,860)	$ 1,958	$ (20,495)	$ (3,671)	$ 5,151

(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									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Other financing sources (uses)										
Transfers in	$ 21,978	$ 22,849	$ 24,672	$ 22,725	$ 22,123	$ 22,903	$ 25,752	$ 23,191	$ 20,691	$ 21,267
Transfers out	(21,759)	(22,554)	(26,846)	(22,848)	(22,296)	(23,086)	(25,955)	(23,398)	(20,874)	(21,982)
Issuance of Debt	-	-	1,677	4,434	1,108	611	228	4,033	213	881
Capital leases	-	-	-	-	-	-	-	404		-
General obligation bonds issued	-	-	-	-	5,200	-	12,500	-	-	-
Special assessment bonds issued	4,083	1,832	14,123	-	-	-	380	168	6,665	988
Special assessment refunding bonds issued	-	-	6,240	7,055	1,275	3,371		-	-	-
Payment to bond refunding escrow agent	-	-	(6,393)	(6,976)	-	-	-	-	-	-
Premium on bonds issued	-	-	-	39	34	-	43	-	-	-
Bond discounts	-	-	(364)	(50)	(15)	(41)	-	-	(152)	-
Sale of capital assets	-	-	-	47	169	128	1,504	229	649	342
Total other financing sources (uses)	4,302	2,127	13,109	4,426	7,598	3,886	14,452	4,627	7,192	1,496
Special item										
Proceeds from sale of industrial real estate	-	-	1,250	-	-	-	-	-	-	-
Net change in fund balances	$ 1,149	$ (2,558)	$ 3,709	$ (7,813)	$ 4,855	$ (2,974)	$ 16,410	$ (15,868)	$ 3,521	$ 6,647
Debt service as a percentage of noncapital expenditures	12.9%	12.5%	14.4%	12.2%	13.8%	16.2%	10.7%	11.4%	8.7%	8.6%

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
2001	15,024	543	15,567
2002	14,679	541	15,220
2003	14,942	559	15,501
2004	16,443	578	17,021
2005	17,008	594	17,602
2006	20,049	613	20,662
2007	22,953	596	23,549
2008	25,446	610	26,056
2009	26,006	634	26,640
2010	27,841	643	28,484

Source: City of Billings, Montana

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

Fiscal Year	Real Property [4,5] Estimated Market Value	Real Property [4,5] Assessed Value	Personal Property Estimated Market Value	Personal Property Assessed Value	Total [6] Estimated Market Value [1]	Total [6] Assessed Value [2]	Direct Tax Rate	Ratio of Assessed Value to Estimated Market
2001	2,990,498,385 [3]	108,502,208	164,915,146	5,121,147	3,155,413,531	113,623,355	100.34	3.6%
2002	3,216,482,711	109,163,684	129,870,715	5,274,032	3,346,353,426	114,437,716	105.34	3.4%
2003	3,370,233,762	110,188,140	175,995,572	6,131,540	3,546,229,334	116,319,680	110.23	3.3%
2004	3,620,368,422	116,311,480	175,412,091	6,113,768	3,795,780,513	122,425,248	110.23	3.2%
2005	4,084,077,847	120,765,730	203,536,288	6,138,153	4,287,614,135	126,903,883	113.73	3.0%
2006	4,357,782,535	129,033,010	216,372,762	6,498,495	4,574,155,297	135,531,505	132.81	3.0%
2007	4,662,425,471	135,758,026	220,592,211	6,601,869	4,883,017,682	142,359,895	141.58	2.9%
2008	4,969,440,135	141,945,417	250,389,175	7,455,324	5,219,829,310	149,400,741	157.53	2.9%
2009	4,553,549,601	145,757,788	256,854,409	7,749,519	4,810,404,010 [7]	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%

[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 decrease due to 1999 legislation passed.

[4] Market value and assessed value includes Utilities category.

[5] Breakdown of commercial and residential property values is not available.

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

[7] For Fiscal Year 2009 State of Montana Department of Revenue did not include exempt properties.

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

	City						County			Big Sky		Total
Fiscal Year	General [4]	Library [4]	Public Safety [2]	Transit [4]	General Obligation Bonds [5]	Total [3]	County	School Education [1]	School District	Economic Development Authority	State	Direct and Overlapping Total
2001	69.50	9.50	10.00	10.00	1.34	100.34	63.95	94.87	165.92	2.33	47.50	474.91
2002	69.50	9.50	15.00	10.00	1.34	105.34	69.09	93.28	198.91	2.41	47.50	516.53
2003	69.50	9.50	20.00	10.00	1.23	110.23	75.58	104.18	220.36	2.48	47.50	560.33
2004	69.50	9.50	20.00	10.00	1.23	110.23	86.00	112.43	224.67	2.46	47.50	583.29
2005	69.50	9.50	20.00	10.00	4.73	113.73	90.32	111.45	222.88	2.71	47.50	588.59
2006	69.50	9.50	39.64	10.00	4.17	132.81	93.76	106.60	224.99	2.76	47.50	608.42
2007	69.50	9.50	48.09	10.00	4.49	141.58	100.08	106.71	200.83	2.82	47.50	599.52
2008	69.50	9.50	57.25	10.00	11.28	157.53	103.56	104.12	202.96	2.94	47.50	618.61
2009	74.00	5.00	64.34	10.00	10.42	163.76	106.37	104.72	192.18	3.02	47.50	617.55
2010	74.00	5.00	71.92	10.00	8.52	169.44	106.89	102.50	193.87	3.05	47.98	623.73

Source: Yellowstone County, Montana, Treasurer

[1] Includes School Equalization Lew and other Education Levies.

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

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

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

[5] During FY 08 Ball Park Bonds were issued for 7.07 mills thus increasing the General Obligation Bond total to 11.28.

CITY OF BILLINGS, MONTANA
Principal Property Taxpayers
June 30, 2010 and Ten Years Ago
(Unaudited)

	Tax Year 2009			Tax Year 2000		
Taxpayer	Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Assessed Valuation
Northwestern Corp Transmission	6,362,465	1	4.2%	$ -		0.0%
Qwest Corporation	3,127,106	2	2.1%	-		0.0%
Montana Dakota Utilities Co	1,514,241	3	1.0%	1,453,821	3	1.3%
Wal-Mart Real Estate Business	692,655	4	0.5%	349,919	9	0.3%
Macerich Rimrock Limited Partn	682,518	5	0.5%	801,236	4	0.7%
AT&T Communications	580,004	6	0.4%	625,923	5	0.6%
Western Sugar Company	564,287	7	0.4%	502,775	6	0.4%
Verizon Wireless	538,832	8	0.4%	-		0.0%
Wells Fargo Corporate Properti	439,261	9	0.3%	-		0.0%
Bresnan Broadband Dba Mt Teleg	425,955	10	0.3%	-		0.0%
Montana Power Company	-		0.0%	5,519,554	1	4.9%
U.S. West	-		0.0%	3,055,927	2	1.3%
United Industries	-		0.0%	493,820	7	0.4%
West Park Plaza Investors	-		0.0%	388,267	8	0.3%
Billings Joint Ventures	-		0.0%	338,802	10	0.3%
Total	$ 14,927,324		9.9%	$ 13,530,044		10.6%
Total assessed value	150,160,353			113,623,355		

Source: City of Billings, Montana

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

Fiscal Year	Total Tax Levy[1] for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	10,905,259	10,401,014	95.4%	503,768	10,904,782	100.0%
2002	11,484,409	11,057,917	96.3%	426,640	11,484,557	100.0%
2003	12,188,312	11,461,919	94.0%	729,565	12,191,484	100.0%
2004	12,858,681	12,191,932	94.8%	686,540	12,878,472	99.9%
2005	13,774,151	13,121,474	95.3%	650,073	13,771,547	100.0%
2006	16,740,890	15,911,958	95.0%	813,555	16,725,513	99.9%
2007	18,622,292	17,800,006	95.6%	815,440	18,615,446	100.0%
2008	21,659,793	20,533,104	94.8%	734,789	21,267,893	98.2%
2009	23,823,598	22,640,645	95.0%	1,076,305	23,716,950	99.6%
2010	25,249,468	23,902,572	94.7%	723,714	24,626,286	97.5%

