

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2023

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, 2023, and the financial position as of June 30, 2023. 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 \$2,041,722. FY23 interest collections in the general fund increased from the prior year by \$2,171,336 as interest rates were significantly higher than the previous year. General Property Taxes increased \$649,057 largely due to new properties assessed for the first time. Marijuana Local Option Tax collections increased \$505,140 over FY22. However, document filing fees showed a decrease of \$435,512 as title companies are filing fewer pages.
- The road fund balance decreased by \$19,359. This decrease is primarily due to the ability of the Road fund to move \$1.75 million into the CIP fund for future projects.
- The liability insurance fund balance declined by \$970,319. This is due to \$345,000 in claim expense for the settlement of a few larger claims and an increase of \$420,000 in loss contingency based on current pending litigation. The fund remains fiscally sound, and it is fully committed to allocate future resources to support the fund.
- The Sheriff’s public safety fund balance increased by \$628,280. This is mostly due to a transfer of \$1.25 million from the General Fund, and revenues increasing slightly more than expenditures, as well as some vacancy savings.
- The County Attorney’s fund experienced an increase in its fund balance of \$323,002, as a result of \$152,000 in revenue over expenditures in FY23, and unspent capital expenditure funds.
- The R.S.I.D Maintenance fund balance saw growth of \$202,384 in FY23 due to assessment increases.
- Metra’s operations experienced another favorable increase in its net position of \$1,266,090. FY23 mirrored the results from FY22, which had shown a substantial rebound post-COVID. Maintaining this improved performance speaks well for Metra and its staff. This sustained momentum was far from a given. We remarked on that uncertainty in last year’s report. The year was successful enough that Metra was able to transfer \$1,450,000 from its operations to Metra’s CIP to assist in funding capital expenditure needs on campus. No individual lines of revenue stand out for comment in that while a few were somewhat higher or lower, overall consistency was seen in aggregated revenue amounts. Such is the case with expenditures as well.

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- At the start of FY24, Metra hired a new general manager, and a comprehensive review of revenue opportunities is taking place. We are optimistic as to these initiatives enhancing our charges for services. We are also reviewing event mix and charges we absorb vs. those we bill our customers for the rental and use of our facilities. This should assist us on cost control.

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. These activities are scheduled to conclude by the end of 2024.

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 22-24 of this report.

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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 25-31 of this report.

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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 32-36 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 37-38 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 39-95 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 96-102 of this report.

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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 \$211,394,209 as of June 30, 2023. The net position for governmental activities was \$169,526,346, while business-type activities' net position stood at \$41,867,863. The net position increase of \$18,846,475 from FY22 to FY23 was due in part to an increase of ARPA revenue of \$6.0 million, an increase of property tax revenue of \$2.4 million and an increase in investment earnings of \$3.5 million.

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 \$211,394,209 net investment in capital assets accounted for \$131,900,765 or 62.39% 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 \$14,710,793 accounts for about 6.96% of net position compared to 7.35% in FY22. Unrestricted net position of \$64,782,651 now accounts for 30.65% of the total net position, up from 27.85% in FY22. 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.

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A comparison of the County's net position follows:

Yellowstone County Net Position

	Governmental Activities		Business Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 135,724,743	\$ 131,609,760	\$ 12,027,856	\$ 11,359,091	\$ 147,752,599	\$ 142,968,851
Noncurrent assets	366,532	528,421	0	0	366,532	528,421
Capital assets	105,418,552	98,249,144	34,821,869	35,657,192	140,240,421	133,906,336
Deferred Outflows	8,701,671	8,385,249	403,461	497,982	9,105,132	8,883,231
Total assets and deferred outflows	250,211,498	238,772,574	47,253,186	47,514,265	297,464,684	286,286,839
Current liabilities	33,072,809	39,458,758	2,268,620	3,605,889	35,341,429	43,064,647
Noncurrent liabilities	43,839,243	34,097,511	2,837,960	2,357,461	46,677,203	36,454,972
Deferred Inflows	3,773,100	13,248,665	278,743	970,821	4,051,843	14,219,486
Total liabilities and deferred inflows	80,685,152	86,804,934	5,385,323	6,934,171	86,070,475	93,739,105
Net position:						
Net investment in capital assets	97,078,897	89,109,370	34,821,868	35,657,191	131,900,765	124,766,561
Restricted	14,710,793	14,158,671	0	0	14,710,793	14,158,671
Unrestricted	57,736,656	48,699,599	7,045,995	4,922,903	64,782,651	53,622,502
Total net position	\$ 169,526,346	\$ 151,967,640	\$ 41,867,863	\$ 40,580,094	\$ 211,394,209	\$ 192,547,734
Change in net position	\$ 17,558,706	\$ 14,632,615	\$ 1,287,769	\$ 1,319,732	\$ 18,846,475	\$ 15,952,347

