

PARK COUNTY
LIVINGSTON, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARK COUNTY

ORGANIZATION

June 30, 2009

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.

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

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ERNEST J. OLNESS, CPA

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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, 2009, which collectively comprise the government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the government's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

Because we did not observe year end inventory counts and because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities, we were unable to form an opinion regarding the amounts at which inventory was recorded in the governmental activities and the road fund.

We were unable to form opinions regarding the amounts at which taxes/assessments receivable, deferred revenue and related revenue were recorded, as of and for the year ended June 30, 2009 in the governmental activities, business-type activities, each major fund, (excluding the PILT and general capital improvement funds) and the aggregate remaining fund information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amounts at which inventory was recorded in the governmental activities and the road fund, as described in the third paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the road fund, as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amounts at which taxes/assessments receivable, deferred revenue and related revenue were recorded in the governmental activities, business-type activities, each major fund, (excluding the PILT and general capital improvement funds) and the aggregate remaining fund information, as described in the fourth paragraph, 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, (excluding the PILT and general capital improvement funds) and the aggregate remaining fund information of the government as of June 30, 2009, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the PILT and general capital improvement funds (major funds) as of June 30, 2009, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2009, 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 the 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.

INDEPENDENT AUDITOR'S REPORT (Continued)

The management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the government's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Olness & Associates, PC

November 5, 2009

PARK COUNTY MANAGEMENT'S DISCUSSION & ANALYSIS

Our discussion and analysis of Park County's financial performance provides an overview of the government's financial activities for the year ending June 30, 2009. Readers are encouraged to consider the information presented here, in conjunction with the basic financial statements which begin on page 9.

FINANCIAL HIGHLIGHTS

- Total net assets increased more than 7 percent as a result of this year's operations. Net assets of our governmental activities increased by \$1,958,671 or 9 percent, and net assets of our business-type activities decreased by \$50,236 or 2.4 percent.
- During the year, our government had expenses that were \$ 145,617 more than the \$ 8,514,257 generated in tax and other revenues for governmental programs.
- In the business-type activities, revenues decreased \$ 172,527 (or 13 percent) while expenses increased \$44,848 (or 3 percent).
- Total cost of all of programs increased by \$ 346,612 (or 3.5 percent).
- The General Fund fund balance reported a decrease this year of \$ 132,018 due to increased expenditures in the General fund that had previously been reported in other funds.

USING THIS AUDIT REPORT

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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).

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

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

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 and 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	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 18,807,614	\$ 17,703,232	\$ 3,213,002	\$ 3,068,068	\$ 22,020,616	\$ 20,771,300
Capital assets	7,119,980	6,644,148	1,228,158	1,091,691	8,348,138	7,735,839
Total assets	25,927,594	24,347,380	4,441,160	4,159,759	30,368,754	28,507,139
Other liabilities	211,638	287,586	-	-	211,638	287,586
Long-term liabilities outstanding	1,254,770	1,454,305	2,409,847	2,078,210	3,664,617	3,532,515
Total liabilities	1,466,408	1,741,891	2,409,847	2,078,210	3,876,255	3,820,101
Net assets:						
Invested in capital assets, net of related debt	6,216,217	5,504,910	1,011,769	1,091,691	7,227,986	6,596,601
Restricted	349,513	386,162	-	-	349,513	386,162
Unrestricted	17,895,456	16,714,417	1,019,544	989,858	18,915,000	17,704,275
	<u>\$ 24,461,186</u>	<u>\$ 22,605,489</u>	<u>\$ 2,031,313</u>	<u>\$ 2,081,549</u>	<u>\$ 26,492,499</u>	<u>\$ 24,687,038</u>

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

Restricted net assets (\$349,513) represent resources that are subject to external restrictions on how they may be used. The majority of these net assets (\$262,142) are restricted to hard rock mining impact and metal mines in Park County. Unrestricted net assets (\$18,915,000) are resources that may be used to meet the governments' ongoing obligations to citizens and creditors.

Assets exceeded liabilities by \$24,461,186 for the governmental activities and \$2,031,313 for the business-type activities, or a total of \$26,492,499 as of June 30, 2009.

The increase in current assets for governmental activities is related to ongoing efforts to increase reserves to the legal limit of 33 1/3%. Departments were required to balance increases in personnel expenditures with decreases in operating expenditures in order to keep appropriations flat, and at the same time there were increases in tax revenues due to an increase in taxable valuation as well as mill levy increases per 15-10-420, MCA.

Net assets for governmental activities increased 9% or \$1,958,671 from 2008 to 2009. Contributing to this was the fact that during 2008 PILT was fully funded by the federal government, which resulted in a payment to the County of \$506,000 over budgeted revenue. This additional amount was for federal fiscal year 2008 but realized in our fiscal year 2009. The same full funding continued in 2009 and is expected to continue through 2011. County-wide taxable valuations increased 1%, plus the value of a mill increased per 15-10-420, MCA. County departments continue to work toward the goal of increasing reserves to the legal limit of 33 1/3%, and this is reflected by the fact that actual expenditures for 2009 were 23% below budgeted appropriations.

Net assets for business-type activities decreased \$50,236, or 2.4%. Due to Department of Revenue constraints, mobile home taxes were not billed until after the end of the 2009 fiscal year. This resulted in refuse assessment revenue being \$114,978 less than budgeted. However, fiscal year revenues will increase by that difference.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGE IN NET ASSETS:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenues:						
Program revenues:						
Charges for services	\$ 799,216	\$ 985,939	\$ 1,222,860	\$ 1,409,410	\$ 2,022,076	\$ 2,395,349
Operating grants and contributions	955,566	586,648	-	-	955,566	586,648
Capital grants and contributions	349,506	-	-	-	349,506	-
General revenues:						
Taxes	4,641,690	4,453,030	-	-	4,641,690	4,453,030
Licenses and permits	33,940	44,151	-	-	33,940	44,151
Intergovernmental	3,338,459	1,696,793	-	-	3,338,459	1,696,793
Interest	452,103	901,462	77,183	79,611	529,286	981,073
Miscellaneous	79,629	74,926	-	5,687	79,629	80,613
Gain on disposal of capital assets	9,779	84,703	22,138	-	31,917	84,703
Total revenues	10,659,888	8,827,652	1,322,181	1,494,708	11,982,069	10,322,360
Expenses:						
General government	2,748,306	2,695,693	-	-	2,748,306	2,695,693
Public safety	2,839,939	2,609,006	-	-	2,839,939	2,609,006
Public works	1,644,151	1,754,827	-	-	1,644,151	1,754,827
Public health	502,707	522,599	-	-	502,707	522,599
Social and economic services	216,086	227,829	-	-	216,086	227,829
Culture and recreation	607,489	517,080	-	-	607,489	517,080
Housing and community development	7,119	-	-	-	7,119	-
Landfill	-	-	472,838	474,356	472,838	474,356
Refuse Facility	-	-	940,922	894,556	940,922	894,556
Interest on long-term debt	58,891	31,076	-	-	58,891	31,076
Intergovernmental	35,186	-	-	-	35,186	-
Total expenses	8,659,874	8,358,110	1,413,760	1,368,912	10,073,634	9,727,022
Change in net assets before transfers	2,000,014	469,542	(91,579)	125,796	1,908,435	595,338
Transfers	(41,343)	(50,000)	41,343	50,000	-	-
Change in net assets	1,958,671	419,542	(50,236)	175,796	1,908,435	595,338
Net assets, beginning	22,605,489	22,185,947	2,081,549	1,905,753	24,687,038	24,091,700
Prior period adjustment	(102,974)	-	-	-	(102,974)	-
Net assets, ending	\$ 24,461,186	\$ 22,605,489	\$ 2,031,313	\$ 2,081,549	\$ 26,492,499	\$ 24,687,038

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as major, 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

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 General Capital Improvement funds.

- **General Fund:** This is the primary operating fund for Park County and includes the Commissioners, Justice of the Peace, Clerk and Recorder, 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 Option tax revenue amounted to \$620,591 in FY09. Transfers in from other funds included \$258,000 from PILT and \$134,780 from the Permissive Medical Levy. Total revenues were \$19,524 less in FY09 than in FY08, largely due to a decrease in investment earnings as well as a decrease in revenue from charges for services. Expenditures increased \$493,520, or 23% over the prior year, largely due to increased general government expenditures. This included the transfer of the Accounting and GIS departments from PILT to the General fund, the addition of an internal Auditor position per 7-6-2401 MCA, and the inclusion of Juvenile Detention expenses (\$112,356) formerly paid from the Public Safety fund. The General fund cash balance as of June 30, 2009 decreased \$132,018 from the prior year.

