PARK COUNTY
LIVINGSTON, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2012

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARK COUNTY

ORGANIZATION

June 30, 2012

BOARD OF COUNTY COMMISSIONERS

Randy Taylor	Board Chairperson
Jim Durgan	Commissioner
Marty Malone	Commissioner

ELECTED OFFICIALS

Denise Nelson	County Clerk and Recorder
Kevin Larkin	County Treasurer
M. Allen Lutes	County Sheriff
Brett Linneweber	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

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Park County
Livingston, Montana

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, 2012, which collectively comprise the government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the government's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the government, as of June 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2013, 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* and should be considered in assessing the results of our audit.

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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's financial statements as a whole. 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 financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Olness & Associates, PC

February 21, 2013

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, 2012. Readers are encouraged to consider the information presented here, in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- Total net assets increased 12 percent as a result of this year's operations. Net assets of our governmental activities increased $2,771,589 or more than 11 percent, while net assets of our business-type activities decreased by $121,682 or 4 percent.
- During the year, our government's revenues of $12,975,376 were $2,821,871 more than the $10,153,505 in expenses, before transfers out.
- In the business-type activities, revenues decreased $7,915 (less than 1 percent) while expenses increased $119,652 (8 percent) over the prior year.
- The total cost of governmental activities (expenses) increased from the prior year by $577,103, or 6 percent.
- The General Fund cash and investments balance reported an increase this year of $150,529. This was offset by a decrease of $27,723 in receivables.

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. The fund financial 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 are 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 basic 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 Assets 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 assets and changes in them. Over time, increases or decreases in the county's net assets 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 assets and the statement of activities, Park County's finances are divided into two categories:

Governmental activities: Basic services are reported here, including the sheriff's office, road, planning, and general county administration. 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 Assets 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 Assets 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 that 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 one internal service fund that deals with map sales.

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

NET ASSETS:	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Current and other assets	$ 17,456,394	$ 17,463,743	$ 4,021,673	$ 3,954,816	$ 21,478,067	$ 21,418,559
Capital assets	11,687,462	8,277,020	886,582	959,134	12,574,044	$ 9,236,154
Total assets	29,143,856	25,740,763	4,908,255	4,913,950	34,052,111	30,654,713
Other liabilities	270,779	119,316	31,012	28,971	301,791	148,217
Long-term liabilities outstanding	1,749,874	1,269,833	2,085,803	2,625,651	3,835,677	3,895,484
Total liabilities	2,020,653	1,389,149	2,116,815	2,654,622	4,137,468	4,043,701
Net assets:						
Invested in capital assets, net of related debt	11,471,792	8,063,851	794,222	823,582	12,266,014	8,887,433
Restricted	14,331,159	14,953,186			14,331,159	14,953,186
Unrestricted	1,320,252	1,334,577	1,997,218	1,435,746	3,317,470	2,770,323
	$ 27,123,203	$ 24,351,614	$ 2,791,440	$ 2,259,328	$ 29,914,643	$ 26,610,942

The County's net assets reflect 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 assets in the governmental activities ($14,331,159) represent resources that are subject to external restrictions on how they may be used. As of June 30, 2012 assets exceeded liabilities by $27,123,203 for the governmental activities and $2,791,440 for the business-type activities, or a total of $29,914,643.

From fiscal year 2011 to 2012 net assets for governmental activities increased 11% or $2,771,589. The increase was largely due to the receipt of capital grants related to the Airport runway improvement project.

Net assets for the enterprise funds decreased $121,682 or 4 percent. In fiscal year 2012 Park County received updated estimates of landfill capacity from its engineering firm and the liability was accordingly recalculated.

CHANGE IN NET ASSETS:

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Charges for services	$ 802,694	$ 673,875	$ 1,351,586	$ 1,339,021	$ 2,154,280	$ 2,012,896
Operating grants and contributions	941,001	867,587	-	-	941,001	867,587
Capital grants and contributions	3,256,906	1,120,270	-	-	3,256,906	1,120,270
General revenues:						
Taxes	5,334,305	5,049,760	-	-	5,334,305	5,049,760
Licenses and permits	25,280	25,860	-	-	25,280	25,860
Intergovernmental	2,322,302	2,259,509	-	-	2,322,302	2,259,509
Interest	141,790	185,556	45,123	60,260	186,913	245,816
Miscellaneous	147,137	149,796	1,792	2,535	148,929	152,331
Gain on disposal of capital assets	3,961	-	400	5,000	4,361	5,000
Total revenues	12,975,376	10,332,213	1,398,901	1,406,816	14,374,277	11,739,029
Expenses:						
General government	3,089,126	2,997,315	-	-	3,089,126	2,997,315
Public safety	3,213,677	2,929,145	-	-	3,213,677	2,929,145
Public works	2,122,267	1,987,952	-	-	2,122,267	1,987,952
Public health	596,875	535,639	-	-	596,875	535,639
Social and economic services	315,143	297,152	-	-	315,143	297,152
Culture and recreation	745,781	693,890	-	-	745,781	693,890
Housing and community development	-	73,012	-	-	-	73,012
Conservation of natural resources	-	-	-	-	-	-
Landfill	-	-	471,698	445,908	471,698	445,908
Incinerator/transfer station	-	-	1,099,167	1,005,305	1,099,167	1,005,305
Collections	-	-	-	-	-	-
Interest on long-term debt	21,069	28,609	-	-	21,069	28,609
Intergovernmental	49,567	33,688	-	-	49,567	33,688
Total expenses	10,153,505	9,576,402	1,570,865	1,451,213	11,724,370	11,027,615
Change in net assets before transfers	2,821,871	755,811	(171,964)	(44,397)	2,649,907	711,414
Transfers	(50,282)	(50,000)	50,282	50,000	-	-
Change in net assets	2,771,589	705,811	(121,682)	5,603	2,649,907	711,414
Net assets, beginning	24,351,614	23,645,803	2,259,328	2,253,725	26,610,942	25,899,528
Prior period adjustment	-	-	653,794	-	653,794	-
Net assets, ending	$ 27,123,203	$ 24,351,614	$ 2,791,440	$ 2,259,328	$ 29,914,643	$ 26,610,942

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, 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 six governmental funds that are reported as major funds in fiscal year 2012. These are: General, Road, Airport, Public Safety (Law Enforcement), Payment In Lieu of Taxes (PILT), 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, School Superintendent, Mail/copier Services, Coroner, Sanitarian, Health Department, Extension, Veteran Services, Mental Health Services, 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 $599,441 in fiscal year 2012. Before transfers in an out, revenues increased $71,485 (3%) and expenditures increased $56,402 (2%) over the prior fiscal year. Expenditures for fiscal year 2012 were $266,335 more than revenues. The net

increase in fund balance of $100,945 was due to transfers in, including $210,792 from the Permissive Medical Levy fund in order to cover a share of General fund employee health insurance costs, and $200,000 from PILT.

- *Road Fund:* This fund accounts for costs related to maintenance and reconstruction of county roads. Revenues in 2012 increased by $59,804 over the prior year. This included a 3.8% increase in tax revenue and a 9% decrease in Forest Reserve Act funding over the prior year. Major county-wide flooding in the spring of 2011 necessitated the repair of multiple roads on an emergent basis. Unanticipated revenue included payment from the Federal Emergency Disaster Agency due to the floods in the amount of $81,998 for repair work completed. Other financing sources were $103,290 in insurance proceeds and $357,993 of transfers in from other funds. Expenditures increased $104,605 or 7.7 percent, largely due to the flooding. During the year, a budget amendment was necessary to increase appropriations for the Road fund.

- *Airport Fund:* This fund provides for the operation of 3 airfields in the County, of which the largest, Mission Field, is a joint operation between Park County and the City of Livingston. Revenues before other financing sources increased $2,766,444 over the prior year due to $2,917,659 in airport runway improvement grants from the FAA. The county also received a loan from the Montana Aeronautics Board for $77,500 related to the project, payable over 10 years. Expenditures increased $2,837,400. The overall effect of these activities reduced the fund balance $1,435 to $24,545. The runway project was completed prior to the end of the fiscal year.

