

**PARK COUNTY
LIVINGSTON, MONTANA
FINANCIAL STATEMENTS
For the Year Ended June 30, 2010**

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARK COUNTY

ORGANIZATION

June 30, 2010

BOARD OF COUNTY COMMISSIONERS

Marty Malone	Board Chairperson
Jim Durgan	Commissioner
Randy Taylor	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, 2010, which collectively comprise the government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the government's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the government, as of June 30, 2010, 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. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions.

As described in Note 1 to the financial statements, the government changed its method of capitalizing certain capital assets.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 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 and budgetary comparison information 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'less & Associates, PC

January 28, 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, 2010. 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 decreased 2 percent as a result of this year's operations. Net assets of our governmental activities decreased \$784,658 or 3 percent, while net assets of our business-type activities increased by \$222,412 or 11 percent.
- During the year, our government had expenses that were \$3,500,397 more than the \$7,205,934 generated in tax and other revenues for governmental activities.
- In the business-type activities, revenues increased \$230,099 (21 percent) while expenses decreased \$36,817 (3 percent).
- Total cost of all governmental programs increased by \$2,046,457, or 24 percent. New programs added include: CDBG Grant, HOME Grant and DES Grant. The Mechanic fund and Rodent Control fund were consolidated into other funds. The Gardiner Sewer Maintenance fund was transferred to the Gardiner Park County Water & Sewer District. GASB No. statement 45-Other post employment benefits was implemented during the year which resulted in \$329,288 in additional expenses.
- The General fund cash balance decreased this year of \$61,082 due to an increase in overall expenses.

USING THIS AUDIT REPORT

This audit report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the county's finances. 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. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliations (pages 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	
	2010	2009	2010	2009	2010	2009
Current and other assets	\$ 17,736,130	\$ 18,807,614	\$ 3,722,467	\$ 3,213,002	\$ 21,458,597	\$ 22,020,616
Capital assets	7,221,559	7,119,980	1,088,273	1,228,158	8,309,832	8,348,138
Total assets	24,957,689	25,927,594	4,810,740	4,441,160	29,768,429	30,368,754
Other liabilities	216,309	211,638	40,814	-	257,123	211,638
Long-term liabilities outstanding	1,095,577	1,254,770	2,516,201	2,409,847	3,611,778	3,664,617
Total liabilities	1,311,886	1,466,408	2,557,015	2,409,847	3,868,901	3,876,255
Net assets:						
Invested in capital assets, net of related debt	6,838,734	6,216,217	911,405	1,011,769	7,750,139	7,227,986
Restricted	285,574	349,513			285,574	349,513
Unrestricted	16,521,495	17,895,456	1,342,320	1,019,544	17,863,815	18,915,000
	\$ 23,645,803	\$ 24,461,186	\$ 2,253,725	\$ 2,031,313	\$ 25,899,528	\$ 26,492,499

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 (\$285,574) represent resources that are subject to external restrictions on how they may be used. The majority of these assets (\$229,498) are held in the county's hard rock mining trust. Unrestricted net assets (\$17,863,815) are resources that may be used to meet the governments' ongoing obligations to citizens and creditors. As of June 30, 2010 assets exceeded liabilities by \$23,645,803 for the governmental activities and \$2,253,725 for the business-type activities, or a total of \$25,899,528.

From fiscal year 2009 to 2010, net assets for governmental activities decreased \$784,658 or 3 percent and liabilities. Impacting this was the fact that in fiscal year 2010, the county paid off a commercial loan for four road graders by refinancing the loan internally through the BN Capital fund at 2% interest. This resulted in a large outflow of cash for the year, but will ultimately save on interest over the 10 year life of the loan.

In April 2010, the county transferred capital assets (land, buildings, machinery and equipment) with a book value of \$302,921, to the Gardiner Park County Water & Sewer District. This finalized negotiations to comply with a voter approved initiative for the reorganized District to take over maintenance and operation of Gardiner Sewer facilities from the county.

Net assets for the enterprise funds increased by \$222,412 or 10 percent. 2009 mobile home taxes were not billed until after the end of the 2009 fiscal year. As a result, 2 years of mobile home taxes were billed in fiscal year 2010.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET ASSETS:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenues:						
Program revenues:						
Charges for services	\$ 784,146	\$ 799,216	\$ 1,481,705	\$ 1,222,860	\$ 2,265,851	\$ 2,022,076
Operating grants and contributions	1,822,572	955,566	-	-	1,822,572	955,566
Capital grants and contributions	109,021	349,506	-	-	109,021	349,506
General revenues:						
Taxes	4,807,348	4,641,690	-	-	4,807,348	4,641,690
Licenses and permits	26,585	33,940	-	-	26,585	33,940
Intergovernmental	2,119,924	3,338,459	-	-	2,119,924	3,338,459
Interest	196,227	452,103	70,575	77,183	266,802	529,286
Miscellaneous	102,925	79,629	-	22,138	102,925	101,767
Gain on disposal of capital assets	-	9,779	-	-	-	9,779
Total revenues	<u>9,968,748</u>	<u>10,659,888</u>	<u>1,552,280</u>	<u>1,322,181</u>	<u>11,521,028</u>	<u>11,982,069</u>
Expenses:						
General government	3,232,217	2,748,306	-	-	3,232,217	2,748,306
Public safety	3,060,673	2,839,939	-	-	3,060,673	2,839,939
Public works	1,949,285	1,644,151	-	-	1,949,285	1,644,151
Public health	570,356	502,707	-	-	570,356	502,707
Social and economic services	288,255	216,086	-	-	288,255	216,086
Culture and recreation	644,916	607,489	-	-	644,916	607,489
Housing and community development	869,869	7,119	-	-	869,869	7,119
Landfill	-	-	450,309	472,838	450,309	472,838
Incinerator/transfer station	-	-	926,634	940,922	926,634	940,922
Interest on long-term debt	26,852	58,891	-	-	26,852	58,891
Intergovernmental	63,908	35,186	-	-	63,908	35,186
Total expenses	<u>10,706,331</u>	<u>8,659,874</u>	<u>1,376,943</u>	<u>1,413,760</u>	<u>12,083,274</u>	<u>10,073,634</u>
Change in net assets before transfers	(737,583)	2,000,014	175,337	(91,579)	(562,246)	1,908,435
Transfers	(47,075)	(41,343)	47,075	41,343	-	-
Change in net assets	(784,658)	1,958,671	222,412	(50,236)	(562,246)	1,908,435
Net assets, beginning	24,461,186	22,605,489	2,031,313	2,081,549	26,492,499	24,687,038
Prior period adjustment	(30,725)	(102,974)	-	-	(30,725)	(102,974)
Net assets, ending	<u>\$ 23,645,803</u>	<u>\$ 24,461,186</u>	<u>\$ 2,253,725</u>	<u>\$ 2,031,313</u>	<u>\$ 25,899,528</u>	<u>\$ 26,492,499</u>

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.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Governmental funds

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

- *General Fund:* This is the primary operating fund for Park County and includes the Commissioners, Justice of the Peace, Clerk and Recorder, 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 \$614,010 in fiscal year 2010. Transfers in from other funds included \$260,000 from PILT and \$127,124 from the Permissive Medical Levy. Total revenues increased \$45,421 over the prior fiscal year. Actual expenditures increased \$9,826 from the prior year. The General fund cash balance as of June 30, 2010 decreased \$61,082 from the prior year.

