

**PARK COUNTY
LIVINGSTON, MONTANA
FINANCIAL STATEMENTS
For the Year Ended June 30, 2015**

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARK COUNTY

ORGANIZATION

June 30, 2015

BOARD OF COUNTY COMMISSIONERS

Clint Tinsley	Board Chairperson
Marty Malone	Commissioner
Steven Caldwell	Commissioner

ELECTED OFFICIALS

Denise Nelson	County Clerk and Recorder
Kevin Larkin	County Treasurer
Scott Hamilton	County Sheriff
Bruce Becker	County Attorney
Jo Newhall	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

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Park County
Livingston, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park County, Montana (the government) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

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

Other Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2016, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'Leary & Associates, PC

Billings, Montana
January 28, 2016

PARK COUNTY MANAGEMENT'S DISCUSSION & ANALYSIS

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, 2015. Readers are encouraged to consider the information presented here, in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- Net position for Park County was \$23,064,288.
- The County's total net position decreased 20.1 percent as a result of this year's operations. Net position of governmental activities decreased by \$4,622,223 or 17.3 percent, while net position of business-type activities decreased by \$1,173,712 or 53 percent.
- During the year, governmental revenues of \$11,378,680 were \$116,761 more than the \$11,261,919 in expenses, before transfers out. The total cost of governmental activities (expenses) decreased over the prior year by \$2,110,067 or 15.8 percent.
- In the business-type activities before transfers in and out, revenues increased \$71,333 (6.8 percent) while expenses decreased \$33,913 (2.8 percent).
- The General fund fund balance reported an increase this year of \$155,351 due to increased transfers in from other funds.

USING THIS AUDIT REPORT

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliations (pages 13 and 15).

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

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

THE GOVERNMENT AS A WHOLE

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

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 15,016,350	\$ 15,733,794	\$ 3,473,514	\$ 3,482,673	\$ 18,489,864	\$ 19,216,467
Capital assets	15,474,664	14,811,716	774,610	837,021	16,249,274	15,648,737
Total assets	30,491,014	30,545,510	4,248,124	4,319,694	34,739,138	34,865,204
Deferred outflows-pension plans	305,822	-	14,692	-	320,514	-
Other liabilities	190,688	272,931	-	4,268	190,688	277,199
Long-term liabilities outstanding	6,944,918	3,624,851	3,173,505	2,102,931	10,118,423	5,727,782
Total liabilities	7,135,606	3,897,782	3,173,505	2,107,199	10,309,111	6,004,981
Deferred inflows-pension plans	1,635,725	-	50,528	-	1,686,253	-
Net position:						
Net investment in capital assets	14,600,019	13,852,140	774,610	837,021	15,374,629	14,689,161
Restricted	13,108,506	13,396,831	-	548,037	13,108,506	13,944,868
Unrestricted	(5,683,020)	(601,243)	264,173	827,437	(5,418,847)	226,194
Total net position	\$ 22,025,505	\$ 26,647,728	\$ 1,038,783	\$ 2,212,495	\$ 23,064,288	\$ 28,860,223

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

Restricted net position in the governmental and business-type activities (\$13,108,506) represents resources that are subject to external restrictions on how they may be used.

At the end of the fiscal year, the County is able to report positive balances in all reported categories of net position, both for the government, as a whole as well as, for its business-type activities. Net position was \$22,025,505 for the governmental activities and \$1,038,783 for the business-type activities, or a total of \$23,064,288.

The County's overall net position decreased 20.1% or \$5,795,935 from fiscal year 2014 to 2015. This is largely due to a 17.3% decrease in net position in the governmental activities, as the business-type activities saw a 53% decrease, or \$1,173,712. The decrease in government activities is mainly due to a prior period adjustment. The adjustment resulted from implementation of GASB Numbers 68 and 71. The decrease in net position of the business-type activities is in line with refuse and landfill program reductions.

**PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS**

CHANGES IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 1,045,122	\$ 1,787,698	\$ 1,068,604	\$ 1,004,173	\$ 2,113,726	\$ 2,791,871
Operating grants and contributions	882,536	2,374,839	15,529	-	898,065	2,374,839
Capital grants and contributions	535,242	1,018,126	-	-	535,242	1,018,126
General revenues:						
Taxes	6,110,926	5,648,199	-	-	6,110,926	5,648,199
Licenses and permits	33,290	30,603	-	-	33,290	30,603
Intergovernmental	2,491,054	2,495,519	-	-	2,491,054	2,495,519
Interest	119,955	107,631	29,871	30,086	149,826	137,717
Miscellaneous	112,794	101,430	70	8,482	112,864	109,912
Gain on disposal of capital assets	47,721	8,634	-	-	47,721	8,634
Total revenues	11,378,640	13,572,679	1,114,074	1,042,741	12,492,714	14,615,420
Expenses:						
General government	3,144,378	3,502,854	-	-	3,144,378	3,502,854
Public safety	3,346,632	3,513,584	-	-	3,346,632	3,513,584
Public works	2,808,751	4,414,352	-	-	2,808,751	4,414,352
Public health	538,178	632,359	-	-	538,178	632,359
Social and economic services	342,422	400,104	-	-	342,422	400,104
Culture and recreation	930,098	794,632	-	-	930,098	794,632
Housing and community development	68,168	49,648	-	-	68,168	49,648
Landfill	-	-	163,896	174,065	163,896	174,065
Incinerator/transfer station	-	-	1,033,895	1,057,639	1,033,895	1,057,639
Interest on long-term debt	18,171	14,846	-	-	18,171	14,846
Intergovernmental	65,121	49,607	-	-	65,121	49,607
Total expenses	11,261,919	13,371,986	1,197,791	1,231,704	12,459,710	14,603,690
Change in net position before transfers	116,721	200,693	(83,717)	(188,963)	33,004	11,730
Transfers	(708)	(31,353)	708	31,353	-	-
Change in net position	116,013	169,340	(83,009)	(157,610)	33,004	11,730
Net position, beginning	26,647,728	26,187,469	2,212,495	2,370,105	28,860,223	28,557,574
Prior period adjustment	(4,738,276)	290,919	(1,090,703)	-	(5,828,979)	290,919
Net position, ending	\$ 22,025,465	\$ 26,647,728	\$ 1,038,783	\$ 2,212,495	\$ 23,064,248	\$ 28,860,223

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

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

Governmental Funds

Park County has five governmental funds that are reported as major funds in fiscal year 2015. These are: General, Road, 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, Public Administrator, School Superintendent, Mail/copier Services, Juvenile Detention, Coroner, Sanitarian, Health Department,

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Extension, Public Works, Veteran Services, Mental Health Services, County Parks, Historical Research, Accounting, Human Resources, Information Technology, and Geographic Information Systems.

Besides taxes and charges for services, General fund revenue sources include a Local Option Tax, which amounted to \$665,260 in fiscal year 2015, an increase of 4.3% over fiscal year 2014. Before transfers in and transfers out, revenues increased 1.9% (\$53,652) and expenditures increased 0.8% (\$25,640) over the prior fiscal year. Transfers in from Permissive Medical Levy, PILT, Road and the Enterprise funds amounted to \$586,297 which contributed to an increase in fund balance of \$155,351.

- *Road Fund:* This fund accounts for costs related to maintenance and reconstruction of county roads. Revenues in 2015 increased \$2,303 from the prior year, before other financing sources. A 5.6% increase in tax revenue and a 2.3% increase in state entitlement payments were offset by a decrease in Forest Reserve funds and fixed asset sales.

Transfers included \$385,000 from PILT, the same as the prior year, and \$71,273 from the Permissive Medical Levy fund. Expenditures decreased \$158,839 or 11.3 percent over the prior year, largely due to a decrease in flood road supplies. Expenditures include \$32,575 transferred to the General fund for Road share of the Public Works Director. Transfers out also include \$244,197 to upgrade equipment, and \$43,805 to reimburse the General Capital Improvement Fund. The Road fund has a negative fund balance due to a liability incurred for an interfund loan in 2010 for the purchase of road graders. The deficit will be reduced over time as the loan is repaid.

- *Public Safety:* The Public Safety fund accounts for activities for Law Enforcement: the Sheriff's Office, detention center, civil clerk, concealed weapons licensing, and the community service program. Revenues for fiscal year 2015 before transfers in increased \$59,589, or 3.8% over the prior year. Transfers in from other funds increased \$14,957 or 2.8%. The largest share of transfers in (\$335,342) was from PILT.

Park County purchased two more vehicles in 2015 than in 2014, contributing to the 4.6% increase in overall expenditures over the prior fiscal year. The ending fund balance decreased \$9,430 or 2%.

- *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 2015, the amount that the county received for PILT was \$1,166,683, a 5.6% decrease from the prior fiscal year. The amount transferred to other funds was \$1,056,267. The net change in fund balance from the prior fiscal year was a decrease of \$335,690, for an ending fund balance of \$1,072,412.

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

Whereas earlier resolutions by the Board of County Commissioners restricted expenditures for only specific purposes, Resolution No. 1145, signed in November 2012, allowed interest from the BN fund to be expended on capital improvement projects. In fiscal year 2015, \$681,051 was expended for a number of capital improvement projects, including: HVAC upgrade to the courthouse, a new building for Search and Rescue, and a county cash match for an Airport grant and the Main Boulder and Gardiner Gateway Federal Lands Access Project grants. Additionally, \$55,000 was transferred to the Landfill for monitoring and cleanup costs. The ending fund balance was \$9,733,557, a decrease of \$595,833 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. Park County established a new fund, the Fire Control Fund, which receives revenue from electronic burn permits and local donations. The burn permits had previously been included in the General Fund. The amendment added \$7,500 in unbudgeted revenue and appropriated \$2,000 to the new Fire Control fund.

