



GALLATIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

AUDIT REPORT

GALLATIN COUNTY, MONTANA
AUDIT REPORT
Fiscal Year Ended June 30, 2008

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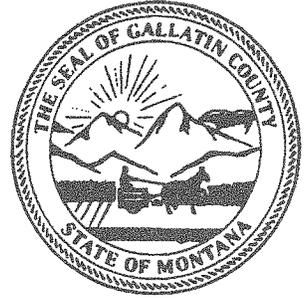
INTRODUCTORY

SECTION

State of Montana

County of Gallatin

Bozeman



GALLATIN COUNTY CLERK AND RECORDER

December 18, 2008

To the Honorable Board Of County Commissioners and the Citizens of Gallatin County:

The annual financial report of Gallatin County for the Fiscal year ended June 30, 2008, is hereby submitted. The form and contents of this report has been prepared by the Accountant for the Clerk and Recorder's Office in conformance with the standards promulgated by the Governmental Accounting Standards Board. This report is presented in four main sections: Management's Discussion and Analysis, Basic Financial Statements, Supplemental Schedules, and the Single Audit Section. The Management Discussion and Analysis provides a readable overview of the Financial Statements contained in the subsequent pages of this report. The Basic Financial Statements section includes the Financial Statements and the Notes to the Financial Statements. The combined statements provide a summary of the financial position at June 30, 2008 and the results of operations for the fiscal year then ended in accordance with GASB 34 statement. The Notes to the Financial Statements are considered an integral and essential part of adequate disclosure and fair presentation of this financial report. The notes include a summary of Significant Accounting Policies for the County and other necessary disclosures of pertinent matters relating to the financial position of the County. Because the notes are an integral part of the financial statements they should be read in conjunction with them. The Supplemental Section includes the combining financial statements, which are required when the County has more than one fund of a given type. The Single Audit Section includes reports required by the Office of Management and Budget Circular A-133 and the Single Audit Act Amendment of 1996. Those consist of the Schedule of Federal Awards Expended and the outside auditors' letters, comments and recommendations. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain the maximum understanding of the County's financial activity have been included.

The preparation of this report could not have been accomplished without the assistance and cooperation of many County offices and departments.

A handwritten signature in cursive script that reads "Charlotte Mills". The signature is written in black ink and is positioned above a horizontal line.

Charlotte Mills
Gallatin County Clerk and Recorder

GALLATIN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2008

BOARD OF TRUSTEES

BILL MURDOCK
JOSEPH SKINNER
R. STEPHEN WHITE

Commissioner (Chairperson)
Commissioner
Commissioner

OFFICIALS

MARTY LAMBERT
JENNIFER BLOSSOM
KIMBERLY BUCHANAN
CHARLOTTE MILLS
JENNIFER BRANDON

SCOTT WYCKMAN
GORDON L. SMITH
MARY ELLEN FITZGERALD
JIM CASHELL
MICHAEL SALVAGNI
HOLLY BROWN
JOHN C. BROWN

Attorney
Auditor
Treasurer / Assessor
Clerk and Recorder / Surveyor
Clerk of District Court / Public
Administrator
Justice of the Peace
Justice of the Peace
School Superintendent
Sheriff / Coroner
District Court Judge
District Court Judge
District Court Judge

FINANCIAL SECTION



1007 EAST MAIN STREET · SUITE 300 · BOZEMAN, MONTANA 59715
TEL: 406.556.6160 · FAX: 406.586.8719 · WEB: WWW.AZWORLD.COM

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Gallatin County, 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 Gallatin County, Montana (the County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gallatin County, Montana, as of June 30, 2008, 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 accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2008, on our consideration of the County'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.

The management's discussion and analysis and budgetary comparison information 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 County's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the 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 also not a required part of the basic financial statements of the County. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson Zurmuehlen + Co., P.C.

Bozeman, Montana
January 2, 2009

MANAGEMENT'S

DISCUSSION

AND

ANALYSIS

Gallatin County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008

As managers of Gallatin County, the Board of County Commissioners, with assistance from County Elected Officials, the County Administrator and their staff, we present the following Management Discussion and Analysis. The information comes from Gallatin County's financial statements and includes narrative on the financial activities of Gallatin County, Montana, for the fiscal year ended June 30, 2008. We encourage readers to consider the information in this Management Discussion and Analysis (MD&A) along with the rest of the annual report, of which the Management Discussion and Analysis is the first part of.

FINANCIAL HIGHLIGHTS:

The financial statements presented herein includes all of Gallatin County, Montana, (the County) activities using the integrated approach as prescribed by the Government Accounting Standards Boards (GASB) Statement No. 34.

- At the end of 2008, the fund balance for the General Fund was \$2,832,293 - down \$636,258 from June 30, 2006 and down \$804,314 from June 30, 2007;
- The county will face a number of fiscal challenges in the future. The challenges have been increased with the slowing of the local economy leading to a downturn in construction, job growth and development. Gallatin County continues to maintain a good financial standing because of positive growth, completion of the Road Shop Complex, expansion into the Courthouse Annex, construction of the new Dispatch Center, adoption and implementation of the Growth Policy and continued increases in taxable value and total net assets.
- The assets of the County exceeded its liabilities at year-end by \$142.0 million (net assets). Of this amount \$37.4 million (26.34%) is unrestricted and may be used to meet the County's 2009 budgetary needs and Operating Reserves.
- Revenues from Taxes/Assessment were \$24,650,399 for governmental funds, up \$1,978,749 from fiscal year 2007. This increase was mostly from the voter approved 9 mill (\$1,771,794) Enhanced Dispatch tax authorization.
- The County Landfill saw a significant change in its net assets. The activity increased net Assets by \$2,216,859 during fiscal year 2008.
- County Health Insurance Fund saw a continuation of a positive financial position, as represented by unreserved cash increasing to \$2,912,966 compared to fiscal year 2005 cash of \$1,144,388, fiscal year 2006 cash of \$1,340,318 and fiscal year 2007 cash of \$2,101,229. The Health Insurance Fund continues to benefit from the Permissive Medical Levy approved by the state legislature in 2001.
- The County's Governmental Activity debt increased by \$1,244,370 to \$22,371,830, with Business-Type Activity debt decreasing (\$1,491,065) to \$5,228,015 with total debt decreasing by (\$246,695) during fiscal year 2008. The Governmental Activities debt will increase with borrowing for the Dispatch Building (\$1,000,000), and in fiscal year 2009 or beyond the Mental Health Building (\$1,000,000). The current cost of a new detention center is estimated at \$37,936,000 with a \$32,000,000 bond vote approved on November 4, 2008.

OVERVIEW OF THE ANNUAL REPORT:

The Government-Wide financial statements present the financial picture of the County from an economic resource measurement focus (what activity money is spent on) using the full accrual basis of accounting. The statements present governmental activities and business type activities separately. The statements include all assets of the County, as well as all liabilities, including long-term debt. Additionally, certain reductions have occurred as prescribed by the statements regarding interfund activity, payables and receivables.

The Fund Financial Statements include statements for each of the three categories of activities: governmental, business-type, and fiduciary. The governmental activities are prepared using the current financial resource measurement focus and modified accrual basis of accounting. The business-type activities are prepared using the economic resource measurement focus and the accrual basis of accounting. The fiduciary activities are agency funds, which only report a balance sheet and do not have a measurement focus. Reconciliation of the fund financial statements to the government-wide financial statements is provided to explain the differences created by the integrated approach.

Reporting the County as a whole:

The following discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's financial statements are comprised of three primary components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The financial report contains other supplementary information that supports or clarifies the primary components.

Statement of Net Assets and the Statement of Activities

The Statement of Net Assets and the Statement of Activities report information about the County as a whole and its activities. These statements include all assets and liabilities of the County using the full accrual basis of accounting for all expenses and revenues. This means that all of the current year's expenses and non-tax revenues are taken into account regardless of when payment is made or revenue received (when the service is rendered).

The *Statement of Net Assets* presents information on all the County's assets and liabilities, with the difference being shown as net assets. Over time, increases or decreases in net assets serve as a useful indicator of whether the County's financial position is improving or deteriorating.

The *Statement of Activities* presents information showing how the County's net assets changed during the fiscal year ending. All changes in net assets are reported as soon as the underlying event giving rise to the changes are known, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flow changes in future fiscal periods (e.g. receivables at the landfill, fairgrounds, and rest home and expenses such as unused vacation, sick, or comp time).

Both of these statements distinguish activities of the County that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type

activities). The County's activities include general government, public safety, public works, public health, economic development, and recreation. The business-type activities of the County include Solid Waste District (Logan landfill), Hebgen Basin Refuse District, and rest home activities.

The government-wide financial statements are found in the Basic Financial Statement Section of this report.

Government Activities – Most of Gallatin County's basic services are reported in this category, including:

General Government:

Elected Offices –

- County Attorney, Auditor, Clerk & Recorder/Surveyor, Commission, Justice of the Peace, Clerk of District Court/Public Administrator, and Treasurer/Assessor.

Departments –

- County Administrator, Compliance Office, Court Services, Finance, Geographic Information, Grant/Project Administration, Human Resources, Information Technology, and Planning/Zoning.

Public Safety:

Elected Offices –

- County Sheriff, Coroner.

Departments –

- Disaster & Emergency Services, Dispatch Services, Fire Marshal, Detention Services – Adult & Juvenile, Hazardous Materials Incident Services, Search & Rescue.

Public Works:

Departments –

- Airport – Three Forks, Bridge, Junk Vehicle, Noxious Weed Control, Road, Facilities, Rural Improvement Maintenance, and Refuse/Solid Waste.

Public Health:

Departments/Agencies –

- Alcohol Rehabilitation, City/County Health (Administration, Human Services and Environmental Services), Mental Health, Senior Citizens, Cemetery Districts, Mosquito Control, and Water Quality.

Economic Development:

- Economic Development, Extension Agents.

Culture and Recreation:

- Library, Fair, and Parks

Conservation and Natural Resources:

- Open Lands Board, Open Space Bond, Open Space Bond Repayment

Debt Service:

- General Obligation Bonds, Loans Payable, Lease Purchases, Rural Special Improvement Bonds and Compensated Balances.

Business Type Activities – In this activity, fees charged to users are designed to cover all or most of the cost of the services provided. The County uses fees as the principal revenue source for landfill, refuse, and rest home services.

Reporting the County’s Significant Funds

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The county, as required by state law and generally accepted accounting principles, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County continues to conform to the State of Montana Budgetary Accounting Reporting System (BARS). All County funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, which also include spendable resources available at the end of the fiscal year. (NOTE: spendable resources include cash on hand and resources immediately available during the next month). Such information may be useful in evaluating a government’s near-term financial requirements.

The focus of spendable resource statements is narrower than the government-wide financial statements and is useful to compare governmental activities in the governmental wide financial statements with the information presented in the fund financial statements. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation allowing a comparison between governmental funds and governmental activities.

The County maintains 8 major governmental (RID Maintenance and RID Bond account for 103 funds) and proprietary funds, 98 non- major funds and 176 trust and agency funds. This means the County maintains 383 funds. Major funds are the general fund plus any other fund in which total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type. Also, total assets, liabilities, revenues, expenditures/expenses for the individual governmental fund or enterprise fund are at least 5 % of the corresponding total for all governmental and enterprise funds combined. Non-major governmental funds are those that do not meet the above criteria.

Major governmental funds include the General Fund, Public Safety Fund, RSID Maintenance Districts, RID Bonds, County Building – Capital Projects Fund, Rest Home, Landfill District and Refuse District. The Non-major governmental funds include 80 operating funds, 4 debt funds, 7 capital funds, 7 revolving funds and 176 trust and agency funds. The information for the Non-Major Governmental Funds is combined into a single, aggregated presentation. Data for funds is provided in the form of combining statements elsewhere in this report.

Gallatin County adopts an annual budget for general, special revenue, debt service, capital, enterprise, interdepartmental, and district funds. A budgetary comparison statement between the general and special revenue funds is provided to show our compliance with the approved budget.

Proprietary Funds – The County maintains two types of proprietary funds. They are 1) Enterprise Funds which are used to report business type activities in governmental-wide financial statements. The activities of the County Rest Home, County Landfill, and Hebgen/West Yellowstone Refuse District are reported as Enterprise Funds; 2) Internal service funds are used to record and allocate costs among the counties various activities. The County uses internal service funds for motor pool, employee health insurance, facilities, central communications, copier and liability insurance activities. Because these services benefit governmental activities rather than business type activities, they have been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in greater detail. All funds are aggregated when the final statements are compiled.

The basic proprietary fund financial statements are found in the government-wide financial statements section of this report, which immediately follows the MD & A.

Fiduciary Funds – The County maintains a significant number of fiduciary funds including fire districts, fire service areas, school districts, cities, and other state and local accounts. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the governmental-wide financial statements because the resources of those funds are not available for expenditures by the government, but are restricted for use by the agency having control of the fund.

The basic fiduciary fund financial statements are found in the government-wide financial statement section, which immediately follows the MD & A Section.

Notes to the Financial Statements – The notes provide additional information that is essential to fully understand the data provided in the government-wide and fund financial statements. Notes to the financial statements are found in the government-wide statements of this report.

The County as a whole

**Gallatin County, State of Montana
Statement of Net Assets
June 30, 2008**

	Primary Government FY 08			FY 07 Government Totals	FY 06 Government Totals	FY 05 Government Totals
	Governmental Activities	Business-Type	TOTAL			
ASSETS:						
Cash & Cash Equivalents	\$ 30,492,460	\$ 9,988,002	\$ 40,480,462	\$ 40,568,281	\$ 38,910,070	\$ 31,034,054
Other Assets	7,070,277	1,019,021	8,089,298	6,387,943	6,963,240	34,590,944
Capital Assets (net)	<u>116,589,076</u>	<u>9,607,955</u>	<u>126,197,031</u>	<u>117,074,293</u>	<u>112,057,658</u>	<u>-</u>
TOTAL ASSETS	154,151,813	20,614,978	174,766,791	164,030,517	157,930,968	65,624,998
LIABILITIES:						
Current Liabilities	4,159,017	924,182	5,083,199	4,329,490	4,261,097	2,525,215
Long - Term Liabilities	<u>22,371,830</u>	<u>5,228,014</u>	<u>27,599,844</u>	<u>26,314,993</u>	<u>26,856,879</u>	<u>21,603,247</u>
TOTAL LIABILITIES	26,530,847	6,152,196	32,683,043	30,644,483	31,117,976	24,128,462
NET ASSETS:						
Invested in capital assets	95,672,105	5,859,250	101,531,355	102,741,551	95,695,016	17,368,074
Restricted	1,004,356	2,114,903	3,119,259	4,329,490	4,261,097	2,525,215
Unrestricted	<u>30,944,505</u>	<u>6,488,628</u>	<u>37,433,133</u>	<u>26,314,993</u>	<u>26,856,879</u>	<u>21,603,247</u>
TOTAL NET ASSETS	\$ 127,620,966	\$ 14,462,781	\$ 142,083,747	\$ 133,386,034	\$ 126,812,992	\$ 41,496,536

The County is providing condensed financial information for fiscal year 2005 through 2008. The comparative information is being provided for three years of GASB 34 implementation for Gallatin County. The analysis that follows focuses on the County's net assets for governmental and business activities.

As stated earlier, the County's net assets may serve as a useful indicator of financial position. This indicator requires several years of comparative information to show trends and variances. For Gallatin County, the following table shows the net amount assets exceeded liabilities.

- Fiscal Year 2003 (June 30, 2003) \$ 33,580,845
- Fiscal Year 2004 (June 30, 2004) 35,807,358
- Fiscal Year 2005 (June 30, 2005) 41,496,536
- Fiscal Year 2006 (June 30, 2006) 126,812,992
- Fiscal Year 2007 (June 30, 2007) 133,386,034
- Fiscal Year 2008 (June 30, 2008) 142,083,747

The major increase in fiscal year 2006 is associated with Infrastructure (net) being included for the first time in fiscal year 2006 as required by GASB.

The County's changes in net assets in the governmental and business-type activities are shown in the following table. The report shows that primary governmental activities increased net assets to \$127,620,966, compared to fiscal year 2007 net assets of \$124,881,538 and fiscal year 2006 net assets of \$120,593,201.

Business-Type Activities for fiscal year 2008 show an **increase** in net assets to \$14,462,781, an increase of \$5,958,285. The increase comes primarily from Refuse and Landfill.

