PARK COUNTY
LIVINGSTON, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2013

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARK COUNTY

ORGANIZATION

June 30, 2013

BOARD OF COUNTY COMMISSIONERS

Marty Malone	Board Chairperson
Jim Durgan	Commissioner
Clint Tinsley	Commissioner

ELECTED OFFICIALS

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

OLNESS & ASSOCIATES, P. C.

BRENT D. OLNESS, CPA
CURT D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Park County
Livingston, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park County, Montana (the government) as of and for the year ended June 30, 2013, 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, 2013, 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.

Emphasis of Matters

As described in Note 1 to the financial statements, the government adopted the provisions of the GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. 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 the GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the government adopted new accounting guidance, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2014, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

Olmess & Associates, PL

January 24, 2014

Park County's management offers readers of the county's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2013. Readers are encouraged to consider the information presented here, in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- The assets of Park County exceeded its liabilities at the close of the most recent fiscal year by $28,557,574 (net position).
- The County's total net position decreased 4.5 percent as a result of this year's operations. Net position of the governmental activities decreased $935,734 or 3.4 percent and $421,335 or 15 percent for business-type activities.
- During the year, our government's revenues of $10,358,684 were $890,631 less than the $11,249,315 in expenses, before transfers out. The total cost of governmental activities (expenses) increased over the prior year by $1,095,810 or 10 percent.
- In the business-type activities, revenues decreased $272,978 (20 percent) while expenses increased $21,496 (1.5 percent) over the prior year.
- The General Fund cash and investments balance reported a decrease this year of $111,303 due to an increase in overall expenses.

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

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

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

These two statements also report the net position and changes in it. 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 the sheriff's office, road, planning, and general county administration. Property taxes and state and federal grants finance most of these activities.

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

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

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

be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net 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 that deal with solid waste. Internal service funds (the other component of proprietary funds) report activities that provide supplies and services to other departments of the government. The county closed out its one internal service fund that formerly dealt with map sales; those activities were rolled into the County Land Info fund, a governmental fund.

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	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 17,002,686	$ 17,456,394	$ 3,612,486	$ 4,021,673	$ 20,615,172	$ 21,478,067
Capital assets	11,829,346	11,687,462	931,214	886,582	12,760,560	12,574,044
Total assets	28,832,032	29,143,856	4,543,700	4,908,255	33,375,732	34,052,111
Other liabilities	127,184	270,779	3,717	31,012	130,901	301,791
Long-term liabilities outstanding	2,517,379	1,749,874	2,169,878	2,085,803	4,687,257	3,835,677
Total liabilities	2,644,563	2,020,653	2,173,595	2,116,815	4,818,158	4,137,468
Net position:						
Net investment in capital assets	11,397,333	11,471,792	884,008	794,222	12,281,341	12,266,014
Restricted	14,323,788	14,331,159	517,950	485,035	14,841,738	14,816,194
Unrestricted	466,348	1,320,252	968,147	1,512,183	1,434,495	2,832,435
Total net position	$ 26,187,469	$ 27,123,203	$ 2,370,105	$ 2,791,440	$ 28,557,574	$ 29,914,643

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 activities ($14,841,738) represent resources that are subject to external restrictions on how they may be used. The remaining balance of $1,434,495 in governmental and business-type activities is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

At the end of the fiscal year, the County is able to report positive balances in all reported categories of net position, both for the government as a whole as well as for its business-type activities. Assets exceeded liabilities by $26,187,469 for the governmental activities and $2,370,105 for the business-type activities, or a total of $28,557,574.

The County's overall net position decreased $1,357,069 from fiscal year 2012 to 2013. This decrease is partly due to increases in long-term liabilities outstanding of $594,242 related to the County's OPEB liability; see page 32 of the notes to the financial statements for more details. In its governmental activities the County saw a net decrease in total assets of $311,824, largely due to a decrease in cash and cash equivalents in line with expenses exceeding revenues.

The business-type activities saw a decrease in total assets of $364,555, also consistent with expenses exceeding revenues. The revenue decrease is due to the assessments for the Landfill fund being reduced 70%, from $42 in 2012 to $12 in 2013.

CHANGES IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 893,715	$ 802,694	$ 1,092,845	$ 1,351,586	$ 1,986,560	$ 2,154,280
Operating grants and contributions	1,201,394	941,001	-	-	1,201,394	941,001
Capital grants and contributions	230,469	3,256,906	-	-	230,469	3,256,906
General revenues:						
Taxes	5,546,139	5,334,305	-	-	5,546,139	5,334,305
Licenses and permits	26,361	25,280	-	-	26,361	25,280
Intergovernmental	2,263,614	2,322,302	-	-	2,263,614	2,322,302
Interest	92,981	141,790	28,821	45,123	121,802	186,913
Miscellaneous	104,011	147,137	4,257	1,792	108,268	148,929
Gain on disposal of capital assets	-	3,961	-	400	-	4,361
Total revenues	10,358,684	12,975,376	1,125,923	1,398,901	11,484,607	14,374,277
Expenses:						
General government	3,035,841	3,089,126	-	-	3,035,841	3,089,126
Public safety	3,475,108	3,213,677	-	-	3,475,108	3,213,677
Public works	2,694,817	2,122,267	-	-	2,694,817	2,122,267
Public health	746,646	596,875	-	-	746,646	596,875
Social and economic services	390,388	315,143	-	-	390,388	315,143
Culture and recreation	755,948	745,781	-	-	755,948	745,781
Housing and community development	25,055	-	-	-	25,055	-
Landfill	-	-	361,402	471,698	361,402	471,698
Incinerator/transfer station	-	-	1,230,959	1,099,167	1,230,959	1,099,167
Interest on long-term debt	34,263	21,069	-	-	34,263	21,069
Intergovernmental	91,249	49,567	-	-	91,249	49,567
Total expenses	11,249,315	10,153,505	1,592,361	1,570,865	12,841,676	11,724,370
Change in net position before transfers	(890,631)	2,821,871	(466,438)	(171,964)	(1,357,069)	2,649,907
Transfers	(45,103)	(50,282)	45,103	50,282	-	-
Change in net position	(935,734)	2,771,589	(421,335)	(121,682)	(1,357,069)	2,649,907
Net position, beginning	27,123,203	24,351,614	2,791,440	2,259,328	29,914,643	26,610,942
Prior period adjustment	-	-		653,794	-	653,794
Net position, ending	$ 26,187,469	$ 27,123,203	$ 2,370,105	$ 2,791,440	$ 28,557,574	$ 29,914,643

FUND FINANCIAL STATEMENTS

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

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

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

Governmental Funds

Park County has five governmental funds that are reported as major funds in fiscal year 2013. 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, School Superintendent, Mail/copier Services, Coroner, Sanitarian, Health Department, Extension, Veteran Services, Mental Health Services, Accounting, Human Resources, Information Technology, and Geographic Information Systems.

  Besides taxes and charges for services, General fund revenue sources include a Local Option Tax, which amounted to $608,575 in fiscal year 2013. Before transfers in and transfers out, revenues increased $208,949 (9%), and expenditures increased $378,269 (14%) over the prior fiscal year. Expenditures for fiscal year 2013 were $435,655 more than revenues. The net decrease in fund balance was $114,446, even though it was offset by transfers in of $372,250 from both the Permissive Medical Levy fund and PILT.

