

**PARK COUNTY
LIVINGSTON, MONTANA
FINANCIAL STATEMENTS
For the Year Ended June 30, 2011**

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARK COUNTY

ORGANIZATION

June 30, 2011

BOARD OF COUNTY COMMISSIONERS

Randy Taylor	Board Chairperson
Jim Durgan	Commissioner
Marty Malone	Commissioner

ELECTED OFFICIALS

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

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Park County
Livingston, Montana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park County, Montana (the government) as of and for the year ended June 30, 2011, which collectively comprise the government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the government's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amounts at which the landfill closure/postclosure costs liability and related expense were recorded in the business-type activities and the landfill fund, as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the landfill fund of the government, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund (excluding the landfill fund) and the aggregate remaining fund information of the government, as of June 30, 2011, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2011, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

INDEPENDENT AUDITOR'S REPORT (Continued)

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

O'Leary & Associates, PC

December 20, 2011

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

The following discussion and analysis of Park County's financial performance provides an overview of the government's financial activities for the year ending June 30, 2011. Readers are encouraged to consider the information presented here, in conjunction with the basic financial statements that begin on page 9.

FINANCIAL HIGHLIGHTS

- Total net assets increased 2.7 percent as a result of this year's operations. Net assets of our governmental activities increased by \$705,811 or almost 3 percent, while net assets of our business-type activities increased by \$5,603 or 0.2 percent.
- Governmental activities revenues of \$10,332,213 were \$755,811 more than the \$9,576,402 in expenses, before transfers out.
- In the business-type activities, revenues decreased \$145,464 (9.4 percent) while expenses increased \$74,270 (5 percent).
- The total cost of governmental activities (expenses) decreased from the prior year by \$1,129,929, or 11 percent.
- The General fund cash and investments balance reported a decrease this year of \$154,369, with a slight increase in receivables. Even though revenue increased and expenditures decreased from the prior year, other financing sources (transfers in) decreased.

USING THIS AUDIT REPORT

This audit report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the county's finances. The fund 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

Government-wide financial statements: The Statement of Net Assets and the Statement of Activities (pages 9 and 10) report information about the government as a whole. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, Park County's finances are divided into two categories:

Governmental activities: Basic services are reported here, including the sheriff's office, road, planning, and general county administration. Property taxes and state and federal grants finance most of these activities.

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

Fund Financial Statements: The fund financial statements begin on page 11 and provide detailed information about the most significant funds – not the government as a whole. 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. Some funds are required to be established by State law and/or by bond covenants. Also, the governing body establishes many other funds to help it control and manage money for particular purposes or to meet legal responsibilities for using certain taxes, grants and other revenue. The following funds are used by Park County:

Governmental Funds: Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are described in reconciliations (page 12 and 14).

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Proprietary Funds: The County charges fees to customers for the services it provides – whether to outside customers or to other units of the government – and these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. Internal service funds (the other component of proprietary funds) report activities that provide supplies and services to other programs and activities.

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

THE GOVERNMENT AS A WHOLE

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

NET ASSETS:	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 17,463,743	\$ 17,736,130	\$ 3,954,816	\$ 3,722,467	\$ 21,418,559	\$ 21,458,597
Capital assets	8,277,020	7,221,559	959,134	1,088,273	9,236,154	8,309,832
Total assets	25,740,763	24,957,689	4,913,950	4,810,740	30,654,713	29,768,429
Other liabilities	119,316	216,309	28,971	40,814	148,217	257,123
Long-term liabilities outstanding	1,269,833	1,095,577	2,625,651	2,516,201	3,895,484	3,611,778
Total liabilities	1,389,149	1,311,886	2,654,622	2,557,015	4,043,701	3,868,901
Net assets:						
Invested in capital assets, net of related debt	8,063,851	6,838,734	823,582	911,405	8,887,433	7,750,139
Restricted	14,953,186	14,168,125	-	-	14,953,186	14,168,125
Unrestricted	1,334,577	2,638,944	1,435,746	1,342,320	2,770,323	3,981,264
	<u>\$ 24,351,614</u>	<u>\$ 23,645,803</u>	<u>\$ 2,259,328</u>	<u>\$ 2,253,725</u>	<u>\$ 26,610,942</u>	<u>\$ 25,899,528</u>

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

Restricted net assets in the governmental activities (\$14,953,186) represent resources that are subject to external restrictions on how they may be used. As of June 30, 2011 assets exceeded liabilities by \$24,351,614 for the governmental activities and \$2,259,328 for the business-type activities, or a total of \$26,610,942.

From fiscal year 2010 to 2011 net assets for governmental activities increased 3% or \$705,811. The increase was mainly due to the receipt of capital grants related to the 9th Street Island Bridge.

Net assets for the enterprise funds remained consistent only increasing \$5,603. Program revenues decreased from the prior year due to the timing of when mobile home taxes were billed.

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

CHANGE IN NET ASSETS:

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues:						
Program revenues:						
Charges for services	\$ 673,875	\$ 784,146	\$ 1,339,021	\$ 1,481,705	\$ 2,012,896	\$ 2,265,851
Operating grants and contributions	867,587	1,822,572	-	-	867,587	1,822,572
Capital grants and contributions	1,120,270	109,021	-	-	1,120,270	109,021
General revenues:						
Taxes	5,049,760	4,807,348	-	-	5,049,760	4,807,348
Licenses and permits	25,860	26,585	-	-	25,860	26,585
Intergovernmental	2,259,509	2,119,924	-	-	2,259,509	2,119,924
Interest	185,556	196,227	60,260	70,575	245,816	266,802
Miscellaneous	149,796	102,925	2,535	-	152,331	102,925
Gain on disposal of capital assets	-	-	5,000	-	5,000	-
Total revenues	10,332,213	9,968,748	1,406,816	1,552,280	11,739,029	11,521,028
Expenses:						
General government	2,997,315	3,232,217	-	-	2,997,315	3,232,217
Public safety	2,929,145	3,060,673	-	-	2,929,145	3,060,673
Public works	1,987,952	1,949,285	-	-	1,987,952	1,949,285
Public health	535,639	570,356	-	-	535,639	570,356
Social and economic services	297,152	288,255	-	-	297,152	288,255
Culture and recreation	693,890	644,916	-	-	693,890	644,916
Housing and community development	73,012	869,869	-	-	73,012	869,869
Landfill	-	-	445,908	450,309	445,908	450,309
Refuse facility	-	-	1,005,305	926,634	1,005,305	926,634
Interest on long-term debt	28,609	26,852	-	-	28,609	26,852
Intergovernmental	33,688	63,908	-	-	33,688	63,908
Total expenses	9,576,402	10,706,331	1,451,213	1,376,943	11,027,615	12,083,274
Change in net assets before transfers	755,811	(737,583)	(44,397)	175,337	711,414	(562,246)
Transfers	(50,000)	(47,075)	50,000	47,075	-	-
Change in net assets	705,811	(784,658)	5,603	222,412	711,414	(562,246)
Net assets, beginning	23,645,803	24,461,186	2,253,725	2,031,313	25,899,528	26,492,499
Prior period adjustment	-	(30,725)	-	-	-	(30,725)
Net assets, ending	\$ 24,351,614	\$ 23,645,803	\$ 2,259,328	\$ 2,253,725	\$ 26,610,942	\$ 25,899,528

FUND FINANCIAL STATEMENTS

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

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

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

Governmental Funds

Park County has five governmental funds that are reported as major funds. These are: General, Road, Public Safety (Law Enforcement), Payment In Lieu of Taxes (PILT), and the General Capital Improvement.

