

EXECUTIVE SUMMARY

Gallatin County Commissioners



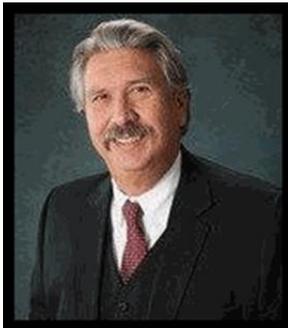
Commissioner Joe P. Skinner, Chairman

Elected as Commissioner – 2004 and 2010



Commissioner R. Stephen White, Member

Elected as Commissioner - 2006 and 2012



Commissioner Don Seifert, Member

Elected as Commissioner – 2014



GOVERNMENT FINANCE OFFICERS ASSOCIATION

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July 1, 2015

Executive Director

EXECUTIVE SUMMARY

Budget Message



GALLATIN COUNTY

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County Commission

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Final Budget Message

August 30, 2016

Residents of Gallatin County:

This document is the Final Operating, Capital Equipment and Projects Budget for Gallatin County, Montana for the fiscal year ending June 30, 2017 (FY 2017). The document represents the County's continued efforts to provide and maintain quality services to citizens while maintaining or reducing the costs to provide those services. The FY 2017 Final Budget demonstrates the Commission's commitment to balancing the budget and maintaining the County's long-term financial stability, while keeping tax increases to a minimum.

Some changes to the budget from the previous year that are noteworthy include a decrease in County staffing levels and an increase to taxes. The budget includes an increase of 6.63 Full Time Equivalents (FTE) in County Tax Supported Funds and a decrease of 10.89 FTE in Non Tax Supported Funds. The net result is an overall decrease of 4.26 FTE.

Unfortunately, the Commission has found that taxes need to increase by \$1,254,324 for Operating Budgets, \$279,936 for Road/Library Activities, up to \$96,060 for Permissive Medical Levy, and \$294,940 for Bond payments. The increases in taxes are necessary to support Sheriff Deputy longevity and employee merit increases, Dispatch Services capital and personnel, Regional Park maintenance, improvements to roads, bond payments, as well as health insurance premium increases. While the budget does increase taxes by 5.02%, the Commissioners did not levy an additional \$2,323,089 (7.55%) in permitted taxes.

In FY 2016, the Commission undertook a major project to overhaul the Performance Management system for the County. In consultation with the Government Finance Officers Association, the Commission established a set of priorities captured in the following five (5) citizen-centered statements:

- I want to support an effective and efficient government;
- I want to be safe;
- I want to know all residents have the ability to be healthy;
- I want to have sustainable infrastructure; and,
- I want to promote the Gallatin County culture.

The County is continuing to expand on this project with the goal of full implementation in the FY 2017 Budget.

A brief summary of the Final Budget follows.

EXECUTIVE SUMMARY

Budget Message

Overview of Budgeted Resources

The following table depicts beginning balances, estimated revenues, approved expenditures, and projected ending balances for the budget year. All funds of the County are included in the Final Budget. The table reflects estimated revenues of \$90.1 million and budgeted expenditures of \$145.3 Million, resulting in a decrease in the ending balance of \$55.2 million. Explanations of the significant changes in fund and cash balances (those greater than 10%) for each of the major fund groups are found immediately following the table.

CHANGES IN FUND BALANCE / CASH BALANCE							
Projected Changes in Fund Balances or Cash Balances							
FY 2017 FINAL BUDGET -- July 1, 2016 through June 30, 2017							
	GOVERNMENTAL FUNDS				PROPRIETARY FUNDS	FIDUCIARY FUNDS	TOTAL
	General	Special Revenue	Debt Service	Capital Projects	Enterprise & Internal Funds	Trust & Agency	ALL FUNDS
Beginning Fund Balance (Cash)	\$ 5,532,427	\$ 25,605,043	\$ 1,954,745	\$ 14,587,018	\$ 22,033,833	\$ 10,763,298	\$ 80,476,364
Estimated Revenues	11,708,988	35,165,352	5,439,048	3,877,636	18,571,006	15,339,997	90,102,027
less FY 2017 Final Budget	(14,491,415)	(54,425,277)	(6,983,748)	(15,318,591)	(31,122,264)	(22,921,954)	(145,263,249)
Projected Changes to Fund Balance (Cash)	(2,782,427)	(19,259,925)	(1,544,700)	(11,440,955)	(12,551,258)	(7,581,957)	(55,161,222)
Estimated Ending Fund Balance (Cash)	\$ 2,750,000	\$ 6,345,118	\$ 410,045	\$ 3,146,063	\$ 9,482,575	\$ 3,181,341	\$ 25,315,142

General Fund

- The General Fund will use \$2,782,427 (50.3%) in working capital to fund \$1,026,179 in capital outlay, \$376,932 in Bridge replacement / repairs, \$170,000 in employee termination/retirement, \$524,225 for one-time transfers and \$265,007 for debt service. Two factors that will mitigate the potential use of working capital are:
 - The County utilizes conservative revenue estimates with actual revenues normally coming in higher (117.54% in FY 2016).
 - The approved budget is the maximum spending limits for departments. Departments historically under expend their budgets (89.50% in FY 16), which serves to increase ending fund balances.

Special Revenue Funds

- Special Revenue Funds will use \$19.3 million in working capital (75.3%). Rural Improvement District road improvements are \$5.9 million, Road projects and capital account for \$2.1 million, with Impact Fee/Gas Tax used for improvements at \$0.9 million, Public Safety capital and Debt account for \$3.4 million, PILT payments for loans, etc. \$3.1 million, \$0.9 million reserved for capital for dispatch center/equipment, City/County Health Fund and grant expenses \$0.8 million, Open Space accounts for \$0.5 million, Federal Grant Fund \$0.3 million, with the balance of working capital used by all other special revenue funds, especially grants.

EXECUTIVE SUMMARY

Budget Message

Debt Service Funds

- Debt Service Funds collect tax revenues in the previous fiscal year for payment in the next fiscal year prior to the next tax collection. This is required to make bond payments pursuant to bond agreements. The actual amount of \$1.5 million of working capital (79.0%) is consistent with previous years' usage.

Capital Project Funds

- Capital Projects will use \$11.4 million (78.4%) of beginning cash for ongoing construction projects. \$6.6 million will fund capital projects, Core Rolling Stock, Bridge Replacement, Law and Justice replacement and other Building upgrades, \$0.7 million for Detention Center Expansion, Open Space accounts for \$4.4 million and \$0.4 million for RID / Junk Vehicle expenses.

Enterprise / Internal Service Funds

- The \$12.6 million (56.9%) of beginning cash for Enterprise Funds/Internal Service Funds will pay for building repairs at the Rest Home, loan reserves, financial assurance reserves and capping of the cells at the Logan Landfill, if needed, and set aside requirements for the West Yellowstone Refuse District Compost Facility. Internal Service working capital will be used to fund health insurance claims, replacement of copiers and motor pool vehicles per replacement schedules and payment of insurance deductibles, if needed.

Trust and Agency Funds

- Trust and Agency working capital is projected to decrease by \$7.6 million (70.4%). The use of working capital is for fire districts/service areas and special districts budgeting money for replacement or enhancement of their systems, including use of Fire Impact Fees.

Planning Processes

Gallatin County conducts various planning processes, both short-term and long-term, to help guide the Government and to ensure that decisions are made in the context of the organization as a whole and with a long-term perspective. Four of those processes (the Strategic Planning Process, Growth Plan, Financial Trend Analysis, and Capital Improvement Plan) are discussed below.

Strategic Planning Process

Strategic planning suggests ways (strategies) to identify and move toward desired future states. It consists of developing and implementing plans to reach goals and objectives. Within government, strategic planning provides guidance for organizational management similar to that for business, but also provides guidance for the evolution or modification of public policy and laws. Areas of such public policy include: funding of infrastructure, rate-setting and functional plans (County's Comprehensive Plan for land use, Bozeman, Belgrade and the County Transportation Plan and the County's Solid Waste Plan).

The Strategic Planning Process is an ongoing dynamic tool that gives residents, taxpayers and interested persons a greater understanding of County government. The Process focuses on performance and provides for measurable goals and objectives the County intends to achieve. Department employees will be held accountable for the implementation and success of the plan.

Budget Message

As part of the Strategic Planning Process, the County created a set of strategies to help guide the organization. These range from philosophical strategies (Mission Statement) down to concrete achievable goals for the coming year. Shown on the following page are the results of the Strategic Planning Process.

Performance Management

Beginning in FY 2015, the Commission began an effort to overhaul the Performance Management system for the County. A major goal of the effort was to shift away from simply tracking data to using performance measures as a way to guide decision making throughout the County. Performance budgets emphasize the accomplishment of program objectives. Performance budgeting involves a shift away from inputs (what is going to be purchased), to outcomes (what is going to be accomplished).

Initial work involved engaging all County employees and the public to identify the major priorities of the County as set by the Commission. The following five (5) citizen-centered statements were developed to capture those priorities:

- I want to support an effective and efficient government;
- I want to be safe;
- I want to know all residents have the ability to be healthy;
- I want to have sustainable infrastructure; and,
- I want to promote the Gallatin County culture.

Workshops were then held on each of these priorities to determine what they mean to Gallatin County and to develop a list of factors contributing to each of these outcomes. Performance Measures were then developed to monitor those factors. During FY 2016, departments were assigned measures to refine and to begin tracking data. Emphasis in FY 2017 will be on refining the measures, tracking meaningful data, and fully integrating Performance Management into the County's decision making process.

Budget Message

GALLATIN COUNTY Strategic Direction

Mission Statement

Provide cost effective services, visionary leadership and responsive policies for our diverse residents.

Vision Statement

Gallatin County is dedicated to being a premier county local government.

Long-Term and Short-Term Goals

The County created a set of short-term and long-term goals. Short-term goals are those that guide the development of the budget for the coming year. Long-term goals are more far-reaching in nature and do not change from year to year. Listed below are the long-term and short-term goals of the County that help guide the development of this budget:

Long-Term Goals (Concerns and Issues):

- Align community needs with budgetary decisions
- Assure that long term plans are used to guide strategic and operational decisions
- Demonstrate exceptional customer service
- Serve as a model of excellence in government
- Improve communication within our County government, other jurisdictions, and our public
- Be an employer of choice
- Continue to improve the Criminal Justice system
- Support local and regional economic development efforts
- Dedicate resources to maintenance and expansion of County infrastructure in accordance with long term plans

Short-Term Goals (Priorities and Policy Issues for the Budget Year):

- Maintain public health, safety and welfare as a high priority, as required and allowed under state statute and documented public demand, consistent with performance measurements
- Assure that the County maintains a clean audit and AA+ bond rating
- Improve and enhance the efficiency, effectiveness, and productivity of every County function through budget administration and performance management
- Improve and maintain County infrastructure and equipment by dedicating additional property tax revenues from new construction to capital projects, within budgetary constraints
- Ensure that needed transportation infrastructure systems are maintained and enhanced
- Demonstrate a strong commitment to employee retention through funding of needed wage and / or benefit changes
- Avoid raising property taxes to the extent practical

EXECUTIVE SUMMARY

Budget Message

Citizen-Centered Vision

Every decision in the budgeting process is guided by Gallatin County's Mission to provide cost effective services, visionary leadership, and responsive policies for our diverse residents.

Gallatin County's annual budget supports our short and long-term goals, strategic plans, capital improvement plans, the Financial Trend Analysis and citizen and employee input. These resources, which are described throughout the Budget document, have been distilled into five Citizen Centered Statements that are the foundation for budget decisions. These statements are intended to be inclusive of all other goals, and communicated in clear and simple language.

This section describes the five Citizen-Centered Statements, identifies key work plan initiatives for FY 2017, and highlights key departmental goals and benchmarks related to each one.

I want to support an effective and efficient government.

Gallatin County's first Citizen-Centered Statement is to provide services to our residents in an effective and efficient manner by balancing the demand for services with available resources. As resources continue to be stretched, the County continues to strive for resiliency by diversifying revenue streams to become less dependent on property taxes. The diversity in revenues allows the County to better weather difficult periods of economic slowdown.

223
Acres of County
Parks and Trail
System Treated for
Noxious Weeds

Key Initiatives for FY 2017

The FY 2017 Final Budget includes \$600,000 in set asides for new financial software to replace two of the County's outdated systems, Eden for financial accounting and Tax-Wise for treasury and tax collection management. A new system will provide better integration between the two applications thereby reducing both employee time requirements and margin for error. As part of the project, the County's current processes will be reviewed and compared to best-practices to improve efficiency.

63
Percentage
Increase in
Land Use
Revenues

Funding was approved for a new Civil Engineer position under the Road Department. The engineer will assist the County with engineering for bridges and culverts, flood plain review and provide a review of engineering reports submitted by outside parties. The position will reduce expenses paid to outside engineering firms and provide for better decision making.

The Commission increased funding for the Clerk and Records Office to handle the 2016 presidential election. It is very important to the Commission that everyone in Gallatin County have the ability to fulfill their civic duty.

700
Number of
Addresses
Issued

43
Number of
Grants
Secured

A new Assistant Planning Director was funded for the Planning Department to assist with the increased workload from planning activities as well as management responsibilities for the GIS Department. This will allow the Planning Director to focus on pressing issues.

To help the County better interact with its residents, \$50,000 was approved to develop a new website. The current website is antiquated and not compatible with current devices

EXECUTIVE SUMMARY

Budget Message

and technology. It is hoped a new website with increased functionality will provide opportunities for greater citizen engagements and dissemination of information.

I want to be safe.

One of Gallatin County’s highest priorities is to provide a safe environment for residents, visitors and businesses. This priority encompasses the Sheriff’s Office, Fire Marshall, 911 Dispatch Services, Department of Emergency Management, Health Department, County Attorney, Court Services, Local Water Quality District and many more. Gallatin County strives to work in cooperation with other municipalities within the County as well as non-governmental organizations to achieve all-around safety in Gallatin County.

Key Initiatives for FY 2017

In FY 2017, the Commission approved raising taxes by \$250,000 on an ongoing basis to address capital project concerns for Dispatch Services. In the first year (FY 2017), \$59,991 will be used to hire an IT Specialist to handle ever increasing technical needs of the department. The remaining \$190,009 can be used to fund smaller capital projects or to secure a loan(s) for larger implementations. Dispatch Services will continue to work with their Board and with the Commission to ensure the safety of citizens.

The budget also includes \$600,000 set aside for a new Records Management System and Computer Aided Dispatch System for Public Safety.

The Commission also approved match funding for a new Sheriff’s Deputy funded by the COPS grant and for a detective funded by a Violence Against Women Act Grant. Other increases in funding for the Sheriff’s Office include funding 50% of an Evidence Technician for two years to be shared with the Bozeman Police department, radio repairs, and various equipment purchases. An additional Officer was also approved but not funded to help the Detention Center deal with high turnover rates and training lags.

A major priority for Gallatin County is the construction of a new Law & Justice facility to house the Sheriff’s Office, the Bozeman Police Department, the courts, the Coroner, three District Courts, two Justice Courts, the Clerk of District Court, Juvenile Probation, Victim Witness Services, the City and County Attorneys, Court Services, and other Public Safety related services. This is a joint project with the City of Bozeman and will provide a safe environment for citizens to interact with our justice system. The proposal will be on the election ballot in November 2016 for a decision by City and County residents.

I want to know all residents have the ability to be healthy.

Gallatin County believes that each of its residents should have the ability to be healthy. The aim is to provide access to services, programs and amenities that allow residents to achieve or maintain a healthy lifestyle. This includes medical services, recreational activities, healthy food options, health education, environmental protection and transportation considerations. Residents should have the tools they need to manage their health.

9,670
Vaccines
Provided

1,555
Health Inspections
Completed

Key Initiatives for FY 2017

Gallatin County will contribute \$47,228 to the Gallatin River Task Force to complete a water resource development plan to address critical water resource

EXECUTIVE SUMMARY

Budget Message

management issues. This will be a collaborative project with a forum bringing 36 unique stakeholders to the table.

The Gallatin City-County Health Department created several new positions to improve services. A new Program Assistant in Environmental Health Services will support the overall work of the office which includes septic permits and health inspections. A new Health Promotion Specialist position will be dedicated to improving resources for residents to eat healthy and live active lifestyles. Finally, a new Home-Visitation position will help new and expectant parents to raise healthy families. In addition, the department will purchase a new Electronic Health Records system to provide more efficient and better services for clients.

I want to have sustainable infrastructure.

In order to provide services to County residents, there are certain infrastructure requirements. In order to maximize resources, the County strives to promote sustainable infrastructure that will serve the residents of Gallatin County long into the future. Key considerations in prioritizing infrastructure costs are needs, costs versus available resources, and ongoing maintenance and repair costs.

Key Initiatives for FY 2017

In order to address ongoing capital project requirements throughout the County, the Commission has begun to set aside funding out of Newly Taxable Property on an ongoing basis. For FY 2017, that amount has been increased to \$500,000 per year. This funding is meant to support projects approved through the Capital Improvement Program (CIP) and for this budget year, will be put towards the New Law & Justice Facility.

3,151
Tons of Waste
Recycled

403
Land Use Permits
Processed

The Core Rolling Stock program received an additional \$50,000 for inflationary costs to ensure the future sustainability of the program and an additional \$9,500 to increase the Sheriff's Core vehicles by one. \$30,000 in one-time funding was also approved for the Big Sky Chamber of Commerce to conduct a transportation plan jointly funded by Madison County.

The Conservation and Parks department received \$35,000 in on-going funding to support rising maintenance costs associated with the Regional Park. This funding will pay for regular maintenance and repairs to ensure residents can continue to enjoy a safe and inviting space for years to come.