- *Road Fund:* This fund accounts for costs related to maintenance and reconstruction of county roads. Revenues in 2013 decreased $21,413 from the prior year, before other financing sources. A 3.1% increase in tax revenue was offset by an 11% decrease in intergovernmental revenue over the prior year. The County negotiated a contract with a local guest ranch to increase maintenance on the road leading to the ranch, for an additional $71,155 in revenue for the year. Transfers in included a $250,000 transfer in from PILT and $69,000 transfer in from the Permissive Medical Levy fund. Expenditures increased $57,872 or 3.9 percent, over the prior year. During the year, a budget amendment was necessary to increase appropriations for the Road fund.

- *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 2013 before transfers in increased 1% over the prior year. Transfers in from other funds increased $209,031 or 53%. The largest share of transfers in ($320,000) were from PILT; $50,986 was transferred from the Emergency Disaster fund to cover expenses related to a fire event during late summer of 2012, and $28,658 was transferred from Forest Reserve Title III funds for expenses related to the same event. Overall expenditures changed less than 1% over the prior fiscal year. Increases in payroll expenses and supplies purchases were offset by a decrease in capital purchases. However, capital expenditures for 2 vehicles that were ordered in fiscal year 2013 but not received until 2014 will be deferred to that year. The ending fund balance was $475,010, a net increase of $140,896.

- *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 2013, the amount that the county received for PILT was $1,044,257, a 12% increase from the prior fiscal year. The amount transferred to other funds was $6,307 less than the prior year. The net change in fund balance from the prior fiscal year was a decrease of $193,334, for an ending fund balance of $1,722,261. This remains close to the goal of maintaining a two year reserve.

- *General Capital Improvement Fund:* This fund represents the amount awarded to the county from a 1999 law suit settlement plus interest. Use of this fund is restricted by resolutions passed by the county Commissioners. Revenue consists of interest. Besides investment interest, annual payments are received from the Road fund for repayment of a loan for road graders, which will continue until October 2018. In fiscal year 2013, $45,103 was expended for monitoring and cleanup costs related to the Landfill. The ending fund balance was $11,164,277, an increase of $30,764 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. During the year there was no need for amendments to increase either the original estimated revenues or original budgeted appropriations. However, there was a reallocation of appropriations between the Economic Development and Extension departments when the Economic Development department was dissolved during the year and the Extension department had need of additional appropriations to affect their move out of the City/County complex and into their own offices off site.

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% more than budgeted, or $14,352. Other financing sources were $86,254 (19%) less than budgeted. Total actual revenues including transfers in were $71,901 (2.3%) less than budgeted. Both tax revenues and local option taxes, which are collected in the General fund, were very close to budget. Fees for services and

collections for fines and forfeitures received by Justice Court were greater than budgeted. Some grants that were budgeted for did not materialize, and investment earnings continued to drop.

Actual expenditures were 94% of appropriations, or $202,706 under budget. There were a number of departments that were individually over budget, but this was offset by most General Fund departments under spending their appropriations. Departments over budget included the County administrator (65%), Mail/copier (21%), Juvenile detention (22%), Extension (58% over original budget and 37% over amended budget), and Information technology (1%). Transfers out to other funds (other financing uses) consisted of $52,537 to Law Enforcement fund 2300 for the Sheriff's share of Justice Court fines. This was 17% more than budgeted, due to increased collections for fines and forfeitures by Justice Court.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Park County's net investment in capital assets as of June 30, 2013 totaled $12,281,341. This investment includes land, buildings, infrastructure, machinery, and equipment. Fiscal year 2013 additions included: engineering services for the Fleshman Creek project, engineering services for a compactor in Gardiner, truck for Law Enforcement, heavy equipment and truck for the Road department, heavy equipment and truck for the Refuse department, roll off boxes and site improvements for Refuse, courthouse computer server and network cabling, museum security system, Peterson Creek bridge, mobile data project for Law Enforcement, and start of construction on a new Search and Rescue building.

Long Term Debt: Debt Service Funds are used to account for the payment of interest and principal on long term bonded debt other than revenue bonds. Montana statutes specify that a single debt service fund be established for each general obligation bond, special assessment bond, judgment levy, and S.I.D. revolving. Park County has only one debt service fund, which is restricted for the compensated absences liability of the Junk Vehicle program. The purpose of this fund is to "pre-pay" the costs associated with an employee retiring and leaving public service and was established per Montana Department of Administration guidance. On June 30, 2013 the fund balance was $4,295.

State statute limits the amount of county indebtedness to 2.5 percent of the total assessed value of taxable property. In 2013 the total market value of property in the County was $1,393,165,958, and the statutory limit of county indebtedness was $34,829,149. As of June 30, 2013, Park County had at total of $479,219 in outstanding notes and capital leases, of which $372,470 is long term debt. Park County's total debt increased $171,189 during the fiscal year. This included a new Montana Board of Investments loan for the Search and Rescue building construction ($271,929) 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 1.6% from $38,156,565 in fiscal year 2012 to $38,751,116 in fiscal year 2013. It should be noted that 2009 was a reassessment year for the Montana Department of Revenue, who is required by state law to conduct periodic reappraisals of property in the interest of equal taxation. Reappraisal values are phased-in at the rate of one-sixth each year. The next reassessment will occur in 2015.

County general mills are split among the General, Bridge, Weed Control, Fair, Airport, District Court, Comprehensive insurance, Senior Citizens, Law Enforcement, and Museum Funds at the commissioners' discretion, with certain restrictions. The growth in number of authorized mills for these aggregate mills went from 83.09 in fiscal year 2012 to 83.79 in fiscal year 2013 per calculations according to 15-10-420, MCA. However, the commissioners chose to leave .49 mills "on the table" and only assessed 83.3 mills. Fiscal year 2013 is the 4th year in a row that the Commissioners levied county general mills below the maximum allowed, for a total of 4.61 carry forward mills available. There were other funds also levied below the maximum, which came to another .8 mills unassessed for the fiscal year. This reflects 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. With the increase in value of a county mill and the increase in number of mills authorized to be levied, tax revenues for the county general mills were expected to increase 3.7%, from $3,112,813 in fiscal year 2012 to $3,227,968 in FY13. Actual tax revenues were close to 100% of budgeted.

An extreme fire event in the summer of 2012 burned 8,000 acres in the Pine Creek area of the County. Commissioners passed a resolution declaring a state of emergency and (for the second year in a row) levied 2 mills for the Emergency and Disaster fund to pay for non-reimbursed expenses. By the end of the fiscal year $55,464 was collected and disbursed to the Road and Law Enforcement funds.

In light of the most recent Consumer Price Index statistics indicating a Cost of Living Adjustment of 3.2%, the county's Compensation Board recommended that elected officials receive a 2.2% increase to their base salary. Eligible county employees received a 3.0% increase to their wages.

The county commissioned a 2011 study to review existing methods of handling waste from unincorporated portions of the county and to provide estimated costs for several waste disposal alternatives. The commissioners chose to pursue the alternative of using the city of Livingston's transfer station for waste disposal. In fiscal year 2013, the county transitioned to using the city's transfer station for disposal of all county waste, with the intent of phasing out the county's transfer station. Policy changes include a planned reduction to the size of the county landfill and limiting operations there. By June 30, 2013, the landfill was open for public use by appointment only. These changes cumulatively resulted in the layoff of 3 employees and the loss of 2 employees by attrition, that is, 2 retiree positions

were not re-hired. However, the county budgeted into the next fiscal year for a newly created position of Public Works Director, to be split 50/50 between the Refuse and Road funds.