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)

	Governmental Activities					
Fiscal Year	General Obligation Bonds	Tax Increment Bonds	Special Assessment Bonds	Intercap Notes Payable	Notes Payable	Capital Leases Payable
2001	1,700	9,465	23,761	386	-	-
2002	1,680	8,300	22,375	351	-	-
2003	1,630	6,240	32,584	1,157	835	6,600
2004	1,575	5,120	28,572	2,713	3,139	6,405
2005	6,720	3,905	24,713	2,195	3,915	6,199
2006	6,410	2,645	23,458	1,616	1,866	5,983
2007	18,655	1,345	20,343	1,133	1,538	5,756
2008	18,395	-	16,891	-	4,584	5,869
2009	17,655	-	20,919	-	4,066	5,520
2010	16,845	-	18,882	81	4,114	5,154

	Business-Type Activities							
Fiscal Year	Revenue Bonds Airport	Notes Payable Golf Course	Rev Bonds/ Notes Payable Water	Rev Bonds/ Notes Payable Wastewater	Notes Payable Parking	Total Primary Government	Percentage of Personal Income [2]	Per Capita
2001	11,965	335	-	-	-	47,612	1.28%	0.53
2002	11,615	293	-	-	-	44,614	1.18%	0.49
2003	11,250	280	-	-	-	60,576	1.53%	0.65
2004	10,865	228	-	-	-	58,617	1.37%	0.60
2005	10,465	175	-	-	-	58,287	1.28%	0.59
2006	10,040	126	5,460	4,309	-	61,913	n/a	0.62
2007	9,595	85	13,355	4,280	5,930	82,015	1.82%	0.81
2008	9,125	-	15,773	4,116	5,760	80,513	1.78%	0.78
2009	8,635	-	15,121	9,171	5,580	86,667	1.85%	0.83
2010	8,120	-	20,206	14,609	5,390	93,401	#DIV/0!	0.88

Source: City of Billings, Montana
[1] The City implemented GASB 34 in fiscal year 2003 and the debt by type was not classified as Governmental and Business-Type Activities prior to 2003.
[2] Personal income amount is not available for 2006.

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

Fiscal Year	Population [1]	Assessed Value [2]	General Obligation Bonds [3]	Less: Amounts Available in Debt Service Funds [4]	Net	Percentage of Estimated Actual Taxable Value of Property	Net Bonded Debt Per Capita
2001	89,847	113,623,355	1,700,000	75,190	1,624,810	1.4%	18.08
2002	91,195	114,437,716	1,680,000	109,462	1,570,538	1.4%	17.22
2003	93,388	116,319,680	1,630,000	101,701	1,528,299	1.3%	16.37
2004	97,253	122,425,248	1,575,000	103,368	1,471,632	1.2%	15.13
2005	99,198	126,903,883	6,720,000	522,301	6,197,699	4.9%	62.48
2006	100,148	132,165,804	6,410,000	456,867	5,953,133	4.5%	59.44
2007	101,650	137,538,752	18,655,000	528,308	18,126,692	13.2%	178.32
2008	103,100	144,941,193	18,395,000	1,731,344	16,663,656	11.5%	161.63
2009	103,994	153,347,183	17,655,000	1,849,644	15,805,356	10.3%	151.98
2010	105,845	157,544,887	16,845,000	1,720,203	15,124,797	9.6%	142.90

Sources and other information:

[1] Census taken every ten years. Actual census figures given for 2001.
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.

[4] Amount does not include Special Assessment or tax increment debt service funds.

CITY OF BILLINGS, MONTANA
Direct and Overlapping General Obligation Bonded Debt
June 30, 2010
(Unaudited)

Governmental Unit	Debt Outstanding [1]	Percent Applicable to City [4]	Estimated Share of Overlapping Debt
Overlapping:			
County	$ 6,466,000 [2]	48.3%	$ 3,123,078
Direct:			
City	16,845,000 [3]	100.0%	16,845,000
Total direct and overlapping debt	$ 23,311,000		$ 19,968,078

Source and other information:

[1] Does not include Special Assessment debt with government commitment or tax increment debt.

[2] Finance Department, Yellowstone County, Montana.

[3] City of Billings, Montana

[4] The percentage of overlapping debt applicable to the City is estimated using taxable property values. Applicable percentages were estimated by determining the portion of the other government's taxable value that is within the City's boundaries and dividing it by the other govenment's total taxable value.

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

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

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt limit	$ 31,814	$ 50,530	$ 53,193	$ 57,316	$ 64,743	$ 69,070	$ 73,734	$ 130,496	$ 120,260	$ 126,264
Total net debt applicable to limit	2,011	1,922	9,286	10,590	14,592	13,552	25,016	22,280	21,170	20,030
Legal debt margin	$ 29,803	$ 48,608	$ 43,907	$ 46,726	$ 50,151	$ 55,518	$ 48,718	$ 108,216	$ 99,090	$ 106,234
Total net debt applicable to the limit as a percentage of debt limit	6.32%	3.80%	17.46%	18.48%	22.54%	19.62%	33.93%	17.07%	17.60%	15.86%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed market value:		
Real property	$ 4,592,703,751	
Personal property	162,354,363	
Utilities	295,488,398	
Total assessed value	$ 5,050,546,512	
Debt amount limited to 2.5% of total assessed value		$ 126,263,663
Less:		
General obligation bonded debt outstanding	16,845,000	
General obligation lease payable-BOC	4,999,914	
Total net debt applicable to limit		21,844,914
Plus:		
Amount set aside for repayment of GO debt		1,815,080
Legal debt margin		$ 106,233,829

Source: City of Billings, Montana
Note: Under state law, the City of Billings, Montana's oustanding 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	
2001	22,279,772	10,293,141	11,986,631	2,215,000	352,180	2,567,180	4.7
2002	20,611,574	11,134,497	9,477,077	2,345,000	233,516	2,578,516	3.7
2003	25,010,600	11,346,464	13,664,136	3,975,000 [3]	-	3,975,000	3.4
2004	25,056,254	11,784,291	13,271,963	-	-	-	N/A
2005	23,987,979	12,659,436	11,328,543	-	-	-	N/A
2006	26,806,825	14,385,330	12,421,495	371,000 [4]	85,658	456,658	27.2
2007	28,495,544	15,161,687	13,333,857	763,000	519,548	1,282,548	10.4
2008	30,114,284	16,280,346	13,833,938	792,000	651,314	1,443,314	9.6
2009	31,535,859	16,507,448	15,028,411	948,000	753,501	1,701,501	8.8
2010	31,671,419	16,516,713	15,154,706	1,389,000	1,155,659	2,544,659	6.0

Source: City of Billings, Montana

[1] Includes operating revenue and interest income.

[2] Total operating expenses exclusive of depreciation.

[3] 1991 revenue bonds due on 7-1-2005 were retired on 7-1-2002, required principal for fiscal year 2003 was $1,630,000.

[4] 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	
2001	5,774,356	4,202,241	1,572,115	- [4]	781,459	781,459	2.0
2002	5,874,025	4,780,843	1,093,182	350,000	745,510	1,095,510	1.0
2003	6,370,051	4,940,516	1,429,535	365,000	721,941	1,086,941	1.3
2004	6,865,738	4,904,501	1,961,237	385,000	683,963	1,068,963	1.8
2005	7,009,310	5,135,523	1,873,787	400,000	676,581	1,076,581	1.7
2006	7,328,189	5,351,434	1,976,755	425,000	649,790	1,074,790	1.8
2007	7,896,925	5,370,760	2,526,165	445,000	628,802	1,073,802	2.4
2008	8,084,353	6,016,118	2,068,235	470,000	600,575	1,070,575	1.9
2009	8,172,942	6,499,711	1,673,231	490,000	570,242	1,060,242	1.6
2010	9,291,458	6,455,160	2,836,298	515,000	538,455	1,053,455	2.7

Source: City of Billings, Montana

[1] Includes operating revenue and interest income.