- **Public Safety:** The Public Safety fund accounts for activities for Law Enforcement (Sheriff's Office), detention center, and certain other public safety programs. Revenues in 2009 were \$ 1,528,553, an increase of \$185,223 or 13.8% over the prior year. The increase was mainly in taxes and intergovernmental sources (\$125,385 and \$69,983 increases from the prior year, respectively). Appropriations for Law Enforcement increased 3.5% from \$ 1,803,901 in FY08 to \$1,868,408 in FY09. Increases in appropriations were due to personnel costs, new vehicle purchases, and costs for offsite boarding of prisoners. With an increase of \$271,677 in transfers in from other funds (General fund and PILT), the result was a fund balance of \$680,324, an increase of 78% over the prior year's fund balance.
- **Payment in Lieu of Taxes (PILT):** PILT funds are received annually from the federal government in lieu of taxes on federal property located 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. Prior to 2008, PILT had been only partially funded, but during 2008 PILT was fully funded by the federal government, and the same full funding is expected to continue through 2011. The majority of appropriations are transfers out to other funds to finance operations, such as the Law Enforcement, General, Road, Planning and Fair funds. This fund is also used to pay 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 PILT fund fund balance as of June 30, 2009 was \$ 2,116,626, an increase of \$374,843 from the prior year. This was the result of PILT being fully funded in FY2009.

- **Road Fund:** This fund accounts for costs related to maintenance of county roads and minimal road construction expenses. Revenues in 2009 were \$518,517 more than the prior year, largely due to an increase of over \$509,000 in federal Title I funds. Expenditures decreased 49%, from \$2,106,573 in FY08 to \$1,068,743 in FY09, because of one-time capital outlay expenditures in the prior year. As a result, the Road fund balance increased \$367,949 to \$426,075.
- **General Capital Improvement Fund:** This fund represents the amount awarded to the county from a lawsuit plus interest, with a fund balance as of June 30, 2009 of \$10,848,918. Use of funds is restricted by the terms of the settlement and Commissioner resolutions that further restrict use. In FY09 \$50,000 of the interest was appropriated for monitoring and cleanup costs related to the Landfill.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual revenues for the General Fund were \$ 73,520 less than budgeted, or 3 percent. Local option taxes, which are collected in the General fund, were \$29,409 less than budgeted, but this shortfall was offset by an additional 2 percent collected in tax revenues, or \$12,282. Intergovernmental revenue, i.e. federal grants and local shared revenues, combined were \$50,000 more than budgeted, as were public health charges (\$10,303). The greatest shortfall in revenue was in investment earnings, \$133,691 less than budgeted.

Total expenditures before other financing sources and uses were 96% of budget. Transfers in from other funds included \$258,000 from PILT and a one-time transfer of \$103,000 from the Revolving Debt fund. Expenditures were \$458,908 more than revenues, but with the total of the transfers in from other funds, the net change in fund balance was a decrease of \$132,016.

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, 2009, totaled \$7,227,986, an increase of \$631,385 over the prior year. This investment includes land, buildings, improvements other than buildings, machinery, and equipment. For fiscal year 2009 additions included: a new rabbit/poultry barn at the Fairgrounds, 4 vehicles for Law Enforcement, 2 snowmobiles for Search and Rescue, heavy equipment for the Road Department and the Transfer Station, removal of the 9th Street Bridge and its replacement with a Bailey bridge, and installation of communications equipment at the Myers Flat site.

Long Term Debt: As of June 30, 2009, Park County had at total of \$1,537,140 in outstanding long-term debt. Debt retired in FY09 includes paying off a Road grader, a Road packer lease, and an InterCap Loan for the City/County Complex HVAC.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The taxable value of property in Park County increased 1% from \$34,414,818 in FY08 to \$34,758,863 in FY09. County General mills are split among the General, Bridge, Weed Control, Fair, Airport, District Court, Comprehensive insurance, Senior citizens, Law Enforcement, and Museum Funds at the Commissioners' discretion, with certain restrictions. The growth in number of mills for the County General Mills went from 75.645 mills to 77.56 mills, per calculations according to 15-10-420, MCA. Budgeted appropriations for the County General Mills increased almost 4% from \$5,894,825 in FY08 to \$6,123,136 in FY09. Some of this increase is due to moving certain expenditures from PILT to the General fund (e.g. Accounting, GIS), increased comprehensive insurance expense, as well as increases in wages and salary due to a 2.8% cost of living allowance, effective July 1, 2008.

Late in calendar year 2008 the Federal Payment in Lieu of Taxes program was fully funded by Congress. The federal PILT payment increased from \$833,942 in FY08 to \$1,378,838 in FY09, with an additional "catch-up" amount of \$506,010 allotted for 2008 that was received in November 2008 (fiscal year 2009). The same level of funding is expected through 2011. Additionally, the Secure Rural Schools and Communities Act reauthorized by Congress in 2008 resulted in an increase of allocations to Park County. This translated to increased revenues for the Road fund, the Title III fund, and the creation of a Title II program with the Forest Service holding those monies.

SRS Title I revenues to the Road Department increased from \$87,525 in FY08 to \$596,927 in FY09, providing sufficient operating funds for the year. The Road Supervisor position was temporarily vacant during FY09, but the position was refilled along with the addition of a full-time operator position. In FY09 the county Mechanic, previously budgeted through an internal service fund, was moved to the Road department. Four new road graders on a lease/purchase contract in FY09 are budgeted to be paid off in FY10 with a \$650,000 internal loan from the BN Capital Restricted Fund, scheduled to be paid off over a 10 year period.

The failure of the 9th Street Bridge at the end of FY08 necessitated installation of a temporary Bailey bridge and removal of the old bridge. Costs were recovered through 2 mills authorized by Resolution 1023 and levied in the Disaster Emergency fund, as well as through TSEP and DES grants, and a transfer in from PILT. The County applied for and was granted \$176,000 for replacement costs through House Bill 645, the Montana Reinvestment Act passed by the 2009 Legislature.

Capital projects begun in FY09 and expected to continue through FY10 include construction of a Cooke City Community Center with appropriations through the Cooke City Resort Tax fund and an expected General Obligation Bond, and the installation of a new telephone system for the City and County. Additionally, Park County is the sponsor for CDBG and Home grants totaling \$942,881 for renovation of the Livingston Senior Citizens Center.

Negotiations for combining the Gardiner Water District and Gardiner Sewer District into one Water/Sewer District, which passed voter approval in February 2008, have not yet been finalized, but the transfer is expected to take place in FY2010. The County has the funds and intends to pay off two outstanding Gardiner Sewer District loans prior to the transfer.

The operation of Angelline, a tax funded transportation program for seniors that had formerly been administered by the City of Livingston, was transferred to the County on January 1, 2009, along with its assets and 5 employees.