I want to promote the Gallatin County culture.

Gallatin County is an exceptional place to live, work, and visit. The County is committed to preserving the things that make this place great including open space, parks, recreation, education, history, fine arts, entertainment, agriculture, diversity, independence, and tradition.

Key Initiatives for FY 2017

The Commission approved \$165,000 for capital improvements at the Fairgrounds, \$100,000 of that funding will be ongoing. It will be used for repairs and upgrades to ensure citizens have access to infrastructure, amenities, and events to promote the Gallatin County way of life. Events and programs like the Gallatin County Fair, 4-H, rodeos and motorsports will continue to be housed at the Fairgrounds.

39,015
Fair Attendance

EXECUTIVE SUMMARY

Budget Message

29,200
Meals on Wheels
Delivered

Funding for senior programs was increased by \$12,500 for Befrienders, Galavan, Meals on Wheels, and the Homemaker Program. Services funded by the County help seniors to be able to stay in their homes longer by providing activities, meals, transportation, care, education and other services.

Renovations at the Fairgrounds will be completed on two buildings at the Fairgrounds to provide new and expanded office space for the Fairgrounds and the Extension Office. The Mid-Winter Fair Building will have upgraded plumbing, electrical and HVAC systems, a new roof, new carpet and ADA compliant entrances to be able to house the Fairgrounds staff. The Ag Building will get upgraded electrical and a larger kitchen to house the Extension Office and allow for expanded programming.

\$994,995
Funding
Provided to
County Libraries

Gallatin County Growth Policy

The County Planning & Community Development Department is the primary department responsible for assisting the Board of County Commissioners with implementation of the County's adopted Growth Policy. The County adopted the Growth Policy in 2003 to provide broad instructions on how to best manage growth and development in the County, consistent with state law. To implement the Growth Policy, the County has adopted a transportation plan, five neighborhood plans, and established seven "Part 2" zoning districts. The County also explored but did not proceed with establishment of a rural zoning regulation that covered the remaining un-zoned portions of the County and a comprehensive parks and trails plan.

During FY 2016, the County Commission continued efforts to implement the Growth Policy. These efforts included, but were not limited to: the Planning Board's work to revisit and update the 2003 Growth Policy and the Gallatin County/Bozeman Area Plan. The Planning Department took the lead on working with representatives from Belgrade and Bozeman to establish a Planning Coordination Committee for the "Triangle" area to identify opportunities for better coordination on land use matters. Citizen involvement is crucial to the success of all of these projects.

Financial Trend Analysis

Each year, Gallatin County evaluates its current financial condition within the context of existing programs, assesses future financial capacity, and integrates County Commission goals, objectives, and financial policy into its decision making process. Analysis of the County's financial and economic trends is an integral part of this process.

The Finance Office performs financial trend analysis each year in conjunction with the annual mid-year budget analysis. The Financial Trend Analysis utilizes budgetary and financial information to create a series of local government indicators to monitor changes in Gallatin County's financial condition. These indicators, when considered as a whole, help interested stakeholders gain a better understanding of the County's overall financial condition. This analysis of key financial trends and other community factors is similar to the approach taken by credit rating agencies to determine Gallatin County's bond rating.

Using this trend analysis and the framework of the financial policies adopted by the County Commission, management is able to strategically plan and budget, provide solutions to negative trends, and ultimately

EXECUTIVE SUMMARY

Budget Message

preserve the financial health of Gallatin County. It is a 'report card' of the County's current financial condition and a reference point as staff begins work on the next year's budget.

Most importantly, the Financial Trend Analysis assists the County Commission and County administration in focusing on the "Big Picture" of the County's financial operations. The Finance Office continues to expand the plan by including statistical information from the Chamber of Commerce, Planning Office activities, Zoning District activities, Yellowstone National Park tourist activities and the local airport boarding / deplaning numbers.

Capital Improvement Program

In order to best serve the public, Gallatin County maintains its capital infrastructure through the Planned Maintenance Projects list and the County's Capital Improvement Program (CIP) which comprises 4 elements: Building Projects, the Core Rolling Stock Equipment program, the Bridge Replacement Plan and the Capital Equipment Listing.

The County uses both the Planned Maintenance Projects list and the CIP Plan for evaluating capital improvements to County buildings. The Planned Maintenance Projects list is compiled and maintained by the County Facilities Department and is updated throughout the year as necessary projects are identified. This allows the Facilities Department to address immediate concerns and plan for future repairs and maintenance as required. The Department has added compliance with the Americans Disability Act (ADA) as required by state, federal and local regulations, as part of each building evaluation.

The CIP Plan is developed through a formalized process each year. The CIP Committee, consisting of 7 residents, 1 elected official and 1 department head, invite Departments to submit proposals for building improvement projects valued at \$50,000 or above and a useful life of five years or greater. The proposals are then reviewed by the committee and ranked based on set criteria. The Committee then provides a prioritized list to the Commission for their consideration during the budget process. During the second phase of the process, the Commission considers the proposed projects in light of available funding as well as priority ranking.

The Plan includes the current fiscal year's approved projects plus the next 5 years' projected projects. The CIP Plan is a multi-year capital projects plan that forecasts, but does not obligate, future spending for anticipated capital projects. The proposed six-year Plan uses conservative financial forecasts and reflects only those projects with the highest priority and most realistic expectation for completion during the next six years. This approach avoids raising expectations for projects that are not well defined or that the operating budget will not support.

As in recent years, the County continues to review numerous capital project funding requests. At the same time, the County has finite resources to fund the operating costs for many of the proposed capital projects. The proposed six-year CIP Plan attempts to continue, and even expedite, priority projects while ensuring long-term sustainability of each project by including estimated operational savings or cost increases in the plan. The County is working towards a lifecycle cost process.

EXECUTIVE SUMMARY

Budget Message

The Core Rolling Stock Equipment program, included in the CIP Plan, was approved by the CIP Committee and established in FY 2011. Core Rolling Stock Equipment is defined as vehicles needed to maintain the minimum level of service by the Road, Sheriff, Noxious Weed, Fair, Parks, County Fire and other activities. Department equipment qualifies for inclusion if the vehicle, inclusive of necessary add-ons/attachments, is valued at \$25,000 or more and has an expected useful life of five years or more. The County lists 'Core Equipment' planned for replacement in order to sustain public health and safety. This equipment includes road graders, sheriff cruisers / SUVs, plows, dump trucks, etc. For FY 2017, the Commission will increase funding by \$59,500 to a total of \$695,500 in taxes to maintain a sustainable 'Core Rolling Stock' replacement plan.

The 'Bridge Replacement Plan' (BRP) is planned funding for replacement of bridges longer than 30' in the County. Funding comes from \$400,000 per year in taxes set aside in the Capital Projects Fund for bridge replacement.

For FY 2017, the Commission approved improvements to facilities which included the addition of \$200,000 per year in taxes for the Law and Justice Project bringing the total to \$500,000 per year. The County will levy a minimum of \$500,000 per year for this project. The other facility projects approved were Detention Expansion Reserves \$707,481 (plus \$1,900,000 set aside in Operating Reserve) and building upgrades of \$1,171,522.

A final component of the CIP Plan is the listing of Capital Equipment. Capital Equipment is defined as any piece of machinery or equipment valued at \$5,000 or greater, inclusive of all accessories. Departments request these purchases during the budget process and the list of approved items is included in the Capital section of the Budget.

The Capital Budget includes the approved capital projects included in the CIP for the year, as well as the anticipated funding sources for the projects. If approved in the Annual Budget, the capital items appear in the Annual Operating Budget, which constitutes the formal spending authority. A summary of the significant capital projects included in the FY 2017 Final Operating Budget is included in the Capital Project section of the budget. The current year projects are followed by projects for the next five years to show the total Capital Plan as recommended by the CIP Committee and adopted by the County Commission.

EXECUTIVE SUMMARY

Budget Message

Staffing Changes

The Final budget shows employees increasing by 6.63 for Tax Supported Funds, with non-tax supported positions decreasing 10.89. The net change in employees shows a decrease of 4.26 FTEs. The table below shows the change in FTEs. A detailed listing of employees is located in the Appendix.

Staffing Changes (FTE)	
DEPARTMENT/DIVISION	Net Increase (Decrease)
ATTORNEY	0.17
AUDITOR	0.08
BRIDGE	(0.35)
COMMISSION	0.02
COURT SERVICES	0.50
DETENTION CENTER	1.67
DISPATCH / L.E. RECORDS	1.00
EXTENSION	0.25
FAIRGROUNDS	(1.00)
FINANCE - GRANTS	(0.50)
GEOGRAPHIC INFORMATION SERVICES	0.25
HEALTH - ADMINISTRATION	1.25
HEALTH - HUMAN SERVICES	(1.45)
HEALTH - ENVIRONMENTAL	0.83
PLANNING	0.58
ROAD MAINTENANCE	0.85
SHERIFF - SWORN (NON-GRANT)	1.56
TREASURER	0.92
TOTAL COUNTY TAX SUPPORTED PERSONNEL	6.63
HEALTH - CITY/COUNTY - GRANTS	2.01
PUBLIC SAFETY GRANTS	1.00
REST HOME	(13.60)
SOLID WASTE SYSTEM	1.00
SHERIFF - SWORN (GRANT)	1.94
OTHER CHANGES	(3.24)
TOTAL NON TAX SUPPORTED PERSONNEL	(10.89)
TOTAL CHANGES IN PERSONNEL	(4.26)

EXECUTIVE SUMMARY

Budget Message

The following chart shows employees budgeted by department for all County departments for 2000, 2010 and 2013-2017. The listing shows the number of positions budgeted, not the number actually employed throughout each fiscal year.

TABLE OF PERSONNEL (FTE)							
DEPARTMENT / DIVISION	BUDGET						
	FY 2000	FY 10	FY 13	FY 14	FY 15	FY 16	FY 17
ATTORNEY	11.50	18.00	17.00	17.00	17.00	17.83	18.00
AUDITOR	2.60	2.50	2.67	2.67	2.67	2.67	2.75
BRIDGE	7.36	7.36	7.36	7.41	7.41	7.41	7.06
CLERK AND RECORDER	12.45	13.75	12.75	12.75	12.75	12.75	12.75
CLERK OF DISTRICT COURT	10.00	13.70	12.90	12.90	12.90	12.90	12.90
COMMISSION	5.00	5.00	4.00	4.00	4.00	4.50	4.52
COMPLIANCE	-	1.10	1.10	1.07	1.10	1.10	1.10
CORONER	0.60	-	-	-	-	-	-
COUNTY ADMINISTRATOR	-	2.50	2.00	2.00	2.00	2.00	2.00
COURT SERVICES	-	8.87	10.00	10.00	10.00	10.50	11.00
DETENTION CENTER (excl. sworn)	20.00	30.43	52.00	52.00	53.50	53.83	55.50
DISPATCH / L.E. RECORDS	22.18	30.00	30.50	31.75	32.75	32.50	33.50
EXTENSION SERVICE	3.50	4.00	3.00	3.00	3.00	3.00	3.25
FACILITIES	2.50	3.12	6.74	6.49	6.74	6.74	6.74
FAIRGROUNDS	5.00	10.00	10.25	10.00	9.00	8.50	7.50
FINANCE - ADMINISTRATION	1.50	2.00	2.00	2.00	2.00	2.00	2.00
FINANCE - ACCOUNTING	2.00	3.50	4.00	3.50	3.50	3.50	3.50
FINANCE - GRANTS	1.50	1.85	2.00	2.00	2.00	1.50	1.00
GEOGRAPHIC SERVICES	2.00	3.00	3.00	3.00	3.00	2.75	3.00
HEALTH - ADMINISTRATION	1.59	3.83	3.00	3.00	3.00	3.00	4.25
HEALTH - HUMAN SERVICES	7.18	6.37	7.73	8.97	8.39	9.94	8.49
HEALTH - ENVIRONMENTAL	9.41	10.17	10.00	10.00	10.00	10.92	11.75
HEALTH - GRANTS	9.97	10.43	12.83	10.48	13.01	16.38	18.39
HUMAN RESOURCES	3.25	4.75	4.00	4.00	4.50	5.00	5.00
ITS	7.00	7.00	7.69	8.00	8.75	9.00	9.00
JUSTICE COURT	7.50	11.00	10.97	11.00	12.00	12.00	12.00
MISCELLANEOUS	0.25	0.05	0.05	0.05	0.05	0.05	0.05
NOXIOUS WEED	2.00	2.25	2.88	2.75	2.75	2.75	2.75
PLANNING	7.00	7.75	6.90	7.10	8.15	9.07	9.65
PUBLIC SAFETY GRANTS -w/o swor	6.00	4.00	5.51	5.51	5.51	5.50	5.75
REST HOME	108.09	102.90	106.68	106.68	107.68	98.88	85.28
ROAD MAINTENANCE	25.11	25.11	26.14	26.14	26.14	26.14	26.99
SHERIFF - Support Staff	6.00	6.50	6.50	6.50	7.00	7.50	7.50
SHERIFF - Sworn (non grant)	29.00	46.91	42.00	43.91	49.54	51.00	52.56
SHERIFF - Sworn - Grant	2.00	3.00	5.25	4.92	2.96	2.00	3.94
SOLID WASTE SYSTEM	-	20.50	19.00	18.00	18.00	18.00	19.00
SUPERINTENDENT OF SCHOOL	2.00	2.00	1.75	1.75	1.75	1.75	1.75
TREASURER	15.00	16.96	17.14	17.46	18.00	19.33	20.25
OTHER	14.99	9.73	4.89	4.40	4.56	6.84	4.35
TOTAL	373.03	461.89	484.18	484.16	497.06	501.02	496.77

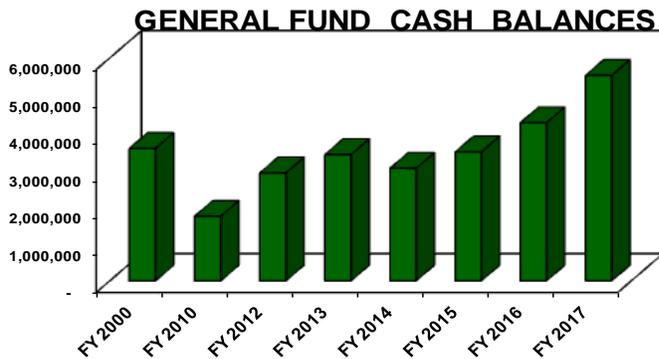
EXECUTIVE SUMMARY

Budget Message

Budgetary Trends

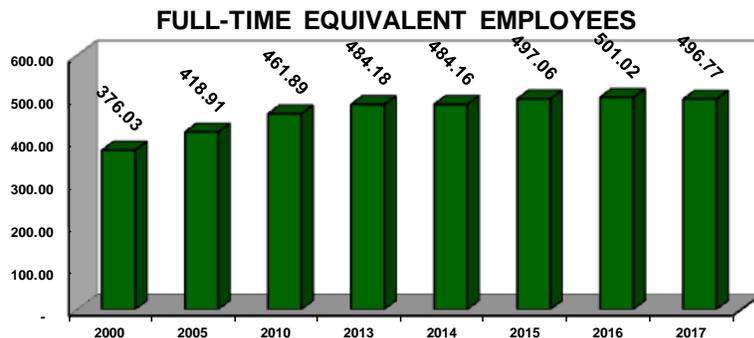
Shown below and in the following pages are a series of key financial indicators and budgetary trends that affect the ability of the County to sustain current service levels while maintaining financial stability.

Fund balance measures the net financial resources available to pay for expenditures of future periods. Rating agencies examine fund balance when considering the credit quality of the County. A component of Fund balance is working capital (cash).



The general fund cash balance represents a good indicator of the County's financial health. Shown in the graph on the left is the County's actual General Fund cash balance over the course of the last several years. The reduction from fiscal year 00 to 10 resulted from moving the Public Safety Activities into a separate fund. In FY 2012, the Commission consolidated a number of Special Revenue Funds into the General Fund (Bridge, Extension, Senior Programs and Airport) which increased the County's efficiency by utilizing scarce cash for needed one-time expenses. The General Fund will maintain an operating reserve percentage between 18-20% going into fiscal year 2018 – this compares to 10.58% for FY 2010.

Senior Programs and Airport) which increased the County's efficiency by utilizing scarce cash for needed one-time expenses. The General Fund will maintain an operating reserve percentage between 18-20% going into fiscal year 2018 – this compares to 10.58% for FY 2010.



Full-time equivalent (FTE) employees is another key indicator of financial health (that should closely mirror the population growth in Gallatin County). As shown by the graph, total FTE grew from 376.03 in fiscal year 2000 (base year) to 496.77 in 2017, for a 32.10% increase over this period. During the same period, inflation grew 39.98% and population grew 43.45%.

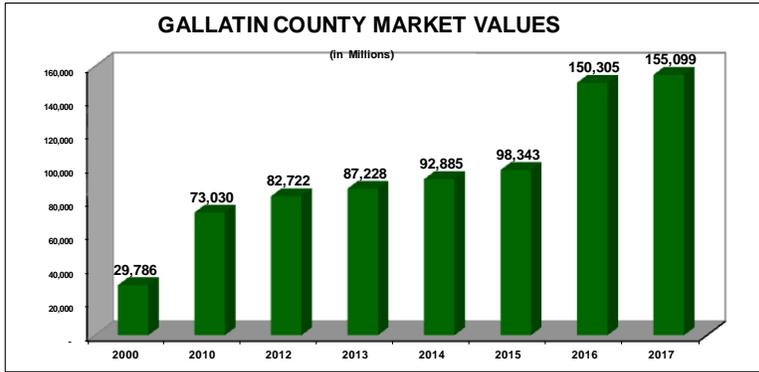
The increase of 13.43 FTEs for FY 2011, along with the 7.07 FTE's for FY 2012 comes strictly from opening the new Detention Center. The 4.26 FTE decrease for FY 2017 is detailed previously.