Final budget compared to actual results. Other financing sources and uses include transfers in from and out to other funds. Actual revenues for the General Fund before other financing sources were 5.7% over budget, or \$154,489 which included a GAAP adjustment on behalf of state support revenue. Other financing sources decreased \$29,092 (4.7%) under budget, due to a smaller transfer in for Public Works. Total actual revenues including transfers in were \$125,397 (3.8%) over budget. General fund tax revenues were estimated closely (only 1.8% more than budgeted); local option taxes, which are collected in the General fund, were 9.1% more than budgeted. General grant and resort tax administration fees were greater than budgeted due to the addition of Gardiner resort tax

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

administration services. Some grants that were budgeted for came in lower than expected, and investment earnings continued to drop.

Actual expenditures were 94% of appropriations, or \$207,701 under budget. Three of the 25 General fund departments were individually over budget, but this was more than offset by most departments under spending their appropriations. The budget for Veterans Burial Benefits was almost 20% over budget. The net change in fund balance was an increase of \$155,351.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Park County's net investment in capital assets as of June 30, 2015 totaled \$15,374,629. This investment includes land, construction in progress, buildings, infrastructure, machinery, and equipment. See the notes to financial statements for changes in capital assets.

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.

State statute limits the amount of county indebtedness to 2.5 percent of the total assessed value of taxable property. The 2015 market value of property in the County was \$1,531,384,575, and the statutory limit of county indebtedness was \$38,284,614. As of June 30, 2015 Park County had at total of \$874,645 in outstanding notes, of which \$800,489 is long term. Park County's total debt decreased \$84,931 during the fiscal year. This included a new loan for a shed and a snowplow for the airport (\$9,625) and reductions by regularly scheduled principal payments on existing debt.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The taxable value of property in Park County (less the value of the Tax Increment Financing Districts) increased 0.6% from \$39,780,450 in fiscal year 2014 to \$40,001,441 in fiscal year 2015. The value of newly taxable property county-wide was \$718,468, which accounts for a portion of that increase. It should be noted that 2015 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. The next reassessment will occur in 2017.

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

County general mills are split among the General, Bridge, Weed Control, Fair, Airport, District Court, Comprehensive Insurance, Senior Citizens, Law Enforcement, and Museum Funds at the commissioners' discretion, with certain restrictions. The growth in number of authorized mills for these aggregate mills went from 84.11 in fiscal year 2014 to 84.53 in fiscal year 2015. Calculations were done according to Montana Code Annotated, Title 15, Section 10, Part 420, which limits the growth in mills to one half the average of inflation over the prior 3 years. From fiscal years 2010 through 2013 the Commissioners levied county general mills below the maximum allowed, for a total of 4.61 carry forward mills available. This reflected a concerted effort on the part of the Commissioners to give a measure of relief to the taxpayers of the County in light of the recent economic recession. The commissioners levied the full amount authorized in fiscal year 2015.

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 1.1%, from \$3,345,934 in fiscal year 2014 to \$3,381,322 that was budgeted in fiscal year 2015. Actual tax revenues were 100% of budgeted.

Payment in Lieu of Taxes (PILT) funds are received annually from the federal government in lieu of taxes on federal property within the county and continue to be a major source of operating funds. The majority of appropriations from PILT are transfers out to other funds in order to finance their operations, such as Law Enforcement, General, Road, Planning, and Fair funds. PILT is also used to pay for operating costs of motor pool maintenance, litigation expenses, commissioners' special projects, and certain Public Safety services such as support of the city/county dispatch.

The county's waste disposal system has been in transition since 2012. The Park County Transfer Station no longer accepts refuse or recycling; all refuse activities have moved to the city of Livingston Transfer Station. In the fall of 2014, the Park County Solid Waste Board recommended and the Commissioners moved to close the landfill, pending DEQ approval. All landfill jobs were eliminated in the prior year, resulting in the removal of liabilities for employee compensated absences and other post-employment benefits. During fiscal year 2015, the landfill was open for public use by appointment only, resulting in a large reduction in the volume of waste received. Consequently, remaining years of life of the landfill could not be calculated. Plans for the construction of a waste compactor in the Gardiner area have been ongoing, with \$56,625 expended toward construction in progress in 2015.

In light of the most recent Consumer Price Index, 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.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

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

- Park County and the City of Livingston submitted an FAA grant project to the U.S. Department of Transportation to build a snow removal equipment building and acquire snow removal equipment. The project received \$383,405, or 90%, of the funds from the grant for the project which was completed in 2015.
- A CTEP grant for the Cooke City Museum, which had \$10,141 revenue in fiscal year 2015, will continue into the next year.
- Park County received \$78,837 in funding from the Montana Treasure State Endowment Program (TSEP) for bridge replacement and rehabilitation and the project will continue into next year.
- Park County and neighboring Sweet Grass County have entered into a joint agreement for improvement on the Main Boulder River Road which straddles both counties. The projects costs of \$6.5 million will be provided by the Federal Lands Access Program and contributions from both counties. Park County has committed \$509,960 through 2016.
- Another FLAP project underway is the Gardiner Gateway project, which is intended to reduce congestion, improve safety, provide parking, and improve drainage on several roads in Gardiner, the north entrance to Yellowstone National Park. Of the total estimated cost of \$15.7 million, Park County has cash and in kind matches of \$819,820 through 2017.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Park County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Park County Finance Office, 414 E. Callender Street, Livingston, MT 59047.

PARK COUNTY
STATEMENT OF NET POSITION
June 30, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 4,213,513	\$ 646,327	\$ 4,859,840
Investments	9,435,000	-	9,435,000
Receivables:			
Taxes/assessments	265,666	257,482	523,148
Resort tax	29,594	-	29,594
CDBG	221,611	-	221,611
Road construction	333,333	-	333,333
Governments	332,924	-	332,924
Other	17,140	-	17,140
Inventories	157,954	-	157,954
Prepays	9,615	-	9,615
Restricted assets:			
Cash and equivalents	-	269,443	269,443
Investments	-	2,300,262	2,300,262
Capital assets not being depreciated-land and construction in progress	758,521	169,285	927,806
Capital assets, net of accumulated depreciation	14,716,143	605,325	15,321,468
Total assets	30,491,014	4,248,124	34,739,138
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	305,822	14,692	320,514
Total deferred outflows of resources	305,822	14,692	320,514
LIABILITIES			
Accounts payable-vendors	186,676	-	186,676
Unearned revenues	4,012	-	4,012
Noncurrent liabilities:			
Due within one year:			
Notes	74,156	-	74,156
Compensated absences	43,111	4,899	48,010
Due in more than one year:			
Notes	800,489	-	800,489
Compensated absences	387,996	44,092	432,088
Landfill closure/postclosure costs payable	-	2,664,390	2,664,390
Other post-employment benefits	2,381,346	264,594	2,645,940
Net pension liability	3,257,820	195,530	3,453,350
Total liabilities	7,135,606	3,173,505	10,309,111
DEFERRED INFLOWS OF RESOURCES			
Pension plans	1,635,725	50,528	1,686,253
Total deferred inflows of resources	1,635,725	50,528	1,686,253
NET POSITION (DEFICIT)			
Net investment in capital assets	14,600,019	774,610	15,374,629
Restricted for:			
General government	864,508	-	864,508
Public safety	843,713	-	843,713
Public works	541,242	-	541,242
Public health	118,131	-	118,131
Social and economic services	74,878	-	74,878
Culture and recreation	579,749	-	579,749
Housing and community development	221,661	-	221,661
Capital projects	9,864,624	-	9,864,624
Unrestricted (deficit)	(5,683,020)	264,173	(5,418,847)
Total net position (deficit)	\$ 22,025,505	\$ 1,038,783	\$ 23,064,288

PARK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,144,378	\$ 390,622	\$ 240,135	\$ -	\$ (2,513,621)	\$ -	\$ (2,513,621)
Public safety	3,346,632	316,958	245,114	-	(2,784,560)	-	(2,784,560)
Public works	2,808,751	240,588	263,469	535,242	(1,769,452)	-	(1,769,452)
Public health	538,178	46,436	101,375	-	(390,367)	-	(390,367)
Social and economic services	342,422	6,726	10,679	-	(325,017)	-	(325,017)
Culture and recreation	930,098	43,792	20,139	-	(866,167)	-	(866,167)
Housing and community development	68,168	-	1,625	-	(66,543)	-	(66,543)
Interest on long-term debt	18,171	-	-	-	(18,171)	-	(18,171)
Intergovernmental	65,121	-	-	-	(65,121)	-	(65,121)
Total governmental activities	11,261,919	1,045,122	882,536	535,242	(8,799,019)	-	(8,799,019)
Business-type activities:							
Landfill	163,896	84,264	-	-	-	(79,632)	(79,632)
Refuse Facility	1,033,895	984,340	15,529	-	-	(34,026)	(34,026)
Total business-type activities	1,197,791	1,068,604	15,529	-	-	(113,658)	(113,658)
Total	\$ 12,459,710	\$ 2,113,726	\$ 898,065	\$ 535,242	(8,799,019)	(113,658)	(8,912,677)
General revenues:							
Property taxes					6,110,926	-	6,110,926
Licenses and permits					33,290	-	33,290
Intergovernmental					2,491,054	-	2,491,054
Unrestricted investment earnings					119,995	29,871	149,866
Miscellaneous					112,794	70	112,864
Gain on disposal of capital assets					47,721	-	47,721
Transfers					(708)	708	-
Total general revenues and transfers					8,915,072	30,649	8,945,721
Change in net position					116,053	(83,009)	33,044
Net position - beginning					26,647,728	2,212,495	28,860,223
Prior period adjustments					(4,738,276)	(1,090,703)	(5,828,979)
Net position - ending					\$ 22,025,505	\$ 1,038,783	\$ 23,064,288