PARK COUNTY
STATEMENT OF NET ASSETS
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 7,462,263	\$ 1,009,735	\$ 8,471,998
Investments	10,501,609	-	10,501,609
Receivables:			
Taxes/assessments	570,999	150,160	721,159
Solid waste	-	11,308	11,308
Gardiner sewer	14,747	-	14,747
Other	1,115	-	1,115
Governments	163,531	-	163,531
Inventories	37,626	-	37,626
Prepaid items	55,724	-	55,724
Restricted assets:			
Cash and equivalents	-	76,346	76,346
Investments	-	1,965,453	1,965,453
Capital assets:			
Land and construction in progress	633,835	52,528	686,363
Depreciable capital assets, net	6,486,145	1,175,630	7,661,775
Total assets	25,927,594	4,441,160	30,368,754
LIABILITIES			
Accounts payable-vendors	76,638	-	76,638
Deferred revenue	135,000	-	135,000
Long-term liabilities:			
Due within one year:			
Bonds, notes and capital leases	158,064	39,521	197,585
Compensated absences	35,100	8,882	43,982
Due in more than one year:			
Bonds, notes and capital leases	745,699	176,868	922,567
Accrued interest	-	-	-
Compensated absences	315,907	79,933	395,840
Landfill closure/postclosure costs payable	-	2,104,643	2,104,643
Total liabilities	1,466,408	2,409,847	3,876,255
NET ASSETS			
Invested in capital assets, net of related debt	6,216,217	1,011,769	7,227,986
Restricted for:			
Roads and streets	87,371	-	87,371
Hard rock mining impact	164,949	-	164,949
Metal mines	97,193	-	97,193
Unrestricted	17,895,456	1,019,544	18,915,000
Total net assets	\$ 24,461,186	\$ 2,031,313	\$ 26,492,499

PARK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2009

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	\$ 2,748,306	\$ 314,650	\$ 38,452	\$ -	\$ (2,395,204)	\$ -	\$ (2,395,204)
Public safety	2,839,939	206,521	501,994	349,506	(1,781,918)	-	(1,781,918)
Public works	1,644,151	200,245	216,101	-	(1,227,805)	-	(1,227,805)
Public health	502,707	25,907	124,656	-	(352,144)	-	(352,144)
Social and economic services	216,086	4,537	24,257	-	(187,292)	-	(187,292)
Culture and recreation	607,489	47,356	42,987	-	(517,146)	-	(517,146)
Housing and community development	7,119	-	7,119	-	-	-	-
Interest on long-term debt	58,891	-	-	-	(58,891)	-	(58,891)
Intergovernmental	35,186	-	-	-	(35,186)	-	(35,186)
Total governmental activities	8,659,874	799,216	955,566	349,506	(6,555,586)	-	(6,555,586)
Business-type activities:							
Landfill	472,838	352,014	-	-	-	(120,824)	(120,824)
Refuse Facility	940,922	870,846	-	-	-	(70,076)	(70,076)
Total business-type activities	1,413,760	1,222,860	-	-	-	(190,900)	(190,900)
Total	\$ 10,073,634	\$ 2,022,076	\$ 955,566	\$ 349,506	(6,555,586)	(190,900)	(6,746,486)
General revenues:							
Property taxes					4,641,690	-	4,641,690
Licenses and permits					33,940	-	33,940
Intergovernmental					3,338,459	-	3,338,459
Unrestricted investment earnings					452,103	77,183	529,286
Miscellaneous					79,629	-	79,629
Gain on disposal of capital assets					9,779	22,138	31,917
Transfers					(41,343)	41,343	-
Total general revenues and transfers					8,514,257	140,664	8,654,921
Change in net assets					1,958,671	(50,236)	1,908,435
Net assets - beginning					22,605,489	2,081,549	24,687,038
Prior period adjustments					(102,974)	-	(102,974)
Net assets - ending					\$ 24,461,186	\$ 2,031,313	\$ 26,492,499

PARK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2009

	General	Road	Public Safety	PILT	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 618,539	\$ 412,661	\$ 655,334	\$ 1,615,048	\$ 947,309	\$ 3,196,481	\$ 7,445,372
Investments	100,000	-	-	500,000	9,901,609	-	10,501,609
Receivables:							
Taxes/assessments	76,158	34,861	138,752	-	-	321,228	570,999
Governments	62,364	-	-	463	-	100,704	163,531
Gardiner sewer	-	-	-	-	-	14,747	14,747
Other	-	-	-	1,115	-	-	1,115
Due from other funds	36	-	-	-	-	-	36
Inventories	-	37,626	-	-	-	-	37,626
Prepaid items	-	-	24,990	-	-	30,734	55,724
Total assets	\$ 857,097	\$ 485,148	\$ 819,076	\$ 2,116,626	\$ 10,848,918	\$ 3,663,894	\$ 18,790,759
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable-vendors	\$ -	\$ 24,212	\$ -	\$ -	\$ -	\$ 52,426	\$ 76,638
Due to other funds	-	-	-	-	-	36	36
Deferred revenue	76,158	34,861	138,752	-	-	321,228	570,999
Total liabilities	76,158	59,073	138,752	-	-	373,690	647,673
Fund balances:							
Reserved for:							
Prepaid items	-	-	24,990	-	-	30,734	55,724
Debt service	-	-	-	-	-	66,977	66,977
Unreserved	780,939	426,075	655,334	2,116,626	10,848,918	-	14,827,892
Unreserved, reported in non-major:							
Special revenue funds	-	-	-	-	-	2,941,181	2,941,181
Capital projects funds	-	-	-	-	-	251,312	251,312
Total fund balances	780,939	426,075	680,324	2,116,626	10,848,918	3,290,204	18,143,086
Total liabilities and fund balances	\$ 857,097	\$ 485,148	\$ 819,076	\$ 2,116,626	\$ 10,848,918	\$ 3,663,894	\$ 18,790,759

PARK COUNTY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2009

Total fund balance, governmental funds	\$ 18,143,086
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.	7,119,980
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.	435,999
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.	16,891
Some liabilities, such as notes payable, capital leases payable, compensated absences and bonds payable, 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>(1,254,770)</u>
Net assets of governmental activities	<u><u>\$ 24,461,186</u></u>

PARK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2009

	General	Road	Public Safety	PILT	General Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	\$ 1,332,406	\$ 341,206	\$ 1,268,853	\$ -	\$ -	\$ 1,870,193	\$ 4,812,658
Fines and forfeitures	118,783	-	850	-	-	12,609	132,242
Licenses and permits	26,350	7,100	490	-	-	-	33,940
Intergovernmental	358,888	728,060	202,605	1,935,864	-	1,405,016	4,630,433
Charges for services	256,544	15,701	50,939	-	-	334,137	657,321
Investment earnings	66,309	-	-	36,776	324,816	24,202	452,103
Miscellaneous	24,217	680	4,816	2,482	-	60,372	92,567
Total revenues	<u>2,183,497</u>	<u>1,092,747</u>	<u>1,528,553</u>	<u>1,975,122</u>	<u>324,816</u>	<u>3,706,529</u>	<u>10,811,264</u>
EXPENDITURES							
Current:							
General government	1,963,843	-	-	145,027	-	527,173	2,636,043
Public safety	228,816	-	1,670,391	221,956	-	567,517	2,688,680
Public works	-	849,702	-	231	-	585,368	1,435,301
Public health	297,739	-	-	15,000	-	182,690	495,429
Social and economic services	112,942	-	-	5,000	-	97,395	215,337
Culture and recreation	7,483	-	-	-	-	576,845	584,328
Housing and community development	-	-	-	-	-	7,119	7,119
Debt service:							
Principal	24,359	154,481	-	-	-	56,635	235,475
Interest and other charges	776	46,460	-	-	-	11,655	58,891
Capital outlay	6,448	18,100	82,773	34,396	-	776,962	918,679
Intergovernmental	-	-	-	-	-	35,186	35,186
Total expenditures	<u>2,642,406</u>	<u>1,068,743</u>	<u>1,753,164</u>	<u>421,610</u>	<u>-</u>	<u>3,424,545</u>	<u>9,310,468</u>
Excess (deficiency) of revenues over expenditures	<u>(458,909)</u>	<u>24,004</u>	<u>(224,611)</u>	<u>1,553,512</u>	<u>324,816</u>	<u>281,984</u>	<u>1,500,796</u>
OTHER FINANCING SOURCES (USES)							
Transfers in	504,920	343,945	562,720	21,438	-	477,714	1,910,737
Transfers out	(178,029)	-	(39,602)	(1,200,107)	(41,343)	(503,396)	(1,962,477)
Total other financing sources (uses)	<u>326,891</u>	<u>343,945</u>	<u>523,118</u>	<u>(1,178,669)</u>	<u>(41,343)</u>	<u>(25,682)</u>	<u>(51,740)</u>
Net change in fund balances	<u>(132,018)</u>	<u>367,949</u>	<u>298,507</u>	<u>374,843</u>	<u>283,473</u>	<u>256,302</u>	<u>1,449,056</u>
Fund balances - beginning	912,957	54,255	381,817	1,741,783	10,565,445	3,140,747	16,797,004
Prior period adjustments	-	3,871	-	-	-	(106,845)	(102,974)
Fund balances - ending	<u>\$ 780,939</u>	<u>\$ 426,075</u>	<u>\$ 680,324</u>	<u>\$ 2,116,626</u>	<u>\$ 10,848,918</u>	<u>\$ 3,290,204</u>	<u>\$ 18,143,086</u>