[2] Total operating expense exclusive of depreciation.

[3] 1990-1991 Bonds were refunded in exchange for 2000 Series refunding bonds.

[4] First principal payment for 2000 Series bond was due on July 1, 2002.

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	Gross[1] Revenue	Debt Service Requirements			Coverage
		Principal	Interest	Total	
2001	3,388,106	2,614,804	719,815	3,334,619	101.6%
2002	4,062,459	2,711,911	809,828	3,521,739	115.4%
2003	5,369,724	3,441,934	760,408	4,202,342	127.8%
2004	5,020,314	3,541,665	997,598	4,539,263	110.6%
2005	3,930,214	4,288,762	986,261	5,275,023	74.5%
2006	3,813,756	3,761,424	850,015	4,611,439	82.7%
2007	3,715,399	2,615,000	791,898	3,406,898	109.1%
2008	2,805,088	2,720,000	705,167	3,425,167	81.9%
2009	3,135,673	2,212,000	620,797	2,832,797	110.7%
2010	2,519,745	2,090,111	1,060,094	3,150,205	80.0%

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 Bonds[2]
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Gross[1] Revenue	Less: Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2001	2,312,283	1,102,967	1,209,316	580,000	502,850	1,082,850	213.5%
2002	2,349,341	1,139,081	1,210,260	610,000	472,583	1,082,583	217.0%
2003	2,446,110	853,566	1,592,544	635,000	436,958	1,071,958	228.2%
2004	2,673,684	737,419	1,936,265	670,000	285,554	955,554	279.8%
2005	2,795,567	1,081,148	1,714,419	845,000	146,660	991,660	281.9%
2006	2,986,222	2,445,344	540,878	865,000	131,118	996,118	299.8%
2007	2,994,862	1,115,485	1,879,377	880,000	113,179	993,179	301.5%
2008	3,256,003	2,369,751	886,252	900,000	95,396	995,396	327.1%
2009	3,235,041	2,625,836	609,205	920,000	77,693	997,693	324.3%
2010	3,318,326	2,156,315	1,162,011	935,000	57,961	992,961	334.2%

Source: City of Billings, Montana
Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
[1] Gross revenue includes assessments and investment earnings.
[2] Included in special assessment bonds in the financial statements and related notes.

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

Fiscal Year	Gross[1] Revenue	Less: Operating Expense [2]	Net Revenue Available for Debt Service	Debt Service Requirements			Coverage
				Principal	Interest	Total	
2007	$ 1,871,083	$ 1,047,789	$ 823,294	$ -	$ -	$ -	n/a
2008	1,955,244	1,161,458	793,786	170,431	324,964	495,395	1.6
2009	1,922,134	1,545,816	376,318	179,771	315,624	495,395	0.8
2010	1,764,693	1,545,816	218,877	189,622	305,773	495,395	0.4

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 payble was issued in the fiscal year 2007. Prior to 2007, there was no pledged revenue debt for Parking.

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

Fiscal Year	Population [1]	Total Personal Income [5] *(In billions)*	Per Capita Income [2]	Median Age [2]	School Enrollment [3]	Unemployment Rate [4]
2001	89,847	3,722,060	25,253	37	15,462	3.7%
2002	91,195	3,795,815	25,632	37	15,697	4.5%
2003	93,388	3,955,466	25,323	37	15,737	3.4%
2004	97,253	4,265,063	26,057	37	15,718	3.1%
2005	99,198	4,536,682	29,421	37	15,704	3.3%
2006	100,148	Not Available	31,220	37	15,604	3.5%
2007	101,650	4,500,000	35,068	39	15,503	2.6%
2008	103,100	4,525,000	37,247	38	15,505	3.1%
2009	103,994	4,675,202	36,513	38	15,681	4.7%
2010	105,845	5,900,362	38,737	38	15,608	5.5%

Sources and other information:

[1] Census taken every ten years. Actual census figures given for 2001.
All other years are estimated by City/County Planning, Yellowstone County, Montana.

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

[3] Billings School District #2.

[4] State of Montana Research & Analysis Bureau.

[5] Census and Economic Information Center (CEIC), Montana Department of Commerce. Current Fiscal Year given as estimate on

Principal Employers
Current Year and Ten Years Ago
(Unaudited)

	2010			2001		
Employer	Number of Employees [1]	Rank	Percentage of Total City Employment [2]	Number of Employees [1]	Rank	Percentage of Total City Employment [3]
Billings Clinic	3,508	1	4.37%	2,457	1	-
School District #2	2,209	2	2.75%	2,022	3	-
St. Vincent Healthcare	2,150	3	2.68%	1,800	2	-
Stillwater Mining Company	1,315	4	1.64%	1,661	4	-
Avitus Group	1,003	5	1.25%	766	5	-
Wal Mart	966	6	1.20%	770	10	-
City of Billings	871	7	1.08%	800	8	-
Yellowstone County	760	8	0.95%	738	6	-
St John's Lutheran Home	600	9	0.75%	Not Available	9	-
Montana State University-Billings	580	10	0.72%	485	7	-
Total	13,962		17.37%	11,499		-

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 80,358 employees in the greater Billings Metro Area.

[3] Total City Employment not available for 2001.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	90.3	91.2	103.3	107.8	107.3	115.3	109.8	98.5	101.5	83.0
Planning and community services	27.5	27.5	29.2	31.3	34.3	35.8	36.8	36.1	37.1	28.0
Library	28.5	28.5	28.5	29.6	30.2	30.2	30.4	30.6	30.7	30.7
Public safety[1]										
Police	142.0	145.0	149.0	153.0	150.0	155.0	158.0	160.0	163.0	167.0
Animal shelter	7.0	7.0	7.0	7.0	7.0	7.0	7.0	9.0	10.0	7.0
Fire	140.5	141.5	139.2	139.2	139.0	146.0	152.0	155.0	147.0	148.0
Streets/Traffic	36.0	36.0	39.0	39.0	39.0	40.0	44.0	43.0	43.0	43.0
Water and Wastewater	104.5	103.0	103.0	103.0	97.0	101.0	103.0	107.0	103.0	104.0
Sanitation	47.0	47.0	50.0	50.0	51.5	52.5	53.5	58.5	62.5	62.5
Parking	13.8	13.8	13.8	14.8	14.8	14.8	14.8	14.8	15.8	15.3
Aviation	48.0	48.0	52.0	53.0	53.0	53.0	53.0	56.0	56.0	56.0
Transit	49.4	55.1	55.7	55.3	55.3	55.3	55.3	55.3	55.3	55.3
Internal services	25.0	25.0	27.0	28.0	33.0	34.5	38.0	46.0	49.0	72.0
Total	759.5	768.6	796.7	811.0	811.4	840.4	855.6	869.8	873.9	871.8

Source: City of Billings Annual Budget

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

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

Activity	Report Period[1]	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Police											
Dispatched Calls	FY	53,867	53,654	55,304	57,382	59,857	59,736	59,958	60,156	60,112	59,840
Arrests	CY	9,700	8,153	8,052	8,311	8,069	7,360	8,348	7,256	7,631	6,815
Traffic Violations	CY	31,563	27,772	31,835	24,529	28,056	37,143	33,698	24,567	28,884	24,024
Traffic Accidents	CY	3,563	3,722	3,784	3,328	3,504	7,136	3,695	3,313	3,081	2,912
Fire											
Dispatched Calls	FY	8,610	8,873	9,340	9,673	11,309	11,629	11,879	11,426	10,728	10,499
Inspections	CY	1,704	1,857	2,516	2,728	2,464	1,799	2,723	1,835	2,840	1,021
Solid Waste											
Residential Customers	FY	26,798	27,109	28,873	28,286	28,805	29,381	29,981	30,477	31,101	31,554
Commerical Customers	FY	2,911	2,914	3,743	3,331	3,436	3,511	3,566	3,596	3,642	3,704
Landfill trips	FY	118,927	125,513	50,000	140,407	145,690	150,872	153,634	169,101	120,821	143,046
Water											
Customers	FY	26,195	26,383	26,882	27,651	27,656	28,055	28,406	28,864	29,073	29,248
Average Daily Consumption (millions of gallons)	FY	21	21	21	24	19	25	25	23	21	20
Wastewater											
Customers	FY	27,560	27,995	28,555	29,334	29,719	30,235	30,748	31,637	31,909	32,193
Average Daily Treatment (millions of gallons)	FY	14	14	15	15	15	15	16	16	15	16