The Statement of Activities and Changes in Net Assets Follows:

Gallatin County, State of Montana
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net(Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type	Total
Primary government:							
Governmental activities:							
General Government	\$ 9,253,170	\$ 1,954,969	\$ 997,942	\$ 10,467	(6,289,792)	\$ -	\$ (6,289,792)
Public Safety	12,763,783	2,291,149	957,611	46,402	(9,468,621)	-	(9,468,621)
Public Works	6,841,063	315,617	564,299	-	(5,961,147)	-	(5,961,147)
Public Health	2,970,012	270,373	976,340	-	(1,723,299)	-	(1,723,299)
Social & Economic Services	497,906	75,150	-	-	(422,756)	-	(422,756)
Culture & Recreation	1,558,566	502,344	19,443	-	(1,036,779)	-	(1,036,779)
Housing & Community Dev.	86,456	339,328	-	-	252,872	-	252,872
Conservation of Natural	97,076	149,140	-	-	52,064	-	52,064
Miscellaneous	51,437	-	-	-	(51,437)	-	(51,437)
Interest Expense	856,831	-	-	-	(856,831)	-	(856,831)
Total governmental	\$34,976,300	5,898,070	3,515,635	56,869	(25,505,726)	-	(25,505,726)
Business-type Activities:							
Hebgen Basin Refuse	918,325	994,478	3,741,000	-	-	3,817,153	3,817,153
Gallatin County Rest Home	4,717,317	4,300,411	96,537	-	-	(320,369)	(320,369)
Gallatin County Landfill	1,856,328	4,072,451	-	-	-	2,216,123	2,216,123
Total business-type activities	7,491,970	9,367,340	3,837,537	-	-	5,712,907	5,712,907
Total primary government	\$ 42,468,270	\$ 15,265,410	\$ 7,353,172	\$ 56,869	\$ (25,505,726)	\$ 5,712,907	\$ (19,792,819)

Gallatin County, Montana - Statement of Changes in Net Assets
For the Year Ended June 30, 2008

Net (Expenses) Revenues and Changes in Net Assets

	----- Primary Government -----		
	Governmental Activities	Business-Type Activities	TOTAL
General Revenues:			
Property Taxes for General Purposes	24,650,399	61,443	24,711,842
Grants & entitlements not restricted to specific	2,043,255	-	2,043,255
Investment Earnings	1,490,572	323,602	1,814,174
Miscellaneous	49,204	-	49,204
Sale/Disposal of Fixed Assets	11,724	(139,667)	(127,943)
Total General Revenues and Transfers	28,245,154	245,378	28,490,532
Change in net assets	2,739,428	5,958,285	8,697,713
Net assets - beginning	124,881,538	8,504,496	133,386,034
Net assets - ending	\$ 127,620,966	\$ 14,462,781	\$ 142,083,747

Government Activities

Gallatin County spent \$ 42,468,270 for primary governmental activities in fiscal year 2008. Governmental activities include:

- **General Government** (County Attorney, Auditor, Clerk & Recorder/Surveyor, Commission, Justice of the Peace, Clerk of District Court/Public Administrator, Treasurer/Assessor, County Administrator, Compliance Office, Court Services, Finance, Geographic Information, Grant Administration, Human Resources, Information Technology, Planning/Zoning, Public Defenders).
- **Public Safety** (County Sheriff, Coroner, Disaster & Emergency Services, Dispatch Services, Fire Marshal, Detention Services – Adult & Juvenile, Hazardous Materials Incident Services, Search & Rescue).
- **Public Works** (Airport – Three Forks, Bridge, Noxious Weed Control, Road, Junk Vehicle, and Rural Improvement Maintenance are reported as special revenues. While Hebggen Refuse and the Solid Waste Districts are reported as a part of Business Activity for the County).
- **Public Health** (Alcohol Rehabilitation, City/County Health (Administration, Human Services and Environmental Services), Mental Health, Senior Citizens, Cemetery Districts, Mosquito Control, Water Quality and Sewer Districts. Rest Home is reported in Business Activity section).
- **Social & Economic Services** (Senior Services, County Extension Agent, CDBG)
- **Culture & Recreation** (Library, Fair, Parks and Open Lands)
- **Housing & Community Resources**
- **Conservation of Natural Resources**
- **Miscellaneous**
- **Interest**
- **Unallocated depreciation**

The previous statement shows the amount paid by property taxpayers was \$24,650,399 or 58.04% of primary government activity expenses. The following table shows the changes in the percentage Taxes are to government activity expenses:

• 2008	58.04%
• 2007	57.17%
• 2006	52.08%
• 2005	66.74%
• 2004	62.77%
• 2003	67.48%

Some costs, as shown on the schedule at the top of page 11, were paid directly by users of a service (Charges for Services), these revenues accounted for \$5,898,070 (16.86%) of fiscal year 2008 Governmental Activity expenses. Operating Grants & Contributions (Intergovernmental Revenues) generated \$3,515,635, accounting for 10.05% of expenses. Other Revenue sources generated the balance of money needed.

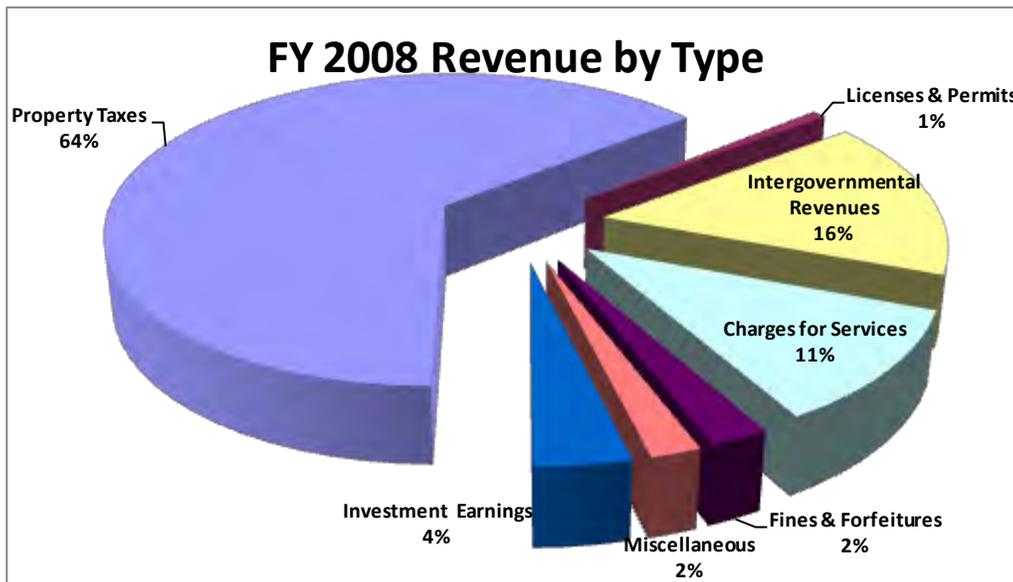
Overall, governmental program revenues, both primary government and business-type activity (revenue generated for services, fines, etc.), generated \$15,265,410 from charges for services, while operating grants and contributions equaled \$7,410,041 accounting for \$22,675,451 or \$19,792,819 less than it cost to provide services. Program revenues do not include taxes, investment earnings, entitlements or sale of fixed assets, but are restricted to revenue generated by the individual departments for services, fees, fines, grants, contributions or other direct revenue sources.

Graph of Revenues by Source – Activities

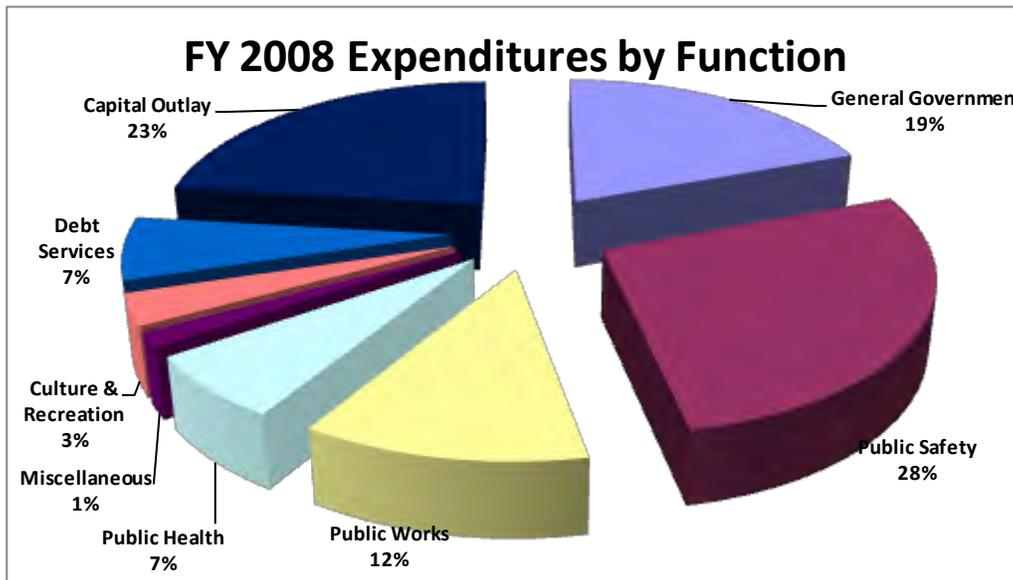
Gallatin County received \$37,715,728 in revenues to finance governmental operations. This was comprised of program revenues (\$5,898,070 plus \$3,515,635 plus \$56,869) and general revenues (\$28,245,154). Total expenses for governmental activities were \$34,976,300; thus the County's net assets increased by \$2,739,428 from revenues received during fiscal year 2008.

After all activities are considered, net assets increased from \$133,386,034 to \$142,083,747 for governmental activities and business type activities.

The graphs that follow show revenues by source and expenditures by activity for all activities.

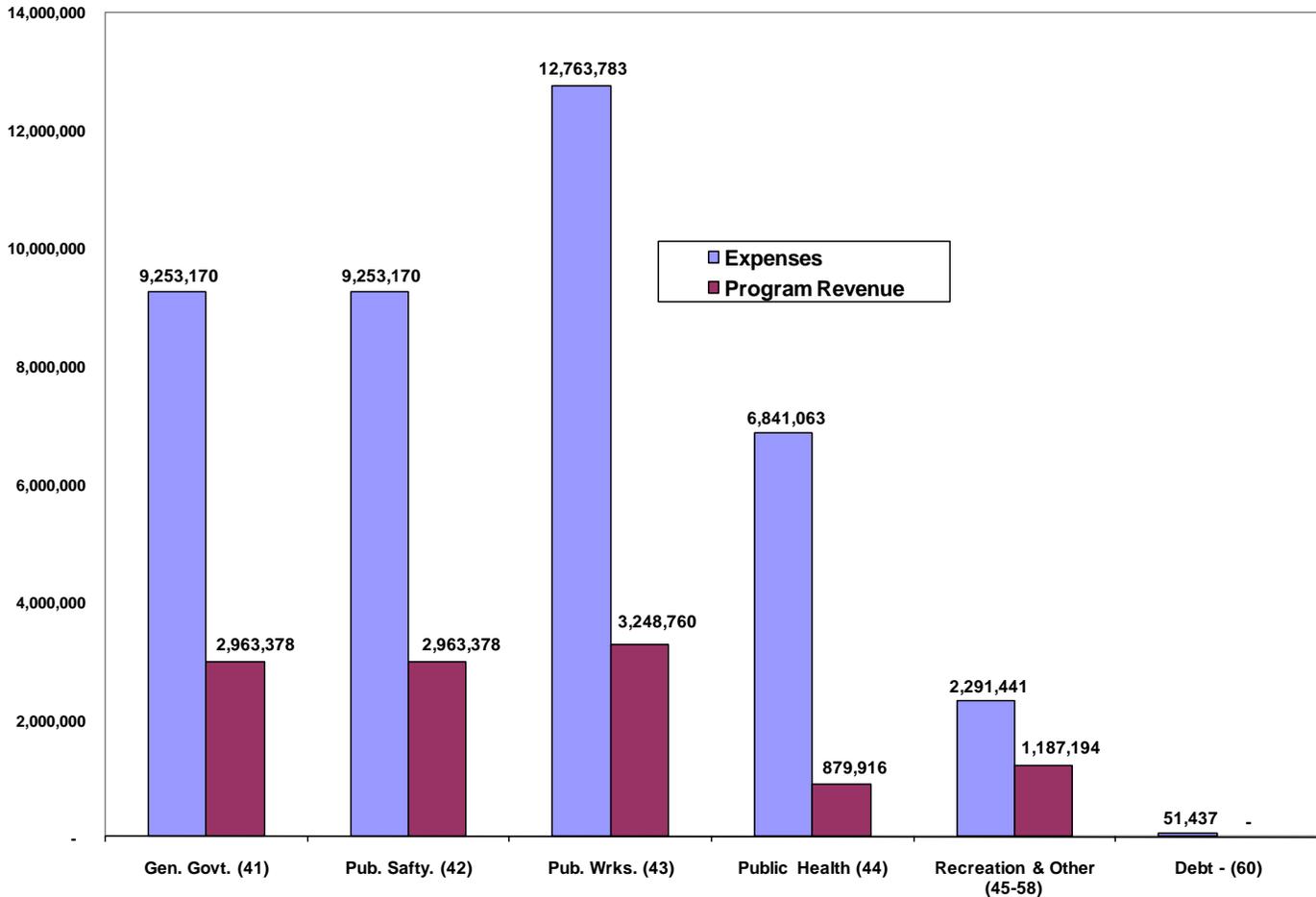


A listing of what departments are included in each function section of the following pie chart can be found earlier in the document.



The next graph compares expenses to the revenues generated by each activity:

Expenses and Program Revenues by Activity FY 2008



As this graph dramatically shows, the cost of providing services to the residents and visitors of Gallatin County is not supported by the amount the state allows local governments to charge for providing the service.

Local governments use tax revenues to support the mandated services, allowing Gallatin County to pay for current levels of service. In order to increase service levels, the following options are available:

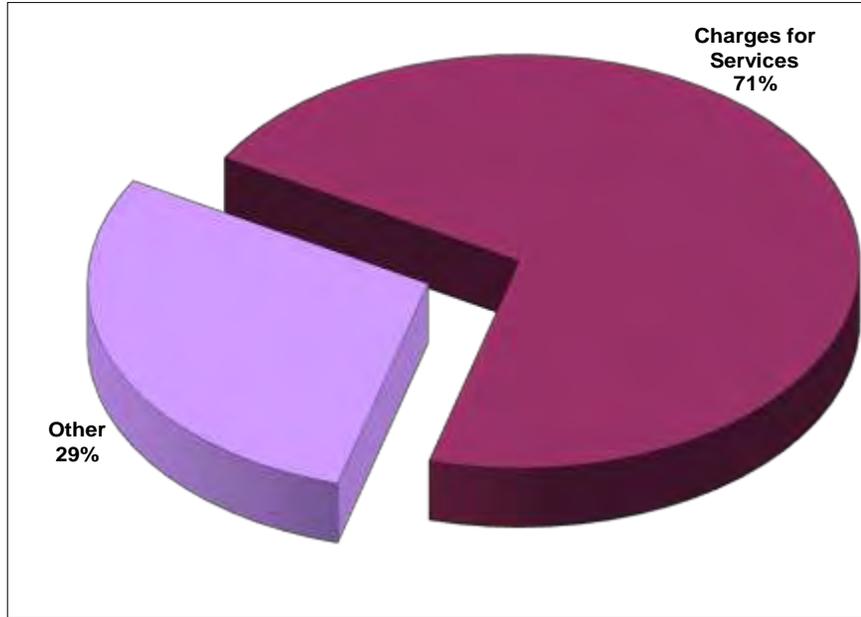
- 1) the state legislature will need to increase local governments ability to charge the true cost of services, or authorize changes in current methods of funding local government (local option taxes), and/or
- 2) the County Commission will need to fully utilize current taxing authority or the County Commission will have to request voters approve more taxes.

Business Type Activities

The cost of all proprietary (business type) activities this year was \$7,491,970. The amount paid by users' of the Rest Home, Landfill and Refuse District was \$9,367,340.

