

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

We offer readers of Yellowstone County's financial statements this narrative and analysis of the financial activities of the County for the fiscal year ended June 30, 2019 and the financial position as of June 30, 2019. Please consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which precedes this report.

**Financial Highlights**

- The general fund's fund balance increased by \$350,591. Operational revenues in excess of expenditures increased by roughly \$2.9 million over FY18, totaling \$7.03 million. This and other major funds were heavily influenced by the distribution of settlement dollars relating to the CHS multi-year protest activity. For the general fund, this included \$1.68 million in one-time revenues. This settlement was largely responsible for the County's decision to transfer \$3.7 million more than originally budgeted for FY19 to the general fund's CIP program. This will be used to assist the County in setting aside funds to meet long-range building needs, including the need for additional courthouse remodeling and expansion of space available to our County Attorney and Justice Court operations. Overall, other revenues and expenditures in the general fund continued to perform favorably.
- The road fund balance increased by \$880,770. Paving projects totaled about \$1.4 million more than FY18. Capital expenditures in this fund decreased by \$945,818 over the previous year. Along with receiving \$1.82 million from the CHS settlement, an additional \$1.425 million was transferred to the fund's CIP program as compared to the FY18 transfers.
- The liability insurance fund balance increased by \$193,524. The CHS settlement brought in an additional \$155,000, while all other revenue and expenditure areas performed remarkably similar to FY18. The fund remains fiscally sound.
- The Sheriff's public safety fund balance increased by \$1,538,853, offsetting the decrease of \$1,449,936 in FY18. Much of this increase was due to a CHS settlement amount of \$1.37 million and a \$278,000 increase in prisoner boarding revenue for the year. Other significant changes were a \$150,000 contribution to the State for the new crime lab, including new morgue space and a chemistry lab located in Billings, and an increase in detention staffing amounting to almost \$250,000 over FY18's total.
- The County Attorney's fund experienced an increase in its fund balance for the second year in a row, with a total addition of \$468,119. CHS settlement for this fund amounted to almost \$201,000. The voter-approved 8 mill levy brought in an additional \$2.84 million in tax revenue and allowed the removal of long-standing general fund support. Expenditures were up roughly \$262,000 from FY18. The fund is now in its second year of sound financial footing. We believe that there will

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

still be a need for assistance from other areas of the County's financial resources, albeit at a much smaller rate within the next few years.

- Overall, Metra's operations experienced an increase in its net position of \$1,404,411. This is primarily due to two factors, neither of them relating to operations. First, CHS settlement amounts and a re-allocation of mill levy authority by the Board of County Commissioners led to an overall property tax collection increase of \$817,000. Second, the Board sold excess Metra land to a utility company, netting a gain on sale of fixed assets of \$535,000. Operationally, an increase in charge for services and use of facilities revenues of \$1.09 million was largely offset by an increase in operating expenses of \$849,000.

Metra infrastructure needs continue to remain largely unfunded and will be a focus over the next several years. The County will need to identify additional funding sources to address the items yet to be prioritized by the Board of County Commissioners.

- The County's protest fund balance had declined dramatically from \$26.9 million as of the end of FY18 to just \$2.63 million at the end of FY19. The detail relating to this were documented in last year's writing, but in sum was due to the resolution of all outstanding CHS/Cenex taxation issues going back to tax year 2014 through tax year 2017. Of the total at the end of FY19, \$1.94 million is for taxes due, while about \$700,000 is for interest accumulated from the prior protests that have been settled, to be distributed in FY20. Almost exactly two-thirds of the June 30, 2019 balance involved a protest in the amount of \$1,313,000 from Phillips 66 Pipeline. This amount was resolved when the County refunded \$949,000 in early September, 2019.

### **Explanation of the Financial Statements**

The MD&A is intended to serve as an introduction to the basic financial statements of Yellowstone County. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

**Government-wide financial statements.** The Government-wide financial statements are designed to provide readers with a broad overview of Yellowstone County's finances, in a manner similar to a private sector business on a full accrual accounting basis.

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

The statement of net position presents information on all of Yellowstone County's assets and liabilities, with the difference between the two reported as our net position. Increases or decreases in net position may serve as a useful indicator of whether the financial position of Yellowstone County is improving or declining.

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

Both of the government-wide financial statements distinguish functions of Yellowstone County 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 from user fees and charges (business-type activities). The governmental activities of Yellowstone County include general government, public safety, public works (roads and bridges), public health, social and economic programs, cultural and recreational programs, conservation of natural resources, and community/economic development. The business-type activities include refuse disposal and METRA civic center.