- *Public Safety:* The Public Safety fund accounts for activities for Law Enforcement: the Sheriff's Office, detention center, civil clerk, concealed weapons licensing, and the community service program. Revenues and other sources in 2010 were \$1,704,928, a decrease of \$386,343 from the prior year. A large part of that amount (\$263,915) was due to decreased budgeted transfers in from PILT and Option tax. Although appropriations for law enforcement increased more than 7% from \$1,868,408 in fiscal year 2009 to \$2,004,622 in fiscal year 2010, actual expenditures increased less than 5%; this increase was mainly due to personnel costs, new vehicle purchases, and costs for offsite boarding of prisoners.
- *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 at least one year's payment amount in the fund balance pending changes in federal government policy. The majority of appropriations are transfers out to other funds in order to finance their operations, such as Law Enforcement, General, Road, Planning, and Fair funds. This fund is also used for operating costs of certain Public Safety services, Litigation expenses, motor pool maintenance, Fire Council, 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 Payment in Lieu of Taxes program beginning in 2008 and through 2012. The PILT payment for fiscal year 2009 was \$1,378,838 and the county expected the same level of funding in fiscal year 2010. However, since prior year federal payments under certain revenue sharing programs are deducted in formulating the payment amounts and Park County had received increased allocations through the Secure Rural Schools and Communities Act in FY09, the amount that the county actually received was \$854,433. This shortfall of PILT revenue amounted to more than \$500,000 and had a significant impact on PILT expenditures in fiscal year 2010 especially transfers out to other funds. This is reflected in the PILT fund balance decreasing \$267,675 from the prior year, to \$1,848,951 on June 30, 2010.
- *Road Fund:* This fund accounts for costs related to maintenance and reconstruction of county roads. Revenues in 2010 were \$379,479 less than the prior year, largely because there were no budgeted transfers in from PILT (fiscal year 2009 saw \$320,000 transferred in from PILT). Additionally, Secure Rural Schools funding was reduced approximately 13%, from \$596,927 in fiscal year 2009 to \$519,805. Expenditures increased from \$1,068,743 (2009) to \$1,615,538 in fiscal year 2010 because of the refinancing of 4 road graders.
- *BN Capital Improvement Fund:* This fund represents the amount awarded to the county from a lawsuit plus interest. Fund balance as of June 30, 2010 was \$10,965,118. Use of funds is restricted by the terms of the suit's settlement and Commissioner resolutions that further restrict use. Annually \$50,000 of the interest is appropriated for monitoring and cleanup costs related to the Landfill. Another \$650,000 was loaned from this fund to the Road fund, per Resolution #1056, to pay off a commercial loan for 4 graders. In effect, the graders were refinanced through this fund, with repayment over 10 years at 2% interest.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues for the General fund, before transfers in and out, were \$53,913 less than budgeted, or 2%. Revenue for the local option tax, which is collected in the General fund, were 2% more than budgeted, and tax revenues were short by 1%, not significant variations. Besides a \$70,000 mental health reimbursement grant that was budgeted for but failed to materialize, the greatest shortfall in revenue was in investment earnings, \$56,657 less than budgeted.

Expenditures before other financing sources and uses were \$423,314 more than revenues. Transfers out to other funds were \$44,985 to the Law Enforcement fund for the Sheriff's share of Justice Court fines; transfers in included \$260,000 from PILT and \$127,124 from the Permissive Medical Levy fund. With the total of transfers in and out, the net total expenditures were \$79,973 more than revenues. Actual expenditures were 91% of budgeted expenditures.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Park County's investment in capital assets, net of related debt, as of June 30, 2010, totaled \$6,509,446, an increase of \$293,229 over the prior year. This investment includes land, buildings, improvements other than buildings, machinery, and equipment. For fiscal year 2010, additions included: land donated in Gardiner, construction (ongoing) of a community center in Cooke City, 4 vehicles for law enforcement, a truck for Junk Vehicle, heavy equipment for the Road department, security video system for the city/county complex, internet protocol telephone system for the city/county complex, and expenses related to the replacement of the 9th Street Bridge.

Long Term Debt: As of June 30, 2010, Park County had at total of \$1,030,050 in outstanding long-term debt. Debt retired in fiscal year 2010 includes paying off a Road department equipment lease and 2 Gardiner Sewer District general obligation bonds.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The taxable value of property in Park County (less the value of the Tax Increment Financing Districts) increased 4.4% from \$34,758,863 in FY09 to \$36,284,647 in FY10. 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. Reappraised values effective Jan 1, 2009, were used to calculate taxes billed October 2009, which were revenues received in FY10. Reappraisal values are phased-in at the rate of one-sixth each year.

County General mills (a.k.a. floating 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 mills for the County General mills went from 77.56 mills in FY09 to 79.323 mills in FY10 per calculations according to 15-10-420, MCA. However, the commissioners chose to leave 1.697 mills unlevied and only assessed 77.626 mills. With the increase in value of a county mill and the increase in number of mills allowed to be levied, tax revenues for the County General mills were expected to increase 4%, from \$2,695,733 in FY09 to \$2,816,630 in FY10.

The 2009 Montana Legislature passed SB 491, a bill that clarified the amount of property taxes that may be permissively levied for employee health insurance. Calculations for the Permissive Medical Levy for FY10 resulted in the County having the authority to levy 10.57 mills. However, the county commissioners declined to increase the levy from the prior year level of 8.284 mills, leaving 2.286 mills "on the table."

After 2 years of planning, the assets of the Gardiner Sewer Maintenance and Operations fund were transferred in April 2010 to the Gardiner Park County Water & Sewer District, per voter approved initiative. The county paid off two general obligation bonds related to the Sewer district, and the final bond is budgeted to be paid off in FY11.

Personnel expenses for the year included a 2.8% Cost of Living Adjustment effective July 1, 2009. Retroactive longevity pay to Law Enforcement deputies and Public Employees Retirement System retroactive payments and penalties amounted to \$68,649, all of which were paid from PILT. With the retirement of the Landfill manager, both the Landfill and Refuse departments were consolidated under one department head.

Grant funding played a large part in the county's financials for the year, including \$70,000 more in a Public Health Emergency Preparedness grant than anticipated, due to the H1N1 virus. Park County sponsored CDBG and Home grants in the amount of \$837,514 in FY10 for renovation of the Livingston Senior Citizens Center, ongoing into the next fiscal year. The county also received notification of a \$2.8 million FEMA grant for restoration of Freshman Creek, for which activity will begin in the next fiscal year. Efforts to finance and replace the failed 9th Street Bridge continued throughout the year. The county applied for and was granted \$176,000 for bridge replacement expenses and road improvement expenses through House Bill 645, using American Recovery and Reinvestment Act (ARRA) funds. The county also received a congressional appropriation tacitly approved for \$608,000 and negotiated with the Federal Highway Administration for self-administration.

