PARK COUNTY
LIVINGSTON, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARK COUNTY

ORGANIZATION

June 30, 2014

BOARD OF COUNTY COMMISSIONERS

Clint Tinsley	Board Chairperson
Marty Malone	Commissioner
Jim Durgan	Commissioner

ELECTED OFFICIALS

Denise Nelson	County Clerk and Recorder
Kevin Larkin	County Treasurer
M. Allen Lutes	County Sheriff
Nels Swandal	County Attorney
Ed Barich	County Superintendent
June Little	Clerk of District Court
Linda Budeski	Justice of the Peace
Albert Jenkins	County Coroner
Sue Martin	Public Administrator
Martha Miller	County Auditor

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

BRENT D. OLNESS, CPA
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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Park County
Livingston, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park County, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions

Because adequate records are not available to support the recorded balance of the landfill closure/postclosure costs liability and related expense, we were unable to form an opinion regarding the amounts at which the landfill closure/postclosure costs liability and related expense were recorded in the business-type activities and the landfill fund.

Qualified Opinions

In our opinion, except for the possible effects of the matter discussed in the "Basis for Qualified Opinions" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the landfill fund of the government, as of June 30, 2014, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund (excluding the landfill fund) and the aggregate remaining fund information of the government, as of June 30, 2014, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and the schedule of funding progress-other post employment benefits identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

Olness & Associates, PC

Billings, Montana
December 22, 2014

Park County's management offers readers of the county's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2014. Readers are encouraged to consider the information presented here, in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Park County exceeded its liabilities at the close of the most recent fiscal year by $28,860,223 (net position).
- The County's total net position increased 1.1 percent as a result of this year's operations. Net position of governmental activities increased by $460,259 or 1.8 percent, while net position of business-type activities decreased by $157,610 or 6.6 percent.
- During the year governmental revenues of $13,572,679 were $200,693 more than the $13,371,986 in expenses, before transfers out. The total cost of governmental activities (expenses) increased over the prior year by $2,122,671 or 19 percent.
- In the business-type activities before transfers in and out, revenues decreased $47,446 (4.2 percent) while expenses decreased $324,921 (20.4 percent) over the prior year due to decreased activity at the Landfill.
- The General Fund cash and investments balance reported an increase this year of $128,505 due to increased transfers in from other funds.

USING THIS AUDIT REPORT

This audit report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the county's finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the government's operations in more detail than the all-inclusive, government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of county government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to Park County's basic financial statements. The county basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of Park County's finances in a manner similar to a private-sector business.

The Statement of Net Position and the Statement of Activities (pages 10 and 11) report information about the government as a whole. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements also report the net position and changes in them. Over time, increases or decreases in the county's net position are one indicator of its financial condition. The reader will need to consider other non-financial factors, such as changes in the property tax base and the condition of our capital assets, to assess overall health.

In the Statement of Net Position and the Statement of Activities, Park County's finances are divided into two categories:

Governmental activities: Basic services are reported here, including general government, public safety, public works, public health, social and economic services, conservation of natural resources, and culture and recreation. Property taxes and state and federal grants finance most of these activities.

Business-type activities: The County charges fees to customers to help it cover all or most of the cost of certain services it provides. Solid waste services are reported here.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Park County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, and to help it control and manage money for particular purposes. All of the county's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The

governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliations (pages 13 and 15).

Proprietary Funds: The County charges fees to customers for the services it provides – whether to outside customers or to other units of the government – and these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. The county has 2 enterprise funds, Landfill and Refuse, which deal with solid waste. Internal service funds (the other component of proprietary funds) report activities that provide supplies and services to other departments of the government. The county has no internal service funds.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. Fiduciary funds are *not* included in the government-wide financial statements because these assets are not available to finance Park County operations. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE GOVERNMENT AS A WHOLE

Net position: Net position may serve over time as a useful indicator of a government's financial position. The following schedules provide summaries of changes in net position of the county's governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	$ 15,733,794	$ 17,002,686	$ 3,482,673	$ 3,612,486	$ 19,216,467	$ 20,615,172
Capital assets	14,811,716	11,829,346	837,021	931,214	15,648,737	12,760,560
Total assets	30,545,510	28,832,032	4,319,694	4,543,700	34,865,204	33,375,732
Other liabilities	272,931	127,184	4,268	3,717	277,199	130,901
Long-term liabilities outstanding	3,624,851	2,517,379	2,102,931	2,169,878	5,727,782	4,687,257
Total liabilities	3,897,782	2,644,563	2,107,199	2,173,595	6,004,981	4,818,158
Net position:						
Net investment in capital assets	13,852,140	11,397,333	837,021	884,008	14,689,161	12,281,341
Restricted	13,396,831	14,323,788	548,037	517,950	13,944,868	14,841,738
Unrestricted	(601,248)	466,348	827,437	968,147	226,189	1,434,495
Total net position	$ 26,647,728	$ 26,187,469	$ 2,212,495	$ 2,370,105	$ 28,860,223	$ 28,557,574

A large portion of the County's net position reflects its investment in capital assets (land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. We use these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the county's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position in the governmental and business-type activities ($13,944,868) represent resources that are subject to external restrictions on how they may be used. The remaining balance of $226,189 in governmental and business-type activities is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the fiscal year, the County is able to report positive balances in all reported categories of net position, both for the government as a whole as well as for its business-type activities. Assets exceeded liabilities by $26,647,728 for the governmental activities and $2,212,495 for the business-type activities, or a total of $28,860,223.

The County's overall net position increased 1.1% or $302,649 from fiscal year 2013 to 2014. This is largely due to a 1.8% increase in net position in the governmental activities, as the business-type activities saw a 6.6% decrease, or $157,610. The decrease in net position of the business-type activities is in line with refuse and landfill program reductions.

CHANGES IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	$ 1,787,698	$ 893,715	$ 1,004,173	$ 1,092,845	$ 2,791,871	$ 1,986,560
Operating grants and contributions	2,374,839	1,201,394	-	-	2,374,839	1,201,394
Capital grants and contributions	1,018,126	230,469	-	-	1,018,126	230,469
General revenues:						
Taxes	5,648,199	5,546,139	-	-	5,648,199	5,546,139
Licenses and permits	30,603	26,361	-	-	30,603	26,361
Intergovernmental	2,495,519	2,263,614	-	-	2,495,519	2,263,614
Interest	107,631	92,981	30,086	28,821	137,717	121,802
Miscellaneous	101,430	104,011	8,482	4,257	109,912	108,268
Gain on disposal of capital assets	8,634	-	-	-	8,634	-
Total revenues	13,572,679	10,358,684	1,042,741	1,125,923	14,615,420	11,484,607
Expenses:						
General government	3,502,854	3,035,841	-	-	3,502,854	3,035,841
Public safety	3,513,584	3,475,108	-	-	3,513,584	3,475,108
Public works	4,414,352	2,694,817	-	-	4,414,352	2,694,817
Public health	632,359	746,646	-	-	632,359	746,646
Social and economic services	400,104	390,388	-	-	400,104	390,388
Culture and recreation	794,632	755,948	-	-	794,632	755,948
Housing and community development	49,648	25,055	-	-	49,648	25,055
Landfill	-	-	174,065	361,402	174,065	361,402
Incinerator/transfer station	-	-	1,057,639	1,230,959	1,057,639	1,230,959
Collections	-	-	-	-	-	-
Interest on long-term debt	14,846	34,263	-	-	14,846	34,263
Intergovernmental	49,607	91,249	-	-	49,607	91,249
Total expenses	13,371,986	11,249,315	1,231,704	1,592,361	14,603,690	12,841,676
Change in net position before transfers	200,693	(890,631)	(188,963)	(466,438)	11,730	(1,357,069)
Transfers	(31,353)	(45,103)	31,353	45,103	-	-
Change in net position	169,340	(935,734)	(157,610)	(421,335)	11,730	(1,357,069)
Net position, beginning	26,187,469	27,123,203	2,370,105	2,791,440	28,557,574	29,914,643
Prior period adjustment	290,919	-			290,919	-
Net position, ending	$ 26,647,728	$ 26,187,469	$ 2,212,495	$ 2,370,105	$ 28,860,223	$ 28,557,574

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet each of the two following criteria. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. The General Fund is always reported as a major fund.

Total assets, liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total (assets, liabilities, etc.) for all funds of that category or type (that is, total governmental or total enterprise funds).

The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

Governmental Funds

Park County has five governmental funds that are reported as major funds in fiscal year 2014. These are: General, Road, Public Safety (Law Enforcement), Fleshman Creek Project, and the General Capital Improvement funds.

- *General Fund:* This is the primary operating fund for Park County and includes the Commissioners, Justice of the Peace, Clerk and Recorder, Elections Administration, Auditor, Treasurer, County Attorney, Building Maintenance, Public

Administrator, School Superintendent, Mail/copier Services, Juvenile Detention, Coroner, Sanitarian, Health Department, Extension, Public Works, Veteran Services, Mental Health Services, County Parks, Historical Research, Accounting, Human Resources, Information Technology, and Geographic Information Systems.

Besides taxes and charges for services, General fund revenue sources include a Local Option Tax, which amounted to $638,136 in fiscal year 2014, an increase of 4.9% over fiscal year 2013. Before transfers in and transfers out, revenues increased 6.7% ($176,746) and expenditures increased 4.7% ($145,360) over the prior fiscal year. Transfers in from Permissive Medical Levy, PILT, Road and the Enterprise funds amounted to $572,260 which contributed to an increase in fund balance of $128,505

- *Road Fund:* This fund accounts for costs related to maintenance and reconstruction of county roads. Revenues in 2014 decreased $104,348 from the prior year, before other financing sources. A 1.8% increase in tax revenue and a 7.6% increase in state entitlement payments were offset by a decrease in road improvement charges related to a contract with a local guest ranch.