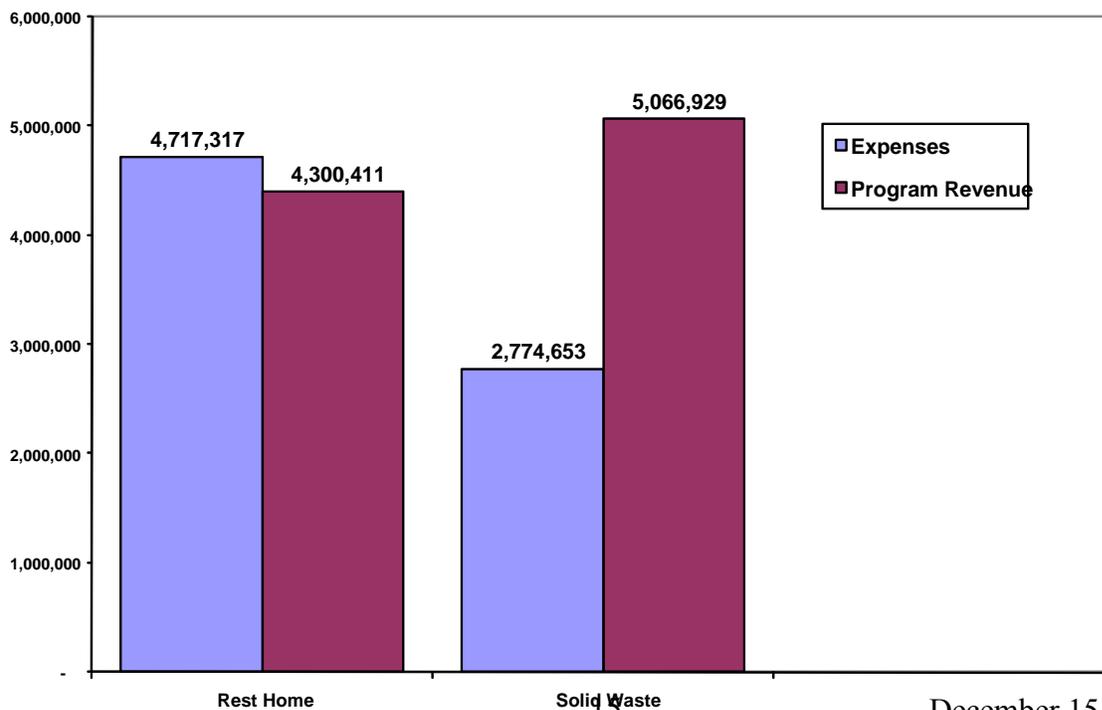
Total resources for the fiscal year 2008 to finance proprietary funds (business type) were \$13,204,877 (Charges for Services \$9,367,340, Grants / Contributions \$3,837,537, General Revenues and Transfers \$245,378).

2008 Revenues by Type - Business Areas



Total proprietary expenses during the year were \$7,491,970

Business Type Activity - Expenses and Revenues FY 2008



Funds of the County:

The following is an analysis of balances in the County’s major funds. The last column is for comparison purposes only and show prior year revenues and expenses.

General Major Governmental Functions

The information below compares revenues in FY 2008 to FY 2007:

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE FUNDS	RID BONDS	COUNTY BUILDING	Other Government Funds	Total Governmental Funds	FY 07 TOTALS
REVENUES:								
Property Taxes	\$3,838,260	\$ 8,371,309	\$ 758,649	\$ 647,514	\$1,603,827	\$ 7,832,791	\$23,052,350	\$ 20,932,857
Licenses & Permits	245	20,520	-	-	-	259,161	279,926	308,740
Intergovernmental Revenues	605,376	491,619	-	-	-	4,615,798	5,712,793	6,010,420
Charges for Services	2,040,796	1,092,442	-	-	34,627	830,112	3,997,977	4,742,373
Fines & Forfeitures	748,252	8,568	-	-	-	86,439	843,259	978,174
Miscellaneous	68,802	27,531	-	-	-	599,439	695,772	1,553,484
Investment Earnings	837,636	45,839	127,744	22,040	-	348,838	1,382,097	1,475,105
Sale of Fixed Assets	-	-	-	-	-	6,309	6,309	-
Contributions/Donations	-	-	-	-	17,266	5,467	22,733	-
Transfers In	<u>127,234</u>	<u>201,858</u>	<u>2,242</u>	<u>355,368</u>	<u>1,240,187</u>	<u>203,871</u>	<u>2,130,760</u>	<u>2,119,500</u>
Total revenues	8,266,602	10,259,686	888,635	1,024,921	2,895,907	14,788,225	38,123,976	38,120,653

The following table shows where the county spent the money received (the activity) for Major Funds as stated above.

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE FUNDS	RID BONDS	COUNTY BUILDING	OTHER GOVERNMENT FUNDS	TOTAL GOVERNMENTAL FUNDS	FY 07
EXPENDITURES:								
General Government	\$7,992,898	-	-	-	\$ 59,076	\$ 394,563	\$ 8,446,537	\$ 7,941,703
Public Safety	901,214	10,167,914	-	-	96	998,879	12,068,103	9,426,507
Public Works	-	-	415,369	-	577	4,788,355	5,204,301	4,913,619
Public Health	-	-	-	-	-	2,903,054	2,903,054	2,725,729
Social & Econ Services	-	-	-	-	-	484,356	484,356	412,139
Culture & Recreation	-	-	-	-	-	1,435,334	1,435,334	1,542,082
Housing & Comm Development	-	-	-	-	-	37,438	37,438	36,568
Cons Nat'l Resources	-	-	-	-	-	93,428	93,428	144,032
Debt Services	-	-	-	-	-	-	-	-
Miscellaneous	\$ 14,549	-	\$ 24,944	-	-	\$ 11,944	\$ 51,437	\$ 103,550
Debt service:	-	-	-	-	-	-	-	-
Principal Retirement	67,501	-	-	876,000	-	1,087,796	2,031,297	1,358,200
Interest	21,133	-	-	217,659	-	618,039	856,831	-
Capital Outlay	81,653	789,818	-	-	5,025,676	4,209,742	10,106,890	6,744,187
Transfers Out	<u>1,691</u>	<u>110,998</u>	<u>734</u>	<u>280,294</u>	-	<u>2,568,020</u>	<u>2,961,736</u>	<u>4,174,482</u>
Total expenditures	9,080,639	11,068,730	441,046	1,373,953	5,085,425	19,630,948	46,680,742	39,522,798

The General Fund is always considered a ‘Major Fund’. Public Safety Funds is considered a ‘Major Fund’ because liabilities revenues and expenditures are all greater than 10% of the Special Revenue Funds. RID Maintenance and RID Bonds are considered a ‘Major Fund’ because they have greater than 10% assets and in the case of RID Bonds they also have greater than 10% of the Assets and Liabilities of debt service funds. County Building is a ‘Major Fund’ because it has assets, liabilities, revenues and expenses that make up more than 10% of all Capital Project Funds.

Proprietary Funds

The County has three major business type funds: Rest Home, Gallatin County Solid Waste District (Logan Landfill) and Hebgen/West Yellowstone Refuse District.

Gallatin County, State of Montana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

	<u>Business-type Activities - Enterprise Funds</u>			
	<u>Gallatin Co. Rest Home</u>	<u>Gallatin County Landfill</u>	<u>W.Yell/Hebgen Refuse Dist 2</u>	<u>Total Proprietary Funds</u>
Operating revenues:				
Charges for Services	\$ 4,296,810	\$ 4,072,451	\$ 994,478	\$ 9,363,739
Miscellaneous	3,601	-	-	3,601
Internal Services	-	-	-	-
Total Operating Revenues	<u>4,300,411</u>	<u>4,072,451</u>	<u>994,478</u>	<u>9,367,340</u>
Operating expenses:				
Personnel	3,259,953	721,474	156,383	4,137,810
Operations	1,287,200	785,414	495,792	2,568,406
Depreciation	170,164	277,114	121,601	568,879
Internal Service-Personnel	-	-	-	-
Internal Service-Supplies	-	-	-	-
Internal Service-Purchased Ser	-	-	-	-
Internal Service-Fixed Charges	-	-	-	-
Internal Service-Depreciation	-	-	-	-
Internal Serv-Benefit Pymts	-	-	-	-
Total operating expenses	<u>4,717,317</u>	<u>1,784,002</u>	<u>773,776</u>	<u>7,275,095</u>
Operating Income (loss)	<u>(416,906)</u>	<u>2,288,449</u>	<u>220,702</u>	<u>2,092,245</u>
Nonoperating revenues (expenses):				
Property Taxes	61,443	-	-	61,443
Intergovernmental Revenues	96,537	-	3,741,000	3,837,537
Investment Earnings	104,403	140,403	78,796	323,602
Sale of Fixed Assets	-	(139,667)	-	(139,667)
Interest Expense	-	(72,326)	(144,549)	(216,875)
Total non operating revenue (expenses)	<u>262,383</u>	<u>(71,590)</u>	<u>3,675,247</u>	<u>3,866,040</u>
Income (loss) before contributions and transfers	(154,523)	2,216,859	3,895,949	5,958,285
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Change in net assets	(154,523)	2,216,859	3,895,949	5,958,285
Total net assets -- beginning	4,897,089	3,189,922	417,485	8,504,496
Total net assets -- ending	<u>\$ 4,742,566</u>	<u>\$ 5,406,781</u>	<u>\$ 4,313,434</u>	<u>\$ 14,462,781</u>

See accompanying notes to the financial statements

Because the focus on business type funds is a cost of service measurement or capital measurement, they have been included in the table below, which shows a comparison of net income to net assets.

	----- PRIOR YEARS -----				
	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>
TOTAL ASSETS	\$ 8,539,634	\$9,998,246	\$13,026,863	\$15,858,234	\$20,614,978
NET ASSETS	<u>2,738,250</u>	<u>4,543,296</u>	<u>6,219,790</u>	<u>8,504,496</u>	<u>14,462,781</u>
TOTAL LIABILITIES	5,801,384	5,454,950	6,807,073	7,353,738	6,152,197
NET INCOME – BUSINESS ACTIVITIES	330,227	1,411,411	1,431,872	2,284,705	5,958,285
(Divided by)					
ENDING NET ASSETS	<u>2,738,250</u>	<u>4,543,296</u>	<u>6,219,790</u>	<u>8,504,496</u>	<u>14,462,781</u>
Equals					
RETURN ON ENDING NET ASSETS	12.06%	31.07%	23.02%	26.86%	41.20%

Debt Administration

Loans, bonds, lease/purchase instruments, and similar obligations of Gallatin County are considered a liability of governmental activities. As a whole, County debt increased in fiscal-year 2008 by \$1,244,370. This came from issuance of an Inter-cap Loan for improvements to the Law and Justice Center and rural improvement special assessment bonds.

The cost per capita for governmental debt outstanding increased from \$252.62 to \$256.09 in fiscal year 2008. (\$22,371,830 divided by 87,359). Governmental activity debt summary for fiscal year 2008 is presented below:

	----- PRIOR YEARS -----				
	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>
DEBT PAYABLE ON (June 30)					
BEGINNING BALANCE	13,876,814	15,841,638	15,863,135	20,562,567	21,127,460
ADD: Inter-cap Loan	999,000	853,117	945,883	1,499,000	2,299,000
Special Assessment Bonds	465,300	-0-	340,000	455,000	900,000
Open Space G. O. Bonds	5,000	-0-	5,000,000	8,500	-0-
Compensated Absences (increase)	113,118	224,788	-0-	-0-	76,669
Corrections (DNRC loan etc.)	212,794	-0-	-0-	-0-	-0-
Capital Lease Agreements	1,272,880	708,329	-0-	-0-	-0-
LESS: Loan/Lease Payments	475,268	316,737	363,240	479,201	554,449
Special Assessment Payments	238,000	1,043,000	803,211	399,000	876,000
Compensated Absences (decrease)	-0-	-0-	-0-	38,556	-0-
General Obligation Payments	<u>390,000</u>	<u>405,000</u>	<u>420,000</u>	<u>480,850</u>	<u>600,850</u>
DEBT PAYABLE (July 1)	15,841,638	15,863,135	20,562,567	21,127,460	22,371,830
Cost Per Capita	\$209.44	\$202.83	\$254.11	\$252.62	\$256.09

The debt includes compensated absences (amount due to employees for accrued 1/4 sick leave, vacation and compensatory time) of \$1,454,859 up from FY 07. The increase of \$76,669 represents a change of 5.56% which is a positive change because wages increased by 5.78%.

The County by statute can have debt of 2.50% of Assessed Valuation. For fiscal year 2008 this equals \$152,611,216. County debt of \$18,771,830 (\$22,371,830 less Special Assessment Bonds (RID) \$3,600,000) means the county has used 12.30% of it's debt through fiscal year 2008, with unused debt being \$133,839,386.

Special assessment bonds are not included when calculating debt limit. They are the responsibility of the issuing Rural Improvement District. RID's can be backed by the Rural Improvement Revolving Fund, which maintains a balance in excess of statutory requirements. Statutory requirements require a minimum of 5% of the outstanding RID Bonds, the calculations are (\$3,600,000 X 5% = \$180,000 (cash balance in RSID Revolving Fund amounted to \$762,158 as of June 30, 2008).

The County Commission is considering issuing the following debt for capital projects for 1) Detention Center \$32,000,000, 2) Joint Dispatch Facility loan \$1,000,000 and the Mental Health Building loan \$1,000,000 during fiscal year 2009. These borrowings will positively affect the County Master Plan needs assessment.

Capital Assets

Capital assets (non-current assets) of the County are those assets, used in the performance of the County's functions including infrastructure assets. On June 30, 2008, net capital assets of our governmental activities totaled \$116,589,076 and the net capital assets associated with business-type activities equaled \$9,607,955.

At the end of 2008 the County had invested in a broad range of capital assets, including law enforcement equipment, roads and road equipment, bridges, county facilities, and other infrastructure. Major additions during 2008 included:

- Land - Open Space Easements \$2,695,000
- Building Improvements \$ 293,044
- Infrastructure Improvements \$2,857,297
- Machinery & Equipment \$1,465,324
- Construction in Progress \$4,870,139

Gallatin County is committed to the upkeep, maintenance and replacement/expansion of the County's assets.

Budgets and Budgetary Accounting

County General and Public Safety Fund Budget Highlights and Variances

The following information shows the fiscal year 2008 adopted and final budget for the General and Public Safety Funds amount to \$ 21,036,748, (Expenditures of \$ 20,808,304 plus transfers of \$228,444). There were increases of \$415,589 during fiscal year 2008 for the budgets. Individual department budgets were amended, throughout the year, without affecting the total budget.

Original Budget + Continuing Appropriations + Encumbrances = Beg. Balance

\$ 21,036,748 + \$ -0- + \$ -0- = \$ 21,036,748

Beg. Balance +/- Supplemental Changes = Final Budget
\$21,036,748 + \$415,589 = \$ 21,452,337

Comparing the beginning budget to the final budget shows that these funds had a 1.97% increase for supplemental budgets. This is very minor compared to the overall budget numbers.

Major Budget Changes – FY 08 Compared to FY 09

Major changes in the operational budget fiscal year 2008 to fiscal year 2009 were made by the County Commission. These included reductions to staff recommended by elected officials and department heads as well as enhancements to the criminal justice system. The changes included:

- General Fund – deletion of a total of 1.18 positions. Elimination of Clerk of Court Clerk, Court Services Coordinator, Human Resources Clerk, Grant Clerk and addition of Procurement Officer, Treasurer MV Clerk, and Planning/GIS transfer of employee.
- Public Safety Fund – deletion of 1.75 positions. Including full time patrol position pending end of call up, 4 positions at Airport Security eliminated, funding for full year of 3 positions. Increased funding for adult prisoners sent to other facilities due to over crowding, along with increase in prisoner medical and juvenile detention costs;
- Other Funds - Fair addition of 1.25 employees if revenues can support the positions, City/County Health elimination of 1.17 positions, Noxious Weed decrease of .40, Extension Service decrease of .50 position, and Road decrease of 1 position.
- The net affect for all tax supported personnel is a decrease of 5.70 positions.
- Grants added .30 positions, Solid Waste activity increased employees by 4.00 with addition of a convenience site and recycling. Rest Home may add 6.20 positions if CNA's can be employed. Other activities added 1.67 positions.

The Capital Projects budget increased to \$16.2 million with the appropriation for county buildings and replacement of the current Detention Center. Capital Projects include Open Space Acquisition \$4,062,389, Joint Dispatch Building \$3,258,100, \$641,407 for completion of the Road Office/Shop Building, Mental Health Joint Venture Building \$1,000,000, Law and Justice remodel was approved for \$350,434, Courthouse Annex \$222,773, Courthouse Annex Sprinklers \$85,000, completion of Courthouse ITS HVAC \$125,034, New Detention Center \$2,202,048 and \$50,000 for Fair drainage plan.