One of the principle challenges continually facing the County is the on-going financial obligation of new employees necessary to meet the service demand that accompanies growth in the County. All indications are that the growth of Gallatin County has increased from the last several years and will continue, at a significant rate, for the foreseeable future (Woods & Poole, University of Montana – Business and Economics Department, and State of Montana projections). Additional information can be seen in the Appendix.

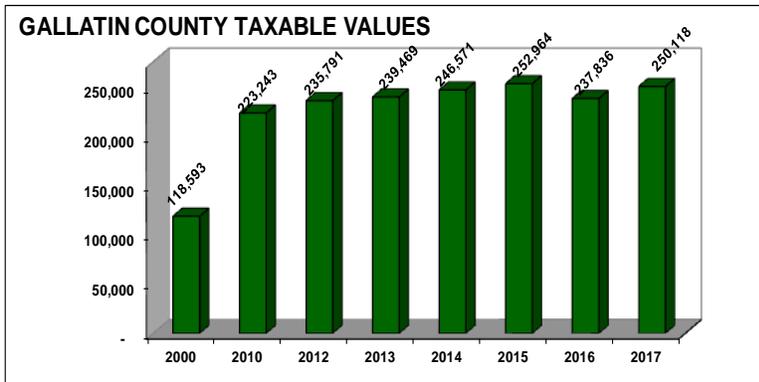
EXECUTIVE SUMMARY

Budget Message

As a general rule, all real and personal property in the State of Montana is subject to taxation by the State and its counties, municipalities and other political subdivisions. Property is classified according to its use and character, and the different classes of property are taxed at different percentages of their market valuation.



market and taxable values to each county on or before the 1st Monday in August. Gallatin County's market value trend is shown in the above graph. As reflected in the graph, the County's market value has increased from \$29.8 billion in fiscal year 2000 to \$155.1 billion in fiscal year 2017, for a 420% increase in 17 years. The market value in the County reflects the rapid growth the County has experienced over the last 20 years.



commercial and residential properties is currently 1.35%. Shown above is a history of the County's actual taxable value since 2000. The increase in taxable values does not coincide with the increase in market values shown earlier. The County's taxable value (per mill) has increased from \$118,593 million in 2000 to \$250,118 in 2017 for a 111% increase in 17 years. The difference between Market and Taxable values comes from adjustments to the percentage ratio and changes in tax policy approved by the State Legislature. Taxable values (as opposed to market values) more accurately reflect the ability of the County to generate tax revenues.

Property valuations are based on appraisal of all taxable property and are performed by the Department of Revenue on a 2-year re-appraisal cycle. The State Legislature made major changes to Market Value for FY 2016 with the removal of exemptions previously used to decrease the Market Value for most properties. The result is the 53% increase for 2016. The Department of Revenue certifies

Taxable Values saw a 5.17% INCREASE for FY 2017. This almost offsets the decrease of 5.98% from last year. The graph of taxable values shows the County's ability to raise tax revenue necessary to support the demand for government services. The taxable value for property is determined by applying an established ratio to the market value of the property, according to its classification. The applicable ratio for most

EXECUTIVE SUMMARY

Budget Message

Mill Levy Decisions

The County Commission approved the Preliminary Budget based on its stated goal to maintain taxes at the same dollar amount for individual taxpayers as paid in the previous year, unless inflationary millage is needed. Unfortunately, the Commission has found that taxes needed to increase for Road/Library \$19,781; Permissive Medical Levy \$96,412; General Obligation Bond payments up to \$116,984; and County Operating \$387,540, plus Newly Taxable Property (property being taxed for the first time). These increases funded Sheriff Deputies' longevity and employee merit increases, Dispatch Services radio technician and capital needs, and Regional Park maintenance. The increase in taxes also funded a Legislative increase in retirement payments and increases in premiums associated with employer health insurance.

The Commission decided not to levy the following taxes:

Fiscal Year	Description	Mills	Tax Dollars
FY 07 - 10	Inflation/Operation Levy	3.42	855,763
FY 10 - 17	Permissive Medical Levy	3.30	825,389
FY 11 - 16	Inflationary Levy	2.19	547,510
FY 17	Inflationary Levy	0.38	94,071
Operation Taxes Not Levied			2,322,733
FY 17	Unused Rural Mill Levy	11.05	1,540,010
TOTAL TAXES NOT LEVIED		9.29	<u>3,862,743</u>

As a result of these decisions, the general taxpayer will see a change in taxes for Gallatin County. Total taxes will increase by \$1,925,260. Individual taxpayers may also see changes in taxes for schools, special districts (fire, etc.) or cities. The following table shows the tax dollars the County will be levying compared to the amount the Commission could levy:

<u>Type of Levy</u>	<u>Amount Allowed</u>	<u>Amount Charged</u>	<u>Difference</u>
County - Wide Levies	22,454,509	20,957,107	1,497,344
Road/Library Levies	4,225,283	4,224,927	356
Permissive Medical Levy	2,721,060	1,895,671	825,389
Bond Levies	<u>3,702,186</u>	<u>3,702,186</u>	<u>-0-</u>
TOTAL	<u>33,103,038</u>	<u>30,779,891</u>	<u>2,323,089</u>

The Commission DID NOT levy 5.97 mills (\$1,497,344) for County-Wide Funds plus 3.30 mills (\$825,389) for Permissive Medical Levy in the Final Budget. The Commission DID NOT levy 0.00 mills (\$356) available for support of Road activities (taxpayers outside cities and towns). County levies that are not levied this year can be imposed in future years, if the Commission determines an increase in taxes is in the best interest of the County. The net effect of the Commission not levying these taxes means a residential taxpayer with a house appraised by the Department of Revenue at \$100,000 will save about \$12.54 in FY 2017.

Budget Message

Economic Factors

The Bureau of Business and Economic Research (BBER) is the research and public service branch of the University of Montana's School of Business Administration. The Bureau is regularly involved in a wide variety of activities, including economic analysis and forecasting. Excerpts from the Bureau's 41st Annual Montana Economic Outlook Seminar report are restated below.

Gallatin County – Montana's Economic Growth Leader

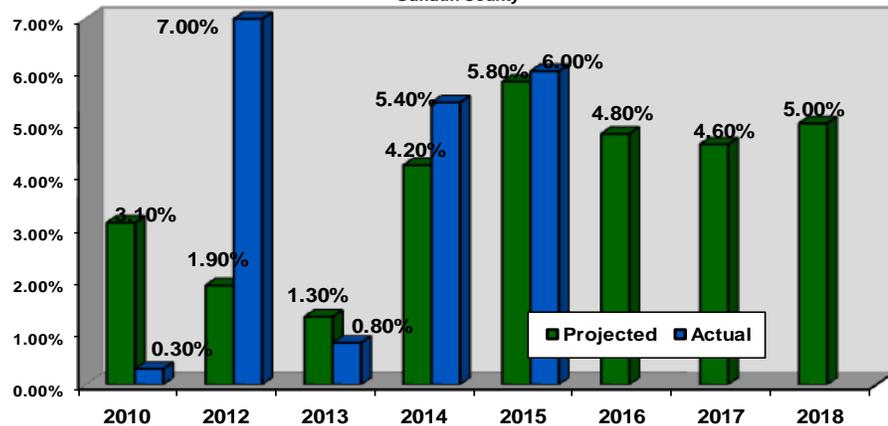
The report shows that Gallatin County single family housing starts were at 857 units which is the most for any county in the state. However, this represents only 76% of the level seen in 2007. Retail wages, inflation corrected 2005-2015 comparing Gallatin County to the State of Montana shows that after a steep decline from 2008 through 2011 the County's retail wages are about the same as the State as a whole. Retail wages for Gallatin County are 5% higher in 2015 than 2007. Inflation adjusted wages and salaries 2011 through 2nd quarter of 2015 shows that Gallatin County is the highest in the state since the 2nd quarter of 2013.

The BBER states that Gallatin County has been one of the fastest growing in 'Real Nonfarm Earnings, Annual Percent Growth' in 1990-2000 with 9.4% (#2) and 2000-2013 at 4.9% (#1). On a down side, Federal Civilian employment is down 9.1% from 2011.

The Bureau's estimated Labor Income Growth in the County at 4.78% for the next 4 years (2016-2019) is slightly lower than last year's projections.

As seen in the graph to the right, the BBER labor income projections have been unable to consistently estimate the actual growth in Gallatin County. BBER projects an increase for 2016 through 2018. Global Insight (the State of Montana's contracted firm) projected acceleration of growth in the County through 2013

Actual & Projected % Change in Nonfarm Labor Income
Gallatin County



and continued growth in the 2.8 to 2.9 percent per year range to 2017. The BBER also stated that "By a fairly large margin, the Gallatin County economy was the best performer across the state in 2015. Its increase of \$104.3 million in inflation-corrected wages and salaries in Fiscal year 2015 accounted for almost 35% of growth in the entire state." The Bureau projects that the County will continue to lead Montana in population growth over the next several years, with the slowing of the average economic growth to about 5.32%.

EXECUTIVE SUMMARY

Budget Message

Financial Trend Analysis and Financial Forecast Findings

The *Financial Trend Analysis and Financial Forecast* is prepared on an annual basis to assess the County's current and future financial position. A major portion of the document focuses on indicators of financial health and assigns each indicator a rating. The trend analyses are prepared to depict the financial condition of the County quantitatively through the utilization of financial trend monitoring. The ratings are explained below.

- **Favorable** is given to trends that adhere to the County mission, vision, goals, objectives and policies. An overall ranking for the County's financial health of favorable requires 15 or more Favorable indicators;
- **Watch** is a trend that is in transition and may be in a downward cycle, but the trend has not reached unfavorable status. A watch for the overall rating occurs when individual ratings are given a 'Watch or Favorable' rating for 11 to 14 indicators.
- **Unfavorable** is assigned to trends that are downward or negative and attention is needed to address the trend. An unfavorable overall trend occurs when 10 or less indicators are Favorable;

The following table shows a summary of indicators for FY 2000 through the FY 2016 budget. The table recaps ratings by indicator and year.

Indicators:	FY 2000	FY 2005	FY 2010	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Revenues:								
Per Capita	Fav.	Fav.	Fav.	Unfav.	Watch	Watch	Watch	Watch
Property Tax	Fav.							
License and Permits	Fav.	Watch	Unfav.	Fav.	Fav.	Fav.	Fav.	Fav.
One-Time Revenue	Fav.	Fav.	Watch	Watch	Fav.	Fav.	Fav.	Fav.
Inter-Government	Fav.							
Utilization of Cash	Fav.	Unfav.	Fav.	Fav.	Fav.	Fav.	Unfav.	Unfav.
Operating Reserves	Watch	Unfav.	Watch	Watch	Fav.	Fav.	Fav.	Fav.
Expenses:								
Per Capita	Unfav.	Fav.						
By Category	Fav.							
Employees / Capita	Fav.	Fav.	Unfav.	Watch	Unfav.	Unfav.	Fav.	Fav.
Sworn Officers/Capita	Unfav.	Unfav.	Unfav.	Watch	Unfav.	Unfav.	Watch	Watch
Fringe Benefits	Unfav.	Unfav.	Fav.	Unfav.	Unfav.	Unfav.	Unfav.	Watch
Capital Outlay	Fav.	Unfav.	Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Compensated Absences	Unfav.	Watch	Unfav.	Unfav.	Unfav.	Watch	Watch	Watch
Economic:								
Property Values	Fav.	Watch						
Residential Values to total	Unfav.	Unfav.	Fav.	Unfav.	Unfav.	Watch	Watch	Watch
Property Tax Analysis		Fav.	Watch	Fav.	Fav.	Fav.	Fav.	Watch
Debt	Fav.							
Population	Fav.							
Concepts / Benchmark:								
Taxes per resident			Fav.	Fav.	Fav.	Fav.	Fav.	Fav.
Percent Taxes to Budget			Fav.	Fav.	Fav.	Fav.	Watch	Watch
Sustainable Budget							Fav.	Fav.
Resilient County							Fav.	Fav.
TOTAL FAVORABLE	12	11	14	13	15	15	16	14

Budget Message

Factors determining a Favorable Rating for each Indicator are:

- Revenues per Capita – an increase in revenues per capita shows growth;
- Property Tax Revenue – an increase in dollars generated shows growth in the County tax base;
- License and Permit Revenue – an increase greater than inflation, shows growth in the economy;
- One Time Revenue – decrease or status quo in one-time revenue used for operating expenses indicates current revenues ability to support current expenses;
- Intergovernmental Revenues – increase of revenues shows less reliance on taxation;
- Cash for Operations – a decrease of cash used for operations or other on-going expenses indicates the County is living within its means;
- Operating Reserves – maintain operating reserves within range for greater than 75% of funds;
- Expenses per Capita – increase in expenses per capita greater than inflation, shows growth in commitment to services provided by government;
- Expenditures by Category – personnel as a % of budget is stable or decreasing for two (2) of the last three (3) years;
- Employees per Capita – decrease in residents served per employee is favorable. If trend shows increase for two or more years, unfavorable rating is warranted;
- Sworn Officers per Capita – goal 1 ‘Available’ officer per 2,250 residents, or less;
- Fringe Benefits – decrease or status quo of percentage benefits are to salaries;
- Capital Outlay – budget without projects and percentages see increase for two years or more;
- Compensated Absences – decrease or status quo, after wage adjustments, compared to previous years;
- Property Values – increase in property values greater than rate of inflation;
- Residential values – maintain or decrease percentage residential values are of total taxable value;
- Property Tax Analysis – growth in Average Taxable Value and Median Taxable value shows sustainable growth in tax base;
- Debt – debt principal and interest maintained below 20% of operating expenses, with debt below 1% of Assessed Value; and,
- Population – increase in population shows growth in area.

The rating of these factors for FY 2015-16 is ‘WATCH’. The nineteen indicators show 11 are Favorable, 7 are in a Watch status and 1 indicator is Unfavorable.

The Analysis includes possible methods to improve the current Financial Condition with a goal of having more Favorable indicators over time. Indicators in a ‘Watch’ or ‘Unfavorable’ status have been identified and ideas and recommendations are given on how or if the County can improve the indicator to a ‘Favorable’ status.

- Per Capita Revenues – ‘Watch’ – The final actual revenues will be higher than the amount budgeted for FY 2016 from Detention Inmate and Land Use Fees (Clerk & Recorder/Planning).
- Cash for Operations – ‘Unfavorable’ – The County needs to decrease expenses or increase revenues in the General Fund and Public Safety Fund. These two funds show significant utilization of cash to fund personnel and operations. Failure to deal with this shortfall will adversely affect the Commission’s ability to approve future budgets. (Not Sustainable and not Resilient).

EXECUTIVE SUMMARY

Budget Message

- Sworn Officers/Capita – ‘Watch’ – The current deputy staffing, while not ideal, is meeting the needs of residents as represented by low crime statistics. Response times would be improved if additional officers were hired but a significant reduction in response would require a large increase in staff. The County strives to maintain an officer to resident to available officer’s ratio of 1 officer to 2,250 residents or less.
- Fringe Benefits – ‘Watch’ – The County can only control two areas of fringe benefits. These are 1) Worker’s Compensation – Through maintaining a low mod factor and soliciting new carrier when needed, and 2) Employee Health Insurance Premiums – the County balances employer costs while maintaining recruiting competitiveness.
- Compensated Absences – ‘Watch’ – As previously stated the County has very limited control over this trend and has made adjustments in compensatory accrual, the one area where direct control is available.
- Property Values – ‘Watch’ – This indicator dropped from favorable because of reappraisal reducing property values. The indicator will stay in a ‘Watch’ category until the 2017 reappraisal occurs.
- Residential Property Values to Total Property Values – ‘Watch’ – This is controlled by the State, however, the County should continue to emphasize the low taxes in the County and the Commission’s not levying over 8% in taxes.
- Property Tax Analysis – ‘Watch’ – reduction caused by reappraisal decreasing the positive factors.

FINANCIAL CHALLENGES – Recommendations:

- Implement a fiscal philosophy that emphasizes sustainable budgets – Current year revenue is within a small percentage of authorized budget (excluding re-appropriated capital) and that encourages departments to include resiliency into their planning
 - Equalize Revenues to Expenses – (PAY AS YOU GO) Increase revenues and reduce costs to balance with ongoing revenues.
 - Set goal of amount or percentage that Commission will not tax for market variations, emergency or contingency. Establish policy on when taxes can be increased.
 - Create policy to dedicate re-appropriated cash to infrastructure, wherever possible.
- Maintain infrastructure
 - Bridge Replacement – Establish funding from Newly Taxable Property starting in 2013 – goal to have \$400,000 per year – similar to Core;
 - Law & Justice Replacement – continue setting aside \$100,000 in additional Newly Taxable Value for each of the next 4 years (\$500,000 per year goal);
 - Road large project reserve will be reviewed during FY 2017 for possible inclusion in future money set asides.
- Retain and hire qualified employees – Maintain health insurance premiums by not charging future cost increases on current budgets, but authorize limited increase in levy;
- Maximize growth in area – Use all avenues to maintain and add business opportunities; and,
- Implement growth policy – Continue funding.

EXECUTIVE SUMMARY

Budget Message

Closing

We hope the information contained in the FY 2017 Final Budget is of benefit to all interested parties. We want to encourage you to look at the end of the Budget Highlights section to see what has changed in this budget from last year.