PARK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	General	Road	Public Safety	PILT	General Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 680,613	\$ 23,384	\$ 473,900	\$ 927,955	\$ 551,746	\$ 1,555,915	\$ 4,213,513
Investments	100,000	3,634	73,651	144,217	8,835,000	278,498	9,435,000
Receivables:							
Taxes/assessments	53,567	23,736	72,388	-	-	115,975	265,666
Governments	51,379	-	5,788	240	43,582	231,935	332,924
Resort tax	-	-	-	-	-	29,594	29,594
CDBG	-	-	-	-	-	221,611	221,611
Road construction	-	-	-	-	-	333,333	333,333
Other	3,733	2,400	9,251	-	-	1,756	17,140
Due from other funds	-	-	-	-	303,229	-	303,229
Inventories	-	138,993	-	-	-	18,961	157,954
Prepaid items	5,690	-	-	-	-	3,925	9,615
Total assets	\$ 894,982	\$ 192,147	\$ 634,978	\$ 1,072,412	\$ 9,733,557	\$ 2,791,503	\$ 15,319,579
LIABILITIES							
Accounts payable-vendors	\$ 711	\$ -	\$ 94,143	\$ -	\$ -	\$ 91,822	\$ 186,676
Due to other funds	-	303,229	-	-	-	-	303,229
Unearned revenue	-	4,012	-	-	-	-	4,012
Total liabilities	711	307,241	94,143	-	-	91,822	493,917
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-taxes/assessments	53,567	23,736	72,388	-	-	115,975	265,666
Total deferred inflows of resources	53,567	23,736	72,388	-	-	115,975	265,666
FUND BALANCES (DEFICITS)							
Nonspendable:							
Prepaid items	5,690	-	-	-	-	3,925	9,615
Inventory	-	138,993	-	-	-	18,961	157,954
Noncurrent portion of interfund receivable	-	-	-	-	229,658	-	229,658
Restricted for:							
General government	-	-	-	-	-	814,354	814,354
Public safety	-	-	468,447	-	-	287,570	756,017
Public works	-	-	-	-	-	339,163	339,163
Public health	-	-	-	-	-	113,547	113,547
Social and economic services	-	-	-	-	-	69,572	69,572
Culture and recreation	-	-	-	-	-	555,590	555,590
Housing and community development	-	-	-	-	-	221,661	221,661
Capital projects	-	-	-	-	9,503,899	131,067	9,634,966
Committed for:							
General government	-	-	-	1,072,412	-	-	1,072,412
Public safety	-	-	-	-	-	28,296	28,296
Unassigned	835,014	(277,823)	-	-	-	-	557,191
Total fund balances (deficits)	840,704	(138,830)	468,447	1,072,412	9,733,557	2,583,706	14,559,996
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 894,982	\$ 192,147	\$ 634,978	\$ 1,072,412	\$ 9,733,557	\$ 2,791,503	\$ 15,319,579

See notes to basic financial statements.

PARK COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2015

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

Total fund balances, governmental funds	\$ 14,559,996
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,474,664
Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	265,666
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	305,822
Deferred inflows of resources related to pensions	(1,635,725)
Long-term liabilities, such as notes payable, compensated absences, the net pension liability and other post-employment benefits, are not due and payable in the current period and, therefore, are not included in the funds.	<u>(6,944,918)</u>
Net position of governmental activities	<u><u>\$ 22,025,505</u></u>

PARK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2015

	General	Road	Public Safety	PILT	General Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	\$ 1,692,642	\$ 435,613	\$ 1,374,504	\$ -	\$ -	\$ 2,768,107	\$ 6,270,866
Fines and forfeitures	147,107	-	-	-	-	5,011	152,118
Licenses and permits	24,600	4,000	4,690	-	-	2,366	35,656
Intergovernmental	552,626	617,592	139,100	1,166,683	-	1,326,830	3,802,831
Charges for services	385,867	25,492	103,855	-	-	362,568	877,782
Investment earnings	3,463	-	-	18,683	96,412	1,437	119,995
Miscellaneous	53,195	2,112	14,137	1,200	-	75,151	145,795
Total revenues	2,859,500	1,084,809	1,636,286	1,186,566	96,412	4,541,470	11,405,043
EXPENDITURES							
Current:							
General government	2,409,082	-	-	127,490	-	511,756	3,048,328
Public safety	118,457	-	1,955,014	195,790	-	818,432	3,087,693
Public works	116,539	1,211,822	-	4,709	19,000	939,761	2,291,831
Public health	338,559	-	-	55,000	-	179,431	572,990
Social and economic services	151,557	-	-	65,000	-	99,765	316,322
Culture and recreation	4,338	-	-	-	-	878,829	883,167
Housing and community development	48,954	-	-	18,000	-	1,214	68,168
Debt service:							
Principal	-	5,511	-	-	-	89,045	94,556
Interest and other charges	-	7,741	-	-	-	10,430	18,171
Capital outlay	46,261	19,196	243,133	-	-	1,175,947	1,484,537
Intergovernmental	-	-	-	-	-	65,121	65,121
Total expenditures	3,233,747	1,244,270	2,198,147	465,989	19,000	4,769,731	11,930,884
Excess (deficiency) of revenues over expenditures	(374,247)	(159,461)	(561,861)	720,577	77,412	(228,261)	(525,841)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	-	-	-	9,625	9,625
Insurance proceeds	-	2,400	-	-	-	-	2,400
Sale of capital assets	-	3,555	15,252	-	-	7,600	26,407
Transfers in	586,297	465,145	542,179	-	43,805	1,298,087	2,935,513
Transfers out	(56,699)	(320,577)	(5,000)	(1,056,267)	(717,050)	(780,628)	(2,936,221)
Total other financing sources (uses)	529,598	150,523	552,431	(1,056,267)	(673,245)	534,684	37,724
Net change in fund balances	155,351	(8,938)	(9,430)	(335,690)	(595,833)	306,423	(488,117)
Fund balances (deficit) - beginning	685,353	(129,892)	477,877	1,408,102	10,329,390	2,277,283	15,048,113
Fund balances (deficit) - ending	\$ 840,704	\$ (138,830)	\$ 468,447	\$ 1,072,412	\$ 9,733,557	\$ 2,583,706	\$ 14,559,996

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, 2015

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

Net change in fund balances - total governmental funds	\$ (488,117)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated lives and reported as depreciation expense.

This is the amount by which capital outlay (\$1,484,537) exceeded depreciation (\$913,503) in the current period.	571,034
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The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to increase net position.	18,914
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Donated capital assets.	73,000
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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.	(147,084)
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Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.	150,553
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Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. The following details long-term debt activities:

Principal payments on debt	94,556	
Long-term debt issued	(9,625)	84,931

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	5,179	
Other post-employment benefits	(152,357)	

Change in net position of governmental activities	\$ 116,053
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PARK COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2015

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 69,049	\$ 577,278	\$ 646,327
Receivables:			
Taxes/assessments	32,838	224,644	257,482
Total current assets	101,887	801,922	903,809
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	269,443	-	269,443
Investments	2,300,262	-	2,300,262
	2,569,705	-	2,569,705
Capital assets:			
Land	-	52,528	52,528
Construction in progress	-	116,757	116,757
Buildings and improvements	54,241	248,805	303,046
Equipment and furniture	588,090	1,431,546	2,019,636
Less: accumulated depreciation	(491,118)	(1,226,239)	(1,717,357)
	151,213	623,397	774,610
Total non-current assets	2,720,918	623,397	3,344,315
Total assets	2,822,805	1,425,319	4,248,124
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	-	14,692	14,692
Total deferred outflows of resources	-	14,692	14,692
LIABILITIES			
Current liabilities:			
Compensated absences	-	4,899	4,899
Total current liabilities	-	4,899	4,899
Non-current liabilities:			
Compensated absences	-	44,092	44,092
Landfill closure/postclosure costs payable	2,664,390	-	2,664,390
Net pension liability	-	195,530	195,530
Other post-employment benefits	-	264,594	264,594
Total non-current liabilities	2,664,390	504,216	3,168,606
Total liabilities	2,664,390	509,115	3,173,505
DEFERRED INFLOWS OF RESOURCES			
Pension plans	-	50,528	50,528
Total deferred inflows of resources	-	50,528	50,528
NET POSITION			
Net investment in capital assets	151,213	623,397	774,610
Unrestricted	7,202	256,971	264,173
Total net position	\$ 158,415	\$ 880,368	\$ 1,038,783

PARK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2015

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
REVENUES			
Charges for services	\$ 2,828	\$ 17,663	\$ 20,491
Assessment revenue	81,436	966,677	1,048,113
Total operating revenues	84,264	984,340	1,068,604
OPERATING EXPENSES			
Personal services	-	327,721	327,721
Supplies	286	53,318	53,604
Purchased services	91,707	529,373	621,080
Fixed charges	28,927	47,423	76,350
Depreciation	42,976	76,060	119,036
Total operating expenses	163,896	1,033,895	1,197,791
Operating loss	(79,632)	(49,555)	(129,187)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	29,871	-	29,871
Miscellaneous revenue	-	70	70
Operating grants and contributions	-	15,529	15,529
Total non-operating revenue (expenses)	29,871	15,599	45,470
Loss before transfers	(49,761)	(33,956)	(83,717)
Transfers in	55,000	-	55,000
Transfers out	(9,617)	(44,675)	(54,292)
Change in net position	(4,378)	(78,631)	(83,009)
Net position - beginning	1,016,349	1,196,146	2,212,495
Prior period adjustments	(853,556)	(237,147)	(1,090,703)
Net position - ending	\$ 158,415	\$ 880,368	\$ 1,038,783