PARK COUNTY
STATEMENT OF NET ASSETS
June 30, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 6,952,497	\$ 1,374,447	\$ 8,326,944
Investments	9,892,051	-	9,892,051
Receivables:			
Taxes/assessments	530,109	232,041	762,150
Solid waste	-	3,605	3,605
Resort tax	25,705	-	25,705
Other	4,879	-	4,879
Governments	243,034	-	243,034
Inventories	36,588	-	36,588
Prepaid items	30,734	-	30,734
Deferred charges	20,533	-	20,533
Restricted assets:			
Cash and equivalents	-	73,553	73,553
Investments	-	2,038,821	2,038,821
Capital assets:			
Land and construction in progress	1,052,500	52,528	1,105,028
Depreciable capital assets, net	6,169,059	1,035,745	7,204,804
Total assets	<u>24,957,689</u>	<u>4,810,740</u>	<u>29,768,429</u>
LIABILITIES			
Accounts payable-vendors	162,959	40,814	203,773
Deferred revenue	53,350	-	53,350
Long-term liabilities:			
Due within one year:			
Bonds, notes and capital leases	54,349	41,316	95,665
Compensated absences	38,346	8,689	47,035
Due in more than one year:			
Bonds, notes and capital leases	328,476	135,552	464,028
Compensated absences	345,118	78,204	423,322
Landfill closure/postclosure costs payable	-	2,203,236	2,203,236
Other post employment benefits	329,288	49,204	378,492
Total liabilities	<u>1,311,886</u>	<u>2,557,015</u>	<u>3,868,901</u>
NET ASSETS			
Invested in capital assets, net of related debt	6,838,734	911,405	7,750,139
Restricted for:			
Roads and streets	56,076	-	56,076
Hard rock mining impact	229,498	-	229,498
Unrestricted	16,521,495	1,342,320	17,863,815
Total net assets	<u>\$ 23,645,803</u>	<u>\$ 2,253,725</u>	<u>\$ 25,899,528</u>

PARK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,232,217	\$ 297,342	\$ 160,482	\$ 13,120	\$ (2,761,273)	\$ -	\$ (2,761,273)
Public safety	3,060,673	236,360	321,668	-	(2,502,645)	-	(2,502,645)
Public works	1,949,285	175,148	227,445	65,901	(1,480,791)	-	(1,480,791)
Public health	570,356	32,533	194,943	-	(342,880)	-	(342,880)
Social and economic services	288,255	7,031	8,068	-	(273,156)	-	(273,156)
Culture and recreation	644,916	35,732	40,097	30,000	(539,087)	-	(539,087)
Housing and community development	869,869	-	869,869	-	-	-	-
Interest on long-term debt	26,852	-	-	-	(26,852)	-	(26,852)
Intergovernmental	63,908	-	-	-	(63,908)	-	(63,908)
Total governmental activities	10,706,331	784,146	1,822,572	109,021	(7,990,592)	-	(7,990,592)
Business-type activities:							
Landfill	450,309	418,616	-	-	-	(31,693)	(31,693)
Refuse Facility	926,634	1,063,089	-	-	-	136,455	136,455
Total business-type activities	1,376,943	1,481,705	-	-	-	104,762	104,762
Total	\$ 12,083,274	\$ 2,265,851	\$ 1,822,572	\$ 109,021	(7,990,592)	104,762	(7,885,830)
General revenues:							
Property taxes					4,807,348	-	4,807,348
Licenses and permits					26,585	-	26,585
Intergovernmental					2,119,924	-	2,119,924
Unrestricted investment earnings					196,227	70,575	266,802
Miscellaneous					102,925	-	102,925
Transfers					(47,075)	47,075	-
Total general revenues and transfers					7,205,934	117,650	7,323,584
Change in net assets					(784,658)	222,412	(562,246)
Net assets - beginning					24,461,186	2,031,313	26,492,499
Prior period adjustments					(30,725)	-	(30,725)
Net assets - ending					\$ 23,645,803	\$ 2,253,725	\$ 25,899,528

PARK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	General	Road	Public Safety	PILT	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 557,457	\$ 333,165	\$ 512,996	\$ 1,354,910	\$ 1,021,114	\$ 3,154,644	\$ 6,934,286
Investments	100,000	-	-	500,000	9,292,051	-	9,892,051
Receivables:							
Taxes/assessments	89,027	41,455	147,544	-	-	252,083	530,109
Governments	49,676	-	-	2,332	-	191,026	243,034
Resort tax	-	-	-	-	-	25,705	25,705
Other	-	-	-	-	1,953	2,926	4,879
Due from other funds	-	-	-	-	650,000	-	650,000
Inventories	-	8,962	-	-	-	27,626	36,588
Prepaid items	-	-	-	-	-	30,734	30,734
Total assets	\$ 796,160	\$ 383,582	\$ 660,540	\$ 1,857,242	\$ 10,965,118	\$ 3,684,744	\$ 18,347,386
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable-vendors	\$ 6,167	\$ -	\$ 2,200	\$ 8,291	\$ -	\$ 146,301	\$ 162,959
Due to other funds	-	650,000	-	-	-	-	650,000
Deferred revenue	89,027	41,455	147,544	-	-	253,433	531,459
Total liabilities	95,194	691,455	149,744	8,291	-	399,734	1,344,418
Fund balances:							
Reserved for:							
Prepaid items	-	-	-	-	-	30,734	30,734
Debt service	-	-	-	-	-	43,003	43,003
Noncurrent portion of interfund receivables	-	-	-	-	583,365	-	583,365
Unreserved	700,966	(307,873)	510,796	1,848,951	10,381,753	-	13,134,593
Unreserved, reported in non-major:							
Special revenue funds	-	-	-	-	-	2,820,078	2,820,078
Capital projects funds	-	-	-	-	-	391,195	391,195
Total fund balances	700,966	(307,873)	510,796	1,848,951	10,965,118	3,285,010	17,002,968
Total liabilities and fund balances	\$ 796,160	\$ 383,582	\$ 660,540	\$ 1,857,242	\$ 10,965,118	\$ 3,684,744	\$ 18,347,386

PARK COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2010

Total fund balance, governmental funds	\$ 17,002,968
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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.	7,221,559
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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.	20,533
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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.	478,109
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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.	18,211
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Some liabilities, such as notes payable, capital leases payable, compensated absences, bonds payable 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>(1,095,577)</u>
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Net assets of governmental activities	<u><u>\$ 23,645,803</u></u>
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PARK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	General	Road	Public Safety	PILT	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	\$ 1,370,595	\$ 348,190	\$ 1,209,567	\$ -	\$ -	\$ 1,847,369	\$ 4,775,721
Fines and forfeitures	141,404	-	-	-	-	16,819	158,223
Licenses and permits	22,515	3,300	770	-	-	-	26,585
Intergovernmental	380,193	655,993	109,938	879,243	-	1,956,716	3,982,083
Charges for services	263,471	317	58,998	-	-	292,654	615,440
Investment earnings	13,343	-	-	11,863	163,275	7,746	196,227
Miscellaneous	37,397	23	9,842	3,014	-	108,963	159,239
Total revenues	2,228,918	1,007,823	1,389,115	894,120	163,275	4,230,267	9,913,518
EXPENDITURES							
Current:							
General government	2,028,351	-	-	199,655	-	526,639	2,754,645
Public safety	188,290	-	1,720,859	237,134	-	577,894	2,724,177
Public works	-	853,741	-	172	-	794,517	1,648,430
Public health	296,490	-	-	15,000	-	231,032	542,522
Social and economic services	126,510	-	-	5,000	-	154,588	286,098
Culture and recreation	4,328	-	-	-	-	629,768	634,096
Housing and community development	-	-	-	-	-	869,869	869,869
Debt service:							
Principal	-	727,206	-	-	-	109,815	837,021
Interest and other charges	-	11,237	-	-	-	14,148	25,385
Capital outlay	8,263	23,354	153,596	109,871	-	610,684	905,768
Intergovernmental	-	-	-	-	-	63,908	63,908
Total expenditures	2,652,232	1,615,538	1,874,455	566,832	-	4,582,862	11,291,919
Excess (deficiency) of revenues over (under) expenditures	(423,314)	(607,715)	(485,340)	327,288	163,275	(352,595)	(1,378,401)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	16,083	-	-	-	300,000	316,083
Transfers in	388,326	33,310	315,812	-	-	689,664	1,427,112
Transfers out	(44,985)	(138,000)	-	(594,963)	(47,075)	(649,164)	(1,474,187)
Total other financing sources (uses)	343,341	(88,607)	315,812	(594,963)	(47,075)	340,500	269,008
Net change in fund balances	(79,973)	(696,322)	(169,528)	(267,675)	116,200	(12,095)	(1,109,393)
Fund balances - beginning	780,939	426,075	680,324	2,116,626	10,848,918	3,290,204	18,143,086
Prior period adjustments	-	(37,626)	-	-	-	6,901	(30,725)
Fund balances - ending	\$ 700,966	\$ (307,873)	\$ 510,796	\$ 1,848,951	\$ 10,965,118	\$ 3,285,010	\$ 17,002,968