In closing, we want to inform the public that our utilization of Workload Indicators and Performance Measurements started in previous years continue to be reflected in the FY 2017 document. We will be actively pursuing a Performance Based Management / Budget process for FY 2017. We strongly encourage each and every person using County services to inform us of their ideas, level of satisfaction and concerns.

Respectfully,
Gallatin County Commission



Joe P. Skinner, Chairman



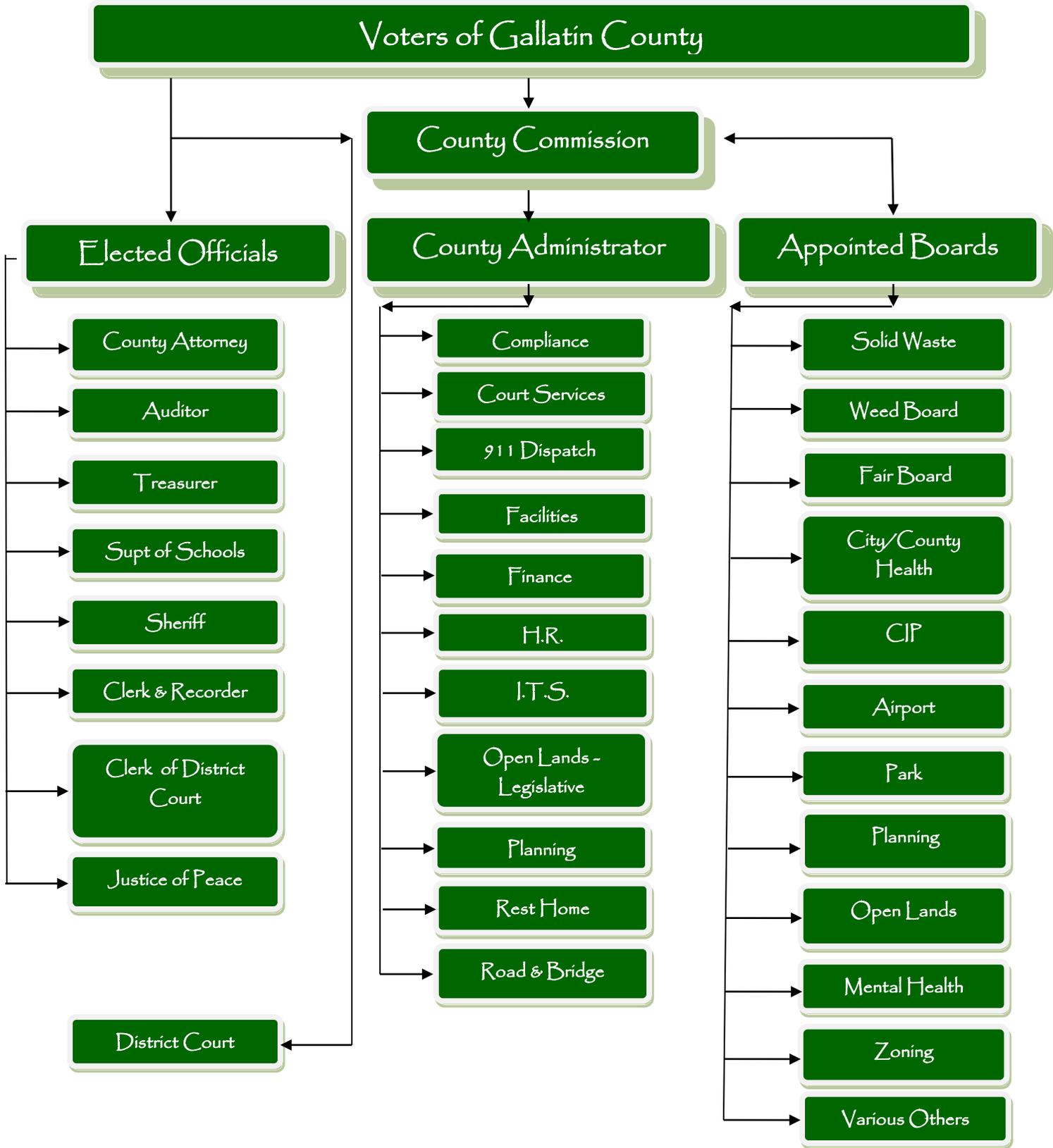
R. Stephen White, Commissioner



Don Seifert, Commissioner

EXECUTIVE SUMMARY

Organizational Chart



Gallatin County Profile

History

Located in a sweeping valley in the heart of the Rocky Mountains, Gallatin County is the most populated and fastest growing county in scenic southwest Montana. Located in a breathtaking Rocky Mountain setting, the County is close to world-class downhill skiing, blue ribbon trout streams, Yellowstone National Park and a multitude of other outdoor activities in the pristine nearby wilderness areas.

The County is the third largest county based on population in Montana, behind Yellowstone and Missoula Counties. The County features everything from the spectacular scenery of Yellowstone National Park (the nation's first National Park) to lush farmland, and a growing economy of high-tech industries. Skiers, outdoor enthusiasts, wildlife watchers, business owners, vacationers, ranchers, retirees, mothers and fathers, students and many others have grown to love Gallatin County's boundless opportunities. Gallatin County's area is larger than the states of Rhode Island and Delaware. Much of the County is fertile farm fields. Over 40% is managed by the U.S. Forest Service, with nearly half of all land in Gallatin County being under public ownership by Gallatin National Forest, State of Montana, Bureau of Land Management or the National Park Service.

Gallatin County, named after President Madison's secretary of the Treasury, Albert Gallatin, is brimming with history. It was an area that was once home to very early native peoples dating back thousands of years. Tribal bands including the Shoshone, Nez Perce, Blackfeet, Flathead, and Sioux, date back several hundred years. The area was rich with game, water, and plants used by the natives. Europeans settled the valley in the late 1700s as they searched and trapped for beaver pelts to send back East for hats and coats. Lewis and Clark passed through the Gallatin Valley in 1805 and 1806 on their epic journey across the western United States, leaving the first written description of the valley. The explorers visited the valley both on their outbound and return treks, with Clark visiting the area on his return trip before exploring the Yellowstone River valley.

Gallatin County was established in 1863, one of the first Counties created in the Montana Territory. The County originally included all of Park County and part of Sweet Grass County. It now consists of 2,517 square miles, with Yellowstone National Park and Idaho bordering it to the south and east, the Spanish Peak Mountains to the west, Bridger Mountains to the east and foothills to the north.

When gold was discovered 60 and 80 miles to the west, the rush was on over the new Bozeman Trail, established by John Bozeman, a Georgian also looking for gold. Many who followed this trail for gold returned to the valley to take up farming and business by 1864.

The Bozeman Trail was a northern spur off of the Oregon Trail which began at Lankrock, MT and ended at Virginia City, Montana. John Bozeman led settlers over this trail in 1864. The trail was open for three years until it was closed by the Sioux and Cheyenne Tribes who wanted to stop the immigration of new settlers into the area. In 1883, the Northern Pacific Railway finished its route to Bozeman through what is now the Bozeman Pass. This route paralleled the Bozeman Trail and is now used by Interstate 90.

Bozeman, the County Seat, is the County's largest city. The city boasts around 40,000 people, yet has a small town feel. The city is located 143 miles west of Billings, 160 miles east of Missoula and 90 miles south of Helena (the state capital). On July 7, 1864, Daniel E. Rouse and William J. Beall drafted plans for the Bozeman town site. The name Bozeman was chosen August 9, 1864, and named the Gallatin County seat in 1867. Fort Ellis was established in 1868 just east of the town by Captain R. S. LaMotte and two companies of the 2nd Cavalry out of Fort Shaw. Fort Ellis was named for Colonel Augustus Van Horne Ellis who was killed in the line of duty at Gettysburg. The Fort was established after the death of John Bozeman and considerable political disturbance. Local settlers felt a need for added protection in the Gallatin area. Bozeman grew slowly having a population of 3,500 in 1900.

EXECUTIVE SUMMARY

Gallatin County Profile



Yellowstone National Park was created because of a growing curiosity about rumors of the unique geothermal activity coming out of the Yellowstone Valley. A group of leading citizens (the Washburn-Langford-Doane Expedition) explored the region. It was decided around a campfire to preserve this wondrous area for the enjoyment of all people. This group brought about the establishment of Yellowstone National Park on March 2, 1872, by congress - the nation's first National Park, with President Roosevelt signing the bill into law.

The present Gallatin County Courthouse was designed in 1936 by architect Fred Wilson and has had several renovations since then while still maintaining its art deco style architecture. As part of the renovation and updating of the historic County courthouse, a mural was painted for the Community Room by local artist Duncan Kippen, grandson of the famous architect Fred Wilson. The mural depicts a number of aspects of Gallatin County's diverse history.

EDUCATION OPPORTUNITY

The County has had a higher education component almost from its creation. The Montana Agricultural College, a land grant college, held its first class sessions in 1893. Today it is known as Montana State University (MSU) - Bozeman with top degree programs in Engineering and Agriculture. Montana State University today offers baccalaureate degrees in 50 fields with many different options, master's degrees in 39 fields, and doctoral degrees in 13 fields. The University employs over 2,500 people with student population being in excess of 15,000. For more information on MSU, go to their website at www.montana.edu.



EXECUTIVE SUMMARY

Gallatin County Profile

Climate and Recreation

Photo Right: Bridger Bowl Ski Area

Average yearly temperature is a comfortable 56 degrees. The average growing season is 107 days. Located at an elevation of 4,793', winters can be brisk, and plenty of snow covers the mountains. The average temperature is 13 degrees in January, but is ever changing. The mean temperature in August is a warm and pleasant 81 degrees. The average snowfall is 85.7 inches. Precipitation comes in at 18.51 inches per year.

Gallatin County offers residents three ski resorts, Bridger Bowl, Big Sky and Moonlight Basin, all within an hour's driving distance. 721,916 skiers visited the Big Sky and Bridger ski resorts for the 15/16 ski season.



Photo Above: Roosevelt Arch-North Entrance of Yellowstone

Photo Right: Fly fishing on the Yellowstone



The County is graced with hiking and biking trails, campgrounds and wilderness campsites. The County is in the process of completing an Interconnect plan for recreational opportunities in the County. The Yellowstone, Gallatin, Jefferson, Madison and Missouri Rivers attract many fishing enthusiasts to the area, with the gem of the area being Yellowstone National Park which is home to elk, bison, wolf, grizzly bear, black bear, bobcat, raptors of all sizes and type, including Bald and Golden Eagles, along with other migratory birds of all types.

Gallatin County Profile

GALLATIN COUNTY INTERCONNECT CHALLENGE PLAN

Thanks to the efforts of recreation enthusiasts, the Forest Service, and volunteers, Gallatin County has an abundance of parks and trails. With the economic downturn, parks and trails have taken on new meaning. More and more, trails are used to get around. Zipping out on a bike for a jug of milk is weighing in as a quality of life issue and decision makers are paying attention. Both local and federal governments are working to improve infrastructure and give people more safe ways to get around without a car. Federal stimulus spending, local governments, businesses, and community volunteers are coming together to tackle what infrastructure will look like in the future and parks and trails can play an important part. The Interconnect Challenge reaches out to as many communities and interested groups in the County as possible. The goal is to build awareness and collect information about recreation and alternative transportation in this rural County. Through this community outreach effort, decision makers will be better informed about where trails and recreation fit in the future of Gallatin County.

Gallatin County received \$8,000 in grant funding from Montana PBS via Blueprint America who investigate infrastructure concerns across the country and what communities are doing to tackle areas of concern. Gallatin County was selected as a recipient due to its proposal's innovative approach and its ability to investigate rural infrastructure concerns. With this funding, the Gallatin County Planning Department, Gallatin County Planning Board, Board of Park Commissioners and Open Lands Coordinator will be updating and consolidating two County recreation plans, the Trails Plan and the Outdoor Recreation and Open Space Plan. The result will be called the Gallatin County Interconnect Plan, to see the route and itinerary visit http://www.gallatin.mt.gov/public_documents/gallatincomt_parkcomm/interconnect.

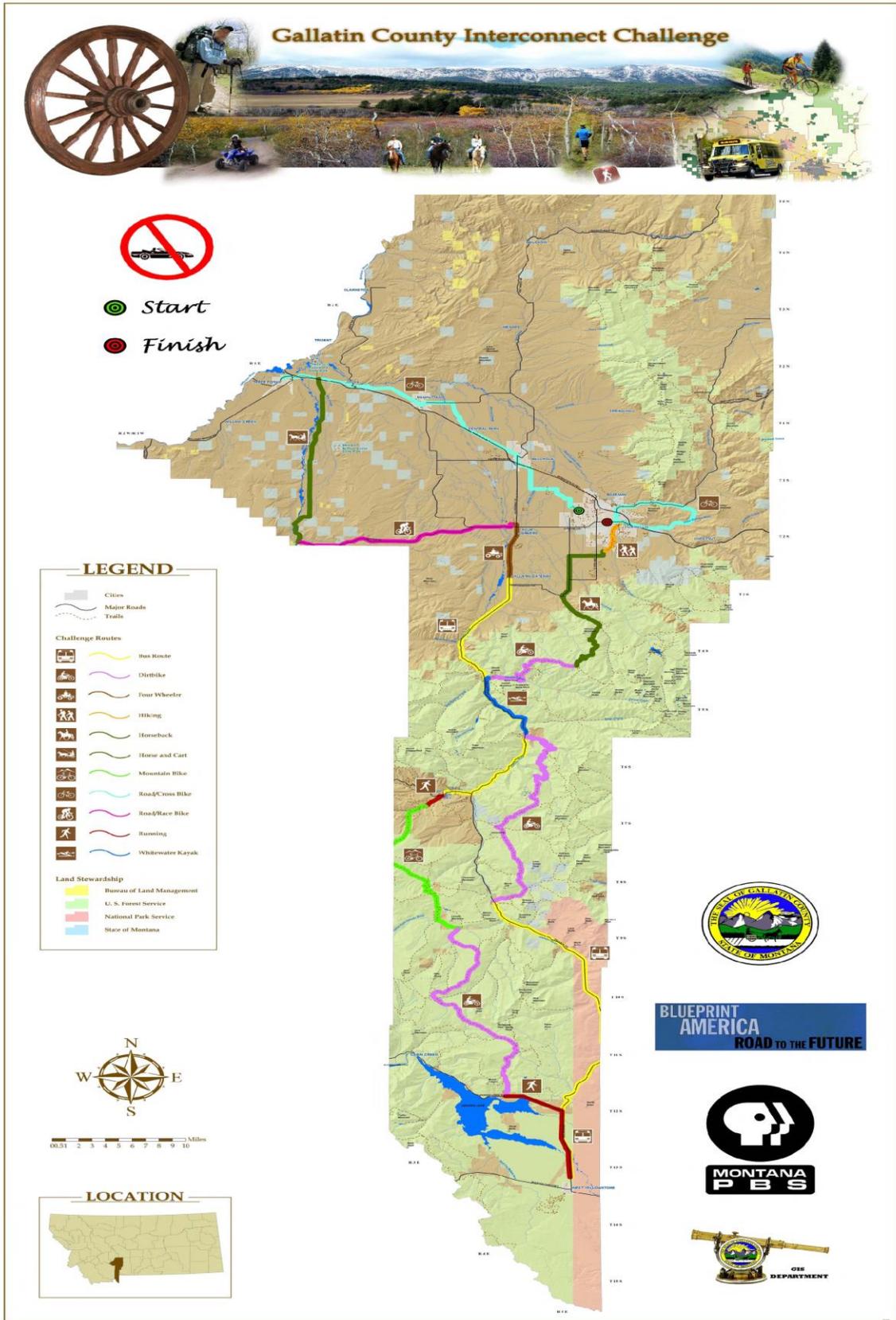
The focus of the challenge is to travel without the use of a car, but rather using other forms of travel such as bicycles, horses, horse-drawn carriages, four-wheelers, motorcycles, whitewater kayaks, physical endurance such as running, hiking and the use of public transportation to highlight how recreation routes can connect the various communities while providing insight into car-free travel in rural areas. Each user group participating in the Plan are available to give feedback at the designated stops which are located in Belgrade, Manhattan, Three Forks, Four Corners, Big Sky, West Yellowstone, Bozeman and at the Regional Park. The Gallatin Equestrian Partnership or GalleP is also working to include equestrians into the Parks, Recreation and Open Space Plan. In early spring 2009, GalleP got State Legislature to pass a resolution recommending city, county and state officials to plan for safe equestrian access when designing transportation recreation corridors which could possibly attract more tourism to the County and the State.

The Interconnect Challenge is made possible in cooperation with the following user groups:

- Backcountry Horsemen Citizens for Balanced Use
- G.A.S./Intrinsic Cycling Team
- Gallatin Equestrian Partnership (GalleP)
- Gallatin Saddle and Harness Club
- Gallatin Valley Bike Club
- Gallatin Valley Land Trust
- H2Obsession
- The Montana Mountain Bike Alliance
- Mystery Ranch
- Streamline and Skyline Summit
- Bike and Ski
- Yellowstone Foundation Bus

EXECUTIVE SUMMARY

Gallatin County Profile



EXECUTIVE SUMMARY

Gallatin County Profile

Population

Gallatin County is Montana's third most populated County. According to the U.S. Bureau of Census, Gallatin County had a 2015 Census population of 99,352 which is in stark contrast to early projections compiled by the Montana Department of Commerce indicating that the County would not reach this population until 2020.