  During the spring of 2014, the Commissioners declared a local emergency proclamation for the county due to widespread flooding. Consequently, FEMA approved emergency management payments to the Emergency Disaster fund for eligible costs, of which $89,048 was transferred to the Road fund to compensate for emergency expenses incurred. Transfers in also included $385,000 from PILT, a 54% increase over the prior year, and $65,000 from the Permissive Medical Levy fund. Expenditures decreased $117,240 or 7.6 percent over the prior year, largely due to a decrease in professional services and machinery and equipment purchases. Expenditures include $16,553 transferred to the General fund for Road share of the Public Works Director. The Road fund has a negative fund balance due to a liability incurred for an interfund loan in 2010 for the purchase of road graders. The deficit will be reduced over time as the loan is repaid.

- *Public Safety:* The Public Safety fund accounts for activities for Law Enforcement: the Sheriff's Office, detention center, civil clerk, concealed weapons licensing, and the community service program. Revenues for fiscal year 2014 before transfers in increased $70,680, or 4.7% over the prior year. Transfers in from other funds decreased $73,598 or 12%. The largest share of transfers in ($320,000) was from PILT; $4,414 was transferred in from the Emergency Disaster fund to cover expenses due to widespread flooding.

  Park County and the City of Livingston entered into a joint contract to purchase software for mobile data devices, aka Toughbooks. In fiscal year 2014, when the software was completely installed and operational the entire balance of $94,142 was expensed. This contributed to the 6.9% increase in overall expenditures over the prior fiscal year. The ending fund balance increased $2,867 or less than 1%.

- *Fleshman Creek FEMA:* The Fleshman Creek FEMA fund accounts for activities related to a Pre-disaster Mitigation project with major funding from a US Department of Homeland Security FEMA grant. The purpose of the project was to restore a two mile reach of Fleshman Creek in order to mitigate risks to property and life associated with flooding hazards. This multi-year project was begun in fiscal year 2012 and completed in June 2014. FEMA contributed $2.28 million, other granting entities contributed $451,175, and Park County contributed $377,189 cash match. Of those amounts, during fiscal year 2014 $2,332,197 was grant revenue and $313,731 was Park County's cash contribution. The fund retained no balance at year end.

- *General Capital Improvement Fund:* This fund represents the amount awarded to the county from a 1999 law suit settlement plus interest. Use of this fund is restricted by resolutions passed by the county Commissioners. Revenue consists of interest. Besides investment interest, annual payments are received for loans made from the fund. In fiscal year 2010 the fund loaned $650,000 to the Road fund for road graders, and in 2014 it loaned $53,441 to the Cooke City Fire District for equipment purchases.

  Whereas earlier resolutions by the Board of County Commissioners restricted expenditures for only specific purposes, Resolution No. 1145, signed in November 2012, allowed interest from the BN fund to be expended on capital improvement projects. In fiscal year 2014, $877,117 was expended for a number of capital improvement projects, including: HVAC upgrade to the courthouse, Yellowstone Gateway Museum roof, fairgrounds sewer, Fleshman Creek project, and a county cash match for the Main Boulder and Gardiner Gateway Federal Lands Access Project grants. Additionally, $55,000 was transferred to the Landfill for monitoring and cleanup costs. The ending fund balance was $10,329,390, a decrease of $834,887 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was no need for amendments to increase either the original estimated revenues or original budgeted appropriations. The Commissioners created the office of Public Works within the General fund with a director who was hired after the fiscal year 2014 budget was passed. Even though a budget for Public Works was not established and $47,295 was expended during the year, the General fund was able to accommodate the added expense without the need to amend the budget. Expenditures for Public Works are offset by revenues transferred in from Road, Bridge and Enterprise funds.

Final budget compared to actual results. Other financing sources and uses include transfers in from and out to other funds. Actual revenues for the General Fund before other financing sources were less than 2% over budget, or $50,893. Other financing sources were $64,020 (12.5%) over budget, largely due to the transfer in for Public Works that was not in the original budget. Total actual revenues including transfers in were $114,913 (3.5%) over budget. General fund tax revenues were estimated closely (only .5% more than budgeted); local option taxes, which are collected in the General fund, were 6.3% more than budgeted. Fees for services and collections for fines and forfeitures received by Justice Court were greater than budgeted. Some grants that were budgeted for came in lower than expected, and investment earnings continued to drop.

Actual expenditures were 94% of appropriations, or $206,923 under budget. Three of the 25 General fund departments were individually over budget, but this was offset by most departments under spending their appropriations. The budget for Veterans Burial Benefits was almost 20% over budget, but that is an area that is understandably difficult to predict. The General fund saw a reduction in force of 1 full time employee in the IT department. Transfers out to other funds (other financing uses) consisted of $41,496 to Law Enforcement fund 2300 for the Sheriff's share of Justice Court. The net change in fund balance was an increase of $128,505.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Park County's net investment in capital assets as of June 30, 2014 totaled $14,689,161. This investment includes land, construction in progress, buildings, infrastructure, machinery, and equipment. Fiscal year 2014 additions included: completion of the Search and Rescue building, an addition to the Wilsall Senior Center, improvements to Rock Creek Road, keyless entry system to the courthouse, IT server upgrades, jail video visitation equipment, law enforcement mobile data software, heavy equipment for the Road department, truck for sanitarian, Angelline bus, law enforcement trucks, motor pool vehicle, fairgrounds sewer system installation, 6 bridges over Fleshman Creek, and engineering services for and purchase of a compactor in Gardiner.

Long Term Debt: Debt Service Funds are used to account for the payment of interest and principal on long term bonded debt other than revenue bonds. Montana statutes specify that a single debt service fund be established for each general obligation bond, special assessment bond, judgment levy, and S.I.D. revolving. Park County has only one debt service fund, which is restricted for the compensated absences liability of the Junk Vehicle program. The purpose of this fund is to "pre-pay" the costs associated with an employee retiring and leaving public service and was established per Montana Department of Administration guidance. On June 30, 2014 the fund balance was $4,295.

State statute limits the amount of county indebtedness to 2.5 percent of the total assessed value of taxable property. The 2014 market value of property in the County was $1,477,077,198, and the statutory limit of county indebtedness was $36,927,000. As of June 30, 2014 Park County had at total of $959,576 in outstanding notes, of which $865,002 is long term. Park County's total debt increased $531,379 during the fiscal year. This included a new Montana Board of Investments loan to complete the Search and Rescue building construction ($608,071) and reductions by regularly scheduled principal payments on existing debt.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The taxable value of property in Park County (less the value of the Tax Increment Financing Districts) increased 3.2% from $38,751,116 in fiscal year 2013 to $40,001,441 in fiscal year 2014. The value of newly taxable property county-wide was $718,468, which accounts for a portion of that increase. A certain amount can also be attributed to how the Montana Department of Revenue implements phased-in increases in reappraisal values. It should be noted that 2009 was a reassessment year for the Montana Department of Revenue, who is required by state law to conduct periodic reappraisals of property in the interest of equal taxation. Reappraisal values are phased-in at the rate of one-sixth each year. The next reassessment will occur in 2015.

A Tax Increment Financing District (TIF) is a vehicle by which a targeted economic development district can set aside incremental increases in tax revenues above a base year for specific uses, generally allied to infrastructure. These increases in tax revenue are not available to other affected taxing bodies. There are 2 TIF's in Park County, both of which are within the City of Livingston. The downtown TIF expires 2018, and the west end TIF expires 2025 when the related infrastructure bonds are paid.

County general mills are split among the General, Bridge, Weed Control, Fair, Airport, District Court, Comprehensive Insurance, Senior Citizens, Law Enforcement, and Museum Funds at the commissioners' discretion, with certain restrictions. The growth in number of authorized mills for these aggregate mills went from 83.79 in fiscal year 2013 to 84.53 in fiscal year 2014. Calculations were done according to Montana Code Annotated, Title 15, Section 10, Part 420, which limits the growth in mills to one half the average of inflation over the prior 3 years. From fiscal years 2010 through 2013 the Commissioners levied county general mills below the maximum allowed, for a total of 4.61 carry forward mills available. This reflected a concerted effort on the part of the Commissioners to give a measure of relief to the taxpayers of the County in light of the recent economic recession. Fiscal year 2014 is the first time in four years the Commissioners levied the full amount authorized.

With the increase in value of a county mill and the increase in number of mills authorized to be levied, tax revenues for the county general mills were expected to increase 3.7%, from $3,227,968 in fiscal year 2013 to $3,345,934 that was budgeted in fiscal year 2014. Actual tax revenues were 100% of budgeted.

Payment in Lieu of Taxes (PILT) funds are received annually from the federal government in lieu of taxes on federal property within the county and continue to be a major source of operating funds. The majority of appropriations from PILT are transfers out to other

funds in order to finance their operations, such as Law Enforcement, General, Road, Planning, and Fair funds. PILT is also used to pay for operating costs of motor pool maintenance, litigation expenses, commissioners' special projects, and certain Public Safety services such as support of the city/county dispatch. While in the past the Park County Commission determined that it is important to retain up to two years' payment amount in reserves pending changes in federal policy, for fiscal year 2014 the Commissioners readjusted this goal to 1.5 years' payment retained in reserves. In fiscal year 2014 the county received $1,236,096 for PILT, an 18.4% increase over the prior year, and expended $1,568,431, or 30% more than the prior year. The net change in fund balance from the prior fiscal year was a decrease of $310,567, for an ending fund balance of $1,411,693. This remains close to the goal of maintaining a 1.5 year reserve.