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, 2010

Net change in fund balances - total governmental funds \$ (1,109,393)

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 (\$905,768) exceeded depreciation (\$506,844) in the current period. 398,924

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. (310,465)

Donated land 13,120

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. 42,110

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

Bond issuance costs	22,000	
Amortization of bond issuance costs	(1,467)	
Principal payments on debt	837,021	
Long-term debt issued	(316,083)	541,471

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	(32,457)
Other post employment benefits	(329,288)

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

1,320

Change in net assets of governmental activities \$ (784,658)

PARK COUNTY
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Enterprise Funds			Internal Service Funds
	Landfill	Refuse Facility	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 344,607	\$ 1,029,840	\$ 1,374,447	\$ 18,211
Receivables:				
Taxes/assessments	47,565	184,476	232,041	-
Solid waste	3,510	95	3,605	-
Total current assets	395,682	1,214,411	1,610,093	18,211
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	73,553	-	73,553	-
Investments	2,038,821	-	2,038,821	-
Total restricted assets	2,112,374	-	2,112,374	-
Capital assets:				
Land	-	52,528	52,528	-
Buildings and improvements	54,241	207,636	261,877	-
Equipment and furniture	594,590	1,354,297	1,948,887	-
Less: accumulated depreciation	(229,554)	(945,465)	(1,175,019)	-
Total capital assets	419,277	668,996	1,088,273	-
Total non-current assets	2,531,651	668,996	3,200,647	-
Total assets	2,927,333	1,883,407	4,810,740	18,211
LIABILITIES				
Current liabilities:				
Accounts payable-vendors	336	40,478	40,814	-
Compensated absences	1,574	7,115	8,689	-
Capital lease obligation	41,316	-	41,316	-
Total current liabilities	43,226	47,593	90,819	-
Non-current liabilities:				
Compensated absences	14,163	64,041	78,204	-
Capital lease obligation	135,552	-	135,552	-
Landfill closure/postclosure costs payable	2,203,236	-	2,203,236	-
Other post employment benefits	11,809	37,395	49,204	-
Total non-current liabilities	2,364,760	101,436	2,466,196	-
Total liabilities	2,407,986	149,029	2,557,015	-
NET ASSETS				
Invested in capital assets, net of related debt	242,409	668,996	911,405	-
Unrestricted	276,938	1,065,382	1,342,320	18,211
Total net assets	\$ 519,347	\$ 1,734,378	\$ 2,253,725	\$ 18,211

PARK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Enterprise Funds			Internal Service Funds
	Landfill	Refuse Facility	Total	Funds
REVENUES				
Charges for services	\$ 116,442	\$ 22,471	\$ 138,913	\$ 2,535
Assessment revenue	302,174	1,040,618	1,342,792	-
Total operating revenues	418,616	1,063,089	1,481,705	2,535
OPERATING EXPENSES				
Personal services	169,404	489,038	658,442	-
Supplies	21,118	66,807	87,925	-
Purchased services	64,836	255,023	319,859	-
Fixed charges	28,354	34,057	62,411	1,215
Closure/postclosure costs	98,593	-	98,593	-
Depreciation	58,176	81,709	139,885	-
Total operating expenses	440,481	926,634	1,367,115	1,215
Operating income (loss)	(21,865)	136,455	114,590	1,320
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	70,575	-	70,575	-
Interest expense	(9,828)	-	(9,828)	-
Total non-operating revenue (expenses)	60,747	-	60,747	-
Income before transfers	38,882	136,455	175,337	1,320
Transfers in	47,075	-	47,075	-
Change in net assets	85,957	136,455	222,412	1,320
Total net assets - beginning	433,390	1,597,923	2,031,313	16,891
Total net assets - ending	\$ 519,347	\$ 1,734,378	\$ 2,253,725	\$ 18,211

PARK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2010

	Enterprise Funds			Internal
	Landfill	Refuse Facility	Total	Service Funds
CASH FLOWS FROM OPERATIONS:				
Cash received from customers	\$ 405,825	\$1,001,702	\$ 1,407,527	\$ -
Cash received from interfund services	-	-	-	2,535
Cash paid to employees	(165,511)	(445,649)	(611,160)	-
Cash paid to suppliers for goods and services	(113,972)	(315,409)	(429,381)	(1,215)
Net cash provided by operating activities	126,342	240,644	366,986	1,320
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from operating transfers	47,075	-	47,075	-
Net cash provided by noncapital financing activities	47,075	-	47,075	-
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Principal payments on debt	(39,521)	-	(39,521)	-
Interest paid	(9,828)	-	(9,828)	-
Net cash used by capital financing activities	(49,349)	-	(49,349)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	(73,368)	-	(73,368)	-
Interest received	70,575	-	70,575	-
Net cash used by investing activities	(2,793)	-	(2,793)	-
Change in cash and cash equivalents	121,275	240,644	361,919	1,320
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of \$76,346)	296,885	789,196	1,086,081	16,891
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
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (21,865)	\$ 136,455	\$ 114,590	\$ 1,320
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	58,176	81,709	139,885	-
Closure/postclosure costs	98,593	-	98,593	-
Other post employment benefits	11,809	37,395	49,204	-
Increase in accounts receivable	(16,422)	(65,459)	(81,881)	-
Decrease in taxes/assessments receivable	3,631	4,072	7,703	-
Increase in accounts payable	336	40,478	40,814	-
Increase (decrease) in compensated absences	(7,916)	5,994	(1,922)	-
Net cash provided by operating activities	\$ 126,342	\$ 240,644	\$ 366,986	\$ 1,320

PARK COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2010

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 3,512,032	\$ 1,731,119
Investments	74,147	-
Taxes/assessments receivable	-	1,699,998
Total assets	<u>3,586,179</u>	<u>\$ 3,431,117</u>
LIABILITIES		
Accounts payable	-	\$ 848,772
Due to special districts	-	80,424
Due to state	-	798,212
Due to schools	-	905,499
Due to cities/towns	-	798,210
Total liabilities	<u>-</u>	<u>\$ 3,431,117</u>
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ 3,586,179</u>	

PARK COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2010

	External Investment Trust Fund
ADDITIONS	
Contributions	\$ 2,889,298
Interest	<u>10,337</u>
Total additions	<u>2,899,635</u>
DEDUCTIONS	
Distribution of investments	<u>3,130,577</u>
Total deductions	<u>3,130,577</u>
Change in net assets	(230,942)
Net assets - beginning	<u>3,817,121</u>
Net assets - ending	<u><u>\$ 3,586,179</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 adopted the provisions of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. The Statement establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers. 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 funds, proprietary funds 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. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

The government reports the following major governmental funds:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The road fund accounts for resources accumulated and payments made for providing road and street services to county residents.

The public safety fund accounts for resources accumulated 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 resources and payments related to general improvements or capital purchases.

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. 14% 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 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.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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 fund balance reserve 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. Effective July 1, 2009, the government changed its capitalization policy. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, \$10,000 for buildings and improvements and \$25,000 for infrastructure and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Collections Not Capitalized

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

Compensated Absences

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

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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."