PARK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2015

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 83,089	\$ 956,276	\$ 1,039,365
Cash paid to employees	-	(306,485)	(306,485)
Cash paid to suppliers for goods and services	(125,188)	(630,114)	(755,302)
Net cash provided (used) by operating activities	(42,099)	19,677	(22,422)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from grants and contributions	-	10,000	10,000
Cash received from miscellaneous sources	-	70	70
Cash paid for operating transfers	(9,617)	(44,675)	(54,292)
Cash received from operating transfers	55,000	-	55,000
Net cash provided (used) by noncapital financing activities	45,383	(34,605)	10,778
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Cash paid for capital assets	-	(56,625)	(56,625)
Net cash used by capital financing activities	-	(56,625)	(56,625)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in investments	39,277	-	39,277
Interest received	29,871	-	29,871
Net cash provided by investing activities	69,148	-	69,148
Change in cash and cash equivalents	72,432	(71,553)	879
Cash and cash equivalents - beginning (Landfill includes restricted cash and cash equivalents of \$19,332)	266,060	648,831	914,891
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of \$269,443)	\$ 338,492	\$ 577,278	\$ 915,770
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$ (79,632)	\$ (49,555)	\$ (129,187)
Adjustment to reconcile operating loss to net cash used by operating activities:			
Depreciation	42,976	76,060	119,036
Other post-employment benefits	-	16,929	16,929
Pensions	-	(252)	(252)
Decrease in accounts receivable	70	-	70
Increase in taxes/assessments receivable	(1,245)	(28,064)	(29,309)
Decrease in accounts payable	(4,268)	-	(4,268)
Increase in compensated absences	-	4,559	4,559
Net cash provided (used) by operating activities	\$ (42,099)	\$ 19,677	\$ (22,422)

PARK COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2015

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 3,381,470	\$ 1,288,133
Investments	73,427	-
Taxes/assessments receivable	-	920,545
	<u>-</u>	<u>920,545</u>
Total assets	<u>3,454,897</u>	<u>\$ 2,208,678</u>
LIABILITIES		
Accounts payable	-	\$ 670,360
Due to special districts	-	62,806
Due to state	-	325,529
Due to schools	-	488,067
Due to cities/towns	-	661,916
	<u>-</u>	<u>661,916</u>
Total liabilities	<u>-</u>	<u>\$ 2,208,678</u>
NET POSITION		
Net position held in trust for other purposes	<u>\$ 3,454,897</u>	

PARK COUNTY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2015

	External Investment Trust Fund
ADDITIONS	
Contributions	\$ 5,648,524
Interest	2,964
Total additions	<u>5,651,488</u>
DEDUCTIONS	
Distribution of investments	<u>5,412,345</u>
Total deductions	<u>5,412,345</u>
Change in net position	239,143
Net position - beginning	<u>3,215,754</u>
Net position - ending	<u><u>\$ 3,454,897</u></u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government adopted the provisions of GASB Statement No. 68, Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirements about pensions also are addressed.

The government adopted the provisions of GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. This Statement establishes standards for the amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability.

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 be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The government reports the following major governmental funds:

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

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

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

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

The 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:

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

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

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

Cash and Investments

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

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts can, at their option, participate in the County's investment pool. 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 insured by the FDIC, FSLIC, or

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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.

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

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

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, \$10,000 for buildings and improvements and \$25,000 for infrastructure and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2015.

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

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

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

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

Long-term Obligations

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

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

Deferred Outflows/Inflows of Resources

The government reports decreases in net position that relate to a future period(s) as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources are related to government's pension plans and consist of differences between expected and actual results, changes in actuarial assumptions, differences between actual and expected contributions and contributions made to the pension plans subsequent to the measurement date. No deferred outflows of resources affect the governmental funds financial statements in the current year.

The government's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the government's statement of net position for actual pension plan investment earnings in excess of the expected amounts and differences between actual and expected contributions included in determining pension expense. In the governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The government will not recognize the related revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

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

Net Position

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

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

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

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

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Fund Balance

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

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

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

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

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

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

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

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

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Road (\$138,830) fund had a deficit fund balance as of June 30, 2015. The deficit in the Road fund occurred because the fund paid off a motor grader loan in the prior year. The deficit is expected to be eliminated over time with the collection of property taxes.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 13,648,513
Business-type activities	3,216,032
Fiduciary funds	<u>4,743,030</u>
	<u>\$ 21,607,575</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Total carrying value of cash, cash equivalents and investments as of June 30, 2015 consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 2,330	\$ -	\$ 2,330
Cash in banks:			
Demand deposits	3,127,125	-	3,127,125
Savings deposits	389,332	-	389,332
Time deposits	-	173,427	173,427
U.S. Government securities	-	11,635,262	11,635,262
Broker money market	269,442	-	269,442
Short-term Investment Program (STIP)	6,010,657	-	6,010,657
	<u>\$ 9,798,886</u>	<u>\$ 11,808,689</u>	<u>\$ 21,607,575</u>

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, 2015, \$3,997,651 of the government's bank balance of \$4,672,077 was exposed to custodial credit risk as follows:

Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>\$ 3,997,651</u>
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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, 2015, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2015 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
Certificate of deposit	.25 to .45%	Various	\$ 173,427	\$ 173,427	\$ 173,427	1.47%
U.S. Government securities	.8 to 2.05%	Various	11,626,000	11,635,262	11,614,484	98.53%
				<u>\$ 11,808,689</u>	<u>\$ 11,787,911</u>	

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 value. 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.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
U.S. government securities	\$ 1,500,000	\$ -	\$ 10,135,262	\$ 11,635,262	\$ 11,614,484
Broker money market	269,442	-	-	269,442	269,442
	<u>\$ 1,769,442</u>	<u>\$ -</u>	<u>\$ 10,135,262</u>	11,904,704	<u>\$ 11,883,926</u>
Uncategorized:					
STIP				6,010,657	
				<u>\$ 17,915,361</u>	

Following is the condensed schedule of changes in net position for the investment pool for the year ended June 30, 2015:

	Internal	External	Total
Net position - beginning of year	\$ 17,600,244	\$ 3,215,754	\$ 20,815,998
Contributions from participants	13,145,857	5,648,524	18,794,381
Investment earnings/change in fair value	141,530	2,964	144,494
Distributions to participants	(12,734,953)	(5,412,345)	(18,147,298)
Net position - end of year	<u>\$ 18,152,678</u>	<u>\$ 3,454,897</u>	<u>\$ 21,607,575</u>

Capital Assets

Capital asset activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 605,993	\$ -	\$ -	\$ 605,993
Construction-in-progress	895,015	152,528	(895,015)	152,528
Total capital assets, not being depreciated	<u>1,501,008</u>	<u>152,528</u>	<u>(895,015)</u>	<u>758,521</u>
Capital assets, being depreciated				
Buildings/improvements	6,735,556	275,206	-	7,010,762
Improvements other than buildings	4,405,423	131,808	-	4,537,231
Machinery and equipment	5,824,907	947,825	(372,418)	6,400,314
Infrastructure	3,417,769	1,022,185	-	4,439,954
Total capital assets, being depreciated	<u>20,383,655</u>	<u>2,377,024</u>	<u>(372,418)</u>	<u>22,388,261</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,802,363)	(123,195)	-	(2,925,558)
Improvements other than buildings	(648,745)	(223,031)	-	(871,776)
Machinery and equipment	(3,500,997)	(401,265)	314,332	(3,667,930)
Infrastructure	(120,842)	(86,012)	-	(206,854)
Total accumulated depreciation	<u>(7,072,947)</u>	<u>(913,503)</u>	<u>314,332</u>	<u>(7,672,118)</u>
Total capital assets, being depreciated, net	<u>13,310,708</u>	<u>1,463,521</u>	<u>(58,086)</u>	<u>14,716,143</u>
Governmental activities capital assets, net	<u>\$ 14,811,716</u>	<u>\$ 1,616,049</u>	<u>\$ (953,101)</u>	<u>\$ 15,474,664</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 98,695
Public safety	264,289
Public works	482,215
Public health	3,393
Social and economic	12,343
Culture and recreation	<u>52,568</u>
Total depreciation-governmental activities	<u>\$ 913,503</u>

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 52,528	\$ -	\$ -	\$ 52,528
Construction-in-progress	60,132	56,625	-	116,757
Total capital assets, not being depreciated	<u>112,660</u>	<u>56,625</u>	<u>-</u>	<u>169,285</u>
Capital assets, being depreciated				
Buildings and systems	203,582	-	-	203,582
Improvements other than buildings	99,464	-	-	99,464
Machinery and equipment	<u>2,019,636</u>	<u>-</u>	<u>-</u>	<u>2,019,636</u>
Total capital assets, being depreciated	<u>2,322,682</u>	<u>-</u>	<u>-</u>	<u>2,322,682</u>
Less accumulated depreciation for:				
Buildings and systems	(70,616)	(6,736)	-	(77,352)
Improvements other than buildings	(55,514)	(3,975)	-	(59,489)
Machinery and equipment	<u>(1,472,191)</u>	<u>(108,325)</u>	<u>-</u>	<u>(1,580,516)</u>
Total accumulated depreciation	<u>(1,598,321)</u>	<u>(119,036)</u>	<u>-</u>	<u>(1,717,357)</u>
Total capital assets, being depreciated, net	<u>724,361</u>	<u>(119,036)</u>	<u>-</u>	<u>605,325</u>
Business-type activities capital assets, net	<u>\$ 837,021</u>	<u>\$ (62,411)</u>	<u>\$ -</u>	<u>\$ 774,610</u>