- *General Fund:* This is the primary operating fund for Park County and includes the Commissioners, Justice of the Peace, Clerk and Recorder, Auditor, Treasurer, County Attorney, Building Maintenance, School Superintendent, mailroom 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 \$601,025 in fiscal year 2011. A transfer in from the Permissive Medical Levy fund was \$ 175,091, and unlike previous years no funds were transferred from PILT in fiscal year 2011 to support the General fund. Even though total revenues increased \$117,729 and expenditures decreased \$24,167 from the prior fiscal year, revenues for fiscal year 2011 were \$281,418 less than expenditures. After transfers in and out there was a net reduction in fund balance of \$130,617.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

- **Road Fund:** This fund accounts for costs related to maintenance and reconstruction of county roads. Revenues in 2011 were \$140,640 more than the prior year. Besides increases in revenue from taxes, state entitlement, permits, fees, charges, and transfers in from other funds, almost half that increase was due to the consolidation of Fund 2820 with the road fund. In fiscal year 2011 revenues for the gas apportionment tax from the State that had previously been accounted for in a separate fund, increasing the road fund revenue by \$111,832. As was expected, expenditures also increased due to the consolidation. Forest Reserve Act funding was expected to decrease, and it did; the amount received in fiscal year 2011 was 4% less than the prior year. Of the \$500,812 in Forest Reserve Act funding received, \$190,000 was transferred to finance the 9th St Bridge project. During the year, a budget amendment was necessary to increase appropriations for the Road fund, which ended the fiscal year with no cash assets. Net change in fund balance from the prior fiscal year was a decrease of \$242,885.
- **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 2011 before transfers in decreased only 3% from the prior year. However, transfers in from other funds decreased 85% from the prior year. This was because \$185,000 was transferred in fiscal year 2010 from PILT, and no PILT funds were transferred in fiscal year 2011.

Expenditures decreased \$187,191 or 10% from the prior fiscal year. Some of this was due to an unexpected delay in delivery of 3 new vehicles, budgeted at \$80,000; that purchase was completed in fiscal year 2012 (through the Law Enforcement Capital Improvement Projects fund). Staffing shortages during the year meant a reduction in regular payroll expenses but an increase in overtime expenses. There was a net reduction in fund balance of \$80,725.

- **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 one 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.

The Emergency Economic Stabilization Act of 2008 (P.L. 110-343) authorized full funding for the federal PILT program through 2012. In formulating PILT payments, prior year federal payments under certain revenue sharing programs are deducted. Since Park County's share of allocations through one of those programs, the Forest Reserve Act, has been decreasing, PILT revenue has increased. In FY11, the amount that the county received for PILT was \$956,382 or \$77,139 more than the prior fiscal year. Additionally the commissioners have only transferred budgeted moneys from PILT to other funds on an as needed basis. The net change in fund balance from the prior fiscal year was an increase of \$381,045, for an ending fund balance of \$2,229,996. This is above the goal of maintaining a two year reserve.

- **General Capital Improvement Fund:** This fund represents the amount awarded to the county from a 1999 law suit settlement plus interest. Use of this fund is restricted by the terms of the suit's settlement; resolutions by the county Commissioners further restrict use. 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. Annually \$50,000 is appropriated for monitoring and cleanup costs related to the Landfill. The fund balance as of June 30, 2011 was \$11,069,416, an increase of \$104,298 over the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues for the General fund were \$708 more than budgeted revenues. Both tax revenues and local option taxes, which are collected in the General fund, were very close to budget. The greatest shortfalls in revenue were in fees for services and collections for fines and forfeitures. Investment earnings continued to drop, as they did in the prior year.

Actual expenditures before other financing sources and uses were 92% of budgeted expenditures, or \$219,442 under budget. Actual expenditures were less than budgeted expenditures because allowance was made within the budget for a number of unforeseen and/or uncontrollable expenses that did not occur, such as fuel price increases or accidental losses. Other financing sources and uses are transfers in from and out to other funds. Transfers in from other funds included \$175,091 from the Permissive Medical Levy. Transfers out to other funds consisted of \$44,134 to the Law Enforcement fund 2300 for the Sheriff's share of Justice Court fines.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Park County's investment in capital assets, net of related debt, as of June 30, 2011 totaled \$8,887,433. This investment includes land, buildings, improvements other than buildings, machinery, and equipment. Fiscal year 2011 additions included: the 9th Street Bridge, 9th Street Bridge right of way from the State of Montana, Cooke City Community Center, Gardiner Sidewalk project, heavy equipment and trucks for the Road Department, Myers Flat communications equipment, Search and Rescue equipment, computer network equipment and copiers for the courthouse, courthouse energy efficiency upgrades, and rodeo grounds bleachers.

Long Term Debt: In fiscal year 2011 the county paid off its final general obligation bond, which was related to the Gardiner Sewer district. The county also closed out its revolving fund, per MCA 7-12-2181, as all the bonds it secured were fully paid off. As of June 30, 2011 Park County had at total of \$348,721 in outstanding notes and capital leases, of which \$269,002 is long term.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The taxable value of property in Park County (less the value of the Tax Increment Financing Districts) increased 3.6% from \$36,284,647 in fiscal year 2010 to \$37,589,002 in fiscal year 2011. It should be noted that 2009 was a reassessment year for the Montana Department of Revenue, who is required by state law to conduct periodic reappraisals of property in the interest of equal taxation. Real estate property values in Park County increased substantially since this was last done in 2003. Reappraisal values are phased-in at the rate of one-sixth each year.

County general mills are split among General, Bridge, Weed Control, Fair, Airport, District Court, Comprehensive insurance, Senior citizens, Law Enforcement, and Museum Funds at the commissioners' discretion, with certain restrictions. The growth in number of authorized mills for the county general mills went from 79.323 mills in fiscal year 2010 to 81.46 mills in fiscal year 2011 per calculations according to 15-10-420, MCA. However, the commissioners chose to leave .91 mills unlevied and only assessed 80.55 mills. With the increase in value of a county mill and the increase in number of mills authorized to be levied, tax revenues for the county general mills were expected to increase 7%, from \$2,816,630 in FY10 to \$3,027,792 in fiscal year 2011.

Other funds were also levied below the maximum allowed, for a total of 3.56 mills unassessed for the fiscal year. This is in addition to the 3.98 mills that were authorized, but left unassessed in the prior fiscal year.

In light of the most recent CPI statistics indicating a Cost of Living Adjustment of -.04%, the county's Compensation Board recommended to the commissioners that elected officials receive no adjustment to their base salary from the prior year and that no new longevity be granted to elected officials. The commissioners also budgeted wages for all county employees for fiscal year 2011 with no COLA. The exception was that Sheriff Department deputies each received a one cent (\$0.01) addition to total wages for the year, in order to receive longevity increases described in Montana Code 7-4-2510. The county also settled wage issues brought by current and former Sheriff deputies at a cost of \$40,427, which was paid from PILT Litigation accounts.

Due to extreme snow conditions in November 2010 and flooding in May 2011, the county commissioners passed resolutions declaring a state of emergency for each event. The November snow event cost over \$20,000 in increased expenses, and spring flooding led to the opening of an emergency operations center to coordinate mitigation efforts. The county applied for financial assistance through the Federal Emergency Management Agency, anticipated in fiscal year 2012. Requirements for FEMA assistance included assessing an emergency levy for 2 mills in fiscal year 2012.

Mindful of the need to upgrade the fairgrounds' aging septic system, the county commissioned a preliminary engineering study of the system with identification of viable options. One option is to eliminate the current septic system and connect to the city's sewer system. With the possibility of incorporating this project into the Fleshman Creek grant, this may be undertaken in the near future.

The county entered into a sub-recipient agreement with Gallatin Development Corporation dba Prospera Business Network to administer its Community Development Block Grant Revolving Loan Fund. The amount of \$221,661 was transferred to Prospera to administer a small business loan program for which CDBG funds are earmarked. Grants financed a number of county projects during the year, including some which will continue into the next fiscal year.