Summary

The fiscal year 2009 budget sees increases in taxes for operations and decreases in taxes for debt service. A comparison of budgeted taxes and mill levies for fiscal year 2005 through fiscal year 2009 shows:

TAXES

TAXES NEEDED:

<u>Description</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>% Change</u>
County Operating Taxes	\$10,070,498	\$11,165,376	\$11,671,420	\$14,455,682	\$15,408,210	6.58%
Road and Library Taxes	2,053,938	2,287,077	2,493,835	2,715,318	2,980,571	9.77%
Debt Service/Insurance Taxes	1,209,550	1,405,771	2,237,394	1,989,435	2,251,477	13.17%

MILL LEVIES:

County Operating Taxes	65.11	66.99	64.45	73.73	73.52	(.002%)
Road and Library Taxes	23.68	24.68	24.68	24.68	25.47	3.20%
Debt Service/Insurance Taxes	8.00	8.58	12.57	10.24	10.89	6.34%

TAXABLE VALUATIONS:

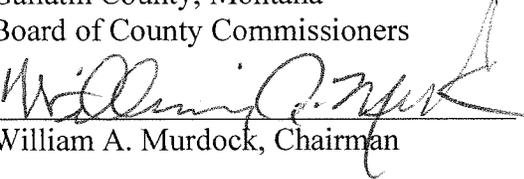
County Wide Valuations	154,680	166,862	181,081	196,866	209,639	6.49%
Road and Library Valuations	86,739	92,642	101,017	110,021	117,027	6.37%
Open Lands Valuations	147,774	160,125	174,463	190,380	203,197	6.73%

The previous table shows growth in the valuation of property (primarily new construction) accounted for 6.49% of the increase in taxes, with the balance coming from small increase associated with reappraisal. The County Commission did maximize the number of mills levied for the Permissive Medical levy (premiums for fiscal year 2009 did not increase, therefore taxes increased slightly) and the Road/Library mill levies. The Commission did not maximize taxes for county operating, as authorized by state law. This results in the County not assessing taxes of \$843,990. The Commission may impose these taxes in future years if they deem it is in the best interest of the county.

Contacting the County Financial Management

This financial report is designed to provide the citizens, taxpayers, customers, investors, and creditors with a general overview of Gallatin County's finances and to the County's accountability for the money it receives. If you have any questions about this report or want additional information, contact the County Clerk & Recorder, Accounting Office at 311 West Main, Bozeman, MT 59715 or phone 406-582-3065 or e-mail ed.blackman@gallatin.mt.gov.

Gallatin County, Montana
Board of County Commissioners


William A. Murdock, Chairman

Date: November 19, 2008

BASIC

FINANCIAL

STATEMENTS

GOVERNMENT-WIDE

FINANCIAL

STATEMENTS

Gallatin County, State of Montana
Statement of Net Assets
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 30,492,460	\$ 9,988,002	\$ 40,480,462
Tax/Assessments Receivable (Net)	6,372,596	9,884	6,382,480
Other Receivables	536,885	1,009,137	1,546,022
Inventories	160,796	-	160,796
Capital Assets (net)	116,589,076	9,607,955	126,197,031
Total assets	<u>154,151,813</u>	<u>20,614,978</u>	<u>174,766,791</u>
LIABILITIES			
Accounts Payable	3,027,028	678,039	3,705,067
Accrued Payroll & Other Liabilities	1,107,272	246,143	1,353,415
Interest Payable	4,998	-	4,998
Deposits Payable	19,719	-	19,719
Current Portion Of Long Term Debt	1,906,269	948,678	2,854,947
Due In More Than One Year	20,465,561	3,051,929	23,517,490
Closure/Post Closure Costs	-	1,227,408	1,227,408
Total liabilities	<u>26,530,847</u>	<u>6,152,197</u>	<u>32,683,044</u>
NET ASSETS			
Invested in capital assets, net of related debt	95,672,105	5,859,250	101,531,355
Restricted (expendable)	1,004,356	2,114,903	3,119,259
Unrestricted	30,944,505	6,488,628	37,433,133
Total net assets	<u>\$ 127,620,966</u>	<u>\$ 14,462,781</u>	<u>\$ 142,083,747</u>

See accompanying notes to the financial statements

Gallatin County, State of Montana
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues			Net(Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type	Total
Primary government:							
Governmental activities:							
General Government	\$ 9,253,170	\$ 1,954,969	\$ 997,942	\$ 10,467	(6,289,792)	\$ -	\$ (6,289,792)
Public Safety	12,763,783	2,291,149	957,611	46,402	(9,468,621)	-	(9,468,621)
Public Works	6,841,063	315,617	564,299	-	(5,961,147)	-	(5,961,147)
Public Health	2,970,012	270,373	976,340	-	(1,723,299)	-	(1,723,299)
Social & Economic Services	497,906	75,150	-	-	(422,756)	-	(422,756)
Culture & Recreation	1,558,566	502,344	19,443	-	(1,036,779)	-	(1,036,779)
Housing & Community Development	86,456	339,328	-	-	252,872	-	252,872
Conservation of Natural Resources	97,076	149,140	-	-	52,064	-	52,064
Miscellaneous	51,437	-	-	-	(51,437)	-	(51,437)
Interest Expense	856,831	-	-	-	(856,831)	-	(856,831)
Total governmental activities	<u>\$ 34,976,300</u>	<u>5,898,070</u>	<u>3,515,635</u>	<u>56,869</u>	<u>(25,505,726)</u>	<u>-</u>	<u>(25,505,726)</u>
Business-type Activities:							
Hebgen Basin Refuse District	918,325	994,478	3,741,000	-	-	3,817,153	3,817,153
Gallatin County Rest Home	4,717,317	4,300,411	96,537	-	-	(320,369)	(320,369)
Gallatin County Landfill	1,856,328	4,072,451	-	-	-	2,216,123	2,216,123
Total business-type activities	<u>7,491,970</u>	<u>9,367,340</u>	<u>3,837,537</u>	<u>-</u>	<u>-</u>	<u>5,712,907</u>	<u>5,712,907</u>
Total primary government	<u>\$ 42,468,270</u>	<u>\$ 15,265,410</u>	<u>\$ 7,353,172</u>	<u>\$ 56,869</u>	<u>\$ (25,505,726)</u>	<u>\$ 5,712,907</u>	<u>\$ (19,792,819)</u>
General revenues:							
					24,650,399	61,443	24,711,842
					2,043,255	-	2,043,255
					1,490,572	323,602	1,814,174
					49,204	-	49,204
					11,724	(139,667)	(127,943)
					<u>28,245,154</u>	<u>245,378</u>	<u>28,490,532</u>
					2,739,428	5,958,285	8,697,713
					124,881,538	8,504,496	133,386,034
					<u>\$ 127,620,966</u>	<u>\$ 14,462,781</u>	<u>\$ 142,083,747</u>

See accompanying notes to the financial statements

**FUND
FINANCIAL
STATEMENTS**

Gallatin County, State of Montana
Balance Sheet
Governmental Funds
June 30, 2008

	General	Public Safety Fund	Rural Special Improvement	RID Bonds	County Building	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash and investments	\$ 3,535,476	\$ 1,388,614	\$ 3,591,227	\$ 222,944	\$ 5,971,989	\$ 12,006,982	\$ 26,717,232
Real Estate	105,123	294,390	53,915	44,469	70,582	344,333	912,812
Personal	96,274	280,253	-	-	64,846	316,363	757,736
Protested	135,172	342,640	-	-	91,784	460,352	1,029,948
Accounts Receivable-Net	-	13,612	-	-	9,430	138,157	161,199
Notes Receivable	-	-	-	-	-	374,939	374,939
Tax/Assessment Receivable (Net	-	-	-	3,672,100	-	-	3,672,100
Inventories	-	-	-	-	-	160,796	160,796
Total assets	<u>\$ 3,872,045</u>	<u>\$ 2,319,509</u>	<u>\$ 3,645,142</u>	<u>\$ 3,939,513</u>	<u>\$ 6,208,631</u>	<u>\$ 13,801,922</u>	<u>\$ 33,786,762</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts Payable	\$ 404,509	\$ 330,855	\$ 16,376	\$ -	\$ 1,063,029	\$ 1,124,046	\$ 2,938,815
Contracts/Loans Payable	-	-	-	19,719	-	-	19,719
Matured Interest Payable	-	-	-	4,998	-	-	4,998
Other Accrued Payables	298,675	270,000	-	-	-	300,678	869,353
Deferred Revenue	336,568	917,283	53,916	3,716,569	227,212	1,121,048	6,372,596
Total liabilities	<u>\$ 1,039,752</u>	<u>\$ 1,518,138</u>	<u>\$ 70,292</u>	<u>\$ 3,741,286</u>	<u>\$ 1,290,241</u>	<u>\$ 2,545,772</u>	<u>\$ 10,205,481</u>
Fund balances:							
Reserved for:							
Reserve For Inventory (expendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 160,796	\$ 160,796
Reserve For Debt Service (expendable)	-	-	-	198,227	-	806,129	1,004,356
Unreserved, reported in							
Capital Projects	-	-	-	-	4,918,390	1,306,038	6,224,428
General Fund	2,832,293	-	-	-	-	-	2,832,293
Special Revenue	-	801,371	3,574,850	-	-	8,983,187	13,359,408
Total fund balances	<u>\$ 2,832,293</u>	<u>\$ 801,371</u>	<u>\$ 3,574,850</u>	<u>\$ 198,227</u>	<u>\$ 4,918,390</u>	<u>\$ 11,256,150</u>	<u>\$ 23,581,281</u>
Total liabilities and fund balances	<u>\$ 3,872,045</u>	<u>\$ 2,319,509</u>	<u>\$ 3,645,142</u>	<u>\$ 3,939,513</u>	<u>\$ 6,208,631</u>	<u>\$ 13,801,922</u>	<u>\$ 33,786,762</u>

See accompanying notes to the financial statements

Gallatin County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2008

Total fund balances - governmental funds	\$	23,581,281
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds

Capital assets	186,139,170	
Accumulated depreciation	-70,161,814	
		115,977,356

Property taxes receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	6,372,596
--	-----------

An internal service fund is used by management to charge the costs of employees medical insurance. The governmental portion of the internal service fund are included with governmental activities	4,027,772
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds	(22,338,039)
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Total net assets - governmental activities	\$	<u><u>127,620,966</u></u>
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See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2008

	General	Public Safety Fund	Rural Special Improvement	RID Bonds	County Building	Other Governmental Funds	Total Governmental Funds
REVENUES							
Property Taxes	\$ 3,838,260	\$ 8,371,309	\$ 758,649	\$ 647,514	\$ 1,603,827	\$ 7,832,791	\$ 23,052,350
Licenses & Permits	245	20,520	-	-	-	259,161	279,926
Intergovernmental Revenues	605,376	491,619	-	-	-	4,615,798	5,712,793
Charges for Services	2,040,796	1,092,442	-	-	34,627	830,112	3,997,977
Fines & Forfeitures	748,252	8,568	-	-	-	86,439	843,259
Miscellaneous	68,802	27,531	-	-	-	599,439	695,772
Investment Earnings	837,636	45,839	127,744	22,040	-	348,838	1,382,097
Sale of Fixed Assets	-	-	-	-	-	6,309	6,309
Contributions/Donations	-	-	-	-	17,266	5,467	22,733
Total revenues	<u>8,139,367</u>	<u>10,057,828</u>	<u>886,393</u>	<u>669,554</u>	<u>1,655,720</u>	<u>14,584,354</u>	<u>35,993,216</u>
EXPENDITURES							
General Government	7,992,898	-	-	-	59,076	394,563	8,446,537
Public Safety	901,214	10,167,914	-	-	96	998,879	12,068,103
Public Works	-	-	415,369	-	577	4,788,355	5,204,301
Public Health	-	-	-	-	-	2,903,054	2,903,054
Social & Econ Services	-	-	-	-	-	484,356	484,356
Culture & Recreation	-	-	-	-	-	1,435,334	1,435,334
Housing & Comm Development	-	-	-	-	-	37,438	37,438
Cons Nat'l Resources	-	-	-	-	-	93,428	93,428
Debt Services	-	-	-	-	-	-	-
Miscellaneous	14,549	-	24,944	-	-	11,944	51,437
Debt service:							
Principal Retirement	67,501	-	-	876,000	-	1,087,796	2,031,297
Interest	21,133	-	-	217,659	-	618,039	856,831
Capital Outlay	81,653	789,818	-	-	5,025,677	4,209,742	10,106,890
Total expenditures	<u>9,078,948</u>	<u>10,957,732</u>	<u>440,313</u>	<u>1,093,659</u>	<u>5,085,426</u>	<u>17,062,928</u>	<u>43,719,006</u>
Excess (deficiency) of revenues over expenditures	<u>(939,581)</u>	<u>(899,904)</u>	<u>446,080</u>	<u>(424,105)</u>	<u>(3,429,706)</u>	<u>(2,478,574)</u>	<u>(7,725,790)</u>
OTHER FINANCING SOURCES (USES)							
Transfers In	127,234	201,858	2,243	355,368	1,240,187	203,871	2,130,761
Transfers Out	(1,691)	(110,998)	(734)	(280,294)	-	(2,568,019)	(2,961,736)
Issuance of long-term debt	-	-	-	38,758	2,299,000	861,242	3,199,000
Sale of Fixed Assets	9,724	2,000	-	-	-	-	11,724
Total other financing sources and uses	<u>135,267</u>	<u>92,860</u>	<u>1,509</u>	<u>113,832</u>	<u>3,539,187</u>	<u>(1,502,906)</u>	<u>2,379,749</u>
Net Change in fund balances	<u>(804,314)</u>	<u>(807,044)</u>	<u>447,589</u>	<u>(310,273)</u>	<u>109,481</u>	<u>(3,981,480)</u>	<u>(5,346,041)</u>
Fund balances -- beginning	3,636,607	1,608,415	3,127,261	508,500	4,808,909	15,237,630	28,927,322
Fund balances -- ending	<u>\$ 2,832,293</u>	<u>\$ 801,371</u>	<u>\$ 3,574,850</u>	<u>\$ 198,227</u>	<u>\$ 4,918,390</u>	<u>\$ 11,256,150</u>	<u>\$ 23,581,281</u>

See accompanying notes to the financial statements

Gallatin County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year ended June 30, 2008

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

Net change in fund balances - total governmental funds \$ (5,346,041)

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Asset acquisition	\$ 12,148,849	
Depreciation	<u>-5,074,417</u>	7,074,432

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 1,597,311

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.

Increase in compensated absences (75,831)

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets.

Intrecap loans	\$ -2,299,000	
Bond and RID Issues	<u>-900,000</u>	(3,199,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,031,297

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities. 657,260

Change in net assets - statement of activities \$ 2,739,428

See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Net Assets
Proprietary Funds
June 30, 2008

Business-type Activities - Enterprise Funds

	Gallatin Co. Rest Home	Gallatin County Landfill	Ent- W. Yell/Hebgen Refuse Dist 2	Total Proprietary Funds	Gov. Activities Internal Service Funds
ASSETS					
Cash and investments	\$ 2,869,081	\$ 3,404,052	\$ 1,599,966	\$ 7,873,099	\$ 3,775,228
Cash restricted for landfill closure	-	1,838,203	-	1,838,203	-
Cash restricted by debt covenants	-	276,700	-	276,700	-
Real Estate	2,628	-	612	3,240	-
Personal	2,423	-	-	2,423	-
Protested	4,221	-	-	4,221	-
Accounts Receivable-Net	301,517	480,948	226,672	1,009,137	747
Capital Assets-Net of Accum.	2,019,438	4,979,113	2,609,404	9,607,955	611,720
Total assets	\$ 5,199,308	\$ 10,979,016	\$ 4,436,654	\$ 20,614,978	\$ 4,387,695
LIABILITIES AND FUND BALANCES					
Accounts Payable	\$ 114,956	\$ 454,954	\$ 108,129	\$ 678,039	\$ 88,212
Contracts/Loans Payable	-	3,748,705	-	3,748,705	-
Other Accrued Payables	134,596	103,668	7,879	246,143	237,918
Closure/Post Closure Costs	-	1,227,408	-	1,227,408	-
Compensated Absences	207,190	37,500	7,212	251,902	33,791
Total liabilities	\$ 456,742	\$ 5,572,235	\$ 123,220	\$ 6,152,197	\$ 359,921
NET ASSETS					
Invested in capital assets, net of related debt	\$ 2,019,438	\$ 1,230,408	\$ 2,609,404	\$ 5,859,250	\$ 611,720
Restricted (expendable)	-	2,114,903	-	2,114,903	-
Unrestricted	2,723,128	2,061,470	1,704,030	6,488,628	3,416,054
Total net assets	\$ 4,742,566	\$ 5,406,781	\$ 4,313,434	\$ 14,462,781	\$ 4,027,774

See accompanying notes to the financial statements

Gallatin County, State of Montana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