During the spring of 2014 the Commissioners declared a local emergency proclamation for Park County due to widespread flooding. Consequently FEMA determined damages of $126,186 were approved for emergency management costs to the county's Emergency Disaster fund. Of this amount, the County bore a 25% share of the expenses and FEMA paid the county for 75% share of expenses in the amount of $94,639. The FEMA payment was distributed between the Road and Sheriff funds according to each department's share of expenditures.

The county's waste disposal system has been in transition since 2012. The Park County Transfer Station no longer accepts refuse or recycling; all refuse activities have moved to the city of Livingston Transfer Station. In the fall of 2014 the Park County Solid Waste Board recommended and the Commissioners moved to close the landfill, pending DEQ approval. All landfill jobs were eliminated in the prior year, resulting in the removal of liabilities for employee compensated absences and other post employment benefits. During fiscal year 2014 the landfill was open for public use by appointment only, resulting in a large reduction in the volume of waste received. Consequently, remaining years of life of the landfill could not be calculated. Plans for the construction of a waste compactor in the Gardiner area have been ongoing, with $60,132 expended toward construction in progress.

The question of a resort tax was voted on and approved by the residents of Gardiner, and in June 2014 Park County Ordinance No. 29 subsequently established the Gardiner Resort Tax. This tax will be imposed on the retail value of all goods and services for lodging, camping, facilities, food service, luxuries, and gift items sold within the resort area from June through September of each year for the duration of 20 years.

In light of the most recent Consumer Price Index statistics indicating a Cost of Living Adjustment of 1.5%, the county's Compensation Board recommended that elected officials receive a flat $1,500 increase to their base salary or 3.1%. Eligible county employees received a 1.5% increase to their wages.

Grants financed a number of projects during the year, including some capital projects which will continue into subsequent fiscal years.

- A Montana Community Transportation Enhancement Program (CTEP) grant for $30,978 funded a new roof on the Yellowstone Gateway Museum.
- Another CTEP grant for the Cooke City Museum, which had $23,032 revenue in fiscal year 2014, will continue into the next year.
- The Montana Department of Natural Resources and Conservation awarded a $100,000 grant which was used toward a fairgrounds sewer improvement and central collection system project.
- Park County and neighboring Sweet Grass County have entered into a joint agreement for improvement on the Main Boulder River Road which straddles both counties. The projects costs of $6.5 million will be provided by the Federal Lands Access Program and contributions from both counties. Park County has committed $509,960 through 2016.
- Another FLAP project underway is the Gardiner Gateway project, which is intended to reduce congestion, improve safety, provide parking, and improve drainage on several roads in Gardiner, the north entrance to Yellowstone National Park. Of the total estimated cost of $15.7 million, Park County has cash and in kind matches of $819,820 through 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Park 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 financial information should be addressed to the Park County Finance Office, 414 E. Callender Street, Livingston, MT 59047.

PARK COUNTY
STATEMENT OF NET POSITION
June 30, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	$ 2,907,862	$ 895,559	$ 3,803,421
Investments	10,535,104	-	10,535,104
Receivables:			
Taxes/assessments	412,750	228,173	640,923
Solid waste	-	70	70
Resort tax	23,483	-	23,483
CDBG	221,661	-	221,661
Board of Investments	44,059	-	44,059
Road construction	880,000	-	880,000
Governments	604,615	-	604,615
Other	36,266	-	36,266
Inventories	60,592	-	60,592
Prepaids	7,402	-	7,402
Restricted assets:			
Cash and equivalents	-	19,332	19,332
Investments	-	2,339,539	2,339,539
Capital assets not being depreciated-land and construction in progress	1,501,008	112,660	1,613,668
Capital assets, net of accumulated depreciation	13,310,708	724,361	14,035,069
Total assets	30,545,510	4,319,694	34,865,204
LIABILITIES			
Accounts payable-vendors	266,288	4,268	270,556
Unearned revenues	6,643	-	6,643
Noncurrent liabilities:			
Due within one year:			
Notes	94,574	-	94,574
Compensated absences	43,629	4,443	48,072
Due in more than one year:			
Notes	865,002	-	865,002
Compensated absences	392,657	39,989	432,646
Landfill closure/postclosure costs payable	-	1,810,834	1,810,834
Other post employment benefits	2,228,989	247,665	2,476,654
Total liabilities	3,897,782	2,107,199	6,004,981
NET POSITION			
Net investment in capital assets	13,852,140	837,021	14,689,161
Restricted for:			
General government	869,952	-	869,952
Public safety	1,045,544	-	1,045,544
Public works	337,290	-	337,290
Public health	136,394	-	136,394
Social and economic services	68,893	-	68,893
Culture and recreation	322,823	-	322,823
Housing and community development	221,661	-	221,661
Capital projects	10,394,274	-	10,394,274
Landfill closure/postclosure costs	-	548,037	548,037
Unrestricted	(601,243)	827,437	226,194
Total net position	$ 26,647,728	$ 2,212,495	$ 28,860,223

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 3,502,854	$ 388,203	$ 366,822	$ -	$ (2,747,829)	$ -	$ (2,747,829)
Public safety	3,513,584	298,379	216,221	30,000	(2,968,984)	-	(2,968,984)
Public works	4,414,352	981,103	1,643,217	820,822	(969,210)	-	(969,210)
Public health	632,359	60,161	140,653	-	(431,545)	-	(431,545)
Social and economic services	400,104	17,464	7,926	13,293	(361,421)	-	(361,421)
Culture and recreation	794,632	42,388	-	154,011	(598,233)	-	(598,233)
Housing and community development	49,648	-	-	-	(49,648)	-	(49,648)
Interest on long-term debt	14,846	-	-	-	(14,846)	-	(14,846)
Intergovermental	49,607	-	-	-	(49,607)	-	(49,607)
Total governmental activities	13,371,986	1,787,698	2,374,839	1,018,126	(8,191,323)	-	(8,191,323)
Business-type activities:							
Landfill	174,065	80,213	-	-	-	(93,852)	(93,852)
Refuse Facility	1,057,639	923,960	-	-	-	(133,679)	(133,679)
Total business-type activities	1,231,704	1,004,173	-	-	-	(227,531)	(227,531)
Total	$ 14,603,690	$ 2,791,871	$ 2,374,839	$ 1,018,126	(8,191,323)	(227,531)	(8,418,854)
General revenues:							
Property taxes					5,648,199	-	5,648,199
Licenses and permits					30,603	-	30,603
Intergovernmental					2,495,519	-	2,495,519
Unrestricted investment earnings					107,631	30,086	137,717
Miscellaneous					101,430	8,482	109,912
Gain on disposal of capital assets					8,634	-	8,634
Transfers					(31,353)	31,353	-
Total general revenues and transfers					8,360,663	69,921	8,430,584
Change in net position					169,340	(157,610)	11,730
Net position - beginning					26,187,469	2,370,105	28,557,574
Prior period adjustments					290,919	-	290,919
Net position - ending					$ 26,647,728	$ 2,212,495	$ 28,860,223

See notes to basic financial statements.

PARK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	General	Road	Public Safety	Fleshman Creek FEMA	General Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 149,550	$ 181,672	$ 505,828	$ -	$ 970,369	$ 1,100,443	$ 2,907,862
Investments	100,000	23,607	65,729	-	8,935,104	1,410,664	10,535,104
Receivables:							
Taxes/assessments	80,912	38,994	113,164	-	-	179,680	412,750
Governments	60,664	-	2,177	339,696	48,560	153,518	604,615
Resort tax	-	-	-	-	-	23,483	23,483
CDBG	-	-	-	-	-	221,661	221,661
Board of Investments	-	-	-	-	-	44,059	44,059
Road construction	-	-	-	-	-	880,000	880,000
Other	2,897	-	-	30,000	-	3,369	36,266
Due from other funds	369,696	-	-	-	375,357	-	745,053
Inventories	-	44,198	-	-	-	16,394	60,592
Prepaid items	2,908	-	-	-	-	4,494	7,402
Total assets	$ 766,627	$ 288,471	$ 686,898	$ 369,696	$ 10,329,390	$ 4,037,765	$ 16,478,847
LIABILITIES							
Accounts payable-vendors	$ 362	$ -	$ 95,857	$ -	$ -	$ 170,069	$ 266,288
Due to other funds	-	375,357	-	369,696	-	-	745,053
Unearned revenue	-	4,012	-	-	-	2,631	6,643
Total liabilities	362	379,369	95,857	369,696	-	172,700	1,017,984
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-taxes/assessments	80,912	38,994	113,164	-	-	179,680	412,750
Total deferred inflows of resources	80,912	38,994	113,164	-	-	179,680	412,750
FUND BALANCES (DEFICITS)							
Nonspendable:							
Prepaid items	2,908	-	-	-	-	4,494	7,402
Inventory	-	44,198	-	-	-	16,394	60,592
Noncurrent portion of interfund receivable	-	-	-	-	303,229	-	303,229
Restricted for:							
General government	-	-	-	-	-	791,119	791,119
Public safety	-	-	477,877	-	-	428,946	906,823
Public works	-	-	-	-	-	248,707	248,707
Public health	-	-	-	-	-	129,137	129,137
Social and economic services	-	-	-	-	-	58,599	58,599
Culture and recreation	-	-	-	-	-	288,581	288,581
Housing and community development	-	-	-	-	-	221,661	221,661
Capital projects	-	-	-	-	10,026,161	64,884	10,091,045
Committed for:							
General government	-	-	-	-	-	1,408,102	1,408,102
Public safety	-	-	-	-	-	24,761	24,761
Unassigned	682,445	(174,090)	-	-	-	-	508,355
Total fund balances (deficits)	685,353	(129,892)	477,877	-	10,329,390	3,685,385	15,048,113
Total liabilities, deferred inflows of resources and fund balances (deficits)	$ 766,627	$ 288,471	$ 686,898	$ 369,696	$ 10,329,390	$ 4,037,765	$ 16,478,847

See notes to basic financial statements.