Fleshman Creek Flood Mitigation and Restoration is a multi-year project financed with a $2.28 million FEMA grant with additional funding from DNRC, various other grant sources, and County in kind and cash contributions for a total project cost of $3 million. In fiscal year 2013 actual expenditures of $296,536 were used for engineering expenses. Delays in commencement of the project necessitated grant extensions, with construction slated to start and be completed in the next fiscal year.

A joint venture with Sweet Grass County to improve approximately 5 miles the Main Boulder Road, which winds between the 2 counties, was completed during the year. This project was authorized using $348,667 in Forest Reserve Title II funding.

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, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	$ 5,200,920	$ 996,244	$ 6,197,164
Investments	10,535,104	-	10,535,104
Receivables:			
Taxes/assessments	471,508	285,639	757,147
Solid waste	-	1,819	1,819
Resort tax	22,309	-	22,309
CDBG	221,661	-	221,661
Board of Investments	223,184	-	223,184
Governments	150,661	-	150,661
Other	71,505	-	71,505
Inventories	29,396	-	29,396
Prepaids	76,438	-	76,438
Restricted assets:			
Cash and equivalents	-	17,812	17,812
Investments	-	2,310,972	2,310,972
Capital assets not being depreciated-land and construction in progress	1,105,997	67,822	1,173,819
Capital assets, net of accumulated depreciation	10,723,349	863,392	11,586,741
Total assets	28,832,032	4,543,700	33,375,732
LIABILITIES			
Accounts payable-vendors	86,012	3,717	89,729
Unearned revenues	41,172	-	41,172
Noncurrent liabilities:			
Due within one year:			
Notes and capital leases	59,543	47,206	106,749
Compensated absences	40,966	6,145	47,111
Due in more than one year:			
Notes and capital leases	372,470	-	372,470
Compensated absences	368,695	55,300	423,995
Landfill closure/postclosure costs payable	-	1,810,834	1,810,834
Other post employment benefits	1,675,705	250,393	1,926,098
Total liabilities	2,644,563	2,173,595	4,818,158
NET POSITION			
Net investment in capital assets	11,397,333	884,008	12,281,341
Restricted for:			
General government	902,452	-	902,452
Public safety	1,322,258	-	1,322,258
Public works	303,209	-	303,209
Public health	167,749	-	167,749
Social and economic services	77,104	-	77,104
Culture and recreation	367,114	-	367,114
Housing and community development	221,661	-	221,661
Capital projects	10,962,241	-	10,962,241
Landfill closure/postclosure costs	-	517,950	517,950
Unrestricted	466,348	968,147	1,434,495
Total net position	$ 26,187,469	$ 2,370,105	$ 28,557,574

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:							
General government	$ 3,035,841	$ 378,649	$ 229,494	$ -	$ (2,427,698)	$ -	$ (2,427,698)
Public safety	3,475,108	265,799	215,018	-	(2,994,291)	-	(2,994,291)
Public works	2,694,817	147,773	494,417	230,469	(1,822,158)	-	(1,822,158)
Public health	746,646	59,257	246,594	-	(440,795)	-	(440,795)
Social and economic services	390,388	2,170	7,374	-	(380,844)	-	(380,844)
Culture and recreation	755,948	40,067	8,497	-	(707,384)	-	(707,384)
Housing and community development	25,055	-	-	-	(25,055)	-	(25,055)
Interest on long-term debt	34,263	-	-	-	(34,263)	-	(34,263)
Intergovermental	91,249	-	-	-	(91,249)	-	(91,249)
Total governmental activities	11,249,315	893,715	1,201,394	230,469	(8,923,737)	-	(8,923,737)
Business-type activities:							
Landfill	361,402	131,780	-	-	-	(229,622)	(229,622)
Refuse Facility	1,230,959	961,065	-	-	-	(269,894)	(269,894)
Total business-type activities	1,592,361	1,092,845	-	-	-	(499,516)	(499,516)
Total	$ 12,841,676	$ 1,986,560	$ 1,201,394	$ 230,469	(8,923,737)	(499,516)	(9,423,253)
General revenues:							
Property taxes					5,546,139	-	5,546,139
Licenses and permits					26,361	-	26,361
Intergovernmental					2,263,614	-	2,263,614
Unrestricted investment earnings					92,981	28,821	121,802
Miscellaneous					104,011	4,257	108,268
Transfers					(45,103)	45,103	-
Total general revenues and transfers					7,988,003	78,181	8,066,184
Change in net position					(935,734)	(421,335)	(1,357,069)
Net position - beginning					27,123,203	2,791,440	29,914,643
Net position - ending					$ 26,187,469	$ 2,370,105	$ 28,557,574

See notes to basic financial statements.

PARK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2013

	General	Road	Public Safety	PILT	General Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$442,314	$ 14,484	$473,704	$ 1,236,178	$ 783,103	$ 2,251,137	$ 5,200,920
Investments	100,000	-	-	500,000	9,935,104	-	10,535,104
Receivables:							
Taxes/assessments	93,597	39,873	132,575	-	-	205,463	471,508
Governments	18,745	-	1,807	493	-	129,616	150,661
Resort tax	-	-	-	-	-	22,309	22,309
CDBG	-	-	-	-	-	221,661	221,661
Board of Investments	-	-	-	-	-	223,184	223,184
Other	4,731	61,160	-	-	-	5,614	71,505
Due from other funds	-	-	-	-	446,070	-	446,070
Inventories	-	19,763	-	-	-	9,633	29,396
Prepaid items	1,840	-	-	-	-	74,598	76,438
Total assets	$661,227	$ 135,280	$608,086	$ 1,736,671	$ 11,164,277	$ 3,143,215	$ 17,448,756
LIABILITIES							
Accounts payable-vendors	$ 10,782	$ 476	$ 501	$ 14,410	$ -	$ 59,843	$ 86,012
Due to other funds	-	446,070	-	-	-	-	446,070
Unearned revenue	-	4,012	-	-	-	37,160	41,172
Total liabilities	10,782	450,558	501	14,410	-	97,003	573,254
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-taxes/assessments	93,597	39,873	132,575	-	-	205,463	471,508
Total deferred inflows of resources	93,597	39,873	132,575	-	-	205,463	471,508
FUND BALANCES (DEFICITS)							
Nonspendable:							
Prepaid items	1,840	-	-	-	-	74,598	76,438
Inventory	-	19,763	-	-	-	9,633	29,396
Noncurrent portion of interfund receivable	-	-	-	-	375,357	-	375,357
Restricted for:							
General government	-	-	-	-	-	814,864	814,864
Public safety	-	-	475,010	-	-	686,208	1,161,218
Public works	-	-	-	-	-	229,632	229,632
Public health	-	-	-	-	-	164,437	164,437
Social and economic services	-	-	-	-	-	64,912	64,912
Culture and recreation	-	-	-	-	-	326,912	326,912
Housing and community development	-	-	-	-	-	221,661	221,661
Capital projects	-	-	-	-	10,788,920	173,321	10,962,241
Committed for:							
General government	-	-	-	710,043	-	-	710,043
Public safety	-	-	-	540,048	-	22,809	562,857
Public works	-	-	-	195,952	-	32,500	228,452
Public health	-	-	-	178,729	-	-	178,729
Social and economic services	-	-	-	16,248	-	-	16,248
Culture and recreation	-	-	-	-	-	25,263	25,263
Capital projects	-	-	-	81,241	-	-	81,241
Unassigned	555,008	(374,914)	-	-	-	(6,001)	174,093
Total fund balances (deficits)	556,848	(355,151)	475,010	1,722,261	11,164,277	2,840,749	16,403,994
Total liabilities, deferred inflows of resources and fund balances (deficits)	$661,227	$ 135,280	$608,086	$ 1,736,671	$ 11,164,277	$ 3,143,215	$ 17,448,756

See notes to basic financial statements.