Business-type Activities - Enterprise Funds

	Gallatin Co. Rest Home	Gallatin County Landfill	Ent- W. Yell/Hebgen Refuse Dist 2	Total Proprietary Funds	Gov. Activities Internal Service Funds
Operating revenues:					
Charges for Services	\$ 4,296,810	\$ 4,072,451	\$ 994,478	\$ 9,363,739	\$ 525,175
Miscellaneous	3,601	-	-	3,601	1,299
Internal Services	-	-	-	-	5,148,676
Total Operating Revenues	<u>4,300,411</u>	<u>4,072,451</u>	<u>994,478</u>	<u>9,367,340</u>	<u>5,675,150</u>
Operating expenses:					
Personnel	3,259,953	721,474	156,383	4,137,810	-
Operations	1,287,200	785,414	495,792	2,568,406	-
Depreciation	170,164	277,114	121,601	568,879	-
Internal Service-Personnel	-	-	-	-	220,391
Internal Service-Supplies	-	-	-	-	284,909
Internal Service-Purchased Ser	-	-	-	-	940,741
Internal Service-Fixed Charges	-	-	-	-	1,000,435
Internal Service-Depreciation	-	-	-	-	72,120
Internal Serv-Benefit Pymts	-	-	-	-	3,438,746
Total operating expenses	<u>4,717,317</u>	<u>1,784,002</u>	<u>773,776</u>	<u>7,275,095</u>	<u>5,957,342</u>
Operating Income (loss)	<u>(416,906)</u>	<u>2,288,449</u>	<u>220,702</u>	<u>2,092,245</u>	<u>(282,192)</u>
Nonoperating revenues (expenses):					
Property Taxes	61,443	-	-	61,443	-
Intergovernmental Revenues	96,537	-	3,741,000	3,837,537	-
Investment Earnings	104,403	140,403	78,796	323,602	108,477
Sale of Fixed Assets	-	(139,667)	-	(139,667)	-
Interest Expense	-	(72,326)	(144,549)	(216,875)	-
Total non operating revenue (expenses)	<u>262,383</u>	<u>(71,590)</u>	<u>3,675,247</u>	<u>3,866,040</u>	<u>108,477</u>
Income (loss) before contributions and transfers	(154,523)	2,216,859	3,895,949	5,958,285	(173,715)
Transfers In	-	-	-	-	856,162
Transfers Out	-	-	-	-	(25,187)
Change in net assets	<u>(154,523)</u>	<u>2,216,859</u>	<u>3,895,949</u>	<u>5,958,285</u>	<u>657,260</u>
Total net assets -- beginning	4,897,089	3,189,922	417,485	8,504,496	3,370,514
Total net assets -- ending	<u>\$ 4,742,566</u>	<u>\$ 5,406,781</u>	<u>\$ 4,313,434</u>	<u>\$ 14,462,781</u>	<u>\$ 4,027,774</u>

See accompanying notes to the financial statements

Gallatin County, State of Montana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

	Business-type Activities - Enterprise Funds				Gov. Activities Internal Service Funds
	Gallatin Co. Rest Home	Gallatin County Landfill	Ent- W. Yell/Hebgen Refuse Dist 2	Total Proprietary Funds	
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash From interfund	\$ -	\$ -	\$ -	\$ -	5,528,349
Cash Other	3,602	-	-	3,602	-
Cash receipts from customer	4,317,319	4,093,461	990,835	9,401,615	148,382
Other Payments	(69,709)	(282,220)	-	(351,929)	-
Payments to employees	(3,242,842)	(701,957)	(157,141)	(4,101,940)	(217,270)
Payments to interfund	(43,260)	-	-	(43,260)	(14,550)
Payments to suppliers	(1,146,035)	(526,318)	(445,719)	(2,118,072)	(5,708,343)
Net cash provided by operating activities	<u>(180,925)</u>	<u>2,582,966</u>	<u>387,975</u>	<u>2,790,016</u>	<u>(263,432)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental Revenue	96,453	-	3,741,000	3,837,453	-
Subsidy from taxes	61,527	-	-	61,527	-
Transfers from (to) Other Funds	-	-	-	-	830,975
Net cash (used) by Noncapital financing	<u>157,980</u>	<u>-</u>	<u>3,741,000</u>	<u>3,898,980</u>	<u>830,975</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest Paid on Debt	-	(72,326)	(144,549)	(216,875)	-
Principal on Debt	-	1,802,119	(3,695,371)	(1,893,252)	-
Purchases/acquisition/const. of Capital Assets	(42,752)	(2,164,246)	(7,105)	(2,214,103)	(14,173)
Net cash (used) by capital and related financing activities	<u>(42,752)</u>	<u>(434,453)</u>	<u>(3,847,025)</u>	<u>(4,324,230)</u>	<u>(14,173)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Earnings	104,402	140,404	78,795	323,601	108,477
Net cash provided by investing activities	<u>104,402</u>	<u>140,404</u>	<u>78,795</u>	<u>323,601</u>	<u>108,477</u>
Net Increase (decrease) in cash and cash equivalents	38,705	2,288,917	360,745	2,688,367	661,847
Balances - beginning of year	2,830,376	3,230,039	1,239,221	7,299,636	3,113,381
Balances - end of the year	<u>\$ 2,869,081</u>	<u>\$ 5,518,955</u>	<u>\$ 1,599,966</u>	<u>9,988,003</u>	<u>\$ 3,775,228</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(416,906)	2,288,449	220,702	2,092,245	(282,192)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation Expense	170,164	277,114	121,601	568,879	72,120
Changes in assets and Liabilities:					
Accounts Payable - Other	-	(282,220)	-	(282,220)	-
Accounts Payable - Supplier	28,196	259,095	50,073	337,364	(58,488)
Compensated absences	17,112	16,272	(709)	32,675	837
Customer Receivables	23,830	21,011	(3,643)	41,198	1,583
Salaries & Benefits Payable	-	3,244	(49)	3,195	2,710
Taxes Receivables	(3,321)	-	-	(3,321)	-
Net Cash provided by operating activities	<u>(\$ 180,925)</u>	<u>\$ 2,582,966</u>	<u>\$ 387,975</u>	<u>2,790,016</u>	<u>(\$ 263,432)</u>

See accompanying notes to the financial statements

GALLATIN COUNTY, MONTANA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2008

		Investment Trust Funds		Agency Funds
		<u> </u>		<u> </u>
ASSETS				
Cash and investments	\$	58,140,158	\$	45,076,175
Tax/assessment receivable (net)		-		11,537,711
Other assets				75,711
Total Assets	\$	<u>58,140,158</u>	\$	<u>56,689,596</u>
 LIABILITIES				
Accounts payable	\$	-	\$	(8,469,839)
Due to other governments		-		(48,219,756)
Total Liabilities		<u>-</u>	\$	<u>(56,689,596)</u>
 NET ASSETS				
Held in trust for investments and other purposes	\$	<u>58,140,158</u>	\$	<u>-</u>

See accompanying notes to the financial statements.

**COUNTY OF GALLATIN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2008**

		Investment Trust Funds
		<hr/>
ADDITIONS:		
Investment earnings	\$	968,471.29
Contributions to investment trust		93,437,908.71
Total Additions		<hr/> 94,406,380 <hr/>
DEDUCTIONS:		
Distribution of investments		75,466,747
Total Deductions		<hr/> 75,466,747 <hr/>
Change in net assets		18,939,633
Net assets - July 1, 2007		<hr/> 39,200,525
Net assets - June 30, 2008	\$	<hr/> 58,140,158 <hr/>

See accompanying notes to the financial statements.

NOTES

to the

FINANCIAL

STATEMENTS

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the County the option of electing to apply FASB pronouncements issued after November 30, 1989. The County has elected not to apply those pronouncements.

A. Reporting Entity

The County of Gallatin is a political subdivision of the State of Montana governed by a three member Board of Commissioners duly elected by the registered voters of the County. The County utilizes the Commission form of government. The accompanying financial statements present the primary government and its component units; entities for which the government is considered to be financially accountable. Blended component units are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Component units are discretely presented if it is financially accountable to or fiscally dependent upon the primary government or if its omission from the financial statements would be misleading or incomplete. The County does not have any component units for fiscal year 2008.

Certain activities such as Fair, Library, Weed, and Planning have separate boards but are included in the basic financial statements as special revenue funds because they are not legally separate or fiscally independent from the County and the County is financially accountable. Other activities such as the Soil Conservation District, West Yellowstone TV District, Sewer and Water Districts, Fire Districts, Fire Service Areas, Cemetery Districts, Dyke Districts, and School Districts are reflected only in the fiduciary statement of net assets as agency funds, since the County is responsible, by law, for the collection of taxes and/or maintenance cash funds for those entities. These entities are considered primary governments and are not a part of the County.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

B. Government-Wide and Fund Financial Statements - continued

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements.

C. 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 revenue in the year for which they are levied. Grants and similar items are recognized as revenues 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 periods are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. Taxes and assessments receivable remaining uncollected at year end are offset by deferred revenue since they are not available to pay liabilities of the current period.

The government reports the following major governmental funds:

General Fund – This 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.

Public Safety Fund – This is the fund that accounts for all financial resources of Gallatin County’s Sheriff Department, Coroner, Disaster & Emergency Services / Hazardous Materials and County Rural Fire.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation – continued

Rural Special Improvement District Fund – This is the summary of funds that account for all financial resources for the maintenance of the Rural Special Improvement Districts.

RID Bonds Fund – This is the summary of funds that account for all financial resources for the debt service of all RID Bonds for Gallatin County.

County Building – Capital Projects Fund – This fund accounts for all of the County’s capital improvement activities.

The Government reports the following major proprietary funds:

Rest Home Fund – This fund is used to account for the operating and non-operating revenues and expenses of the Rest Home operated by Gallatin County. The fund is maintained on the full accrual basis of accounting.

Gallatin County Landfill Fund – This fund is used to account for the operating and non-operating revenues and expenses of the landfill operated by Gallatin County. The fund is maintained on the full accrual basis of accounting.

Hebgen West Yellowstone Refuse Fund – This fund is used to account for the operating and non-operating revenues and expenses of the refuse facility operated by Gallatin County. The fund is maintained on the full accrual basis of accounting.

Additionally, the government reports the following fund types:

Internal Service Funds – These funds account for services provided by the government to its various departments or agencies or to other governments, on a cost recovery basis.

Fiduciary Funds – These funds account for monies held on behalf of school districts, special districts, and other governments and agencies that use the County as a depository; property taxes collected on behalf of other governments; and surety bonds and performance deposits.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the governments’ enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

Amounts reported as program revenues include 1) charges to customers for goods, services, or privileges provided, indirect cost allocations 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 the government’s internal service funds are charges to customers for services provided. Operating expenses for enterprise funds and internal service funds include the cost of providing such services and the depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand and time deposits, and short-term investments with original maturity dates of three months or less from the date of acquisition. For purposes of the statement of cash flows, the County considers all funds (including restricted assets) held in the County's cash management pool to be cash equivalents.

State statutes authorize the County to invest in direct obligations of the U. S. Government, such as U. S. Treasury bills and notes and U. S. Government securities as defined by law, repurchase agreements and the State Short-Term Investment Pool (STIP). The cash of the individual funds are combined to form a pool of cash and investments which is managed by the County Treasurer.

Investments are carried at cost, which approximates market value as described in note 3A. The State Short Term Investment Pool operates in accordance with state laws and regulations and is administered by the State Department of Administration.

2. Receivables and Payables

Activity between funds that are representative of lending or borrowing arrangements outstanding at fiscal year end are referred to as "due to/from other funds" (i.e., the current portion of interfund loans).

Accounts receivables are shown net of an allowance for uncollectibles. An allowance for uncollectible accounts was not maintained for real and personal property taxes and special assessments receivable. The direct write off method is used for these accounts. This is an immaterial departure from generally accepted accounting principles. For the County Rest Home the allowance for doubtful accounts at June 30, 2008 was \$18,957.

Property tax levies are set on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent. A lien is placed upon the property and after three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies.

Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves. The first is due thirty days after billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

The tax levies for the fiscal year ended June 30, 2008 were based upon a taxable valuation of \$196,866,339.

3. Inventories and Prepaid Items

All inventories are valued at cost. Inventories are recorded as expenditures when purchased. Any material inventory remaining at year-end is included in the balance sheets of each fund at cost. The reported inventory is offset equally by a fund balance reserve which indicates that it does not constitute available

**GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Assets, Liabilities, and Net Assets or Equity– continued

3. Inventories and Prepaid Items (continued)

spendable resources even though it is included in net current assets. The First-In First-Out (FIFO) valuation method is used to value the inventory.

4. Warrants Payable

The County pays its claims by issuing a warrant ordering the County Treasurer to pay upon presentation. Cash balances in all funds except the Claims and Payroll funds are reported net of outstanding warrants. Warrants issued but not presented for payment are reported as warrants payable.

5. Restricted Assets and Sources

Certain assets of the proprietary funds are restricted for specific use as required by the bond indenture agreement covenants established with the issuance and sale of the revenue bonds. This represents a liability to the proprietary funds. These restricted assets represent cash and cash equivalents restricted for use to repay current debt, future debt, landfill closure/post closure liabilities and replacement and depreciation for the purpose of replacing the system in the future. When both restricted and unrestricted resources are available for use, it is the District’s policy to use restricted resources first, then unrestricted resources as they are needed.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curbs, etc), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 year, except for the Rest Home where assets with a value of \$500 or more are capitalized. Such assets are recorded at historical cost or capital estimated historical cost if purchased or constructed. Donated 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 asset lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	15-40
Building improvements	10-20
Infrastructure	
Road	20-40
Bridge	50-75
Vehicles	7
Equipment other than vehicles	5-20
Office equipment	5-20
Computer equipment	4

7. Deferred Revenues

Deferred revenue results when asset recognition criteria have been met and when revenue recognition criteria have not been met. These pertain to the net uncollected property tax and other receivables and are classified as deferred revenues on the fund statement balance sheet.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

D. Assets, Liabilities, and Net Assets or Equity - continued

8. Compensated Absences

As required by State law, the County allows for employees to accumulate earned but unused vacation and sick leave benefits. Unused vacation leave benefits are 100 percent payable upon separation and 25 percent of unused sick leave benefits are payable upon separation. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation. Annual accumulations greater than this amount can be carried over, but no more than 90 days can be carried into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. The liability associated with governmental fund-type employees is reported in the general long-term debt account group, while the liability associated with proprietary fund-type employees is recorded in each respective fund. Expenditures for unpaid vacation and sick leave benefits are recorded when paid in the governmental funds on the modified accrual basis of accounting and expenses for vacation and sick leave benefits are recorded when accrued in the proprietary funds on the full accrual basis of accounting. The County also allows exempt employees to carry up to 40 hours in compensatory time. Compensatory time is paid upon termination.

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bond issue using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

11. Interfund Transactions

Interfund transactions consisting of identified services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as revenue in the fund performing the services.

Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed.

Advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

**GALLATIN COUNTY, MONTANA
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2008**

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The county adopts an annual budget for all of its funds in accordance with Title 7, Chapter 6, Part 40 of the Montana Code Annotated. Statute requires the adoption of a preliminary budget, public hearings on the preliminary budget and the final adoption of the budget by the later of the second Monday in August or within 45 calendar days of the receipt of the certified taxable valuations from the Department of Revenue (county assessor). The County must also submit a copy of the final budget to the Department of Administration by the later of October 1 or 60 days after the receipt of taxable values from the Department of Revenue.

State statute limits the making of expenditures or incurring of obligations to the amount of the final budget as adopted or as amended. Budget transfers and amendments are authorized by law, and in some instances, may require further public hearings. Any budget amendments providing for additional appropriations must identify the fund reserves, unanticipated revenue, or previously unbudgeted revenue that will fund the appropriations.

Appropriations are created by fund, function, and activity and may further be detailed by department. 7-6-4004 Expenditures limited to appropriations. (1) Local government officials may not make a disbursement or expenditure or incur an obligation in excess of the total appropriations for a fund.

Encumbrance accounts are not employed for the governmental funds. Purchase orders outstanding at year end are reported as expenditures or liabilities because the commitments will not be expropriated or honored during the subsequent fiscal year.

B. Excess of Expenditures over Appropriations

There were no excess of expenditures over appropriations for fiscal year ended 2008.

C. Deficit Fund Balances

<u>Fund Number & Name</u>	<u>Amount</u>	<u>Explanation</u>
2155 Predator Animal Control	\$ 2,758	Personal Property taxes receivable of \$6,194 for FY08 will be mostly collected in July. This will bring the fund to a positive position.
2979 Aid to Dependent Children	\$ 389	FY08 expenses were made to this account and should have been to General Fund. A transfer of \$389 from the General Fund to Fund 2979 will occur in FY09.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Investment Income

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's month end cash balance in relation to total pool investments.