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

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 (\$307,873) and Cooke City Community Center CIP (\$4,327) funds had deficit fund balances as of June 30, 2010. The deficit in the Road fund occurred because the fund paid off a loan for motor graders. The deficit is expected to be eliminated over time with the collection of property taxes. The deficit in the Cooke City Community Center CIP fund occurred because of cost overruns on the construction project. The deficit is expected to be eliminated by transferring funds from the General fund or PILT fund.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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	\$ 16,844,548
Business-type activities	3,486,821
Fiduciary funds	<u>5,317,298</u>
	<u>\$ 25,648,667</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2010, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 2,725	\$ -	\$ 2,725
Cash in banks:			
Demand deposits	1,311,027	-	1,311,027
Savings deposits	428,711	-	428,711
Time deposits	-	174,147	174,147
U.S. Government securities	-	11,830,872	11,830,872
Broker money market	699,333	-	699,333
Short-term Investment Program (STIP)	<u>11,201,852</u>	<u>-</u>	<u>11,201,852</u>
	<u>\$13,643,648</u>	<u>\$ 12,005,019</u>	<u>\$25,648,667</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, 2010, the government's bank balances were covered by FDIC.

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2010, exceeded the amount required by state statute.

The investment pool portfolio as of June 30, 2010 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	1.15 to 2.80%	Various	\$ 174,147	\$ 174,147	\$ 174,147	1.45%
U.S. Government securities	.75 to 5.25%	Various	11,843,000	<u>11,830,872</u>	<u>11,912,926</u>	98.55%
				<u>\$ 12,005,019</u>	<u>\$ 12,087,073</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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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	\$ -	\$ 10,330,872	\$ 11,830,872	\$ 11,912,926
Broker money market	-	-	699,333	699,333	699,333
	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 11,030,205</u>	<u>12,530,205</u>	<u>\$ 12,612,259</u>
Uncategorized: STIP				<u>11,201,852</u>	
				<u>\$ 23,732,057</u>	

Following is the condensed schedule of changes in net assets and net assets for the investment pool for the year ended June 30, 2010:

	Internal	External	Total
Net assets - beginning of year	\$ 22,475,766	\$ 3,817,121	\$ 26,292,887
Contributions from participants	18,492,537	2,889,298	21,381,835
Investment earnings/change in fair value	268,024	10,337	278,361
Distributions to participants	(19,173,839)	(3,130,577)	(22,304,416)
Net assets - end of year	<u>\$ 22,062,488</u>	<u>\$ 3,586,179</u>	<u>\$ 25,648,667</u>

Capital Assets

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 451,369	\$ 13,120	\$ (161,740)	\$ 302,749
Construction-in-progress	182,466	567,285	-	749,751
Total capital assets, not being depreciated	<u>633,835</u>	<u>580,405</u>	<u>(161,740)</u>	<u>1,052,500</u>
Capital assets, being depreciated				
Buildings/improvements	5,349,742	-	(83,075)	5,266,667
Improvements other than buildings	654,614	-	(67,283)	587,331
Machinery and equipment	5,052,603	339,483	(39,732)	5,352,354
Infrastructure	240,008	-	(29,102)	210,906
Total capital assets, being depreciated	<u>11,296,967</u>	<u>339,483</u>	<u>(219,192)</u>	<u>11,417,258</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,331,380)	(92,837)	25,616	(2,398,601)
Improvements other than buildings	(98,781)	(32,996)	8,298	(123,479)
Machinery and equipment	(2,365,961)	(375,629)	31,188	(2,710,402)
Infrastructure	(14,700)	(5,382)	4,365	(15,717)
Total accumulated depreciation	<u>(4,810,822)</u>	<u>(506,844)</u>	<u>69,467</u>	<u>(5,248,199)</u>
Total capital assets, being depreciated, net	<u>6,486,145</u>	<u>(167,361)</u>	<u>(149,725)</u>	<u>6,169,059</u>
Governmental activities capital assets, net	<u>\$ 7,119,980</u>	<u>\$ 413,044</u>	<u>\$ (311,465)</u>	<u>\$ 7,221,559</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 97,188
Public safety	181,181
Public works	204,381
Culture and recreation	24,094
Total depreciation-governmental activities	<u>\$ 506,844</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
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	-	-	1,948,887
Total capital assets, being depreciated	<u>2,210,764</u>	<u>-</u>	<u>-</u>	<u>2,210,764</u>
Less accumulated depreciation for:				
Buildings and systems	(36,936)	(6,735)	-	(43,671)
Improvements other than buildings	(45,102)	(1,518)	-	(46,620)
Machinery and equipment	(953,096)	(131,632)	-	(1,084,728)
Total accumulated depreciation	<u>(1,035,134)</u>	<u>(139,885)</u>	<u>-</u>	<u>(1,175,019)</u>
Total capital assets, being depreciated, net	<u>1,175,630</u>	<u>(139,885)</u>	<u>-</u>	<u>1,035,745</u>
Business-type activities capital assets, net	<u>\$ 1,228,158</u>	<u>\$ (139,885)</u>	<u>\$ -</u>	<u>\$ 1,088,273</u>

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

Business-type activities:	
Landfill	\$ 58,176
Incinerator	<u>81,709</u>
Total depreciation-business-type activities	<u>\$ 139,885</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2010, consisted of the Road fund owing the General Capital Improvement fund \$650,000. The loan was made to purchase motor graders. The duration of the loan is for 9 years. \$66,635 is expected to be repaid in the next fiscal year.

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 388,326	\$ (44,985)	\$ 343,341
Road	33,310	(138,000)	(104,690)
Public Safety	315,812	-	315,812
PILT	-	(594,963)	(594,963)
General Capital Improvement	-	(47,075)	(47,075)
Nonmajor governmental funds	<u>689,664</u>	<u>(649,164)</u>	<u>40,500</u>
	<u>\$ 1,427,112</u>	<u>\$ (1,474,187)</u>	<u>\$ (47,075)</u>
Business-type activities:			
Landfill	<u>\$ 47,075</u>	<u>\$ -</u>	<u>\$ 47,075</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.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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	\$ 31,355	\$ 253,659
Less: accumulated depreciation	(9,071)	(46,504)
	<u>\$ 22,284</u>	<u>\$ 207,155</u>

The future minimum lease obligations and the present value of these minimum lease payments, as of June 30, 2010, are as follows:

	Year ending June 30,	Governmental Activities	Business-type Activities
	2011	\$ 7,989	\$ 49,349
	2012	4,035	49,350
	2013	4,034	49,349
	2014	4,035	49,349
Total minimum lease payments		20,093	197,397
Less: amount representing interest		(2,307)	(20,529)
Present value of minimum lease payments		<u>\$ 17,786</u>	<u>\$ 176,868</u>