PARK COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2013

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

Total fund balances, governmental funds	$ 16,403,994
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	11,829,346
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	471,508
Long-term liabilities, such as notes payable, capital leases payable, compensated absences and other post employment benefits, are not due and payable in the current period and, therefore, are not included in the funds.	(2,517,379)
Net position of governmental activities	$ 26,187,469

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2013

	General	Road	Public Safety	PILT	General Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	$ 1,535,366	$ 405,046	$1,307,572	$ -	$ -	$ 2,307,099	$ 5,555,083
Fines and forfeitures	142,499	-	-	-	-	8,947	151,446
Licenses and permits	20,876	3,700	1,785	-	-	-	26,361
Intergovernmental	475,489	699,001	104,559	1,044,257	-	1,342,142	3,665,448
Charges for services	393,396	74,558	78,290	-	-	184,328	730,572
Investment earnings	9,179	-	-	4,905	75,867	3,030	92,981
Miscellaneous	50,276	4,549	13,806	1,900	-	63,509	134,040
Total revenues	2,627,081	1,186,854	1,506,012	1,051,062	75,867	3,909,055	10,355,931
EXPENDITURES							
Current:							
General government	2,347,280	-	-	40,743	-	422,178	2,810,201
Public safety	148,097	-	1,892,024	164,804	-	845,512	3,050,437
Public works	1,026	1,398,946	-	33,144	-	749,649	2,182,765
Public health	312,734	-	-	40,000	-	341,712	694,446
Social and economic services	202,628	-	-	5,000	-	171,536	379,164
Culture and recreation	54	-	-	-	-	685,129	685,183
Housing and community development	25,055	-	-	-	-	-	25,055
Debt service:							
Principal	-	8,895	-	-	-	46,691	55,586
Interest and other charges	-	11,193	-	-	-	5,471	16,664
Capital outlay	25,862	117,875	73,912	-	-	696,889	914,538
Intergovernmental	-	-	-	46,243	-	45,006	91,249
Total expenditures	3,062,736	1,536,909	1,965,936	329,934	-	4,009,773	10,905,288
Excess (deficiency) of revenues over expenditures	(435,655)	(350,055)	(459,924)	721,128	75,867	(100,718)	(549,357)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	-	-	-	271,929	271,929
Sale of capital assets	1,496	25,625	-	-	-	-	27,121
Transfers in	372,250	324,427	600,820	6,005	-	409,286	1,712,788
Transfers out	(52,537)	-	-	(920,467)	(45,103)	(731,728)	(1,749,835)
Total other financing sources (uses)	321,209	350,052	600,820	(914,462)	(45,103)	(50,513)	262,003
Net change in fund balances	(114,446)	(3)	140,896	(193,334)	30,764	(151,231)	(287,354)
Fund balances (deficit) - beginning	671,294	(355,148)	334,114	1,915,595	11,133,513	2,991,980	16,691,348
Fund balances (deficit) - ending	$ 556,848	$ (355,151)	$ 475,010	$ 1,722,261	$ 11,164,277	$ 2,840,749	$ 16,403,994

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, 2013

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

Net change in fund balances - total governmental funds		$ (287,354)
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 ($914,538) exceeded depreciation ($742,045) in the current period.		172,493
The net effect of various miscellneous transactions involving capital assets (i.e., sales, trade-ins and donations) is to decrease net position.		(30,609)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		2,753
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:		
Write-off of bond issuance costs	(17,599)	
Principal payments on debt	55,586	
Long-term debt issued	(271,929)	(233,942)
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		(34,172)
Other post employment benefits		(516,990)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The change in net position certain internal service funds is reported with governmental activities.		(7,913)
Change in net position of governmental activities		$ (935,734)

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 272,516	$ 723,728	$ 996,244
Receivables:			
Taxes/assessments	44,799	240,840	285,639
Solid waste	1,299	520	1,819
Total current assets	318,614	965,088	1,283,702
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	17,812	-	17,812
Investments	2,310,972	-	2,310,972
	2,328,784	-	2,328,784
Capital assets:			
Land	-	52,528	52,528
Construction in progress	-	15,294	15,294
Buildings and improvements	54,241	248,805	303,046
Equipment and furniture	588,090	1,455,453	2,043,543
Less: accumulated depreciation	(395,879)	(1,087,318)	(1,483,197)
	246,452	684,762	931,214
Total non-current assets	2,575,236	684,762	3,259,998
Total assets	2,893,850	1,649,850	4,543,700
LIABILITIES			
Current liabilities:			
Accounts payable-vendors	-	3,717	3,717
Compensated absences	96	6,049	6,145
Capital lease obligation	47,206	-	47,206
Total current liabilities	47,302	9,766	57,068
Non-current liabilities:			
Compensated absences	862	54,438	55,300
Landfill closure/postclosure costs payable	1,810,834	-	1,810,834
Other post employment benefits	5,008	245,385	250,393
Total non-current liabilities	1,816,704	299,823	2,116,527
Total liabilities	1,864,006	309,589	2,173,595
NET POSITION			
Net investment in capital assets	199,246	684,762	884,008
Restricted:			
Landfill closure/postclosure	517,950	-	517,950
Unrestricted	312,648	655,499	968,147
Total net position	$ 1,029,844	$ 1,340,261	$ 2,370,105

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities			Governmental Activities
	Landfill	Refuse Facility	Total Enterprise Funds	Internal Service Funds
REVENUES				
Charges for services	$ 52,006	$ 27,083	$ 79,089	$ 1,584
Assessment revenue	79,774	933,982	1,013,756	-
Total operating revenues	131,780	961,065	1,092,845	1,584
OPERATING EXPENSES				
Personal services	63,361	496,263	559,624	-
Supplies	11,011	100,512	111,523	-
Purchased services	112,294	507,622	619,916	-
Fixed charges	34,820	52,544	87,364	1,441
Closure/postclosure costs	78,112	-	78,112	-
Depreciation	57,608	74,018	131,626	-
Total operating expenses	357,206	1,230,959	1,588,165	1,441
Operating income (loss)	(225,426)	(269,894)	(495,320)	143
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	28,821	-	28,821	-
Miscellaneous revenue	-	4,257	4,257	-
Interest expense	(4,196)	-	(4,196)	-
Total non-operating revenue (expenses)	24,625	4,257	28,882	-
Income (loss) before transfers	(200,801)	(265,637)	(466,438)	143
Transfers in	45,103	-	45,103	-
Transfers out	-	-	-	(8,056)
Change in net position	(155,698)	(265,637)	(421,335)	(7,913)
Net position - beginning	1,185,542	1,605,898	2,791,440	7,913
Net position - ending	$ 1,029,844	$ 1,340,261	$ 2,370,105	$ -