Governmental activities.

The continued increase in net position for governmental activities of \$17,558,706 is due to \$2.4 million in vacancy savings, \$1.4 million of unspent contingency funds, an increase in ARPA revenue of \$6.0 million, an increase in property tax revenue of \$2.0 million and an increase in investment earnings of \$3.5 million.

Business activities.

These activities experienced an increase in net position of \$1,287,769 due to more events at MetraPark.

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Yellowstone County's Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Special assessments	\$ 1,338,666	\$ 1,277,245	\$ 420,493	\$ 415,081	\$ 1,759,159	\$ 1,692,326
Licenses and permits	58,057	72,978	0	0	58,057	72,978
Intergovernmental	2,281,790	1,763,932	0	0	2,281,790	1,763,932
Fines and forfeitures	570,050	527,924	0	0	570,050	527,924
Charges for services	12,169,314	12,356,286	6,670,287	6,765,787	18,839,601	19,122,073
Operating grants and contributions	10,437,017	3,726,467	0	0	10,437,017	3,726,467
Total program revenues	26,854,894	19,724,832	7,090,780	7,180,868	33,945,674	26,905,700
General revenues:						
Property taxes	57,713,303	55,465,017	3,675,725	3,532,904	61,389,028	58,997,921
Licenses and permits	6,875,009	6,671,236	0	0	6,875,009	6,671,236
Intergovernmental	4,684,756	4,496,803	191,728	260,914	4,876,484	4,757,717
Other revenues	5,546,218	642,221	36,094	33,599	5,582,312	675,820
Total general revenues	74,819,286	67,275,277	3,903,547	3,827,417	78,722,833	71,102,694
Total revenues	101,674,180	87,000,109	10,994,327	11,008,285	112,668,507	98,008,394
Expenses:						
General government	20,897,630	15,748,117	0	0	20,897,630	15,748,117
Public Safety	37,711,034	32,972,140	0	0	37,711,034	32,972,140
Public Works	12,239,269	10,456,047	0	0	12,239,269	10,456,047
Public Health	6,982,812	7,011,401	0	0	6,982,812	7,011,401
Social and Economic	3,264,265	3,219,821	0	0	3,264,265	3,219,821
Culture and Recreation	2,157,236	2,060,354	0	0	2,157,236	2,060,354
Community Development	646,789	645,558	0	0	646,789	645,558
Conservation of Natural Resources	153,415	152,333	0	0	153,415	152,333
Interest on Long-Term Debt	218,657	239,255	0	0	218,657	239,255
Sanitation, refuse disposal	0	0	323,814	300,808	323,814	300,808
Civic center, METRA	0	0	9,227,111	9,250,213	9,227,111	9,250,213
Total expenses	84,271,107	72,505,026	9,550,925	9,551,021	93,822,032	82,056,047
Increase (decr.) in net position before transfers and extraordinary gain	17,403,073	14,495,083	1,443,402	1,457,264	18,846,475	15,952,347
Transfers	155,633	137,532	(155,633)	(137,532)	0	0
Increase (decrease) in net position	17,558,706	14,632,615	1,287,769	1,319,732	18,846,475	15,952,347
Beginning net position	151,967,640	137,335,025	40,580,094	39,260,362	192,547,734	176,595,387
Ending net position	\$ 169,526,346	\$ 151,967,640	\$ 41,867,863	\$ 40,580,094	\$ 211,394,209	\$ 192,547,734