- *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 2012 before transfers in increased 4% over the prior year. Transfers in from other funds increased $221,694 or 230%, largely due to a transfer in from PILT this year that was not effected in the prior year. Overall expenditures increased 17% over the prior fiscal year, including a 6.7% increase in operating expenditures. Capital expenditures increased 5 fold due to the purchase of 3 new vehicles and the cost of jail infrastructure improvements. There was a net reduction in fund balance of $95,957.

- *Payment in Lieu of Taxes (PILT):* PILT funds are received annually from the federal government in lieu of taxes on federal property within the county. The Park County Commission has determined that it is important to retain up to two years' payment amount in reserves pending changes in federal policy. 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 certain public safety services, litigation expenses, motor pool maintenance, Commissioners' special projects, and support of the city/county dispatch.

  In fiscal year 2012, the amount that the county received for PILT was $932,369, a 2.6% decrease from the prior fiscal year. The commissioners have followed a practice of only transferring budgeted moneys from PILT to other funds on an as needed basis; however, it became necessary to transfer out $926,754 to other funds, a four-fold increase over the prior year. The net change in fund balance from the prior fiscal year was a decrease of $314,401, for an ending fund balance of $1,915,595. This remains above the goal of maintaining a two year reserve.

- *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 from the Road fund for repayment of a loan for road graders, which will continue until October 2018. In fiscal year 2012, $50,282 was expended for monitoring and cleanup costs related to the Landfill. The ending fund balance was $11,133,513, an increase of $64,097 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was no need for any amendments to increase either the original estimated revenues or original budgeted appropriations.

Final budget compared to actual results. Actual revenues for the General Fund were 2.7% more than budgeted, or $61,853. Both tax revenues and local option taxes, which are collected in the General fund, were very close to budget. For the most part, fees for services and collections for fines and forfeitures received by Justice Court were greater than budgeted. Investment earnings continued to drop, as they did in the prior year.

Actual expenditures before other financing sources and uses were 92% of appropriations, or $225,087 under budget. Actual expenditures were less than budgeted because allowance was made within the budget for a number of unforeseen and/or uncontrollable expenses that did not occur, such as fuel price increases or accidental losses. Other financing sources and uses are transfers in from and out to other funds. Transfers in totaled $414,579, or $45,421 less than budgeted. Transfers out to other funds consisted of $47,299 to the Law Enforcement fund for the Sheriff's share of Justice Court fines. This was 18% more than budgeted, due to increased collections for fines and forfeitures by Justice Court.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Park County's investment in capital assets, net of related debt, as of June 30, 2012 totaled $12,266,014. This investment includes land, buildings, infrastructure, machinery, and equipment. Fiscal year 2012 additions included: Airport runway improvements, 5 new vehicles for the Sheriff's Department, a jet boat for Search and Rescue, heavy equipment and trucks for the Road Department, engineering services for the Fleshman Creek project, engineering services for a compactor in Gardiner, a sidewalk in Gardiner, Museum infrastructure upgrades, Jail plumbing upgrades, Fair improvements, culverts, and courthouse office equipment.

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. In fiscal year 2012, Park County created one debt service fund specifically for compensated absences. 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, 2012, the fund balance was $4,295.

As of June 30, 2012, Park County had at total of $308,030 in outstanding notes and capital leases, of which $215,692 is long term debt. Park County's total debt decreased $40,691 during the fiscal year. The reason for the decrease was that the only new debt issuance during the year was for an amount that was less than the regularly scheduled principal reduction on existing debt. The new debt was for Road equipment.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The taxable value of property in Park County (less the value of the Tax Increment Financing Districts) increased 3.6% from $37,589,002 in fiscal year 2011 to $38,156,565 in fiscal year 2012. 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. Real estate property values in Park County increased substantially since this was last done in 2003. Reappraisal values are phased-in at the rate of one-sixth each year.

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 the county general mills went from 81.46 mills in fiscal year 2011 to 83.09 mills in fiscal year 2012 per calculations according to 15-10-420, MCA. However, the commissioners chose to leave 1.51 mills "on the table" and only assessed 81.58 mills. 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 2.8%, from $3,027,792 in FY11 to $3,112,813 in fiscal year 2012. Actual tax revenues were 98% of budgeted.

Other funds were also levied below the maximum allowed, for a total of 1.93 mills unassessed for the fiscal year. This is in addition to the 3.56 mills that were authorized but left unassessed in prior fiscal years.

The 2011 Montana Legislature passed Senate Bill 372, which reduced the tax rate on business equipment and provided annual entitlement payments from the state to compensate for lost tax revenue. During fiscal year 2012, Park County received $21,511 under SB 372. Future property tax revenue will be directly reduced and the state will continue to compensate counties for this lost revenue.

For fiscal year 2012 the commissioners agreed to increase the Library's share of the County General mills from the prior year's 2.5 mills to 3.2 mills. This increase was intended for one year, to revert to 2.5 mills in subsequent years. However, during discussion of the fiscal year 2013 budget the library made a request to the commissioners for increased mills again, and the commissioners granted their request.

In light of the most recent CPI statistics indicating a Cost of Living Adjustment of 1.6%, the county's Compensation Board recommended that elected officials receive a 1.6% increase to their base salary. Wages for eligible county employees were also adjusted at the same rate.

The county had a CIP fund earmarked for HVAC upgrades to the city/county building that had remained inactive for a number of years. Those funds were rolled into an existing Facility Improvement CIP fund and appropriated for infrastructure improvements.

In the past, the Enterprise funds were directly expensed for a certain percentage of wages for administrative support, which distorted the actual costs of payroll in the Enterprise and General funds. In fiscal year 2012, payroll was expensed wholly to the General fund, and cost allocations were calculated and recorded as a line item expense in the Enterprise funds.

Emergency proclamations due to countywide hazardous weather and flooding in the prior year prompted financial assistance from the Federal Emergency Management Agency. Two mills were levied in the Emergency Disaster Fund in order to pay for non-reimbursed expenses incurred in hazard mitigation. The county received $81,998 in assistance during fiscal year 2012. Identified projects are ongoing into fiscal year 2013, with $42,450 in deferred revenue received from FEMA to complete those projects.

An extreme fire event in the summer of 2012 burned 8,000 acres in the Pine Creek area of Park County. County commissioners passed a resolution declaring a state of emergency and for the second year in a row levied 2 mills for the Emergency and Disaster fund

to pay for non-reimbursed expenses.

The 911 fund accounts for state shared revenues for fees collected by telephone service providers and are to be used for the installation, operation, and improvement of a 911 emergency telephone system. With the accumulation of a large fund balance, $100,000 was appropriated in fiscal year 2012 to be used directly for 911 Emergency operations within Dispatch. This is per an agreement with the City of Livingston to extend for 3 years.

The county commissioned a study with private contractor Bell and Associates to review existing methods of handling waste from unincorporated portions of the county and to provide estimated costs for several waste disposal alternatives. The commissioners chose to pursue the alternative of using the City of Livingston's transfer station for waste disposal. The county has begun implementing this process and in the fall of 2012 signed a waste disposal contract with the City, with the intent of phasing out the county's transfer station. The county also worked with an engineering firm to reduce the size of the landfill and limit operations there. Refuse disposal in the Gardiner area raised issues related to the green box site there, such as the threat wildlife pose to public safety and the site's inclusion in the airport affected zone of the Gardiner airport. Consideration is being given to replacing the green box collection site in Gardiner with a compactor.

The commissioners engaged the services of Montana Public Works Consulting to assess the operation of the county Road and Bridge Department. The consultant made a number of recommendations to the commissioners regarding operations.

Fleshman Creek Flood Mitigation and Restoration is a multi-year project that will be financed with a $2.28 million FEMA grant with additional funding from DNRC and various other grant sources, for a total project cost of $3 million. In fiscal year 2012, actual expenditures of $165,899 were used for engineering expenses. Final design is expected to be complete with construction starting in the next fiscal year.