PARK COUNTY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2014

Amounts reported for governmental activities in the statement of net position are different because:

Total fund balances, governmental funds	$ 15,048,113
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,811,716
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	412,750
Long-term liabilities, such as notes payable, compensated absences and other post employment benefits, are not due and payable in the current period and, therefore, are not included in the funds.	(3,624,851)
Net position of governmental activities	$ 26,647,728

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Road	Public Safety	Fleshman Creek FEMA	General Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	$ 1,621,829	$ 412,404	$ 1,342,226	$ -	$ -	$ 2,342,646	$ 5,719,105
Fines and forfeitures	166,438	-	-	-	-	7,425	173,863
Licenses and permits	18,900	5,300	6,403	-	-	-	30,603
Intergovernmental	537,376	635,236	103,683	2,332,197	-	2,213,113	5,821,605
Charges for services	415,540	22,200	107,095	-	-	1,056,852	1,601,687
Investment earnings	3,058	-	-	-	97,230	7,343	107,631
Miscellaneous	40,947	7,366	17,290	-	-	59,413	125,016
Total revenues	2,804,088	1,082,506	1,576,697	2,332,197	97,230	5,686,792	13,579,510
EXPENDITURES							
Current:							
General government	2,452,115	-	-	-	-	783,292	3,235,407
Public safety	118,070	-	1,890,981	-	-	1,087,769	3,096,820
Public works	88,904	1,325,393	-	1,825,107	28,500	600,386	3,868,290
Public health	305,280	-	-	-	-	275,682	580,962
Social and economic services	144,182	-	-	-	-	183,443	327,625
Culture and recreation	858	-	-	-	-	782,473	783,331
Housing and community development	48,954	-	-	-	-	694	49,648
Debt service:							
Principal	-	9,214	-	-	-	71,294	80,508
Interest and other charges	-	9,488	-	-	-	5,358	14,846
Capital outlay	49,744	59,014	210,071	820,822	-	2,311,237	3,450,888
Intergovernmental	-	-	-	-	-	49,607	49,607
Total expenditures	3,208,107	1,403,109	2,101,052	2,645,929	28,500	6,151,235	15,537,932
Excess (deficiency) of revenues over expenditures	(404,019)	(320,603)	(524,355)	(313,732)	68,730	(464,443)	(1,958,422)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	-	-	-	608,071	608,071
Insurance proceeds	-	15,131	-	-	-	-	15,131
Sale of capital assets	1,760	7,978	-	-	-	954	10,692
Transfers in	572,260	539,306	527,222	313,732	-	852,080	2,804,600
Transfers out	(41,496)	(16,553)	-	-	(903,617)	(1,874,287)	(2,835,953)
Total other financing sources (uses)	532,524	545,862	527,222	313,732	(903,617)	(413,182)	602,541
Net change in fund balances	128,505	225,259	2,867	-	(834,887)	(877,625)	(1,355,881)
Fund balances (deficit) - beginning	556,848	(355,151)	475,010	-	11,164,277	4,563,010	16,403,994
Fund balances (deficit) - ending	$ 685,353	$ (129,892)	$ 477,877	$ -	$ 10,329,390	$ 3,685,385	$ 15,048,113

See notes to basic financial statements.

PARK COUNTY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		$ (1,355,881)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated lives and reported as depreciation expense.		
This is the amount by which capital outlay ($3,450,888) exceeded depreciation ($796,672) in the current period.		2,654,216
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.		(6,058)
Donated capital assets.		43,293
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(58,758)
Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. The following details long-term debt activities:		
Principal payments on debt	80,508	
Long-term debt issued	(608,071)	(527,563)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:		
Compensated absences		(26,625)
Other post employment benefits		(553,284)
Change in net position of governmental activities		$ 169,340

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 246,728	$ 648,831	$ 895,559
Receivables:			
Taxes/assessments	31,593	196,580	228,173
Solid waste	70	-	70
Total current assets	278,391	845,411	1,123,802
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	19,332	-	19,332
Investments	2,339,539	-	2,339,539
	2,358,871	-	2,358,871
Capital assets:			
Land	-	52,528	52,528
Construction in progress	-	60,132	60,132
Buildings and improvements	54,241	248,805	303,046
Equipment and furniture	588,090	1,431,546	2,019,636
Less: accumulated depreciation	(448,142)	(1,150,179)	(1,598,321)
	194,189	642,832	837,021
Total non-current assets	2,553,060	642,832	3,195,892
Total assets	2,831,451	1,488,243	4,319,694
LIABILITIES			
Current liabilities:			
Accounts payable-vendors	4,268	-	4,268
Compensated absences	-	4,443	4,443
Total current liabilities	4,268	4,443	8,711
Non-current liabilities:			
Compensated absences	-	39,989	39,989
Landfill closure/postclosure costs payable	1,810,834	-	1,810,834
Other post employment benefits	-	247,665	247,665
Total non-current liabilities	1,810,834	287,654	2,098,488
Total liabilities	1,815,102	292,097	2,107,199
NET POSITION			
Net investment in capital assets	194,189	642,832	837,021
Restricted:			
Landfill closure/postclosure	548,037	-	548,037
Unrestricted	274,123	553,314	827,437
Total net position	$ 1,016,349	$ 1,196,146	$ 2,212,495

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
REVENUES			
Charges for services	$ 911	$ 9,454	$ 10,365
Assessment revenue	79,302	914,506	993,808
Total operating revenues	80,213	923,960	1,004,173
OPERATING EXPENSES			
Personal services	-	308,285	308,285
Supplies	36	73,472	73,508
Purchased services	88,088	545,318	633,406
Fixed charges	31,534	43,796	75,330
Depreciation	52,263	80,181	132,444
Total operating expenses	171,921	1,051,052	1,222,973
Operating loss	(91,708)	(127,092)	(218,800)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	30,086	-	30,086
Miscellaneous revenue	-	8,482	8,482
Loss on disposal of capital assets	-	(6,587)	(6,587)
Interest expense	(2,144)	-	(2,144)
Total non-operating revenue (expenses)	27,942	1,895	29,837
Loss before transfers	(63,766)	(125,197)	(188,963)
Transfers in	55,000	-	55,000
Transfers out	(4,729)	(18,918)	(23,647)
Change in net position	(13,495)	(144,115)	(157,610)
Net position - beginning	1,029,844	1,340,261	2,370,105
Net position - ending	$ 1,016,349	$ 1,196,146	$ 2,212,495

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2014

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
CASH FLOWS FROM OPERATIONS:			
Cash received from customers	$ 94,648	$ 968,740	$ 1,063,388
Cash paid to employees	(958)	(322,060)	(323,018)
Cash paid to suppliers for goods and services	(120,398)	(666,303)	(786,701)
Net cash used by operating activities	(26,708)	(19,623)	(46,331)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from miscellaneous sources	-	8,482	8,482
Cash paid for operating transfers	(4,729)	(18,918)	(23,647)
Cash received from operating transfers	55,000	-	55,000
Net cash provided (used) by noncapital financing activities	50,271	(10,436)	39,835
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Cash paid for capital assets	-	(44,838)	(44,838)
Principal payments on debt	(47,206)	-	(47,206)
Interest paid	(2,144)	-	(2,144)
Net cash used by capital financing activities	(49,350)	(44,838)	(94,188)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in investments	(28,567)	-	(28,567)
Interest received	30,086	-	30,086
Net cash provided by investing activities	1,519	-	1,519
Change in cash and cash equivalents	(24,268)	(74,897)	(99,165)
Cash and cash equivalents - beginning (Landfill includes restricted cash and cash equivalents of $17,812)	290,328	723,728	1,014,056
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of $19,332)	$ 266,060	$ 648,831	$ 914,891
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
Operating loss	$ (91,708)	$ (127,092)	$ (218,800)
Adjustment to reconcile operating loss to net cash used by operating activities:			
Depreciation	52,263	80,181	132,444
Other post employment benefits	(5,008)	2,280	(2,728)
Decrease in accounts receivable	1,229	520	1,749
Decrease in taxes/assessments receivable	13,206	44,260	57,466
Increase (decrease) in accounts payable	4,268	(3,717)	551
Decrease in compensated absences	(958)	(16,055)	(17,013)
Net cash used by operating activities	$ (26,708)	$ (19,623)	$ (46,331)

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2014

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 3,142,454	$ 902,848
Investments	73,300	-
Taxes/assessments receivable	-	1,254,511
Total assets	3,215,754	$ 2,157,359
LIABILITIES		
Accounts payable	-	$ 631,216
Due to special districts	-	86,576
Due to state	-	281,284
Due to schools	-	744,519
Due to cities/towns	-	413,764
Total liabilities	-	$ 2,157,359
NET POSITION		
Net position held in trust for other purposes	$ 3,215,754	

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2014

	External Investment Trust Fund
ADDITIONS	
Contributions	$ 4,422,502
Interest	4,429
Total additions	4,426,931
DEDUCTIONS	
Distribution of investments	4,952,935
Total deductions	4,952,935
Change in net position	(526,004)
Net position - beginning	3,741,758
Net position - ending	$ 3,215,754

See notes to basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Related Organizations - The Board of County Commissioners is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for

enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major.