- Mission Field Airport started a \$3 million runway rehabilitation project which will be funded through the Federal Aviation Administration and Montana Aeronautics Board; \$223,677 in grant funds was received this year, with completion scheduled in fiscal year 2012.
- Construction of the 9th Street Bridge was completed in June 2011 funded primarily through grants: \$574,184 in federal appropriations through the Federal Highway Administration, American Recovery and Reinvestment Act (ARRA) funds, and Forest Reserve Act funds.
- Last year the county received notification of a \$2.8 million FEMA grant for restoration of Fleshman Creek. The county spent time in fiscal year 2011 making arrangements for non-federal match requirements and reviewing the scope of work for the project. Completion of the final engineering design and the start of construction are expected in fiscal year 2012.
- Renovation of the county museum was begun with over \$100,000 in grant money received during the fiscal year. This project will be completed in the fall of 2011.
- Park County sponsored grants for the renovation of the Livingston Senior Center, begun in 2009 and completed in the fall of 2010 with \$73,010 in CDBG and Home grants.
- An energy efficiency retrofit for the county courthouse was financed with a grant of \$38,185 from the DEQ.
- A Community Transportation Enhancement Program (CTEP) project begun in 2007 for the construction of a sidewalk to the Gardiner Schools received \$33,234 in grant funds. Another \$150,000 in grants is expected in the next fiscal year to complete the project.

PARK COUNTY
STATEMENT OF NET ASSETS
June 30, 2011

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 5,856,347	\$ 1,527,495	\$ 7,383,842
Investments	10,517,051	-	10,517,051
Receivables:			
Taxes/assessments	420,939	244,310	665,249
Solid waste	-	10,377	10,377
Resort tax	23,897	-	23,897
CDBG	221,661	-	221,661
Other	667	-	667
Governments	326,275	-	326,275
Inventories	64,756	-	64,756
Prepaid items	13,084	-	13,084
Deferred charges	19,066	-	19,066
Restricted assets:			
Cash and equivalents	-	74,583	74,583
Investments	-	2,098,051	2,098,051
Capital assets:			
Land and construction in progress	673,790	52,528	726,318
Depreciable capital assets, net	7,603,230	906,606	8,509,836
Total assets	25,740,763	4,913,950	30,654,713
LIABILITIES			
Accounts payable-vendors	119,316	28,971	148,287
Long-term liabilities:			
Due within one year:			
Notes and capital leases	36,526	43,193	79,719
Compensated absences	38,107	8,732	46,839
Due in more than one year:			
Notes and capital leases	176,643	92,359	269,002
Compensated absences	342,967	78,588	421,555
Landfill closure/postclosure costs payable	-	2,301,829	2,301,829
Other post employment benefits	675,590	100,950	776,540
Total liabilities	1,389,149	2,654,622	4,043,771
NET ASSETS			
Invested in capital assets, net of related debt	8,063,851	823,582	8,887,433
Restricted for:			
Nonspendable			
Prepaid items	13,084	-	13,084
Inventory	64,756	-	64,756
Restricted for:			
General government	865,732	-	865,732
Public safety	1,432,990	-	1,432,990
Public works	267,047	-	267,047
Public health	207,917	-	207,917
Social and economic services	115,915	-	115,915
Culture and recreation	371,553	-	371,553
Housing and community development	221,661	-	221,661
Capital projects	11,392,531	-	11,392,531
Unrestricted	1,334,577	1,435,746	2,770,323
Total net assets	\$ 24,351,614	\$ 2,259,328	\$ 26,610,942

PARK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 2,997,315	\$ 270,353	\$ 153,497	\$ 34,467	\$ (2,538,998)	\$ -	\$ (2,538,998)
Public safety	2,929,145	248,951	272,328	-	(2,407,866)	-	(2,407,866)
Public works	1,987,952	88,086	141,244	832,131	(926,491)	-	(926,491)
Public health	535,639	30,417	139,560	-	(365,662)	-	(365,662)
Social and economic services	297,152	2,658	9,417	-	(285,077)	-	(285,077)
Culture and recreation	693,890	33,410	19,976	253,672	(386,832)	-	(386,832)
Housing and community development	73,012	-	131,565	-	58,553	-	58,553
Interest on long-term debt	28,609	-	-	-	(28,609)	-	(28,609)
Intergovernmental	33,688	-	-	-	(33,688)	-	(33,688)
Total governmental activities	9,576,402	673,875	867,587	1,120,270	(6,914,670)	-	(6,914,670)
Business-type activities:							
Landfill	445,908	365,196	-	-	-	(80,712)	(80,712)
Refuse Facility	1,005,305	973,825	-	-	-	(31,480)	(31,480)
Total business-type activities	1,451,213	1,339,021	-	-	-	(112,192)	(112,192)
Total	\$ 11,027,615	\$ 2,012,896	\$ 867,587	\$ 1,120,270	(6,914,670)	(112,192)	(7,026,862)
General revenues:							
Property taxes					5,049,760	-	5,049,760
Licenses and permits					25,860	-	25,860
Intergovernmental					2,259,509	-	2,259,509
Unrestricted investment earnings					185,556	60,260	245,816
Miscellaneous					149,796	2,535	152,331
Gain on disposal of capital assets					-	5,000	5,000
Transfers					(50,000)	50,000	-
Total general revenues and transfers					7,620,481	117,795	7,738,276
Change in net assets					705,811	5,603	711,414
Net assets - beginning					23,645,803	2,253,725	25,899,528
Net assets - ending					\$ 24,351,614	\$ 2,259,328	\$ 26,610,942

PARK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2011

	General	Road	Public Safety	PILT	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 403,088	\$ -	\$ 429,404	\$ 1,729,618	\$ 569,000	\$ 2,715,742	\$ 5,846,852
Investments	100,000	-	-	500,000	9,917,051	-	10,517,051
Receivables:							
Taxes/assessments	83,024	38,748	124,301	-	-	174,866	420,939
Governments	58,480	-	-	378	-	267,417	326,275
Resort tax	-	-	-	-	-	23,897	23,897
CDBG	-	-	-	-	-	221,661	221,661
Other	-	-	667	-	-	-	667
Due from other funds	-	-	-	-	583,365	-	583,365
Inventories	-	40,617	-	-	-	24,139	64,756
Prepaid items	10,541	-	-	-	-	2,543	13,084
Total assets	\$ 655,133	\$ 79,365	\$ 554,372	\$ 2,229,996	\$ 11,069,416	\$ 3,430,265	\$ 18,018,547
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable-vendors	\$ 1,760	\$ 8,010	\$ -	\$ -	\$ -	\$ 109,546	\$ 119,316
Due to other funds	-	583,365	-	-	-	-	583,365
Deferred revenue	83,024	38,748	124,301	-	-	174,866	420,939
Total liabilities	84,784	630,123	124,301	-	-	284,412	1,123,620
Fund balances:							
Nonspendable:							
Prepaid items	10,541	-	-	-	-	2,543	13,084
Inventory	-	40,617	-	-	-	24,139	64,756
Noncurrent portion of interfund receivable	-	-	-	-	515,397	-	515,397
Restricted for:							
General government	-	-	-	-	-	792,352	792,352
Public safety	-	-	430,071	-	-	850,888	1,280,959
Public works	-	-	-	-	-	204,105	204,105
Public health	-	-	-	-	-	205,005	205,005
Social and economic services	-	-	-	-	-	104,259	104,259
Culture and recreation	-	-	-	-	-	336,559	336,559
Housing and community development	-	-	-	-	-	221,661	221,661
Capital projects	-	-	-	-	10,554,019	323,115	10,877,134
Committed for:							
General government	-	-	-	1,044,850	-	265	1,045,115
Public safety	-	-	-	907,477	-	19,499	926,976
Public works	-	-	-	1,185	-	32,500	33,685
Public health	-	-	-	118,493	-	-	118,493
Social and economic services	-	-	-	19,749	-	-	19,749
Culture and recreation	-	-	-	-	-	28,963	28,963
Capital projects	-	-	-	138,242	-	-	138,242
Unassigned	559,808	(591,375)	-	-	-	-	(31,567)
Total fund balances	570,349	(550,758)	430,071	2,229,996	11,069,416	3,145,853	16,894,927
Total liabilities and fund balances	\$ 655,133	\$ 79,365	\$ 554,372	\$ 2,229,996	\$ 11,069,416	\$ 3,430,265	\$ 18,018,547

See notes to basic financial statements.