The county created a new fund, 2903, in order to manage Forest Reserve Act projects under Title II of P.L. 110-343. The local Resource Advisory Committee approved several projects for funding, including a joint venture with Sweet Grass County to improve the Main Boulder Road.

The following capital grant projects were completed in fiscal year 2012:

- Construction of a sidewalk to the Gardiner Schools was completed with a Community Transportation Enhancement Program (CTEP) grant. In fiscal year 2012, $165,329 in grant funds were received.
- Upgrades to the HVAC system at the Yellowstone Gateway Museum, which began in the prior fiscal year, were completed with a CDBG grant.
- A $3.4 million runway rehabilitation project at Mission Field, funded through the Federal Aviation Administration and Montana Aeronautics Board, was completed during the fiscal year.

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 ASSETS
June 30, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	$ 6,162,285	$ 1,524,907	$ 7,687,192
Investments	10,035,104	-	10,035,104
Receivables:			
Taxes/assessments	468,755	257,977	726,732
Solid waste	-	21,032	21,032
Resort tax	11,091	-	11,091
CDBG	221,661	-	221,661
Other	5,024	-	5,024
Governments	500,810	-	500,810
Inventories	34,065	-	34,065
Deferred charges	17,599	-	17,599
Restricted assets:			
Cash and equivalents	-	88,880	88,880
Investments	-	2,128,877	2,128,877
Capital assets:			
Land and construction in progress	480,973	64,899	545,872
Depreciable capital assets, net	11,206,489	821,683	12,028,172
Total assets	29,143,856	4,908,255	34,052,111
LIABILITIES			
Accounts payable-vendors	227,804	31,012	258,816
Deferred revenue	42,975	-	42,975
Long-term liabilities:			
Due within one year:			
Notes and capital leases	47,183	45,155	92,338
Compensated absences	37,549	8,758	46,307
Due in more than one year:			
Notes and capital leases	168,487	47,205	215,692
Compensated absences	337,940	78,822	416,762
Landfill closure/postclosure costs payable	-	1,732,722	1,732,722
Other post employment benefits	1,158,715	173,141	1,331,856
Total liabilities	2,020,653	2,116,815	4,137,468
NET ASSETS			
Invested in capital assets, net of related debt	11,471,792	794,222	12,266,014
Restricted for:			
Restricted for:			
General government	944,213	-	944,213
Public safety	1,260,496	-	1,260,496
Public works	329,587	-	329,587
Public health	205,940	-	205,940
Social and economic services	94,681	-	94,681
Culture and recreation	350,540	-	350,540
Housing and community development	221,661	-	221,661
Capital projects	10,924,041	-	10,924,041
Landfill closure/postclosure costs	-	485,035	485,035
Unrestricted	1,320,252	1,512,183	2,832,435
Total net assets	$ 27,123,203	$ 2,791,440	$ 29,914,643

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2012

		Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	$ 3,089,126	$ 327,858	$ 146,710	$ 25,014	$ (2,589,544)	$ -	$ (2,589,544)
Public safety	3,213,677	285,614	233,775	-	(2,694,288)	-	(2,694,288)
Public works	2,122,267	88,596	292,263	3,231,892	1,490,484	-	1,490,484
Public health	596,875	61,960	165,875	-	(369,040)	-	(369,040)
Social and economic services	315,143	4,255	11,348	-	(299,540)	-	(299,540)
Culture and recreation	745,781	34,411	71,030	-	(640,340)	-	(640,340)
Housing and community development	-	-	20,000	-	20,000	-	20,000
Interest on long-term debt	21,069	-	-	-	(21,069)	-	(21,069)
Intergovermental	49,567	-	-	-	(49,567)	-	(49,567)
Total governmental activities	10,153,505	802,694	941,001	3,256,906	(5,152,904)	-	(5,152,904)
Business-type activities:							
Landfill	471,698	359,146	-	-	-	(112,552)	(112,552)
Refuse Facility	1,099,167	992,440	-	-	-	(106,727)	(106,727)
Total business-type activities	1,570,865	1,351,586	-	-	-	(219,279)	(219,279)
Total	$ 11,724,370	$ 2,154,280	$ 941,001	$ 3,256,906	(5,152,904)	(219,279)	(5,372,183)
	General revenues:						
	Property taxes				5,334,305	-	5,334,305
	Licenses and permits				25,280	-	25,280
	Intergovernmental				2,322,302	-	2,322,302
	Unrestricted investment earnings				141,790	45,123	186,913
	Miscellaneous				147,137	1,792	148,929
	Gain on disposal of capital assets				3,961	400	4,361
	Transfers				(50,282)	50,282	-
	Total general revenues and transfers				7,924,493	97,597	8,022,090
	Change in net assets				2,771,589	(121,682)	2,649,907
	Net assets - beginning				24,351,614	2,259,328	26,610,942
	Prior period adjustments				-	653,794	653,794
	Net assets - ending				$ 27,123,203	$ 2,791,440	$ 29,914,643

See notes to basic financial statements.

PARK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012

	General	Road	Airport	Public Safety	PILT	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS								
Cash and cash equivalents	$ 553,617	$ 196,580	$ 31,019	$ 314,616	$ 1,914,878	$ 680,949	$ 2,462,713	$ 6,154,372
Investments	100,000	-	-	-	-	9,935,104	-	10,035,104
Receivables:								
Taxes/assessments	93,215	39,446	3,300	134,166	-	-	198,628	468,755
Governments	18,686	1,575	138,721	21,713	717	-	319,398	500,810
Resort tax	-	-	-	-	-	-	11,091	11,091
CDBG	-	-	-	-	-	-	221,661	221,661
Other	1,880	-	-	-	-	2,063	1,081	5,024
Due from other funds	-	-	-	-	-	515,397	-	515,397
Inventories	-	19,844	-	-	-	-	14,221	34,065
Total assets	$ 767,398	$ 257,445	$ 173,040	$ 470,495	$ 1,915,595	$ 11,133,513	$ 3,228,793	$ 17,946,279
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable-vendors	$ 2,889	$ 15,300	$ 145,195	$ 2,215	$ -	$ -	$ 62,205	$ 227,804
Due to other funds	-	515,397	-	-	-	-	-	515,397
Deferred revenue	93,215	81,896	3,300	134,166	-	-	199,153	511,730
Total liabilities	96,104	612,593	148,495	136,381	-	-	261,358	1,254,931
Fund balances:								
Nonspendable:								
Inventory	-	19,844	-	-	-	-	14,221	34,065
Noncurrent portion of interfund receivable	-	-	-	-	-	446,070	-	446,070
Restricted for:								
General government	-	-	-	-	-	-	856,711	856,711
Public safety	-	-	-	334,114	-	-	759,527	1,093,641
Public works	-	-	24,545	-	-	-	205,207	229,752
Public health	-	-	-	-	-	-	203,000	203,000
Social and economic services	-	-	-	-	-	-	82,575	82,575
Culture and recreation	-	-	-	-	-	-	310,473	310,473
Housing and community development	-	-	-	-	-	-	221,661	221,661
Capital projects	-	-	-	-	-	10,687,443	236,598	10,924,041
Committed for:								
General government	-	-	-	-	890,873	-	-	890,873
Public safety	-	-	-	-	679,307	-	18,999	698,306
Public works	-	-	-	-	1,215	-	32,500	33,715
Public health	-	-	-	-	222,718	-	-	222,718
Social and economic services	-	-	-	-	20,247	-	-	20,247
Culture and recreation	-	-	-	-	-	-	25,963	25,963
Capital projects	-	-	-	-	101,235	-	-	101,235
Unassigned	671,294	(374,992)	-	-	-	-	-	296,302
Total fund balances	671,294	(355,148)	24,545	334,114	1,915,595	11,133,513	2,967,435	16,691,348
Total liabilities and fund balances	$ 767,398	$ 257,445	$ 173,040	$ 470,495	$ 1,915,595	$ 11,133,513	$ 3,228,793	$ 17,946,279

See notes to basic financial statements.