The road fund accounts for resources accumulated from property taxes and state entitlement and payments made for the maintenance, repair and construction of county-owned roads.

The public safety fund accounts for resources accumulated from property taxes, state entitlement and charges for services and payments made for providing law enforcement and public safety services.

The Fleshman Creek FEMA fund accounts for financial resources and payments made for the Fleshman Creek restoration project.

The general capital improvement fund accounts for financial resources earmarked or segregated for the acquisition and construction of major capital facilities and other project-oriented activities.

The government reports the following major proprietary funds:

The landfill and refuse facility funds account for the activities of the government's landfill and sanitation services.

Additionally, the government reports the following fund types:

The government's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments

The County maintains and controls individual investment accounts and an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The individual investment accounts and investment pool are managed by the County Treasurer and overseen by the Board of County Commissioners. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts can, at their option, participate in the County's investment pool. 15% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions ensured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The pool unit value is fixed at $1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units.

Investments in the pool and individual investment accounts are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year. Investment income from the individual investment accounts is allocated to the individual funds owning the investment. The government does not charge an administrative fee to participants in the pool or individual investment accounts.

Receivables and Payables

In the fund financial statements, transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion and non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." The noncurrent portion of the interfund receivable, as reported in the fund financial statements, is offset by a nonspendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Solid waste accounts receivable bad debts are written-off using the direct write-off method. Use of this method does not result in a material difference from the allowance method required by generally accepted accounting principles.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

All inventories are valued at cost. Inventories are recorded as expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and postclosure care costs of its landfill. The amount is reported as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 for machinery and equipment, $10,000 for buildings and improvements and $25,000 for infrastructure and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2014.

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

Assets	Years
Land improvements	10-15
Infrastructure	50
Buildings	40-100
Machinery and equipment	5-30

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial

gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Inflows of Resources

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has, by resolution, authorized the finance director and/or commissioners to assign fund balance. There was no assigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Road ($129,892) fund had a deficit fund balance as of June 30, 2014. The deficit in the Road fund occurred because the fund paid off a motor grader loan in the prior year. The deficit is expected to be eliminated over time with the collection of property taxes.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	$ 13,442,966
Business-type activities	3,254,430
Fiduciary funds	4,118,602
	$ 20,815,998

Total carrying value of cash, cash equivalents and investments as of June 30, 2014 consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	$ 2,430	$ -	$ 2,430
Cash in banks:			
Demand deposits	703,438	-	703,438
Savings deposits	138,446	-	138,446
Time deposits	-	173,300	173,300
U.S. Government securities	-	12,774,643	12,774,643
Broker money market	19,332	-	19,332
Short-term Investment Program (STIP)	7,004,409	-	7,004,409
	$ 7,868,055	$ 12,947,943	$ 20,815,998

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2014, $1,193,397 of the government's bank balance of $1,757,204 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	$ 1,193,397

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2014, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2014 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
Certificate of deposit	.25 to .65%	Various	$ 173,300	$ 173,300	$ 173,300	1.34%
U.S. Government securities	.45 to 2.75%	Various	12,775,000	12,774,643	12,730,005	98.66%
				$ 12,947,943	$ 12,903,305	

Interest Rate Risk. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Custodial Credit Risk Category			Carrying	Fair
	1	2	3	Amount	Value
U.S. government securities	$ 1,500,000	$ -	$ 11,274,643	$ 12,774,643	$ 12,730,005
Broker money market	19,332	-	-	19,332	19,332
	$ 1,519,332	$ -	$ 11,274,643	12,793,975	$ 12,749,337
Uncategorized:					
STIP				7,004,409	
				$ 19,798,384	

Following is the condensed schedule of changes in net position for the investment pool for the year ended June 30, 2014:

	Internal	External	Total
Net position - beginning of year	$ 21,106,456	$ 3,741,758	$ 24,848,214
Contributions from participants	12,429,295	4,422,502	16,851,797
Investment earnings/change in fair value	128,916	4,429	133,345
Distributions to participants	(16,064,423)	(4,952,935)	(21,017,358)
Net position - end of year	$ 17,600,244	$ 3,215,754	$ 20,815,998

Capital Assets

Capital asset activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Governmental activities:				
Capital assets, not being depreciated				
Land (1)	$ 605,993	$ -	$ -	$ 605,993
Construction-in-progress	790,923	895,015	(790,923)	895,015
Total capital assets, not being depreciated	1,396,916	895,015	(790,923)	1,501,008
Capital assets, being depreciated				
Buildings/improvements	5,821,148	920,382	(5,974)	6,735,556
Improvements other than buildings	4,311,583	93,840	-	4,405,423
Machinery and equipment	5,357,894	599,241	(132,228)	5,824,907
Infrastructure	1,641,143	1,776,626	-	3,417,769
Total capital assets, being depreciated	17,131,768	3,390,089	(138,202)	20,383,655
Less accumulated depreciation for:				
Buildings/improvements	(2,703,974)	(104,363)	5,974	(2,802,363)
Improvements other than buildings	(429,194)	(219,551)	-	(648,745)
Machinery and equipment	(3,193,569)	(433,598)	126,170	(3,500,997)
Infrastructure	(81,682)	(39,160)	-	(120,842)
Total accumulated depreciation	(6,408,419)	(796,672)	132,144	(7,072,947)
Total capital assets, being depreciated, net	10,723,349	2,593,417	(6,058)	13,310,708
Governmental activities capital assets, net	$ 12,120,265	$ 3,488,432	$ (796,981)	$ 14,811,716

(1) The beginning balance of land was adjusted $290,919 to correct the July 1, 2013 balance.

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	$ 101,890
Public safety	229,784
Public works	403,881
Public health	1,131
Social and economic	7,899
Culture and recreation	52,087
Total depreciation-governmental activities	$ 796,672

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 52,528	$ -	$ -	$ 52,528
Construction-in-progress	15,294	44,838	-	60,132
Total capital assets, not being depreciated	67,822	44,838	-	112,660
Capital assets, being depreciated				
Buildings and systems	203,582	-	-	203,582
Improvements other than buildings	99,464	-	-	99,464
Machinery and equipment	2,043,543	-	(23,907)	2,019,636
Total capital assets, being depreciated	2,346,589	-	(23,907)	2,322,682
Less accumulated depreciation for:				
Buildings and systems	(63,880)	(6,736)	-	(70,616)
Improvements other than buildings	(51,346)	(4,168)	-	(55,514)
Machinery and equipment	(1,367,971)	(121,540)	17,320	(1,472,191)
Total accumulated depreciation	(1,483,197)	(132,444)	17,320	(1,598,321)
Total capital assets, being depreciated, net	863,392	(132,444)	(6,587)	724,361
Business-type activities capital assets, net	$ 931,214	$ (87,606)	$ (6,587)	$ 837,021

Depreciation expense was charged to business-type activities as follows:

Business-type activities:	
Landfill	$ 52,263
Refuse facility	80,181
Total depreciation-business-type activities	$ 132,444

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2014, consisted of the Road fund owing the General Capital Improvement fund $375,357. The loan was made to purchase motor graders. The duration of the loan is for 9 years. $72,128 is expected to be repaid in the next fiscal year. Additionally, the Fleshman Creek FEMA fund owes the General fund $369,696. The loan was made to cover the cash deficit in the Fleshman Creek FEMA fund. The loan is expected to be repaid in fiscal year 2015.

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	$ 572,260	$ (41,496)	$ 530,764
Road	539,306	(16,553)	522,753
Public Safety	527,222	-	527,222
Fleshman Creek FEMA	313,732	-	313,732
General Capital Improvement	-	(903,617)	(903,617)
Nonmajor governmental funds	852,080	(1,874,287)	(1,022,207)
	$ 2,804,600	$ (2,835,953)	$ (31,353)
Business-type activities:			
Landfill	$ 55,000	$ (4,729)	$ 50,271
Refuse Facility	-	(18,918)	(18,918)
	$ 55,000	$ (23,647)	$ 31,353

Transfers are normal recurring amounts used to fund operations of various governmental and business-type activities. Resources transferred from the general capital improvement fund to the landfill fund were used to fund the closure/postclosure trust fund and monitoring.

Operating Leases

The government leases equipment under noncancelable operating leases. Total rental expenses for operating leases were $29,791 for the year ended June 30, 2014. Scheduled minimum rental payments for succeeding years ending June 30, are as follows:

Year	
2015	$ 29,791
2016	29,791

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Payment	Balance June 30, 2014
Durapatcher-2011	$ 27,000	5 yr	2.08%	Annual	$ 11,137
Cooke City Community Center	300,000	15 yr	4.80%	Annual	20,594
Airport-2012	77,500	10 yr	1.63%	Annual	54,250
Search and Rescue Building-2013 *	700,000	15 yr	1.00%	Semi-annual	869,719
Gardiner Airport-2004 *	68,350	10 yr	1.00%	Semi-annual	3,876
					$ 959,576

* Loan through Montana Board of Investments. Interest adjusted each March to a maximum of 15 percent.

