

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

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, 2022, and the financial position as of June 30, 2022. 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 \$1,483,055. This is primarily due to a reduction in COVID support and miscellaneous transfers of \$1.95 million vs. FY21. In addition, the general fund transferred \$800,000 less to the CIP Fund vs. FY21.
- The road fund balance decreased by \$951,584. Project spending increased by about \$1.38 million over FY21 project spending.
- The liability insurance fund balance declined by \$516,627. Interest revenue declined by almost \$25,000 due to large market value adjustment on investment amounts, and a few lawsuits that settled. The fund remains fiscally sound.
- The Sheriff's public safety fund balance decreased by \$1,389,170. Between decreased revenue and an increase in expenditures the fund was only able to transfer a little more than \$1.3 million to the Public Safety CIP fund in FY22.
- The County Attorney's fund experienced an increase in its fund balance of \$342,050. This fund experienced almost \$196,000 in revenue over expenditures in FY22. The additional \$300,000 transfer from the General fund in FY21 was not necessary for FY22.
- The R.S.I.D Maintenance fund balance saw growth again in FY22 of \$790,778. The districts did not request to have as many projects scheduled for FY22, but that is expected to increase in FY23.
- Metra's operations experienced a record increase in its net position of \$1,265,459. FY22 marked a return to uninterrupted operations on campus. That, along with Metra's diverse schedule of events being able to meet some pent-up demand led to a very successful year by historical standards. While it is uncertain as to the sustainability of FY22's results, many changes have taken place with scheduling and pricing that will provide benefits to Metra's results in the years to come. The year was successful enough that Metra was able to transfer \$325,000 from its operations to Metra's CIP to assist in funding capital expenditure needs on campus. Leading the way in revenue growth, we benefited from more than doubling our rental fees for all venues, and a 44% increase in concessions and beverage revenues from our previous high in FY19. All of this was coupled with a 3.8% decline in non-transfer expenditures from FY19, our last full year not impacted by COVID. A material increase was seen in Metra CIP revenues as well, with a tripling of improvement fees gain over FY21 generated by ticketed events,

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

and a 14.9% increase over our most recent non-COVID year of FY19. Expenditures in Metra CIP remained relatively flat throughout the FY19-FY22 timeframe.

Metra infrastructure needs are continuing to be addressed through ARPA (American Rescue Plan Act) funding. This addresses a long-term funding need to repair, replace, and upgrade critical infrastructure systems on that campus, including water, sanitary sewer, storm water and utilities, as Metra serves as Yellowstone County's community shelter, emergency and large-scale disaster staging facility.

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.

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 21-23 of this report.

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

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 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, COVID-19 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 24-30 of this report.

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

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 31-35 of this report.

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 36-37 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 38-91 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, 2022

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 \$192,547,734 as of June 30, 2022. The net position for governmental activities was \$151,967,640, while business-type activities' net position stood at \$40,580,094. The net position increase of \$15,952,347 from FY21 to FY22 was due, in the broadest sense, to overall revenues from all sources exceeding expenditures and MetraPark having an exceptional year.

The County manages and budgets its resources in such a way as to provide for positive increases as part of its financial structure. This is an extension of applying the conservatism concept within GAAP. We work to come in slightly above projections in revenue where possible, and also project expenditures which may come in less than estimates, due to such things as vacancy savings due to employee turnover.

Net position increases afford the County the opportunity to accomplish several things. We can increase reserves where needed to strengthen some funds, we are able to accumulate resources to cover routine, yet material capital assets. Finally, we are able to place funds into our CIP fund, in order to provide for property acquisitions, and major asset replacement or refurbishment.