Source: City of Billings Operating Budget, Billings, Montana

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

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

	Report	Years									
Date of Incorporation - 1882	**Period[1]**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
Form of Government - Council/Administrator											
Area in Square Miles	FY	34.0	38.0	38.8	38.8	38.8	39.1	40.4	40.4	40.1	40.1
Activity											
Public Safety											
Police											
Stations	FY	1	1	1	1	1	1	1	1	1	1
Police Officers	FY	118	122	122	128	129	132	129	134	143	143
Fire											
Stations	FY	6	6	6	6	6	6	6	7	7	7
Firefighters/Officers/Dispatchers	FY	141	142	142	135	145	144	143	144	146	148
Streets											
Streets (miles)	CY	478	481	501	510	521	531	531	540	458	523
Streetlights	FY	7,563	7,583	7,722	7,722	7,624	7,660	7,816	7,816	7,993	8,000
Street Light Maintenance Districts	FY	157	158	168	168	168	168	177	180	183	181
City Parks											
Developed Acres	FY	479	482	489	505	522	534	1,080	625	1,183	1,183
Undeveloped Acres	FY	360	441	426	445	457	460	200	440	290	290
Natural Park Acres	FY	1,701	1,701	1,771	1,868	1,892	1,909	717	1,900	1,107	1,107
Parking											
Garages	FY	4	4	4	4	4	4	4	4	4	4

(continued)

Source: City of Billings Operating Budget, Billings, Montana

[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 Period[1]	Years 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Water											
Water Mains (miles)	FY	373	376	379	404	413	426	433	436	441	447
Fire Hydrants	FY	3,366	3,453	3,533	3,676	3,681	3,825	3,853	3,912	3,969	4,145
Maximum Daily Capacity (millions of gallons)	FY	50	50	50	50	50	60	65	60	46	60
Wastewater											
Storm Sewers (miles)	FY	128	132	136	139	141	146	147	147	149	149
Sanitary Sewers (miles)	FY	363	370	376	396	412	423	429	433	444	466
Maximum Daily Capacity (millions of gallons)	FY	26	26	26	26	26	26	27	27	26	26

Source: City of Billings Operating Budget, Billings, Montana

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

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

	Construction [1]						
	Commercial		Residential [2]				
Fiscal Year	Number of Permits	Value	Number of Permits	Value		Bank Deposits (in thousands) [3]	Property Value [4,6]
2001	85	29,942,729	305	38,371,251		1,388,220	3,155,413,531
2002	76	34,629,914	350	45,096,527		1,448,089	3,346,353,426
2003	94	34,640,124	450	62,714,706		1,607,785	3,546,229,334
2004	129	44,527,113	569	91,458,054		1,645,937	3,795,780,513
2005	112	52,378,039	560	92,302,312		1,720,366	4,287,614,135
2006	113	47,749,028	503	93,464,621		1,930,591	4,574,155,297
2007	88	87,937,071 [5]	496	89,502,065		2,222,151	4,883,017,682
2008	69	107,949,910 [7]	388	71,378,452		2,858,991	5,219,829,310
2009	71	63,332,381	227	38,331,029	[8]	3,144,622	4,810,404,010 [9]
2010	67	61,242,125	278	51,019,706		3,737,755	5,135,553,650

Sources and other information:

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

[2] Single family only.

[3] Individual banks.

[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.

SINGLE AUDIT SECTION

EideBailly

CPAs & BUSINESS ADVISORS

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

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*

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Billings, Montana (the City) as of and for the year ended June 30, 2010, and have issued our report thereon dated January 4, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified certain deficiencies in internal control over financial reporting that we considered to be a material weakness.

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A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness as 2010-A.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important to enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as 2010-B and 2010-C.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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.*

We also noted certain matters that we reported to the management of the City in a separate letter dated January 4, 2011.

City responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Billings, MT
January 4, 2011

EideBailly

CPAs & BUSINESS ADVISORS

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

Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance With OMB Circular A-133

Compliance

We have audited the compliance of the City of Billings, Montana, (the City) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Billings, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

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Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be a material weakness as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the schedule of findings and questioned costs as items 2010-01, 2010-02, 2010-03 and 2010-04.
A *significant deficiency in internal control over compliance* is a deficiency, or 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

Eide Bailly LLP

Billings, MT
January 4, 2011

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010
(Page 1 of 5)

Federal Grantor	Federal CFDA Number	Major or Nonmajor	Program Amount or Grant Award	Unexpended Revenue Balance June 30, 2009	Revenue	Expenditures	Unexpended Revenue Balance June 30, 2010
U.S. Department of Housing and Urban Development							
Community Development Block Grants and Entitlement Grants:	14.218	Major					
Grant entitlement B-07-Mc-30-001			726,175	-	41,821	41,821	-
Grant entitlement B-08-Mc-30-001			701,234	-	428,023	428,023	-
Grant entitlement B-09-Mc-30-001			710,657	-	715,094	715,094	-
CFDA subtotal			2,138,066	-	1,184,938	1,184,938	-
Community Development Block Grant through the American Recovery and Reinvestment Act of 2009	14.253	Major	190,430	-	119,279	119,279	-
			190,430	-	119,279	119,279	-
Special Project Grant-Consolidated Appropriations Act 2(B-08-SP-MT-0509	14.251	Nonmajor	262,640	-	261,381	261,381	-
			262,640	-	261,381	261,381	-
Passed through the Montana Department of Commerce Neighborhood Stabilization Program - ARRA of 2009	14.228	Nonmajor	525,665	-	4,440	4,440	-
			525,665	-	4,440	4,440	-
Home Investment Partnerships Program:	14.239	Nonmajor					
Grant entitlement M 07 MC 300213			500,839	-			-
Grant entitlement M 08 MC 300213			483,959	-	21,625	21,625	-
Grant entitlement M 09 MC 300213			537,195	-	401,716	401,716	-
CFDA subtotal			1,521,993	-	423,341	423,341	-
Corporation for National and Community Service							
AmeriCorps VISTA -							
Recovery Support Grant 09-RVP-MT-005	94.013	Nonmajor	17,525	-	17,110	17,110	-
VISTA State Support Grant 09-VSP-MT-001			20,000	-	14,900	14,900	-
			37,525	-	32,010	32,010	-
U.S. Department of Agriculture							
Passed through the State of Montana Department of Public Health and Human Services							
Housing First Project 08-028-36001-0	10.561	Nonmajor	300,000	-	142,650	142,650	-
CFDA subtotal			300,000	-	142,650	142,650	-
U.S. Department of Transportation							
Airport Improvement Program:	20.106	Major					
AIP3-30-008-32			475,000	-	1	1	-
AIP3-30-008-33			3,456,846	-	(30,869)	(30,869)	-
AIP3-30-008-34			1,869,268	-	19,025	19,025	-
AIP3-30-008-35			2,996,447	-	2,158,258	2,158,258	-
AIP3-30-008-36			1,479,492	-	711,360	711,360	-
AIP3-30-008-37-ARRA			1,134,558	-	728,005	728,005	-
AIP3-30-008-38			1,488,484	-	174,785	174,785	-
CFDA subtotal			12,900,095	-	3,760,565	3,760,565	-

(continued)

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010
(Page 2 of 5)