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

Business-type activities:	
Landfill	\$ 42,976
Refuse facility	<u>76,060</u>
Total depreciation-business-type activities	<u>\$ 119,036</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2015, consisted of the Road fund owing the General Capital Improvement fund \$303,220. The loan was made to purchase motor graders. The duration of the loan is for 9 years. \$73,570 is expected to be repaid in the next fiscal year.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 586,297	\$ (56,699)	\$ 529,598
Road	465,145	(320,577)	144,568
Public Safety	542,179	(5,000)	537,179
PILT	-	(1,056,267)	(1,056,267)
General Capital Improvement	43,805	(717,050)	(673,245)
Nonmajor governmental funds	1,298,087	(780,628)	517,459
	<u>\$ 2,935,513</u>	<u>\$ (2,936,221)</u>	<u>\$ (708)</u>
Business-type activities:			
Landfill	\$ 55,000	\$ (9,617)	\$ 45,383
Refuse Facility	-	(44,675)	(44,675)
	<u>\$ 55,000</u>	<u>\$ (54,292)</u>	<u>\$ 708</u>

Transfers are normal recurring amounts used to fund operations of various governmental and business-type activities. Resources transferred from the General Capital Improvement Fund to the landfill fund were used to fund the Closure/postclosure Trust fund and monitoring.

Operating Leases

The government leases equipment under noncancelable operating leases. Total rental expenses for operating leases were \$29,791 for the year ended June 30, 2015. Scheduled minimum rental payments for the year ending June 30, 2016 are \$29,791.

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Payment	Balance June 30, 2015
Durapatcher-2011	\$ 27,000	5 yr	2.08%	Annual	\$ 5,626
Airport-2012	77,500	10 yr	1.63%	Annual	46,500
Search and Rescue Building-2013 *	700,000	15 yr	1.25%	Semi-annual	812,894
Airport-2015	9,625	10 yr	1.63%	Annual	9,625
					<u>\$ 874,645</u>

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

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

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 74,156	\$ 10,993	\$ 85,149
2017	68,157	9,995	78,152
2018	68,754	9,108	77,862
2019	69,355	8,215	77,570
2020	69,964	7,313	77,277
2021-2025	327,189	23,527	350,716
2026-2029	197,070	4,330	201,400
	<u>\$ 874,645</u>	<u>\$ 73,481</u>	<u>\$ 948,126</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance July 1, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Governmental activities:					
Notes payable	\$ 959,576	\$ 9,625	\$ (94,556)	\$ 874,645	\$ 74,156
Compensated absences	436,286	-	(5,179)	431,107	43,111
Governmental activity long-term liabilities	<u>\$ 1,395,862</u>	<u>\$ 9,625</u>	<u>\$ (99,735)</u>	<u>\$ 1,305,752</u>	<u>\$ 117,267</u>
Business-type activities:					
Compensated absences	\$ 44,432	\$ 4,559	\$ -	\$ 48,991	\$ 4,899
Business-type activity long-term liabilities	<u>\$ 44,432</u>	<u>\$ 4,559</u>	<u>\$ (17,013)</u>	<u>\$ 31,978</u>	<u>\$ 4,899</u>

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

Landfill Closure/Postclosure

State and federal laws and regulations require the government to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,664,390 is reported as a landfill closure and postclosure care liability as of June 30, 2015. The government has stopped accepting waste at the landfill and management is currently evaluating a plan to officially close the landfill to meet state and federal regulations. The \$2,664,390 is based on what it would cost to perform all closure and postclosure care as of June 30, 2015. 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 \$1,145,861 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, 2015, \$2,569,705 had been set aside for this purpose and is restricted and reported on the statement of net position as "restricted assets." The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2015:

Balance July 1, 2014	Prior Period Adjustment	Retirements	Balance June 30, 2015
<u>\$ 1,810,834</u>	<u>\$ 853,556</u>	<u>\$ -</u>	<u>\$ 2,664,390</u>

The prior period adjustment resulted from hiring an engineer to determine the closure/postclosure care cost liability as of June 30, 2015. Prior year estimates were determined to be incorrect.

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Prior Period Adjustments

Prior period adjustments resulted from recording the beginning net pension liability under GASB Statement No.'s 68 and 71 and to correct the beginning balance of the landfill closure/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 \$249,660 during fiscal year 2015.

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 \$291,560 and \$214,076, respectively, during fiscal year 2015 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.

Contingencies

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

Plan Descriptions

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 and 3, Montana Code Annotated (MCA). This plan covers the State, local governments, certain employees of the Montana University System, and school districts. The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the SRS web site at mpera.mt.gov.

Pension Benefits

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1) if less than 25 years of

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

membership service, the greater of (a) $1/56$ of the member's highest average compensation (HAC) multiplied by years of service credit or (b) the actuarial equivalent of double the member's regular contributions and interest plus the actuarial equivalent of any additional contributions plus interest or 2) if 25 years of membership service or more, the greater of (a) 2% of HAC multiplied by years of service credit or (b) calculation in 1)(b) above.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1) if less than 10 years of membership service, the greater of (a) 1.5% of the member's HAC multiplied by years of service credit or (b) the actuarial equivalent of double the member's regular contributions and interest plus the actuarial equivalent of any additional contributions plus interest 2) if between 10 and 30 years of membership service, the greater of (a) $1/56$ of HAC multiplied by years of service credit or (b) calculation in 1)(b) above or 3) if 30 years of membership service or more, the greater of (a) 2% of HAC multiplied by years of service credit or (b) calculation in 1)(b) above.

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age under age 60 with 25 years of membership service. Benefits are calculated as follows: 1) members who retire prior to October 1, 2011, the actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 60 or upon completion of 30 years of membership service with the exception that the benefit must be reduced by a factor resulting from multiplying 0.5% (for first 5 years from service retirement eligibility) and by 0.3% (for six to 10 years from service retirement eligibility) by the number of months by which the retirement date precedes the date at which the member would have attained age 60 or completed 30 years of membership service or 2) members who retire on or after October 1, 2011, the actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 60 or upon completion of 30 years of membership service with the exception that the benefit must be reduced using actuarially equivalent factors based on the most recent valuation.

Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. The benefit is the actuarial equivalent of the accrued portion of the service retirement benefit that would have been payable to the member commencing at age 65 with the exception that the benefit must be reduced using actuarially equivalent factors based on the most recent valuation.

5 years of membership service is required for disability eligibility. Disability benefits are determined as follows: 1) if hired on or before February 24, 1991 and an election was not made, the greater of (a) 90% of $1/56$ of HAC multiplied by years of service credit or (b) 25% of HAC, 2) if hired after February 24, 1991 and prior to July 1, 2011 (a) less than 25 years of membership service: $1/56$ of HAC multiplied by years of service credit or (b) at least 25 years of membership service: 2% of HAC multiplied by years of service credit or 3) if hired on or after July 1, 2011 (a) if less than 10 years of membership service: 1.5% of HAC multiplied by years of service credit, (b) if between 10 and 30 years of membership service: $1/56$ of HAC multiplied by years of service credit or (c) if 30 years of membership service or more: 2% of HAC multiplied by years of service credit.

Death benefits equal the sum of 1) accumulated contributions plus 2) monthly compensation multiplied by the lesser of years of service credit or six, plus 3) interest until the benefit is paid. However, the survivor of an inactive member who was inactive for more than six months will receive only accumulated contributions and interest from the date of death until payment is made. A survivor may elect to receive the payment as a non-increasing annuity that is the actuarial equivalent of the amount of benefit the member would have received.

For members hired prior to July 1, 2011, the survivorship benefit payable to an active vested member's survivor is the actuarial equivalent of the member's accrued retirement benefit at the time of death or, if the member dies prior to age 50 or 25 years of membership service, the actuarial equivalent of the accrued portion of the early retirement benefit that would have been paid to the member at age 50. For members hired on or after July 1, 2011, the survivorship benefit payable to an active vested member's survivor is the actuarial equivalent of the member's accrued retirement benefit at the time of death, or if the member dies prior to age 55, the actuarial equivalent of the accrued portion of the early retirement benefit that would have been paid to the member at age 55.

A member who leaves service may withdraw contributions made. Upon receipt of a refund of contributions, a member's vested right to a monthly benefit is forfeited.

For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to a maximum of 1.5% for each year PERS is funded at or above 90%, with the 1.5% reduced by 0.1% for each 2% PERS is funded below 90% and 0% whenever the amortization period for PERS is 40 years or more.

Sheriff's Retirement System

SRS provides retirement, disability and death benefits. Members with 20 years of membership service are eligible to retire. Retirement benefits are determined as 2.5 percent of the member's highest average compensation (HAC) multiplied by years of service credit. For plan members hired prior to July 1, 2011, HAC is determined during any consecutive 36 months. For plan members hired on or after July 1, 2011, HAC is determined during any consecutive 60 months. For plan members hired on or after July 1, 2013, HAC is determined on 110% annual cap on compensation. Members age 50 with 5 years of membership service are eligible for early retirement. Retirement benefits are determined using HAC and years of service credit at early retirement, reduced to the actuarial equivalent.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

5 years of membership service is required for a non-duty disability and any membership service for a duty-related disability. Disability benefits for a non-duty-related disability are calculated as the actuarial equivalent of the accrued normal retirement benefit available at the time of disability or for a duty-related disability (a) if less than 20 years of membership service: 50% of HAC, or (b) if 20 years or more of membership service: 2.5% of HAC multiplied by years of service credit.