2. Investment in the Treasurer's Pools

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana laws. The County's investment pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds. There are two types of investment trust funds reported by the County, including pooled and individually directed investment trust funds.

Gallatin County has one pooled investment trust fund invested in U.S. Government securities. The pooled funds invested in U.S. Government securities are carried at cost, which approximates fair value.

The County invests funds for external entities. These investments are reported in an individually directed investment trust fund. The investments are non-negotiable certificates of deposit, money market accounts, mutual funds, bonds and STIP, all of which are carried at cost, which approximates fair value.

Non-pooled investments are also carried at fair value. The fair value of non-pooled investments is determined annually and is based on current market prices.

As noted below, State statutes limit the type of investments but provide no other regulatory oversight.

3. Cash Composition

Cash and investments may include cash and cash items; demand, time, savings, and fiscal agent deposits; investments in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the County or of municipalities or school districts located in the County; U.S. Government treasury bills, notes, bonds, and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. Government securities money market funds (if the fund meets certain conditions).

The County's total composition of cash, deposits and investments at June 30, 2008 are as follows:

		<u>Primary Government</u>
Cash on Hand and Petty cash	\$	467,728
Cash in Banks -		
Demand deposits		5,602,223
Saving deposits		2,898,137
US Bank Money Market		20,720,832
State Short-Term Investment Pool		112,369
U.S. Government securities (brokerage)		113,895,506
		113,895,506
TOTAL	\$	143,696,795
		143,696,795

Interest rates at June 30, 2008 ranged from 2.3 % - 5.6%. Future maturities on investments range from July 2008 to June 2013.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS - continued

A. Deposits and Investments-continued

4. Deposits

Montana statutes require that the county obtain securities for the uninsured portion of the 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) securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of 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 County deposits at June 30, 2008 equaled or exceeded the amount required by State statutes.

5. Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. As of June 30, 2008, \$24,235 of the government's bank balance of \$6,312,210 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 24,235
Total	\$ 24,235

6. Categorized Risk

Investments – As noted above, statutes authorize the County to invest in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the County or of municipalities or school districts located in the county; U.S. Government treasury bills, notes, bonds and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. Government security money market funds if the fund meets certain conditions. These investments are in addition to the demand, time, credit union and savings deposits, which are included in deposits above. The County investments are categorized below to give an indication of the level of risk assumed by the County at June 30, 2008.

	Maturities in Years						Fair Value
	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013	No Maturity	
Primary Government Investments:							
Federal Home Loan Mortgage Corp.	\$3,701,176	\$4,890,000	\$6,279,750	\$1,000,000	\$ -	\$ -	\$15,836,985
Fannie Mae	4,002,605	1,965,000	2,000,000	1,500,000	-	-	9,464,390
Freddie Mac	2,002,230	4,000,000	4,145,000	-	-	-	10,131,290
Federal Home Loan Bank	8,000,000	13,155,610	13,644,487	5,999,300	-	-	40,808,790
Federal Farm Credit Bank	-	2,885,000	2,000,000	2,000,000	1,000,000	-	7,865,630
United States Treasury Notes	-	-	-	-	-	29,709,570	29,651,092
State Short-Term Investment Pool	-	-	-	-	-	112,369	112,369
Government Mutual Fund	-	-	-	-	-	20,720,832	20,720,832
Corporate Bond Fund	-	-	-	-	-	-	-
Equity Mutual Fund	-	-	-	-	-	15,778	19,771
Totals	\$17,706,011	\$26,895,610	\$28,069,237	\$10,499,300	\$1,000,000	\$50,558,549	\$134,611,149

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS - continued

A. Deposits and Investments-continued

The Governmental Accounting Standards Board (GASB) Technical Bulletin No. 94-1 requires governmental entities participating in an investment pool to disclose certain types of securities held in the pool. As noted above, the county invests in the Short-Term Investment Pool managed by the State of Montana. This pool contains two types of investments required to be disclosed, which are Asset-Backed Securities and Variable Rate (Floating Rate) Securities. June 30, 2008 information is not available at this time. Amounts (unaudited) invested by STIP in each type as of June 30, 2007 were as follows:

<u>Investment Type</u>	<u>Book Value</u>	<u>Fair Value</u>	<u>% of Book</u>	<u>% of Fair</u>
Commercial Paper	\$1,854,755,464	\$1,854,755,464	66.5	66.5
Corporate Fixed	\$475,001,174	\$475,001,174	17.0	17.0
Variable-Rate (Floating Rate)	\$379,982,640	\$379,982,640	13.6	13.6
U.S. Gov't Indirect-Backed	\$49,999,456	\$49,999,456	1.80	1.80
Money Market	\$25,000,000	\$25,000,000	0.9	0.9
Municipal Variable Rate (Unrated)	\$5,000,000	\$5,000,000	0.2	0.2
	<u>\$2,789,738,734</u>	<u>\$2,789,738,734</u>	1.00	1.00

Amounts invested by the County in STIP may be redeemed at any date at the carrying value on that date. Audited financial statements for the State of Montana's Board of Investments are available at 555 Fuller Avenue, Helena, Montana 59620.

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The County securities have credit risk as measured by major credit rating services. This risk is that the issuer of a county security may default in making timely principal and interest payments. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit risk quality per GASB No. 40. The credit ratings presented in the following tables are provided by Standard and Poor's Corporation (S&P) rating service. If no rating is available from S&P, then a Moody's Investment Service, Inc. rating will be used. The County does not have policies regarding credit ratings of investments.

Primary Government Investments	Value	S&P
Federal Home Loan Mortgage Corp.	\$15,870,926	AAA
Fannie Mae	\$9,467,605	AAA
Freddie Mac	\$10,147,230	AAA
Federal Home Loan Bank	\$40,799,397	AAA
Federal Farm Credit Bank	\$7,885,000	AAA
United States Treasury Notes	\$29,709,570	AAA
State Short-Term Investment Pool (STIP)	112,369	A1
US Bank Money Market	20,720,832	AAA
Equity Mutual Fund	\$15,778	NR
TOTAL	<u><u>\$134,728,707</u></u>	

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS - continued

B. Operating Transfers:

The principle purpose of the County's interfund transfers were indirect costs and administrative and grant fees. The following is an analysis of operating transfers in and out during fiscal year 2008:

	Transfers Out						
	<u>General Fund</u>	<u>Public Safety Fund</u>	<u>Rural Special Improvement</u>	<u>RID Bonds</u>	<u>Nonmajor Govern.</u>	<u>Internal Service Fund</u>	<u>Total Transfers In</u>
Transfer In:							
Governmental funds:							
General Fund					127,234		127,234
Public Safety					201,858		201,858
Rural Special Improvement			691	1,552			2,243
RID Bonds			43	278,742	76,583		355,368
Capital Development					1,215,000	25,187	1,240,187
Nonmajor Governmental	1,691	110,998			91,182		203,871
Total governmental funds							<u>2,130,761</u>
Internal Service					856,162		856,162
	<u>1,691</u>	<u>110,998</u>	<u>734</u>	<u>280,294</u>	<u>2,568,019</u>		
					<u>2,961,736</u>		
						<u>25,187</u>	
							<u>2,986,923</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS - continued

C. Capital Assets

A summary of changes in capital assets is as follows:

	Balance <u>July 1, 2007</u>	Increases	Decreases	Balance <u>June 30, 2008</u>
Governmental activities:				
Land	\$ 11,382,683	\$ 2,695,000	\$ -	\$ 14,077,683
Buildings	16,429,127	293,044	-	16,722,171
Improvements other than buildings	360,118	-	-	360,118
Machinery and equipment	14,393,682	1,465,324	561,708	\$ 15,297,297
Infrastructure	<u>131,920,980</u>	<u>2,857,297</u>	<u>22,627</u>	<u>134,755,650</u>
Total capital assets being depreciated	<u>163,103,907</u>	<u>4,615,665</u>	<u>584,335</u>	<u>167,135,237</u>
Construction in progress	<u>899,477</u>	<u>4,870,139</u>	<u>-</u>	<u>5,769,616</u>
Total capital assets	\$ 175,386,067	\$ 12,180,804	\$ 584,335	\$ 186,982,536
Less accumulated depreciation:	<u>65,813,475</u>	<u>5,146,557</u>	<u>566,572</u>	<u>70,393,460</u>
	\$	\$	\$	\$
Governmental activities capital assets, net	<u>109,572,592</u>	<u>7,034,247</u>	<u>17,763</u>	<u>116,589,076</u>
Business-type activities:				
Land	\$ 6,822	\$ -	\$ -	\$ 6,822
Buildings	5,060,769	3,850	-	5,064,619
Improvements other than buildings	393,163	2,208,091	-	2,601,254
Machinery and equipment	<u>4,915,584</u>	<u>1,305,707</u>	<u>372,015</u>	<u>5,849,276</u>
Total capital assets being depreciated	<u>10,369,516</u>	<u>3,517,648</u>	<u>372,015</u>	<u>13,515,149</u>
Construction in progress	539,925	7,076	539,925	7,076
Total capital assets	\$ 10,916,263	\$ 3,524,723	\$ 911,940	\$ 13,529,047
Less accumulated depreciation:	<u>3,414,562</u>	<u>825,521</u>	<u>318,992</u>	<u>3,921,091</u>
Business-type activities capital assets, net	<u>\$ 7,501,701</u>	<u>\$ 2,699,202</u>	<u>\$ 592,948</u>	<u>\$ 9,607,955</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS - continued

C. Capital Assets-continued

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 451,130
Public safety	786,568
Public works	3,705,936
Public health	7,584
Social and economic services	1,219
Culture and Recreation	119,410
Housing and community development	<u>2,571</u>
Total depreciation expense - governmental activities	<u>\$ 5,074,418</u>
Business-type activities:	
Rest Home	\$ 170,164
Gallatin County Landfill	277,114
West Yellowstone Refuse Dist.	<u>121,601</u>
Total depreciation expense - business-type activities	<u>\$ 568,879</u>

D. Long-Term Debt

During year ended June 30, 2008, the following changes in liabilities were reported in long-term debt:

	Balance 01-Jul-07	Additions	Deletions	Balance 30-Jun-08	Due within one year
Governmental Activities:					
General Obligation Bonds	\$ 11,627,650	\$ -	\$ 600,850	\$ 11,026,800	\$ 620,850
Special Assessment Bonds	3,576,000	900,000	876,000	3,600,000	60,000
Compensated Absences	1,378,190	76,669	-	1,454,859	145,486
Intercap Loans	3,835,465	2,299,000	388,994	5,745,471	535,233
Capital Leases	710,155		165,455	544,700	544,700
Total	<u>\$ 21,127,460</u>	<u>\$ 3,275,669</u>	<u>\$ 2,031,299</u>	<u>\$ 22,371,830</u>	<u>\$ 1,906,269</u>
	Balance 01-Jul-06	Additions	Deletions	Balance 30-Jun-07	Due within one year
Business-Type Activities					
Revenue Bonds	\$ 4,089,121	\$ 2,242,000	\$ 3,988,871	\$ 2,342,250	\$ 511,500
Compensated Absences	223,191	28,711	-	251,902	25,190
Intercap Loans	453,157	-	146,381	306,776	151,025
Closure/postclosure care costs	1,509,627		282,220	1,227,407	-
Capital Leases	443,983	861,009	205,313	1,099,679	260,963
Total	<u>\$ 6,719,080</u>	<u>\$ 3,131,720</u>	<u>\$ 4,622,785</u>	<u>\$ 5,228,014</u>	<u>\$ 948,678</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS - continued

D. Long-Term Debt-continued

General Obligation Bonds – The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds outstanding as of June 30, 2008 were as follows:

Purpose	Issue Date	Interest Rate	Term of years	Final maturity	Bonds issued	Outstanding 30-Jun	Annual serial payment
Rest Home	12/01/2003	1.15-2.9	6	07/01/2009	\$ 705,000	\$ 120,000	\$ 120,000
Open Space	10/01/2001	3.75-4.7	20	07/01/2021	3,800,000	2,820,000	145,000
Open Space	04/01/2003	2.0-4.75	20	07/01/2023	4,000,000	3,310,000	150,000
Pogreba Field Loan	07/07/2005	2.00	10	02/28/2016	8,500	6,800	850
Open Space	02/01/2006	3.625-4.25	20	02/01/2026	5,000,000	4,770,000	165,000
Total G.O. Bonds					\$ 13,513,500	\$ 11,026,800	\$ 580,850

Revenue Bonds – The County also issues bonds where the County pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at year-end were as follow:

Purpose	Issue Date	Interest Rate	Term of years	Final maturity	Bonds issued	Outstanding 30-Jun-08	Annual serial payment
Landfill Equipment	2005	Varies	6	2011	\$ 525,000	\$ 306,250	Varies
Landfill Cell 3	2007	3.75%	5	2013	2,242,000	2,036,000	Varies
Total Revenue Bonds					\$ 2,767,000	\$2,342,250	

Revenue bonds resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and registrar. The County was in compliance with applicable covenants as of June 30, 2008.

Special Assessment Debt – Special assessment bonds are payable from the collection of special assessments levied against benefited property owners within defined special improvement districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par plus accrued interest, if the related special assessments are collected.

**GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

3. DETAILED NOTES ON ALL FUNDS - continued

D. Long-Term Debt- continued

Special Assessment Debt outstanding at year-end was as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term of years</u>	<u>Final maturity</u>	<u>Bonds issued</u>	<u>Outstanding 6/30/08</u>	<u>Annual serial payment</u>
1997 Refunding	1997	2.9-5.0	11	2012	\$ 1,340,000	\$ 125,000	Varies
#358 & #359	1992	3.5-6.75	20	2012	533,000	105,000	Varies
#360	1993	3.5-6.75	20	2013	380,000	25,000	Varies
#361	1995	3.78-7.0	18	2013	187,000	60,000	Varies
#365	1994	4.9-9.25	20	2013	90,000	10,000	Varies
#366	1995	3.5-8.25	16	2012	130,000	40,000	Varies
#367	1995	4.1-6.15	15	2011	193,000	20,000	Varies
#368	1996	4.0-6.5	20	2016	125,000	45,000	Varies
#370	1998	4.4-6.0	20	2018	198,500	60,000	Varies
#371	1999	3.0-7.2	20	2020	63,000	33,000	Varies
#372	1999	3.0-6.1	15	2014	200,000	50,000	Varies
#375	2001	3.0-6.5	15	2015	113,000	20,000	Varies
#376	2001	3.6-5.5	20	2021	540,000	215,000	Varies
#378	2001	3.6-5.5	20	2021	1,188,000	730,000	Varies
#380	2002	3.0-6.5	15	2017	110,000	5,000	Varies
#382	2002	3.0-6.5	15	2017	199,000	130,000	Varies
#383	2002	2.2-5.5	20	2022	200,200	105,000	Varies
#384	2003	2.0-5.0	15	2018	160,000	75,000	Varies
#386	2003	1.75-4.9	15	2018	300,000	210,000	Varies
#387	2005	2.1-5.0	15	2020	180,000	145,000	Varies
#388	2005	2.1-5.0	15	2020	160,000	120,000	Varies
#391	2006	2.0-5.25	20	2026	395,000	330,000	Varies
#392	2006	3.0-7.0	20	2026	60,000	42,000	Varies
#393	2007	4.2-5.5	20	2028	900,000	900,000	Varies
Total Special Assessment Bonds					\$ 7,944,700	\$ 3,600,000	

**GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

3. DETAILED NOTES ON ALL FUNDS - continued

D. Long-term debt- continued

Loans/Contracted Debt:

Loans and Contracted Debt outstanding as of June 30, 2008 were as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Outstanding 6/30/2008</u>	<u>Date of Last Payment</u>
Landfill (2)	995,000	2003	Varies	306,776	2010
Guenther Building Purchase (1)	999,000	2004	Varies	631,017	2014
Capital Improvement Libraries (1)	999,000	2005	Varies	789,083	2016
Re-Entry Facility (1)	800,000	2006	Varies	663,617	2016
Fair Grounds Improvement (1)	500,000	2007	Varies	447,299	2016
3rd District Court Building (1)	999,000	2007	Varies	957,182	2017
Courthouse Annex (1)	999,000	2007	Varies	957,273	2018
Road & Bridge Shop Complex (1)	1,300,000	2008	Varies	1,300,000	2019
Total	<u>\$ 7,591,000</u>			<u>\$ 6,052,247</u>	

(1) Reported in general long-term debt account group: \$5,745,471

(2) Reported in Enterprise Fund: \$306,776

The interest rate variances are based on an annual adjustment by the Montana Board of Investments.