The government-wide financial statements can be found on pages 23-25 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control and account for resources that have been segregated for specific activities or objectives. Yellowstone County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal or contractual requirements. All of the funds of Yellowstone County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current fiscal year inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's recent financial performance.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

recent financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Yellowstone County maintains many individual governmental funds. The general fund, road fund, property and liability insurance fund, public safety-sheriff fund, RSID bond fund, and capital improvement fund are all reported as major funds. Information for the major funds is reported separately in the governmental fund balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances. Each of the major funds also reports the revenues and expenditures on a comparative basis with the annually appropriated budget both original and revised to demonstrate compliance with this budget. The remaining governmental funds are combined in a single aggregate presentation titled other nonmajor governmental funds.

Individual fund reports for each of the nonmajor governmental funds are presented in the combining financial statements in this report.

The basic governmental fund financial statements can be found on pages 26-32 of this report.

**Proprietary funds.** Yellowstone County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Yellowstone County uses enterprise funds to account for operations of the refuse disposal fund and METRA civic center. Internal service funds are used to accumulate and allocate costs internally among various government department users or affiliated organizations. The three internal service funds utilized by the county include the health insurance fund, GIS, and the technology fund. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. Interdepartmental charges for internal service funds have been eliminated from the Statement of Activities.

Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities, but provide more detail in addition to a cash flow statement. Internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund statements for the internal service funds are presented in the combining statements in this report.

The basic proprietary fund financial statements can be found on pages 33-37 of this report.

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties and entities outside the government of Yellowstone County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Yellowstone County's own programs.

The basic fiduciary fund financial statements can be found on pages 38-39 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data and reports presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40-91 of this report.

**Required supplementary information.** All required supplementary information precedes the basic financial statements or is included in the basic financial statements and accompanying notes, except the Employee Group Benefits Plan – Other Postemployment Benefits (OPEB) schedule and the Schedule of Proportionate Share of the Net Pension Liability. These schedules are located in the required supplementary information section on pages 92-98 of this report.

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

**Government-wide Financial Analysis.**

Net position may serve as a useful indicator of a government's financial position, which is one of the reasons why the Governmental Accounting Standards Board (GASB) instituted GASB Statement #34 and required local governments to present net position information. Yellowstone County's net position (assets less liabilities) was \$149,135,801 as of June 30, 2019. The net position for governmental activities was \$109,045,720, while business-type activities' net position stood at \$40,090,081. The net position increase of \$12,862,865 from FY18 to FY19 was due, in the broadest sense, to overall revenues from all sources exceeding expenditures. Protest settlements were the driving force behind a \$7.7 million increase in property taxes. The other material event here was the full year of collections for the County Attorney's voter approved 8 mill increase, bringing in about \$2.8 million of that \$7.7 million. Program revenues increased by \$2.63 million, led by a \$1.1 million increase in Metra's various charges for services and an almost equal increase in FY19 for grants.

Other revenues increased \$2.5 million. These revenue gains were offset in part by an increase of \$1.9 million of additional expenditures in the area of public safety, a \$1 million increase in the social and economic segment and roughly an \$850,000 increase in Metra's spending. Most of our gains were either used to strengthen fund reserves or transferred to our CIP program to provide additional funding flexibility for future building and remodeling projects. In sum, roughly \$5.35 million went to non-CIP fund reserve increases over 6/30/18, while an additional \$3.25 million was transferred to various CIP funds over those amounts originally budgeted.

Of the County's year-end total net position of \$149,135,801, net investment in capital assets accounted for \$107,322,526 or 71.96% of total net position. Capital assets reflect the large investments in facilities and equipment that are necessary to provide large scale programs and services for the community. This percentage is down slightly from last year, due to the large increase in the unrestricted area, which benefited from the protest resolutions discussed above. The restricted net position represents those funds legally required to be used for a specific purpose. That balance of \$12,631,165 changed little from FY18, but declined as a percentage of net position, to about 8.48%, due to the \$6 million growth in both net capital assets and in unrestricted areas. Unrestricted net position of \$29,182,110 now accounts for 19.56% of the total net position, up from 9.6% in FY18, yet still below FY17's 15.9% level. Unrestricted net position is primarily used as reserves for cash flow purposes in between real estate property tax collections, which are due in 50% installments on November 30 and May 31 of each year, and as reserves to provide against large unforeseen costs or events.