PARK COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2011

Total fund balance, governmental funds	\$ 16,894,927
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net assets.	8,277,020
Bond issuance costs are expensed in the governmental funds. They are deferred charges for the government-wide financial statements and amortized over the life of the issuance.	19,066
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net assets.	420,939
The assets and liabilities of the internal service fund are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	9,495
Some liabilities, such as notes payable, capital leases payable, compensated absences and other post employment benefits, are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	<u>(1,269,833)</u>
Net assets of governmental activities	<u><u>\$ 24,351,614</u></u>

PARK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2011

	General	Road	Public Safety	PILT	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	\$ 1,447,028	\$ 378,632	\$1,274,719	\$ -	\$ -	\$ 2,016,567	\$ 5,116,946
Fines and forfeitures	137,239	-	-	-	-	9,588	146,827
Licenses and permits	19,575	4,500	1,785	-	-	-	25,860
Intergovernmental	423,939	754,111	96,309	956,382	-	1,785,433	4,016,174
Charges for services	240,266	10,703	59,216	-	-	206,847	517,032
Investment earnings	13,681	-	-	12,430	154,298	5,147	185,556
Miscellaneous	64,919	517	4,415	14,291	-	147,139	231,281
Total revenues	2,346,647	1,148,463	1,436,444	983,103	154,298	4,170,721	10,239,676
EXPENDITURES							
Current:							
General government	2,014,393	-	-	136,922	-	560,281	2,711,596
Public safety	147,336	-	1,683,925	216,415	-	579,420	2,627,096
Public works	-	1,290,043	-	10,309	-	396,728	1,697,080
Public health	283,046	-	-	30,000	-	192,089	505,135
Social and economic services	127,440	-	-	5,000	-	163,446	295,886
Culture and recreation	1,971	-	-	-	-	643,334	645,305
Housing and community development	-	-	-	-	-	73,012	73,012
Debt service:							
Principal	-	6,949	-	-	-	194,332	201,281
Interest and other charges	-	14,040	-	-	-	13,102	27,142
Capital outlay	53,879	63,400	3,339	2,264	-	1,401,679	1,524,561
Intergovernmental	-	-	-	-	-	33,688	33,688
Total expenditures	2,628,065	1,374,432	1,687,264	400,910	-	4,251,111	10,341,782
Excess (deficiency) of revenues over (under) expenditures	(281,418)	(225,969)	(250,820)	582,193	154,298	(80,390)	(102,106)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	27,000	-	-	-	4,625	31,625
Insurance proceeds	-	12,440	-	-	-	-	12,440
Transfers in	194,935	134,544	170,095	-	-	620,929	1,120,503
Transfers out	(44,134)	(190,900)	-	(201,148)	(50,000)	(684,321)	(1,170,503)
Total other financing sources (uses)	150,801	(16,916)	170,095	(201,148)	(50,000)	(58,767)	(5,935)
Net change in fund balances	(130,617)	(242,885)	(80,725)	381,045	104,298	(139,157)	(108,041)
Fund balances - beginning	700,966	(307,873)	510,796	1,848,951	10,965,118	3,285,010	17,002,968
Fund balances - ending	\$ 570,349	\$ (550,758)	\$ 430,071	\$ 2,229,996	\$ 11,069,416	\$ 3,145,853	\$ 16,894,927

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, 2011

Net change in fund balances - total governmental funds \$ (108,041)

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

Governmental funds report outlay for capital assets as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay (\$1,524,561) exceeded depreciation (\$522,430) in the current period. 1,002,131

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the statement of activities reports the gain or loss on the sale of capital assets. Thus, the change in net assets differs from the change in fund balance by the book value of the asset sold. (96,377)

Donated capital assets. 149,707

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned. (57,170)

Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. The following detail long-term debt activities

Amortization of bond issuance costs	(1,467)	
Principal payments on debt	201,281	
Long-term debt issued	(31,625)	168,189

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	2,390
Other post employment benefits	(346,302)

Internal service funds are used by management to charge the costs of certain activities, such as plotter maps, to individual funds. The change in net assets of certain internal service funds is reported with governmental activities. (8,716)

Change in net assets of governmental activities \$ 705,811

PARK COUNTY
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	Enterprise Funds			Internal Service Funds
	Landfill	Refuse Facility	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 439,944	\$ 1,087,551	\$ 1,527,495	\$ 9,495
Receivables:				
Taxes/assessments	50,547	193,763	244,310	-
Solid waste	4,757	5,620	10,377	-
Total current assets	495,248	1,286,934	1,782,182	9,495
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	74,583	-	74,583	-
Investments	2,098,051	-	2,098,051	-
Total restricted assets	2,172,634	-	2,172,634	-
Capital assets:				
Land	-	52,528	52,528	-
Buildings and improvements	54,241	207,636	261,877	-
Equipment and furniture	594,590	1,312,048	1,906,638	-
Less: accumulated depreciation	(287,163)	(974,746)	(1,261,909)	-
Total capital assets	361,668	597,466	959,134	-
Total non-current assets	2,534,302	597,466	3,131,768	-
Total assets	3,029,550	1,884,400	4,913,950	9,495
LIABILITIES				
Current liabilities:				
Accounts payable-vendors	5,708	23,263	28,971	-
Compensated absences	1,334	7,398	8,732	-
Capital lease obligation	43,193	-	43,193	-
Total current liabilities	50,235	30,661	80,896	-
Non-current liabilities:				
Compensated absences	12,004	66,584	78,588	-
Capital lease obligation	92,359	-	92,359	-
Landfill closure/postclosure costs payable	2,301,829	-	2,301,829	-
Other post employment benefits	24,228	76,722	100,950	-
Total non-current liabilities	2,430,420	143,306	2,573,726	-
Total liabilities	2,480,655	173,967	2,654,622	-
NET ASSETS				
Invested in capital assets, net of related debt	226,116	597,466	823,582	-
Unrestricted	322,779	1,112,967	1,435,746	9,495
Total net assets	\$ 548,895	\$ 1,710,433	\$ 2,259,328	\$ 9,495

PARK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	Enterprise Funds			Internal Service Funds
	Landfill	Refuse Facility	Total	
REVENUES				
Charges for services	\$ 88,019	\$ 29,709	\$ 117,728	\$ 1,890
Assessment revenue	277,177	944,116	1,221,293	-
Total operating revenues	365,196	973,825	1,339,021	1,890
OPERATING EXPENSES				
Personal services	154,387	484,786	639,173	-
Supplies	21,797	94,582	116,379	-
Purchased services	73,772	315,505	389,277	-
Fixed charges	31,717	38,902	70,619	10,606
Closure/postclosure costs	98,593	-	98,593	-
Depreciation	57,609	71,530	129,139	-
Total operating expenses	437,875	1,005,305	1,443,180	10,606
Operating loss	(72,679)	(31,480)	(104,159)	(8,716)
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	60,260	-	60,260	-
Miscellaneous revenue	-	2,535	2,535	-
Gain on disposal of capital assets	-	5,000	5,000	-
Interest expense	(8,033)	-	(8,033)	-
Total non-operating revenue (expenses)	52,227	7,535	59,762	-
Loss before transfers	(20,452)	(23,945)	(44,397)	(8,716)
Transfers in	50,000	-	50,000	-
Change in net assets	29,548	(23,945)	5,603	(8,716)
Total net assets - beginning	519,347	1,734,378	2,253,725	18,211
Total net assets - ending	\$ 548,895	\$ 1,710,433	\$ 2,259,328	\$ 9,495