Compensated Absences Payable

Compensated absences payable, which represents vacation and sick leave earned by employees and is payable upon separation, is as follows:

Enterprise Fund	\$ 251,902
General Governmental Activities	1,421,068
Internal Service Funds	33,791
	<u>\$ 1,706,761</u>

Capital Leases

The County has entered into several leases which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13 "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Equipment under capital leases in capital assets at June 30, 2008, include the following.

Equipment	\$ 1,644,379
Less: Accumulated depreciation	(529,664)
Total	\$ <u>1,114,715</u>

Amortization of equipment under capital assets is included with depreciation expense.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS – continued

D. Long-term debt- continued

Requirements to Amortize Debt

The annual requirements to amortize all long-term debt outstanding, except compensated absences, and closure/post closure care costs as of June 30, 2008 were as follows:

For Fiscal Year Ended	G. O.		Revenue Bond	Revenue Bonds	
	Principal	Interest	Principal	Interest	
2009	\$ 620,850	\$ 452,432	\$ 511,500	\$ 49,426	
2010	525,850	427,098	527,500	37,541	
2011	555,850	407,204	543,500	25,336	
2012	575,850	385,964	517,750	12,801	
2013	605,850	361,298	242,000	2,420	
2014-2018	3,422,550	1,414,524			
2019-2023	3,640,000	666,731			
2024-2026	1,080,000	87,168			
Total	<u>\$ 11,026,800</u>	<u>\$ 4,202,419</u>	<u>\$ 2,342,250</u>	<u>\$ 127,524</u>	
Continued:	Special Bonds Principal	Special Bonds Interest	Contract Debt Principal	Contract Debt Interest	
2009	\$ 60,000	\$ 215,754	\$ 686,258	\$ 232,118	
2010	215,000	205,389	768,047	216,136	
2011	333,000	179,557	638,551	187,572	
2012	248,000	161,864	665,969	159,447	
2013	232,000	150,114	694,577	129,810	
2014-2018	1,341,000	531,713	2,519,973	229,754	
2019-2023	821,000	206,055	78,872	1,676	
2024-2028	350,000	46,025			
Total	<u>\$ 3,600,000</u>	<u>\$ 1,696,471</u>	<u>\$ 6,052,247</u>	<u>\$ 1,156,513</u>	
Continued:	Capital Lease Principal	Capital Lease Interest		Grand Total	
2009	\$ 805,663	\$ 53,423		\$ 3,687,424	
2010	270,672	35,597		3,228,830	
2011	284,799	23,779		3,179,148	
2012	283,245	11,443		3,022,331	
2013	-	-		2,418,071	
2014-2018	-	-		9,459,514	
2019-2023	-	-		5,414,334	
2024-2028	-	-		1,563,193	
Total	<u>\$ 1,644,379</u>	<u>\$ 124,242</u>		<u>\$ 31,972,845</u>	

**GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

3. DETAILED NOTES ON ALL FUNDS - continued

E. State-Wide Retirement Plans

All Full-time County employees are covered under one of the following retirement plans: Montana Public Employees Retirement System (PERS), Sheriffs Retirement System (SAS), or Teachers Retirement System (TRS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multi-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with the amount determined by the State.

Contribution rates are required and determined by State Law. The contribution rates expressed as a percentage of covered payroll for fiscal year ended June 30, 2008 were:

	<u>PERS</u>	<u>SRS</u>	<u>TRS</u>
Employer	6.935%	9.825%	7.47%
Employee	6.90%	9.245%	7.15%
State	0.10%	0.000%	0.11%

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the County's financial statements and were considered immaterial. Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Public Employees Retirement Division, P. O. Box 200131, Helena, Montana 59620-0131 Phone: 406-444-3154
2. Teachers Retirement System, P. O. Box 200319, Helena, Montana 59620-0139 Phone: 406-444-3134

The County's contributions for the years ended June 30, 2008, 2007 and 2006 as listed below were equal to the required contributions for each year.

	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>PERS</u>			
County	\$799,644	\$796,848	\$877,148
Employee	798,727	800,128	878,381
State	11,479	11,581	12,693
<u>SRS</u>			
County	\$230,359	\$317,826	\$370,628
Employee	252,835	341,711	354,036
<u>TRS</u>			
County	\$4,288	\$4,622	\$4,749
Employee	4,288	4,424	4,553
State	66	68	70

F. Post Employment Benefits

Terminated employees may remain on the County's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the County's health plan to age 65, provided they pay the monthly premiums. State law requires the County to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees, which would result in additional costs to the insurance program.

The County had 28 retired employees and 6 terminated employees participating in the plan as of June 30, 2008.

**GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008**

3. DETAILED NOTES ON ALL FUNDS - continued

G. Local Retirement Plans

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all County employees permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

H. Restricted Cash/Investments

The following restricted cash and investments were held by the County as of June 30, 2008. These amounts are reported within the cash and investment account on the combined balance sheet.

<u>Description</u>	<u>Amount</u>
Gallatin County Landfill	<u>2,118,903</u>
Total	<u>\$ 2,118,903</u>

I. Fund Equity

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The restrictions of equity in the governmental funds are due to the debt service requirements. The restrictions in the proprietary funds are for landfill closure and post closure requirements and loan document requirements.

J. Restatements/Prior Period Adjustments

There were no restatements or prior period adjustments.

K. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require that Gallatin County place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. Gallatin County has elected to use the Local Government Financial Test to satisfy its financial responsibility under RCRA Subtitle D. Although closure and post closure care costs will be paid only near or after the date the landfill stops accepting waste, the landfill reports a portion of these closure and post closure care costs as an operating expense each period. The costs expensed during a period are based on landfill capacity used as of each balance sheet date. Independent engineering reports show that there is a \$1,227,407 liability for landfill closure and post closure as of June 30, 2008, which represents the cumulative amount reported to date based on the use of 38.08% of the estimated capacity of the landfill. The remaining estimated cost of closure and post closure care will be recognized as the remaining estimated capacity is filled. The estimated total current cost of closure and post closure care remaining to be recognized is \$3,223,000. These amounts are based on what it should cost to perform all closure and post closure in 2008. The County expects to close the landfill in the year 2029. Actual costs may be higher due to inflation, changed in technology or changes in regulations.

The County is required by State and Federal laws and regulations to demonstrate financial assurance for the costs of closure and post closure care costs. For the fiscal year ended June 30, 2007 Gallatin County demonstrated its ability to handle closure and post closure care costs by passing the local government financial test.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS – continued

L. Services Provided to Other Governments

Gallatin County provides various financial services to other governmental entities located within the County. The County serves as the billing agent, cashier and treasurer for tax and assessment collections for various taxing jurisdictions. The County also is a bank for such agencies as school districts, irrigation districts, rural fire districts, and other special purpose districts. The funds collected and held by the County for other entities are accounted for in agency funds. Funds collected for incorporated cities and towns are periodically remitted to those entities by the County Treasurer. The County has not recorded any service charges for the services it provides other governmental entities.

M. Risk Management

The County faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e. employee injuries, and (f) medical insurance costs of employees. Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees' torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier, and given the lack of coverage available, the County has minimal coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Gallatin County has joined with other Montana counties to form a self-insurance pool offering workers' compensation coverage. This pool, named the Montana Association of Counties Workers' Compensation Trust, provides claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise specific control over the budgeting and financing of the Trust's activities.

In February 1990, the Trust issued \$7.645 million in tax exempt bonds to provide aggregate excess coverage and resources for previously unfunded liabilities. The County has, therefore, elected not to record this potential liability as a long-term liability in its accounting records and report it as such in its financial statements.

Audited financial statements for fiscal year ended September 30, 2008 are available from the Montana Association of Counties Workers' Compensation Trust.

Self-Insurance

The County provides medical insurance coverage for its employees via a partially self-insured plan. It provides medical and dental benefits and is operated as an Internal Service Fund. Rates are determined in consultation with the administrator based on past claim experience. Incurred but unreported claims at June 30, 2008, were estimated by the plan administrator. Claims payable as of year end are:

	2006		2007		2008
Beginning claims payable	\$ 145,445	\$	158,222	\$	270,394
Claims incurred	2,835,764		2,878,544		3,397,017
Claims paid	<u>(2,822,987)</u>		<u>(2,766,372)</u>		<u>(3,438,746)</u>
Ending claims payable	\$ <u>158,222</u>	\$	<u>270,394</u>	\$	<u>228,665</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

3. DETAILED NOTES ON ALL FUNDS – continued

N. Recent Accounting Pronouncements

The Government Accounting Standards Board has issued GASB 43 “Financial Reporting for Post Employment Benefit Plans other than Pension Plans” and GASB 45 “Accounting and Financial Reporting by Employers for Post Employment Benefits other than Pensions.” These statements improve the relevance and usefulness of reporting by requiring systematic, accrual basis measurement and recognition of other post employment benefits expense over a period that approximates employees’ years of service and provides information about actuarial accrued liabilities associated with other post employment employee benefit and whether and to what extent progress is being made in funding the plan. These statements are effective for the County for fiscal year 2009. The County has not assessed the impact of these statements on its financial position and results of operations and has not determined if the adoption of these statements will have a material effect on its basic financial statements.

O. Subsequent Event

Subsequent to June 30, 2008, the County’s investment portfolio has declined in value due to volatile market conditions. Because of the uncertainty of future market conditions and the potential impact of pending federal legislation, the County’s management is uncertain whether the decline in fair value is permanent or temporary.

P. Commitments

Primary Government

At June 30, 2008, Gallatin County had approximate contractual commitments of the following:

<u>Department</u>	<u>Amount</u>	<u>Project</u>
Grants & Project Administration	2,179,000	Road & Bridge Shop Building
Solid Waste Management District	1,494,940	Landfill Cell
Grants & Project Administration	942,000	Courthouse Annex
Commission	2,176,000	Detention Center
Total	<u>6,791,940</u>	

Future appropriations will fund these commitments as work is performed.

Q. Pending Litigation

The County is involved in numerous lawsuits, which arise out of the normal course of operations. Management of the County intends to vigorously defend each claim and believes no material losses will be incurred on such claims.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Gallatin County, State of Montana
1000 GENERAL
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	2,491,441	2,491,441	2,283,600	(207,841)
Local Option Taxes	1,460,000	1,460,000	1,554,660	94,660
General Business Licenses	-	-	245	245
Federal Grants	-	20,000	-	(20,000)
Federal Payments in Lieu of Tx	-	-	331	331
State Shared Revenue	539,500	539,500	605,045	65,545
Local Grants	52,355	52,355	-	(52,355)
Charges for Services	2,132,883	2,110,633	2,040,796	(69,837)
Fines & Forfeitures	603,600	603,600	748,252	144,652
Miscellaneous	-	-	68,802	68,802
Investment Earnings	550,000	550,000	837,636	287,636
Total revenues	<u>7,829,779</u>	<u>7,827,529</u>	<u>8,139,367</u>	<u>311,839</u>
EXPENDITURES				
Current:				
General Government-Personnel	6,711,256	6,666,552	6,272,013	394,539
General Government-Operations	2,054,010	2,104,981	1,720,885	384,096
Public Safety-Personnel	472,801	472,801	448,291	24,510
Public Safety-Operations	487,650	487,650	452,923	34,727
Miscellaneous	184,688	184,688	14,549	170,139
Total current:	<u>9,910,405</u>	<u>9,916,672</u>	<u>8,908,661</u>	<u>1,008,011</u>
Debt service:				
Principal Retirement	67,501	67,501	67,501	-
Interest	-	-	21,133	(21,133)
Total debt service:	<u>67,501</u>	<u>67,501</u>	<u>88,634</u>	<u>(21,133)</u>
Capital outlay:				
General Government-Capital Exp	297,551	289,034	77,050	211,984
Public Safety-Capital Expend	5,000	5,000	4,603	397
Total capital outlay:	<u>302,551</u>	<u>294,034</u>	<u>81,653</u>	<u>212,381</u>
Total expenditures	<u>10,280,457</u>	<u>10,278,207</u>	<u>9,078,948</u>	<u>1,199,259</u>
Excess (deficiency) of revenues	<u>(2,450,678)</u>	<u>(2,450,678)</u>	<u>(939,581)</u>	<u>1,511,097</u>
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Sale of Fixed Assets	-	-	9,724	9,724
Transfers In	20,000	20,000	127,234	107,234
Transfers Out	(105,400)	(105,400)	(1,691)	103,709
Total other financing sources and uses and special items	<u>(85,400)</u>	<u>(85,400)</u>	<u>135,267</u>	<u>220,667</u>
Net change in fund balances	<u>(2,536,078)</u>	<u>(2,536,078)</u>	<u>(804,314)</u>	<u>1,731,764</u>
Fund balances -- beginning	3,636,607	3,636,607	3,636,607	-
Fund balances -- ending	<u>\$ 1,100,529</u>	<u>\$ 1,100,529</u>	<u>\$ 2,832,293</u>	<u>\$ 1,731,764</u>

See accompanying notes to the financial statements

Gallatin County, State of Montana
2300 PUBLIC SAFETY FUND
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property Taxes	8,775,719	8,829,926	8,371,309	(458,617)
Other licenses	6,000	20,520	20,520	-
Federal Grants	70,000	112,260	39,136	(73,124)
State Grants	-	6,402	46,402	40,000
State Shared Revenue	400,000	408,081	406,081	(2,000)
Charges for Services	1,042,810	1,128,987	1,092,442	(36,545)
Fines & Forfeitures	8,700	8,700	8,568	(132)
Miscellaneous	-	27,530	27,531	1
Investment Earnings	60,000	60,000	45,839	(14,161)
Total revenues	<u>10,363,229</u>	<u>10,602,406</u>	<u>10,057,828</u>	<u>(544,578)</u>
EXPENDITURES				
Current:				
Public Safety-Personnel	6,843,483	6,843,483	6,799,299	44,184
Public Safety-Operations	2,794,566	3,209,480	3,368,615	(159,135)
Total current:	<u>9,638,049</u>	<u>10,052,963</u>	<u>10,167,914</u>	<u>(114,951)</u>
Debt service:				
Total debt service:	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital outlay:				
Public Safety-Capital Expend	889,798	892,723	789,818	102,905
Total capital outlay:	<u>889,798</u>	<u>892,723</u>	<u>789,818</u>	<u>102,905</u>
Total expenditures	<u>10,527,847</u>	<u>10,945,686</u>	<u>10,957,732</u>	<u>(12,046)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(164,618)</u>	<u>(357,968)</u>	<u>(899,904)</u>	<u>(556,624)</u>
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Sale of Fixed Assets	-	2,000	2,000	-
Transfers In	37,000	211,858	201,857	(10,001)
Transfers Out	(123,044)	(123,044)	(110,997)	12,047
Total other financing sources and uses and special items	<u>(86,044)</u>	<u>105,502</u>	<u>92,860</u>	<u>2,046</u>
Net change in fund balances	<u>(250,662)</u>	<u>(252,466)</u>	<u>(807,044)</u>	<u>(554,578)</u>
Fund balances -- beginning	1,608,415	1,608,415	1,608,415	-
Fund balances -- ending	<u>\$ 1,357,753</u>	<u>\$ 1,355,949</u>	<u>\$ 801,371</u>	<u>(\$ 554,578)</u>

See accompanying notes to the financial statements

Gallatin County, State of Montana
2500 RURAL SPECIAL IMPROVEMENT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	745,903	745,903	758,649	12,746
Investment Earnings	663	663	127,744	127,081
Total revenues	746,566	746,566	886,393	139,827
EXPENDITURES				
Current:				
Public Works-Operations	3,858,437	3,858,437	415,369	3,443,068
Miscellaneous	11,650	11,650	8,564	3,086
Total current:	3,870,087	3,870,087	423,933	3,446,154
Capital outlay:				
Miscellaneous	-	-	16,380	(16,380)
Total capital outlay:	-	-	16,380	(16,380)
Total expenditures	3,870,087	3,870,087	440,313	3,429,774
Excess (deficiency) of revenues over (under) expenditures	(3,123,521)	(3,123,521)	446,080	3,569,601
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Transfers In	-	-	1,552	1,552
Transfers Out	-	-	(43)	(43)
Total other financing sources and uses and special items	-	-	1,509	1,509
Net change in fund balances	(3,123,521)	(3,123,521)	447,589	3,571,110
Fund balances -- beginning	3,127,261	3,127,261	3,127,261	-
Fund balances -- ending	\$ 3,740	\$ 3,740	\$ 3,574,850	\$ 3,571,110