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities			Governmental Activities
	Landfill	Refuse Facility	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATIONS:				
Cash received from customers	$ 160,005	$ 924,391	$ 1,084,396	$ -
Cash received from interfund services	-	-	-	1,584
Cash paid to employees	(112,516)	(395,991)	(508,507)	-
Cash paid to suppliers for goods and services	(162,669)	(683,429)	(846,098)	(1,441)
Net cash provided (used) by operating activities	(115,180)	(155,029)	(270,209)	143
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from miscellaneous sources	-	4,257	4,257	-
Cash paid for operating transfers	-	-	-	(8,056)
Cash received from operating transfers	45,103	-	45,103	-
Net cash provided (used) by noncapital financing activities	45,103	4,257	49,360	(8,056)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Cash paid for capital assets	-	(176,258)	(176,258)	-
Principal payments on debt	(45,154)	-	(45,154)	-
Interest paid	(4,196)	-	(4,196)	-
Net cash used by capital financing activities	(49,350)	(176,258)	(225,608)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	(182,095)	-	(182,095)	-
Interest received	28,821	-	28,821	-
Net cash used by investing activities	(153,274)	-	(153,274)	-
Change in cash and cash equivalents	(272,701)	(327,030)	(599,731)	(7,913)
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of $88,880)	563,029	1,050,758	1,613,787	7,913
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of $17,812)	$ 290,328	$ 723,728	$ 1,014,056	$ -
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	$ (225,426)	$ (269,894)	$ (495,320)	$ 143
Adjustment to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	57,608	74,018	131,626	-
Closure/postclosure costs	78,112	-	78,112	-
Other post employment benefits	(36,546)	113,798	77,252	-
(Increase) decrease in accounts receivable	19,243	(30)	19,213	-
(Increase) decrease in taxes/assessments receivable	8,982	(36,644)	(27,662)	-
Decrease in accounts payable	(4,544)	(22,751)	(27,295)	-
Decrease in compensated absences	(12,609)	(13,526)	(26,135)	-
Net cash provided (used) by operating activities	$ (115,180)	$ (155,029)	$ (270,209)	$ 143

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2013

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	$ 3,666,614	$ 2,045,404
Investments	75,144	-
Taxes/assessments receivable	-	1,558,213
Total assets	3,741,758	$ 3,603,617
LIABILITIES		
Accounts payable	-	$ 1,134,743
Due to special districts	-	88,929
Due to state	-	720,729
Due to schools	-	890,894
Due to cities/towns	-	768,322
Total liabilities	-	$ 3,603,617
NET POSITION		
Net position held in trust for other purposes	$ 3,741,758	

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2013

	External Investment Trust Fund
ADDITIONS	
Contributions	$ 5,533,889
Interest	5,782
Total additions	5,539,671
DEDUCTIONS	
Distribution of investments	5,928,176
Total deductions	5,928,176
Change in net position	(388,505)
Net position - beginning	4,130,263
Net position - ending	$ 3,741,758

See notes to basic financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The government adopted the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The Statement codifies the requirements of all pre-November 30, 1989 FASB and AICPA pronouncements that apply to state and local governments.

The government adopted provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement resulted in presentation changes in the government-wide financial statements and the proprietary and fiduciary fund financial statements.

The government adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement resulted in presentation changes due to expansion of transactions that result in deferred inflows/outflows; identification of new inflows/outflows, and related change in major funds determination.

The government's significant accounting policies are described below.

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

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

The government reports the following major governmental funds:

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

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

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

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

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

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

The government reports the following major proprietary funds:

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

Additionally, the government reports the following fund types:

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

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

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

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

Cash and Investments

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

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

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

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

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

Receivables and Payables

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

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

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

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

Inventories and Prepaids

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, 2013.

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

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

Collections Not Capitalized

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

Compensated Absences

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

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

Long-term Obligations

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

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

Deferred Inflows of Resources

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

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

Net Position

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

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

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

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

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

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

Fund Balance

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

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

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

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

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

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

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

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

Use of Estimates

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The Road ($355,151) and Search and Rescue CIP ($6,001) funds had deficit fund balances as of June 30, 2013. The deficit in the Road fund occurred because the fund paid off a loan for motor graders in the prior year. The deficit is expected to be eliminated over time with the collection of property taxes. The deficit in the Search and Rescue CIP fund occurred because current year revenues exceeded current year expenses. The deficit is expected to be eliminated through additional draw requests from the Montana Board of Investments INTERCAP program.

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	$ 15,736,024
Business-type activities	3,325,028
Fiduciary funds	5,787,162
	$ 24,848,214

Total carrying value of cash, cash equivalents and investments as of June 30, 2013 consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	$ 2,630	$ -	$ 2,630
Cash in banks:			
Demand deposits	1,420,657	-	1,420,657
Savings deposits	154,466	-	154,466
Time deposits	-	175,144	175,144
U.S. Government securities	-	12,746,076	12,746,076
Broker money market	17,812	-	17,812
Short-term Investment Program (STIP)	10,331,429	-	10,331,429
	$11,926,994	$ 12,921,220	$24,848,214

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, 2013, the government's bank balances were covered by the FDIC.

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2013, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2013 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
Certificate of deposit	.25 to .65%	Various	$ 175,144	$ 175,144	$ 175,144	1.36%
U.S. Government securities	.45 to 3.00%	Various	12,734,000	12,746,076	12,611,344	98.64%
				$ 12,921,220	$ 12,786,488	

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

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

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

	Custodial Credit Risk Category 1	2	3	Carrying Amount	Fair Value
U.S. government securities	$ 1,500,000	$ -	$ 11,246,076	$ 12,746,076	$ 12,611,344
Broker money market	17,812	-	-	17,812	17,812
	$ 1,517,812	$ -	$ 11,246,076	12,763,888	$ 12,629,156
Uncategorized:					
STIP				10,331,429	
				$ 23,095,317	

Following is the condensed schedule of changes in net position for the investment pool for the year ended June 30, 2013:

	Internal	External	Total
Net position - beginning of year	$ 21,797,335	$ 4,130,263	$ 25,927,598
Contributions from participants	20,415,308	5,533,889	25,949,197
Investment earnings/change in fair value	112,899	5,782	118,681
Distributions to participants	(21,219,086)	(5,928,176)	(27,147,262)
Net position - end of year	$ 21,106,456	$ 3,741,758	$ 24,848,214

Capital Assets

Capital asset activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Governmental activities:				
Capital assets, not being depreciated				
Land	$ 315,074	$ -	$ -	$ 315,074
Construction-in-progress	165,899	625,024	-	790,923
Total capital assets, not being depreciated	480,973	625,024	-	1,105,997
Capital assets, being depreciated				
Buildings/improvements	5,809,611	11,537	-	5,821,148
Improvements other than buildings	4,311,583	-	-	4,311,583
Machinery and equipment	5,212,661	205,568	(60,335)	5,357,894
Infrastructure	1,568,734	72,409	-	1,641,143
Total capital assets, being depreciated	16,902,589	289,514	(60,335)	17,131,768
Less accumulated depreciation for:				
Buildings/improvements	(2,601,371)	(102,603)	-	(2,703,974)
Improvements other than buildings	(214,055)	(215,139)	-	(429,194)
Machinery and equipment	(2,831,471)	(391,824)	29,726	(3,193,569)
Infrastructure	(49,203)	(32,479)	-	(81,682)
Total accumulated depreciation	(5,696,100)	(742,045)	29,726	(6,408,419)
Total capital assets, being depreciated, net	11,206,489	(452,531)	(30,609)	10,723,349
Governmental activities capital assets, net	$ 11,687,462	$ 172,493	$ (30,609)	$ 11,829,346