The non-duty-related death benefit is either a lump-sum payment of the member's accumulated contributions or a monthly survivor benefit equal to 2.5% of HAC for each year of service credit actuarially reduced from age 60 or from the date when 20 years of membership service would have been completed, whichever provides the greater benefit. The duty-related death benefit is either a lump-sum payment of the member's accumulated contributions or a monthly survivor benefit to the designated beneficiary equal to the greater of (a) 50% of HAC or (b) 2.5% of HAC for each year of service credit actuarially reduced from age 60 or from the date when 20 years of membership service would have been completed, whichever provides the greater benefit. A beneficiary may elect to receive the present value of the benefit as a single lump sum. For retired members without a contingent annuitant, a payment will be made to the designated beneficiary equal to the accumulated contributions reduced by any retirement benefits already paid.

A member who leaves service may withdraw contributions made. Upon receipt of a refund of contributions, a member's vested right to a monthly benefit is forfeited.

For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to a maximum of 1.5% for members hired on or after July 1, 2007 and 3% for members hired prior to July 1, 2007.

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. This is a temporary 1% increase for members hired prior to July 1, 2011 and remains the same for members hired on or after July 1, 2011. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years and remain below 25 years following the termination of the 1% additional member contribution rate. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contribute 7.9% of each member's compensation. This was temporarily increased from 6.9% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. Effective July 1, 2013, contributions are also made to the system from the Coal Tax Fund. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Sheriff's Retirement System

Members contribute 9.245% of their compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contribute 10.115% of each member's compensation. The rate increased from 9.535% to 9.825% on July 1, 2007 and to 10.115% on July 1, 2009. These increased contributions as of 2009 of 0.58% will terminate if an actuarial valuation shows that the period required to amortize the system's unfunded liabilities is less than 25 years, and that the termination of those increases would not cause the amortization to increase beyond 25 years.

Beginning July 1, 2013, employers of retirees who return to work in a position working less than 480 hours contribute 10.115% of the working retiree's compensation.

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2015, the government recorded a liability of \$2,793,286 (PERS) and \$660,064 (SRS) for its proportionate share of the net pension liability.

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NOTES TO BASIC FINANCIAL STATEMENTS

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the government. Due to the existence of this special funding situation, the government is required to report the portion of the State of Montana's proportionate share of the collective net pension liability. The government's and State of Montana's proportionate share of the net pension liability are presented below:

	Net Pension Liability June 30, 2014	
	PERS	SRS
Employer proportionate share	\$ 2,793,286	\$ 660,064
State of Montana proportionate share associated with employer	34,110	-
Total	<u>\$ 2,827,396</u>	<u>\$ 660,064</u>

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2014. The government's proportion of the net pension liability was based on the government's contributions received by PERS, and SRS during the measurement period July 1, 2013, through June 30, 2014, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2014, the government's proportion was .224 and 1.58 percent for PERS and SRS, respectively.

For the year ended June 30, 2015, the government recognized \$126,614 (PERS) and \$36,877 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$78,979 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the government. Total pension expense recognized was \$205,593 and \$36,877 for PERS and SRS, respectively.

At June 30, 2015, the government reported its proportionate share of PERS and SRS deferred outflows and inflows of resources from the following sources:

	PERS		SRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes in assumptions	-	-	-	673,510
Net difference between projected and actual earnings on pension plan investments	-	721,739	-	290,912
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	689	92	-	-
Employer contributions subsequent to measurement date	209,195	-	110,630	-
	<u>\$ 209,884</u>	<u>\$ 721,831</u>	<u>\$ 110,630</u>	<u>\$ 964,422</u>

Amounts reported as deferred outflows of resources related to pensions resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2016.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	PERS			SRS		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase (Decrease) to Pension Expense	Deferred Outflows of Resources	Deferred Inflows of Resources	Increase (Decrease) to Pension Expense
2016	\$ 230	\$ 180,466	\$ (180,236)	\$ -	\$ 184,980	\$ (184,980)
2017	230	180,466	(180,236)	-	184,980	(184,980)
2018	229	180,466	(180,237)	-	184,980	(184,980)
2019	-	180,433	(180,433)	-	184,980	(184,980)
2020	-	-	-	-	112,251	(112,251)
Therafter	-	-	-	-	112,251	(112,251)

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	PERS	SRS
Investment rate of return, net of investment and administrative expenses	7.75%	7.75%
Salary increases	4.00%	4.00%
Inflation	3.00%	3.00%

Mortality rates for the PERS and SRS retirement plans are based on the RP-2000 Combined Employee and Annuitant Mortality Tables with adjustments for mortality improvements based on Scale AA.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the PERS and SRS plans. The most recent PERS and SRS analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS' and SRS' target asset allocation as of June 30, 2014, and are summarized in the following table:

Asset Class	PERS		SRS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	2.0%	-0.25%	2.0%	-0.25%
Domestic equity	36.0%	4.80%	36.0%	4.80%
Foreign equity	18.0%	6.05%	18.0%	6.05%
Fixed income	24.0%	1.68%	24.0%	1.68%
Private equity	12.0%	8.50%	12.0%	8.50%
Real estate	8.0%	4.50%	8.0%	4.50%
	<u>100.0%</u>		<u>100.0%</u>	

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school districts. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Sheriff's Retirement System

The discount rate used to measure the Total Pension Liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2122. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability. No municipal bond rate was incorporated in the discount rate.

Sensitivity Analysis

The following presents the employer's proportionate share net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability-PERS	\$ 4,443,829	\$ 2,793,286	\$ 1,401,214
Net pension liability-SRS	1,389,204	660,063	58,301

Postemployment Benefits Other Than Pensions

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

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

Annual OPEB Cost and Net OPEB Obligation. The government's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The government has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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	\$ 156,365
Interest on net OPEB obligation	105,258
Adjustment to annual required contribution	<u>(82,555)</u>
Annual OPEB cost	179,068
Contributions made	<u>(9,782)</u>
Increase in net OPEB obligation	169,286
Net OPEB obligation - beginning of year	<u>2,476,654</u>
Net OPEB obligation - end of year	<u><u>\$ 2,645,940</u></u>

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 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)
2015	\$ 179,068	0%	\$ 2,645,940
2014	637,598	0%	2,476,654
2013	594,242	0%	1,926,098

Funded Status and Funding Progress. As of July 1, 2014, the Plan was 0% funded. The actuarial accrued liability for benefits was \$971,953 and the actuarial value of assets is \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$971,953.

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 65 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on the RP2000 Mortality Table projected to 2015 with Scale AA. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

Assumptions About Healthcare Costs: The 2015 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 8%, with reduction to the ultimate rate of 4.5% after 8 years.

Other Assumptions and Methods: The inflation rate was assumed to be 2.50 percent. Based on the historical and expected returns of the government's investments, the investment rate of return was assumed to be 4.25 percent. The value of plan assets was set at market value. A simplified version of the entry age actuarial cost method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

GASB Statement No. 77, Tax Abatement Disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP).

GASB Statement No. 75, Statement 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

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, 2015

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Taxes/assessments	\$ 1,618,236	\$ 1,618,236	\$ 1,692,642	\$ -	\$ 1,692,642
Fees and fines	150,000	150,000	147,107	-	147,107
Licenses and permits	20,500	20,500	24,600	-	24,600
Intergovernmental	510,252	510,252	479,176	73,450	552,626
Charges for services	361,443	361,443	385,867	-	385,867
Investment earnings	5,000	5,000	3,463	-	3,463
Miscellaneous	39,580	39,580	53,195	-	53,195
Total revenues	2,705,011	2,705,011	2,786,050	73,450	2,859,500
EXPENDITURES					
Current:					
General government	2,553,486	2,553,486	2,369,421	39,661	2,409,082
Public safety	167,700	167,700	114,784	3,673	118,457
Public works	160,281	160,281	100,380	16,159	116,539
Public health	356,753	356,753	330,479	8,080	338,559
Social and economic services	139,674	139,674	149,353	2,204	151,557
Culture and recreation	2,100	2,100	665	3,673	4,338
Housing and community development	48,954	48,954	48,954	-	48,954
Capital outlay	12,500	12,500	46,261	-	46,261
Total expenditures	3,441,448	3,441,448	3,160,297	73,450	3,233,747
Excess (deficiency) of revenues over expenditures	(736,437)	(736,437)	(374,247)	-	(374,247)
OTHER FINANCING SOURCES (USES)					
Transfers in	615,389	615,389	586,297	-	586,297
Transfers out	(50,000)	(50,000)	(56,699)	-	(56,699)
Total other financing sources (uses)	565,389	565,389	529,598	-	529,598
Net change in fund balance	\$ (171,048)	\$ (171,048)	155,351	-	155,351
Fund balance - beginning			685,353	-	685,353
Fund balance - ending			\$ 840,704	\$ -	\$ 840,704