PARK COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2012

Total fund balance, governmental funds	$ 16,691,348
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net assets.	11,687,462
Bond issuance costs are expensed in the governmental funds. They are deferred charges for the government-wide financial statements and amortized over the life of the issuance.	17,599
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net assets.	468,755
The assets and liabilities of the internal service fund are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	7,913
Some liabilities, such as notes payable, capital leases payable, compensated absences and other post employment benefits, are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	(1,749,874)
Net assets of governmental activities	$ 27,123,203

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, 2012

	General	Road	Airport	Public Safety	PILT	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES								
Taxes/assessments	$ 1,494,957	$ 392,729	$ 32,179	$1,269,163	$ -	$ -	$ 2,107,596	$ 5,296,624
Fines and forfeitures	146,307	-	-	-	-	-	10,144	156,451
Licenses and permits	19,500	3,750	-	2,030	-	-	-	25,280
Intergovernmental	368,017	792,694	2,999,054	111,081	934,049	-	1,213,180	6,418,075
Charges for services	336,101	5,041	20,482	94,678	-	-	179,806	636,108
Investment earnings	11,837	-	-	-	11,077	114,379	4,497	141,790
Miscellaneous	41,413	14,053	-	12,214	900	-	110,113	178,693
Total revenues	2,418,132	1,208,267	3,051,715	1,489,166	946,026	114,379	3,625,336	12,853,021
EXPENDITURES								
Current:								
General government	2,159,054	-	-	-	106,070	-	609,298	2,874,422
Public safety	127,210	-	-	1,796,556	167,460	-	739,290	2,830,516
Public works	1,301	1,355,351	45,893	-	143	-	466,069	1,868,757
Public health	267,214	-	-	-	55,000	-	226,294	548,508
Social and economic services	119,995	-	-	-	5,000	-	180,567	305,562
Culture and recreation	1,168	-	-	-	-	-	681,666	682,834
Debt service:								
Principal	-	8,591	14,941	-	-	-	51,467	74,999
Interest and other charges	-	12,857	711	-	-	-	6,034	19,602
Capital outlay	8,525	102,238	3,069,105	182,956	-	-	592,863	3,955,687
Intergovernmental	-	-	-	-	-	-	49,567	49,567
Total expenditures	2,684,467	1,479,037	3,130,650	1,979,512	333,673	-	3,603,115	13,210,454
Excess (deficiency) of revenues over (under) expenditures	(266,335)	(270,770)	(78,935)	(490,346)	612,353	114,379	22,221	(357,433)
OTHER FINANCING SOURCES (USES)								
Long-term debt issued	-	-	77,500	-	-	-	-	77,500
Insurance proceeds	-	103,290	-	-	-	-	15,649	118,939
Sale of capital assets	-	5,097	-	2,600	-	-	-	7,697
Transfers in	414,579	357,993	-	391,789	-	-	637,151	1,801,512
Transfers out	(47,299)	-	-	-	(926,754)	(50,282)	(827,459)	(1,851,794)
Total other financing sources (uses)	367,280	466,380	77,500	394,389	(926,754)	(50,282)	(174,659)	153,854
Net change in fund balances	100,945	195,610	(1,435)	(95,957)	(314,401)	64,097	(152,438)	(203,579)
Fund balances - beginning	570,349	(550,758)	25,980	430,071	2,229,996	11,069,416	3,119,873	16,894,927
Fund balances - ending	$ 671,294	$ (355,148)	$ 24,545	$ 334,114	$ 1,915,595	$ 11,133,513	$ 2,967,435	$ 16,691,348

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, 2012

Net change in fund balances - total governmental funds		$ (203,579)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report outlay for capital assets as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period.		
This is the amount by which capital outlay ($3,955,687) exceeded depreciation ($566,523) in the current period.		3,389,164
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports the gain or loss on the sale of capital assets. Thus, the change in net assets differs from the change in fund balance by the book value of the asset sold.		(3,736)
Donated capital assets.		25,014
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.		47,816
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 detail long-term debt activities:		
Amortization of bond issuance costs	(1,467)	
Principal payments on debt	74,999	
Long-term debt issued	(77,500)	(3,968)
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		5,585
Other post employment benefits		(483,125)
Internal service funds are used by management to charge the costs of certain activities, such as plotter maps, to individual funds. The change in net assets of certain internal service funds is reported with governmental activities.		(1,582)
Change in net assets of governmental activities		$ 2,771,589

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Funds			
	Landfill	Refuse Facility	Total	Internal Service Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 474,149	$ 1,050,758	$ 1,524,907	$ 7,913
Receivables:				
Taxes/assessments	53,781	204,196	257,977	-
Solid waste	20,542	490	21,032	-
Total current assets	548,472	1,255,444	1,803,916	7,913
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	88,880	-	88,880	-
Investments	2,128,877	-	2,128,877	-
	2,217,757	-	2,217,757	-
Capital assets:				
Land	-	52,528	52,528	-
Construction in progress	-	12,371	12,371	-
Buildings and improvements	54,241	207,636	261,877	-
Equipment and furniture	588,090	1,323,287	1,911,377	-
Less: accumulated depreciation	(338,271)	(1,013,300)	(1,351,571)	-
	304,060	582,522	886,582	-
Total non-current assets	2,521,817	582,522	3,104,339	-
Total assets	3,070,289	1,837,966	4,908,255	7,913
LIABILITIES				
Current liabilities:				
Accounts payable-vendors	4,544	26,468	31,012	-
Compensated absences	1,357	7,401	8,758	-
Capital lease obligation	45,155	-	45,155	-
Total current liabilities	51,056	33,869	84,925	-
Non-current liabilities:				
Compensated absences	12,210	66,612	78,822	-
Capital lease obligation	47,205	-	47,205	-
Landfill closure/postclosure costs payable	1,732,722	-	1,732,722	-
Other post employment benefits	41,554	131,587	173,141	-
Total non-current liabilities	1,833,691	198,199	2,031,890	-
Total liabilities	1,884,747	232,068	2,116,815	-
NET ASSETS				
Invested in capital assets, net of related debt	211,700	582,522	794,222	-
Restricted:				
Landfill closure/postclosure	485,035	-	485,035	-
Unrestricted	488,807	1,023,376	1,512,183	7,913
Total net assets	$ 1,185,542	$ 1,605,898	$ 2,791,440	$ 7,913

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Funds			
	Landfill	Refuse Facility	Total	Internal Service Funds
REVENUES				
Charges for services	$ 84,470	$ 57,037	$ 141,507	$ 2,310
Assessment revenue	274,676	935,403	1,210,079	-
Total operating revenues	359,146	992,440	1,351,586	2,310
OPERATING EXPENSES				
Personal services	136,110	497,149	633,259	-
Supplies	18,261	99,257	117,518	-
Purchased services	134,619	381,773	516,392	-
Fixed charges	34,256	54,934	89,190	3,892
Closure/postclosure costs	84,687	-	84,687	-
Depreciation	57,608	66,054	123,662	-
Total operating expenses	465,541	1,099,167	1,564,708	3,892
Operating loss	(106,395)	(106,727)	(213,122)	(1,582)
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	45,123	-	45,123	-
Miscellaneous revenue	-	1,792	1,792	-
Gain on disposal of capital assets	-	400	400	-
Interest expense	(6,157)	-	(6,157)	-
Total non-operating revenue (expenses)	38,966	2,192	41,158	-
Loss before transfers	(67,429)	(104,535)	(171,964)	(1,582)
Transfers in	50,282	-	50,282	-
Change in net assets	(17,147)	(104,535)	(121,682)	(1,582)
Total net assets - beginning	548,895	1,710,433	2,259,328	9,495
Prior period adjustments	653,794	-	653,794	-
Total net assets - ending	$ 1,185,542	$ 1,605,898	$ 2,791,440	$ 7,913