Of the County's year-end total net position of \$192,547,734 net investment in capital assets accounted for \$124,766,561 or 64.8% 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. The restricted net position represents those funds legally required to be used for a specific purpose. That balance of \$14,158,671 accounts for about 7.35% of net position compared to 8.37% in FY21. Unrestricted net position of \$53,622,502 now accounts for 27.85% of the total net position, up from 26.40% in FY21. 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, 2022**

A comparison of the County's net position follows:

Yellowstone County Net Position

	Governmental Activities		Business Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 131,609,760	\$ 110,984,493	\$ 11,359,091	\$ 8,223,717	\$ 142,968,851	\$ 119,208,210
Noncurrent assets	528,421	633,330	0	0	528,421	633,330
Capital assets	98,249,144	87,561,940	35,657,192	36,320,180	133,906,336	123,882,120
Deferred Outflows	8,385,249	11,054,702	497,982	640,264	8,883,231	11,694,966
Total assets and deferred outflows	238,772,574	210,234,465	47,514,265	45,184,161	286,286,839	255,418,626
Current liabilities	39,458,758	22,018,936	3,605,889	2,460,188	43,064,647	24,479,124
Noncurrent liabilities	34,097,511	46,687,410	2,357,461	3,205,874	36,454,972	49,893,284
Deferred Inflows	13,248,665	4,193,094	970,821	257,737	14,219,486	4,450,831
Total liabilities and deferred inflows	86,804,934	72,899,440	6,934,171	5,923,799	93,739,105	78,823,239
Net position:						
Net investment in capital assets	89,109,370	78,886,611	35,657,191	36,320,180	124,766,561	115,206,791
Restricted	14,158,671	14,776,851	0	0	14,158,671	14,776,851
Unrestricted	48,699,599	43,671,563	4,922,903	2,940,182	53,622,502	46,611,745
Total net position	\$ 151,967,640	\$ 137,335,025	\$ 40,580,094	\$ 39,260,362	\$ 192,547,734	\$ 176,595,387
Change in net position	\$ 14,632,615	\$ 96,754,931	\$ 1,319,732	\$ (153,287,372)	\$ 15,952,347	\$ (56,532,441)

Governmental activities.

The continued increase in net position for governmental activities of \$14,632,615 is due to \$2.2 million in vacancy savings, \$1.2 million of unspent contingency funds, \$7.1 million in unspent capex projects, and \$1.3 million improvement in revenue collections due to a lack of protested tax payments.

Business activities.

These activities experienced a record increase in net position of \$1,319,732 due to more events at MetraPark.

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

Yellowstone County's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues:						
Program revenues:						
Special assessments	\$ 1,277,245	\$ 1,411,084	\$ 415,081	\$ 329,564	\$ 1,692,326	\$ 1,740,648
Licenses and permits	72,978	61,322		0	72,978	61,322
Intergovernmental	1,763,932	2,461,754		0	1,763,932	2,461,754
Fines and forfeitures	527,924	603,662		0	527,924	603,662
Charges for services	12,356,286	15,012,276	6,765,787	2,066,596	19,122,073	17,078,872
Operating grants and contributions	3,726,467	6,175,175		0	3,726,467	6,175,175
Total program revenues	19,724,832	25,725,273	7,180,868	2,396,160	26,905,700	28,121,433
General revenues:						
Property taxes	55,465,017	52,222,906	3,532,904	3,355,304	58,997,921	55,578,210
Licenses and permits	6,671,236	6,361,225		0	6,671,236	6,361,225
Intergovernmental	4,496,803	4,282,397	260,914	244,064	4,757,717	4,526,461
Other revenues	642,221	1,844,259	33,599	28,990	675,820	1,873,249
Total general revenues	67,275,277	64,710,787	3,827,417	3,628,358	71,102,694	68,339,145
Total revenues	87,000,109	90,436,060	11,008,285	6,024,518	98,008,394	96,460,578
Expenses:						
General government	15,748,117	17,629,771	0	0	15,748,117	17,629,771
Public Safety	32,972,140	30,488,998	0	0	32,972,140	30,488,998
Public Works	10,456,047	11,437,434	0	0	10,456,047	11,437,434
Public Health	7,011,401	9,114,966	0	0	7,011,401	9,114,966
Social and Economic	3,219,821	3,380,496	0	0	3,219,821	3,380,496
Culture and Recreation	2,060,354	1,960,788	0	0	2,060,354	1,960,788
Community Development	645,558	660,431	0	0	645,558	660,431
Conservation of Natural Resources	152,333	117,935	0	0	152,333	117,935
Interest on Long-Term Debt	239,255	286,079	0	0	239,255	286,079
Sanitation, refuse disposal	0	0	300,808	276,167	300,808	276,167
Civic center, METRA	0	0	9,250,213	7,022,223	9,250,213	7,022,223
Total expenses	72,505,026	75,076,898	9,551,021	7,298,390	82,056,047	82,375,288
Increase (decr.) in net position before transfers and extraordinary gain	14,495,083	15,359,162	1,457,264	(1,273,872)	15,952,347	14,085,290
Transfers	137,532	(612,198)	(137,532)	612,198	0	0
Increase (decrease) in net position	14,632,615	14,746,964	1,319,732	(661,674)	15,952,347	14,085,290
Beginning net position	137,335,025	122,588,061	39,260,362	39,922,036	176,595,387	162,510,097
Ending net position	\$ 151,967,640	\$ 137,335,025	\$ 40,580,094	\$ 39,260,362	\$ 192,547,734	\$ 176,595,387