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		
	Original	Final	Actual Amounts
REVENUES			
Taxes/assessments	\$ 425,470	\$ 425,470	\$ 435,613
Licenses and permits	4,944	4,944	4,000
Intergovernmental	755,742	755,742	617,592
Charges for services	24,000	24,000	25,492
Miscellaneous	-	-	2,112
Total revenues	<u>1,210,156</u>	<u>1,210,156</u>	<u>1,084,809</u>
EXPENDITURES			
Current:			
Public works	1,403,812	1,403,812	1,211,822
Debt service:			
Principal	5,627	5,627	5,511
Interest and other charges	7,626	7,626	7,741
Capital outlay	40,000	40,000	19,196
Total expenditures	<u>1,457,065</u>	<u>1,457,065</u>	<u>1,244,270</u>
Excess (deficiency) of revenues over expenditures	<u>(246,909)</u>	<u>(246,909)</u>	<u>(159,461)</u>
OTHER FINANCING SOURCES (USES)			
Insurance proceeds	-	-	2,400
Sale of capital assets	100,000	100,000	3,555
Transfers in	505,760	505,760	465,145
Transfers out	<u>(419,000)</u>	<u>(419,000)</u>	<u>(320,577)</u>
Total other financing sources (uses)	<u>186,760</u>	<u>186,760</u>	<u>150,523</u>
Net change in fund balance	<u>\$ (60,149)</u>	<u>\$ (60,149)</u>	<u>(8,938)</u>
Fund balance - beginning			<u>(129,892)</u>
Fund balance - ending			<u>\$ (138,830)</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,347,048	\$ 1,347,048	\$ 1,374,504
Licenses and permits	5,500	5,500	4,690
Intergovernmental	144,734	144,734	139,100
Charges for services	56,900	56,900	103,855
Miscellaneous	8,000	8,000	14,137
Total revenues	<u>1,562,182</u>	<u>1,562,182</u>	<u>1,636,286</u>
EXPENDITURES			
Current:			
Public safety	2,103,524	2,103,524	1,955,014
Capital outlay	<u>189,500</u>	<u>189,500</u>	<u>243,133</u>
Total expenditures	<u>2,293,024</u>	<u>2,293,024</u>	<u>2,198,147</u>
Excess (deficiency) of revenues over expenditures	<u>(730,842)</u>	<u>(730,842)</u>	<u>(561,861)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	15,252
Transfers in	520,000	520,000	542,179
Transfers out	<u>(5,000)</u>	<u>(5,000)</u>	<u>(5,000)</u>
Total other financing sources (uses)	<u>515,000</u>	<u>515,000</u>	<u>552,431</u>
Net change in fund balance	<u>\$ (215,842)</u>	<u>\$ (215,842)</u>	<u>(9,430)</u>
Fund balance - beginning			<u>477,877</u>
Fund balance - ending			<u>\$ 468,447</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 1,236,096	\$ 1,236,096	\$ 1,166,683
Investment earnings	10,000	10,000	18,683
Miscellaneous	900	900	1,200
Total revenues	<u>1,246,996</u>	<u>1,246,996</u>	<u>1,186,566</u>
EXPENDITURES:			
Current:			
General government	108,500	108,500	127,490
Public safety	197,060	197,060	195,790
Public works	60,300	60,300	4,709
Public health	-	30,000	55,000
Social and economic services	65,000	65,000	65,000
Housing and community development	-	-	18,000
Total expenditures	<u>430,860</u>	<u>460,860</u>	<u>465,989</u>
Excess (deficiency) of revenues over expenditures	<u>816,136</u>	<u>786,136</u>	<u>720,577</u>
OTHER FINANCING USES			
Transfers out	<u>(1,050,000)</u>	<u>(1,061,508)</u>	<u>(1,056,267)</u>
Total other financing uses	<u>(1,050,000)</u>	<u>(1,061,508)</u>	<u>(1,056,267)</u>
Net change in fund balance	<u>\$ (233,864)</u>	<u>\$ (275,372)</u>	<u>(335,690)</u>
Fund balance - beginning			<u>1,408,102</u>
Fund balance - ending			<u>\$ 1,072,412</u>

PARK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2015

BUDGETARY INFORMATION

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

The difference between budget and actual results for the General fund are related to the on-behalf pension revenue and expense.

PARK COUNTY
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES AND SHERIFFS RETIREMENT SYSTEMS OF MONTANA
For the Year Ended June 30, 2015

<u>Public Employees Retirement System:</u>	<u>2015</u>
Contractually required contributions	\$ 209,195
Contributions in relation to the contractually required contributions	<u>209,195</u>
Contribution deficiency (excess)	<u>\$ -</u>
Employer's covered-employee payroll	\$ 2,388,307
Contributions as a percentage of covered-employee payroll	8.76%
 <u>Sheriffs Retirement System:</u>	 <u>2015</u>
Contractually required contributions	\$ 110,630
Contributions in relation to the contractually required contributions	<u>110,630</u>
Contribution deficiency (excess)	<u>\$ -</u>
Employer's covered-employee payroll	\$ 1,093,721
Contributions as a percentage of covered-employee payroll	10.12%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PARK COUNTY
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES AND SHERIFFS RETIREMENT SYSTEMS OF MONTANA
For the Year Ended June 30, 2015

<u>Public Employees Retirement System:</u>	<u>2015</u>
Employer's proportion of the net pension liability	0.2240%
Employer's proportionate share of the net pension liability associated with the employer	\$ 2,793,286
State of Montana's proportionate share of the net pension liability associated with the employer	<u>34,110</u>
Total	<u><u>\$ 2,827,396</u></u>
Employer's covered-employee payroll	\$ 2,537,694
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	110.07%
Plan fiduciary net position as a percentage of the total pension liability	79.90%
 <u>Sheriffs Retirement System:</u>	 <u>2015</u>
Employer's proportion of the net pension liability	1.5800%
Employer's proportionate share of the net pension liability associated with the employer	\$ 660,064
State of Montana's proportionate share of the net pension liability associated with the employer	<u>-</u>
Total	<u><u>\$ 660,064</u></u>
Employer's covered-employee payroll	\$ 1,025,736
Employer's proportionate share of the net pension liability as a percentage of its covered-employee payroll	64.35%
Plan fiduciary net position as a percentage of the total pension liability	87.20%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PARK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION
PLAN INFORMATION
For the Year Ended June 30, 2015

Changes of assumptions: There were no changes in assumptions for PERS and SRS.

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates are determined on an annual basis for the fiscal year beginning July 1, 2014, determined as of June 30, 2014. The following actuarial methods and assumptions were used to determine actuarial contribution rates reported in that schedule:

	PERS	SRS
Acturial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	30 years	30 years
Asset valuation method	4 year smoothed market	4 year smoothed market
Inflation	3.00%	3.00%
Salary increases	4%	4%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation	7.75%, net of pension plan investment expense and including inflation

PARK COUNTY
SCHEDULE OF FUNDING PROGRESS-OTHER POST-EMPLOYMENT BENEFITS
For the Year Ended June 30, 2015

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]
6/30/2015	\$ -	\$ 971,953	\$ 971,953	-	\$ 4,387,678	0.221519
6/30/2014	-	5,042,669	5,042,669	-	4,280,661	1.178012
6/30/2013	-	4,426,130	4,426,130	-	4,176,255	1.059832

OTHER SUPPLEMENTARY INFORMATION

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

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, 2014	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2015
<u>U.S. Department of Transportation:</u>								
Direct Programs:								
Airport Improvement Program	20.106	DOT-FA14NM-2022	\$ 384,300	\$ -	\$ 345,868	\$ 382,683	\$ (722)	\$ (37,537)
Subtotal				-	345,868	382,683	(722)	(37,537)
Passed through the Montana Department of Transportation:								
Highway Planning and Construction	20.205	STPE 34(35)	63,154	(3,180)	13,321	10,141	-	-
Highway Planning and Construction	20.205	UPN 8664	11,300	-	-	-	-	-
Subtotal				(3,180)	13,321	10,141	-	-
Passed through the Montana Department of Fish, Wildlife & Parks:								
Recreational Trails Program	20.219	2014-34	25,371	-	-	-	-	-
Subtotal				-	-	-	-	-
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:								
Hazardous Materials Emergency Preparedness Planning Grant	20.703	HM-HMP-0441-14-01-00	25,665	-	-	12,500	-	(12,500)
Subtotal				-	-	12,500	-	(12,500)
Total U.S. Department of Transportation				(3,180)	359,189	405,324	(722)	(50,037)
<u>U.S. Department of Justice:</u>								
Passed through the Montana Board of Crime Control:								
Violence Against Women Formula Grants	16.588	13-W03-91382	24,384	(8,297)	8,297	-	-	-
Violence Against Women Formula Grants	16.588	14-W03-91664	25,454	-	16,895	23,874	-	(6,979)
Subtotal				(8,297)	25,192	23,874	-	(6,979)
Passed through Gallatin County:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	13-G01-91728	29,618	-	29,618	29,618	-	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738	12-G01-91564	30,640	(5,898)	5,898	-	-	-
Subtotal				(5,898)	35,516	29,618	-	-
Total U.S. Department of Justice				(14,195)	60,708	53,492	-	(6,979)
<u>U.S. Department of Homeland Security:</u>								
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:								
Disaster Grants - Public Assistance	97.036	FEMA-1996-DR-MT	136,591	3,009	-	-	-	3,009
Subtotal				3,009	-	-	-	3,009
Pre-Disaster Mitigation	97.047	PDMC-PJ-08-MT-2009-006	2,280,000	(339,696)	339,696	-	-	-
Subtotal				(339,696)	339,696	-	-	-
Emergency Management Performance Grants	97.042	EMW-2013-EP-00044-S01	31,347	(27,416)	33,070	5,654	-	-
Emergency Management Performance Grants	97.042	EMW-2014-EP-00006-S01	65,000	-	37,976	60,071	-	(22,095)
Subtotal				(27,416)	71,046	65,725	-	(22,095)
Total U.S. Department of Homeland Security				(364,103)	410,742	65,725	-	(19,086)
<u>U.S. Department of Health and Human Services:</u>								
Passed through the Montana Department of Public Health and Human Services:								
Maternal and Child Health Services Block Grant to the States	93.994	15-07-5-01-034-0	12,840	-	10,272	12,840	-	(2,568)
Maternal and Child Health Services Block Grant to the States	93.994	14-07-5-01-034-0	15,216	(3,043)	3,043	-	-	-
Subtotal				(3,043)	13,315	12,840	-	(2,568)
Immunization Grants	93.268	14-07-4-31-131-0	7,298	-	5,474	5,474	-	-
Immunization Grants	93.268	15-07-4-31-100-0	8,466	-	2,117	2,955	(1,279)	(2,117)
Subtotal				-	7,591	8,429	(1,279)	(2,117)