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	$ 98,763
Public safety	193,094
Public works	394,088
Social and economic	4,645
Culture and recreation	51,455
Total depreciation-governmental activities	$ 742,045

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Business-type activities:				
Capital assets, not being depreciated				
Land	$ 52,528	$ -	$ -	$ 52,528
Construction-in-progress	12,371	2,923	-	15,294
Total capital assets, not being depreciated	64,899	2,923	-	67,822
Capital assets, being depreciated				
Buildings and systems	203,582	-	-	203,582
Improvements other than buildings	58,295	41,169	-	99,464
Machinery and equipment	1,911,377	132,166	-	2,043,543
Total capital assets, being depreciated	2,173,254	173,335	-	2,346,589
Less accumulated depreciation for:				
Buildings and systems	(57,144)	(6,736)	-	(63,880)
Improvements other than buildings	(49,466)	(1,880)	-	(51,346)
Machinery and equipment	(1,244,961)	(123,010)	-	(1,367,971)
Total accumulated depreciation	(1,351,571)	(131,626)	-	(1,483,197)
Total capital assets, being depreciated, net	821,683	41,709	-	863,392
Business-type activities capital assets, net	$ 886,582	$ 44,632	$ -	$ 931,214

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

Business-type activities:	
Landfill	$ 57,608
Refuse facility	74,018
Total depreciation-business-type activities	$ 131,626

Interfund Transfer, Receivables and Payables

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	$ 372,250	$ (52,537)	$ 319,713
Road	324,427	-	324,427
Public Safety	600,820	-	600,820
PILT	6,005	(920,467)	(914,462)
General Capital Improvement	-	(45,103)	(45,103)
Nonmajor governmental funds	409,286	(731,728)	(322,442)
Internal service fund	-	(8,056)	(8,056)
	$ 1,712,788	$ (1,757,891)	$ (45,103)
Business-type activities:			
Landfill	$ 45,103	$ -	$ 45,103

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.

Interfund balances as of June 30, 2013, consisted of the Road fund owing the General Capital Improvement fund $446,070. The loan was made to purchase motor graders. The duration of the loan is for 9 years. $70,713 is expected to be repaid in the next fiscal year.

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, 2013. Scheduled minimum rental payments for succeeding years ending June 30, are as follows:

Year	
2014	$ 29,791
2015	29,791
2016	29,791

Capital Lease

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

	Governmental Activities	Business-type Activities
Machinery and equipment	$ 16,083	$ 253,659
Less: accumulated depreciation	(5,897)	(122,602)
	$ 10,186	$ 131,057

The future minimum lease obligations and the present value of these minimum lease payments, as of June 30, 2013, are as follows:

Year ending June 30,	Governmental Activities	Business-type Activities
2014	$ 4,035	$ 49,350
Total minimum lease payments	4,035	49,350
Less: amount representing interest	(219)	(2,144)
Present value of minimum lease payments	$ 3,816	$ 47,206

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Payment	Balance June 30, 2013
Durapatcher-2011	$ 27,000	5 yr	2.08%	Annual	$ 16,535
Cooke City Community Center	300,000	15 yr	4.80%	Annual	66,270
Airport-2012	77,500	10 yr	1.63%	Annual	62,000
Search and Rescue Building-2013 * (1)	700,000	15 yr	1.00%	Semi-annual	271,929
Gardiner Airport-2004 *	68,350	10 yr	1.00%	Semi-annual	11,463
					$ 428,197

(1) Balance available to draw is $428,071.
* 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
2014	$ 55,727	$ 6,168	$ 61,895
2015	60,547	5,418	65,965
2016	46,632	3,706	50,338
2017	25,579	2,857	28,436
2018	25,766	2,612	28,378
2019-2023	116,196	8,222	124,418
2024-2028	97,750	2,706	100,456
	$ 428,197	$ 31,689	$ 459,886

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Governmental activities:					
Capital leases	$ 7,424	$ -	$ (3,608)	$ 3,816	$ 3,816
Notes payable	208,246	271,929	(51,978)	428,197	55,727
Compensated absences	375,489	34,172	-	409,661	40,966
Governmental activity long-term liabilities	$ 591,159	$ 306,101	$ (55,586)	$ 841,674	$ 100,509
Business-type activities:					
Capital leases	$ 92,360	$ -	$ (45,154)	$ 47,206	$ 47,206
Compensated absences	87,580	-	(26,135)	61,445	6,145
Business-type activity long-term liabilities	$ 179,940	$ -	$ (71,289)	$ 108,651	$ 53,351

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

Landfill Closure/Postclosure

State and federal laws and regulations require the government to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The $1,810,834 reported as a landfill closure and postclosure care liability as of June 30, 2013, represents the cumulative amount reported to date based on the use of 50 percent of the estimated capacity of the landfill. The government will recognize the remaining estimated cost of closure and postclosure care of $1,810,834 as the remaining estimated capacity of the landfill is filled. These amounts are based on what it would cost to perform all closure and postclosure care as of June 30, 2013. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. If additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

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

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs and corrective action. The government is in compliance with the requirements, and, as of June 30, 2013, $2,328,784 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, 2013:

Balance July 1, 2012	Additions	Retirements	Balance June 30, 2013
$ 1,732,722	$ 78,112	$ -	$ 1,810,834

NOTE 4. OTHER INFORMATION

Risk Management

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

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 $238,761 during fiscal year 2013.

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 $251,688 and $213,449, respectively, during fiscal year 2013 for these services.

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

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately $1.75 million, primarily for construction projects and road work.

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

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

Retirement Plans

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

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

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

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

	Employer	Employee	Total
SRS	10.115%	9.245%	19.360%
PERS (hired prior to 7-1-2011)	7.070%	6.900%	13.970%
PERS (hired on or after 7-1-2011	7.070%	7.900%	14.970%

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

The amounts contributed to the plans during the years ended June 30, 2013, 2012 and 2011 were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	2013	2012	2011
SRS	$199,667	$190,317	$194,162
PERS	415,705	413,162	389,270
	$615,372	$603,479	$583,432

Postemployment Benefits Other Than Pensions

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

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

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

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

Annual required contribution	$ 631,389
Interest on net OPEB obligation	56,604
Adjustment to annual required contribution	(44,395)
Annual OPEB cost	643,598
Contributions made	(49,356)
Increase in net OPEB obligation	594,242
Net OPEB obligation - beginning of year	1,331,856
Net OPEB obligation - end of year	$ 1,926,098

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2013 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)
2013	$ 594,242	0%	$1,926,098
2012	555,316	0%	1,331,856
2011	398,048	0%	776,540

Funded Status and Funding Progress. As of July 1, 2012, the Plan was 0% funded. The actuarial accrued liability for benefits was $4,426,130 and the actuarial value of assets is $0, resulting in an unfunded actuarial accrued liability (UAAL) of $4,426,130.

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

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

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

Statement No. 69 - Government Combinations and Disposals of Government Operations. Effective Date: The provisions of Statement 69 are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis.