Federal Grantor	Federal CFDA Number	Major or Nonmajor	Program Amount or Grant Award	Unexpended Revenue Balance June 30, 2009	Revenue	Expenditures	Unexpended Revenue Balance June 30, 2010
U.S. Department of Transportation (continued)							
Federal Transit Capital and Operating Assistance							
Formula Grants	20.507	Major					
FTA Section 9-Capital MT-96-0002-ARRA			1,884,898	-	392,704	392,704	-
FTA Section 9-Capital MT-03-0026			4,383,547	-	359,885	359,885	-
FTA Section 9-Operating MT-90-4085-00			1,442,040	-	1,422,040	1,422,040	-
CFDA subtotal			7,710,485	-	2,174,629	2,174,629	-
Federal Transit Metropolitan Planning Grants	20.505	Nonmajor					
FTA Section 5303-Operating-Passed Through the State of Montana Contract # 103686			141,138	-	10,511	10,511	-
FTA Section 5303-Operating-Passed Through the State of Montana Contract # 104201			160,438	-	121,304	121,304	-
CFDA subtotal			301,576	-	131,815	131,815	-
State and Community Highway Safety:	20.600	Nonmajor					
Passed through the State of Montana:							
STEP OT 2009-11-04-01 & 2009-17-04-01			14,500	-	3,357	3,357	-
STEP OT 2009-08-08-01			5,150	-	5,150	5,150	-
STEP OT 2010-05-04-04 & 2010-16-04-04			15,000	-	10,373	10,373	-
2009-16-21-01			170,895	-	164,481	164,481	-
CFDA subtotal			205,545	-	183,361	183,361	-
Highway Planning and Construction:	20.205	Nonmajor					
TCSP-007-Q69 Alklali Creek Trail			495,654	-	41,785	41,785	-
Safe Routes to School Contract #104597			50,000	-	50,000	50,000	-
2004/2007 Rec Trails for Lampman Trail			20,000	-	20,000	20,000	-
RT 2006-02 Gabel Road Connector Trail			23,000	-	23,000	23,000	-
Passed through the State of Montana							
CTEP Grant STPE 1099 (41)			175,961	-	19,009	19,009	-
CTEP Grant STPE 1099 (44)			81,384	-	78,935	78,935	-
CTEP Grant STPE 1099 (47)			69,515	-	3,180	3,180	-
CTEP Grant STPE 1099 (48)			157,800	-	155,966	155,966	-
CTEP Grant STPE 1099 (55)			402,864	-	90,458	90,458	-
CTEP Grant STPE 1099 (56)			384,632	-	4,589	4,589	-
CTEP Grant STPE 1099 (59)			250,199	-	151,504	151,504	-
CTEP Grant STPE 1099 (61)			37,171	-	37,171	37,171	-
CTEP Grant STPE 1099 (62)			97,186	-	5,195	5,195	-
CTEP Grant STPE 1099 (63)			88,699	-	58,018	58,018	-
CTEP Grant STPE 1099 (68)			1,279,062	-	22,243	22,243	-
Metropolitan Planning Funds SPR-PL-1 (47)			700,100	-	137,805	137,805	-
Metropolitan Planning Funds SPR-PL-1 (48)			700,100		437,742	437,742	
Montana Air & congestion Initiative CM 1099(32) - 86.58% Federal			1,393,072	-	464,083	464,083	-
CFDA subtotal			6,406,399	-	1,800,683	1,800,683	-

(continued)

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010
(Page 3 of 5)

Federal Grantor	Federal CFDA Number	Major or Nonmajor	Program Amount or Grant Award	Unexpended Revenue Balance June 30, 2009	Revenue	Expenditures	Unexpended Revenue Balance June 30, 2010
U.S. Department of Energy							
Energy Efficiency & Conservation Block Grant							
DE-SC0002930-ARRA	81.128	Nonmajor	1,603,000	-	140,897	140,897	-
CFDA subtotal			1,603,000	-	140,897	140,897	-
U.S. Department of Army, Corp of Engineers							
Section 595-W912EF-08-3-0006	12.110	Nonmajor					
Billings West Wicks			245,000	-	191,590	191,590	-
Orchard Lane			178,000	-	178,000	178,000	-
CFDA subtotal			423,000	-	369,590	369,590	-
U.S. Department of Interior							
Historic Preservation Fund Grants-In-Aid:	15.904	Nonmajor					
Passed through the Montana Historic Society;							
MT 09-012			5,500	-	4,548	4,548	-
PA-III-09-005			11,750	-	11,750	11,750	-
CFDA subtotal			17,250	-	16,298	16,298	-
U.S. Department of Justice							
Office of Juvenile Justice Delinquency Program	16.543	Nonmajor					
Internet Crimes Against Children 2007-DD-BX-K077			450,000	-	108,306	108,306	-
CFDA subtotal			450,000	-	108,306	108,306	-
Violence Against Women Formula Grants passed through State of Montana Board of Crime Control	16.588	Nonmajor					
Victim/Witness Program 09-W03-90535			38,000	-	35,318	35,318	-
Domestic Violence Unit 09-W03-90536			52,000	-	51,251	51,251	-
CFDA subtotal			90,000	-	86,569	86,569	-
Justice Assistance Grants:							
2009-DJ-BX-0719	16.738	Major	32,377	-	28,946	28,946	-
CFDA subtotal			32,377	-	28,946	28,946	-
2009-SB-B9-0568 ARRA	16.804	Major	222,508	-	128,912	128,912	-
CFDA subtotal			222,508	-	128,912	128,912	-
Technology Grants:							
2008-CK-WX-0035 Crime Scene Vehicle	16.710	Nonmajor	177,707	-	28,514	28,514	-
2008-CK-WX-0125 Digital Video Cameras			205,766	-	1,276	1,276	-
2009-CK-WX-0281 Digital Video Cameras			269,000	-	234,080	234,080	-
CFDA subtotal			652,473	-	263,870	263,870	-

(continued)

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010
(Page 4 of 5)

Federal Grantor	Federal CFDA Number	Major or Nonmajor	Program Amount or Grant Award	Unexpended Revenue Balance June 30, 2009	Revenue	Expenditures	Unexpended Revenue Balance June 30, 2010
U.S. Department of Justice (continued)							
Office of Justice Porgrams:							
Adult Misdemeanor Mental Health Treatment Court							
2008-MO-BX-0010	16.745	Nonmajor	249,415	-	101,398	101,398	-
CFDA subtotal			249,415	-	101,398	101,398	-
ARRA-JAG Edward Byrne Memorial Grant passed through							
State of Montana Board of Crime Control	16.803	Nonmajor	37,500	-	23,062	23,062	-
CFDA subtotal			37,500	-	23,062	23,062	-
Office of Justice Programs:							
Internet Crimes Against Children							
2009-SN-B9-K037-ARRA	16.800	Nonmajor	422,046	-	89,718	89,718	-
CFDA subtotal			422,046	-	89,718	89,718	-
Department of Health and Human Services							
Substance Abuse and Mental Health Services Administration Grant #1H79TI021895-01	93.243	Nonmajor	883,155	-	121,658	121,658	-
			883,155	-	121,658	121,658	-
Department of Homeland Security							
Assistance to Firefighters Grant:	97.044	Nonmajor					
EMW-2008-FO-10125-Confined Space			48,738	-	24,764	6,276 [2]	18,488
CFDA subtotal			48,738	-	24,764	6,276	18,488
Homeland Security Grant Program	97.067	Nonmajor					
Bomb Unit Equipment 2008-GE-T8-0023			298,200	-	144,986	144,986	-
CFDA subtotal			298,200	-	144,986	144,986	-
Office of National Drug Control Policy							
High Intensity Drug Traffic Area Award:	95.001	Nonmajor					
2007 HIDTA #17PRMP606Z			187,155	-	37,479	37,479	-
2008 HIDTA #18PRMP606Z			138,121	-	8,304	8,304	-
2009 HIDTA #G09RM0038A			138,010	-	75,375	75,375	-
2010 HIDTA #G10RM0038A			164,196	-	79,306	79,306	-
CFDA subtotal			627,482	-	200,464	200,464	-

(continued)

CITY OF BILLINGS, MONTANA
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010
(Page 5 of 5)