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2012

	Enterprise Funds			Internal
	Landfill	Refuse Facility	Total	Service Funds
CASH FLOWS FROM OPERATIONS:				
Cash received from customers	$ 340,127	$ 987,137	$ 1,327,264	$ -
Cash received from interfund services	-	-	-	2,310
Cash paid to employees	(118,555)	(442,253)	(560,808)	-
Cash paid to suppliers for goods and services	(188,300)	(532,759)	(721,059)	(3,892)
Net cash provided (used) by operating activities	33,272	12,125	45,397	(1,582)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from miscellaneous sources	-	1,792	1,792	-
Cash received from operating transfers	50,282	-	50,282	-
Net cash provided by noncapital financing activities	50,282	1,792	52,074	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Cash paid for capital assets	-	(51,110)	(51,110)	-
Cash received from sale of capital assets	-	400	400	-
Principal payments on debt	(43,192)	-	(43,192)	-
Interest paid	(6,157)	-	(6,157)	-
Net cash used by capital financing activities	(49,349)	(50,710)	(100,059)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	(30,826)	-	(30,826)	-
Interest received	45,123	-	45,123	-
Net cash provided by investing activities	14,297	-	14,297	-
Change in cash and cash equivalents	48,502	(36,793)	11,709	(1,582)
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of $74,583)	514,527	1,087,551	1,602,078	9,495
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of $88,880)	$ 563,029	$ 1,050,758	$ 1,613,787	$ 7,913
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	$ (106,395)	$ (106,727)	$ (213,122)	$ (1,582)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	57,608	66,054	123,662	-
Closure/postclosure costs	84,687	-	84,687	-
Other post employment benefits	17,326	54,865	72,191	-
(Increase) decrease in accounts receivable	(15,785)	5,130	(10,655)	-
Increase in taxes/assessments receivable	(3,234)	(10,433)	(13,667)	-
Increase (decrease) in accounts payable	(1,164)	3,205	2,041	-
Increase in compensated absences	229	31	260	-
Net cash provided (used) by operating activities	$ 33,272	$ 12,125	$ 45,397	$ (1,582)

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2012

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 4,054,611	$ 1,857,282
Investments	75,652	-
Taxes/assessments receivable	-	1,665,869
Due from other governments	-	1,816
Total assets	4,130,263	$ 3,524,967
LIABILITIES		
Accounts payable	-	$ 1,481,619
Due to special districts	-	86,242
Due to state	-	372,808
Due to schools	-	903,341
Due to cities/towns	-	680,957
Total liabilities	-	$ 3,524,967
NET ASSETS		
Held in trust for benefits and other purposes	$ 4,130,263	

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2012

	External Investment Trust Fund
ADDITIONS	
Contributions	$ 3,982,240
Interest	8,177
Total additions	3,990,417
DEDUCTIONS	
Distribution of investments	4,029,871
Total deductions	4,029,871
Change in net assets	(39,454)
Net assets - beginning	4,169,717
Net assets - ending	$ 4,130,263

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). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the business-type activities and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. 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. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the government. Based on the aforementioned criteria, 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 assets 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. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. 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. 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.

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.

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 and of the internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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 airport fund accounts for resources accumulated from property taxes, state entitlement and federal and state grants and payments made for the maintenance, repair and construction of the county-owned airport.

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 PILT fund accounts for resources accumulated from the federal government for payments in lieu of taxes. Payments made from the fund are at the discretion of the Board of County Commissioners.

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:

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

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 and Net Assets or Equity

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. 16% 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.

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

All inventories are valued at cost. Inventories are recorded as expenses when consumed rather than when purchased.

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 columns 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no construction interest expense incurred during the year. Depreciation on capital assets is calculated on the straight-line basis 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 assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of 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.

Fund Equity

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

Invested in capital assets, net of related debt - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets - consists of net assets 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 net assets - all other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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 ($335,148) fund had a deficit fund balance as of June 30, 2012. The deficit in the Road fund occurred because the fund paid off a loan for motor graders in the prior year and from an interfund loan from the general capital improvement fund. 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	$ 16,197,389
Business-type activities	3,742,664
Fiduciary funds	5,987,545
	$ 25,927,598

Total carrying value of cash, cash equivalents and investments as of June 30, 2012 consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	$ 2,725	$ -	$ 2,725
Cash in banks:			
Demand deposits	321,060	-	321,060
Savings deposits	123,727	-	123,727
Time deposits	-	175,652	175,652
U.S. Government securities	-	12,063,981	12,063,981
Broker money market	588,880	-	588,880
Short-term Investment Program (STIP)	12,651,573	-	12,651,573
	$13,687,965	$ 12,239,633	$25,927,598

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, 2012, the government's bank balances were covered by the FDIC.

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, 2012, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2012 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	.4 to 1.20%	Various	$ 175,652	$ 175,652	$ 175,652	1.44%
U.S. Government securities	.5 to 2.75%	Various	11,955,000	12,063,981	12,090,168	98.56%
				$ 12,239,633	$ 12,265,820	

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	$ -	$ 10,563,981	$ 12,063,981	$ 12,090,168
Broker money market	338,880	-	250,000	588,880	588,880
	$ 1,838,880	$ -	$ 10,813,981	12,652,861	$ 12,679,048
Uncategorized:					
STIP				12,651,573	
				$ 25,304,434	

Following is the condensed schedule of changes in net assets and net assets for the investment pool for the year ended June 30, 2012:

	Internal	External	Total
Net assets - beginning of year	$ 21,823,533	$ 4,169,717	$ 25,993,250
Contributions from participants	23,680,860	3,982,240	27,663,100
Investment earnings/change in fair value	176,727	8,177	184,904
Distributions to participants	(23,883,785)	(4,029,871)	(27,913,656)
Net assets - end of year	$ 21,797,335	$ 4,130,263	$ 25,927,598

Capital Assets

Capital asset activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 315,074	$ -	$ -	$ 315,074
Construction-in-progress	358,716	165,899	(358,716)	165,899
Total capital assets, not being depreciated	673,790	165,899	(358,716)	480,973
Capital assets, being depreciated				
Buildings/improvements	5,809,611	-	-	5,809,611
Improvements other than buildings	771,505	3,540,078	-	4,311,583
Machinery and equipment	4,988,320	407,262	(182,921)	5,212,661
Infrastructure	1,338,856	229,878	-	1,568,734
Total capital assets, being depreciated	12,908,292	4,177,218	(182,921)	16,902,589
Less accumulated depreciation for:				
Buildings/improvements	(2,499,072)	(102,299)	-	(2,601,371)
Improvements other than buildings	(154,889)	(59,166)	-	(214,055)
Machinery and equipment	(2,629,286)	(377,670)	175,485	(2,831,471)
Infrastructure	(21,815)	(27,388)	-	(49,203)
Total accumulated depreciation	(5,305,062)	(566,523)	175,485	(5,696,100)
Total capital assets, being depreciated, net	7,603,230	3,610,695	(7,436)	11,206,489
Governmental activities capital assets, net	$ 8,277,020	$ 3,776,594	$ (366,152)	$ 11,687,462

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	$ 99,937
Public safety	187,248
Public works	228,150
Social and economic	4,645
Culture and recreation	46,543
Total depreciation-governmental activities	$ 566,523

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 52,528	$ -	$ -	$ 52,528
Construction-in-progress	-	12,371	-	12,371
Total capital assets, not being depreciated	52,528	12,371	-	64,899
Capital assets, being depreciated				
Buildings and systems	203,582	-	-	203,582
Improvements other than buildings	58,295	-	-	58,295
Machinery and equipment	1,906,638	38,739	(34,000)	1,911,377
Total capital assets, being depreciated	2,168,515	38,739	(34,000)	2,173,254
Less accumulated depreciation for:				
Buildings and systems	(50,408)	(6,736)	-	(57,144)
Improvements other than buildings	(48,044)	(1,422)	-	(49,466)
Machinery and equipment	(1,163,457)	(115,504)	34,000	(1,244,961)
Total accumulated depreciation	(1,261,909)	(123,662)	34,000	(1,351,571)
Total capital assets, being depreciated, net	906,606	(84,923)	-	821,683
Business-type activities capital assets, net	$ 959,134	$ (72,552)	$ -	$ 886,582

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

Business-type activities:	
Landfill	$ 57,608
Refuse facility	66,054
Total depreciation-business-type activities	$ 123,662

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2012, consisted of the Road fund owing the General Capital Improvement fund $515,397. The loan was made to purchase motor graders. The duration of the loan is for 9 years. $69,327 is expected to be repaid in the next fiscal year.