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Payment	Balance June 30, 2010
Gardiner No. 5A-1992	\$ 359,000	20 yr	4.00%	Annual	\$ 52,000
Cooke City Community Center	300,000	15 yr	4.80%	Annual	280,000
Gardiner Airport-2004 ***	68,350	10 yr	1.95%	Semi-annual	33,039
					<u>\$ 365,039</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
2011	\$ 47,400	\$ 16,902
2012	48,391	14,500
2013	23,183	12,642
2014	24,187	11,518
2015	21,278	10,347
2016-2020	100,800	37,730
2021-2025	99,800	11,081
	<u>\$ 365,039</u>	<u>\$ 114,720</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010	Due Within One Year
Governmental activities:					
Special assessment bonds	\$ 40,000	\$ -	\$ (40,000)	\$ -	\$ -
Capital leases	728,909	16,083	(727,206)	17,786	6,949
Notes payable	134,854	300,000	(69,815)	365,039	47,400
Compensated absences	351,007	32,457	-	383,464	38,346
Governmental activity long-term liabilities	<u>\$ 1,254,770</u>	<u>\$ 348,540</u>	<u>\$ (837,021)</u>	<u>\$ 766,289</u>	<u>\$ 92,695</u>
Business-type activities:					
Capital leases	\$ 216,389	\$ -	\$ (39,521)	\$ 176,868	\$ 41,316
Compensated absences	88,815	-	(1,922)	86,893	8,689
Business-type activity long-term liabilities	<u>\$ 305,204</u>	<u>\$ -</u>	<u>\$ (41,443)</u>	<u>\$ 263,761</u>	<u>\$ 50,005</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 \$2,203,236 reported as a landfill closure and postclosure care liability as of June 30, 2010, 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 \$983,416 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, 2010. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. If additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

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

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs and corrective action. The government is in compliance with the requirements, and, as of June 30, 2010, \$2,112,374 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, 2010:

Balance July 1, 2009	Additions	Retirements	Balance June 30, 2010
<u>\$ 2,104,643</u>	<u>\$ 98,593</u>	<u>\$ -</u>	<u>\$ 2,203,236</u>

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Prior Period Adjustments

Prior period adjustments resulted from recording certain transactions in the incorrect accounting period.

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 \$195,550 during fiscal year 2010.

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 \$211,574, respectively, during fiscal year 2010 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 \$160,000, primarily for construction projects.

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

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

Retirement Plans

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

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

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

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

	<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 PERS plan on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The amounts contributed to the plans during the years ended June 30, 2010, 2009 and 2008 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:

	2010	2009	2008
SRS	\$ 189,957	\$ 169,617	\$ 167,165
PERS	390,744	368,697	345,943
	<u>\$ 580,701</u>	<u>\$ 538,314</u>	<u>\$ 513,108</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. 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	\$ 378,492
Interest on net OPEB obligation	-
Adjustment to annual required contribution	<u>-</u>
Annual OPEB cost	378,492
Contributions made	<u>-</u>
Increase in net OPEB obligation	378,492
Net OPEB obligation - beginning of year	<u>-</u>
Net OPEB obligation - end of year	<u>\$ 378,492</u>

Three year disclosure of the government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation is not necessary as fiscal year 2010 is the year of implementation for GASB Statement 45.

Funded Status and Funding Progress. As of July 1, 2009, the Plan was 0% funded. The actuarial accrued liability for benefits was \$2,295,725 and the actuarial value of assets is \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,295,725.

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.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

- In March 2009, the Governmental Accounting Standards Board (GASB) approved Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. The provisions of GASBS No. 54 must be implemented no later than the fiscal year beginning July 1, 2010. Implementation will require restatement of existing fund balances for the governmental funds.

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, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,366,393	\$ 1,366,393	\$ 1,370,595
Fees and fines	120,000	120,000	141,404
Licenses and permits	21,000	21,000	22,515
Intergovernmental	450,988	450,988	380,193
Charges for services	235,350	235,350	263,471
Investment earnings	70,000	70,000	13,343
Miscellaneous	19,100	19,100	37,397
Total revenues	<u>2,282,831</u>	<u>2,282,831</u>	<u>2,228,918</u>
EXPENDITURES			
Current:			
General government	2,138,940	2,138,940	2,028,351
Public safety	199,847	199,847	188,290
Public health	327,152	327,152	296,490
Social and economic services	123,730	123,730	126,510
Culture and recreation	3,900	3,900	4,328
Capital outlay	5,000	5,000	8,263
Total expenditures	<u>2,798,569</u>	<u>2,798,569</u>	<u>2,652,232</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(515,738)</u>	<u>(515,738)</u>	<u>(423,314)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	395,000	395,000	388,326
Transfers out	<u>(138,368)</u>	<u>(138,368)</u>	<u>(44,985)</u>
Total other financing sources (uses)	<u>256,632</u>	<u>256,632</u>	<u>343,341</u>
Net change in fund balance	<u>\$ (259,106)</u>	<u>\$ (259,106)</u>	<u>(79,973)</u>
Fund balance - beginning			<u>780,939</u>
Fund balance - ending			<u>\$ 700,966</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 355,888	\$ 355,888	\$ 348,190
Licenses and permits	4,500	4,500	3,300
Intergovernmental	733,083	733,083	655,993
Charges for services	1,500	1,500	317
Miscellaneous	-	-	23
Total revenues	<u>1,094,971</u>	<u>1,094,971</u>	<u>1,007,823</u>
EXPENDITURES			
Current:			
Public works	882,740	882,740	853,741
Debt service:			
Principal	8,757	729,222	727,206
Interest and other charges	754	11,239	11,237
Capital outlay	<u>115,000</u>	<u>34,050</u>	<u>23,354</u>
Total expenditures	<u>1,007,251</u>	<u>1,657,251</u>	<u>1,615,538</u>
Excess (deficiency) of revenues over (under) expenditures	<u>87,720</u>	<u>(562,280)</u>	<u>(607,715)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	-	16,083
Transfers in	18,000	18,000	33,310
Transfers out	<u>(140,489)</u>	<u>(140,489)</u>	<u>(138,000)</u>
Total other financing sources (uses)	<u>(122,489)</u>	<u>(122,489)</u>	<u>(88,607)</u>
Net change in fund balance	<u>\$ (34,769)</u>	<u>\$ (684,769)</u>	<u>(696,322)</u>
Fund balance - beginning			426,075
Prior period adjustments			<u>(37,626)</u>
Fund balance - ending			<u>\$ (307,873)</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$1,220,536	\$ 1,220,536	\$ 1,209,567
Licenses and permits	400	400	770
Intergovernmental	110,733	110,733	109,938
Charges for services	51,200	51,200	58,998
Miscellaneous	4,600	4,600	9,842
Total revenues	<u>1,387,469</u>	<u>1,387,469</u>	<u>1,389,115</u>
EXPENDITURES			
Current:			
Public safety	1,879,622	1,879,622	1,720,859
Capital outlay	<u>125,000</u>	<u>125,000</u>	<u>153,596</u>
Total expenditures	<u>2,004,622</u>	<u>2,004,622</u>	<u>1,874,455</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(617,153)</u>	<u>(617,153)</u>	<u>(485,340)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>510,000</u>	<u>510,000</u>	<u>315,812</u>
Total other financing sources	<u>510,000</u>	<u>510,000</u>	<u>315,812</u>
Net change in fund balance	<u>\$ (107,153)</u>	<u>\$ (107,153)</u>	(169,528)
Fund balance - beginning			<u>680,324</u>
Fund balance - ending			<u>\$ 510,796</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 1,378,838	\$ 1,378,838	\$ 879,243
Investment earnings	60,000	60,000	11,863
Miscellaneous	8,940	8,940	3,014
Total revenues	<u>1,447,778</u>	<u>1,447,778</u>	<u>894,120</u>
EXPENDITURES:			
Current:			
General government	279,945	279,945	199,655
Public safety	255,174	255,174	237,134
Public works	300	300	172
Public health	15,000	15,000	15,000
Social and economic services	5,000	5,000	5,000
Capital outlay	<u>76,500</u>	<u>76,500</u>	<u>109,871</u>
Total expenditures	<u>631,919</u>	<u>631,919</u>	<u>566,832</u>
Excess (deficiency) of revenues over (under) expenditures	<u>815,859</u>	<u>815,859</u>	<u>327,288</u>
OTHER FINANCING USES			
Transfers out	<u>(799,084)</u>	<u>(799,084)</u>	<u>(594,963)</u>
Total other financing uses	<u>(799,084)</u>	<u>(799,084)</u>	<u>(594,963)</u>
Net change in fund balance	<u>\$ 16,775</u>	<u>\$ 16,775</u>	<u>(267,675)</u>
Fund balance - beginning			<u>2,116,626</u>
Fund balance - ending			<u>\$ 1,848,951</u>

PARK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2010

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.