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities Principal	Interest	Total
2015	$ 94,574	$ 9,505	$ 104,079
2016	72,208	8,855	81,063
2017	67,179	8,042	75,221
2018	67,783	7,299	75,082
2019	68,392	6,571	74,963
2020-2024	328,075	22,114	350,189
2025-2029	261,365	5,912	267,277
	$ 959,576	$ 68,298	$ 1,027,874

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Governmental activities:					
Capital leases	$ 3,816	$ -	$ (3,816)	$ -	$ -
Notes payable	428,197	608,071	(76,692)	959,576	94,574
Compensated absences	409,661	26,625	-	436,286	43,629
Governmental activity long-term liabilities	$ 841,674	$ 634,696	$ (80,508)	$ 1,395,862	$ 138,203
Business-type activities:					
Capital leases	$ 47,206	$ -	$ (47,206)	$ -	$ -
Compensated absences	61,445	-	(17,013)	44,432	4,443
Business-type activity long-term liabilities	$ 108,651	$ -	$ (64,219)	$ 44,432	$ 4,443

For the governmental activities, notes payable are generally liquidated by various governmental funds and compensated absences where the terminated employee was paid from.

Landfill Closure/Postclosure

State and federal laws and regulations require the government to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $1,810,834 reported as a landfill closure and postclosure care liability as of June 30, 2014, represents the cumulative amount reported to date based on the use of 50 percent of the estimated capacity of the landfill. The government will recognize the remaining estimated cost of closure and postclosure care of $1,810,834 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2014. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. If additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

During 1998, the Montana Department of Environmental Quality (DEQ) issued a "1998 Corrective Action Order" (CA). The CA required the County to install ground-water pump/treatment systems to remedy ground-water contaminants to acceptable levels. Estimated costs to install the ground-water pumps/systems and to monitor contaminant levels are $1,206,479 over a 25 year period.

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs and corrective action. The government is in compliance with the requirements, and, as of June 30, 2014, $2,358,871 had been set aside for this purpose and is restricted and reported on the statement of net position as "restricted assets." The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2014:

Balance July 1, 2013	Additions	Retirements	Balance June 30, 2014
$ 1,810,834	$ -	$ -	$ 1,810,834

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Prior Period Adjustments

Prior period adjustments resulted from correcting beginning capital asset balances.

Interlocal Agreements

The City of Livingston and Park County entered into an agreement to fund a library for City and County residents. The City maintains the library accounting records and includes the financial activities of the library in its financial statements. The County contributed $220,141 during fiscal year 2014.

The City of Livingston and Park County entered into agreements for the City-County Law Enforcement Dispatch Center and ambulance services. The City provides dispatch and ambulance services to the County. The County contributed $300,630 and $213,726, respectively, during fiscal year 2014 for these services.

The City-County Airport is owned and operated jointly by the City of Livingston and Park County. The operation of the airport is accounted for by the County. The airport is administered by a five-member board, consisting of the two City-appointed members, two County-appointed members and one member-at-large appointed by the Airport Board. The budget is approved by the controlling members. The Airport Board exercises control over the airport's normal operations.

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately $148,000, primarily for construction projects and road work.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

The government participates in two statewide mandatory cost-sharing multiple employer defined benefit retirement plans. The Sheriff's Retirement System (SRS) covers the County Sheriff, Undersheriff and Deputy Sheriffs of the County. The Public Employees Retirement System (PERS) covers other County employees. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-0131, telephone (406) 444-3154.

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
SRS	10.115%	9.245%	19.360%
PERS	8.070%	7.900%	15.970%

PERS:
On January 1 following an actuarial valuation, the employee contribution rate will be reduced to 6.9%, and the additional contributions by the employer (1%) and the State of Montana will terminate, if the actuarial valuation determines that these reductions and terminations would not cause the amortization period to exceed 25 years. Effective July 1, 2013, retired members who return to active service are subject to the above employee, employer, and state contributions. For retired members who return to work in a covered position, but who have not become active members, the employer and state shall contribute the amounts specified in Sections 19-3-316 and 319. (MCA 19-3-1113)

The State of Montana contributes .1% per year to the PERS plan on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

The amounts contributed to the plans during the years ended June 30, 2014, 2013 and 2012 were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	2014	2013	2012
SRS	$ 198,582	$ 199,667	$ 190,317
PERS	455,184	415,705	413,162
	$ 653,766	$ 615,372	$ 603,479

Postemployment Benefits Other Than Pensions

Plan Description. The government provides postemployment health care benefits in accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704 to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement provisions, and (2) surviving dependents of deceased employees. Retirement eligibility is determined based on the minimum of (1) reaching age 50 with at least 5 years of membership service or (2) reaching 25 years of membership at any age.

Funding Policy. The required contribution is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The government's' annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the government's' annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the government's net OPEB obligation to the postemployment benefit plan:

Annual required contribution	$ 619,942
Interest on net OPEB obligation	81,859
Adjustment to annual required contribution	(64,203)
Annual OPEB cost	637,598
Contributions made	(87,042)
Increase in net OPEB obligation	550,556
Net OPEB obligation - beginning of year	1,926,098
Net OPEB obligation - end of year	$ 2,476,654

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the preceding two years are as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2014	$ 637,598	0%	$ 2,476,654
2013	594,242	0%	1,926,098
2012	555,316	0%	1,331,856

Funded Status and Funding Progress. As of July 1, 2013, the Plan was 0% funded. The actuarial accrued liability for benefits was $5,042,669 and the actuarial value of assets is $0, resulting in an unfunded actuarial accrued liability (UAAL) of $5,042,669.

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

In the July 1, 2011 actuarial valuation (the most recent valuation), the projected unit credit method was used. The actuarial assumptions included a 4.25% investment rate of return which is based on the expected long term investment return of the employer's own investments used to pay plan benefits and an annual healthcare cost trend rate of 9% reduced by decrements of .5% to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization of UAAL is done over a period of 30 years.

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 68 - Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Effective Date: The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014.

Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 Effective Date: The provisions of this Statement should be applied simultaneously with the provisions of Statement 68.

REQUIRED SUPPLEMENTARY INFORMATION

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 1,579,621	$ 1,579,621	$ 1,621,829
Fees and fines	150,000	150,000	166,438
Licenses and permits	15,000	15,000	18,900
Intergovernmental	560,154	560,154	537,376
Charges for services	401,992	401,992	415,540
Investment earnings	11,000	11,000	3,058
Miscellaneous	35,417	35,417	40,947
Total revenues	2,753,184	2,753,184	2,804,088
EXPENDITURES			
Current:			
General government	2,555,094	2,555,094	2,452,115
Public safety	176,500	176,500	118,070
Public works	3,200	3,200	88,904
Public health	337,165	337,165	305,280
Social and economic services	204,003	204,003	144,182
Culture and recreation	2,100	2,100	858
Housing and community development	48,954	48,954	48,954
Capital outlay	79,500	79,500	49,744
Total expenditures	3,406,516	3,406,516	3,208,107
Excess (deficiency) of revenues over expenditures	(653,332)	(653,332)	(404,019)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	1,760
Transfers in	510,000	510,000	572,260
Transfers out	(50,000)	(50,000)	(41,496)
Total other financing sources (uses)	460,000	460,000	532,524
Net change in fund balance	$ (193,332)	$ (193,332)	128,505
Fund balance - beginning			556,848
Fund balance - ending			$ 685,353

See notes to required supplementary information.

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 417,037	$ 417,037	$ 412,404
Licenses and permits	3,750	3,750	5,300
Intergovernmental	629,922	629,922	635,236
Charges for services	50,000	50,000	22,200
Miscellaneous	-	-	7,366
Total revenues	1,100,709	1,100,709	1,082,506
EXPENDITURES			
Current:			
Public works	1,441,580	1,399,313	1,325,393
Debt service:			
Principal	9,215	9,215	9,214
Interest and other charges	9,490	9,490	9,488
Capital outlay	102,000	102,000	59,014
Total expenditures	1,562,285	1,520,018	1,403,109
Excess (deficiency) of revenues over expenditures	(461,576)	(419,309)	(320,603)
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	-	-	15,131
Sale of capital assets	-	-	7,978
Transfers in	455,000	455,000	539,306
Transfers out	-	(42,267)	(16,553)
Total other financing sources (uses)	455,000	412,733	545,862
Net change in fund balance	$ (6,576)	$ (6,576)	225,259
Fund balance - beginning			(355,151)
Fund balance - ending			$ (129,892)

See notes to required supplementary information.

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$ 1,339,645	$ 1,339,645	$ 1,342,226
Licenses and permits	2,000	2,000	6,403
Intergovernmental	105,551	105,551	103,683
Charges for services	56,400	56,400	107,095
Miscellaneous	5,000	5,000	17,290
Total revenues	1,508,596	1,508,596	1,576,697
EXPENDITURES			
Current:			
Public safety	2,118,550	2,118,550	1,890,981
Capital outlay	214,200	214,200	210,071
Total expenditures	2,332,750	2,332,750	2,101,052
Excess (deficiency) of revenues over expenditures	(824,154)	(824,154)	(524,355)
OTHER FINANCING SOURCES			
Transfers in	545,000	545,000	527,222
Total other financing sources	545,000	545,000	527,222
Net change in fund balance	$ (279,154)	$ (279,154)	2,867
Fund balance - beginning			475,010
Fund balance - ending			$ 477,877

See notes to required supplementary information.