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2015

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, 2014	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2015
Public Health Emergency Preparedness	93.069	14-07-6-11-037-0	38,189	-	11,426	11,027	(399)	-
Public Health Emergency Preparedness	93.069	15-07-6-11-037-0	34,534	-	26,764	30,411	3,647	-
Subtotal				-	38,190	41,438	3,248	-
Passed through Rocky Mountain Area IV Agency on Aging:								
National Family Caregiver Support, Title III, Part E	93.052	2015-004-010	10,501	-	7,876	7,876	-	-
National Family Caregiver Support, Title III, Part E	93.052	2015-004-015	3,300	-	3,300	3,300	-	-
Subtotal				-	11,176	11,176	-	-
Total U.S. Department of Health and Human Services				(3,043)	70,272	73,883	1,969	(4,685)
<u>U.S. Department of the Interior:</u>								
Direct Programs:								
Cooperative Research and Training Programs- Resources of the National Park System	15.945	P15AC00153	45,115	-	-	37,178	-	(37,178)
Total U.S. Department of the Interior				-	-	37,178	-	(37,178)
<u>U.S. Department of Agriculture:</u>								
Direct Programs:								
Schools and Roads - Grants to States	10.665	14-PA-11011100-025	29,644	-	-	4,044	-	(4,044)
Schools and Roads - Grants to States	10.665	12-DG-11011100-002	70,000	-	33,149	33,149	-	-
Schools and Roads - Grants to States	10.665	13-DG-11011100-041	20,000	-	20,000	20,000	-	-
Subtotal direct programs				-	53,149	57,193	-	(4,044)
Passed through the Montana Department of Administration:								
Schools and Roads - Grants to States	10.665	N/A	351,276	18,900	351,276	355,693	-	14,483
Subtotal pass-through programs				18,900	351,276	355,693	-	14,483
Subtotal				18,900	404,425	412,886	-	10,439
Passed through the Montana Department of Natural Resources and Conservation:								
Cooperative Forestry Assistance	10.664	VFA-14-340	6,800	-	6,800	6,800	-	-
Subtotal				-	6,800	6,800	-	-
Passed through the Montana Department of Agriculture:								
Forest Health Protection	10.680	MDA-2014-709	35,000	-	8,867	8,867	-	-
Forest Health Protection	10.680	MDA-2013-713X	50,000	-	12,670	12,670	-	-
Subtotal				-	21,537	21,537	-	-
Total U.S. Department of Agriculture				18,900	432,762	441,223	-	10,439
Total Federal Awards				\$ (365,621)	\$ 1,333,673	\$ 1,076,825	\$ 1,247	\$ (107,526)

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.

PARK COUNTY
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL
AWARD FINDINGS AND QUESTIONED COSTS

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

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

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

Cause: Unknown.

Effect: Non-compliance with grant terms and conditions.

Questioned Costs: None

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

Current Status: This finding was implemented.

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

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

Cause: Unknown

Questioned Costs: None

Effect: Non-compliance with program terms and conditions

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

Current Status: This finding was implemented.

2014-009. 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.

PARK COUNTY
SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL
AWARD FINDINGS AND QUESTIONED COSTS

2014-010. All Major Programs

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

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

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

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

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

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

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of County Commissioners
Park County
Livingston, Montana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park County, Montana (the government) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated January 28, 2016. The report included explanatory paragraphs to describe changes in accounting principles.

Internal Control over Financial Reporting

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

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

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 2015-001 through 2015-004)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-005 and 2015-006.

The Government's Response to Findings

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

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

Purpose of this Report

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

O'Leary & Associates, PC

Billings, Montana
January 28, 2016

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of County Commissioners
Park County
Livingston, Montana

Report on Compliance for Each Major Federal Program

We have audited Park County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2015. The government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Basis for Qualified Opinion on the Airport Improvement Program and Schools and Roads-Grants to States

As described in Findings 2015-007 and 2015-008 in the accompanying schedule of findings and questioned costs, the government did not comply with requirements regarding the following:

Finding No.	CFDA No.	Program (or Cluster) Name	Compliance Requirement
2015-007	20.106	Airport Improvement Program	Cash Management
2015-008	10.665	Schools and Roads-Grants to States	Procurement

Compliance with such requirements is necessary, in our opinion, for the government to comply with the requirements applicable to those programs.

Qualified Opinion on the Airport Improvement Program and Schools and Roads-Grants to States

In our opinion, except for the noncompliance described in the Basis for Qualified Opinions paragraph, the government, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Airport Improvement Program and Schools and Roads-Grants to States for the year ended June 30, 2015.

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

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

Report on Internal Control over Compliance

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

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-007 through 2015-010 to be material weaknesses.

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

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

O'Leary & Associates, PC

Billings, Montana
January 28, 2016

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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:

- Qualified-Airport Improvement Program
- Qualified-School and Roads-Grants to States

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:

<u>CFDA Numbers</u>
20.106
10.665

<u>Name of Federal Program or Cluster</u>
Airport Improvement Program
School and Roads-Grants to States

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

2015-001. FINANCIAL STATEMENT PREPARATION

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

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

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

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

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

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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

2015-002. SEGREGATION OF DUTIES

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

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

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

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

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

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

2015-003. 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: An unreconciled difference of approximately \$300 existed between the bank reconciliations and the general ledger cash balances.

Cause: Procedures are not in place to identify the unreconciled differences.

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.

Client Response: Client Response: The major part of this finding was a purchase of a bond that was bought for \$499,750 and the face value of bond was \$500,000 and when it was sold interest had already been booked at time of purchase so the interest posted twice in error. In the future, if a bond or investment is purchased under par and redeemed for full value the interest will be posted correctly and referenced back to original investment purchase. There was also a change in how the office is handling NSF checks and this caused a bit of confusion with County system vs. State Motor Vehicle system. All has been rectified and problems should not happen in the future with this process.

2015-004. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

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

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

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

Cause: Unknown.

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

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

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

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

2015-005. AIRPORT IMPROVEMENT PROGRAM, CFDA No. 20.106, GRANT No. DOT-FA14NM-2022

Criteria: Per the OMB Circular A-133 compliance supplement and the OMB Circular A-102 Common Rule (§____.21) When entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.

Condition: FAA reimbursement #1 was received 7/31/14 and disbursements were not made until 8/06/14. FAA reimbursement #3 was received 10/31/14 and disbursements were not made until 12/11/14.

Cause: The accounting office was not notified in a timely manner that the funds were received.

Effect: Non-compliance with federal cash management requirements.

Recommendation: Costs for which reimbursements are requested should be paid prior to the date of the reimbursement request.

Client Response: The disbursements were made 6 working days after the funds were received. The Finance Officer was not notified that the funds had been received until the 5th and the disbursements were made the next day. The Airport Board was told that the funds were not going to be paid until November. Both the Finance Office and the Board Secretary checked with the Treasurer's Office several times during November and early December and was told the funds had not been received. The Board Secretary asked the Engineering Firm (single-payer) to find out the exact day the money was transferred and was told it was 10/31. We then checked with the Treasurer's Office and was immediately told the funds were there on 10/31. The bills were paid immediately.

The Board Secretary and Finance Officer agreed to notify the Treasurer's Office that funds are expected on the same day as the signing meeting held with the Commissioner's for the pay orders and to provide a copy of the signed docs to the Finance Officer at that time.

The Finance Office should be included in correspondence concerning disbursements so they are aware the funds are arriving.

2015-006. SCHOOLS AND ROADS – GRANTS TO STATES, CFDA No. 10.665, GRANT No. 12-DG-11011100-002

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

Condition: The County did not verify the eligibility for participation in the federal program for the contractor on the Willow Creek Road project.

Cause: Unknown

Questioned Costs: None

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2015

Effect: Non-compliance with program terms and conditions

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

Client Response: Park County will develop a process to meet and document the criteria set forth in the OMB Circular A-133 compliance supplement.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-007. AIRPORT IMPROVEMENT PROGRAM, CFDA No. 20.106, GRANT No. DOT-FA14NM-2022

Finding 2015-005 applies to this federal award program.

2015-008. SCHOOLS AND ROADS – GRANTS TO STATES, CFDA No. 10.665, GRANT No. 12-DG-11011100-002

Finding 2015-006 applies to this federal award program.

2015-009. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2015-001 applies to these federal award programs.

2015-010. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2015-002 applies to these federal award programs.

PARK COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2014-001. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2014-002. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2014-003. LANDFILL CLOSURE/POSTCLOSURE LIABILITY	IMPLEMENTED
2014-004. ESTABLISH A PERPETUAL INVENTORY SYSTEM	IMPLEMENTED
2014-005. JUSTICE OF THE PEACE TIME PAY ACCOUNTING	NOT IMPLEMENTED
2014-006. PURCHASING POLICY NOT ADHERED TO	IMPLEMENTED
2014-007. PRE-DISASTER MITIGATION, CFDA No. 97.047 GRANT No. PDMC-PJ-08-MT-2009-006	IMPLEMENTED