More than 90% of the County's population lives either in Bozeman or within a 30-minute drive from the city. Since 1990, both the City and the County have experienced the highest rates of population growth in the State. The City of Belgrade has been the fastest growing city in Montana over the last 10 years. The State of Montana's population is projected to be 1,079,060 by 2020, a 6% increase over current estimates. Woods and Poole is estimating Gallatin County's population to grow to 112,214 during this same time (a 20.55% growth factor). Interestingly, this is a conservative estimate based on the 49.59% growth from 1970-1990 not the 52.14% increase during 1980-2000 let alone the 66.82% growth seen from 1990-2010.

Year 7/1	Gallatin County	% Change	City of Bozeman	% Change	City of Belgrade	% Change
2015	99,352	2.10%	43,405	4.19%	8,029	2.96%
2014	97,308	2.76%	41,660	4.64%	7,798	1.47%
2013	94,694	2.26%	39,812	2.87%	7,685	0.70%
2012	92,604	1.39%	38,701	1.58%	7,631	0.80%
2011	91,333	1.94%	38,099	2.10%	7,571	2.46%
2010	89,599	(0.081%)	37,280	(5.06%)	7,389	(9.82%)
2009	90,343	0.60%	39,282	(0.99%)	8,192	0.01%
2008	89,824	3.50%	39,442	3.69%	8,185	1.85%
2007	86,766	2.62%	38,037	2.69%	8,036	5.30%
2006	84,549	24.64%	37,038	30.33%	7,631	33.28%
2000	67,831	34.42%	28,418	25.41%	5,728	
1990	50,463	17.72%	22,660	4.69%		
1980	42,865	31.87%	21,645			
1970	32,505					

Economic Information

Known for its year-round vacation and recreation opportunities, higher education facilities at Montana State University, technology-based businesses, and agricultural products such as beef, wheat, feed grains and hay, Gallatin County is 'one of the fastest growing' counties in Montana. Founded in 1864 under the Montana Territory Law, the City of Bozeman, the County seat, was a commercial center during Montana's gold rush days providing the numerous mining camps in the area with supplies. The productive soils of the Gallatin Valley enhanced its position as a regional distribution point. After the frontier mining days had passed, the City further developed as an agricultural and commercial trade center for Southwestern Montana.

Today Gallatin County is still considered a major agricultural area producing primary agricultural commodities such as livestock, dairy products, hay, alfalfa, wheat, barley, and seed-potatoes. In 2010, Gallatin County ranked fifth out of 56 counties in the State in total agricultural cash receipts.

EXECUTIVE SUMMARY

Gallatin County Profile

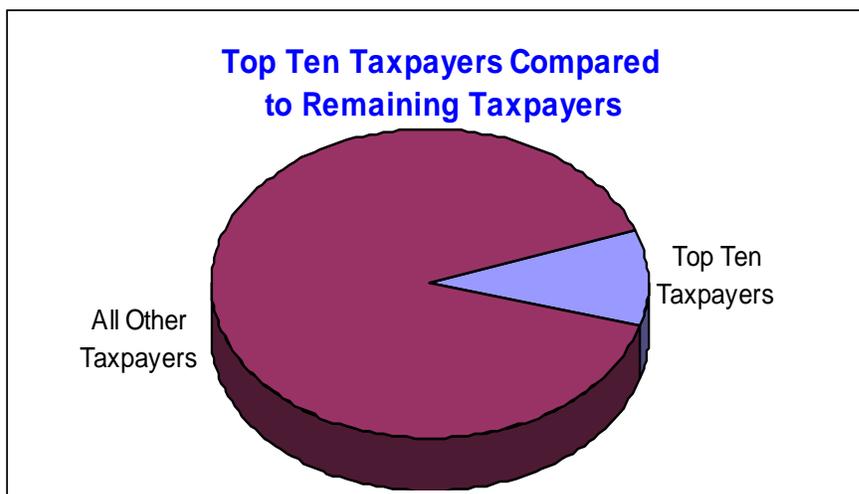
The local economy has rebounded from the 2009-2013 economic slowdown with 2014 seeing significant revitalization in construction. Prices of housing are approximately equal to pre-recession values. Since

Gallatin County is recognized as a destination resort, the improvement in the national economy has improved non-resident travel which accounts for about 12 percent of the County's economic base (BBER Outlook 2015), whereas high-tech firms, Montana State University, and other State and Federal governments account for about 40 percent. Interestingly, visitation to Yellowstone National Park for 2014 shows the second highest visitation of any year on record. Even with the downturn in other counties in the State, Gallatin County continues to see growth in the trade industry, especially professional services.

TAXPAYER	BUSINESS	TAX YEAR 2011 TAXABLE VALUE	TAX YEAR 2012 TAXABLE VALUE	TAX YEAR 2013 TAXABLE VALUE	TAX YEAR 2014 TAXABLE VALUE
Northwestern Energy	Utility	\$ 14,755,281	\$ 14,936,160	\$ 15,823,334	\$ 16,512,050
CenturyLink, Inc	Telecommunications	2,242,025	1,999,312	1,994,315	1,577,389
Optimum Communications	Communications		1,672,258	1,260,538	1,007,574
Montana Rail Link	Railroad	1,457,217	1,366,836	1,401,020	1,456,953
PPL Montana	Utility	785,400	1,190,485	1,099,235	1,148,918
Holcim, Inc	Cement Manufacturer	1,008,432	1,150,360	1,251,943	871,389
Verizon Wireless / Cellco	Telecommunications	768,724	1,148,112	1,246,748	914,607
Luzenac America Inc	Talc Processing Facility	906,489	919,555	718,416	754,907
Black Bull Run	Development	636,780	807,621	766,767	722,189
Zoot Properties LLC	Technology	589,648	589,678	588,291	-
Worldmark, The Club				-	570,376
Harry Daum	Mail / Developer	524,108		-	-
Bozeman Deaconess Foundation	Healthcare			-	-
Totals		\$ 23,674,104	\$ 25,780,377	\$ 26,150,607	\$ 25,536,352

Source: Department of Revenue - Gallatin County

*This represents 10.21% of the County's total 2016/17 taxable value of \$250,118.



Other Facts

EXECUTIVE SUMMARY

Gallatin County Profile

Class of County	First Class
Form of Government	Commission
County Seat	Bozeman
Year Organized	1889
Total Registered Voters	68,883 (June 2016)
Courthouse Elevation	4,795
Incorporated Cities	Belgrade, Bozeman & Three Forks
Incorporated Towns	Manhattan & West Yellowstone
Elected Officials	13
Sworn Sheriff Deputies FY 2017	56.00

Motor Vehicle Activity

Registrations	88,445
Titles	31,929
Amount Collected	\$ 16,578,942

Real / Personal Property Activity:

Taxes Billed:

2015 Separate Personal Property	\$ 1,638,423
2014 Real Estate Property	149,088,398
2015 Mobile Home Property	592,313
Total Billed	<u>\$ 151,319,314</u>

Current Taxes Collected:

2015 Separate Personal Property*	\$ 0 (0.00%)
2014 Real Estate Property	146,090,964 (97.99%)
2015 Mobile Home Property	0 (0%) 1 st ½ due 08/31/15
2014 Mobile Home Property	89,113 Second ½ due 11/30/14
Total Collected	<u>\$ 146,180,077 (96.60%)</u>

Total Taxes Collected FY 2015:

Separate Personal Property	\$ 231,812
Real Estate Property	149,520,624
Mobile Home Property	342,565
Total Collected	<u>\$ 150,095,001</u>

EXECUTIVE SUMMARY

Budget Process

Recommended Budget Practices

Gallatin County is incorporating the recommended practices promulgated by the National Advisory Council on State and Local Budgeting (NACSLB) in its annual budget, as time allows.

The NACSLB was created to provide tools for governments to improve their budgeting processes and to promote their use. The NACSLB focuses on long-term financial planning and encourages governments to consider the longer consequences of actions to ensure that impacts of budget decisions are understood over a multi-year planning horizon and to assess whether program and service levels can be sustained. Practices encourage the development of organizational goals, establishment of policies and plans to achieve these goals, and allocation of resources through the budget process that are consistent with goals, policies and plans. There is also a focus on measuring performance to determine what has been accomplished with scarce government resources.

Budget Definition

The budget process consists of activities that encompass the development, implementation and evaluation of a plan for the provision of services and capital assets.

A good budget process is characterized by several essential features:

- Incorporate a long-term perspective;
- Establish linkages to broad goals;
- Focus budget decisions on results and outcomes;
- Involve and promote effective communication with stakeholders, and;
- Provide incentives to government management and employees.

These key characteristics of good budgeting make clear that the budget process is not simply an exercise in balancing revenues and expenditures one year at a time, but is strategic in nature, encompassing a multi-year financial and operating plan that allocates resources on the basis of identified goals. A good budget process moves beyond the traditional concept of line-item expenditure control, providing incentives and flexibility to managers that can lead to improved program efficiency and effectiveness.

Mission of the Budget Process

The mission of the budget process is to help decision makers make informed choices about the provision of services and capital assets and to promote stakeholder participation in the process. Communication and involvement with citizens and other stakeholders is stressed. Communication and involvement are essential components of every aspect of the budget process.

Gallatin County is committed to a balanced budget. This is consistent with state law, which requires revenues plus reallocated working capital to equal or exceed approved expenditures. Gallatin County conducts financial planning processes that assess the long-term financial implications of current and proposed operating and capital budgets. These planning processes also provide for the assessment of the condition of all major capital assets to help plan for the on-going financial commitments required to maximize the benefit of those assets to the public.

EXECUTIVE SUMMARY

Budget Process

Performance Budgeting

Performance budgets emphasize accomplishment of program objectives as opposed to a description of what is going to be purchased.

Performance Budgeting involves a shift away from justification of line items (purchases) toward a debate regarding what is going to be provided and accomplished.

Gallatin County is currently revamping its Performance Management Budgeting efforts. To date, the County has completed work towards establishing five (5) citizen-centered goals for Gallatin County. Those goals have been further broken down to determine which factors lead to achieving desired results. Departments are currently in the process of identifying performance objectives and establishing quantifiable performance measures. It is anticipated that the new system will be fully implemented in FY 2017 and departments began to track the new performance measures in January of 2016. A summary of work completed to date follows the Budget Process Section.

Budget Phases

The following are the budget phases (steps) implemented by the County:

1) Financial Trend Analysis Phase

The budget process begins with the update to the five-year financial trend analysis. Using fiscal, operational, and legislative information, Finance staff work collaboratively with County elected officials and departments to update the County's most recent financial trend analysis.

The financial trend analysis assists the County Commission and the County administration in focusing on the "Big Picture" of the County's financial operations.

2) Start-Up Budget Phase

The County Finance Office meets with the County Commission. The Commission identifies and sets budget parameters they will use in making their decisions. The 'Draft' Start-Up Budget (Revenues and Expenses) along with a copy of the County's mission, vision and goals are sent to Elected Officials and Department Heads for comments.

For FY 2017, the Commission continued to establish Start-Up Budgets in most departments as they received in the previous year. The exceptions were for changes in Non-Tax Revenue, Grant Funding, significant changes in cash and expenses that were of a one-time nature or were funded in grants and had to be funded in tax supported departments.

The Start-Up Budget is shared with departments for inclusion in their work on requests. Departments are required to justify all requests beyond the approved Start-Up.

3) Needs Assessment – Department Request Phase

Departments assess programs and needs. This includes examination of departmental programs and positions for trade-offs, reductions or elimination. During this phase, departments are encouraged to thoroughly review all programs and services, assessing their value and priority to the citizens. Departments

Budget Process

submit requests for new or expanded programs. From this process, departments prepare their requested departmental budgets and submit them to the Finance Office.

4) Budget Prioritization – Preliminary Budget Phase

The County Commission reviews department requests with a focus on needs above the Start-Up Budget. The Commission assesses needs, determines tasks to be funded in conformance with goals and objectives, and directs the preparation of the Preliminary Budget by the Finance Office. The Preliminary Budget includes proposed expenditures and the means of financing them.

The purpose of the Preliminary Budget is to enable the community and the County Commission to comment on a balanced budget well before it is adopted. The Commission's deliberations on requests and the preliminary budget are accomplished during public meetings open to all interested persons.

5) Capital Improvements Program (CIP) Phase

Gallatin County has a formally adopted Capital Improvement Plan (CIP). On a yearly basis, the CIP Committee prepares recommendations for funding of the current year and the next 5 years' capital project needs. The Commission takes this recommendation under consideration, accepts or modifies the recommendation and incorporates changes into the Preliminary Budget along with the Annual Operating Budget. Unlike the Annual Operating Budget, the CIP is a multi-year capital improvements plan that forecasts, but does not obligate, future spending for anticipated capital projects.

Whenever the County commits to a CIP plan, there is an associated long-range commitment of operating funds. For this reason, the County evaluates capital commitments in the context of their long-range operating impact. Most capital projects affect future operating budgets either positively or negatively due to an increase or decrease in maintenance costs or by providing capacity for new programs to be offered. Such impacts vary widely from project to project and, as such, are evaluated individually.

The multi-year, long-range fiscal analysis also provides an opportunity to review the operating impact of growth-related future capital projects.

6) Adoption/Implementation – Final Budget Phase

Public hearings (a minimum of 4 Public Meetings over 5 weeks) are conducted. During these advertised public hearings, interested citizens and other interested parties are encouraged to comment on the Preliminary Budget. Elected Officials, Department Heads and Agency Managers are encouraged to attend and give input into the Preliminary Budget and to respond to comments. Following the public hearings, the County Commission holds one or two work sessions where they receive updated information on available revenues and funds available for the new budget. They then make decisions on any requests and instruct staff on necessary changes to the Preliminary Budget or may adopt it without changes.

The budget and the corresponding property tax mill levy must be adopted by the 3rd Monday in August, or within 30 days of receipt of the Certified Taxable Valuations from the State of Montana, Department of Revenue (DOR) (scheduled for August 30th).

7) Budget Amendment Phase

Since the County Commission approves expenditures in the categories of Personnel, Operations, Debt Service, Transfers, and Capital, departments are authorized to expend within these categories without making line item budget transfers.

Budget Process

Management control of the budget is maintained by monthly revenue and expenditure reports, whereby departments are able to compare actual results to the budget throughout the fiscal year. In addition, the Finance Director prepares quarterly and a more detailed mid-year budget review on individual funds and on a County-wide basis, with presentations to the County Commission. These budget reviews examine expenditure patterns, and identify corrective action.

The County's budget may be increased or decreased during the course of the year, following public notice, a public hearing, and a majority vote of the County Commission. Department Heads present a Resolution of Intent to the County Commission. The Commission considers the Resolution of Intent. If approved, a formal public notice is forwarded to the newspaper, setting the date, time, reason, and funding source for the proposed budget amendment. At the public meeting, the Commission hears information from the public, Department Heads and Finance Department. The County Commission considers the resolution and may approve, table, or deny the Budget Amendment.

If the Resolution is approved, the Commission forwards the resolution to the County Accounting Office. The Accounting Office updates the County's computer system with all changes.

EXECUTIVE SUMMARY

Budget Process

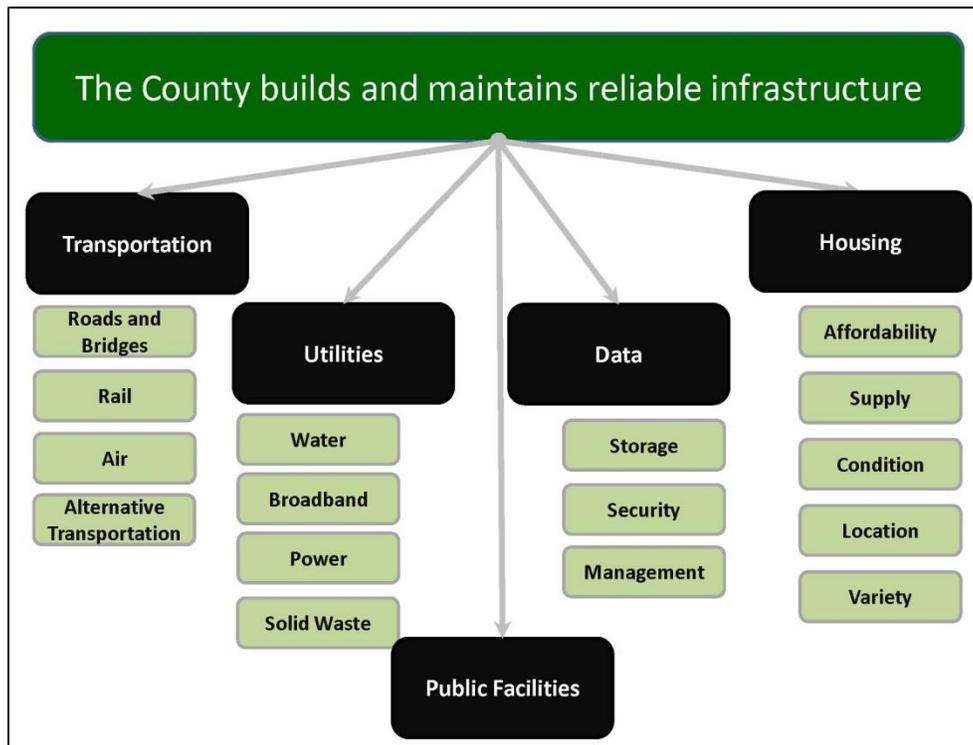
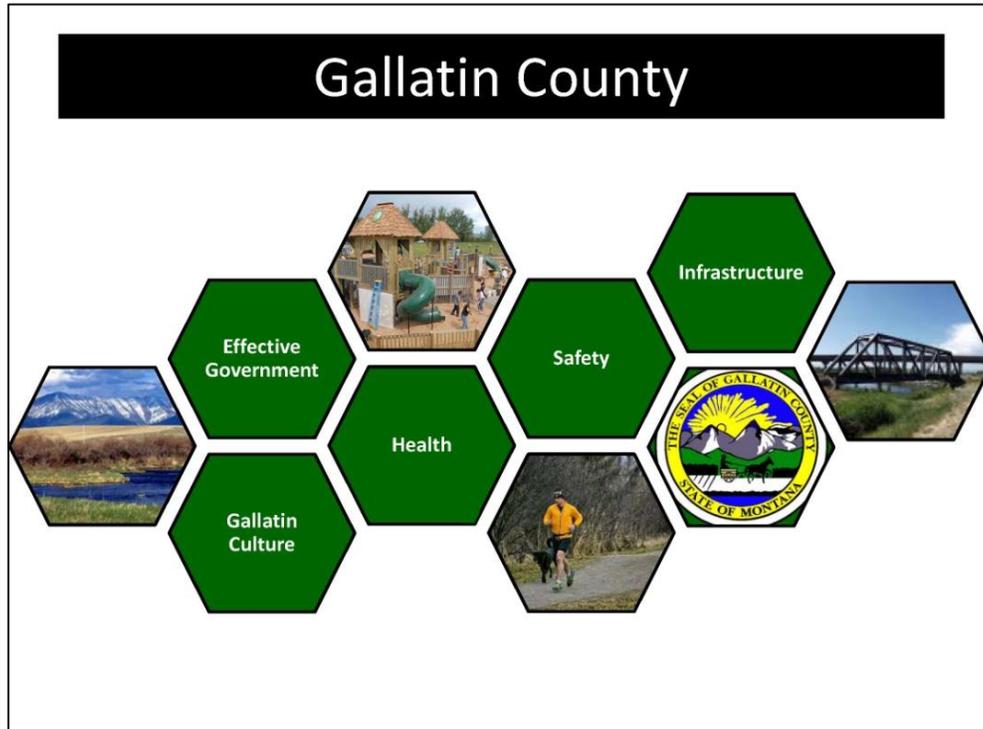
Operating Budget Calendar