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Fleshman Creek FEMA Fund
For the Year Ended June 30, 2014

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Intergovernmental	$ 2,332,197	$ 2,332,197	$ 2,332,197
Total revenues	2,332,197	2,332,197	2,332,197
EXPENDITURES:			
Current:			
Public works	-	-	1,825,107
Capital outlay	2,632,197	2,645,929	820,822
Total expenditures	2,632,197	2,645,929	2,645,929
Excess (deficiency) of revenues over expenditures	(300,000)	(313,732)	(313,732)
OTHER FINANCING SOURCES			
Transfers in	300,000	300,000	313,732
Total other financing sources	300,000	300,000	313,732
Net change in fund balance	$ -	$ (13,732)	-
Fund balance - beginning			-
Fund balance - ending			$ -

See notes to required supplementary information.

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

PARK COUNTY
SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS
For the Year Ended June 30, 2014

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2014	$ -	$ 5,042,669	$ 5,042,669	-	$ 4,280,661	1.178012
6/30/2013	-	4,426,130	4,426,130	-	4,176,255	1.059832
6/30/2012	-	3,772,790	3,772,790	-	4,022,174	0.937998

OTHER SUPPLEMENTARY INFORMATION

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass-through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2014
U.S. Department of Transportation:								
Direct Programs:								
Airport Improvement Program	20.106	DOT-FA14NM-2022	$ 384,300	$ -	$ -	$ -	$ -	$ -
Subtotal				-	-	-	-	-
Passed through the Montana Department of Transportation:								
Highway Planning and Construction	20.205	STPE 34(35)	63,154	-	19,852	23,032	-	(3,180)
Highway Planning and Construction	20.205	NH-STPE 11-1(67)0	70,181	-	-	-	-	-
Highway Planning and Construction	20.205	UPN 8664	11,300	-	-	-	-	-
Highway Planning and Construction	20.205	STPE 7499(11)	30,978	-	30,978	30,978	-	-
Subtotal				-	50,830	54,010	-	(3,180)
Total U.S. Department of Transportation				-	50,830	54,010	-	(3,180)
U.S. Department of Justice:								
Passed through the Montana Board of Crime Control:								
Violence Against Women Formula Grants	16.588	13-W03-91382	24,384	-	16,087	24,384	-	(8,297)
Violence Against Women Formula Grants	16.588	12-W03-91142	25,130	(10,229)	10,229	-	-	-
Subtotal				(10,229)	26,316	24,384	-	(8,297)
Passed through Gallatin County:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-G01-91564	30,640	-	24,742	30,640	-	(5,898)
Subtotal				-	24,742	30,640	-	(5,898)
Total U.S. Department of Justice				(10,229)	51,058	55,024	-	(14,195)
U.S. Department of Homeland Security:								
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:								
Disaster Grants - Public Assistance	97.036	FEMA-4172-DR-MT	94,640	-	94,640	94,640	-	-
Disaster Grants - Public Assistance	97.036	FEMA-1996-DR-MT	136,591	3,009	-	-	-	3,009
Subtotal				3,009	94,640	94,640	-	3,009
Pre-Disaster Mitigation	97.047	PDMC-PJ-08-MT-2009-006	2,280,000	(37,302)	1,607,363	1,909,757	-	(339,696)
Subtotal				(37,302)	1,607,363	1,909,757	-	(339,696)
Emergency Management Performance Grants	97.042	EMW-2013-EP-00044-S01	31,347	-	16,268	43,684	-	(27,416)
Emergency Management Performance Grants	97.042	EMW-2012-EP-00057-S01	37,183	(27,746)	34,296	6,550	-	-
Subtotal				(27,746)	50,564	50,234	-	(27,416)
Total U.S. Department of Homeland Security				(62,039)	1,752,567	2,054,631	-	(364,103)
U.S. Department of Health and Human Services:								
Passed through the Montana Department of Public Health and Human Services:								
Maternal and Child Health Services Block Grant to the States	93.994	14-07-5-01-034-0	15,216	-	12,173	15,216	-	(3,043)
Subtotal				-	12,173	15,216	-	(3,043)
Immunization Grants	93.268	14-07-4-31-131-0	7,298	-	1,825	1,825	-	-
Immunization Grants	93.268	13-07-4-31-032-0	7,298	-	3,649	3,649	-	-
Subtotal				-	5,474	5,474	-	-

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Award/Pass-through Grantor's Number	Program or Award Amount	Balance July 1, 2013	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2014
Public Health Emergency Preparedness	93.069	14-07-6-11-037-0	38,189	-	26,763	26,763	-	-
Public Health Emergency Preparedness	93.069	12-07-6-11-037-0	46,401	(10,441)	10,441	-	-	-
Subtotal				(10,441)	37,204	26,763	-	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	13-07-5-31-036-0	151,753	31,610	23,277	54,887	-	-
Subtotal				31,610	23,277	54,887	-	-
Passed through Rocky Mountain Area IV Agency on Aging:								
National Family Caregiver Support, Title III, Part E	93.052	2014-004-010	13,546	-	13,546	13,546	-	-
National Family Caregiver Support, Title III, Part E	93.052	2014-004-015	3,300	-	3,300	3,300	-	-
Subtotal				-	16,846	16,846	-	-
Total U.S. Department of Health and Human Services				21,169	94,974	119,186	-	(3,043)
U.S. Department of the Interior:								
Passed through the National Fish and Wildlife Foundation:								
Fish and Wildlife Management Assistance	15.608	2010-0055-015	53,075	(3,200)	44,790	41,590	-	-
Total U.S. Department of the Interior				(3,200)	44,790	41,590	-	-
U.S. Department of Agriculture:								
Direct Programs:								
Schools and Roads - Grants to States	10.665	12-DG-11011100-003	348,667	-	11,727	11,727	-	-
Schools and Roads - Grants to States	10.665	12-DG-11011100-002	70,000	-	-	-	-	-
Schools and Roads - Grants to States	10.665	13-DG-11011100-041	20,000	-	-	-	-	-
Subtotal direct programs				-	11,727	11,727	-	-
Passed through the Montana State Auditor's Office:								
Schools and Roads - Grants to States	10.665	N/A	369,425	71,123	369,425	421,648	-	18,900
Subtotal pass-through programs				71,123	369,425	421,648	-	18,900
Subtotal				71,123	381,152	433,375	-	18,900
Passed through the Montana Department of Agriculture:								
Forest Health Protection	10.680	MDA-2013-713X	50,000	(9,746)	47,897	38,027	(124)	-
Forest Health Protection	10.680	MDA-2013-703	3,600	(3,600)	3,600	-	-	-
Subtotal				(13,346)	51,497	38,027	(124)	-
Total U.S. Department of Agriculture				57,777	432,649	471,402	(124)	18,900
Total Federal Awards				$ 3,478	$ 2,426,868	$ 2,795,843	$ (124)	$ (365,621)

Note to Schedule of Expenditures of Federal Awards

NOTE A - BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is a summary of cash receipts and federal expenditures related to the County's federal award programs. This schedule is presented in accordance with grant terms and conditions, which are not on the accrual basis of accounting as contemplated by generally accepted accounting principles.

2013-6. All Major Programs

Criteria: The auditors were engaged to assist in the preparation of the government's financial statements and schedule of expenditures of federal awards (SEFA). The government ensures the quality of its financial statements and SEFA by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: We did not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements and SEFA.

Cause: We are a small organization with limited resources.

Effect: It is common within the governmental sector to rely the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

Recommendation: The auditors recommended that we continue to read our draft financial statements and SEFA and ensure the quality of the document and the preparer.

Current Status: This finding is repeated in the schedule of findings and questioned costs.

2013-7. All Major Programs

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The auditors recommended that we continue to evaluate our segregation of duties and when possible assign tasks to strengthen controls.

Current Status: This finding is repeated in the schedule of findings and questioned costs.

OLNESS & ASSOCIATES, P. C.
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of County Commissioners
Park County
Livingston, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park County, Montana (the government) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated December 22, 2014. The report on business-type activities and the landfill fund was qualified because adequate records were not available to support the recorded balance of the landfill closure/postclosure costs liability and related expense.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2014-001 through 2014-003)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. (Findings 2014-004 through 2014-006)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2014-007.

The Government's Response to Findings

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS (CONTINUED)

Purpose of this Report

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

Olness & Associates, PC

Billings, Montana
December 22, 2014

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

To the Board of County Commissioners
Park County
Livingston, Montana

Report on Compliance for Each Major Federal Program

We have audited Park County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2014. The government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the government's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Basis for Qualified Opinion on the Pre-Disaster Mitigation Grant

As described in the accompanying schedule of findings and questioned costs, the government did not comply with requirements regarding the Pre-Disaster Mitigation Grant, CFDA No. 97.047 as described in finding 2014-008 for the Davis-Bacon Act and Suspension and Debarment. Compliance with such requirements is necessary, in our opinion, for the government to comply with the requirements applicable to that program.

Qualified Opinion on the Pre-Disaster Mitigation Grant

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the government, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Pre-Disaster Mitigation Grant for the year ended June 30, 2014.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 (CONTINUED)

Unmodified Opinion on the Other Major Federal Program

In our opinion, the government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The government's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-008 through 2014-010 to be material weaknesses.