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

A comparison of the County's net position follows:

**Yellowstone County Net Position**

	Governmental Activities		Business Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 72,330,200	\$ 71,677,371	\$ 9,384,759	\$ 9,647,792	\$ 81,714,959	\$ 81,325,163
Noncurrent assets	616,257	777,727	0	0	616,257	777,727
Capital assets	82,190,159	74,138,806	35,431,154	36,022,475	117,621,313	110,161,281
Deferred Outflows	9,468,394	11,172,879	578,260	857,161	10,046,654	12,030,040
<b>Total assets and deferred outflows</b>	<b>164,605,010</b>	<b>157,766,783</b>	<b>45,394,173</b>	<b>46,527,428</b>	<b>209,999,183</b>	<b>204,294,211</b>
Current liabilities	6,701,462	8,333,379	1,937,683	4,374,668	8,639,145	12,708,047
Noncurrent liabilities	38,235,754	42,693,156	2,855,911	3,492,996	41,091,665	46,186,152
Deferred Inflows	10,622,074	9,269,654	510,498	21,159	11,132,572	9,290,813
<b>Total liabilities and deferred inflows</b>	<b>55,559,290</b>	<b>60,296,189</b>	<b>5,304,092</b>	<b>7,888,823</b>	<b>60,863,382</b>	<b>68,185,012</b>
Net position:						
Net investment in capital assets	71,891,372	73,658,804	35,431,154	36,022,472	107,322,526	109,681,276
Restricted	12,631,165	13,401,587	0	0	12,631,165	13,401,587
Unrestricted	24,523,183	10,576,943	4,658,927	2,613,130	29,182,110	13,190,073
<b>Total net position</b>	<b>\$ 109,045,720</b>	<b>\$ 97,637,334</b>	<b>\$ 40,090,081</b>	<b>\$ 38,635,602</b>	<b>\$ 149,135,801</b>	<b>\$ 136,272,936</b>
Restatement for GASB 75 implementation		(866,640)		(82,378)		(949,018)
<b>Change in net position</b>	<b>\$ 11,408,386</b>	<b>\$ 5,457,961</b>	<b>\$ 1,454,479</b>	<b>\$ (109,040)</b>	<b>\$ 12,862,865</b>	<b>\$ 5,348,921</b>

**Governmental activities.**

The continued increase in net position for governmental activities of \$11,408,386 was up from an increase of \$5,457,961 in FY18, in part to:

- An increase in grants of \$963,171
- An increase of \$6,862,941 in property taxes – protest settlements and the County Attorney levy
- An increase in other revenues totaling \$2,031,050 from FY18
- An increase of \$1,907,585 in public safety spending
- An increase of \$793,639 in the area of public health
- An increase of \$990,070 for social and economic needs

**YELLOWSTONE COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2019**

**Business activities.**

This area witnessed an increase in net position of \$1,454,479. This was the result of a \$553,500 diversion of discretionary property tax mills to Metra CIP for the year, coupled with a \$1.1 million increase in charges for services and an increase in other revenues of \$497,090, offset by an \$849,310 increase in Metra's expenses.