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	$ 414,579	$ (47,299)	$ 367,280
Road	357,993	-	357,993
Public Safety	391,789	-	391,789
PILT	-	(926,754)	(926,754)
General Capital Improvement	-	(50,282)	(50,282)
Nonmajor governmental funds	637,151	(827,459)	(190,308)
	$1,801,512	$(1,851,794)	$ (50,282)
Business-type activities:			
Landfill	$ 50,282	$ -	$ 50,282

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.

Capital Leases

The government has entered into certain capital lease agreements under which the related equipment will become the property of the government when all terms of the lease agreements are met. Assets acquired through capital leases are as follows:

	Governmental Activities	Business-type Activities
Machinery and equipment	$ 16,083	$ 253,659
Less: accumulated depreciation	(4,289)	(97,236)
	$ 11,794	$ 156,423

The future minimum lease obligations and the present value of these minimum lease payments, as of June 30, 2012, are as follows:

	Year ending June 30,	Governmental Activities	Business-type Activities
	2013	$ 4,034	$ 49,349
	2014	4,035	49,349
Total minimum lease payments		8,069	98,698
Less: amount representing interest		(645)	(6,338)
Present value of minimum lease payments		$ 7,424	$ 92,360

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Payment	Balance June 30, 2012
Durapatcher-2011	$ 27,000	5 yr	2.08%	Annual	$ 21,822
Cooke City Community Center	300,000	15 yr	4.80%	Annual	97,826
Airport-2012	77,500	10 yr	1.63%	Annual	69,750
Gardiner Airport-2004 ***	68,350	10 yr	1.25%	Semi-annual	18,848
					$ 208,246

*** 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
2013	$ 43,575	$ 6,397
2014	45,061	4,880
2015	42,654	3,295
2016	38,206	1,764
2017	7,750	630
2018-2022	31,000	1,263
	$ 208,246	$ 18,229

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance July 1, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Governmental activities:					
Capital leases	$ 10,837	$ -	$ (3,413)	$ 7,424	$ 3,608
Notes payable	202,332	77,500	(71,586)	208,246	43,575
Compensated absences	381,074	-	(5,585)	375,489	37,549
Governmental activity long-term liabilities	$ 594,243	$ 77,500	$ (80,584)	$ 591,159	$ 84,732
Business-type activities:					
Capital leases	$ 135,552	$ -	$ (43,192)	$ 92,360	$ 45,155
Compensated absences	87,320	260	-	87,580	8,758
Business-type activity long-term liabilities	$ 222,872	$ 260	$ (43,192)	$ 179,940	$ 53,913

For the governmental activities, capital leases are generally liquidated by the road fund, notes payable 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 $1,732,722 reported as a landfill closure and postclosure care liability as of June 30, 2012, represents the cumulative amount reported to date based on the use of 49 percent of the estimated capacity of the landfill. The government will recognize the remaining estimated cost of closure and postclosure care of $1,774,278 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, 2012. 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, 2012, $2,217,757 had been set aside for this purpose and is restricted and reported on the statement of nets assets 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, 2012:

Balance July 1, 2011	Prior period Adjustment	Additions	Retirements	Balance June 30, 2012
$ 2,301,829	$ (653,794)	$ 84,687	$ -	$ 1,732,722

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

The prior period adjustment in the Landfill fund resulted from correcting the beginning balance of the closure and postclosure care liability.

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 $241,829 during fiscal year 2012.

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 $256,319 and $212,611, respectively, during fiscal year 2012 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 $62,000, primarily for construction projects.

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.

Beginning in fiscal year 2002, eligible members of PERS had a 12-month window to choose between the PERS-defined benefit retirement plan (DBRP) or the PERS-defined contribution retirement plan (DCRP). Eligible new hires have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP. Members may not be active in both the defined contribution and defined benefit retirement plans. The choice is irrevocable. For members that choose to join the PERS-DCRP, a percentage of the employer contribution is used to maintain the funding of the defined benefit plan.

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 (hired prior to 7-1-2011)	7.070%	6.900%	13.970%
PERS (hired on or after 7-1-2011	7.070%	7.900%	14.970%

The State of Montana contributes .1% year to the PERS plans 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, 2012, 2011 and 2010 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:

	2012	2011	2010
SRS	$190,317	$194,162	$189,957
PERS	413,162	389,270	390,744
	$603,479	$583,432	$580,701

Post-Retirement Healthcare Plan

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	$ 639,931
Interest on net OPEB obligation	33,003
Adjustment to annual required contribution	(101,664)
Annual OPEB cost	571,270
Contributions made	(15,954)
Increase in net OPEB obligation	555,316
Net OPEB obligation - beginning of year	776,540
Net OPEB obligation - end of year	$ 1,331,856

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 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)
2012	$ 555,316	0%	$1,331,856
2011	398,048	0%	776,540
2010	378,492	0%	378,492

Funded Status and Funding Progress. As of July 1, 2011, the Plan was 0% funded. The actuarial accrued liability for benefits was $3,772,790 and the actuarial value of assets is $0, resulting in an unfunded actuarial accrued liability (UAAL) of $3,772,790.

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:

GASB No. 60, Accounting and Financial Reporting for Service Concession Arrangements (effective for periods beginning after December 15, 2011). Improve financial reporting by addressing issues related to service concession arrangements (SCAs).

GASB No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34 (effective for periods beginning after June 15, 2012). Improve financial reporting for a governmental financial reporting entity.

GASB No.62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements (effective for periods beginning after December 15, 2011). The objective of this Statement is to incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure. Hereinafter, these pronouncements collectively are referred to as the "FASB and AICPA pronouncements."

GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (effective for periods beginning after December 15, 2011). Presentation changes in the government-wide financial statements and the proprietary and fiduciary fund financial statements.

GASB No. 65, Items Previously Reported as Assets and Liabilities (effective for periods beginning after December 15, 2012). Presentation changes due to expansion of transactions that result in deferred inflows/outflows; identification of new inflows/outflows, and related change in major funds determination.

GASB No. 66, Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62 (effective for periods beginning after December 15, 2012). Presentation and disclosure.

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, 2012

	Budgeted Amounts		Actual
	Original	Final	Amounts
REVENUES			
Taxes/assessments	$ 1,507,738	$ 1,507,738	$ 1,494,957
Fees and fines	125,000	125,000	146,307
Licenses and permits	15,900	15,900	19,500
Intergovernmental	367,749	367,749	368,017
Charges for services	259,592	313,592	336,101
Investment earnings	12,000	12,000	11,837
Miscellaneous	68,300	14,300	41,413
Total revenues	2,356,279	2,356,279	2,418,132
EXPENDITURES			
Current:			
General government	2,274,927	2,266,814	2,159,054
Public safety	185,284	185,284	127,210
Public works	3,100	3,100	1,301
Public health	307,947	308,347	267,214
Social and economic services	130,206	129,806	119,995
Culture and recreation	2,100	2,100	1,168
Capital outlay	6,000	14,113	8,525
Total expenditures	2,909,564	2,909,564	2,684,467
Excess (deficiency) of revenues over (under) expenditures	(553,285)	(553,285)	(266,335)
OTHER FINANCING SOURCES (USES)			
Transfers in	460,000	460,000	414,579
Transfers out	(40,000)	(40,000)	(47,299)
Total other financing sources (uses)	420,000	420,000	367,280
Net change in fund balance	$ (133,285)	$ (133,285)	100,945
Fund balance - beginning			570,349
Fund balance - ending			$ 671,294