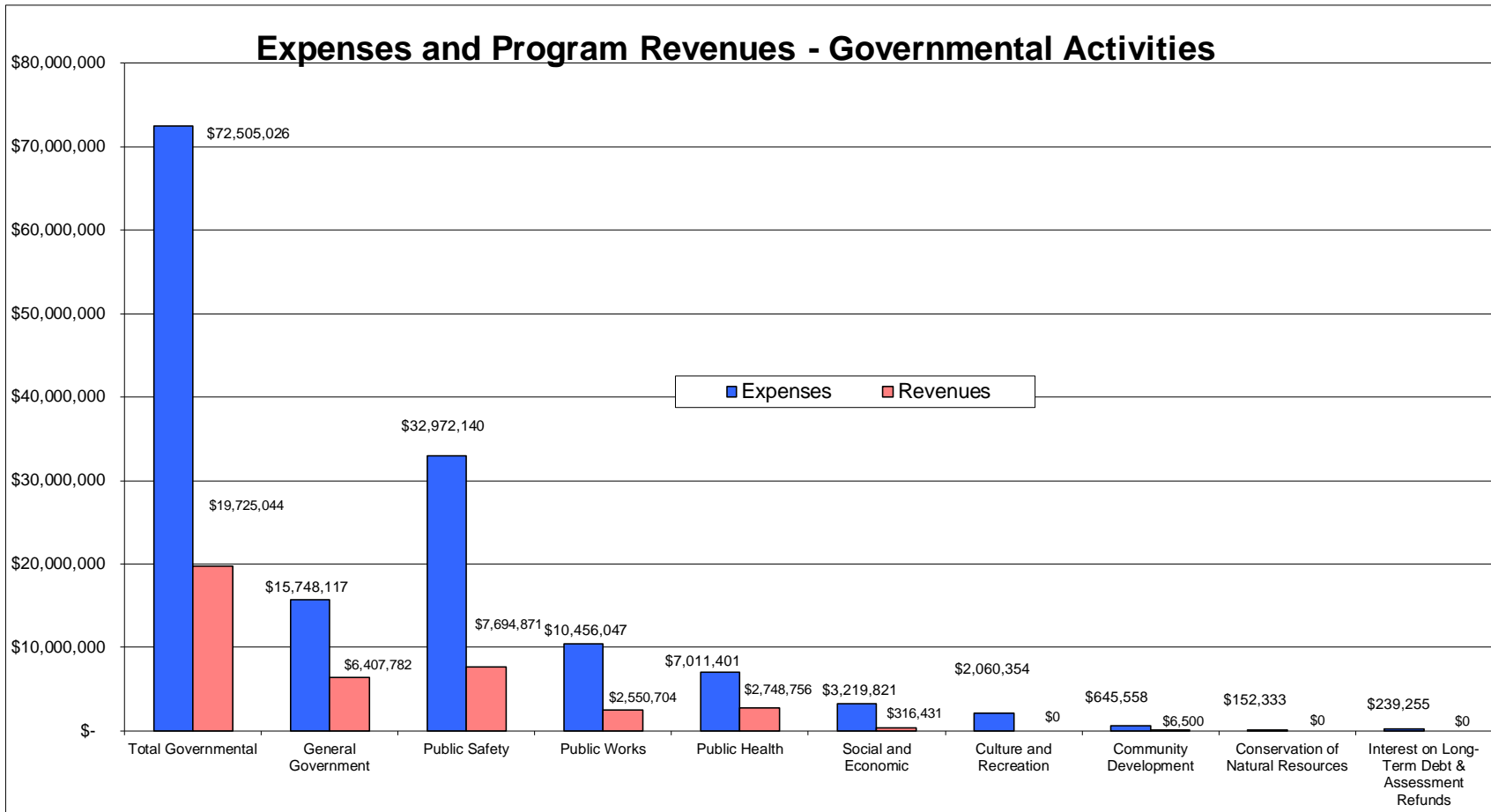
YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