**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

**Yellowstone County's Change in Net Position**

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
<b>Program revenues:</b>						
Special assessments	\$ 1,131,685	\$ 1,102,766	\$ 317,154	\$ 290,971	\$ 1,448,839	\$ 1,393,737
Licenses and permits	49,399	35,025	0	0	49,399	35,025
Intergovernmental	1,684,256	1,388,425	0	0	1,684,256	1,388,425
Fines and forfeitures	670,019	686,840	0	0	670,019	686,840
Charges for services	11,265,184	11,027,172	5,719,135	4,626,401	16,984,319	15,653,573
Operating grants and contributions	1,707,458	639,287	0	0	1,707,458	639,287
Capital grants and contributions	0	105,000	0	0	0	105,000
<b>Total program revenues</b>	<b>16,508,001</b>	<b>14,984,515</b>	<b>6,036,289</b>	<b>4,917,372</b>	<b>22,544,290</b>	<b>19,901,887</b>
General revenues:						
Property taxes	49,893,538	43,030,597	3,777,912	2,960,502	53,671,450	45,991,099
Licenses and permits	5,819,029	5,569,401	0	0	5,819,029	5,569,401
Intergovernmental	4,002,411	3,927,328	135,064	155,595	4,137,475	4,082,923
Other revenues	2,566,176	535,126	725,174	228,084	3,291,350	763,210
<b>Total general revenues</b>	<b>62,281,154</b>	<b>53,062,452</b>	<b>4,638,150</b>	<b>3,344,181</b>	<b>66,919,304</b>	<b>56,406,633</b>
<b>Total revenues</b>	<b>78,789,155</b>	<b>68,046,967</b>	<b>10,674,439</b>	<b>8,261,553</b>	<b>89,463,594</b>	<b>76,308,520</b>
<b>Expenses:</b>						
General government	16,349,267	15,838,266	0	0	16,349,267	15,838,266
Public Safety	29,927,064	28,019,479	0	0	29,927,064	28,019,479
Public Works	9,585,689	9,620,504	0	0	9,585,689	9,620,504
Public Health	4,911,179	4,117,540	0	0	4,911,179	4,117,540
Social and Economic	3,448,491	2,458,421	0	0	3,448,491	2,458,421
Culture and Recreation	2,188,663	1,648,197	0	0	2,188,663	1,648,197
Community Development	614,919	136,376	0	0	614,919	136,376
Conservation of Natural Resources	142,232	480,521	0	0	142,232	480,521
Interest on Long-Term Debt	347,939	404,452	0	0	347,939	404,452
Sanitation, refuse disposal	0	0	207,086	206,950	207,086	206,950
Civic center, METRA	0	0	8,878,200	8,028,890	8,878,200	8,028,890
<b>Total expenses</b>	<b>67,515,443</b>	<b>62,723,756</b>	<b>9,085,286</b>	<b>8,235,840</b>	<b>76,600,729</b>	<b>70,959,596</b>
<b>Increase (decr.) in net position before transfers and extraordinary gain</b>	<b>11,273,712</b>	<b>5,323,211</b>	<b>1,589,153</b>	<b>25,713</b>	<b>12,862,865</b>	<b>5,348,924</b>
Transfers	134,674	134,750	(134,674)	(134,753)	0	(3)
<b>Increase (decrease) in net position</b>	<b>11,408,386</b>	<b>5,457,961</b>	<b>1,454,479</b>	<b>(109,040)</b>	<b>12,862,865</b>	<b>5,348,921</b>
Restatement for GASB 75 implementation	0	(866,640)	0	(82,378)	0	(949,018)
<b>Beginning net position</b>	<b>97,637,334</b>	<b>93,046,013</b>	<b>38,635,602</b>	<b>38,827,020</b>	<b>136,272,936</b>	<b>131,873,033</b>
<b>Ending net position</b>	<b>109,045,720</b>	<b>\$97,637,334</b>	<b>\$40,090,081</b>	<b>\$38,635,602</b>	<b>\$149,135,801</b>	<b>\$136,272,936</b>

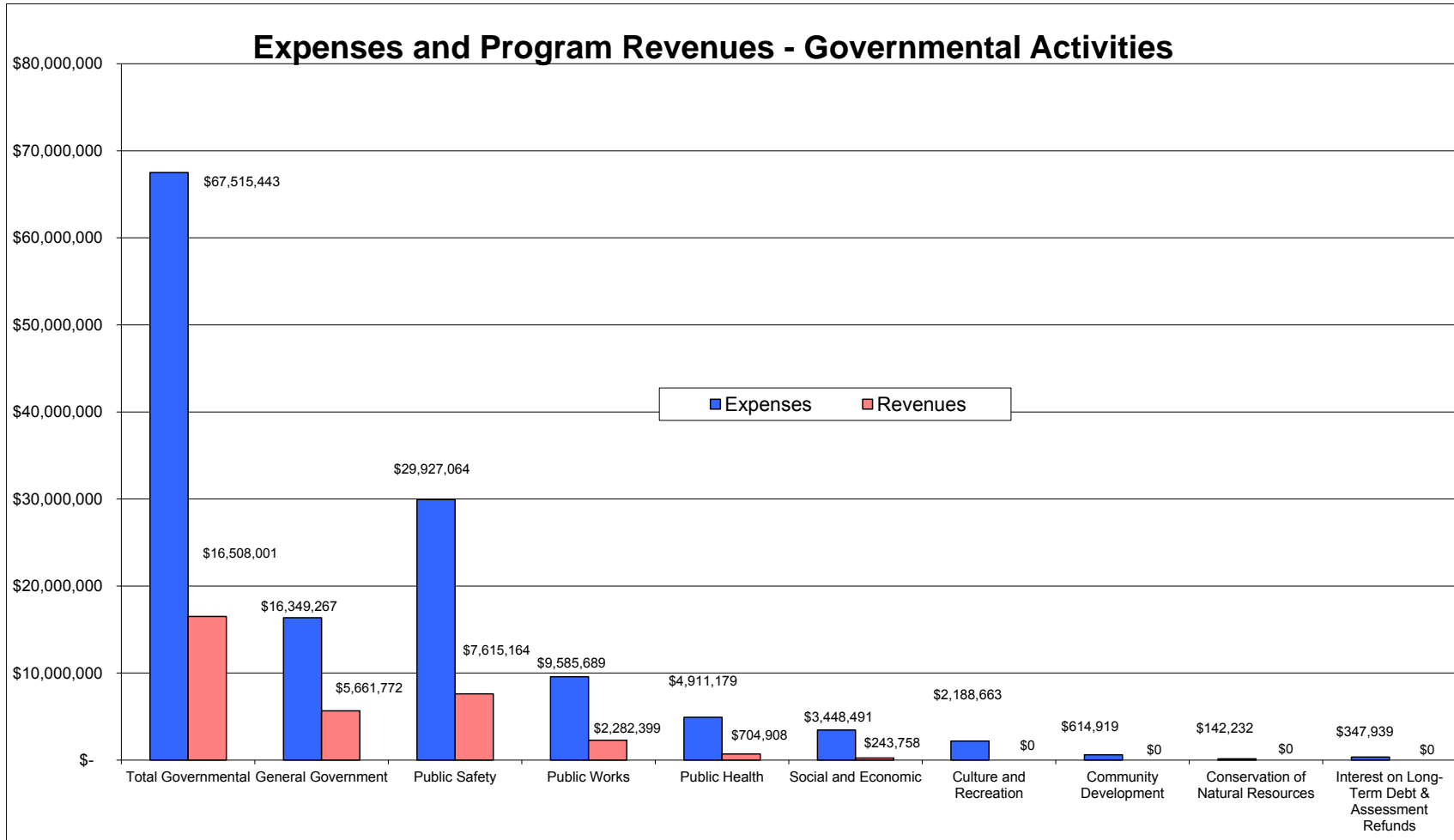
**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