OTHER SUPPLEMENTARY INFORMATION

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

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, 2009	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2010
<u>U.S. Department of Transportation:</u>								
Direct Program:								
Airport Improvement Program	20.106	DOT-FA10NM-2025	\$ 164,730	\$ -	\$ -	\$ 1,425	\$ -	\$ (1,425)
Subtotal				-	-	1,425	-	(1,425)
Passed through the Montana Department of Transportation:								
State and Community Highway Safety	20.600	2010-02-20-16	10,658	-	-	1,352	-	(1,352)
Subtotal				-	-	1,352	-	(1,352)
Total U.S. Department of Transportation				-	-	2,777	-	(2,777)
<u>U.S. Department of Justice:</u>								
Direct Program:								
ARRA - Edward Byrne Memorial Justice Assistance Grant Program - Grants to States and Territories, Recovery Act	16.803	2009-SB-B9-0096	17,833	-	17,833	17,833	-	-
Total direct programs				-	17,833	17,833	-	-
Passed through Interoperability Montana:								
Public Safety Partnership and Community Policing Grants	16.729	2007-CKWX-0043	31,567	-	31,567	31,567	-	-
Subtotal				-	31,567	31,567	-	-
Passed through the Montana Board of Crime Control:								
Violence Against Women Formula Grants	16.588	09-W03-90532	26,000	-	18,167	26,000	-	(7,833)
Violence Against Women Formula Grants	16.588	08-W-03-90287	19,250	(3,677)	3,677	-	-	-
Subtotal				(3,677)	21,844	26,000	-	(7,833)
Total pass-through programs				(3,677)	53,411	57,567	-	(7,833)
Total U.S. Department of Justice				(3,677)	71,244	75,400	-	(7,833)
<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	-	-	-	-	-
Homeland Security Grant Program	97.067	2007-GE-T7-0011	544,000	(52,426)	52,426	-	-	-
Subtotal				(52,426)	52,426	-	-	-
Emergency Management Performance Grants	97.042	2009-EP-E9-0009	33,663	-	21,674	28,599	-	(6,925)
Subtotal				-	21,674	28,599	-	(6,925)
Total U.S. Department of Homeland Security				(52,426)	74,100	28,599	-	(6,925)
<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	10-07-5-01-034-0	17,514	-	17,514	17,514	-	-
Subtotal				-	17,514	17,514	-	-
Immunization Grants	93.268	09-07-4-31-032-0	5,860	(2,756)	5,860	3,104	-	-
Immunization Grants	93.268	10-07-4-31-032-0	7,298	-	1,825	2,807	-	(982)
Subtotal				(2,756)	7,685	5,911	-	(982)
Public Health Emergency Preparedness	93.069	09-07-6-11-037-0	46,324	(15,886)	20,846	4,351	(609)	-
Public Health Emergency Preparedness	93.069	10-07-6-11-037-0	122,435	-	101,473	80,776	(20,697)	-
Subtotal				(15,886)	122,319	85,127	(21,306)	-

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

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, 2009	Receipts	Expenditures	Returned to Grantor/ Other	Balance June 30, 2010
Passed through Rocky Mountain Area IV Agency on Aging:								
National Family Caregiver Support, Title III, Part E	93.052	2010-004-010	13,546	-	13,546	13,546	-	-
Subtotal				-	13,546	13,546	-	-
Total U.S. Department of Health and Human Services				(18,642)	161,064	122,098	(21,306)	(982)
<u>Institute of Museum and Library Services:</u>								
Direct Program:								
Museums for America	45.301	MA-01-07-0010-07	104,156	(5,205)	23,601	18,396	-	-
Total Institute of Museum and Library Services				(5,205)	23,601	18,396	-	-
<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-08HR-01	450,000	-	334,220	393,210	-	(58,990)
Subtotal				-	334,220	393,210	-	(58,990)
Home Investment Partnership Program	14.239	M08-SG3001-60	500,000	-	414,877	476,659	-	(61,782)
Subtotal				-	414,877	476,659	-	(61,782)
Total U.S. Department of Housing and Urban Development				-	749,097	869,869	-	(120,772)
<u>U.S. Department of Energy:</u>								
Direct Program:								
ARRA - Energy Efficiency and Conservation Block Grant Program, Recovery Act	81.128	09RW000290	67,100	-	-	-	-	-
Total U.S. Department of Energy				-	-	-	-	-
<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	670,629	68,028	583,985	534,999	-	117,014
Subtotal				68,028	583,985	534,999	-	117,014
Passed through State Department of Natural Resources and Conservation:								
Cooperative Forestry Assistance	10.664	VFA-10-341	24,500	-	24,500	24,500	-	-
Subtotal				-	24,500	24,500	-	-
Total U.S. Department of Agriculture				68,028	608,485	559,499	-	117,014
Total Federal Awards				\$ (11,922)	\$ 1,687,591	\$ 1,676,638	\$ (21,306)	\$ (22,275)

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

U.S. DEPARTMENT OF HOMELAND SECURITY

2009-1. HOMELAND SECURITY GRANT PROGRAM, CFDA NO. 97.067 GRANT NO. 2007-GE-T7-0011

Condition: The auditors noted that the county did not comply with the Davis-Bacon provisions of the program as it did not request certified payrolls, conduct employee interviews and verify the contractor and all subcontractors paid prevailing wage rates.

Recommendation: The auditors recommended the county establish a process to ensure Davis-Bacon provisions are complied with.

Current Status: This finding is repeated as 2010-10.

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)

OLNESS & ASSOCIATES, P. C.

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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, 2010, which collectively comprise the government's basic financial statements and have issued our report thereon dated January 28, 2011. The report included an explanatory paragraph to describe a change in accounting principle. 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 2010-1 and 2010-2)

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies. (Findings 2010-3 through 2010-9)

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2010-3, 2010-8 and 2010-9.

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.

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)

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

January 28, 2011

OLNESS & ASSOCIATES, P. C.

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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO 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 the compliance of Park County, Montana (the government) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2010-10.

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 in order to determine our 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 certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-11 to be a material weakness.

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 (CONTINUED)

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-10 to be a significant deficiency.

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

January 28, 2011

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: unqualified

Internal control over financial reporting:

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

Noncompliance material to the financial statements noted? X yes no

FEDERAL AWARDS:

Internal control over major programs:

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

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

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>
14.228	Community Development Block
14.239	Grants/States Program and Non-Entitlement
	Grants in Hawaii
10.665	Home Investment Partnership Program
	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

2010-1. 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.

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

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

Response: Park County is aware of and understands that internal control systems are the responsibility of management. We do not expect the auditor 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.

2010-2. 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, who has an integral part in reviewing and approving reconciliations, has served to add another layer of oversight.

2010-3 TREASURER DUTIES

Criteria: The following state statutes define roles and responsibilities for the county treasurer related to finance: Sections 7-6-2801, 7-6-2111 and 7-6-612, MCA.

Condition: The accounting office handles most of these duties, such as recording cash disbursements, cash reconciliations to the general ledger and school accounting functions. It is common practice in other Montana county governments that the county treasurer performs these duties.