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, 2009

Net change in fund balances - total governmental funds	\$ 1,449,056
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 (\$918,679) exceeded depreciation (\$452,626) in the current period.	466,053
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.	9,779
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.	(161,155)
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. This is the amount of debt repayments.	235,475
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	(35,940)
Internal service funds are used by management to charge the costs of certain activities, such as central garage and plotter maps, to individual funds. The change in net assets of certain internal service funds is reported with governmental activities.	(123,285)
Repayment of internal balances. Internal balances resulted from the consolidation of internal service fund activities related to enterprise funds.	(18,253)
Book value of capital assets transferred from internal service funds.	136,941
Change in net assets of governmental activities	<u>\$ 1,958,671</u>

PARK COUNTY
STATEMENT OF FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Enterprise Funds			Internal Service Funds
	Landfill	Refuse Facility	Total	
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 220,539	\$ 789,196	\$ 1,009,735	\$ 16,891
Receivables:				
Taxes/assessments	31,143	119,017	150,160	-
Solid waste	7,141	4,167	11,308	-
Total current assets	258,823	912,380	1,171,203	16,891
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	76,346	-	76,346	-
Investments	1,965,453	-	1,965,453	-
Total restricted assets	2,041,799	-	2,041,799	-
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	(171,378)	(863,756)	(1,035,134)	-
Total capital assets	477,453	750,705	1,228,158	-
Total non-current assets	2,519,252	750,705	3,269,957	-
Total assets	2,778,075	1,663,085	4,441,160	16,891
LIABILITIES				
Current liabilities:				
Compensated absences	2,366	6,516	8,882	-
Capital lease obligation	39,521	-	39,521	-
Total current liabilities	41,887	6,516	48,403	-
Non-current liabilities:				
Compensated absences	21,287	58,646	79,933	-
Capital lease obligation	176,868	-	176,868	-
Landfill closure/postclosure costs payable	2,104,643	-	2,104,643	-
Total non-current liabilities	2,302,798	58,646	2,361,444	-
Total liabilities	2,344,685	65,162	2,409,847	-
NET ASSETS				
Invested in capital assets, net of related debt	261,064	750,705	1,011,769	-
Unrestricted	172,326	847,218	1,019,544	16,891
Total net assets	\$ 433,390	\$ 1,597,923	\$ 2,031,313	\$ 16,891

PARK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Enterprise Funds			
	Landfill	Refuse Facility	Total	Internal Service Funds
REVENUES				
Charges for services	\$ 109,493	\$ 44,881	\$ 154,374	\$ 3,259
Assessment revenue	242,521	825,965	1,068,486	-
Total operating revenues	352,014	870,846	1,222,860	3,259
OPERATING EXPENSES				
Personal services	179,407	452,233	631,640	-
Supplies	28,369	80,047	108,416	-
Purchased services	69,372	301,808	371,180	-
Fixed charges	27,050	31,011	58,061	-
Closure/postclosure costs	109,268	-	109,268	-
Depreciation	68,743	84,705	153,448	-
Total operating expenses	482,209	949,804	1,432,013	-
Operating income (loss)	(130,195)	(78,958)	(209,153)	3,259
NON-OPERATING REVENUES (EXPENSES)				
Interest and investment revenue	77,183	-	77,183	-
Gain (loss) on disposal of capital assets	33,080	(10,942)	22,138	-
Contribution expense	-	-	-	(136,941)
Total non-operating revenue (expenses)	110,263	(10,942)	99,321	(136,941)
Loss before transfers	(19,932)	(89,900)	(109,832)	(133,682)
Transfers in	41,343	-	41,343	10,397
Change in net assets	21,411	(89,900)	(68,489)	(123,285)
Total net assets - beginning	411,979	1,687,823	2,099,802	140,176
Total net assets - ending	\$ 433,390	\$ 1,597,923	\$ 2,031,313	\$ 16,891

PARK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2009

	Enterprise Funds			Internal Service Funds
	Landfill	Refuse Facility	Total	
CASH FLOWS FROM OPERATIONS:				
Cash received from customers	\$ 370,755	\$ 907,436	\$ 1,278,191	\$ -
Cash received from interfund services	-	-	-	3,259
Cash paid to employees	(177,685)	(447,975)	(625,660)	-
Cash paid to suppliers for goods and services	(124,791)	(412,866)	(537,657)	-
Net cash provided by operating activities	68,279	46,595	114,874	3,259
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Cash received from operating transfers	41,343	-	41,343	10,397
Net cash provided by noncapital financing activities	41,343	-	41,343	10,397
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Purchase of capital assets	-	(78,188)	(78,188)	-
Cash received from sale of capital assets	26,800	-	26,800	-
Net cash provided (used) by capital financing activities	26,800	(78,188)	(51,388)	-
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net change in investments	(251,512)	-	(251,512)	-
Interest received	77,183	-	77,183	-
Net cash used by investing activities	(174,329)	-	(174,329)	-
Change in cash and cash equivalents	(37,907)	(31,593)	(69,500)	13,656
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of \$70,593)	334,792	820,789	1,155,581	3,235
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of \$76,346)	<u>\$ 296,885</u>	<u>\$ 789,196</u>	<u>\$ 1,086,081</u>	<u>\$ 16,891</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ (130,195)	\$ (78,958)	\$ (209,153)	\$ 3,259
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	68,743	84,705	153,448	-
Closure/postclosure costs	109,268	-	109,268	-
(Increase) decrease in accounts receivable	8,073	(3,306)	4,767	-
Decrease in taxes/assessments receivable	10,668	39,896	50,564	-
Increase in compensated absences	1,722	4,258	5,980	-
Net cash provided by operating activities	<u>\$ 68,279</u>	<u>\$ 46,595</u>	<u>\$ 114,874</u>	<u>\$ 3,259</u>
Noncash Investing, Capital and Financing Activities				
Contribution expense-capital assets contributed to government activities	\$ -	\$ -	\$ -	\$ (136,941)
Capital lease	216,389	-	216,389	-
	<u>\$ 216,389</u>	<u>\$ -</u>	<u>\$ 216,389</u>	<u>\$ (136,941)</u>

PARK COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2009

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 3,743,040	\$ 1,460,360
Investments	74,081	-
Taxes/assessments receivable	-	1,758,793
	<u>3,817,121</u>	<u>\$ 3,219,153</u>
Total assets		
LIABILITIES		
Accounts payable	-	\$ 551,448
Due to special districts	-	65,521
Due to state	-	895,328
Due to schools	-	872,998
Due to cities/towns	-	833,858
	<u>-</u>	<u>\$ 3,219,153</u>
Total liabilities		
NET ASSETS		
Held in trust for benefits and other purposes	<u>\$ 3,817,121</u>	

PARK COUNTY
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
For the Year Ended June 30, 2009

	External Investment Trust Fund
ADDITIONS	
Contributions	\$ 1,363,861
Interest	<u>34,314</u>
Total additions	<u>1,398,175</u>
DEDUCTIONS	
Distribution of investments	<u>1,995,443</u>
Total deductions	<u>1,995,443</u>
Change in net assets	(597,268)
Net assets - beginning	<u>4,414,389</u>
Net assets - ending	<u><u>\$ 3,817,121</u></u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. The government'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. 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.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

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. 15% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions 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 due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

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

Inventories and Prepaid Items

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

Restricted Assets

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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. In the fund financial statements, the face amount of debt issued is reported as an other financing source.

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. 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	\$ 17,963,872
Business-type activities	3,051,534
Fiduciary funds	5,277,481
	<hr/>
	\$ 26,292,887

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Total carrying value of cash, cash equivalents and investments as of June 30, 2009, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 2,725	\$ -	\$ 2,725
Cash in banks:			
Demand deposits	621,893	-	621,893
Savings deposits	581,036	-	581,036
Time deposits	-	174,081	174,081
U.S. Government securities	-	12,367,062	12,367,062
Broker money market	83,414	-	83,414
Short-term Investment Program (STIP)	12,462,676	-	12,462,676
	<u>\$13,751,744</u>	<u>\$ 12,541,143</u>	<u>\$26,292,887</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, 2009, \$128,877 of the government's bank balance of \$2,014,227 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$ 128,877</u>
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State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2009, did not exceed the amount required by state statute.