Of the County's \$67.5 million in expenses for governmental activities, \$16.5 million (24.4%) was funded with program revenues. The balance of funding came from general revenues, which is primarily property tax revenue (63.3% of total revenues). The major sources of program revenues (and change from prior year) include:

- Gas tax: \$306,430 / (+\$4,509)
- Justice Court fees: \$630,578 / (+\$8,695)
- Clerk & Recorder filing fees (General Fund & Rec Preservation Fund): \$931,849 / (-\$26,265)
- Adult detention boarding fees: \$3,659,774 / (+\$278,060)
- Youth detention and secure shelter boarding and program fees: \$1,914,970 / (-\$229,579)
- RSID assessments: \$1,302,720 / (+\$36,817)
- Operating & capital grants: \$1,707,458 (+\$963,172)

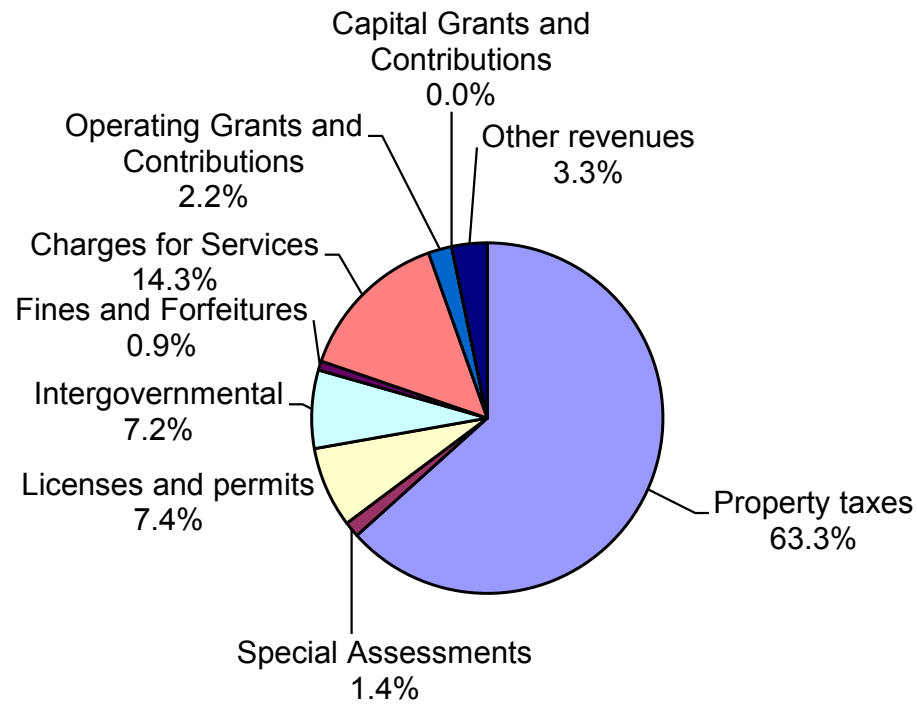
See the Statement of Activities on page 25 for additional detail information regarding revenues and expenditures.