January	February	March
<p>Finance Office prepares estimated year end working capital (cash), estimates revenue for the coming year, and adjusts current year's budget to project next year's needs – information presented to County Commission.</p>	<p>Finance Office presents approved estimated revenues, working capital and expenses for next year's budget to Elected Officials & Department Heads review and request changes.</p> <p>The Finance Office presents the Financial Trend Analysis.</p>	<p>Finance Office updates all estimates, adjusts expenses for known onetime expenses and adjustments, presents updated estimates to County Commission, recommends reserve for wage adjustments, operational expense adjustment and changes to capital reserves.</p>
April	May	June
<p>Budget meeting held –forms and County goals distributed and explanation of available funds, forms and process is made to Elected Officials and Department Heads. Departments present needs for their departments.</p>	<p>Elected Officials and Department Heads submit budget requests.</p> <p>Commission sends request to all Elected Officials and Department Heads to review current budgets, amend requested increases and identify new revenue sources to allow for wage adjustments and funding of budget goals.</p>	<p>Commission meets on requests & develops proposed budget based on County goals. Finance prepares Preliminary Budget information for Elected Officials and Department Heads. Commission reviews, amends and approves Preliminary Budget and sets hearing dates for Public, Elected Officials and Departments to present requested changes to the Preliminary Budget.</p>
July	August	September
<p>Commission holds public hearings on Preliminary Budget. Elected Officials and Department Heads prepare requested changes to budget. Requested changes presented at public meeting to provide information to the public as well as the County Commission. No decisions made by Commission until after final public hearing.</p>	<p>Final public budget meeting held. Commission approves Resolutions. Finance prepares information for Commission to send to Elected Officials and Departments. Finance updates Proposed Budget for final personnel changes and adjustments approved by Commission. Final Budget Document distributed to all interested parties.</p>	<p>On-going review and monitoring of current year budget.</p> <p>Preparations being made for the coming year.</p>
October	November	December
<p>On-going review and monitoring of current year budget.</p> <p>Preparations being made for the coming year.</p>	<p>On-going review and monitoring of current year budget.</p> <p>Preparations being made for the coming year.</p>	<p>On-going review and monitoring of current year budget.</p> <p>Preparations being made for the coming year.</p>

EXECUTIVE SUMMARY

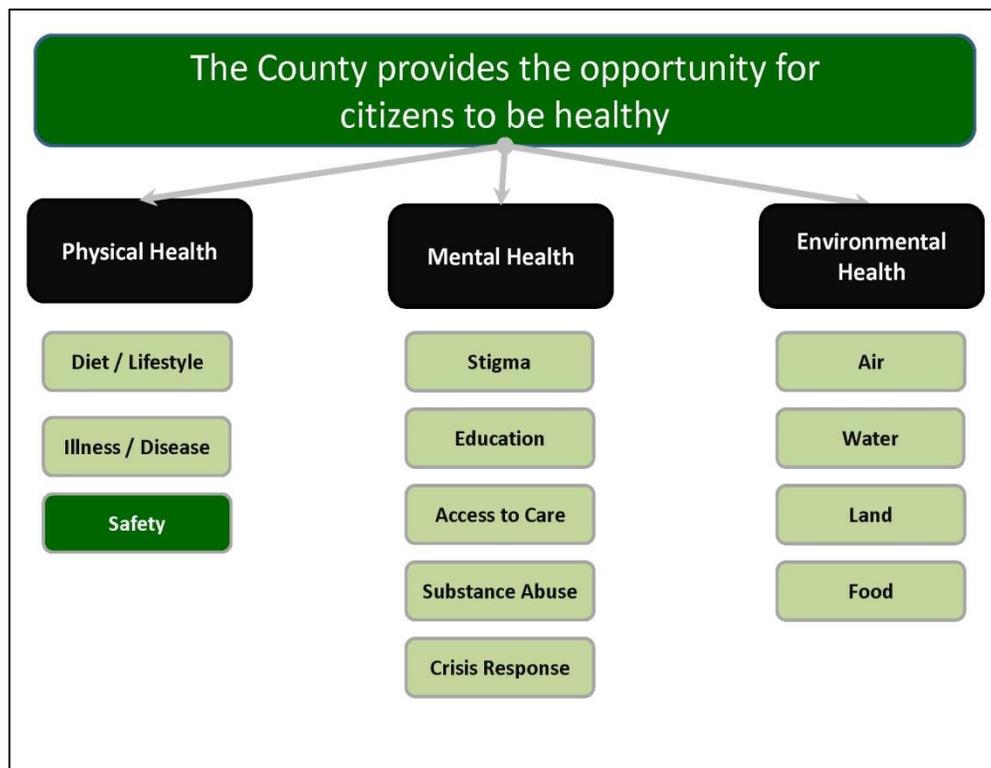
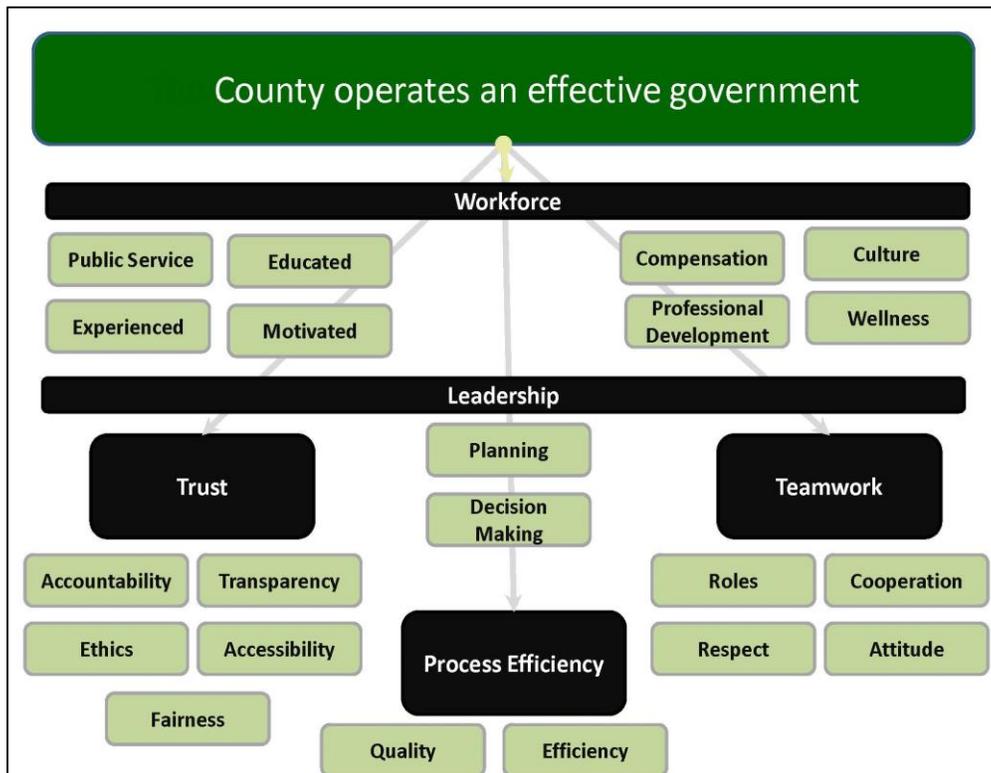
Budget Process

Performance Management Update



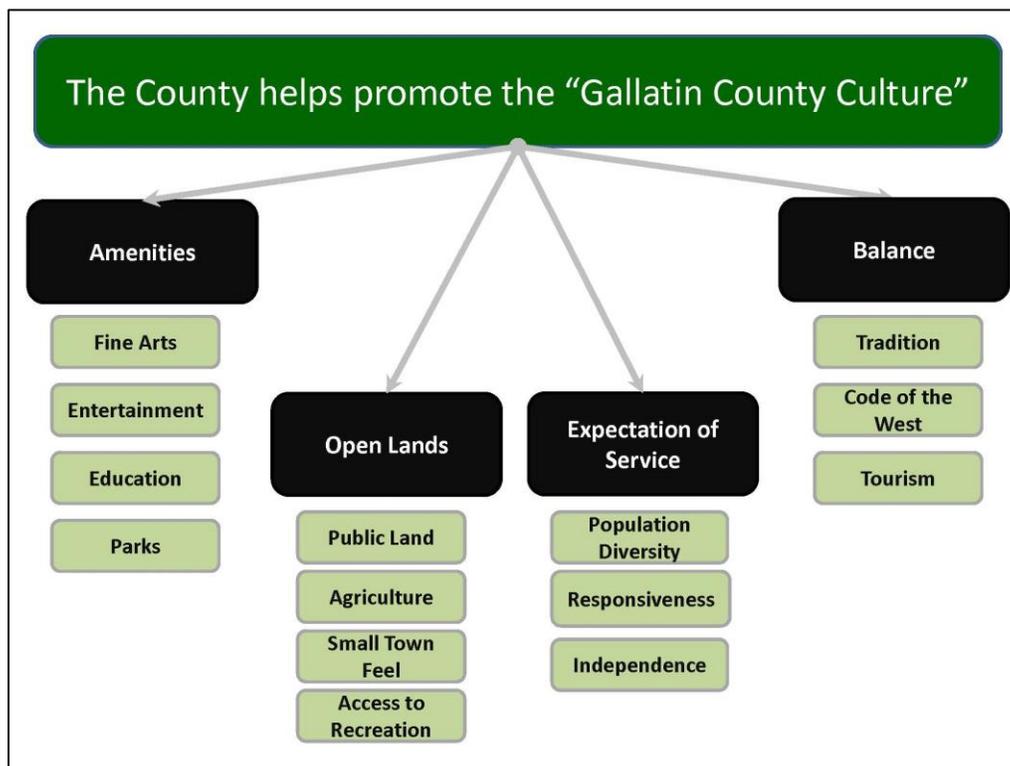
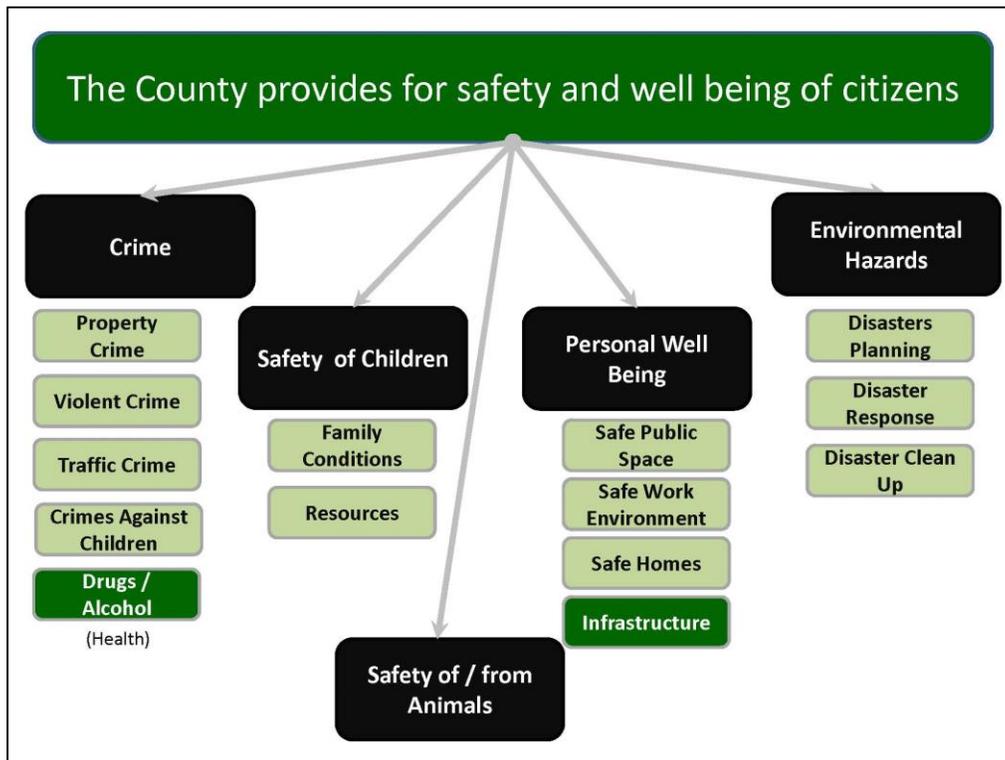
EXECUTIVE SUMMARY

Budget Process



EXECUTIVE SUMMARY

Budget Process



Why Measure? How to Select?

- Purpose of measure is to:
 - Educate about situation/environment
 - Communicate “problem”
 - Identify level of service
 - Evaluate impact of service / change in situation

Next Steps

- Finalize Priorities and Factors
- Complete Measures
- Identify Measures for Dashboard
- Create Template for Submission
- Start Collecting Measures

EXECUTIVE SUMMARY

Financial Policies

The overall goal of financial policies is to establish and maintain effective management of financial resources. Formal policy statements and major objectives provide the foundation for achieving this goal. Accordingly, this section outlines the policies used in guiding the preparation and management of the County's overall budget and major objectives to be accomplished.

Financial policies are guidelines for operational and strategic decisions related to financial matters. Financial policies identify acceptable and unacceptable courses of action, establish parameters in which the government can operate and provide a standard against which the government's fiscal performance can be judged.

The following County financial policies, approved by the County Commission, establish the framework for Gallatin County. They set guidelines against which budgetary performance can be measured. The financial policies of Gallatin County exhibit to the credit rating industry and prospective investors (bond buyers) that the County is committed to sound financial management and fiscal integrity. The financial policies improve the County's fiscal stability by helping County officials plan a consistent fiscal strategy. Adherence to adopted financial policies promotes sound financial management, which can lead to improvement in the County's bond ratings and lower debt costs. The County is in compliance with the comprehensive financial policies in this budget.

Operating Budget Policies

Links to Financial Plans

- 1) **Financial Trend Analysis and Forecast.** Gallatin County's annual budget is developed in accordance with the policies and priorities set forth in the five year Analysis and Forecast, Commission goals, the needs of the County, and state and federal laws. Program/project priorities and service levels will be established by the aforementioned plans.

Scope

- 1) **Comprehensive Budget.** A comprehensive annual budget is prepared for all funds controlled by the Commission. State law (7-6-4005) states that "Local government officials may not make a disbursement or expenditure or incur an obligation in excess of the total appropriations for a fund." Including all funds in the budget enables the Commission, Administration, and public to consider all financial aspects of County government when preparing, modifying, and monitoring the budget.
- 2) **Competing Requests.** The budget process is intended to weigh all competing requests for County resources within expected fiscal constraints. Requests for new or ongoing programs made outside the budget process are discouraged.
- 3) **Understandable.** The budget is prepared in a manner to be understood by citizens and elected officials. A stated purpose of the budget is to present a picture of county government operations and intentions for the year to our citizens. Presenting a budget document that is understandable to the citizens furthers the goal to 'Improve communication within county government, other jurisdictions and our public'.
- 4) **Budgetary Emphasis.** Budgetary emphasis focuses on providing basic government services which provide sufficient levels of services to most citizens, in the most cost effective manner, with due consideration being given to all costs. Adherence to this philosophy provides citizens assurance that the County and their elected officials are responsive to the needs of citizens and that the government is operated economically and efficiently.

Financial Policies

Budgeting Control System:

- 1) **Budgetary Control.** The County exercises budgetary control (maximum spending authority) through Commission approval of appropriation authority for each program. The budgetary control system enables the Commission to monitor current year operations and acts as an early warning mechanism when departments deviate in any substantive way from the original budget.
- 2) **Budget to Actual Reports.** Reports comparing actual revenues and expenditures to budgeted amounts are prepared monthly. These reports, comparing actual revenues and expenditures to budget amounts, provide the mechanism for the Commission and Administration to regularly monitor compliance with the adopted budget.