PARK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2011

	Enterprise Funds			Internal Service Funds
	Landfill	Refuse Facility	Total	
CASH FLOWS FROM OPERATIONS:				
Cash received from customers	\$ 360,967	\$ 959,013	\$ 1,319,980	\$ -
Cash received from interfund services	-	-	-	1,890
Cash paid to employees	(144,367)	(442,633)	(587,000)	-
Cash paid to suppliers for goods and services	(121,914)	(466,204)	(588,118)	(10,606)
Net cash provided (used) by operating activities	94,686	50,176	144,862	(8,716)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from miscellaneous sources	-	2,535	2,535	-
Cash received from operating transfers	50,000	-	50,000	-
Net cash provided by noncapital financing activities	50,000	2,535	52,535	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Cash received from sale of capital assets	-	5,000	5,000	-
Principal payments on debt	(41,316)	-	(41,316)	-
Interest paid	(8,033)	-	(8,033)	-
Net cash provided (used) by capital financing activities	(49,349)	5,000	(44,349)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	(59,230)	-	(59,230)	-
Interest received	60,260	-	60,260	-
Net cash provided by investing activities	1,030	-	1,030	-
Change in cash and cash equivalents	96,367	57,711	154,078	(8,716)
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of \$73,553)	418,160	1,029,840	1,448,000	18,211
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of \$74,583)	<u>\$ 514,527</u>	<u>\$ 1,087,551</u>	<u>\$ 1,602,078</u>	<u>\$ 9,495</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating loss	\$ (72,679)	\$ (31,480)	\$ (104,159)	\$ (8,716)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation	57,609	71,530	129,139	-
Closure/postclosure costs	98,593	-	98,593	-
Other post employment benefits	12,419	39,327	51,746	-
Increase in accounts receivable	(1,247)	(5,525)	(6,772)	-
Increase in taxes/assessments receivable	(2,982)	(9,287)	(12,269)	-
Increase (decrease) in accounts payable	5,372	(17,215)	(11,843)	-
Increase (decrease) in compensated absences	(2,399)	2,826	427	-
Net cash provided (used) by operating activities	<u>\$ 94,686</u>	<u>\$ 50,176</u>	<u>\$ 144,862</u>	<u>\$ (8,716)</u>

PARK COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2011

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 4,095,102	\$ 1,750,006
Investments	74,615	-
Taxes/assessments receivable	-	1,479,350
	<u>4,169,717</u>	<u>\$ 3,229,356</u>
LIABILITIES		
Accounts payable	-	\$ 551,469
Due to special districts	-	84,199
Due to state	-	917,289
Due to schools	-	823,442
Due to cities/towns	-	852,957
	<u>-</u>	<u>\$ 3,229,356</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ 4,169,717</u>	

PARK COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2011

	External Investment Trust Fund
ADDITIONS	
Contributions	\$ 4,895,723
Interest	<u>7,854</u>
Total additions	<u>4,903,577</u>
DEDUCTIONS	
Distribution of investments	<u>4,320,039</u>
Total deductions	<u>4,320,039</u>
Change in net assets	583,538
Net assets - beginning	<u>3,586,179</u>
Net assets - ending	<u><u>\$ 4,169,717</u></u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. The government adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on, the government. Based on the aforementioned criteria, the government has no component units.

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

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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 and Net Assets or Equity

Cash and Investments

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

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts can, at their option, participate in the County's investment pool. 16% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions 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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

report unit values. The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units.

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

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

Receivables and Payables

In the fund financial statements, transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "due to/from other funds" (i.e., the current portion and non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

The noncurrent portion of the interfund receivable, as reported in the fund financial statements, is offset by a nonspendable fund balance account in the applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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

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

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no construction interest expense incurred during the year.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

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

Collections Not Capitalized

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

Compensated Absences

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

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

Fund Equity

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

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

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

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

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

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

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

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

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). 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.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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.

Beginning fund balances for the governmental funds have been restated to reflect the above classifications.

The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. This is typically done through adoption or amendment of the budget.

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 (\$550,758) fund had a deficit fund balance as of June 30, 2011. The deficit in the Road fund occurred because the fund paid off a loan for motor graders in the prior year from an interfund loan from the general capital improvement fund. The deficit is expected to be eliminated over time with the collection of property taxes and repayment of the interfund loan.

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

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

Governmental activities	\$ 16,373,398
Business-type activities	3,700,129
Fiduciary funds	<u>5,919,723</u>
	<u>\$ 25,993,250</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2011, consisted of the following:

	<u>Cash/Cash Equivalents</u>	<u>Investments</u>	<u>Total</u>
Cash on hand	\$ 2,725	\$ -	\$ 2,725
Cash in banks:			
Demand deposits	705,908	-	705,908
Savings deposits	104,632	-	104,632
Time deposits	-	174,615	174,615
U.S. Government securities	-	12,515,102	12,515,102
Broker money market	92,168	-	92,168
Short-term Investment Program (STIP)	<u>12,398,100</u>	<u>-</u>	<u>12,398,100</u>
	<u>\$13,303,533</u>	<u>\$ 12,689,717</u>	<u>\$25,993,250</u>

Custodial Credit Risk—Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2011, 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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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, 2011, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2011 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	1.00 to 1.57%	Various	\$ 174,615	\$ 174,615	\$ 174,615	1.38%
U.S. Government securities	.75-4.35%	Various	12,523,000	12,515,102	12,566,048	98.62%
				<u>\$ 12,689,717</u>	<u>\$ 12,740,663</u>	

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

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

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

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
U.S. government securities	\$ 1,500,000	\$ -	\$ 11,015,102	\$ 12,515,102	\$ 12,566,048
Broker money market	-	-	92,168	92,168	92,168
	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 11,107,270</u>	<u>12,607,270</u>	<u>\$ 12,658,216</u>
Uncategorized: STIP				<u>12,398,100</u>	
				<u>\$ 25,005,370</u>	

Following is the condensed schedule of changes in net assets and net assets for the investment pool for the year ended June 30, 2011:

	Internal	External	Total
Net assets - beginning of year	\$ 22,062,488	\$ 3,586,179	\$ 25,648,667
Contributions from participants	21,190,435	4,895,723	26,086,158
Investment earnings/change in fair value	234,437	7,854	242,291
Distributions to participants	(21,663,827)	(4,320,039)	(25,983,866)
Net assets - end of year	<u>\$ 21,823,533</u>	<u>\$ 4,169,717</u>	<u>\$ 25,993,250</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 302,749	\$ 12,325	\$ -	\$ 315,074
Construction-in-progress	749,751	358,716	(749,751)	358,716
Total capital assets, not being depreciated	<u>1,052,500</u>	<u>371,041</u>	<u>(749,751)</u>	<u>673,790</u>
Capital assets, being depreciated				
Buildings/improvements	5,266,667	542,944	-	5,809,611
Improvements other than buildings	587,331	184,174	-	771,505
Machinery and equipment	5,352,354	205,460	(569,494)	4,988,320
Infrastructure	210,906	1,127,950	-	1,338,856
Total capital assets, being depreciated	<u>11,417,258</u>	<u>2,060,528</u>	<u>(569,494)</u>	<u>12,908,292</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,398,601)	(100,471)	-	(2,499,072)
Improvements other than buildings	(123,479)	(31,410)	-	(154,889)
Machinery and equipment	(2,710,402)	(384,451)	465,567	(2,629,286)
Infrastructure	(15,717)	(6,098)	-	(21,815)
Total accumulated depreciation	<u>(5,248,199)</u>	<u>(522,430)</u>	<u>465,567</u>	<u>(5,305,062)</u>
Total capital assets, being depreciated, net	<u>6,169,059</u>	<u>1,538,098</u>	<u>(103,927)</u>	<u>7,603,230</u>
Governmental activities capital assets, net	<u>\$ 7,221,559</u>	<u>\$ 1,909,139</u>	<u>\$ (853,678)</u>	<u>\$ 8,277,020</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 101,139
Public safety	179,065
Public works	207,811
Social and economic	773
Culture and recreation	33,642
Total depreciation-governmental activities	<u>\$ 522,430</u>