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

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, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	$ 1,523,401	$ 1,523,401	$ 1,535,366
Fees and fines	140,000	140,000	142,499
Licenses and permits	15,000	15,000	20,876
Intergovernmental	516,862	516,862	475,489
Charges for services	367,155	367,155	393,396
Investment earnings	11,000	11,000	9,179
Miscellaneous	39,826	39,826	50,276
Total revenues	2,613,244	2,613,244	2,627,081
EXPENDITURES			
Current:			
General government	2,541,304	2,518,304	2,347,280
Public safety	146,708	146,708	148,097
Public works	3,200	3,200	1,026
Public health	380,061	380,061	312,734
Social and economic services	130,778	153,778	202,628
Culture and recreation	2,100	2,100	54
Housing and community development	-	-	25,055
Capital outlay	68,830	68,830	25,862
Total expenditures	3,272,981	3,272,981	3,062,736
Excess (deficiency) of revenues over expenditures	(659,737)	(659,737)	(435,655)
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	1,496
Transfers in	460,000	460,000	372,250
Transfers out	(45,000)	(45,000)	(52,537)
Total other financing sources (uses)	415,000	415,000	321,209
Net change in fund balance	$ (244,737)	$ (244,737)	(114,446)
Fund balance - beginning			671,294
Fund balance - ending			$ 556,848

See notes to required supplementary information.

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual
	Original	Final	Amounts
REVENUES			
Taxes/assessments	$ 405,073	$ 405,073	$ 405,046
Licenses and permits	4,500	4,500	3,700
Intergovernmental	690,363	690,363	699,001
Charges for services	10,000	10,000	74,558
Miscellaneous	-	-	4,549
Total revenues	1,109,936	1,109,936	1,186,854
EXPENDITURES			
Current:			
Public works	1,359,733	1,459,733	1,398,946
Debt service:			
Principal	9,000	9,000	8,895
Interest and other charges	12,000	12,000	11,193
Capital outlay	78,000	78,000	117,875
Total expenditures	1,458,733	1,558,733	1,536,909
Excess (deficiency) of revenues over expenditures	(348,797)	(448,797)	(350,055)
OTHER FINANCING SOURCES			
Sale of capital assets	-	-	25,625
Transfers in	310,000	310,000	324,427
Total other financing sources	310,000	310,000	350,052
Net change in fund balance	$ (38,797)	$ (138,797)	(3)
Fund balance - beginning			(355,148)
Fund balance - ending			$ (355,151)

See notes to required supplementary information.

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	$1,305,162	$ 1,305,162	$ 1,307,572
Licenses and permits	2,000	2,000	1,785
Intergovernmental	106,889	106,889	104,559
Charges for services	56,400	56,400	78,290
Miscellaneous	5,000	5,000	13,806
Total revenues	1,475,451	1,475,451	1,506,012
EXPENDITURES			
Current:			
Public safety	1,890,668	1,890,668	1,892,024
Capital outlay	223,650	223,650	73,912
Total expenditures	2,114,318	2,114,318	1,965,936
Excess (deficiency) of revenues over expenditures	(638,867)	(638,867)	(459,924)
OTHER FINANCING SOURCES			
Transfers in	530,000	530,000	600,820
Total other financing sources	530,000	530,000	600,820
Net change in fund balance	$ (108,867)	$ (108,867)	140,896
Fund balance - beginning			334,114
Fund balance - ending			$ 475,010

See notes to required supplementary information.

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual
	Original	Final	Amounts
REVENUES			
Intergovernmental	$ 932,369	$ 932,369	$ 1,044,257
Investment earnings	15,000	15,000	4,905
Miscellaneous	900	900	1,900
Total revenues	948,269	948,269	1,051,062
EXPENDITURES:			
Current:			
General government	218,500	218,500	40,743
Public safety	166,188	166,188	164,804
Public works	60,300	60,300	33,144
Public health	55,000	55,000	40,000
Social and economic services	5,000	5,000	5,000
Capital outlay	25,000	25,000	-
Intergovernmental	-	-	46,243
Total expenditures	529,988	529,988	329,934
Excess (deficiency) of revenues over expenditures	418,281	418,281	721,128
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	6,005
Transfers out	(1,017,633)	(1,017,633)	(920,467)
Total other financing sources (uses)	(1,017,633)	(1,017,633)	(914,462)
Net change in fund balance	$ (599,352)	$ (599,352)	(193,334)
Fund balance - beginning			1,915,595
Fund balance - ending			$ 1,722,261

See notes to required supplementary information.

BUDGETARY INFORMATION

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

PARK COUNTY
SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS
For the Year Ended June 30, 2013

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]
6/30/2013	$ -	$ 4,426,130	$ 4,426,130	-	$ 4,176,255	1.059832
6/30/2012	-	3,772,790	3,772,790	-	4,022,174	0.937998
6/30/2011	-	2,667,399	2,667,399	-	4,044,397	0.659529

OTHER SUPPLEMENTARY INFORMATION

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

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, 2012	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2013
U.S. Department of Transportation:								
Direct Programs:								
Airport Improvement Program	20.106	DOT-FA11NM-2038	$ 810,039	$ (24,200)	$ 24,200	$ -	$ -	$ -
Airport Improvement Program	20.106	DOT-FA11NM-2007	2,401,000	(113,766)	113,766	-	-	-
Subtotal				(137,966)	137,966	-	-	-
Passed through the Montana Department of Transportation:								
Highway Planning and Construction	20.205	STPE 34(35)	63,154	-	-	-	-	-
Highway Planning and Construction	20.205	STPE-SRTS 34 (23)	199,179	(148,149)	148,149	-	-	-
Subtotal				(148,149)	148,149	-	-	-
Total U.S. Department of Transportation				(286,115)	286,115	-	-	-
U.S. Department of Justice:								
Passed through the Montana Board of Crime Control:								
Violence Against Women Formula Grants	16.588	11-W03-90930	20,283	(4,315)	4,315	-	-	-
Violence Against Women Formula Grants	16.588	12-W03-91142	25,130	-	14,901	25,130	-	(10,229)
Subtotal				(4,315)	19,216	25,130	-	(10,229)
Passed through Gallatin County:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11-G01-91256	35,476	-	24,833	24,833	-	-
Subtotal				-	24,833	24,833	-	-
Total U.S. Department of Justice				(4,315)	44,049	49,963	-	(10,229)
U.S. Department of Homeland Security:								
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:								
Disaster Grants - Public Assistance	97.036	FEMA-1996-DR	136,591	31,838	-	28,829	-	3,009
Subtotal				31,838	-	28,829	-	3,009
Pre-Disaster Mitigation	97.047	PDMC-PJ-08-MT-2009-006	2,280,000	(60,239)	253,406	230,981	512	(37,302)
Subtotal				(60,239)	253,406	230,981	512	(37,302)
Emergency Management Performance Grants	97.042	EMW-2011-EP-00035	31,347	(19,965)	25,751	5,786	-	-
Emergency Management Performance Grants	97.042	EMW-2012-EP-00057-S01	37,183	-	6,778	34,524	-	(27,746)
Subtotal				(19,965)	32,529	40,310	-	(27,746)
Total U.S. Department of Homeland Security				(48,366)	285,935	300,120	512	(62,039)
U.S. Department of Health and Human Services:								
Passed through the Montana Department of Public Health and Human Services:								
Maternal and Child Health Services Block Grant to the States	93.994	13-07-5-01-034-0	16,146	-	16,146	16,146	-	-
Subtotal				-	16,146	16,146	-	-
Immunization Grants	93.268	11-07-4-31-032-0	7,298	-	3,649	3,649	-	-
Immunization Grants	93.268	12-07-4-31-032-0	7,298	-	3,649	3,649	-	-
Subtotal				-	7,298	7,298	-	-