Of the County's \$72.5 million in expenses for governmental activities, \$19.7 million (27.2%) was funded with program revenues. The balance of funding came from general revenues, which is primarily property tax revenue (63.7% of total revenues). The major sources of program revenues (and change from prior year) include:

- Clerk & Recorder filing fees (General Fund & Rec Preservation Fund): \$1,419,579 / (-\$181,458)
- Adult detention boarding fees: \$3,304,394 / (-\$1,488,124)
- Youth detention and secure shelter boarding and program fees: \$1,946,838 / (+\$45,100)
- RSID assessments: \$1,277,245 / (-\$135,939)
- Operating grants (including the American Rescue Plan Act \$2,253,756): \$3,726,467 / (-\$2,448,708)

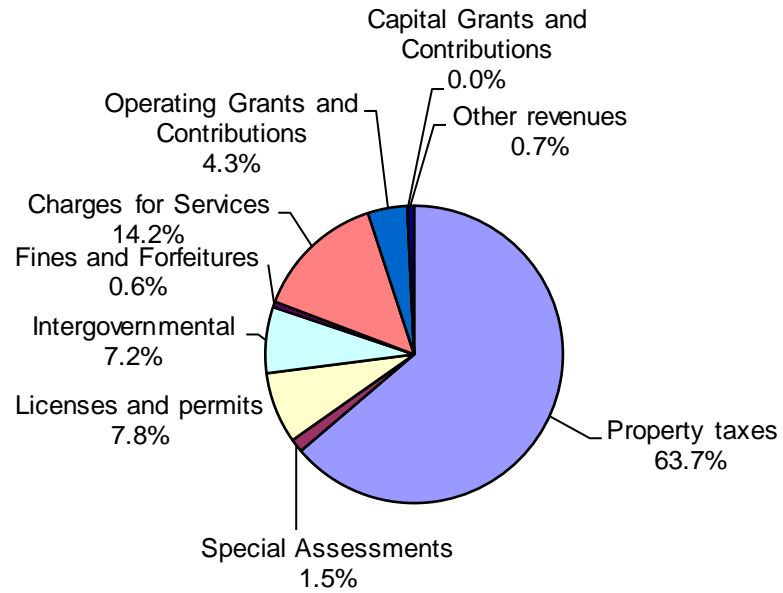
See the Statement of Activities on page 23 for additional detailed information regarding revenues and expenditures.

**YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**



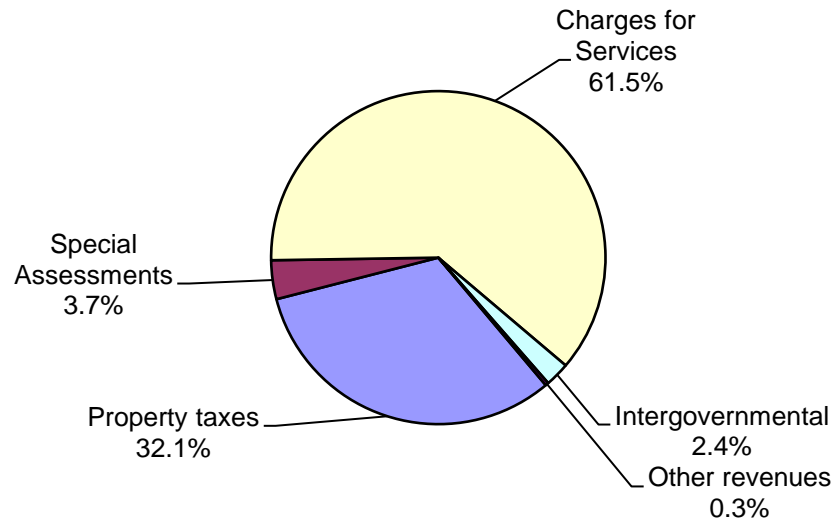
YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

Total Revenues by Source - Governmental Activities



YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

Total Revenues by Source - Business Type Activities



YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

Fund Financial Statement Analysis

Governmental funds.

Yellowstone County's governmental funds' change in fund balance for FY22 was an increase of \$99,270 resulting in an ending total governmental fund balance of \$75,585,820.

The general fund saw an increase in fund balance of \$1,483,055 during fiscal year 2022, mainly due to decreased interfund transfers out.

The road fund decreased by \$951,584 in the current year, in part due to increased paving projects and increased transfers to the Road's CIP fund.

The public safety fund balance decreased by \$1,389,170 due to higher fuel costs and fewer prisoner boarding fees.

The property and liability insurance fund remained stable, with a decrease in fund balance of \$516,627, mainly due to settled lawsuits and market value adjustments related to investments.

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 \$54,273, leaving an ending balance of \$523,475. In light of amounts that the City of Billings may charge going forward for its landfill contract, the County increased the rate to residents in the fall of 2021.

The health insurance fund was strengthened by a fund balance increase of \$1,683,650, resulting in an ending balance of \$14,023,467 as of 6/30/22. This was due to a continued reduction in claims yet to rebound to pre-COVID levels of services utilization.

The County carries specific stop-loss insurance for health claims at \$325,000 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 not available to retirees over 65, with the exception of offering coverage to a spouse under the age of 65 or any qualifying dependents.

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

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 2022 budget were:

- \$169,317 – County Attorney JAG
- \$271,963 – Homeland Security grants
- \$495,000 – County Tribal Matching Grant – SAC
- \$2,253,756 – American Rescue Plan Act

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

- Rapidly rising interest rates caused a sharp market value adjustment to the County’s investment pool.
- Motor vehicle option tax revenues in the sheriff’s fund exceeded original projections by \$795,408
- Prisoner boarding fees were \$895,606 below budget
- YSC sheltering revenues were approximately \$224,553 less than budgeted
- Transfers to CIP exceeded budget by \$1.6 million due to positive operational performance in the General Fund (\$775,000), Public Safety-Sheriff Fund (\$600,000) and Bridge Fund (\$125,000)

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

- \$13,411,244 of unspent budgeted expenditures in COVID-19 fund due to extended length of projects.
- Public safety expenditures saw a reduction of \$1,754,107, with half of that attributable to vacancy savings.
- CIP fund had \$5,163,299 of unspent capital outlay funds due to delays with the supply chain and product availability issues. These issues were seen across all funds in construction and capital outlay expenditures.
- \$1,343,612 in virtually all areas of the County Attorney’s budget for FY22, of which \$971,000 is the “placeholder” for estimated contingency costs and protested taxes.
- \$355,292 in reduced YSC expenditures, with \$324,257 due to inability to be fully staffed.

**YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

Capital Assets

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

	Governmental Activities		Business Activities		Total	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Land	\$ 5,301,158	\$ 3,638,346	\$ 357,388	\$ 357,388	\$ 5,658,546	\$ 3,995,734
Buildings	34,748,171	33,298,216	29,148,748	29,656,349	63,896,919	62,954,565
Improvements other than buildings	1,491,743	1,594,009	4,786,107	2,812,621	6,277,850	4,406,630
Equipment and vehicles	8,363,685	8,780,233	1,174,223	1,165,641	9,537,908	9,945,874
Infrastructure	44,053,975	40,015,693	0	0	44,053,975	40,015,693
Construction in progress	3,047,758	235,443	190,726	2,328,181	3,238,484	2,563,624
Intangible Lease assets	1,242,654	0	0	0	1,242,654	0
Total Capital Assets	\$ 98,249,144	\$ 87,561,940	\$ 35,657,192	\$ 36,320,180	\$ 133,906,336	\$ 123,882,120

Governmental capital assets increased by a net amount of \$10,687,204 during the year as a result of the addition of new capital assets and the completion of construction projects in the governmental funds, with \$1,242,654 of that increase due to recognizing an intangible lease asset with the implementation of GASB 87 in FY22.

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

- \$8.79 million in infrastructure improvements for county roads
- Miller building and land purchased for a total of \$4,375,821
- Snow plows, salt/sand spreaders, loader, and trucks for the Road Department - \$503,911
- Sheriff patrol cars totaling \$295,479

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

- Purchase of stalling barn stall panels - \$154,814
- Cold storage building - \$535,068

See footnote 7 (pages 55-56) for additional information on capital assets.

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

Long-term Liabilities

As of June 30, 2022, the County has \$10,645,969 of long-term liabilities. Governmental funds account for \$10,505,205 and the enterprise funds account for \$140,764.

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 \$7,530,000. In 2008, the County issued a \$3,000,000 limited tax general obligation bond for the purposes of dedicating \$1,401,000 for MetraPark seating improvements and \$1,599,000 to develop the Veteran's Cemetery. The debt service for this bond is funded by the general fund and the Veteran's Cemetery fund, but was paid in full in FY22.

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 June 30, 2022 the County has \$410,000 of outstanding RSID bonds and the RSID Revolving Fund has a fund balance of \$359,516. The County issued no new RSID bonds during FY22.

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 \$367,120 as of June 30, 2022.

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 \$755,000 for all cases. This amount is carried in the accrued liability balance line in the liability fund. Fund balance in the liability fund decreased by \$516,627 in FY22.

Compensated absences is the amount of the liability for unpaid vacation and sick leave at year-end. The liability decreased from the previous fiscal year, by \$110,476. The June 30, 2022 balance was \$2,707,942.

See footnote #8 (pages 57-61) for additional information on long-term debt.

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022

Economic Factors and Next Year's Budget

Overall countywide taxable value, as determined by the Montana Department of Revenue for FY22 increased by just 1.88% with downward adjustments for existing values from August of 2021, coupled with an increase in new construction of 2.76%.

The economy of Yellowstone County continues to be driven by refining, agricultural prices, the benefits of being a regional retail hub, transportation industry, and the expansive medical facilities in Billings. FY22 witnessed a rebound across all sectors as COVID restrictions and worries faded. The recent, dramatic increase in inflation will have uncertain impacts, depending upon the industry in question.

The County is benefiting through its Metra operations due to the lifting of COVID related issues. We will likely benefit from rising returns in our investment portfolio as well.

Unemployment has declined to 2.8%, down from 3.9% a year ago. This is slightly better than the statewide rate of 2.9%.

Some of the more significant financial items for fiscal year 2023 include:

- Tax protests are budgeted at 2.0% of FY23 property tax revenues, down from FY22's estimate of 2.50%.
- In FY23, the County will continue to spend on building related projects, along with funding the demolition of the old sheriff's headquarters on the east side of the courthouse parking lot. This parcel will then be reserved for future parking capacity, mainly for the time that the County's administrative offices are moved to the Miller Building.
- Metra infrastructure needs are continuing to be addressed with ARPA funding throughout FY23. As of this writing, the County has no plans to bring the previously announced Metra masterplan to the voters. Yellowstone County is currently considering a privatized management option first.

The County's financial health is strong. Unforeseen circumstances, such as a continued, elevated rate of inflation could impact this position, but we remain sound and prepared for a number of uncertainties.

**YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

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