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 52,528	\$ -	\$ -	\$ 52,528
Total capital assets, not being depreciated	<u>52,528</u>	<u>-</u>	<u>-</u>	<u>52,528</u>
Capital assets, being depreciated				
Buildings and systems	203,582	-	-	203,582
Improvements other than buildings	58,295	-	-	58,295
Machinery and equipment	1,948,887	-	(42,249)	1,906,638
Total capital assets, being depreciated	<u>2,210,764</u>	<u>-</u>	<u>(42,249)</u>	<u>2,168,515</u>
Less accumulated depreciation for:				
Buildings and systems	(43,671)	(6,737)	-	(50,408)
Improvements other than buildings	(46,620)	(1,424)	-	(48,044)
Machinery and equipment	(1,084,728)	(120,978)	42,249	(1,163,457)
Total accumulated depreciation	<u>(1,175,019)</u>	<u>(129,139)</u>	<u>42,249</u>	<u>(1,261,909)</u>
Total capital assets, being depreciated, net	<u>1,035,745</u>	<u>(129,139)</u>	<u>-</u>	<u>906,606</u>
Business-type activities capital assets, net	<u>\$ 1,088,273</u>	<u>\$ (129,139)</u>	<u>\$ -</u>	<u>\$ 959,134</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Business-type activities:	
Landfill	\$ 57,609
Refuse facility	71,530
Total depreciation-business-type activities	<u>\$ 129,139</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2011, consisted of the Road fund owing the General Capital Improvement fund \$583,365. The loan was made to purchase motor graders. The duration of the loan is for 9 years. \$67,968 is expected to be repaid in the next fiscal year.

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 194,935	\$ (44,134)	\$ 150,801
Road	134,544	(190,900)	(56,356)
Public Safety	170,095	-	170,095
PILT	-	(201,148)	(201,148)
General Capital Improvement	-	(50,000)	(50,000)
Nonmajor governmental funds	620,929	(684,321)	(63,392)
	<u>\$ 1,120,503</u>	<u>\$ (1,170,503)</u>	<u>\$ (50,000)</u>
Business-type activities:			
Landfill	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>

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

Capital Leases

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

	Governmental Activities	Business-type Activities
Machinery and equipment	\$ 16,083	\$ 253,659
Less: accumulated depreciation	(2,680)	(71,870)
	<u>\$ 13,403</u>	<u>\$ 181,789</u>

The future minimum lease obligations and the present value of these minimum lease payments, as of June 30, 2011, are as follows:

	Year ending June 30,	Governmental Activities	Business-type Activities
	2012	\$ 4,035	\$ 49,350
	2013	4,034	49,349
	2014	4,035	49,349
Total minimum lease payments		12,104	148,048
Less: amount representing interest		(1,267)	(12,496)
Present value of minimum lease payments		<u>\$ 10,837</u>	<u>\$ 135,552</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Payment	Balance June 30, 2011
Durapatcher-2011	\$ 27,000	5 yr	2.08%	Annual	\$ 27,000
Cooke City Community Center	300,000	15 yr	4.80%	Annual	149,293
Gardiner Airport-2004 ***	68,350	10 yr	1.95%	Semi-annual	26,039
					<u>\$ 202,332</u>

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

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

Year ending June 30,	Governmental Activities	
	Principal	Interest
2012	\$ 33,113	\$ 8,065
2013	34,314	6,775
2014	35,726	5,457
2015	33,242	4,076
2016	30,700	2,757
2017-2018	35,237	1,434
	<u>\$ 202,332</u>	<u>\$ 28,564</u>

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Governmental activities:					
Capital leases	\$ 17,786	\$ -	\$ (6,949)	\$ 10,837	\$ 3,413
Notes payable	365,039	31,625	(194,332)	202,332	33,113
Compensated absences	383,464	-	(2,390)	381,074	38,107
Governmental activity long-term liabilities	<u>\$ 766,289</u>	<u>\$ 31,625</u>	<u>\$ (203,671)</u>	<u>\$ 594,243</u>	<u>\$ 74,633</u>
Business-type activities:					
Capital leases	\$ 176,868	\$ -	\$ (41,316)	\$ 135,552	\$ 43,193
Compensated absences	86,893	427	-	87,320	8,732
Business-type activity long-term liabilities	<u>\$ 263,761</u>	<u>\$ 427</u>	<u>\$ (41,316)</u>	<u>\$ 222,872</u>	<u>\$ 51,925</u>

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 \$2,301,829 reported as a landfill closure and postclosure care liability as of June 30, 2011, represents the cumulative amount reported to date based on the use of 69 percent of the estimated capacity of the landfill. The government will recognize the remaining estimated cost of closure and postclosure care of \$884,823 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, 2011. 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.

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NOTES TO BASIC FINANCIAL STATEMENTS

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, 2011, \$2,172,634 had been set aside for this purpose and is restricted and reported on the statement of nets assets as "restricted assets." The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2011:

Balance July 1, 2010	Additions	Retirements	Balance June 30, 2011
\$ 2,203,236	\$ 98,593	\$ -	\$ 2,301,829

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 \$209,007 during fiscal year 2011.

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 \$203,254 and \$212,088, respectively, during fiscal year 2011 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 \$75,000, primarily for construction projects.

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

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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:

	<u>Employer</u>	<u>Employee</u>	<u>Total</u>
SRS	10.115%	9.245%	19.360%
PERS	7.070%	6.900%	13.970%

The State of Montana contributes .1% per year to the TRS 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, 2011, 2010 and 2009 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:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
SRS	\$194,162	\$189,957	\$169,617
PERS	<u>389,270</u>	<u>390,744</u>	<u>368,697</u>
	<u>\$583,432</u>	<u>\$580,701</u>	<u>\$538,314</u>

Post-Retirement Healthcare Plan

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

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

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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

Annual required contribution	\$ 369,346
Interest on net OPEB obligation	16,086
Adjustment to annual required contribution	<u>12,616</u>
Annual OPEB cost	398,048
Contributions made	<u>-</u>
Increase in net OPEB obligation	398,048
Net OPEB obligation - beginning of year	<u>378,492</u>
Net OPEB obligation - end of year	<u>\$ 776,540</u>

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and the preceding year are as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2010	\$ 378,492	0%	\$ 378,492
2011	398,048	0%	776,540

Three years of data are not presented because fiscal year 2010 was the first year of implementation.

Funded Status and Funding Progress. As of July 1, 2010, the Plan was 0% funded. The actuarial accrued liability for benefits was \$2,393,293 and the actuarial value of assets is \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,393,293.

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, 2009 actuarial valuation (the most recent valuation), the projected unit credit method was used. The actuarial assumptions included a 4.5% 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 8% 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:

- o In December 2010, the Governmental Accounting Standards Board (GASB) approved Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The provisions of this statement are effective for periods beginning after December 15, 2011.
- o In November 2010, the Governmental Accounting Standards Board (GASB) approved Statement No. 61, The Financial Reporting Entity: Omnibus, an amendment of GASB Statements No. 14 and No. 34. The provisions of this statement are effective for periods beginning after June 15, 2012.