The investment pool portfolio as of June 30, 2009 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	2.10-3.15%	Various	\$ 174,081	\$ 174,081	\$ 174,081	1.39%
U.S. Government securities	1.00-5.25%	Various	12,370,000	12,367,062	12,386,140	98.61%
				<u>\$ 12,541,143</u>	<u>\$ 12,560,221</u>	

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

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

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
U.S. government securities	\$ 1,500,000	\$ -	\$ 10,867,062	\$ 12,367,062	\$ 12,386,140
Broker money market	-	-	83,414	83,414	83,414
	<u>\$ 1,500,000</u>	<u>\$ -</u>	<u>\$ 10,950,476</u>	12,450,476	<u>\$ 12,469,554</u>
Uncategorized: STIP				<u>12,462,676</u>	
				<u>\$ 24,913,152</u>	

Following is the condensed schedule of changes in net assets and net assets for the investment pool for the year ended June 30, 2009:

	Internal	External	Total
Net assets - beginning of year	\$ 20,963,483	\$ 4,414,389	\$ 25,377,872
Contributions from participants	17,668,764	1,363,861	19,032,625
Investment earnings/change in fair value	541,911	34,314	576,225
Distributions to participants	(16,698,392)	(1,995,443)	(18,693,835)
Net assets - end of year	<u>\$ 22,475,766</u>	<u>\$ 3,817,121</u>	<u>\$ 26,292,887</u>

Capital Assets

Capital asset activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 451,369	\$ -	\$ -	\$ 451,369
Construction-in-progress	-	182,466	-	182,466
Total capital assets, not being depreciated	<u>451,369</u>	<u>182,466</u>	<u>-</u>	<u>633,835</u>
Capital assets, being depreciated				
Buildings/improvements	5,064,700	285,042	-	5,349,742
Improvements other than buildings	640,159	14,455	-	654,614
Machinery and equipment	4,630,517	448,726	(26,640)	5,052,603
Infrastructure	240,008	-	-	240,008
Total capital assets, being depreciated	<u>10,575,384</u>	<u>748,223</u>	<u>(26,640)</u>	<u>11,296,967</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,244,467)	(86,913)	-	(2,331,380)
Improvements other than buildings	(66,987)	(31,794)	-	(98,781)
Machinery and equipment	(2,061,833)	(328,537)	24,409	(2,365,961)
Infrastructure	(9,318)	(5,382)	-	(14,700)
Total accumulated depreciation	<u>(4,382,605)</u>	<u>(452,626)</u>	<u>24,409</u>	<u>(4,810,822)</u>
Total capital assets, being depreciated, net	<u>6,192,779</u>	<u>295,597</u>	<u>(2,231)</u>	<u>6,486,145</u>
Governmental activities capital assets, net	<u>\$ 6,644,148</u>	<u>\$ 478,063</u>	<u>\$ (2,231)</u>	<u>\$ 7,119,980</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 89,788
Public safety	143,816
Public works	198,400
Culture and recreation	20,622
Total depreciation-governmental activities	<u>\$ 452,626</u>

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
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	1,799,895	336,847	(187,855)	1,948,887
Total capital assets, being depreciated	<u>2,061,772</u>	<u>336,847</u>	<u>(187,855)</u>	<u>2,210,764</u>
Less accumulated depreciation for:				
Buildings and systems	(30,200)	(6,736)	-	(36,936)
Improvements other than buildings	(43,489)	(1,613)	-	(45,102)
Machinery and equipment	(948,920)	(145,099)	140,923	(953,096)
Total accumulated depreciation	<u>(1,022,609)</u>	<u>(153,448)</u>	<u>140,923</u>	<u>(1,035,134)</u>
Total capital assets, being depreciated, net	<u>1,039,163</u>	<u>183,399</u>	<u>(46,932)</u>	<u>1,175,630</u>
Business-type activities capital assets, net	<u>\$ 1,091,691</u>	<u>\$ 183,399</u>	<u>\$ (46,932)</u>	<u>\$ 1,228,158</u>

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

Business-type activities:	
Landfill	\$ 68,743
Incinerator	84,705
Total depreciation-business-type activities	<u>\$ 153,448</u>

Interfund Receivables, Payables and Transfers

Interfund balances as of June 30, 2009, consisted of the predatory sheep fund owing the general fund \$36. The loan was made to cover the cash deficit and is expected to be repaid in the next fiscal year.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 504,920	\$ (178,029)	\$ 326,891
Road	343,945	-	343,945
Public Safety	562,720	(39,602)	523,118
PILT	21,438	(1,200,107)	(1,178,669)
General Capital Improvement	-	(41,343)	(41,343)
Internal Service	10,397	-	10,397
Nonmajor governmental funds	477,714	(503,396)	(25,682)
	<u>\$ 1,921,134</u>	<u>\$ (1,962,477)</u>	<u>\$ (41,343)</u>
Business-type activities:			
Landfill	<u>\$ 41,343</u>	<u>\$ -</u>	<u>\$ -</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. Additionally, the internal service-mechanic fund was closed.

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	\$ 1,070,955	\$ 253,659
Less: accumulated depreciation	<u>(72,845)</u>	<u>(21,138)</u>
	<u>\$ 998,110</u>	<u>\$ 232,521</u>

The future minimum lease obligations and the present value of these minimum lease payments, as of June 30, 2009, are as follows:

	Year ending June 30,	Governmental Activities	Business-type Activities
	2010	\$ 169,989	\$ 49,349
	2011	164,433	49,349
	2012	160,479	49,350
	2013	160,479	49,349
	2014	196,000	49,349
Total minimum lease payments		851,380	246,746
Less: amount representing interest		<u>(122,471)</u>	<u>(30,357)</u>
Present value of minimum lease payments		<u>\$ 728,909</u>	<u>\$ 216,389</u>

Long-Term Debt

In past years, the government issued special improvement bonds for the construction of major water and sewer facilities located in Gardiner. Special improvement bonds are secured by a lien on the assessed property. The primary source of repayments is the assessments levied against the benefiting properties. The County is liable for the repayment of these special improvement bonds. Bonds payable currently outstanding are as follows:

	Issue Date	Original Amount	Term	Interest Rate	Balance June 30, 2009
Gardiner No. 5	Jan. 1972	\$ 220,000	40 yr	5.00%	<u>\$ 40,000</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Annual debt service requirements to maturity for special improvement bonds are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2010	\$ 5,000	\$ 2,000	\$ 7,000
2011	5,000	1,750	6,750
2012	30,000	1,500	31,500
	<u>\$ 40,000</u>	<u>\$ 5,250</u>	<u>\$ 45,250</u>

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Payment	Balance June 30, 2009
Gardiner No. 5A-1992	\$ 359,000	20 yr	4.00%	Annual	\$ 77,000
Gardiner No. 5A-1994	83,000	18 yr	4.00%	Annual	18,000
Gardiner Airport-2004 ***	68,350	10 yr	4.25%	Semi-annual	39,854
					<u>\$ 134,854</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
2010	\$ 21,815	\$ 4,035
2011	39,000	4,692
2012	39,191	2,231
2013	23,383	1,130
2014	7,587	454
2015	3,878	89
	<u>\$ 134,854</u>	<u>\$ 12,631</u>

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009	Due Within One Year
Governmental activities:					
Special assessment bonds	\$ 45,000	\$ -	\$ (5,000)	\$ 40,000	\$ 5,000
Capital leases	867,223	-	(138,314)	728,909	131,249
Notes payable	227,015	-	(92,161)	134,854	21,815
Compensated absences	315,067	35,940	-	351,007	35,100
Governmental activity long-term liabilities	<u>\$ 1,454,305</u>	<u>\$ 35,940</u>	<u>\$ (235,475)</u>	<u>\$ 1,254,770</u>	<u>\$ 193,164</u>
Business-type activities:					
Capital leases	\$ -	\$ 216,389	\$ -	\$ 216,389	\$ 39,521
Compensated absences	82,835	-	5,980	88,815	8,882
Business-type activity long-term liabilities	<u>\$ 82,835</u>	<u>\$ 216,389</u>	<u>\$ 5,980</u>	<u>\$ 305,204</u>	<u>\$ 48,403</u>

Also, 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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,104,643 reported as a landfill closure and postclosure care liability as of June 30, 2009, represents the cumulative amount reported to date based on the use of 67 percent of the estimated capacity of the landfill. The government will recognize the remaining estimated cost of closure and postclosure care of \$1,019,527 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, 2009. 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 \$1,182,823 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, 2009, \$2,041,799 had been set aside for this purpose and is restricted and reported on the statement of net 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, 2009:

Balance July 1, 2008	Additions	Retirements	Balance June 30, 2009
\$ 1,995,375	\$ 109,268	\$ -	\$ 2,104,643

NOTE 3. OTHER INFORMATION

Risk Management

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

Interlocal Agreements

The City of Livingston and Park County entered into an agreement to fund a library for City and County residents. The City maintains the library accounting records and includes the financial activities of the library in its financial statements. The County contributed \$189,950 during fiscal year 2009.