**YELLOWSTONE COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2019**



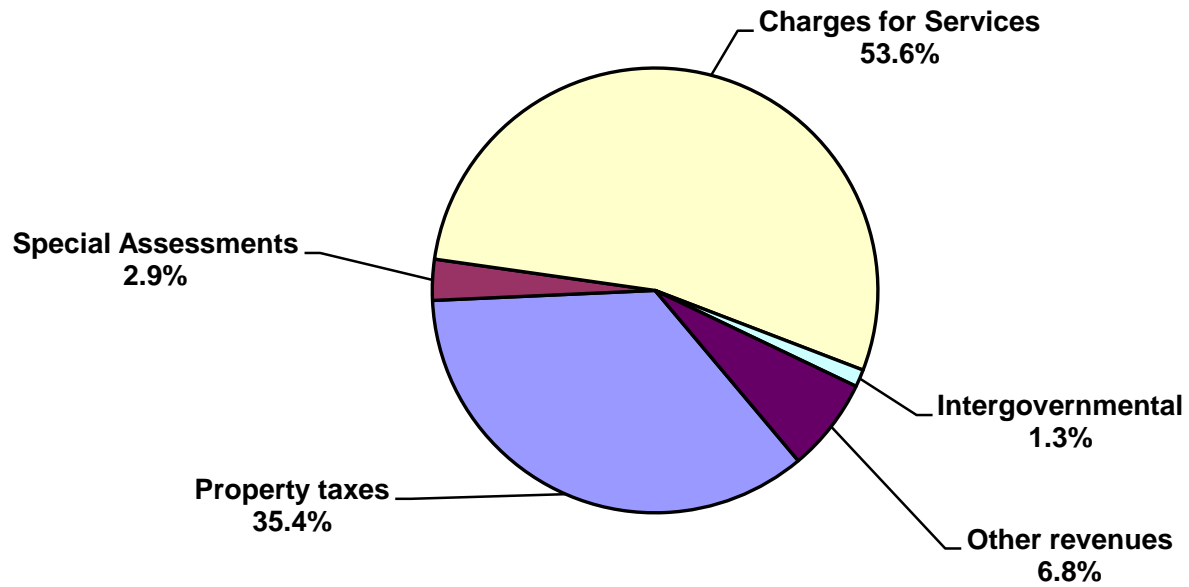
YELLOWSTONE COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2019

## Total Revenues by Source - Governmental Activities



YELLOWSTONE COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2019

## Total Revenues by Source - Business Type Activities



**YELLOWSTONE COUNTY, MONTANA  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2019**

**Fund Financial Statement Analysis**

**Governmental funds.**

Yellowstone County's governmental funds' change in fund balance for FY19 was an increase of \$6,543,621 resulting in an ending total governmental fund balance of \$56,152,145.

The general fund saw an increase in fund balance of \$350,591 during fiscal year 2019, due mainly to the protest tax settlements.

The road fund increased by \$880,770 in the current year, in part due to reduced expenditures for capital outlay and protest settlements totaling \$1.8 million.

The public safety fund balance increased by \$1,538,853, reversing a \$1.45 million reduction witnessed in FY18, due to a \$278,060 increase in prisoner boardings from other jurisdictions and protest tax distributions amounting to \$1,368,250.

The property and liability insurance fund remained stable, with an increase in fund balance of \$193,604.

The fund balance of the capital improvement fund increased by \$2,060,867. This was unexpected, as of the beginning of FY19. But the protest distributions allowed various funds to place an additional \$3,243,000 from their operations to their respective CIP accounts. Further, the general fund was able to transfer an additional \$2 million to CIP at the end of the fiscal year. This helped re-establish the road fund's CIP balance, and gave the general fund's CIP additional monies to help address upcoming building projects that remain to be addressed.

See financial highlights section above for discussion related to other notable changes to governmental fund balances.

**Proprietary funds.**

The refuse disposal fund experienced an increase of \$50,068, leaving an ending balance of \$452,503. The increase is driven by the \$5.00 increase per resident approved by the Board in FY18. This new rate should remain stable for years to come, and allow for the absorption of future increases assessed against the fund by the City of Billings landfill contract.