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, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	$ 395,225	$ 395,225	$ 392,729
Licenses and permits	4,500	4,500	3,750
Intergovernmental	710,028	710,028	792,694
Charges for services	-	-	5,041
Miscellaneous	-	-	14,053
Total revenues	1,109,753	1,109,753	1,208,267
EXPENDITURES			
Current:			
Public works	1,236,102	1,459,765	1,355,351
Debt service:			
Principal	8,591	8,591	8,591
Interest and other charges	14,189	14,189	12,857
Capital outlay	78,000	78,000	102,238
Total expenditures	1,336,882	1,560,545	1,479,037
Excess (deficiency) of revenues over (under) expenditures	(227,129)	(450,792)	(270,770)
OTHER FINANCING SOURCES			
Insurance proceeds	-	-	103,290
Sale of capital assets	-	-	5,097
Transfers in	310,000	310,000	357,993
Total other financing sources	310,000	310,000	466,380
Net change in fund balance	$ 82,871	$ (140,792)	195,610
Fund balance - beginning			(550,758)
Fund balance - ending			$ (355,148)

See notes to required supplementary information.

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Airport Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	$ 32,583	$ 32,583	$ 32,179
Intergovernmental	3,432,661	3,432,661	2,999,054
Charges for services	22,600	22,600	20,482
Total revenues	3,487,844	3,487,844	3,051,715
EXPENDITURES			
Current:			
Public works	303,014	303,014	45,893
Debt service:			
Principal	14,941	14,941	14,941
Interest and other charges	1,733	1,733	711
Capital outlay	3,180,606	3,180,606	3,069,105
Total expenditures	3,500,294	3,500,294	3,130,650
Excess (deficiency) of revenues over (under) expenditures	(12,450)	(12,450)	(78,935)
OTHER FINANCING SOURCES			
Long-term debt issued	-	-	77,500
Total other financing sources	-	-	77,500
Net change in fund balance	$ (12,450)	$ (12,450)	(1,435)
Fund balance - beginning			25,980
Fund balance - ending			$ 24,545

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, 2012

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	$1,285,245	$ 1,285,245	$ 1,269,163
Licenses and permits	1,000	1,000	2,030
Intergovernmental	96,323	96,323	111,081
Charges for services	55,200	55,200	94,678
Miscellaneous	5,000	5,000	12,214
Total revenues	1,442,768	1,442,768	1,489,166
EXPENDITURES			
Current:			
Public safety	1,894,556	1,894,556	1,796,556
Capital outlay	180,000	180,000	182,956
Total expenditures	2,074,556	2,074,556	1,979,512
Excess (deficiency) of revenues over (under) expenditures	(631,788)	(631,788)	(490,346)
OTHER FINANCING SOURCES			
Sale of capital assets	-	-	2,600
Transfers in	500,000	500,000	391,789
Total other financing sources	500,000	500,000	394,389
Net change in fund balance	$ (131,788)	$ (131,788)	(95,957)
Fund balance - beginning			430,071
Fund balance - ending			$ 334,114

See notes to required supplementary information.

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	$ 956,382	$ 956,382	$ 934,049
Investment earnings	15,000	15,000	11,077
Miscellaneous	-	-	900
Total revenues	971,382	971,382	946,026
EXPENDITURES:			
Current:			
General government	220,000	220,000	106,070
Public safety	167,754	167,754	167,460
Public works	300	300	143
Public health	55,000	55,000	55,000
Social and economic services	5,000	5,000	5,000
Capital outlay	25,000	25,000	-
Total expenditures	473,054	473,054	333,673
Excess (deficiency) of revenues over (under) expenditures	498,328	498,328	612,353
OTHER FINANCING USES			
Transfers out	(1,034,429)	(1,134,429)	(926,754)
Total other financing uses	(1,034,429)	(1,134,429)	(926,754)
Net change in fund balance	$ (536,101)	$ (636,101)	(314,401)
Fund balance - beginning			2,229,996
Fund balance - ending			$ 1,915,595

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 later of the first Thursday in September or within 30 calendar days after 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, 2012

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]
6/30/2012	$ -	$ 3,772,790	$ 3,772,790	-	$ 4,143,563	0.910518
6/30/2011	-	2,667,399	2,667,399	-	4,022,174	0.663173
6/30/2010	-	2,295,725	2,295,725	-	4,044,397	0.567631

OTHER SUPPLEMENTARY INFORMATION

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

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, 2011	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2012
U.S. Department of Transportation:								
Direct Programs:								
Airport Improvement Program	20.106	DOT-FA10NM-2025	$ 164,730	$ (19,522)	$ 19,522	$ -	$ -	$ -
Airport Improvement Program	20.106	DOT-FA11NM-2038	810,039	-	746,486	770,686	-	(24,200)
Airport Improvement Program	20.106	DOT-FA11NM-2007	2,401,000	(59,475)	2,092,682	2,144,442	(2,531)	(113,766)
Subtotal				(78,997)	2,858,690	2,915,128	(2,531)	(137,966)
Highway Planning and Construction	20.205	10MT002	574,184	(22,574)	22,574	-	-	-
Passed through the Montana Department of Transportation:								
Highway Planning and Construction	20.205	STPE-SRTS 34 (23)	199,179	(14,577)	17,179	150,751	-	(148,149)
Subtotal				(37,151)	39,753	150,751	-	(148,149)
State and Community Highway Safety	20.600	2010-02-20-16	10,658	-	197	197	-	-
Subtotal				-	197	197	-	-
Total U.S. Department of Transportation				(116,148)	2,898,640	3,066,076	(2,531)	(286,115)
U.S. Department of Justice:								
Passed through the Montana Board of Crime Control:								
Violence Against Women Formula Grants	16.588	11-W03-90930	20,283	-	15,878	20,193	-	(4,315)
Violence Against Women Formula Grants	16.588	10-W03-90758	24,375	(5,919)	5,919	-	-	-
Subtotal				(5,919)	21,797	20,193	-	(4,315)
Passed through Gallatin County:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-G01-90869	13,321	-	13,321	13,321	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-G01-90869	49,145	(11,084)	11,084	-	-	-
Passed through the Montana Attorney General:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-G01-90869	49,145	-	1,000	1,000	-	-
Subtotal				(11,084)	25,405	14,321	-	-
ARRA-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories, Recovery Act	16.803	09-GR01-91059	11,504	-	11,504	11,504	-	-
Subtotal				-	11,504	11,504	-	-
Total U.S. Department of Justice				(17,003)	58,706	46,018	-	(4,315)
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-1996-DR	136,591	-	136,591	104,753	-	31,838
Subtotal				-	136,591	104,753	-	31,838
Homeland Security Grant Program	97.067	2009-SS-T9-0005	19,040	(2,370)	2,370	-	-	-
Subtotal				(2,370)	2,370	-	-	-
Pre-Disaster Mitigation	97.047	DMC-PL-08-MT-2010-00	9,750	-	9,750	9,750	-	-
Pre-Disaster Mitigation	97.047	DMC-PJ-08-MT-2009-00	2,280,000	-	79,535	139,774	-	(60,239)
Subtotal				-	89,285	149,524	-	(60,239)
Emergency Management Performance Grants	97.042	2010-EP-E0-0015	31,879	(17,039)	17,039	-	-	-
Emergency Management Performance Grants	97.042	EMW-2011-EP-00035	31,347	-	11,382	31,347	-	(19,965)
Subtotal				(17,039)	28,421	31,347	-	(19,965)
Total U.S. Department of Homeland Security				(19,409)	256,667	285,624	-	(48,366)