The government's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The government's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Olness & Associates, PC

Billings, Montana
December 22, 2014

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: qualified

Internal control over financial reporting:		
• Material weakness(es) identified?	√ yes	____ no
• Significant deficiency(ies) identified?	√ yes	____ none reported
Noncompliance material to the financial statements noted?	√ yes	____ no

FEDERAL AWARDS:

Internal control over major programs:		
• Material weaknesses identified?	√ yes	____ no
• Significant deficiency(ies) identified?	____ yes	√ none reported

Type of auditor's report issued on compliance for major programs:

- Qualified for the Pre-Disaster Mitigation grant program
- Unqualified for the Schools and Roads - Grants to States grant program

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

Identification of major programs:

CFDA Numbers	*Name of Federal Program or Cluster*
97.047	Pre-Disaster Mitigation
10.665	Schools and Roads - Grants to States

Dollar threshold used to distinguish between type A and type B programs? $300,000

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001. FINANCIAL STATEMENT PREPARATION

Criteria: We were engaged to assist in the preparation of the government's financial statements and schedule of expenditures of federal awards (SEFA). The government ensures the quality of its financial statements and SEFA by engaging a qualified audit firm with expertise in governmental audits and by reading a preliminary draft of the financial statements.

Condition: The government does not have specific controls in place to review the selection and application of accounting principles and resulting disclosures and presentations within the financial statements and SEFA.

Cause: The government is a small organization with limited resources.

Effect: It is common within the governmental sector to rely on the audit firm to prepare the financial statements and SEFA; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements and SEFA, this weakness in internal control would be classified as material.

Recommendation: The government should continue to read its draft financial statements and SEFA and ensure the quality of the document and the preparer.

Client Response: Park County is aware of and understands that internal control systems are the responsibility of management. The county does not expect the auditing firm to be a part of our internal control, nor to be a compensating control on our behalf, but rather to evaluate any deficiencies identified. Although Olness & Associates are engaged to prepare financial statements, the county understands it is our sole responsibility to prevent, detect, and correct financial statement misstatements. The county has in the past and will continue to review draft financial statements and the schedule of expenditures of federal awards.

2014-002. SEGREGATION OF DUTIES

Criteria: Segregation of duties refers to assigning tasks among personnel so that no one person handles substantially all aspects of a transaction.

Condition: In many financial areas, including federal award programs, the government lacks segregation of duties.

Cause: The extent to which the government can segregate duties is limited based on the number of personnel, their skill set and work load, and organizational structure.

Effect: The risk of errors or irregularities occurring and not being detected in a timely manner increases when a lack of segregation of duties exists.

Recommendation: There are inherent inefficiencies with full segregation of duties and inherent risks with the lack of segregation of duties. The cost versus benefits for both should be considered. The government should continue to evaluate its segregation of duties and when possible assign tasks to strengthen controls.

Client Response: Park County understands the need to balance risk with cost effectiveness, which can be a challenge for a small entity with limited staff. To prevent an individual from being able to both commit and conceal an irregularity, the county separates functions such as authorization, record-keeping, and custody. The internal auditor adds another layer of oversight by reviewing departmental cash transactions and cash handling procedures.

2014-003. LANDFILL CLOSURE/POSTCLOSURE LIABILITY

Criteria: Governments that are required by federal, state, or local laws to incur costs for MSWLF closure or postclosure care are subject to the accounting and financial reporting provisions of GASBS No. 18.

Condition: All of the information was not available to calculate the closure/postclosure care liability for the year ended June 30, 2014.

Cause: Unknown.

Effect: The audit opinion is qualified for business-type activities and the landfill fund.

Recommendation: Total capacity, amount used to date and cost estimates for the post closure care costs should be determined. This information should be used to update the landfill closure/postclosure care liability.

Client Response: The Park County Solid Waste Board has recommended and the Commissioners have moved to close the landfill, pending DEQ approval. The county has contracted with Great West Engineering for technical and project development services to calculate cost estimates for closure, postclosure, total capacity and amounts used and will use this information to update landfill liabilities.

2014-004. ESTABLISH A PERPETUAL INVENTORY SYSTEM

Criteria: Maintenance of perpetual inventory records for materials and supplies serve as a check on road and bridge employees, provide information essential to adequate purchasing control and can be particularly useful in taking of physical inventories.

Condition: Perpetual inventory records for materials and supplies for the road and bridge departments are not maintained.

Cause: Unknown.

Effect: Increased risk of loss or employee theft.

Recommendation: The road and bridge departments should develop perpetual inventory records.

Client Response: The Public Works Department budgeted for procurement of Asset Management software in FY15 and

implemented the software in October 2014 to track perpetual inventory items for the Road and Bridge Departments.

2014-005. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

Criteria: The Montana Supreme Court Administrator's Office Full Court Accounting Responsibility & Compliance Guidelines that have been adopted by the Courts of Limited Jurisdiction Automation Committee outlines court personnel accounting responsibilities. The guidelines require court personnel to develop and maintain a system of internal controls to safeguard court resources, check the accuracy of clerical entries, promote operational efficiency, and encourage adherence to prescribed accounting procedures. Effective internal control over time pay accounts requires a reconciliation of the monthly time pay activity to the beginning and ending time pay balances to be prepared to determine that all transactions have been recorded properly and to discover errors and irregularities. Further, a formal time pay reconciliation is a useful tool in evaluating and monitoring outstanding time pay balances.

Condition: The Justice of the Peace office does not perform a monthly time pay account reconciliation.

Cause: Unknown.

Effect: Not reconciling the time pay accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

Recommendation: The Justice of the Peace office should prepare a formal reconciliation of time pay activity to the beginning and ending time pay balances on a monthly basis. Once completed, the reconciliation should be reviewed and approved by the Justice of the Peace.

Client Response: The Montana Commission on Courts of Limited Jurisdiction Automation Advisory Committee has considered modifying the Time-Pay Ledger Report in its FullCourt system, and has determined that it is not fiscally responsible to do so. The Committee states the recommended community service, jail time served and/or suspension information is available in the Case Ledger Report, though not available on a single report in FullCourt.

The Justice of the Peace does review the monthly reconciliation in a timely manner and also periodically reviews other reports such as the voided receipts and adjustment to Time Pays such as community service or credit for time served. The Court is in compliance with the accounting policies established by the Supreme Court Administrators Office.

2014-006. PURCHASING POLICY NOT ADHERED TO

Criteria: The County's purchasing policy requires non-emergent purchases greater than $5,000 to be pre-approved by the Commissioners. This pre-approval is accomplished by completing a purchase order prior to the actual ordering of materials or equipment.

Condition: Materials and equipment in excess of the $5,000 limit were purchased either without having a completed purchase order, or department heads completing the purchase order after the materials and equipment were already ordered and received.

Cause: Unknown

Effect: Internal control is weakened.

Recommendation: Department heads should be required to follow the established purchasing policy.

Client Response: The County adopted the Montana Procurement Act, Title 18, chapter 4, of MCA, effective July 1, 2012, and raised the dollar purchasing threshold that is subject to purchase order pre-approval. The Commissioners feel that elected officials and department heads responsible for budgets have been given implicit authority for purchases within their budgets via the appropriation process, and they will amend the policy by raising the threshold for purchase order pre-approval to $25,000.

2014-007. PRE-DISASTER MITIGATION, CFDA No. 97.047, GRANT No. PDMC-PJ-08-MT-2009-006

Criteria: Contracts in excess of $2,000 funded in whole or in part by federal funds are subject to the prevailing wage requirements of the Davis-Bacon Act. Grant terms and conditions require the county to monitor contractor compliance with the Davis-Bacon Act.

Condition: The County did not monitor Davis-Bacon compliance for all of the subcontractors paid with grant funds.

Cause: Unknown.

Effect: Non-compliance with grant terms and conditions.

Questioned Costs: None

Recommendation: The County should monitor Davis-Bacon compliance on all contractors subject to the Davis-Bacon Act.

Client Response: Future Park County professional service contracts will include provisions for Davis-Bacon monitoring if workload precludes County staff from performing these duties.

Criteria: Per the OMB Circular A-133 compliance supplement, when a non-federal entity (the County) enters into a covered transaction with an entity at a lower tier, (a contractor or individual) the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded from participation in the federal program.

Condition: The County did not verify the eligibility for participation in the federal program for contractors on the FEMA funded project.

Cause: Unknown

Questioned Costs: None

Effect: Non-compliance with program terms and conditions

Recommendation: The County should develop a process to verify that the entity is not suspended or debarred or otherwise excluded from participation in the federal program. This verification may be accomplished by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the transaction with that entity.

Client Response: Future Park County professional service contracts will include provisions for eligibility verification for contractors suspended or debarred or otherwise excluded from participation in federal programs if workload precludes County staff from performing these duties.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-008. PRE-DISASTER MITIGATION, CFDA No. 97.047, GRANT No. PDMC-PJ-08-MT-2009-006

Finding 2014-007 applies to this federal award program.

2014-009. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2014-001 applies to these federal award programs.

2014-010. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2014-002 applies to these federal award programs.

PARK COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINANCIAL STATEMENT FINDINGS	STATUS
2013-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2013-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2013-3. ESTABLISH A PERPETUAL INVENTORY SYSTEM	NOT IMPLEMENTED
2013-4. JUSTICE OF THE PEACE TIME PAY ACCOUNTING	NOT IMPLEMENTED
2013-5. PURCHASING POLICY NOT ADHERED TO	NOT IMPLEMENTED