See accompanying notes to the financial statements

SINGLE AUDIT SECTION

GALLATIN COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2008

Federal Grantor/Pass-Through	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance June 30, 2007	Federal Revenue	Federal Expenditures	Ending Balance June 30, 2008
U.S. Department of Agriculture							
<i>Passed through the State Department of Public Health and Human Services</i>							
Special Supplemental Food Program for Women, Infants, and Children (WIC)	10.557	07-07-5-01-009-0	\$ 173,550	\$ -	\$ 41,616	\$ 41,616	\$ -
Special Supplemental Food Program for Women, Infants, and Children (WIC)	10.557	08-07-5-21-009-0	\$ 180,452		\$ 137,872	\$ 137,872	\$ -
Total U.S. Department of Agriculture			\$ 354,002	\$ -	\$ 179,488	\$ 179,488	\$ -
U.S. Department of Justice							
<i>Direct:</i>							
LLEBG Bulletproof Vest Program	16.607		\$ 7,707	\$ -	\$ 6,121	\$ 6,121	\$ -
LLEBG Bulletproof Vest Program	17.607		\$ 4,163		\$ 1,668	\$ 1,668	\$ -
JAG Edward Memorial Justice Assistance Grant	16.738	2007-DJ-BX-1287	\$ 23,465	\$ -	\$ 20,310	\$ 20,310	\$ -
<i>Passed through the State Department of Justice - Montana Board of Crime Control:</i>							
Byrne Formula Grant - Missouri River Drug Task Force	16.579	07-G01-90134	330,662	-	330,662	330,662	\$ -
Victim Witness Program	16.588	07-W03-90063	40,953	-	40,953	40,953	\$ -
Operation Freedom from Fear	16.588	07-W02-90046	46,685	-	46,685	46,685	\$ -
Total U.S. Department of Justice			\$ 453,635	\$ -	\$ 446,399	\$ 446,399	\$ -
U.S. Department of Interior							
<i>Direct:</i>							
West Yellowstone Municipal Solid Waste Disposal System	15.RBC	Y1574080051	\$ 3,741,000	\$ -	\$ 3,741,000	\$ 3,741,000	\$ -
U.S. Department of Transportation							
<i>Direct</i>							
<i>Passed through the State Department of Transportation:</i>							
Montana Department of Transportation - STEP Overtime Grant	20.600	2008-13-13-13, 2008-09-08-13	18,000	-	14,724	14,724	-
Montana Department of Transportation - STEP Overtime Grant	20.600	2007-23-01-11, 2007-21-02-11, 2	19,250	-	3,851	3,851	-
FAA - Weather Station	20.106	3-30-0077-005-2007	92,345	-	73,278	73,278	-
FAA - Animal Control Fence	20.106	3-30-0077-006-2008	523,925	-	49,765	49,765	-
FAA - Progreba Field Airport Snow Removal Building	20.106	3-30-0077-004-2005	341,192	(190)	190	-	-
Total U.S. Department of Transportation			\$ 994,712	\$ (190)	\$ 141,808	\$ 141,618	\$ -

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GALLATIN COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2008

Federal Grantor/Pass-Through	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance June 30, 2007	Federal Revenue	Federal Expenditures	Ending Balance June 30, 2008
Environmental Protection Agency							
<i>Passed through the Montana Department of Environmental Quality</i>							
Radon Grant	66.032	208011	\$ 2,300	\$ -	\$ 2,300	\$ 2,300	\$ -
Public Water Supply System Testing	66-605	504005	6,700	-	5,185	5,185	-
Total Environmental Protection Agency			\$ 9,000	\$ -	\$ 7,485	\$ 7,485	\$ -
U.S. Department of Health and Human Services							
<i>Passed through the State Department of Public Health and Human Services:</i>							
Maternal & Child Health Services Block Grant - MCH	93.994	08-07-5-01-016-0	92,092	-	92,092	92,092	\$ -
Maternal & Child Health Services Block Grant - PHHV	93.994	08-07-5-31-006-0	48,194	-	48,194	48,194	\$ -
Immunization Action Plan (IAP)	93.268	07-07-4-31-016-0	24,729	-	24,729	24,729	\$ -
Immunization Action Plan (IAP)	93.268	08-07-4-31-016-0	22,770	-	7,872	7,872	\$ -
TB Vaccination Program	93.116	07-07-4-11-041-0	4,000	-	4,000	4,000	\$ -
TB Vaccination Program	93.116; 93.991	08-04-4-11-041-0	4,000	-	2,489	2,489	\$ -
NACCHO/Medical Reserve Corps (MRC)	83.008	1MRCSG061001-02	10,000	-	3,509	3,509	\$ -
STD/HIV Grant and Case Management	93.117	07-07-4-51-104-0	4,000	-	3,680	3,680	\$ -
STD/HIV Grant and Case Management	63.117	08-07-4-51-104-0	3,288	-	697	697	\$ -
Breast and Cervical Screening (includes grant & screening award)	93.283	08-07-3-01-007-0	74,210	-	48,094	48,094	\$ -
Public Health Emergency Preparedness (BT)	93.283	07-07-6-11-021-0	158,800	-	44,349	44,349	\$ -
Public Health Emergency Preparedness (BT)	93.283	08-07-6-11-021-0	118,646	-	101,174	101,174	\$ -
Total U.S. Department of Public Health and Human Services			\$ 564,729	\$ -	\$ 380,879	\$ 380,879	\$ -
Total Federal Assistance			\$ 6,117,078.00	\$ (190.00)	\$ 4,897,059.04	\$ 4,896,869.04	\$ -

Basis of Presentation:

The above Schedule of Expenditures of Federal Awards include the federal grant activity of Gallatin County, Montana, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations*. Therefore, some amounts presented in this 'schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.



1007 EAST MAIN STREET · SUITE 300 · BOZEMAN, MONTANA 59715
TEL: 406.556.6160 · FAX: 406.586.8719 · WEB: WWW.AZWORLD.COM

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

To the Board of County Commissioners
Gallatin County, 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 Gallatin County (the “County”), as of and for the year ended June 30, 2008, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 31, 2008. 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 County’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 County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County’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 material weaknesses.

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 County’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 County’s financial statements that is more than inconsequential will not be prevented or detected by the County’s internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

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 County's internal control.

Our consideration of 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 internal control that might be significant deficiencies or material weaknesses. However we consider items 2008-02 to be a material weakness.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of Gallatin County in a separate letter dated December 31, 2008.

This report is intended solely for the information and use of management of Gallatin County and the Board of County Commissioners (in charge of governance), 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.

Anderson Zurmuehlen + Co., P.C.

Bozeman, Montana
January 2, 2009

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133

To the Board of County Commissioners
Gallatin County No. 7

Compliance

We have audited the compliance of Gallatin County (the County) 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, 2008. The County'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 County's management. Our responsibility is to express an opinion on the County'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 County'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 County's compliance with those requirements.

In our opinion, the County 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, 2008.

Internal Control Over Compliance

The management of the County 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 County'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 County'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 a deficiency in internal control over compliance that we consider to be a significant deficiency and that we also consider to be a material weakness.

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 finding 2008-01 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider finding 2008-01 to be a material weakness.

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

This report is intended solely for the information and use of the management of Gallatin County and the Board of County Commissioners, 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.

Anderson Zurmuehlen & Co., P.C.

Bozeman, Montana
January 2, 2009

GALLATIN COUNTY, MONTANA
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness identified?	Yes
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	Yes

Identification of major programs:

15.RBC West Yellowstone Municipal Solid Waste Disposal System	\$3,741,000
Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2008

Federal Award Findings and Questioned Costs:

2008-01 OMB A-133 Schedule of Expenditures of Federal Awards

Condition:

Management was unable to properly identify and complete the schedule of expenditures of federal awards in compliance with the requirements of the Single Audit Act.

Criteria:

Controls should be in place and operating effectively to ensure the completion of the schedule is accurate.

Context:

The errors related to the federal expenditures of the Gallatin County Health Department.

Effect:

The effect is improper recognition and handling of federal awards and the related expenditures.

Cause:

Management did not possess adequate understanding of the requirements related to reporting amounts on the Schedule of Expenditures of Federal Awards.

Recommendation:

We recommend management obtain training to ensure proper recognition and reporting of amounts on the schedule of expenditures of federal awards. In addition, we recommend that the County designate one individual to prepare this schedule, which should also be reviewed for completeness and accuracy.

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2008

Financial Statement Findings:

2008-02 Completeness and Accuracy of Financial Statements

Condition:

As a result of the 2008 audit, three material adjustments were proposed to correct the amounts recorded in the financial statements. These adjustments related to the landfill post-closure liability and restricted cash, the accounting for the sale and disposal of an asset, and the recording of a new depreciable asset. There were also an additional eight immaterial adjustments proposed. Although these adjustments were not material, they still represent errors in the preparation of the financial statements. Finally, we noted material incomplete footnote disclosures.

Criteria:

Controls should be in place and operating effectively to ensure the completion of the financial statements and footnotes is accurate.

Context:

The material errors related to the County Landfill Fund and the footnote disclosures.

Effect:

The effect is improper reporting of the financial statements and footnote disclosures.

Cause:

The County does not have a process in place to review financial information for completeness and accuracy, and does not prepare a disclosure checklist.

Recommendation:

We recommend management implement a process to review the completed financial information for completeness and accuracy which would include preparing a disclosure checklist.

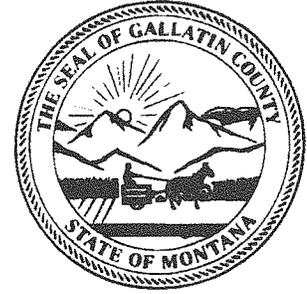
Prior Year Audit Findings:

None reported.

State of Montana

County of Gallatin

Bozeman



01/5/2009

AZ & Company
Attn: Stefeni S. Freese, CPA
1007 East Main Street Suite 300
Bozeman, Mt. 59715

RE: Official Responses To Conditions:

Dear Stefeni Freese:

We are submitting our official response to the conditions listed in your findings. The County Commission will make the resources available to help the Clerk and Recorder, and Auditor eliminate these audit conditions.

We will make this activity happen in the upcoming Fiscal Year and subsequent Fiscal Years. The following are our responses to the conditions.

2008-01 **OMB a-133 Schedule of Expenditures of Federal Awards**

Condition:

Management was unable to properly identify and complete the schedule of expenditures of federal awards in compliance with the requirements of the Single Audit Act.

Criteria:

Controls should be in place and operating effectively to ensure the completion of the schedule is accurate.

Context:

The errors related to the federal expenditures of the Gallatin County Health Department.

Effect:

Improper recognition and handling of federal awards and the related expenditures.

Cause:

Management did not possess adequate understanding of the requirements related to reporting amounts on the Schedule of Expenditures of Federal Awards.

Recommendation:

We recommend management obtain training to ensure proper recognition and reporting of amounts on the schedule of expenditures of federal awards. In addition, we recommend that the

County designate one individual to prepare this schedule, which should also be reviewed for completeness and accuracy.

Client Response:

We understand the importance of properly indentifying and completing the schedule of expenditures of federal awards in compliance with the requirements of the Single Audit Act. We will verify our understanding of the requirements outlined in OMB Circular A-133 with AZ & Co.. In addition, both the Health Department and the Grants Department will keep an accurate reconciliation of each grant, which will be submitted to the internal auditor's office with the corresponding federal schedule information. The Auditor's Office will compile all information onto one federal schedule, which will then be reviewed for completeness and accuracy prior to presentation to the external auditor.

2008-02 **Completeness and Accuracy of Financial Statements**

Condition:

Three material adjustments were proposed to correct the amounts recorded in the financial statements. These adjustments related to the landfill postclosure liability and restricted cash, the accounting for the sale and disposal of an asset, and the recording of a new depreciable asset. There were also an additional eight immaterial adjustments proposed. Although these adjustments were not material, they still represent errors in the preparation of the financial statements. Finally, we noted material incomplete footnote disclosures.

Recommendation:

We recommend management address each of our proposed adjustments, including the passed adjustments, and ensure that these errors are corrected going forward. In addition, we recommend that management put into place a process for reviewing the financial statements, which includes preparing a disclosure checklist.

Client Response:

The landfill postclosure liabilities were a misinterpretation of GASB 18 - Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs. This issue has been addressed and corrected. Our method for the treatment of sales, disposals, and acquisitions of assets has been changed and now meet requirements. These material adjustments were made and are reflected in the preceding financial statements. The material incomplete footnote disclosures were corrected and are included in the notes to the financial statements. We are acquiring a disclosure checklist, and developing a review process for upcoming fiscal years.



Charlotte Mills
Gallatin County Clerk & Recorder



Jennifer Blossom
Gallatin County Auditor

STATISTICAL

SECTION

Gallatin County, Montana
Annual Information to be submitted pursuant to 15c2-12

\$4,000,000 Series 2003
\$5,000,000 Series 2006
Gallatin County, Montana
Open Space General Obligation Bonds

1. Financial Statement (Audited) - 2003 and 2004 Audit
2. General Obligation Debt Outstanding as of 6/30/07 - \$11,620,000
6/30/06 - \$ 7,100,000
3. Market and Taxable Valuations

Fiscal Year	Total County Market Valuation	Total County Taxable Valuation ¹	County Open Space Taxable Valuation
2008/09	\$6,641,798,174	\$209,638,913	\$203,197,000
2007/08	6,105,440,980	196,866,339	190,388,900
2006/07	5,526,323,702	181,081,364	174,462,565
2005/06	5,004,202,230	166,681,835	160,125,399
2004/05	4,539,777,444	154,680,038	147,774,143

¹ The taxable valuations presented above exclude valuations for tax increment financing districts.

4. Estimated Population

Year	Gallatin County
2007 ¹	87,359
2004	75,831

5. Debt Capacity Remaining as of November 1, 2008

\$112,534,783 (takes into consideration a 2008 issuance in the amount of \$4,000,000 that is expected to closed in December of 2008, \$3,200,000 on authorized but unissued bonds and \$32,000,000 of bonds for a County detention center expect to be issued in 2009).

6. Description of Future Borrowing;:

The County will have the amount of \$3,200,000 in authorized but unissued bonds, not including the \$4,000,000 to be issued in 2008. The County expects to issue the remaining authorized \$3,200,000 open space bonds within the next two to three years. The voters of the County approved the issuance of \$32,000,000 in 20-year general obligation bonds for a new County detention center at the November 4, 2008 election. The County plans on issuing such bonds in early 2009.

7. Tax Levies

Taxing Entity	----- Fiscal Year -----				
	2004/05	2005/06	2006/07	2007/08	2008/09
University Millage	6.00	6.00	6.00	6.00	6.00
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00
Gallatin County Operating and Bond	69.17	71.89	71.13	79.50	79.78
County Road Fund	17.64	18.30	18.30	18.30	19.09
County Library Levy	6.04	6.38	6.38	6.38	6.38
County-wide School Levy	97.36	96.49	95.64	97.05	100.26
Bozeman High School District Levies	55.16	57.46	62.42	65.34	71.40
Bozeman Elementary School District Levies	112.16	111.60	120.32	118.51	141.13
Open Space Bond Levy	3.94	3.68	5.91	4.17	4.63
Total	407.47	411.80	426.10	435.25	468.67
City of Bozeman	172.19	168.46	163.42	154.18	171.16

8. Tax Collections

Fiscal Year	Total Tax Levy	Current Property Tax Collections	Total Property Tax Collections ¹
2007/08	\$2,440,132	\$2,259,312	\$2,342,486
2006/07	1,915,849	1,841,942	1,937,650
2005/06	1,958,627	1,877,868	1,983,534
2004/05 ²	1,929,850	1,845,648	1,922,027
2003/04 ⁽²⁾⁽³⁾	733,573	695,455	873,530 ⁴

¹ Total collection includes delinquencies.

² Represents the tax levy for the general fund only, whereas previous years were for all funds of the County.

³ As of 2004/05, the State took on the responsibility of the Public Assistance and District Court funds, which were previously recorded in the General Fund.

⁴ Northwestern Energy did not make its second half tax payment by the due date on May 31, 2003. Payment was received after the closing of fiscal year 2002/03, resulting in the higher than normal Total Property Tax Collections in 2003/04

9. Major Taxpayers

Taxpayer	Business	2008/09 Taxable Value
1. Northwestern Energy	Electric Utility	\$13,968,100
2. Qwest Corporation	Telecommunications	2,490,364
3. Holcim, Inc. (formerly Holnam)	Cement Manufacturer	1,080,282
4. Montana Rail Link	Railroad	1,016,080
5. Luzenac America, Inc.	Talc Processing Facility	835,136
6. Sky West Airlines	Airline	620,914
7. Zoot Properties LLC	Technology	565,136
8. Harry Daum	Mall/Developer	520,427
9. Bozeman Deaconess Foundation	Healthcare	504,873
10. Verizon Wireless	Communications	474,000