Cause: Unknown.

Effect: Noncompliance with Montana Code Annotated.

Recommendation: Section 7-6-612, MCA, grants authority to the county commissioners to direct any elected or appointed local government official or employee to (a) maintain new or additional financial records; (b) perform new or additional financial reconciliations; and (c) submit new or additional financial reports. The county commissioners, through resolution, should define and assign the duties and responsibilities for cash disbursements, cash reconciliations to the general ledger and school accounting functions.

Response: Certain duties of the treasurer related to recording general ledger entries and school accounting have historically been done by the Park County accounting office. In order to comply with Montana code, the county commissioners intend to assign certain duties and responsibilities for recording cash disbursements, cash reconciliations to the general ledger, and school accounting functions from the treasurer to the accounting office by resolution. This will be done in fiscal year 2011.

2010-4. PROTESTED TAXES

Criteria: A formal monthly reconciliation provides evidence that the protested taxes fund (No. 7130), the protested taxes subsidiary ledger and the general ledger protested taxes receivable balances all agree at the end of each month.

Condition: The protested taxes fund (No. 7130), the protested taxes subsidiary ledger and the general ledger protested taxes receivable balances did not all agree.

Cause: Procedures are not in place to reconcile protested taxes.

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Effect: Inaccurate distribution of settled protested taxes and incorrect protested receivable balances.

Recommendation: The treasurer's office should develop a formal monthly reconciliation that provides evidence that the protested taxes fund, protested taxes subsidiary ledger and the protested taxes receivable accounts in the general ledger all agree at the end of each month.

Response: The treasurer is working with the county's internal auditor to establish procedures to reconcile protested taxes fund 7130. Once these procedures are in place, monthly reconciliations will be done.

2010-5. ESTABLISH A PERPETUAL INVENTORY SYSTEM

Criteria: Maintenance of perpetual inventory records for materials and supplies serve as a check on road, bridge and gas tax 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, bridge and gas tax departments are not maintained.

Cause: Unknown.

Effect: Increased risk of loss or employee theft.

Recommendation: The road, bridge and gas tax departments should developed perpetual inventory records.

Response: Although it is not a requirement of Montana code, the road supervisor is in the process of researching a perpetual inventory system. The county understands the importance of strengthening internal controls in order to minimize risk of loss.

2010-6. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

Criteria: A reconciliation that reconciles 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. The JP will contact the state and request upgrades to its system. Until such time as the state completes these upgrades, 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.

2010-7. CLERK OF DISTRICT COURT TRUST

Criteria: A complete and accurate reconciliation of the trust account that is compared to a list of items being held in the accounts provides evidence that all cash transactions have been recorded properly and helps to discover bank and departmental errors.

Condition: The trust and fee account reconciliations contained numerous errors, adjustments, unknown items and incorrect information. Further, documentation to support the reconciled balances (ie: bonds, civil, criminal, restitution, invested funds, etc...) did not agree to the reconciled balances.

Cause: Unknown.

Effect: Erroneous reconciliations and not maintaining a list to support the reconciled balances in the accounts means that errors or other problems might not be recognized and resolved on a timely basis.

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Recommendation: The Clerk of District Court should contact the Montana Supreme Court for assistance in clearing out all unreconciled differences and errors. Once completed, the court activity maintained in the Full Court system should be balanced to the bank and county treasurer's statements on a monthly basis.

Response: Issues regarding trust and fee account reconciliations are related to the use of the state of Montana's Full Court system, and the Clerk of District Court has been in communication with the Montana Supreme Court for assistance in reconciliations.

Criteria: Not making deposits on a routine and consistent manner exposes the county to risk of loss.

Condition: Deposits were not always made in a timely manner.

Cause: Unknown.

Effect: The County is exposed to risk of loss.

Recommendation: Deposits should be made on a daily basis.

Response: Deposits not made in a timely manner can also be traced to Full Court, which requires a balanced posting. The Clerk has also been working with the Supreme Court to correct that problem.

2010-8. COMPETITIVE BIDDING

Criteria: If a county contracts for construction, reconstruction, maintenance, or repair of roads costing in excess of \$25,000 to be paid with gasoline tax funds, the funds must be disbursed to the lowest responsible bidder according to applicable bidding procedures. (MCA 15-70-101(5))

Condition: The County purchased gravel from the Gas Tax fund for \$42,000 without publishing a notice calling for bids.

Cause: Unknown.

Effect: Noncompliance with competitive bidding requirements under Montana Code Annotated.

Recommendation: Gas Tax purchases in excess on \$25,000 should be formally bid.

Response: At the time this occurred, the county road supervisor was under the belief that the threshold for competitive bids was \$50,000, which is the threshold for construction contracts per MCA 7-5-2301. He was subsequently advised of MCA 15-70-101, which establishes a threshold of \$25,000 specifically for the expenditure of gas tax moneys. In fiscal year 2011, the county eliminated the gasoline tax fund and will directly deposit moneys into the road fund.

2010-9. 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.

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

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

Cause: Unknown.

Effect: Non-compliance with grant terms and conditions.

Questioned Costs: None

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

Response: Park County monitored Davis-Bacon compliance on all contractors who were paid \$2,000 or more based on information received from the General Contractor. Park County supplied Davis-Bacon compliance information to the General

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2010

Contractor. The General Contractor acknowledged receipt of that information, however, failed to provide to Park County certified payroll information on all sub-contractors who were paid \$2,000 or more. Park County will thoroughly monitor compliance on all future contracts subject to the Davis-Bacon Act.

Criteria: Grant terms and conditions require grant reports and reimbursement requests to be prepared from the general ledger or other reliable sources.

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

Cause: The granting agency reallocated costs between the HOME and CDBG grants. The reports/requests for reimbursements were not amended.

Effect: Non-compliance with grant terms and conditions.

Questioned Costs: None

Recommendation: Grant reports/requests for reimbursement should be prepared from approved claims and the general ledger.

Response: The granting agency reallocated costs between the HOME and CDBG grants after Park County submitted draw requests. Park County has received draw amendments from the granting agency and a letter explaining the method HOME and CDBG used to reimburse Park County for draw requests. This documentation will be included in the master file for this project. The project will be closed out in fiscal year 2011 and will balance to the general ledger at close out.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U. S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

2010-10. 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.

Finding 2010-9 applies to these federal award programs.

2010-11. All Major Programs as Described in Section I-Summary of Auditor Results

Findings 2010-1 and 2010-2 apply to these federal award programs.

PARK COUNTY
SCHEDULE OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Prior Year Financial Statement Findings	Status
09-1. Inventory and Establish a Perpetual Inventory System	Partially Implemented
09-2. Taxes Receivable	Implemented
09-3. Realign Duties	Partially Implemented
09-4. Cash and Investment Reconciliations	Implemented
09-5. Treasurer's Office	Partially Implemented
09-6. Justice of the Peace	Not Implemented
09-7. Flexible Benefits Liability not Reconciled	Implemented
09-8. District Court Trust and Fee Accounts	Partially Implemented
09-9. Financial Reporting	Continued Disclosure
09-10. Segregation of Duties	Continued Disclosure
09-11. Deferred Assessments Receivable	Implemented in 2011
09-12. Final Budget	Implemented
09-13. Budget Document	Implemented
09-14. Budgets	Implemented
09-15. Elected Official Salaries	Implemented
09-16. Personal Use of Cell Phone is Taxable	Implemented
09-17. Victim Witness Time Sheet Documentation	Implemented
09-18. Davis-Bacon Provisions	Partially Implemented
09-19. Pledges	Implemented