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2013

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, 2012	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2013
Public Health Emergency Preparedness	93.069	12-07-6-11-037-0	34,936	(10,481)	10,481	-	-	-
Public Health Emergency Preparedness	93.069	12-07-6-11-037-0	46,401	-	35,960	46,401	-	(10,441)
Subtotal				(10,481)	46,441	46,401	-	(10,441)
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	12-07-5-31-036-0	72,854	-	36,427	41,737	5,310	-
Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program	93.505	12-07-5-31-036-0	151,753	-	128,476	96,866	-	31,610
Subtotal				-	164,903	138,603	5,310	31,610
Passed through Rocky Mountain Area IV Agency on Aging:								
National Family Caregiver Support, Title III, Part E	93.052	2013-004-010	13,546	-	13,546	13,546	-	-
National Family Caregiver Support, Title III, Part E	93.052	2013-004-015	3,300	-	3,300	3,300	-	-
Subtotal				-	16,846	16,846	-	-
Total U.S. Department of Health and Human Services				(10,481)	251,634	225,294	5,310	21,169
U.S. Department of the Interior:								
Passed through the National Fish and Wildlife Foundation:								
Fish and Wildlife Management Assistance	15.608	2010-0055-015	53,075	-	8,285	11,485	-	(3,200)
Total U.S. Department of the Interior				-	8,285	11,485	-	(3,200)
U.S. Department of Agriculture:								
Passed through the Montana State Auditor's Office:								
Schools and Roads - Grants to States	10.665	12-DG-11011100-003	348,667	(47,060)	316,566	269,506	-	-
Schools and Roads - Grants to States	10.665	12-DG-11011100-002	70,000	-	36,846	36,846	-	-
Schools and Roads - Grants to States	10.665	N/A	407,910	160,699	407,910	547,294	49,808	71,123
Subtotal				113,639	761,322	853,646	49,808	71,123
Passed through the Montana Department of Agriculture:								
Forest Health Protection	10.680	MDA-2013-713X	60,000	-	-	9,746	-	(9,746)
Forest Health Protection	10.680	MDA-2013-703	3,600	-	-	3,600	-	(3,600)
Subtotal				-	-	13,346	-	(13,346)
Passed through the Montana Department of Natural Resources and Conservation:								
Cooperative Forestry Assistance	10.664	VFA-12-340	9,000	(146)	146	-	-	-
Cooperative Forestry Assistance	10.664	VFA-13-340	5,000	-	5,000	5,000	-	-
Subtotal				(146)	5,146	5,000	-	-
Total U.S. Department of Agriculture				113,493	766,468	871,992	49,808	57,777
Total Federal Awards				$ (235,784)	$ 1,642,486	$ 1,458,854	$ 55,630	$ 3,478

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

2012-8. 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.

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, 2013, 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 24, 2014. 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 and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2013-1 and 2013-2)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies. (Findings 2013-3 through 2013-5)

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Government's Response to Findings

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

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

Purpose of this Report

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

Olness & Associates, PC

January 24, 2014

OLNESS & ASSOCIATES, P. C.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of County Commissioners
Park County
Livingston, Montana

Report on Compliance for Each Major Federal Program

We have audited Park County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2013. The government's major federal program is 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 the government's major federal program 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 the major federal program. However, our audit does not provide a legal determination of the government's compliance.

Opinion on Each Major Federal Program

In our opinion, the government, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

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 2013-6 and 2013-7 to be material weaknesses.

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

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

Olness & Associates, PC

January 24, 2014

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2013

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: unqualified

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

FEDERAL AWARDS:

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

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

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

Identification of major programs:

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

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

2013-1. FINANCIAL STATEMENT PREPARATION

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

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

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

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

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

Client Response: Park County is aware of and understands that internal control systems are the responsibility of management. We do not expect the auditing firm to be a part of our internal control, nor to be a compensating control on our behalf, but rather to evaluate any deficiencies identified. Although Olness & Associates are engaged to prepare financial statements, the

county understands it is our sole responsibility to prevent, detect, and correct financial statement misstatements. The county has in the past and will continue to review draft financial statements and the schedule of expenditures of federal awards.

2013-2. SEGREGATION OF DUTIES

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

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

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

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

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

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.

2013-3. ESTABLISH A PERPETUAL INVENTORY SYSTEM

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

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

Cause: Unknown.

Effect: Increased risk of loss or employee theft.

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

Client Response: The County understands the importance of maintaining internal controls over road and bridge inventory. Although a perpetual inventory system is not a requirement of Montana code, the county is committed to enforcing internal controls to ensure public confidence. In November of 2013 the county created and filled the position of Public Works Director to oversee the road and bridge departments. The new director is a PE, professional engineer, with experience in and a commitment to establishing inventory controls.

2013-4. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

Criteria: A reconciliation of the monthly time pay activity to the beginning and ending time pay balances should be prepared to determine that all transactions have been recorded properly and to discover errors and irregularities. Further, a formal time pay reconciliation is a useful tool in evaluating and monitoring outstanding time pay balances.

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

Cause: Unknown.

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

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

Client Response: The Justice of the Peace is hampered by the state of Montana's Full Court system, which she is required to use. Until such time as the state completes upgrades to its system, the JP will continue to manually review reports of voided

receipts quarterly, require documentation of credits to time pay accounts, and require receipts for all payments.

2013-5. PURCHASING POLICY NOT ADHERED TO

Criteria: The County's purchasing policy requires non-emergent purchases greater than $1,000 (effective April 1, 2013-greater than $5,000) to be pre-approved by the Commissioners. This pre-approval is accomplished by completing a purchase order prior to the actual ordering of materials or equipment.

Condition: Materials and equipment in excess of the $1,000 limit (effective April 1, 2013-limit of $5,000) were routinely purchased either without having a completed purchase order, or department heads completing the purchase order after the materials and equipment were already ordered and received.

Cause: Unknown

Effect: Internal control is weakened.

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

Client Response: The County adopted the Montana Procurement Act, Title 18, chapter 4, of MCA, effective July 1, 2012, and raised the dollar purchasing threshold that is subject to purchase order pre-approval. The county continues to review this revised policy with staff to ensure all employees are aware of the policy and the consequences of non-compliance.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-6. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2013-1 applies to this federal award program.

2013-7. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2013-2 applies to this federal award program.

PARK COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

PRIOR YEAR FINANCIAL STATEMENT FINDINGS	STATUS
2012-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2012-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2012-3. CASH AND INVESTMENT RECONCILIATIONS NOT COMPLETE OR ACCURATE	IMPLEMENTED
2012-4. ESTABLISH A PERPETUAL INVENTORY SYSTEM	NOT IMPLEMENTED
2012-5. JUSTICE OF THE PEACE TIME PAY ACCOUNTING	NOT IMPLEMENTED
2012-6. PURCHASING POLICY NOT ADHERED TO	NOT IMPLEMENTED
2012-7. DISASTER GRANTS – PUBLIC ASSISTANCE	NO LONGER VALID