Federal Grantor	Federal CFDA Number	Major or Nonmajor	Program Amount or Grant Award	Unexpended Revenue Balance June 30, 2009	Revenue	Expenditures		Unexpended Revenue Balance June 30, 2010
Environmental Protection Agency								
Capitalization Grant-State Revolving Fund Passed Through the								
State of Montana-Dept of Natural Resources and Conser	66.458	Major						
Briarwood Sewer Improvements 2008 SRF - 01974 83.3% Fed			5,449,486	-	991,459	991,459		-
Wastewaterline Replacement 2009 SRF - 10187 83.3% Fed			4,487,371	-	3,467,517	2,855,987	2	611,530
Wastewaterline Replacement 2009 SRF - 10186 100% Fed-ARRA			359,300	-	359,300	-	2	359,300
Wastewater UV improvements Grant '10 SRF-10258 100% Fed			384,000	-	384,000	384,000		-
Wastewater UV improvements Loan '10 SRF-10259 83.3% Fed			679,728	-	215,820	215,820		-
CFDA subtotal			11,359,885	-	5,418,097	4,447,267		970,830
Capitalization Grant-State Revolving Fund Passed Through the								
State of Montana-Dept of Natural Resources and Conser	66.468	Major						
Waterline Replacement 2009 WRF - 10154 100% Fed-ARRA			333,700	-	333,700	-	2	333,700
Waterline Replacement 2009 WRF - 10155 80% Fed			2,200,000	-	2,200,000	1,677,898	2	522,102
Waterlines Project Grant 2010 WRF - 11213 100% Fed			500,000	-	500,000	500,000		-
CFDA subtotal			3,033,700	-	3,033,700	2,177,898		855,802
Total federal awards (all sources)			$ 52,951,148	$ -	$20,520,327	$18,675,207		$ 1,845,120

[2] Expenditures were incurred during FY2009 and the corresponding revenue was recognized in subsequent year. (See Footnote)

CITY OF BILLINGS, MONTANA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

(1) Basis of Presentation

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

(2) Relationship to General-Purpose Financial Statements

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

	Inter-governmental	Charge for Services	Other Income	Capital Contributions	Notes Payable	Total
General Fund	$ 47	$ -	$ -	$ -	$ -	$ 47
Special revenue funds:						
Gas Tax Fund	533,678	-	-	-	-	533,678
Development Services Grants Fund	2,075,541	-	92,498	-	-	2,168,039
Police Program Fund	984,081	-	-	-	-	984,081
Transportation Enhancement Fund	598,223	-	-	-	-	598,223
City-County Planning Fund	591,845	1,459	-	-	-	593,304
Building Inspection Fund	11,870	2,527	-	-	-	14,397
City Attorney Grants Fund	86,569	-	-	-	-	86,569
Fire Programs Fund	24,764	-	-	-	-	24,764
Municipal Drug Court Grant Fund	410,599	-	-	-	-	410,599
Storm Sewer Fund	34,539	-	-	-	-	34,539
Administration Grants Fund	124,531	-	-	-	-	124,531
Capital projects fund:			-			
Series 2000 Parks Improvements Fund	112,831	-	-	-	-	112,831
Enterprise funds:			-			
Airport Fund	-	-	-	3,760,565	-	3,760,565
Transit Fund	1,553,855	-	-	752,589	-	2,306,444
Water Fund	290,512	-	-	500,000	2,533,700	3,324,212
Wastewater Fund	24,944	-	-	384,000	5,034,097	5,443,041
Internal Service funds:						
Facilities Management Fund	-	463	-	-	-	463
Total	$ 7,458,429	$ 4,449	$ 92,498	$ 5,397,154	$ 7,567,797	$ 20,520,327

CITY OF BILLINGS, MONTANA

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2010

State, local, and federal revenue of $8,669,340 in the General Fund are included in the intergovernmental revenue as reported in the Governmental Funds combining statements or revenues, expenditures, and changes in fund balance. State, local, and federal revenue of $1,802,918 in the Gas Tax Fund, $109,342 in the Police Programs Fund, $1,469 in the City-County Planning Fund, $44,167 in the Fire Programs Fund, and $107,878 in the Municipal Court Grants Fund are also included in the intergovernmental revenue as reported in the non-major special revenue funds-combining statements of revenues, expenditures, and changes in fund balance. Other intergovernmental revenue of $662,740 in the Transit fund and $175,786 in the Airport fund are also included in the basic financial statements. Infrastructure capital contributions of $742,938 in the Water Fund and $444,089 in the Wastewater Fund are also included in the basic financial statements. Note proceeds of $3,083,700 were received in the Water Fund. One water note was funded with 100% federal funds ($333,700), The other water notes were funded with 20% state funds ($550,000) and 80% federal funds ($2,200,000). Note proceeds of $5,971,301 were received in the Wastewater Fund. One wastewater note was funded with 100% federal funds ($359,300). The other wastewater notes were funded with 16.7% state funds ($937,204) and 83.3% federal funds ($4,674,797).

Section I—Summary of Auditor's Results

Financial Statements

Type of auditor's report issued is **unqualified.**

Internal control over financial reporting:

- Material weakness (es) identified? ___x___ yes ____ no
- Significant deficiencies identified that are not considered to be material weaknesses? ____x__ yes ____no

Noncompliance material to financial statements noted? _____ yes __x_ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes ___x___ no
- Significant deficiencies identified that are not considered to be material weakness(es)? ___x___ yes _____ no

Type of auditor's report issued on compliance for major programs is unqualified for the major programs tested.

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 __x____ yes _____ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
CFDA 20.106	AIRPORT IMPROVEMENT PROGRAM
CFDA 20.507	FEDERAL TRANSIT – FORMULA GRANTS (Urbanized Area Formula Program)
CFDA 66.468	CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS
CFDA 66.458	CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS
CFDA 16.738	EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM
CFDA 16.804	RECOVERY ACT EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM
Cluster:	
CFDA 14.218	COMMUNITY DEVELOPMENT BLOCK GRANTS/ENTITLEMENT GRANTS
CFDA 14.253	COMMUNITY DEVELOPMENT BLOCK GRANT ARRA ENTITLEMENT GRANTS (CDBG-R) (RECOVERY ACT FUNDED)

Dollar threshold used to distinguish between type A and type B programs: **$560,256**

Auditee qualified as low-risk auditee? _____ yes _x__ no

Section II—Financial Statement Findings

2010-A Landfill Audit Adjustment

Material Weakness

Criteria – The City is accountable and responsible for the safeguarding of its assets including effective internal controls that are designed and in place to prevent, or detect and correct errors in a timely manner. The City is also required to follow compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Condition/Context - Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. A material misstatement was detected as a result of audit procedures and corrected by management based upon the current estimates of post closure costs resulting in the reduction of liabilities of approximately $630,000 in the Solid Waste fund (a major fund) in the CAFR.

Effect –A material audit adjusting journal entry of approximately $630,000 was made to reduce the post closure costs liability account.

Cause – The City knew about the engineering study and decided to pass on the adjustment, believing that the State of Montana would prevent the City from reducing the Trust account balance to match the reduction in the liability account.
Recommendation – We recommend that as the City updates studies or enters contracts and grants in the future, research of the GASB requirements to determine unusual situations be pursued to insure proper recording of accounting transactions. Discussions with your auditors to determine these issues in advance of the audit could also be helpful in determining whether adjustments should be made before the audit process ensues.

Management Corrective Action Plan - The City of Billings is aware of the applicable GASB 18—Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs that addresses the use of estimates for landfill closure accrued liabilities. The engineering estimate completed in FY2010 resulted in an estimated postclosure liability equal to $630,000 less than previously accrued. It was the City's intent to record the accrual at the previous estimate in order to match the amount of assets held in trust with U.S. Bank, N.A. for the postclosure costs as the State of Montana will not be apt to allow deposits in excess of the estimated liability be withdrawn. The City is also aware that given past history, the liability will more than likely increase to the previously

estimated amount due to various factors including inflation and other uncontrollable and unpredictable events. The City chose to post this entry after discussion with the auditors in order to comply fully with GASB 18—Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs.