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 \$199,574, respectively, during fiscal year 2009 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.

Prior Period Adjustments

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

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$15,000, primarily for equipment rental.

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 are established by State law and are administered by the State of Montana. 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	9.825%	9.245%	19.070%
PERS	6.935%	6.900%	13.835%

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.

The amounts contributed to the plans during the years ended June 30, 2009, 2008 and 2007 were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
SRS	\$ 169,617	\$ 167,165	\$ 152,144
PERS	368,697	345,943	309,871
	<u>\$ 538,314</u>	<u>\$ 513,108</u>	<u>\$ 462,015</u>

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

- o Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. GASB No. 45 is effective based on the same three phases of governments used in GASBS No. 34. For employers, GASBS No. 45 is effective for Phase 1 governments (total annual revenues of \$100 million or more for the first year ending after June 15, 1999) with years beginning after December 15, 2006, Phase 2 governments (revenues of \$10 million to \$100 million) with years beginning after December 15, 2007, and Phase 3 governments (revenues less than \$10 million) with years beginning after December 15, 2008.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

- o 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.
- o In June 2007, Governmental Accounting Standards Board (GASB) approved Statement No. 51, Accounting and Financial Reporting for Intangible Assets. The provisions of GASBS No. 51 must be implemented no later than the fiscal year beginning July 1, 2009.

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, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,349,529	\$ 1,349,529	\$ 1,332,406
Fees and fines	125,000	125,000	118,783
Licenses and permits	26,000	26,000	26,350
Intergovernmental	296,628	296,628	358,888
Charges for services	245,360	245,360	256,544
Investment earnings	200,000	200,000	66,309
Miscellaneous	14,500	14,500	24,217
Total revenues	<u>2,257,017</u>	<u>2,257,017</u>	<u>2,183,497</u>
EXPENDITURES			
Current:			
General government	2,117,565	2,117,565	1,963,843
Public safety	195,033	195,033	228,816
Public health	292,048	292,048	297,739
Social and economic services	108,791	108,791	112,942
Culture and recreation	3,500	3,500	7,483
Debt service:			
Principal	24,000	24,000	24,359
Interest and other charges	2,040	2,040	776
Capital outlay	300	300	6,448
Total expenditures	<u>2,743,277</u>	<u>2,743,277</u>	<u>2,642,406</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(486,260)</u>	<u>(486,260)</u>	<u>(458,909)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	436,000	436,000	504,920
Transfers out	(171,500)	(171,500)	(178,029)
Total other financing sources (uses)	<u>264,500</u>	<u>264,500</u>	<u>326,891</u>
Net change in fund balance	<u>\$ (221,760)</u>	<u>\$ (221,760)</u>	<u>(132,018)</u>
Fund balance - beginning			<u>912,957</u>
Fund balance - ending			<u>\$ 780,939</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 330,065	\$ 330,065	\$ 341,206
Licenses and permits	10,000	10,000	7,100
Intergovernmental	219,088	219,088	728,060
Charges for services	1,500	1,500	15,701
Miscellaneous	-	-	680
Total revenues	<u>560,653</u>	<u>560,653</u>	<u>1,092,747</u>
EXPENDITURES			
Current:			
Public works	728,740	728,740	849,702
Debt service:			
Principal	180,000	305,554	154,481
Interest and other charges	1,000	50,369	46,460
Capital outlay	-	17,500	18,100
Total expenditures	<u>909,740</u>	<u>1,102,163</u>	<u>1,068,743</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(349,087)</u>	<u>(541,510)</u>	<u>24,004</u>
OTHER FINANCING SOURCES			
Transfers in	<u>366,000</u>	<u>366,000</u>	<u>343,945</u>
Total other financing sources	<u>366,000</u>	<u>366,000</u>	<u>343,945</u>
Net change in fund balance	<u>\$ 16,913</u>	<u>\$ (175,510)</u>	<u>367,949</u>
Fund balance - beginning			54,255
Prior period adjustments			<u>3,871</u>
Fund balance - ending			<u>\$ 426,075</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$1,223,408	\$ 1,223,408	\$ 1,268,853
Fees and fines	-	-	850
Licenses and permits	1,800	1,800	490
Intergovernmental	90,616	90,616	202,605
Charges for services	52,700	52,700	50,939
Miscellaneous	100	100	4,816
Total revenues	<u>1,368,624</u>	<u>1,368,624</u>	<u>1,528,553</u>
EXPENDITURES			
Current:			
Public safety	1,828,828	1,818,943	1,670,391
Capital outlay	-	9,885	82,773
Total expenditures	<u>1,828,828</u>	<u>1,828,828</u>	<u>1,753,164</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(460,204)</u>	<u>(460,204)</u>	<u>(224,611)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	535,000	535,000	562,720
Transfers out	<u>(39,602)</u>	<u>(39,602)</u>	<u>(39,602)</u>
Total other financing sources (uses)	<u>495,398</u>	<u>495,398</u>	<u>523,118</u>
Net change in fund balance	<u>\$ 35,194</u>	<u>\$ 35,194</u>	<u>298,507</u>
Fund balance - beginning			<u>381,817</u>
Fund balance - ending			<u>\$ 680,324</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 835,000	\$ 835,000	\$ 1,935,864
Investment earnings	60,000	60,000	36,776
Miscellaneous	-	-	2,482
Total revenues	<u>895,000</u>	<u>895,000</u>	<u>1,975,122</u>
EXPENDITURES:			
Current:			
General government	480,400	480,400	145,027
Public safety	223,154	223,154	221,956
Public works	500	500	231
Public health	15,000	15,000	15,000
Social and economic services	5,000	5,000	5,000
Capital outlay	10,000	10,000	34,396
Total expenditures	<u>734,054</u>	<u>734,054</u>	<u>421,610</u>
Excess (deficiency) of revenues over (under) expenditures	<u>160,946</u>	<u>160,946</u>	<u>1,553,512</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	21,438
Transfers out	<u>(1,093,479)</u>	<u>(1,093,479)</u>	<u>(1,200,107)</u>
Total other financing sources (uses)	<u>(1,093,479)</u>	<u>(1,093,479)</u>	<u>(1,178,669)</u>
Net change in fund balance	<u>\$ (932,533)</u>	<u>\$ (932,533)</u>	374,843
Fund balance - beginning			<u>1,741,783</u>
Fund balance - ending			<u>\$ 2,116,626</u>