Balanced Budget Definition and Requirement:

- 1) **Balanced Budget.** The County will maintain a balanced budget. This means that:
 - Operating revenues plus re-appropriated working capital equal or exceed expenditures, including debt service.
 - Ending fund balance (or working capital in proprietary funds) must meet minimum policy levels.
 - Under this policy, it is allowable for expenditures to exceed revenues; however, beginning fund balance should only be used to fund capital projects, or other “one-time” non-recurring expenditures.

Performance Measurement Integration:

- 1) **Program Objectives.** The annual budget will establish measurable program objectives and allow reasonable time to accomplish those objectives.

Sustainable and Resilient Budgeting:

- 1) **Sustainable budget approval is to:**
 - Direct one-time revenues (one time grants, cash reappropriated) away from recurring expenditures;
 - Promote the consideration of full lifecycle costs in making budgetary decisions by considering the affordability of a decision over the short, medium and long-term;
 - Promote preventative investments by encouraging decisions that prevent negative impacts to the County’s goals;
 - Improve efficiency by eliminating waste in processes that translate into added duties / responsibilities;
 - Create incentives that encourage elected officials and departments to invest in efficiency; and,
 - Integrate resiliency into decisions not just capital project evaluation.
- 2) **A resilient budget looks at:**
 - Diversity – avoiding a single point of failure or reliance on a single solution;
 - Redundancy – avoid having only one path of escape or rescue;
 - Decentralization – centralized systems look strong, but failure is catastrophic. The County requires elected officials and department heads to manage not only the costs but the revenues for their activity;
 - Transparency – make it easier to figure out where a problem may lie. Share plans and listen when flaws are identified;
 - Collaboration – working together to become stronger; and,
 - Fail Gracefully – failure happens. The County has an environment in which failures will not make things worse.

Financial Policies

Revenue Policies

Diversification and Stabilization:

- 1) **Diversification.** The County will seek to maintain a diversified and stable revenue base to protect it from short-term fluctuations in any one revenue source.
- 2) **Aggressive Collection.** The County will pursue an aggressive policy of collecting revenues. An aggressive policy of collecting revenues helps to insure the County's revenue estimates are met; all taxpayers are treated fairly and consistently, with minimal delinquencies.
- 3) **Grant Opportunities.** The County will pursue opportunities for Federal, State, local and private grant funding. An aggressive policy of pursuing Federal or State grant funding provides citizens assurance that the County is striving to obtain all state and federal funds to which it is entitled, thereby reducing dependence upon local taxpayers for the support of local public services.
- 4) **Current Revenues for Current Uses.** The County will make all current expenditures with current revenues, avoiding procedures that balance current budgets by postponing needed expenditures, accruing future revenues, or rolling over short-term debt.
- 5) **Enterprise Funds.** The County will set fees and rates at levels which fully recover the total direct and indirect costs—including operations, capital outlay, and debt service.
- 6) **Earmarking.** The County recognizes that Generally Accepted Accounting Principles for state and local governments discourage "earmarking" of General Fund revenues, and accordingly, the practice of designating General Fund revenues for specific programs should be minimized in the County's management of its fiscal affairs.
- 7) **Realistic and Conservative.** The County estimates revenue in a realistic and conservative manner. Aggressive revenue estimates significantly increase the chances of budgetary shortfalls. Realistic and conservative revenue estimates serve to minimize the adverse impact of revenue shortfalls and also reduce the need for mid-year spending reductions.
- 8) **One-Time Revenues.** The County will give priority in the use of one-time revenues to the funding of capital assets or other non-recurring expenditures. Utilizing one-time revenues to fund on-going expenditures results in annual expenditure obligations that may be unfunded in future years. Using one-time revenues to fund capital assets or other non-recurring expenditures enables future administrations and commissions to cope with the financial problems when these revenue sources are discontinued.

User Fees:

- 1) **Cost-Effective.** User fees will be collected only if it is cost-effective and administratively feasible to do so. User fees are often costly to administer. Prior to establishing user fees, the costs to establish and administer the fees are considered in order to provide assurance that the County's collection mechanisms are being operated in an efficient manner.
- 2) **Beneficiary Populations.** User fees and charges will be used, as opposed to general taxes, when distinct beneficiary populations or interest groups can be identified. User fees and charges are preferable to general taxes because user charges can provide clear demand signals that assist in determining what services to offer, their quantity, and their quality. User charges are more equitable, since only those who use the service pay, thereby eliminating the subsidy provided by nonusers to users, which is inherent in general tax revenue.
- 3) **Community-Wide versus Special Benefit.** The level of user fee cost recovery should consider the community-wide versus special service nature of the program or activity. The use of general-purpose revenues is appropriate for community-wide services, while other user fees are appropriate for services that are of special benefit to identified individuals or groups.

EXECUTIVE SUMMARY

Financial Policies

- 4) The following general concepts will be used in developing and implementing service charges and user fees:
- Revenues should not exceed the reasonable cost of providing the service.
 - Cost recovery goals should be based on the total cost of delivering the service, including direct costs, departmental administration costs and organization-wide support costs such as accounting, personnel, information technology, legal services, fleet maintenance, and insurance.
 - The method of assessing and collecting fees should be as simple as possible in order to reduce the administrative cost of collection.
 - Rate structures should be sensitive to the “market” for similar services as well as to smaller, infrequent users of the service.
 - A unified approach should be used in determining cost recovery levels for various programs based on the factors discussed above.

Expenditure Policies

Maintenance of Capital Assets:

- 1) **Capital Assets.** The budget will provide for adequate maintenance of capital, plant, and equipment and for their orderly replacement. All governments experience prosperous times as well as periods of economic decline. In periods of economic decline, proper maintenance and replacement of capital, plant, and equipment is generally postponed or eliminated as a first means of balancing the budget. Recognition of the need for adequate maintenance and replacement of capital, plant, and equipment, regardless of the economic conditions, will assist in maintaining the County’s equipment and infrastructure in good operating condition.

Fund Balance Policy –GASB Statement No. 54

Purpose

The objective of GASB Statement No. 54 is to improve the usefulness, including the understandability, of government fund balance information. This Statement provides more clearly defined categories to make the nature and extent of the constraints placed on a government’s fund balance more transparent.

Fund balance for governmental funds should be reported in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. These classifications and the criteria for determining the correct classification for the fund balance of governmental funds are included in GASB 54. The five fund balance classifications, in order of constraint level, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. Nonspendable, as discussed below, can both represent a constraint or an asset that is not spendable in form.

GASB Statement No. 54 is only applicable to the following types of funds: Governmental funds that include; General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds and Permanent Funds. This Statement excludes the following type of funds; Proprietary Funds that include Enterprise Funds (Business-type providing services), Internal Service Funds and Fiduciary Funds.

I. Definition

Fund balance is defined as the difference between assets and liabilities using the current financial resources measurement focus and the modified basis of accounting in a governmental fund.

Financial Policies

II. Classifications

1. **Non-spendable fund balance** classification can both represent a constraint or an asset that is not spendable in form and includes amounts that cannot be spent because they are either:
 - Not in spendable form, or not expected to be converted to cash, such as inventory and prepaid amounts.
 - Legally or contractually required to remain intact, such as the corpus or principle of a permanent fund. The interest earned on the corpus or principle of a permanent fund may or may not be Non-spendable, depending on the trust agreement.
 - Long-term amounts of loans and notes receivable, if use of the proceeds from collection is not otherwise constrained, and only if the fund balance is otherwise classified as Unassigned, or in the general fund.
 - Property acquired for resale, if use of the proceeds from sale is not otherwise constrained, and only if the fund balance is otherwise classified as Unassigned, or in the general fund.
2. **Restricted fund balance** should be reported as Restricted for amounts that can only be spent or used for specific purposes and the constraints placed on the use of resources are either:
 - Externally imposed by creditors, grantors, contributors, or laws and/or regulations of other governments.
 - Imposed by law through constitutional provisions.
 - Imposed by enabling legislation that is legally enforceable by an external party. If the enabling legislation can be changed by the same action of the government's highest level of authority that established it, the related constraint results in a Committed fund balance, not Restricted. This is discussed under Committed Fund Balance below.

Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources from external providers and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legally enforceable means that a government can be compelled by an external party, such as citizens, public interest groups or the judiciary, to use resources created by enabling legislation only for the purposes specified by legislation.
3. **Committed fund balance** should be reported as Committed for amounts that can only be used for specific purposes when constraints placed on the use of resources are either:
 - Imposed by formal action of the government's highest level of decision-making authority; for Gallatin County the highest level of authority is the Board of County Commissioners.
 - Amounts that cannot be used for any other purpose unless the constraint is changed by an action similar to the action that initially constrained the fund.
 - Amounts that are contractual obligations to the extent the existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Note: the Committing action must be taken prior to year-end, but the amount may be determined in a subsequent period.

In contrast to fund balance that is Restricted by externally imposed creditors, grantors, etc. (previously discussed), amounts classified as Committed fund balance due to County Commission action may be used for other purposes with the appropriate due process. For example, if fund balance is set aside for a specific purpose by the County Commission, but the constraint and/or purpose originally placed on the funds can be removed or changed by the same group (County Commission in this example) using an action similar to the one that initially constrained the funds, the fund balance classification should be reported as Committed rather than Restricted.

Financial Policies

4. **Assigned fund balance** should be reported as Assigned when constraints placed on the resources are:
 - Amounts that are constrained by the government's intent to be used for a specific purpose and the intent to spend down fund balance to fund the next year's projected deficit spending if this exists (discussed further under budgetary appropriation below).
 - Neither Nonspendable, Restricted nor Committed. Intent should be expressed by either the governing body itself or by a body (budget or finance committee for example) or official the governing body has delegated the authority to assign amounts to be used for a specific purpose. The expression of intent does not have to be made prior to year-end as with commitments. Assigned fund balance should include fund balance in the general fund intended for a specific use that is narrower than general purpose of the government.
5. **Unassigned fund balance** classification represents spendable amounts that have not been Restricted, Committed or Assigned to a specific purpose within the general fund; thus the only fund with a positive Unassigned fund balance classification amount will be the General Fund.

III. **Budgetary Appropriations**

An adopted budget appropriation law generally does not impact the fund balance classification. Budget appropriation laws authorize an agency to spend budgeted revenues of that fiscal year but do not impose constraints on existing fund balances. However, a specific appropriation of existing fund balance to eliminate a projected budgetary deficit included as a budgetary resource in the subsequent year's budget requires Assigned fund balance classification. This assigned amount cannot exceed projected excess of expected expenditures over expected revenues. Fund balances created as a result of the transfer process result in an assignment of fund balance in the related fund because a Budget Resolution is substantive law and does represent the highest level of decision making authority for Gallatin County.

IV. **Authority**

Committed fund balances will be authorized by the County Commission in a public meeting by resolution and according to policy. Committed fund balance may only become uncommitted by the same formal action authorized by the County Commission in a public meeting by resolution according to policy.

Assigned fund balance may be assigned by the County Commission informally after a fund balance review has been completed by the accounting department and reviewed and approved by the Finance, Audit, Accounting and Treasurer (FAACT) Committee. Assigned fund balance may become unassigned by the same action.

V. **Hierarchy**

Gallatin County will use restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the County will then use unrestricted amounts of fund balance in the following order; committed, assigned and unassigned (General Fund and Special Revenue Fund).

VI. **Minimum Fund Balance**

The County has a formal minimum fund balance policy that requires maintaining a minimum 10% of expenses in the General Fund as unrestricted fund balance. No specific circumstances in which unrestricted fund balance in the General Fund can be spent exist; it is determined in the budget process which is formally adopted by the County Commission and as circumstances arise and deemed necessary by the County Commission.

- 1) **Enterprise Funds.** Enterprise Fund Reserves will be maintained to meet three objectives: (1) ensure adequate funding for operations; (2) ensure infrastructure repair and replacement; and, (3) to provide working capital to provide level rate charges to customers.
- 2) **Insurance Funds.** Self-Insurance Reserves will be maintained at a level, which, together with purchased insurance policies, will adequately indemnify the County's property, liability, and health benefit risk.

EXECUTIVE SUMMARY

Financial Policies

Operating Reserve Policies

Purpose:

Gallatin County maintains Operating Reserves to mitigate the effects of warrant registration and to meet the needs of County activities through stabilization of cash flow. To facilitate this, the County has established this policy for utilization by ALL funds with Budgetary Authority coming from the County, excluding Special Districts.

- 1) **Fund Operating Reserve Types/Percentages:** Because the County has a number of revenue sources for different fund types, the following are set for use by County Financial Professionals:

<u>TYPE</u>	<u>PERCENTAGE</u>
➤ Funded for County Wide Debt Services (Example: Detention Center Bond)	5% to 10%
➤ Funded mostly through monthly charges (Examples: Rest Home, Motor Pool)	8% to 16%
➤ Funded largely through charges and then taxes (Examples: General, Public Safety, Road, Health and Fair)	10% to 18%
➤ Funded from Quarterly Grant Allocations (Examples: Communicable Disease, MRDTF)	16% to 24%
➤ Funded largely from Taxes or Seasonal Activity (Examples: Noxious Weed, Library)	20% to 30%

The Finance Office makes a recommendation to the County Commission and all County elected officials and department heads for each fund's Operating Reserve at the beginning of the budget process. The County Commission reviews, amends and approves the Operating Reserves to be used throughout the budget process, unless individual fund budgets change significantly.

- 2) **Variance:** If a department cannot fund the approved Operating Reserve or desires to increase or decrease the Operating Reserves from the Finance Office recommendations, a variance request is submitted to the County Commission in May of each year. The Commission reviews the variance, holds a public hearing on the variance and makes a determination to approve, amend or reject the variance.

Capital Improvement Policies

Capital Improvement Program (CIP) Formulation:

- 1) **CIP Purpose.** The purpose of the CIP is to systematically plan, schedule, and finance capital projects to ensure cost-effectiveness as well as conformance with established policies. The CIP is a five-year plan organized into the same functional groupings used for operating programs. The CIP will reflect a balance between capital replacement projects that repair, replace or enhance existing facilities, equipment or infrastructure; and capital facility projects that significantly expand or add to the County's existing fixed assets.
- 2) **CIP Criteria.** Construction projects and infrastructure purchases of \$50,000 or more, along with Core Rolling Stock with a value of \$25,000 or more, are included in the Capital Improvement Plan (CIP); other capital outlay will be included in the regular budget as capital expenditures. The CIP differentiates the financing of high cost, long-lived physical improvements and 'Core' Equipment from low cost "consumable" equipment items contained in the operating budget. CIP items may be funded through debt financing or current revenues while operating budget items are annual or routine in nature and should only be financed from current revenues.

EXECUTIVE SUMMARY

Financial Policies

- 3) Deteriorating Infrastructure.** The County Budget includes, in addition to current operating maintenance expenditures, funding to support repair and replacement of infrastructure and avoidance of a significant unfunded liability.

Project Financing:

- 1) Minor Capital Projects.** Minor capital projects or recurring capital projects, which primarily benefit current residents, will be financed from current revenues. Minor capital projects or recurring capital projects represent relatively small costs of an on-going nature, and therefore, should be financed with current revenues rather than utilizing debt financing. This policy also reflects the view that those who benefit from a capital project should pay for the project.
- 2) Major Capital Projects.** Major capital projects, which benefit future residents, will be financed with other financing sources (e.g. debt financing). Major capital projects represent large expenditures of a non-recurring nature that primarily benefit future residents. Debt financing provides a means of generating sufficient funds to pay for the costs of major projects. Debt financing also enables the costs of the project to be supported by those who benefit from the project, since debt service payments will be funded through charges to future residents.

Debt Management Policies

Restrictions on Debt Issuance:

- 1) Repayment of Borrowed Funds.** The County will repay borrowed funds, used for capital projects, within a period not to exceed the expected useful life of the project. This policy reflects the view that residents benefiting from a project should pay for the project. Adherence to this policy helps prevent the County from over-extending itself with regard to the incurrence of future debt.

Limitations on Outstanding Debt:

- 1) Reliance on Long-Term Debt.** The County will limit long-term debt to capital improvements that cannot be financed from current revenues. Incurring long-term debt serves to obligate future taxpayers. Excess reliance on long-term debt causes debt levels to reach or exceed the government's ability to pay. Therefore, conscientious use of long-term debt will provide assurance that future residents can pay debt.
- 2) Debt to remain below 1% of Certified Market Value.** The Commission has adopted a policy that limits the amount of outstanding debt to 1% of the Certified Market Value, except for emergency situations or when the need of the county would require exceeding 1% for a short period of time.
- 3) Debt Not Used for Current Operations.** The County will not use long-term debt for financing current operations. This policy reflects the view that residents benefiting from a service pay for the service. Utilization of long-term debt to support current operations would result in future residents supporting services provided in the past.

Debt Refinancing

- 1) General Refinancing Guidelines.** Periodic reviews of all outstanding debt will be undertaken to determine refinancing opportunities. Refinancing will be considered (within federal tax law constraints) as follows:
 - There is a net economic benefit.
 - It is needed to modernize covenants that are adversely affecting the County's financial position or operations.
 - The County wants to reduce the principal outstanding in order to achieve future working capital.

EXECUTIVE SUMMARY

Financial Policies

- 2) **Standards for Economic Savings.** In general, refinancing for economic savings will be undertaken whenever net present value savings of at least five percent (5%) of the refunded debt can be achieved.
- 3) **Net Present Value Savings.** Refinancing that produces net present value savings of less than five percent will be considered on a case-by-case basis, provided that the present value savings are at least three percent (3%) of the refunded debt. Refinancing with savings of less than three percent (3%), or with negative savings, will not be considered unless there is a compelling public policy objective.