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, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,443,602	\$ 1,443,602	\$ 1,447,028
Fees and fines	160,000	160,000	137,239
Licenses and permits	20,400	20,400	19,575
Intergovernmental	417,807	417,807	423,939
Charges for services	264,686	264,686	240,266
Investment earnings	20,000	20,000	13,681
Miscellaneous	19,444	19,444	64,919
Total revenues	<u>2,345,939</u>	<u>2,345,939</u>	<u>2,346,647</u>
EXPENDITURES			
Current:			
General government	2,162,030	2,162,030	2,014,393
Public safety	209,700	209,700	147,336
Public health	297,798	297,798	283,046
Social and economic services	127,745	127,745	127,440
Culture and recreation	4,300	4,300	1,971
Capital outlay	45,934	45,934	53,879
Total expenditures	<u>2,847,507</u>	<u>2,847,507</u>	<u>2,628,065</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(501,568)</u>	<u>(501,568)</u>	<u>(281,418)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	398,432	398,432	194,935
Transfers out	<u>(140,000)</u>	<u>(140,000)</u>	<u>(44,134)</u>
Total other financing sources (uses)	<u>258,432</u>	<u>258,432</u>	<u>150,801</u>
Net change in fund balance	<u>\$ (243,136)</u>	<u>\$ (243,136)</u>	<u>(130,617)</u>
Fund balance - beginning			<u>700,966</u>
Fund balance - ending			<u>\$ 570,349</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 378,972	\$ 378,972	\$ 378,632
Licenses and permits	4,500	4,500	4,500
Intergovernmental	721,123	721,123	754,111
Charges for services	-	-	10,703
Miscellaneous	-	-	517
Total revenues	<u>1,104,595</u>	<u>1,104,595</u>	<u>1,148,463</u>
EXPENDITURES			
Current:			
Public works	1,092,404	1,200,239	1,290,043
Debt service:			
Principal	83,585	6,950	6,949
Interest and other charges	14,040	14,040	14,040
Capital outlay	18,100	71,900	63,400
Total expenditures	<u>1,208,129</u>	<u>1,293,129</u>	<u>1,374,432</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(103,534)</u>	<u>(188,534)</u>	<u>(225,969)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	27,000
Insurance proceeds	-	-	12,440
Transfers in	92,825	192,825	134,544
Transfers out	<u>(190,900)</u>	<u>(290,900)</u>	<u>(190,900)</u>
Total other financing sources (uses)	<u>(98,075)</u>	<u>(98,075)</u>	<u>(16,916)</u>
Net change in fund balance	<u>\$ (201,609)</u>	<u>\$ (286,609)</u>	<u>(242,885)</u>
Fund balance - beginning			<u>(307,873)</u>
Fund balance - ending			<u>\$ (550,758)</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$1,264,232	\$ 1,264,232	\$ 1,274,719
Licenses and permits	600	600	1,785
Intergovernmental	96,323	96,323	96,309
Charges for services	56,200	56,200	59,216
Miscellaneous	5,400	5,400	4,415
Total revenues	<u>1,422,755</u>	<u>1,422,755</u>	<u>1,436,444</u>
EXPENDITURES			
Current:			
Public safety	1,804,498	1,804,498	1,683,925
Capital outlay	100,000	100,000	3,339
Total expenditures	<u>1,904,498</u>	<u>1,904,498</u>	<u>1,687,264</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(481,743)</u>	<u>(481,743)</u>	<u>(250,820)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>456,000</u>	<u>456,000</u>	<u>170,095</u>
Total other financing sources	<u>456,000</u>	<u>456,000</u>	<u>170,095</u>
Net change in fund balance	<u>\$ (25,743)</u>	<u>\$ (25,743)</u>	<u>(80,725)</u>
Fund balance - beginning			<u>510,796</u>
Fund balance - ending			<u>\$ 430,071</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 942,000	\$ 942,000	\$ 956,382
Investment earnings	25,000	25,000	12,430
Miscellaneous	900	900	14,291
Total revenues	967,900	967,900	983,103
EXPENDITURES:			
Current:			
General government	264,534	264,534	136,922
Public safety	229,754	229,754	216,415
Public works	300	300	10,309
Public health	30,000	30,000	30,000
Social and economic services	5,000	5,000	5,000
Capital outlay	35,000	35,000	2,264
Total expenditures	564,588	564,588	400,910
Excess (deficiency) of revenues over (under) expenditures	403,312	403,312	582,193
OTHER FINANCING USES			
Transfers out	(884,241)	(884,241)	(201,148)
Total other financing uses	(884,241)	(884,241)	(201,148)
Net change in fund balance	\$ (480,929)	\$ (480,929)	381,045
Fund balance - beginning			1,848,951
Fund balance - ending			\$ 2,229,996

PARK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2011

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 second Monday in August or within 45 days of receiving certified taxable values from the Department of Revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

PARK COUNTY
SCHEDULE OF FUNDING PROGRESS-OTHER POST EMPLOYMENT BENEFITS
For the Year Ended June 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (AAL) - Entry Age (b)</u>	<u>Unfunded AAL (UALL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UALL as a Percentage of Covered Payroll [(b-a)/c]</u>
6/30/2010	\$ -	\$ 2,295,725	\$ 2,295,725	\$ -	\$ 4,044,397	0.567631
6/30/2011	\$ -	\$ 2,393,293	\$ 2,393,293	\$ -	\$ 4,022,174	0.595025

This schedule is based on the actuarial values as of July 1, 2009. Information for prior years is not available.

OTHER SUPPLEMENTARY INFORMATION

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

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, 2010	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2011
<u>U.S. Department of Transportation:</u>								
Direct Programs:								
Airport Improvement Program	20.106	DOT-FA10NM-2025	\$ 164,730	\$ (1,425)	\$ 144,470	\$ 162,341	\$ (226)	\$ (19,522)
Airport Improvement Program	20.106	DOT-FA11NM-2007	2,401,000	-	-	59,475	-	(59,475)
Subtotal				(1,425)	144,470	221,816	(226)	(78,997)
Highway Planning and Construction	20.205	10MT002	574,184	-	551,610	574,184	-	(22,574)
Passed through the Montana Department of Transportation:								
Highway Planning and Construction	20.205	STPE-SRTS 34 (23)	199,179	-	18,669	14,577	(18,669)	(14,577)
Subtotal				-	570,279	588,761	(18,669)	(37,151)
State and Community Highway Safety	20.600	2010-02-20-16	10,658	(1,352)	8,905	7,553	-	-
Subtotal				(1,352)	8,905	7,553	-	-
Total U.S. Department of Transportation				(2,777)	723,654	818,130	(18,895)	(116,148)
<u>U.S. Department of Justice:</u>								
Passed through the Montana Board of Crime Control:								
Violence Against Women Formula Grants	16.588	09-W03-90532	26,000	(7,833)	7,833	-	-	-
Violence Against Women Formula Grants	16.588	N/A	3,972	-	3,972	3,972	-	-
Violence Against Women Formula Grants	16.588	10-W03-90758	24,375	-	18,456	24,375	-	(5,919)
Subtotal				(7,833)	30,261	28,347	-	(5,919)
Passed through Gallatin County:								
Edward Byrne Memorial Justice Assistance Grant Program	16.738	10-G01-90869	49,145	-	38,061	49,145	-	(11,084)
Subtotal				-	38,061	49,145	-	(11,084)
Total U.S. Department of Justice				(7,833)	68,322	77,492	-	(17,003)
<u>U.S. Department of Homeland Security:</u>								
Passed through the Montana Department of Military Affairs - Disaster & Emergency Services Division:								
Homeland Security Grant Program	97.067	2009-SS-T9-0005	19,040	-	13,614	15,984	-	(2,370)
Subtotal				-	13,614	15,984	-	(2,370)
Pre-Disaster Mitigation	97.047	DMC-PJ-08-MT-2009-00	2,280,000	-	-	-	-	-
Subtotal				-	-	-	-	-
Emergency Management Performance Grants	97.042	2010-EP-E0-0015	31,879	-	13,655	30,694	-	(17,039)
Emergency Management Performance Grants	97.042	2009-EP-E9-0009	33,663	(6,925)	6,438	-	487	-
Subtotal				(6,925)	20,093	30,694	487	(17,039)
Total U.S. Department of Homeland Security				(6,925)	33,707	46,678	487	(19,409)
<u>U.S. Department of Health and Human Services:</u>								
Passed through the Montana Department of Public Health and Human Services:								
Maternal and Child Health Services								
Block Grant to the States	93.994	11-07-5-01-034-0	17,304	-	17,304	17,304	-	-
Subtotal				-	17,304	17,304	-	-
Immunization Grants	93.268	11-07-4-31-032-0	7,298	-	3,649	3,568	(81)	-
Immunization Grants	93.268	10-07-4-31-032-0	7,298	(982)	5,474	4,492	-	-
Subtotal				(982)	9,123	8,060	(81)	-
Public Health Emergency Preparedness	93.069	11-07-6-11-037-0	46,582	-	25,620	34,390	-	(8,770)
Public Health Emergency Preparedness	93.069	10-07-6-11-037-0	122,435	-	20,962	5,369	(15,593)	-
Subtotal				-	46,582	39,759	(15,593)	(8,770)