PARK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2009

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, 2009

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor Number	Program or Award Amount	Balance July 1, 2008	Receipts	Expenditures/ Disbursements	Returned to Grantor/ Other	Balance June 30, 2009
<u>U.S. Department of Justice:</u>								
Direct Program:								
Bulletproof Vest Partnership Program	16.607	N/A	3,936	\$ -	\$ 3,936	\$ 3,936	\$ -	\$ -
Passed through the Montana Board of Crime Control:								
Violence Against Women Formula Grants	16.588	08-W03-90287	19,250	-	15,573	19,250	-	(3,677)
Passed through the Montana Department of Military Affairs - Disaster and Emergency Services Division:								
Public Safety Partnership and Community Policing Grants	16.729	2007-CKWX-0043	107,819	-	107,819	107,819	-	-
Total U.S. Department of Justice				\$ -	\$ 127,328	\$ 131,005	\$ -	\$ (3,677)
<u>U.S. Department Health and Human Services:</u>								
Passed through the Montana State Auditor's Office:								
Voting Access for Individuals with Disabilities-Grants to States	93.617	N/A	5,000	\$ -	\$ 4,652	\$ 4,652	\$ -	\$ -
Passed through State Department of Public Health and Human Services:								
Maternal and Child Health Services	93.994	09-07-5-01-034-0	17,174	-	17,174	17,174	-	-
Immunization Grants	93.268	08-07-4-31-032-0	5,860	(2,569)	5,860	3,291	-	-
Immunization Grants	93.268	09-07-4-31-032-0	5,860	-	-	2,756	-	(2,756)
CFDA Subtotal				(2,569)	5,860	6,047	-	(2,756)
Public Health Emergency Preparedness	93.069	08-07-6-11-037-0	46,324	(11,706)	23,412	2,940	(8,766)	-
Public Health Emergency Preparedness	93.069	09-07-6-11-037-0	46,324	-	25,478	41,364	-	(15,886)
CFDA Subtotal				(11,706)	48,890	44,304	(8,766)	(15,886)
Passed through Rocky Mountain Area IV Agency on Aging:								
Special Programs for the Aging - Title III, Part B-Grants for Supportive Services and Senior Centers	93.044	2009-004-010	9,259	-	9,259	9,259	-	-
Title III, Part E-National Family Caregiver Support	93.052	2008-001-01	13,546	-	13,546	13,546	-	-
Total U.S. Department of Health and Human Services				\$ (14,275)	\$ 99,381	\$ 94,982	\$ (8,766)	\$ (18,642)
<u>U.S. Department of Homeland Security:</u>								
Passed through the Montana Department of Military Affairs - Disaster and Emergency Services Division:								
Homeland Security Grant Program	97.067	2007-GE-T7-0011	544,000	\$ -	\$ 297,080	\$ 349,506	\$ -	\$ (52,426)
Emergency Management Performance Grants	97.042	N/A	15,000	(14,417)	14,417	-	-	-
Emergency Management Performance Grants	97.042	N/A	11,550	-	11,550	11,550	-	-
CFDA Subtotal				(14,417)	25,967	11,550	-	-
Total U.S. Department of Homeland Security				\$ (14,417)	\$ 323,047	\$ 361,056	\$ -	\$ (52,426)
<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	\$ -	\$ 670,629	\$ 602,601	\$ -	\$ 68,028
Passed through the Montana Department of Natural Resources and Conservation:								
Cooperative Forestry Assistance	10.664	VFA-09-340	2,800	-	2,800	2,800	-	-
Total U.S. Department of Agriculture				\$ -	\$ 673,429	\$ 605,401	\$ -	\$ 68,028

PARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2009

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass-through Grantor Number	Program or Award Amount	Balance July 1, 2008	Receipts	Expenditures/ Disbursements	Returned to Grantor/ Other	Balance June 30, 2009
<u>U.S. Department of Housing and Urban Development:</u>								
Passed through the Montana Department of								
Commerce:								
Community Development Block Grant- States Program	14.228	MT-CDBG-08HR-01	450,000	\$ -	\$ 7,119	\$ 7,119	\$ -	\$ -
HOME Investment Partnership Program	14.239	M08-SG3001-60	500,000	-	-	-	-	-
Total U.S. Department of Housing and Urban Development				<u>\$ -</u>	<u>\$ 7,119</u>	<u>\$ 7,119</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Institute of Museum and Library Services</u>								
Direct Program:								
Museums for America	45.301	MA-01-07-0010-07	104,156	\$ 7,786	\$ 35,825	\$ 48,816	\$ -	\$ (5,205)
Total Institute of Museum and Library Services				<u>\$ 7,786</u>	<u>\$ 35,825</u>	<u>\$ 48,816</u>	<u>\$ -</u>	<u>\$ (5,205)</u>
Total federal awards				<u>\$ (20,906)</u>	<u>\$ 1,266,129</u>	<u>\$ 1,248,379</u>	<u>\$ (8,766)</u>	<u>\$ (11,922)</u>

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 AUDIT FINDINGS

There were no prior year findings and questioned costs related to federal award programs.

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, 2009, which collectively comprise the government's basic financial statements and have issued our report thereon dated November 5, 2009. In our report, our opinion was qualified because we were unable to form opinions regarding the amounts at which taxes/assessments receivable, deferred revenue and related revenue were recorded as of and for the year ended June 30, 2009 in the governmental activities, business-type activities, each major fund (excluding the PILT and general capital improvement funds), and the aggregate remaining fund information. Additionally, in our report, our opinion was qualified because we did not observe year end inventory counts and the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities for governmental activities and the road fund. Except as discussed in the preceding two sentences, 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the government's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the government's financial statements that is more than inconsequential will not be prevented or detected by the government's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. (Findings 09-1 through 09-19)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the government's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 09-1 and 09-2 to be material weaknesses.

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 09-3, 09-8 and 09-12 through 09-19.

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)

Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

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

Olness & Associates, PC

November 5, 2009

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, 2009. 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.

As described in item 09-20 in the accompanying schedule of findings and questioned costs, the government did not comply with requirements regarding Davis-Bacon that are applicable to its Homeland Security Grant Program. Compliance with such requirements is necessary, in our opinion, for the government to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2009.

Internal Control Over Compliance

The 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, 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 would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 09-20 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider item 09-20 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)

Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

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

Olness & Associates, PC

November 5, 2009

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

SUMMARY OF AUDIT RESULTS

FINANCIAL STATEMENTS:

Type of auditor's report issued: qualified

Internal control over financial reporting:

- Material weaknesses identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☒ yes ☐ none reported

Noncompliance material to the basic financial statements noted? ☒ yes ☐ no

FEDERAL AWARDS:

Internal control over financial reporting:

- Material weaknesses identified? ☒ yes ☐ no
- Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs: unqualified for Secured Payments for States and Counties Containing Federal Lands and qualified for Homeland Security Grant Program

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

Identification of major programs:

<u>CFDA Numbers</u>
97.067
10.665

<u>Name of Federal Program or Cluster</u>
Homeland Security Grant 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 ☒ no

FINDINGS - FINANCIAL STATEMENT AUDIT

09-1. Inventory and Establish a Perpetual Inventory System

Supplies inventory is recorded in the general ledger for the road fund. At year-end, a physical inventory of supplies inventory on-hand was conducted by the road department. However, the results of the inventory were not recorded in the fund that purchased the inventory. We recommend the results the year-end inventory be recorded in the fund in which the inventory was purchased. Additionally, we believe that maintenance of perpetual inventory records would serve as a check on road, bridge and gas tax employees, provide information essential to adequate purchasing control and be particularly useful in taking of physical inventories.

09-2. Taxes Receivable

During our test work over taxes receivable, we noted the balances, as recorded in the general ledger, did not agree to the Treasurer's unpaid taxpayer report by fund. This report summarizes taxes receivable from tax billing on an individual fund basis, by tax type. As of June 30, 2009, this report contained errors. The software vendor will be providing an update to correct the errors. Once the report is fixed, we recommend taxes receivable, as recorded in the general ledger, be reconciled to the Treasurer's unpaid taxes receivable report at the end of December and June each year. According to current procedure, this reconciliation should be completed by the County Auditor's office and filed for future reference.

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

09-3. Realign Duties

As noted in the prior audit, 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. 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.

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. We recommend the county commissioners realign the duties and responsibilities of the county treasurer to conform to current state statutes and other Montana county governments.

09-4. Cash and Investment Reconciliations

Timely preparation of complete and accurate bank reconciliations is a key to maintaining adequate control over both cash receipts and disbursements. During fiscal year 2009, the monthly bank account reconciliations did not agree with the general ledger cash balances (i.e. unreconciled differences existed). An unreconciled difference that appears immaterial can obscure significant, but offsetting items (such as bank errors or improperly recorded transactions) that would be a cause for investigation if the items were apparent. We recommend the Treasurer develop formalized reconciliations. All reconciling items should be supported and be made part of the reconciliation. Additionally, the bank reconciliations should be reviewed for accuracy and completeness on a timely basis by the Commissioners. The review should include tests of mechanical accuracy and tracing of items on the reconciliation to the relevant source documents. The composition of unreconciled differences should be determined and followed up on, and any journal entries deemed necessary should be recorded.