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2012

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, 2011	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2012
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	12-07-5-01-034-0	16,729	-	16,729	16,729	-	-
Subtotal				-	16,729	16,729	-	-
Immunization Grants	93.268	11-07-4-31-032-0	7,298	-	3,649	3,649	-	-
Immunization Grants	93.268	12-07-4-31-032-0	-	-	3,649	3,649	-	-
Subtotal				-	7,298	7,298	-	-
Public Health Emergency Preparedness	93.069	11-07-6-11-037-0	46,582	(8,770)	20,962	7,552	(4,640)	-
Public Health Emergency Preparedness	93.069	12-07-6-11-037-0	34,936	-	24,455	34,936	-	(10,481)
Subtotal				(8,770)	45,417	42,488	(4,640)	(10,481)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	12-07-5-31-036-0	72,854	-	36,427	26,757	(9,670)	-
Subtotal				-	36,427	26,757	(9,670)	-
Passed through Rocky Mountain Area IV Agency on Aging:								
National Family Caregiver Support, Title III, Part E	93.052	2012-004-010	13,546	-	13,546	13,546	-	-
Subtotal				-	13,546	13,546	-	-
Total U.S. Department of Health and Human Services				(8,770)	119,417	106,818	(14,310)	(10,481)
U.S. Department of Energy:								
Direct Program:								
ARRA - Energy Efficiency and Conservation Block Grant Program, Recovery Act	81.128	09RW000290	67,100	(67,100)	67,100	-	-	-
Passed through the Montana Department of Environmental Quality:								
ARRA - Energy Efficiency and Conservation Block Grant Program, Recovery Act	81.128	DE-EE0000764	38,186	(422)	-	-	422	-
Total U.S. Department of Energy				(67,522)	67,100	-	422	-
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	-	-	-	-	-
Subtotal				-	-	-	-	-
Total U.S. Department of the Interior				-	-	-	-	-
U.S. Department of Agriculture:								
Passed through the Montana State Auditor's Office:								
Schools and Roads - Grants to States	10.665	12-DG-11011100-003	348,667	-	20,374	67,434	-	(47,060)
Schools and Roads - Grants to States	10.665	12-DG-11011100-002	50,000	-	-	-	-	-
Schools and Roads - Grants to States	10.665	N/A	516,616	151,717	516,616	507,634	-	160,699
Subtotal				151,717	536,990	575,068	-	113,639
Passed through State Department of Natural Resources and Conservation:								
Cooperative Forestry Assistance	10.664	VFA-12-340	9,000	-	-	146	-	(146)
Cooperative Forestry Assistance	10.664	VFA-11-340	23,680	-	23,680	23,152	(528)	-
Subtotal				-	23,680	23,298	(528)	(146)
Total U.S. Department of Agriculture				151,717	560,670	598,366	(528)	113,493
Total Federal Awards				$ (77,135)	$ 3,961,200	$ 4,102,902	$ (16,947)	$ (235,784)

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.

2011-7. 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 as finding 2012-8.

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 as finding 2012-8.

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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 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, 2012, which collectively comprise the government's basic financial statements and have issued our report thereon dated February 21, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the government is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the government's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be 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 2012-1 through 2012-3 and 2012-7)

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 accompanying schedule of findings and questioned costs to be significant deficiencies. (Findings 2012-4 through 2012-6)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free of 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 2012-7.

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, the governing board, others within the entity, the Montana Department of Administration and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Olness & Associates, PC

February 21, 2013

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of County Commissioners
Park County
Livingston, Montana

Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the government's management. Our responsibility is to express an opinion on the government's compliance based on our audit.

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

In our opinion, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the government is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the 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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-8 to be a material weakness.

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the government's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the management, the governing board, others within the entity, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Olness & Associates, PC

February 21, 2013

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2012

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: Unqualified

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: unqualified

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*
10.665	Schools and Roads - Grants to States
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs?	$300,000	
Auditee qualified as low-risk auditee?	____ yes	√ no

SECTION II - FINANCIAL STATEMENT FINDINGS

2012-1. 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.

Response: Park County is aware of and understands that internal control systems are the responsibility of management. We

do 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.

2012-2. 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.

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.

2012-3. CASH AND INVESTMENT RECONCILIATIONS NOT COMPLETE OR ACCURATE

Criteria: In order for financial reports generated for the county's use and reports sent from the treasurer's office to other governmental agencies to be as meaningful and as useful as possible, cash and investment reconciliations need to be complete and accurate.

Condition: The main operating checking account bank reconciliation had numerous reconciling item errors (i.e., reconciling items that were not legitimate and items that should have been reconciling items that were not included on the bank reconciliation). As a result, differences exist between the reconciled cash balances and the general ledger cash balances.

Cause: Unknown.

Effect: Park County commissioners, other elected officials and department heads and other governmental agencies relying on financial reports and cash balances could be making decisions based on erroneous information.

Recommendation: The treasurer should develop procedures to ensure cash and investments reconciliations are complete and accurate.

Response: The Treasurer has identified where corrections are necessary for reconciliation and will change procedures to achieve completion and accuracy of cash and investment reconciliations.

2012-4. 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.

Response: The county understands the importance of maintaining internal controls over road and bridge inventory. Although a perpetual inventory system is not a requirement of Montana code, the county has installed software capable of establishing

such a system. The county commissioners will ensure the road and bridge supervisor is trained to fully implement the software in order to produce a perpetual inventory system.

2012-5. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

Criteria: A reconciliation of the monthly time pay activity to the beginning and ending time pay balances should 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.

Response: The Justice of the Peace is hampered by the state of Montana's Full Court system, which she is required to use. Until such time as the state completes upgrades to its system, the JP will continue to manually review reports of voided receipts quarterly, require documentation of credits to time pay accounts, and require receipts for all payments.

2012-6. PURCHASING POLICY NOT ADHERED TO

Criteria: The County's purchasing policy requires non-emergent purchases greater than $1,000 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 $1,000 limit were routinely 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.

Response: The county is in the process of revising its purchasing policy to include updated dollar purchasing thresholds. Once completed, the county will review its revised policy with staff to ensure that all employees are aware of the policy and the consequences of non-compliance.

2012-7. DISASTER GRANTS – PUBLIC ASSISTANCE

Criteria: Per OMB Circular A-87, *COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS,* to be allowable under Federal awards, costs must meet certain general criteria (A-87, Attachment A, paragraph C.1). One of the general criteria is that all items claimed as a cost must be adequately documented.

Condition: The supporting documentation and schedules for Force Account Labor, Force Account Equipment and materials used on each individual project worksheet was not present in the project files.

Cause: Unknown

Effect: Non-compliance with program terms and conditions

Recommendation: The project worksheets should be fully and accurately completed and supported by employee timesheets, materials invoices, machine use records and other adequate documentation for all Project Worksheets (PW) approved by FEMA.

Response: The county is in the process of gathering the supporting documentation required for each individual project worksheet.

Criteria: Per OMB Circular A-87, *COST PRINCIPLES FOR STATE, LOCAL, AND INDIAN TRIBAL GOVERNMENTS,* the total cost of Federal awards is comprised of the allowable direct costs of the program. Direct costs are those that can be identified specifically with a particular final cost objective.

Condition: Program expenditures were not separately identified in the general ledger.

Cause: Unknown

Effect: Non-compliance with program terms and conditions

Recommendation: In future projects, all program expenditures should be separately identified in the general ledger.

Response: For future projects, the county will assign a unique accounting number for each project worksheet in order to separately identify program expenditures in the general ledger.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-8. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2012-1 and 2012-2 apply to these federal award programs.

PARK COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINANCIAL STATEMENT FINDINGS	STATUS
2011-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2011-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2011-3. LANDFILL CLOSURE/POSTCLOSURE LIABILITY	IMPLEMENTED
2011-4. CASH AND INVESTMENT RECONCILIATIONS NOT COMPLETE OR ACCURATE	NOT IMPLEMENTED
2011-5. ESTABLISH A PERPETUAL INVENTORY SYSTEM	NOT IMPLEMENTED
2011-6. JUSTICE OF THE PEACE TIME PAY ACCOUNTING	NOT IMPLEMENTED