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

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, 2010	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2011
Passed through Rocky Mountain Area IV Agency on Aging:								
National Family Caregiver Support, Title III, Part E	93.052	2011-004-010	13,546	-	13,546	13,546	-	-
Subtotal				-	13,546	13,546	-	-
Total U.S. Department of Health and Human Services				(982)	86,555	78,669	(15,674)	(8,770)
<u>U.S. Department of Housing and Urban Development:</u>								
Passed through the Montana Department of Commerce:								
Community Development Block Grants/States								
Program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-10PG-11	14,000	-	-	-	-	-
Community Development Block Grants/States								
Program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-08HR-01	450,000	(58,990)	108,661	49,671	-	-
Subtotal				(58,990)	108,661	49,671	-	-
Home Investment Partnership Program	14.239	M08-SG3001-60	500,000	(61,782)	85,123	23,341	-	-
Subtotal				(61,782)	85,123	23,341	-	-
Total U.S. Department of Housing and Urban Development				(120,772)	193,784	73,012	-	-
<u>U.S. Department of Energy:</u>								
Direct Program:								
ARRA - Energy Efficiency and Conservation Block								
Grant Program, Recovery Act	81.128	09RW000290	67,100	-	-	67,100	-	(67,100)
Passed through the Montana Department of								
Environmental Quality:								
ARRA - Energy Efficiency and Conservation Block								
Grant Program, Recovery Act	81.128	DE-EE0000764	38,186	-	37,764	38,186	-	(422)
Total U.S. Department of Energy				-	37,764	105,286	-	(67,522)
<u>U.S. Department of the Interior:</u>								
Passed through the National Fish and Wildlife Foundation:								
Fish and Wildlife Management Assistance	15.608	2010-0055-015	53,075	-	-	-	-	-
Subtotal				-	-	-	-	-
Total U.S. Department of the Interior				-	-	-	-	-
<u>U.S. Department of Agriculture:</u>								
Passed through the Montana State Auditor's Office:								
Secure Payments for States and Counties Containing								
Federal Lands	10.665	N/A	562,647	117,014	562,647	527,944	-	151,717
Subtotal				117,014	562,647	527,944	-	151,717
Passed through State Department of Natural Resources								
and Conservation:								
Cooperative Forestry Assistance	10.664	VFA-11-340	22,000	-	-	-	-	-
Subtotal				-	-	-	-	-
Total U.S. Department of Agriculture				117,014	562,647	527,944	-	151,717
Total Federal Awards				\$ (22,275)	\$ 1,706,433	\$ 1,727,211	\$ (34,082)	\$ (77,135)

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

2010-10.U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Community Development Block Grants/States Program and Non-Entitlement Grants in Hawaii; CFDA No. 14.228, Grant No. MT-CDBG-08HR-01; Home Investment Partnership Program; CFDA No. 14.239; Grant No. M08-SG3001-60.

Condition: The County only monitored Davis-Bacon compliance on contractors whose contracts were in excess of \$10,000, not all who were subject to the Act.

Condition: Amounts reported on the grant reports/requests for reimbursement did not agree to the general ledger.

Current Status: Implemented

2010-11.All Major Programs

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

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

Cause: We are a small organization with limited resources.

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

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

Current Status: This finding is repeated in the schedule of findings and questioned costs as finding 2011-7.

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

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

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

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

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

Current Status: This finding is repeated in the schedule of findings and questioned costs as finding 2011-7.

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

To the Board of County Commissioners
Park County
Livingston, Montana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park County, Montana (the government) as of and for the year ended June 30, 2011, which collectively comprise the government's basic financial statements and have issued our report thereon dated December 20, 2011. The report included an explanatory paragraph to describe a change in accounting principle. Also, the report on business-type activities and the landfill fund was qualified because adequate records were not available to support the recorded balance of the landfill closure/postclosure costs liability and related expense. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over financial reporting.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. (Findings 2011-1 through 2011-4)

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (Findings 2011-5 through 2011-6)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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)

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

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

O'Leary & Associates, PC

December 20, 2011

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

To the Board of County Commissioners
Park County
Livingston, Montana

Compliance

We have audited Park County, Montana's (the government) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the government's major federal programs for the year ended June 30, 2011. The government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the government's management. Our responsibility is to express an opinion on the government's compliance based on our audit.

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

In our opinion, the government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2011-7 to be a material weakness.

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

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

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

O'Leary & Associates, PC

December 20, 2011

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to the financial statements noted? yes X no

FEDERAL AWARDS:

Internal control over major programs:

- Material weaknesses identified? X yes no
- Significant deficiency(ies) identified? yes X 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? X yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction
10.665	Secure Payments for States and Counties Containing Federal Lands

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

Auditee qualified as low-risk auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-1. FINANCIAL STATEMENT PREPARATION

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

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

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

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

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

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

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

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.

2011-2. SEGREGATION OF DUTIES

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

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

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

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

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

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

2011-3. LANDFILL CLOSURE/POSTCLOSURE LIABILITY

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

Condition: Separate cost estimates for the closure and postclosure care costs for the Class II and Class IV landfills were not available for the year ended June 30, 2011. Additionally, total capacity for Class II and Class IV landfills could not be identified.

Cause: Unknown.

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

Recommendation: For each of the Class II and Class IV landfills, total capacity and cost estimates for the closure and postclosure care costs should be determined. This information should be used to update the landfill closure/postclosure care liability.

Response: Park County will contract with an engineering firm to identify total capacity for its Class II and Class IV landfill units and to create separate trust fund calculations for each unit in order to update the landfill closure/postclosure care liability.

2011-4. CASH AND INVESTMENT RECONCILIATIONS NOT COMPLETE OR ACCURATE

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

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

Cause: Unknown.

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

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

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

Response: The Treasurer has changed reconciliation procedures to include complete documentation of all reconciling items at the end of each month.

2011-5. 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 developed perpetual inventory records.

Response: The county is committed to maintaining internal controls over road and bridge inventory. Although a perpetual inventory system is not a requirement of Montana code, the county has installed software capable of establishing such a system. The IT department will work with the road and bridge supervisor to finalize full implementation of the software in order to produce a perpetual inventory system.

2011-6. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

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

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

Cause: Unknown.

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

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

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

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2011-7. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2011-1 and 2011-2 apply to these federal award programs.

PARK COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

<u>PRIOR YEAR FINANCIAL STATEMENT FINDINGS</u>	<u>STATUS</u>
2010-1. FINANCIAL STATEMENT PREPARATION	CONTINUED DISCLOSURE
2010-2. SEGREGATION OF DUTIES	CONTINUED DISCLOSURE
2010-3. TREASURER DUTIES	NOT APPLICABLE
2010-4. PROTESTED TAXES	IMPLEMENTED
2010-5. ESTABLISH A PERPETUAL INVENTORY SYSTEM	NOT IMPLEMENTED
2010-6. JUSTICE OF THE PEACE TIME PAY ACCOUNTING	NOT IMPLEMENTED
2010-7. CLERK OF DISTRICT COURT TRUST	IMPLEMENTED
2010-8. COMPETITIVE BIDDING	NOT IMPLEMENTED
2010-9. U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT	IMPLEMENTED