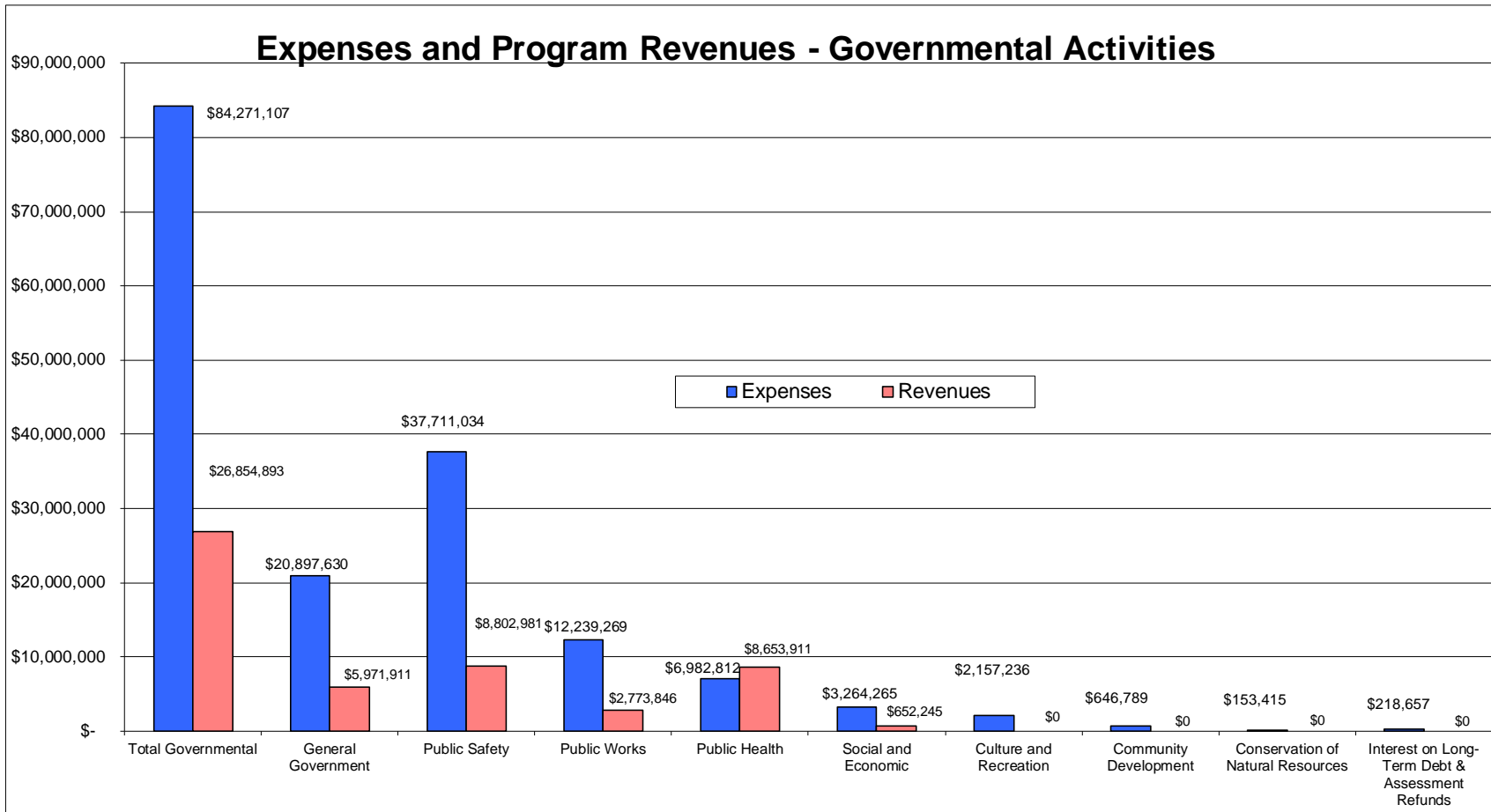
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Of the County's \$84.27 million in expenses for governmental activities, \$26.85 million (31.9%) was funded with program revenues. The balance of funding came from general revenues, which is primarily property tax revenue (56.7% of total revenues). The major sources of program revenues (and change from prior year) include:

- Clerk & Recorder filing fees (General Fund & Rec Preservation Fund): \$905,450 / (-\$519,536)
- Adult detention boarding fees: \$3,532,812 / (+\$228,418)
- Youth detention and secure shelter boarding and program fees: \$1,921,255 / (-\$25,583)
- RSID assessments: \$1,338,666 / (-\$61,421)
- Operating grants (including the American Rescue Plan Act \$8,253,014): \$10,437,017 / (+\$6,710,550)

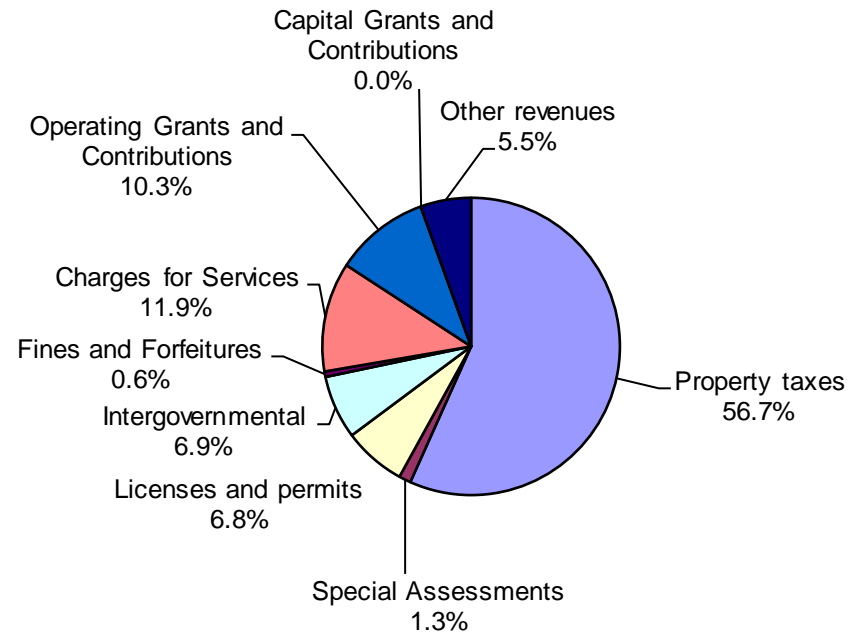
See the Statement of Activities on page 24 for additional detailed information regarding revenues and expenditures.

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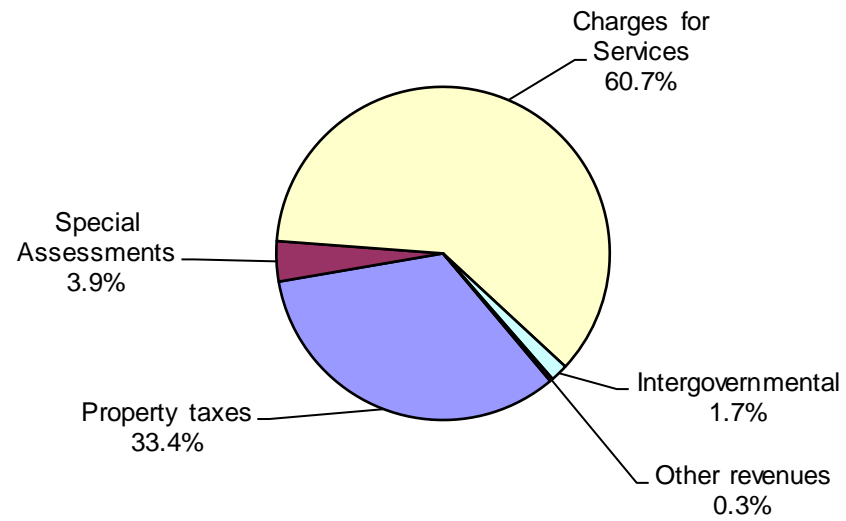
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Total Revenues by Source - Governmental Activities



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Total Revenues by Source - Business Type Activities



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Fund Financial Statement Analysis

Governmental funds.