2010-B Schedule of Expenditures of Federal Awards (SEFA) Preparation
Significant Deficiency

Criteria – The City is accountable and responsible for the safeguarding of its assets including effective internal controls that are designed and in place to prevent, or detect and correct errors in a timely manner. The City is also required to follow compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Condition/Context - Based on discussions with the client and procedures performed, we noted the following issues surrounding the preparation of the SEFA:

- The City did not properly identify all ARRA funding on the WRF and SRF grants of the Environmental Protection Agency. The three grants were included on the SEFA and all identified as ARRA grants, when only two of the grants included ARRA funding.

- The City did not identify the correct CFDA# for the ARRA JAG grant (Department of Justice) until we inquired. The confirmation response requested from the City did include the correct CFDA# and a clerical error was made upon reporting this CFDA# on the preliminary SEFA.

Effect – An error rate of 25% (3 ARRA grants out of 12 ARRA grants) of ARRA grants reported on the SEFA was made. If errors in reporting ARRA funding on the SEFA continue, this may result in more scrutiny by the Federal and/or State agencies and in inaccurate reporting of grant information on the SEFA and Data Collection Form.

Cause – Clerical errors and the newness of ARRA funding without continued training and communication, caused errors to go undetected or be corrected in a timely manner.

Recommendation – We recommend the City continue to establish and implement procedures to ensure all federal grants are properly recorded in the City's financial records and included in the SEFA. We also recommend the City continue training staff on

grant related matters, such as preparation of the SEFA, ARRA funding and other changing issues within the federal compliance areas.

Management Corrective Action Plan - The City of Billings staff attend annual GASB training provided both by the Montana Society of CPA's and GASB. As a result, staff is aware of the various reporting requirements and the importance of accuracy when preparing the SEFA schedule.

- The SRF and WRF loans were a group of three loans for each of the SRF and WRF loans. The first portion was a forgiven loan that was more like grant funding, the second part was a low-interest loan, and the third part was a fair market interest loan. Since the loans were a collection, the City originally classified all related loans as ARRA on the draft SEFA provided to the auditors knowing that further investigation of the classification of these loans was necessary. Before the City staff could further investigate this classification, the auditors inquired of the appropriate source and discovered that only the forgiven loans were ARRA funding.

- The City staff completed The American Recovery Edward Byrne Memorial Justice Assistance Grant Program confirmation noting the correct CFDA number. When City staff translated the information to the SEFA the CFDA number was inadvertently not translated to the respective column making it appear to be the same CFDA number as the regular Edward Byrne Memorial Justice Assistance Grant Program. It is the City's intent to continue to apply special care in completing all documents produced for outside parties.

2010-C Journal Entries
Significant Deficiency

Criteria – The City is accountable and responsible for the safeguarding of its assets including effective internal controls that are designed and in place to prevent, or detect and correct errors in a timely manner. The City is also required to follow compliance with certain provisions of laws, regulations, contracts, and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Condition/Context - During our standard journal entry testing, we noted that the finance department staff initiated and posted journal entries without documentation of a supervisor's approval prior to the posting of the journal entry. The finance department staff can generate entries for all types of transactions such as corrections, reclassifications, non-cash transactions and reoccurring entries that are outside of the normal transactional process.

Effect – Without a supervisory review before the journal entry is posted into the financial records, errors may occur and not be detected on a timely basis, resulting in the potential for misstatement in the financial statements.

Cause – Due to no official policy and procedures surrounding journal entries the finance department supervisory review was not performed.

Recommendation – We recommend the City establish a policy surrounding the journal entry process that includes procedures for journal entries made by the finance department staff. To protect the other departments as well as the finance department staff, the person initiating the journal entry should have a supervisor's approval documented on the face of the journal entry support before the entry is entered or posted into the financial records. The supervisor should be the finance manager or his designee. The person posting the journal entry should be different than the person initiating the journal entry for a positive segregation of duties. This segregation of duties and supervisory approval and documentation will not only protect the finance department and finance manager, if questions are raised on oversight and internal controls, but also provide a strengthening of internal controls to protect the City's assets and improve financial reporting.

Management Corrective Action Plan - Finance discussed this finding with Administration for their thoughts and guidance. There is no monetary risk by the journals not being signed, as there are other internal controls in place to safeguard cash and assets. Administration and Finance decided that the Financial Service Manager will keep track of the number and dollar amount of journal entries generated by Finance staff during the first quarter of 2011. They will meet after the first quarter to review the results and discuss what the next steps will be.

Section III—Federal Award Findings and Questioned Costs

2010-01 Direct Funding
CFDA# 16.738 – EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM
CFDA# 16.804 - RECOVERY ACT EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM

Cash Management – Cost reimbursements

Significant Deficiency in Internal Control Over Compliance

Criteria – "The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.....the objectives of internal control, and certain characteristics of internal control that, when present and operating effectively, may ensure compliance with program requirements. Circular A-133 defines internal control over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process – affected by an entity's management and other personnel – designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

(1) Transactions are properly recorded and accounted for to:
  (i) Permit the preparation of reliable financial statements and Federal reports;
  (ii) Maintain accountability over assets; and
  (iii) Demonstrate compliance with laws, regulations, and other compliance requirements;
(2) Transactions are executed in compliance with:
  (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
  (ii) Any other laws and regulations that are identified in the compliance supplements; and

(3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition."

Condition – The quarterly drawdown requests for reimbursement were not reviewed by a level above the person preparing them to determine if the requests were appropriate and supported by reviewing the expenditures from the detailed general ledger for the expenditures incurred.

Questioned Costs -Unknown

Effect – Unauthorized expenditures may be included in the draw down requests and not detected or corrected in a timely manner.

Cause – There does not appear to be an effective design or method of internal control for draw down requests prepared by the accountant without supervisory review to determine if the draw down was appropriate and in compliance with state and federal compliance requirements.

Recommendations – We recommend management address the cash management issues noted and implement a policy that requires supervisor review of all cash reimbursement requests to ensure the draw down requests are supported by actual expenditures and in compliance with state and federal requirements.

Management Corrective Action Plan – Grant draws are completed to reimburse the City with grant funding obtained for amounts spent on qualified expenditures. All expenditures whether created by a purchase order, an expense transfer or a purchasing card are reviewed and approved by the Department Head and others in compliance with City purchasing and accounting policies including the appropriateness of the charge to its respective account. Each grant is recorded to a separate fund and then summarized as Police Grants in the CAFR in order to ensure grant expenditures remain separate in accordance with the grant agreement. Expenditures are then summarized by the grant coordinator for each grant and drawn separately by grant. A copy of the drawdown request and a detail of expenditures used to determine the draw amount is provided to Finance staff for review to assure appropriate amounts were drawn and match the accounting system expenditures to date. Any discrepancies are reconciled and addressed within a timely manner. If the draw included an expenditure already drawn, procedures are in place to contact the granting agency to see if the overdrawn amount should be sent back to the agency or used to reduce the next grant draw. If the draw did not include an expenditure that should have been, the expenditure is kept on a list to be included in the next grant draw. The City believes that this practice provides appropriate oversight and management of the grant in order to prevent, detect and deter inappropriate grant draws in a timely manner.

2010-02 Direct Funding
CFDA# 16.738 – EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM
CFDA# 16.804 - RECOVERY ACT EDWARD BYRNE MEMORIAL JUSTICE ASSISTANCE GRANT PROGRAM
Reporting

Significant Deficiency in Internal Control Over Compliance

Criteria – The grant award indicates the City is to file quarterly 1512 ARRA reports for the ARRA funds received for this grant. The City is also required to file other quarterly reports (FSR and GMS) and annual reports related to these grants.

Condition – The City has filed the required 1512 ARRA quarterly reports. The ARRA and other quarterly and annual reports were completed and filed by staff, but did not include a supervisor approval before submission.

Questioned Costs -None

Effect – Errors could be occurring and not be detected or corrected timely without the supervisor review.

Cause – The City has not designed or implemented proper internal controls over reporting to ensure there is adequate segregation of duties that includes supervisor approval before reports are submitted.

Recommendations – We recommend the City design and implement internal controls surrounding reporting to ensure all reports are filed timely and include a documented supervisor approval.