The health insurance fund was strengthened by a fund balance increase of \$1,205,660, resulting in an ending balance of \$8,545,999 as of 6/30/19. This was due to a reduced claim year vs. FY18, with medical and dental claims totaling \$711,465 less than last year.

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

In addition, the fund received a transfer from the permissive levy that was \$537,339 above projections. This was made possible due to a protest tax distribution to that fund of almost \$513,000. The fund is very adequately reserved.

The County carries specific stop-loss insurance for health claims at \$270,000 per claim. The County reviews the health plan every year to review premium rates, benefits, and plan administration. The County offers an option to participating members, the option to select a high-deductible health savings plan at a reduced premium. This encourages participants to move to consumer driven health care, which can lead to substantive savings over traditional plan designs. Health insurance is no longer available to retirees over 65, with the exception of offering coverage to a spouse under the age of 65 or any qualifying dependents.

**Governmental Fund Budgetary Highlights**

Differences between original and final revised budget are primarily a result of state and federal grant awards and related match funding being added to the original budget. The original budget does not include either new or continuing grant activity and is subsequently amended into the budget by resolution of the Board of County Commissioners. Some of the grants included in the fiscal year 2019 budget were:

- \$155,493 Yellowstone County Victim Witness Program
- \$198,776 VOCA grant
- \$703,968 Crisis Intervention and Jail Diversion
- \$155,507 Homeland Security grant

Some of the significant final budget to actual revenue variances include:

- Motor vehicle option tax revenues in the sheriff's fund exceeded projections by \$610,527
- Prisoner boarding fees were \$359,774 above budget
- Interest revenue collections from governmental funds came in \$400,900 above budgeted amounts
- YSC detention and counseling revenues were approximately \$312,000 less than budgeted
- Metra co-promote activities underperformed budget by \$247,839

The appropriation final budget to actual expenditure variances of significance include:

**YELLOWSTONE COUNTY, MONTANA  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2019**

- \$993,000 of unspent road budget in multiple cost areas, including staffing, vehicle repairs and raw materials
- Bridge fund operations were under budget in virtually every area for FY19, amounting to a total of slightly more than \$627,000
- \$7.4 million in unspent capital project fund budget, primarily due to jail construction and courthouse elevator upgrade delays
- \$488,477 in unspent payroll related amounts in the Sheriff’s non-detention departments
- \$703,829 in unspent payroll related amounts in the detention facility budget

**Capital Assets**

A comparison of capital assets for the last two fiscal years is presented below:

	<b>Governmental Activities</b>		<b>Business Activities</b>		<b>Total</b>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Land	\$ 3,658,346	\$ 3,658,346	\$ 357,388	\$ 368,574	\$ 4,015,734	\$ 4,026,920
Buildings	25,841,847	12,876,798	31,609,811	32,719,563	57,451,658	45,596,361
Improvements other than buildings	1,728,944	1,791,902	1,988,270	1,440,443	3,717,214	3,232,345
Equipment and vehicles	8,480,249	7,407,915	1,371,175	955,085	9,851,424	8,363,000
Infrastructure	35,587,774	34,103,838	0	0	35,587,774	34,103,838
Construction in progress	6,892,999	14,300,005	104,510	538,810	6,997,509	14,838,815
<b>Total Capital Assets</b>	<b>\$ 82,190,159</b>	<b>\$ 74,138,804</b>	<b>\$ 35,431,154</b>	<b>\$ 36,022,475</b>	<b>\$ 117,621,313</b>	<b>\$ 110,161,279</b>

Governmental capital assets increased by a net amount of \$7,460,034 during the year as a result of the addition of new capital assets in the governmental funds.

Some of the larger capital acquisitions / (dispositions) in the governmental activities were:

- \$4.6 million in infrastructure improvements for county roads
- Various bridge and culvert projects \$744,305
- Motor Graders for Road Department \$2,888,717
- Sheriff patrol cars totaling \$255,322



**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

- Completion of the women's addition at the Detention Facility moved \$12 million from CIP to Buildings in FY19.
- The Detention Facility Renovation project and the 4<sup>th</sup> Floor remodel of the Courthouse represent \$6.7 of the year-end construction in progress (CIP) balance.

Some of the larger capital acquisitions/improvements in the business activities were:

- Purchase of a new Point of Sale system- \$185,034
- Purchase of Volvo wheel loader \$170,219

See footnote 7 (pages 57-58) for additional information on capital assets.

### **Long-term Liabilities**

As of June 30, 2019, the County has \$15,436,814 of long-term liabilities. Governmental funds account for \$14,978,605 and the enterprise funds account for \$458,209.