Yellowstone County's change in governmental fund balance for FY23 was an increase of \$10,501,677 resulting in a total governmental fund balance of \$86,087,497.

The general fund saw an increase in fund balance of \$2,041,722 during fiscal year 2023, mainly due to increased property tax and interest revenue.

The road fund decreased by \$19,359 in the current year. Expenditures decreased for fiscal year 2023 which allowed an increase of the amount of money transferred into the Capital Improvement Projects fund than budgeted. This will help fund future capital projects.

The public safety fund balance increased by \$628,280 primarily due to increased prisoner boarding fee billing as well as a transfer in from the General Fund.

The property and liability insurance fund decreased in fund balance of \$970,319, due to the settlement of two large claims in FY23 and the increase of \$420,000 in loss contingency. Claims always have some level of unpredictability, however, this fund's reserves appear to be sufficient for known cases.

Fund balance in the capital improvement fund increased \$7,157,496. Interest revenue saw a large increase over the prior year. Capital outlay decreased \$4.77 million as larger projects were completed in the prior year. Fiscal year 2023 saw large increases in the amount of money transferred in from the General Fund and Road Fund. The capital improvement fund sets aside cash reserves for future capital replacement needs.

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

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Proprietary funds.

The refuse disposal fund experienced an increase of \$21,679, leaving an ending balance of \$545,154. This fund remains capable of covering any City of Billings contracts for the next few years, and saw no increase in rates over FY23.

The health insurance fund was strengthened by a fund balance increase of \$690,801, resulting in an ending balance of \$14,714,268 as of 6/30/23. This increase is largely related to increase interest revenue over the previous year.

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 or select a traditional plan. 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.

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 2023 budget were:

- \$452,160 – MBCC COAP & RSAT Grants
- \$231,098 – DPHHS HEART & SOR III Grants
- \$162,250 – Homeland Security grants
- \$400,896 – DPHHS Crisis Grant
- \$8,253,014 – American Rescue Plan Act

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

- Rapidly rising interest rates continued to cause a sharp market value adjustment to the County’s investment pool.
- The County’s investment pool earned \$3 million more than was budgeted
- A budget shortfall of \$285,000 in clerk & recorder filing fees generated by activity in the local housing and real estate market and refinancings as a result of fewer pages being filed.
- \$8.2 million of ARPA projects in progress.
- Motor vehicle option tax revenues in the sheriff’s fund exceeded original projections by \$606,794
- Prisoner boarding fees and jail phone/tablet commissions created a budget overage in the Public Safety Fund of \$450,000.
- Transfers to CIP exceeded budget by \$985,000 million due to positive operational performance in the Road Fund which allowed a transfer of \$1,250,000 above what was budgeted.

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

- \$18,646,986 of unspent budgeted expenditures in COVID-19 fund due to extended length of ARPA projects.
- \$2,979,589 of unspent budgeted expenditures in General Fund is mostly related to unspent contingency budgets and unspent Jail Alternative programs totaling \$1.9 million.
- \$1,583,919 of unspent budgeted expenditures in Road Fund is related to vacancy savings and fewer road projects completed in FY23.
- Public safety expenditures saw a reduction of \$1,809,077 from budget, with \$1 million of that attributable to vacancy savings and \$363,677 in unspent capital budgets.
- CIP fund had \$5,938,124 of unspent capital outlay funds due to continued delays with the supply chain and product availability issues. These issues were seen across all funds in construction and capital outlay expenditures.
- \$1,117,947 of unspent budgeted expenditures in virtually all areas of the County Attorney’s budget for FY23, of which \$553,000 is the “placeholder” for estimated contingency costs and protested taxes, with \$220,000 attributable to unspent capex funds.
- \$738,618 in reduced Bridge expenditures related to fewer bridge projects completed in FY23. This is in anticipation of future projects.
- \$323,471 of unspent budgeted expenditures in Public Safety Mental Health Fund related to contracted services lower than estimated.
- \$249,748 of unspent budgeted expenditures in Youth Services Fund related to vacancy savings.