Management Corrective Action Plan –1512 ARRA reports are completed to comply with ARRA grant reporting requirements. All expenditures whether created by a purchase order, an expense transfer or a purchasing card are reviewed and approved by the Department Head and others in compliance with City purchasing and accounting policies including the appropriateness of the charge to its respective account. Each grant is recorded to a separate fund and then summarized as Police Grants in the CAFR in order to ensure grant expenditures remain separate in accordance with the grant agreement. A copy of the 1512 ARRA report and a detail of expenditures used to create the report is provided to Finance staff and the Assistant City Administrator for review to assure appropriate amounts were reported and match the accounting system expenditures to date. Any discrepancies are reconciled and addressed within a timely manner. The City believes that this practice provides appropriate oversight and management of the grant in order to prevent, detect and deter inappropriate reporting in a timely manner.

2010-03 Direct Funding
CFDA#20.106- Airport Improvement Plan (ARRA)
CFDA#20.507 - FEDERAL TRANSIT – FORMULA GRANTS (Urbanized Area Formula Program) (ARRA)

Davis Bacon - Monitoring

Significant Deficiency in Internal Control Over Compliance

Criteria –"The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.....the objectives of internal control, and certain characteristics of internal control that, when present and operating effectively, may ensure compliance with program requirements. Circular A-133 defines internal control over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process – affected by an entity's management and other personnel – designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

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(2) Transactions are executed in compliance with:
  (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
  (iii) Any other laws and regulations that are identified in the compliance supplements; and

(3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition."

Condition – We did not notice any "Davis Bacon" language in the consulting engineer's contract related to the type of work they will do for the City (scope of work) for ensuring compliance by contractors with Davis Bacon requirements such as monitoring/testing work, when, and how many for the AIP and the Transit grants. We also noted there was no documentation indicating the City was monitoring the consulting engineer to ensure they were monitoring the contractor for Davis Bacon compliance for the AIP and the Transit grants. We also noted in our

testing of the Transit grant the certified payrolls did not have a date stamp to determine when these were received and determine if the certified payrolls were received timely.

Questioned Costs -None

Effect – Without specific requirements established by the City and included in the consultant's contract to ensure the consulting engineer is performing the required Davis Bacon compliance; the City may be exposed to additional risk that may result in reviews by DOL or the DOT.

Cause – The City has not implemented written or documented policies surrounding Davis Bacon monitoring by the consultant engineer. There does not appear to be a design or method for operation related to Davis Bacon that includes controls to ensure compliance and due to this fact this does not allow management or employees (or assigned responsibility to the project manager), in the normal course of performing their assigned functions, to prevent or detect or correct noncompliance.

Recommendations – We recommend Airport management discuss with the project manager to ensure internal controls are in place for both parties to ensure compliance with Davis Bacon. This should include written policies and be included in future contracts so responsibilities are understood and documented.

Some of the controls to be considered in the written policy should include a date stamp when the certified payrolls were received, process on following up for payrolls not received timely and other measures including not paying the contractor until they comply. Another control would be management approval of the type of documentation required of the project manager on compliance with laborer's being paid the prevailing rate and this should include how many laborer's will be tested, when tested and rate schedule used, including any errors noted and sent to the contractor for discussion/correction as needed. Without any documentation it cannot be proven this control was implemented and errors were detected or corrected timely. In addition, to meeting the responsibility for monitoring compliance with the requirements of Davis Bacon, management should design and implement procedures to test the information provided by the project manager.

Management Corrective Action Plan - The City has an informal program addressing contracting agencies that includes procedures to ensure compliance of labor standards in the administration of construction contracts. It is the City's policy to include general language in engineering consultants' contracts and request for proposals (RFPs) regarding reviewing contractor certified payrolls for wage rate compliance. It will be recommended to clarify and expound upon this language. The City believes that contracting out the responsibility of administering the Davis Bacon provisions to a consulting engineer is a sufficient method to ensure compliance with the Davis Bacon Prevailing Wage Requirements. However, the City will address the need for City staff to consistently monitor the consulting engineer's work efforts regarding Davis Bacon compliance and appropriately document this monitoring. City Administration has issued an Administrative Order to better clarify and document the City's procedures to comply with Davis-Bacon requirements.

2010-04 Passed through the State of Montana – Department of Natural Resources and Conservation
CFDA# 66.468 CAPITALIZATION GRANTS FOR DRINKING WATER STATE REVOLVING FUNDS (ARRA)
CFDA# 66.458 CAPITALIZATION GRANTS FOR CLEAN WATER STATE REVOLVING FUNDS (ARRA)

Davis Bacon - Monitoring

Significant Deficiency in Internal Control Over Compliance

Criteria –"The A-102 Common Rule requires that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements……the objectives of internal control, and certain characteristics of internal control that, when present and operating effectively, may ensure compliance with program requirements. Circular A-133 defines internal control over federal programs as follows: Internal control pertaining to the compliance requirements for federal programs (internal control over federal programs) means a process – affected by an entity's management and other personnel – designed to provide reasonable assurance for the achievement of the following objectives for federal programs:

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  (i) Laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on a Federal program; and
  (iv) Any other laws and regulations that are identified in the compliance supplements; and

(3) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition."

Condition – We did not notice any Davis Bacon language in the consulting engineer's contract related to the type of work they will do for the City (scope of work) for ensuring compliance by contractors with Davis Bacon requirements such as monitoring/testing work, when, and how many for either of these grants. We also noted there was inconsistent documentation indicating the City was monitoring the consulting engineer to ensure they were monitoring contractors for Davis Bacon compliance for the grants. We also noted in our testing the certified

payrolls did not have a date stamp to determine when these were received and determine if the certified payrolls were received timely. The City does have a policy for its staff to comply with Davis Bacon but it appears the policy is not being consistently followed.

Questioned Costs -None

Effect – Without specific requirements established by the City and included in the consultants contract to ensure the consulting engineer is performing the required Davis Bacon compliance, the City may be exposed to additional risk that may result in reviews by DOL or EPA.

Cause – The City has not implemented its internal controls and policy surrounding Davis Bacon monitoring by the consultant engineer. There does not appear to be a design or method for operation related to Davis Bacon that includes controls to ensure compliance and due to this fact this does not allow management or employees (or assigned responsibility to the project manager), in the normal course of performing their assigned functions, to prevent or detect or correct noncompliance.

Recommendations – We recommend the City discuss with the project manager to ensure internal controls are in place by both parties to ensure compliance with Davis Bacon. This should include written policies and be included in future contracts so responsibilities are understood and documented.

Some of the controls to be considered in the written policy should include a date stamp when the certified payrolls were received, a process for following up for payrolls not received timely and other measures including not paying the contractor until they comply. Another control would be management approval of the type of documentation required of the project manager on compliance with laborer's being paid the prevailing rate which should include how many laborer's will be tested, when tested and rate schedule used, including any errors noted and sent to the contractor for discussion/correction as needed. Without any documentation it cannot be shown this control was implemented and errors were detected or corrected timely. In addition, to meeting the responsibility for monitoring compliance with the requirements of Davis Bacon, management should design and implement procedures to test the information provided by the project manager.

Management Corrective Action Plan - The City has an informal program addressing contracting agencies that includes procedures to ensure compliance of labor standards in the administration of construction contracts. It is the City's policy to include general language in engineering consultants' contracts and request for proposals (RFPs) regarding reviewing contractor certified payrolls for wage rate compliance. It will be recommended to clarify and expound upon this language. The City believes that contracting out the responsibility of administering the Davis Bacon provisions to a consulting engineer is a sufficient method to ensure compliance with the Davis Bacon Prevailing Wage Requirements. However, the City will address the need for City staff to consistently monitor the consulting engineer's work efforts regarding Davis Bacon compliance and appropriately document this monitoring. City Administration has issued an Administrative Order to better clarify and document the City's procedures to comply with Davis-Bacon requirements.

City of Billings, Montana
Summary Schedule of Prior Year Findings
June 30, 2010

NONE

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BILLINGS

MONTANA

City of Billings, Montana