09-5. Treasurer's Office

The following are repeat comments from the prior year audit:

- Interest income earned on investments from DA Davidson, Buchanan Capital and First Interstate was receipted into funds 1000, 2900 and 4500. Certain investments in those accounts are owned specifically by these funds. Interest income related to these specific investments was not receipted to the correct funds. An audit adjustment was made to reclassify the interest earnings to the correct funds.
- Interest income from the investment accounts discussed above was recorded when cash was received. Interest income should be recorded when it is earned. A spreadsheet should be setup to account for the investment accounts. Interest income should be recorded when it is earned and not necessarily when it is received.
- Incoming mail is opened by individuals who also have cash receipting responsibilities. We recommend incoming mail be opened by two individuals. Tapes should be run of the checks received in the mail and used as part of the daily reconciliation process.
- The protested taxes fund (No. 7130) did not agree to the protested taxes subsidiary ledger nor to the general ledger protested taxes receivable balances. We recommend the treasurer's office develop procedures to reconcile the protested taxes fund, protested taxes subsidiary ledger and the protested taxes receivable accounts in the general ledger.
- The refund clearing fund was not reconciled. As of June 30, 2009, the refund clearing fund had a deficit cash balance of \$20,842. We recommend procedures be developed to reconcile the refund clearing fund.

09-6. Justice of the Peace

As noted in prior audits, current procedures do not provide for a formal reconciliation of monthly time-pay activity to the beginning and ending subsidiary record balances. We recommend the Justice of the Peace secretary reconcile time-pay activity to the beginning and ending subsidiary record balances monthly. Once completed, the reconciliation should be reviewed and approved by the Justice of the Peace.

09-7. Flexible Benefits Liability not Reconciled

The flexible benefits liability account in the payroll clearing fund is not reconciled on a monthly basis. As part of the monthly payroll and reconciliation process, the flexible benefits liability account in the payroll clearing fund should be reconciled to the statement provided by the county's third party administrator.

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

09-8. District Court Trust and Fee Accounts

During our audit of the District Court trust and fee accounts, we noted the following:

- The trust and fee accounts were not reconciled to the bank and county treasurer's statements as the monthly reconciliations contained numerous errors, adjustments, unknown items and incorrect information for the funds invested with the county treasurer. We recommend the Clerk of District Court contact the Montana Supreme Court for assistance in clearing out all un-reconciled 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. Documentation to support the reconciled balances (ie: bonds, civil, criminal, restitution, invested funds, etc...) should be retained to support the reconciled balance.
- Deposits were not always made in a timely manner. At a minimum, deposits should be made on a weekly basis
- The clerk of court fees were not always remitted to the county treasurer in a timely manner. For example, the June 2009 collections were not remitted to the treasurer until August 4, 2009. Per Section 7-4-2511(1), fees are due to the county treasurer by the 10th of each month.

09-9. Financial Reporting

Internal control is a process - affected by those charged with governance, management, and other personnel - designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term financial reporting includes the preparation of financial statements, including footnote disclosures that are fairly presented in conformity with generally accepted accounting principles. Presently, employees and management have the necessary qualifications and training to fulfill their assigned daily functions, but do not have the skills and knowledge to apply generally accepted accounting principles in relation to preparation of the financial statements or to prevent, detect and correct a material financial statement misstatement.

09-10. Segregation of Duties

Smaller entities often have fewer employees, which may limit the extent to which segregation of duties is practicable. However, for key areas, even in a very small entity, it can be practicable to implement some degree of segregation of duties or other form of unsophisticated, but effective controls. Examples of segregation of duties include reporting, reviewing and approving reconciliations and approval and control of documents.

09-11. Deferred Assessments Receivable

In prior years, debt was issued by the county for special improvement district (SID) projects in Gardiner. Annually, the county bills and collects assessments for the repayment of the debt. However, the deferred assessment receivable (amount levied against the taxpayers, but not currently due) was not recorded for Gardiner SID's No. 5 and 5a. Generally accepted accounting principles require the deferred assessment receivable be established at the beginning of the project. Further, we recommend subsidiary records for Gardiner SID's No. 5 and 5a be developed for each property owner to support the remaining amount of assessments (principal and interest) to be billed.

09-12. Final Budget

Section 7-6-4024 (3), MCA, states that the budget must be finally approved and adopted by resolution by the later of the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue. The county received the certified taxable value on August 25, 2008 and held its public hearing the last week of October 2008, with final budget resolution approved on October 28, 2008. As a result, the county is not in compliance with Section 7-6-4024, MCA. We recommend the budget be finally approved and adopted by resolution by the later of the second Monday in August or within 45 calendar days of receiving certified taxable values from the Department of Revenue.

09-13. Budget Document

The 2009 final budget was submitted to the Department of Administration in April 2009. Section 7-6-4003, MCA, requires a local government to submit a complete copy of the final budget together with a statement of tax levies to the Department of Administration by the later of October 1 or 60 days after receipt of taxable values from the Department of Revenue. The county clerk and recorder shall make this submission for counties.

PARK COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2009

09-14. Budgets

During our budget test work, we noted cash reserves for the Mosquito, Gardiner Lights and Gardiner 5A funds were in excess of one-third of the adopted budget. Section 7-6-4034, MCA, requires cash reserves to be limited to one-third of the adopted budget. We recommend the county comply with the provisions of Section 7-6-4034, MCA.

09-15. Elected Official Salaries

Section 7-4-2503(4b), MCA, requires the county compensation board to prepare a compensation schedule for the elected county officials, including the county attorney, for the succeeding fiscal year. We found no record that this schedule was prepared. We recommend the county compensation board prepare a compensation schedule. This schedule should be incorporated into the annual salary resolution.

Additionally, during our testwork over elected official salaries, we noted the base salary paid to the elected officials was not uniform in accordance with Section 7-4-2503 (1b), MCA. The base wage paid to elected officials must be uniform.

Further, the sheriff and other officers longevity calculation was not calculated correctly in accordance with Section 7-4-2503 (2c), MCA.

We recommend the human resource and payroll departments review state statutes in detail to ensure compliance.

09-16. Personal Use of Cell Phone is Taxable.

The county has a county-wide cell phone plan, but does not track personal use the cell phones. Based on Internal Revenue Service regulations, a portion, if not all of the fair market value of the employer provided cell phone is includable in the employee's income. We recommend the county include the fair market value of employer provided cell phones as income to employees.

09-17. Victim Witness Time Sheet Documentation

During our review of the county Victim/Witness program, we noted the Victim/Witness coordinator does not keep a separate time sheet to support direct time charges to the Victim/Witness program. The Victim/Witness coordinator also works in the County Attorney's office. As detailed OMB Circular A-87 *Cost Principles for State, Local and Indian Tribal Governments*, where employees work on multiple activities, a distribution of their salaries or wages should be supported by personnel activity reports or equivalent documentation and must reflect an after-the-fact distribution of the actual activity of each employee. We recommend the Victim/Witness coordinator maintain a separate time sheet for grant funded and non-grant funded activities, including vacation and sick leave.

09-18. Davis-Bacon Provisions

During our audit of the county's federal award programs, we 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. On future federally funded projects, we recommend the county establish a process to ensure Davis-Bacon provisions are complied with.

09-19. Pledges

Adequate pledges were not maintained for American bank deposits in excess of federally insured limits. We recommend adequate pledges be obtained from American bank for deposits in excess of federally insured limits.

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF HOMELAND SECURITY

09-20. Homeland Security Grant Program, CFDA No. 97.067 Grant No. 2007-GE-T7-0011

Finding 09-18 applies to this federal award program.

PARK COUNTY
PRIOR YEAR AUDIT FINDINGS - FINANCIAL STATEMENT AUDIT

Prior Year Audit Findings		Status
08-1.	Financial Reporting	Continued Disclosure
08-2.	Segregation of Duties	Continued Disclosure
08-3.	Realign Duties According to State Statutes	Not Implemented
08-4.	Perform Physical Inventory and Establish a Perpetual Inventory System	Partially Implemented
08-5.	Cash and Investment Reconciliations	Not Implemented
08-6.	Treasurer's Office	Partially Implemented
08-7.	Tax Corrections	Implemented
08-8.	Taxes Receivable Reconciliation	Partially Implemented
08-9.	Justice of the Peace	Partially Implemented
08-10.	Enterprise Funds	Implemented
08-11.	Deferred Assessments Receivable	Not Implemented
08-12.	Property Taxes	Implemented
08-13.	Elected Official Salaries	Not Implemented
08-14.	Graders not Advertised for Bid	Implemented
08-15.	Budgets	Implemented