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Capital Assets

A comparison of capital assets (net of accumulated depreciation) for the last two fiscal years is presented below:

	Governmental Activities		Business Activities		Total	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Land	\$ 5,301,158	\$ 5,301,158	\$ 357,388	\$ 357,388	\$ 5,658,546	\$ 5,658,546
Buildings	33,704,490	34,748,171	28,401,714	29,148,748	62,106,204	63,896,919
Improvements other than buildings	2,210,694	1,491,743	4,568,471	4,786,107	6,779,165	6,277,850
Equipment and vehicles	8,838,368	8,363,685	1,459,605	1,174,223	10,297,973	9,537,908
Infrastructure	44,777,235	44,053,975	0	0	44,777,235	44,053,975
Construction in progress	9,662,556	3,047,758	34,691	190,726	9,697,247	3,238,484
Intangible Lease assets	844,646	1,242,654	0	0	844,646	1,242,654
Intangible Subscription assets	79,405	0	0	0	79,405	0
Total Capital Assets	\$ 105,418,552	\$ 98,249,144	\$ 34,821,869	\$ 35,657,192	\$ 140,240,421	\$ 133,906,336

Governmental capital assets increased by a net amount of \$7,169,408 during the year as a result of the addition of new capital assets and the completion of construction projects in the governmental funds.

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

- \$5.58 million in infrastructure improvements for county roads
- The completion of \$1,415,666 of ARPA related construction projects
- Bucket loaders and trucks for the Road Department - \$1,060,676
- Sheriff patrol cars totaling \$180,543

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

- Purchase of Metra stalling equipment - \$408,028
- Metra concessions remodel - \$358,350

See footnote 7 (pages 56-57) for additional information on capital assets.

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Long-term Liabilities

As of June 30, 2023, the County has \$46,677,203 of long-term liabilities. Governmental funds account for \$43,839,243 and the enterprise funds account for \$2,837,960.

The largest component of long-term debt is the balance of \$7,045,000 of limited general obligation bonds issued in 2017 for detention center expansion and improvements.

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, 2023 the County has \$278,000 of outstanding RSID bonds and the RSID Revolving Fund has a fund balance of \$359,516. The County issued no new RSID bonds during FY23.

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 \$307,452 as of June 30, 2023.

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 \$800,950 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 \$970,319 in FY23.

Compensated absences is the amount of the liability for unpaid vacation and sick leave at year-end. The liability increased from the previous fiscal year by \$121,963. The June 30, 2023 balance was \$2,829,905.

See footnote 8 (pages 58-62) for additional information on long-term debt.

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Economic Factors and Next Year’s Budget

Fiscal year 2023 experienced slight increases in valuations and an inflation allowance by Montana Code Allocated of 1.77% which led to very slight increases in most levies. This resulted in an increase of 2.04 mills over the previous fiscal year.

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. FY23 witnessed a continued rebound across all sectors as COVID restrictions continued to fade.

The County is benefiting through its Metra operations due to the lifting of COVID related issues. We have seen a benefit from rising returns in our investment portfolio as well. We anticipate positive performance in fiscal year 2024 for as long as rates continue to climb.

Unemployment has declined to 2.5%, down from 2.8% a year ago. This is the same as the statewide rate of 2.5%.

Some of the more significant financial items for fiscal year 2024 include:

- Tax protests are budgeted at 3.0% of FY24 property tax revenues, up from FY23’s estimate of 2.0%.
- In FY24, the County will continue to spend on building related projects. The demolition of the old sheriff’s headquarters on the east side of the courthouse parking lot has been completed and work is in progress to convert this space for future parking capacity, mainly for the time that the County’s administrative offices are moved to the Miller Building. Work will soon accelerate on the remodel of the Miller Building.
- Recently expanded Detention Facility is potentially scheduled for review as to capacity.
- Metra infrastructure needs are continuing to be addressed with ARPA funding throughout FY24.

The County’s financial health is strong. Unforeseen circumstances, such as a possibility of elevated protested taxes in FY24, could temporarily 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, 2023**

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