Accounting, Auditing and Financial Reporting Policies

- 1) **GAAP.** The County will manage and account for its financial activity in accordance with Generally Accepted Accounting Principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). GASB is recognized as the authority with respect to governmental accounting. Managing the County's finances in accordance with GAAP and in accordance with the rules set forth by GASB provides the citizens of Gallatin County assurance that their public funds are being accounted for in a proper manner.
- 2) **Basis of Accounting.** The County will maintain its accounting records for general governmental operations on a modified accrual basis, with revenues recorded when available and measurable, and expenditures recorded when services or goods are received and liabilities incurred. Accounting records for proprietary fund types and similar trust funds will be maintained on an accrual basis, with all revenues recorded when earned and expenses recorded at the time liabilities are incurred, without regard of receipt or payment of cash. Adherence to this policy will enable the County to prepare its financial statements in accordance with Generally Accepted Accounting Principles as set forth by the Governmental Accounting Standards Board. The basis of accounting is the same for both the budget and the financial statements.
- 3) **Financial Report.** Gallatin County will prepare an Annual Financial Report (AFR) in conformity with Generally Accepted Accounting Principles (GAAP). The report will be made available to the general public.
- 4) **Audits.** An annual audit will be performed by an independent public accounting firm with an audit opinion to be included with the County's published Annual Financial Report (AFR). Audits of the County's financial records provide the public assurance that its funds are being expended in accordance with Local, State, and Federal law and in accordance with Generally Accepted Accounting Principles. Audits also provide management and the Commission with suggestions for improvement in its financial operations from independent experts in the accounting field.

EXECUTIVE SUMMARY

Financial Structure

Fund Accounting

Gallatin County maintains accounts in accordance with fund accounting principles to ensure that limitations and restrictions on the County's available resources are observed and adhered to. Fund accounting classifies resources into account groups with respect to the intended activities or objectives specified by those resources for accounting controls and financial reporting purposes. Each fund is an independent fiscal and accounting entity, and its operations are accounted for in a separate set of self-balancing accounts that comprise assets, liabilities, fund equity, revenues and expenditures. Account groups are reporting mechanisms that compile assets and liabilities of governmental funds.

A **FUND** is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

The most common reason for having a fund is to account for restricted revenue or to comply with state or federal law. There is no limit to the number of funds that a government may establish and maintain for accounting and financial reporting. A generally practiced governmental accounting guideline is that a government should use the smallest number of individual funds as possible, consistent with its particular circumstances, and that individual funds are closed when its intended purpose no longer exist.

An **ACCOUNT** is an organizational or budgetary breakdown found within County funds. Each department serves a specific function as a distinct organizational unit of government within the given fund. Its primary purpose is organizational and budgetary accountability.

An **OBJECT OF EXPENDITURE** refers to specific, detailed expenditure classification. It relates to a specific type of item purchased or service obtained. Examples of objects of expenditure include salaries, supplies, contracted services, travel, etc.

The County's financial operations and fund structure adhere to generally accepted accounting principles. Funds are grouped under governmental funds, proprietary funds, and fiduciary fund types. The County's fund structure is comprised of the following funds, all of which are budgeted.

Governmental Fund Types

Governmental Funds are those through which most governmental functions of the County are financed. The acquisition, use, and balances of expendable financial resources and the related liabilities are accounted for through governmental funds. The following are the County's governmental fund types:

General Fund — accounts for all financial resources except those required to be accounted for in another fund. The General Fund is the County's primary operating fund.

Special Revenue Funds — account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (other than for major capital projects). Example: Public Safety Fund.

Capital Project Funds — account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds.) Example: Open Space Acquisition.

Debt Service Funds — account for the accumulation of resources for and the payment of, principal and interest on general long-term debt.

EXECUTIVE SUMMARY

Financial Structure

Proprietary Fund Types

Proprietary Funds are used to account for ongoing organizations or activities, which are similar to those often found in the private sector. The County uses the following proprietary funds.

Enterprise Funds — account for operations that are financed and operated in a manner similar to private business enterprise, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Examples include: Gallatin Rest Home, Logan Landfill and West Yellowstone/Hebgen Refuse District.

Internal Service Funds — account for the financing of goods or services provided by one department to other departments of the County, or to other governmental units, on a cost-reimbursement basis. Examples include: motor pool, employee health insurance, and facilities.

Fiduciary Fund Types

Trust and Agency Funds: Trust and agency funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Examples include: fire districts, fire service areas, and school districts.

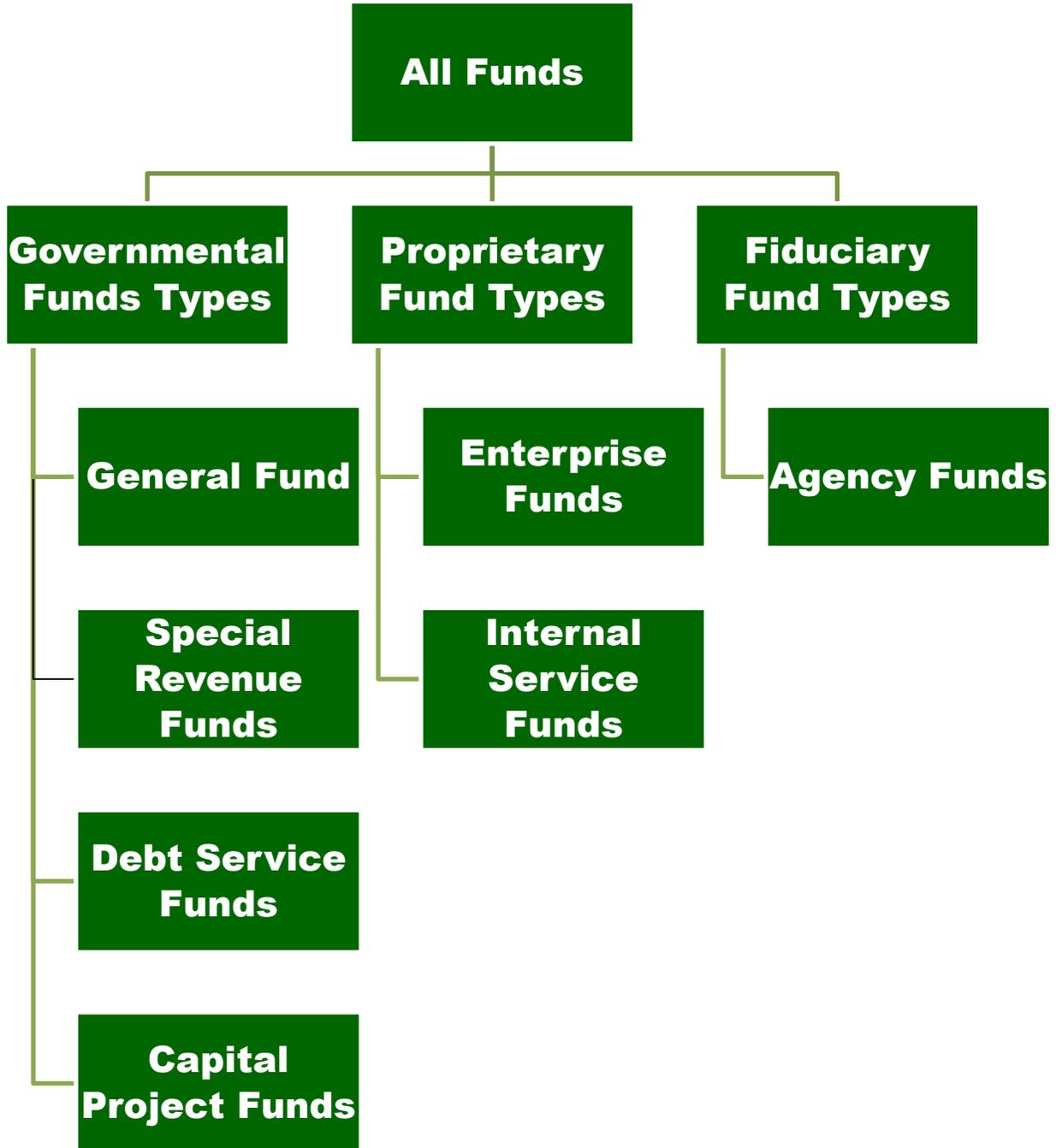
Consistency with Audited Financial Statements

Gallatin County's budgeted funds are consistent with the County's audited financial statements, except the Budget includes required Trust and Agency Funds (Fire, Dyke, Cemetery, Water and Sewer Districts), which are not reported in the financial statements.

Financial Structure – County Fund Graph

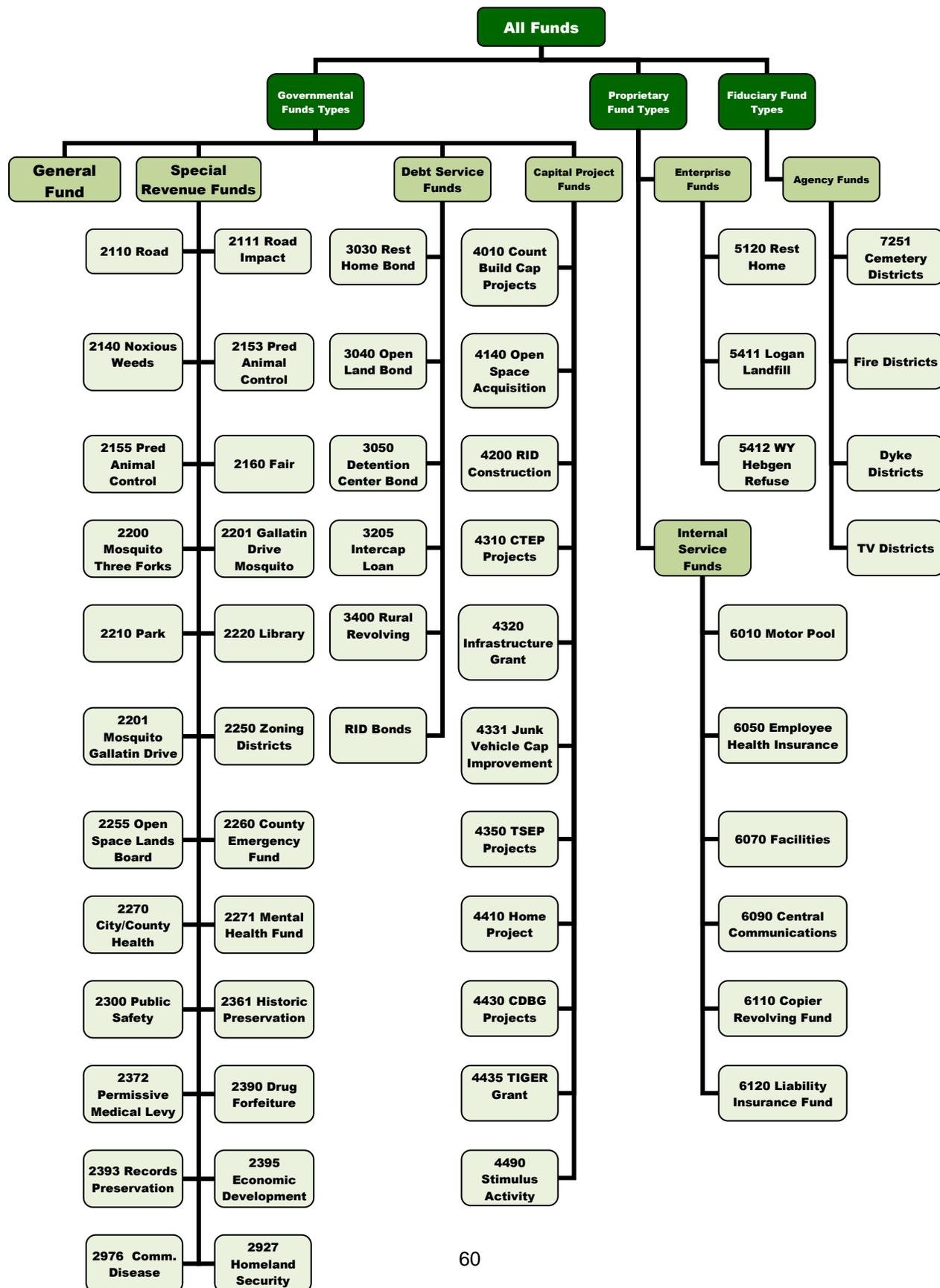
Fund Structure Graph

Shown below is a graphic summary of the County's fund Structure. The following two pages provide a detailed organizational graphic presentation of each of the County's funds.



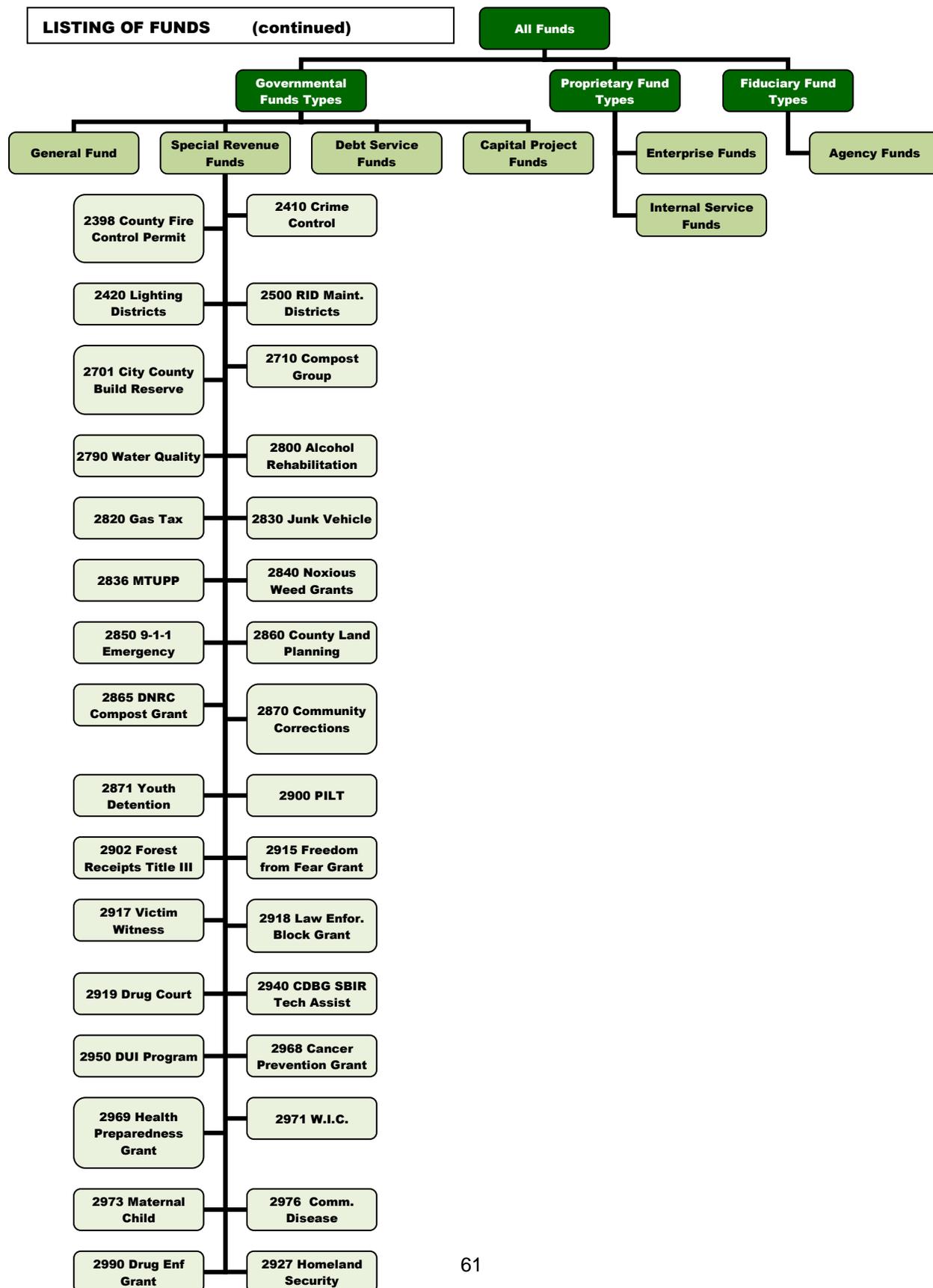
EXECUTIVE SUMMARY

Financial Structure – County Fund Graph



EXECUTIVE SUMMARY

Financial Structure – County Fund Graph



EXECUTIVE SUMMARY

Description of Account Structure - Examples

Departments & Function/Activities/Programs

Purpose

The organizational units set forth in the Budget represent the County's reporting of service delivery and allows the County to accomplish the following:

- Establish policies and goals that define the nature and level of service to be provided.
- Identify activities performed in delivering program services.
- Set objectives for improving delivery of services.
- Appropriate the resources required to perform activities and accomplish objectives.

Account Organization

The County's operating expenditures are organized into the following hierarchical categories:

- Fund
- Department
- Function/Activity/Division

Departments

Departments represent a grouping of related programs within a functional area, such as the Sheriff's Office, within the broad functional area of Public Safety.

Function

Function represents the highest level of summarization used in the County's operating structure. Functions are a grouping of related operations and programs that may cross organizational (departmental) boundaries. Functions are aimed at accomplishing a broad goal or delivering a major service. The five functions in the County's operating structure are:

- General Government
- Public Safety
- Public Works
- Public Health
- Recreation & Other

Activity/Division

Activity /Divisions of a Department are the specific services and task performed in the pursuit of its objectives and goals.

Example:

Fund:	Public Safety	2300
Department:	Sheriff	209
Function:	Public Safety	42
Activity:	Law Enforcement	01
Division:	Administration	10

SUMMARY OF EXPENDITURE ACCOUNT CODE:

2300-209-42-01-10-___ obj. code