The largest component of long-term debt is \$9.7 million of limited general obligation bonds issued in 2017 for detention center expansion and improvements. The balance on this bond issue is \$8,465,000. Other debt obligations include \$1,890,000 of limited general obligation (G.O.) bonds issued by the County. In 2011, the County issued a \$3,000,000 limited tax general obligation bond for the purposes of dedicating \$2,000,000 for Metrapark facility improvements and \$1,000,000 for the Bench Connector road and bridge project. The debt service for this bond which has a balance of \$670,000 is funded by the general fund. The other limited tax general obligation bond, which has a balance \$635,000 was issued to develop the Veteran's Cemetery and to improve seating at Metra.

The County's bond rating from Standard and Poor's is AA+, and was re-affirmed in FY18.

Another major component of long-term debt includes rural special improvement district (RSID) bonds issued to provide property improvements to properties located within a specified area. Repayment of this debt is assessed to the benefited property owners, which can be repaid over the life of the bond or the remaining principal assessment against the property can be repaid anytime. The County provides additional bond debt service collateralization with the County's RSID Revolving Fund and other contingent funding requirements as specified by law. As of 6/30/19 the County has \$659,000 of outstanding RSID bonds and the RSID Revolving Fund has a fund balance of \$338,024. The County issued no new RSID bonds during FY19.

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

Notes payable are occasionally used to finance equipment that a particular fund may not have adequate reserves or funding to acquire within a budget cycle. The County has one note payable owed to Montana Board of Investments with an outstanding balance due of \$528,787 as of June 30, 2019.

Claims and judgments represent the amount of the estimated liability established that is expected to pay for the known liability cases pending against the County. The amount of the estimated liability at year end was \$1,115,000 for all cases. This amount is carried in the accrued liability balance line in the liability fund. Fund balance in the liability fund increased by \$193,524 in FY19.

Compensated absences is the amount of the liability for unpaid vacation and sick leave at yearend. The liability increased slightly from the previous fiscal year by \$110,318 in FY19. The 6/30/19 balance was \$2,618,573.

See footnote #8 (pages 59-63) for additional information on long-term debt.

**Economic Factors and Next Year's Budget**

Overall countywide taxable value, as determined by the Montana Department of Revenue for FY20 increased by 6.47%, with new construction amounting to 3.8% of that total. For FY19, valuations contracted by 1.20%, even with a new growth increase of 1.72%, due to material valuation declines in several centrally assessed properties by the Montana Department of Revenue.

The economy of Yellowstone County continues to be driven by oil development and refining, agricultural prices, the benefits of being a regional retail hub, transportation industry, and the expansive medical facilities in Billings. Retail and medical remain relatively strong, while oil related activities and the agriculture sectors were mixed. The price of crude is well off its highs of calendar year 2018.

Unemployment continues its decline, at a seasonally adjusted 2.9% as of June, 2019.

Some of the more significant financial items for fiscal year 2020 include:

- Tax protests are budgeted at 4.00% of FY20 property tax revenues. This is an increase from 2.40% for FY19's budget. Much of this caution is due to uncertainty as to how the oil transmission and refining entities, along with centrally

**YELLOWSTONE COUNTY, MONTANA**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2019**

assessed properties will react to upcoming tax billings based upon recent assessments. We believe a conservative approach to tax collections is warranted.

- Recently, the County decided to remodel the booking area at the detention facility, along with the construction of a small expansion of office area to be completed in FY20, as the final wrap up of the lengthy detention expansion and remodel draws to a close.
- In early FY20, the County is beginning to address the needs highlighted in the Metra infrastructure study. The Board has yet to reach a consensus as to the priority and the timing for these needs.
- The County’s support of legislation during the 2019 session in Helena to allow for cities and counties to increase levies up to the rate of inflation, on a trailing 3 year average, was not approved by the legislature. Up to now, the rate has been capped at 50% of the rate of inflation. The County continues to maintain that a return of a historic norm of inflation rates for an extended period of time will eventually cause material financial challenges without this change in state statute.

The County’s budget remains in good overall condition. Continued capital expenditures to alleviate overcrowding at the courthouse and to address Metra infrastructure and building needs will likely occupy most, if not all of the FY20-FY22 timeframe. Depending upon Board of Commissioner decisions reached during this period, the County may need to consider requesting public approval for borrowing to meet Metra’s needs.

#### Requests for Information

This financial report is designed to provide a general overview of Yellowstone County’s finances for all those with an interest in the government’s finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Yellowstone County Finance Director  
P.O. Box 35003  
Billings, MT 59107