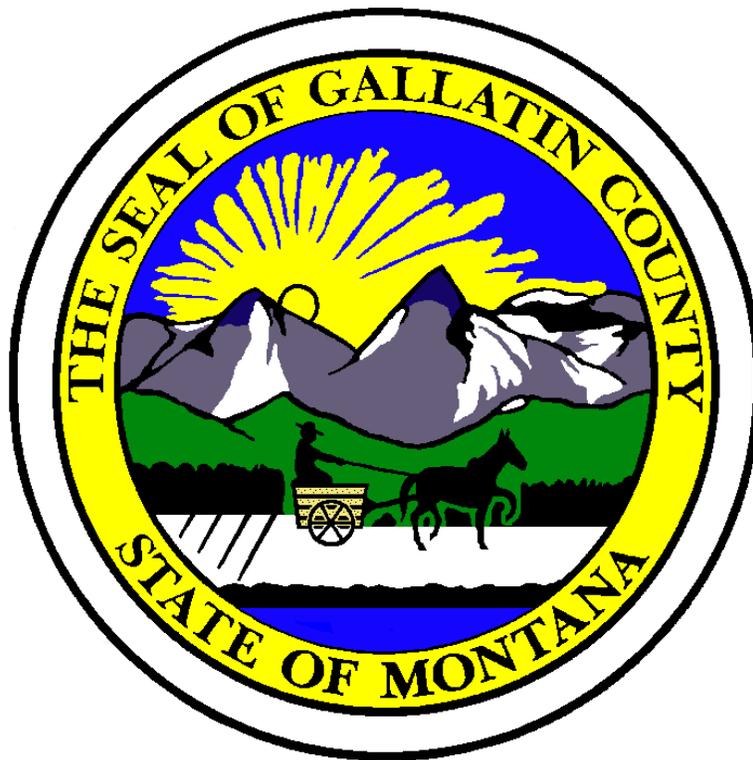
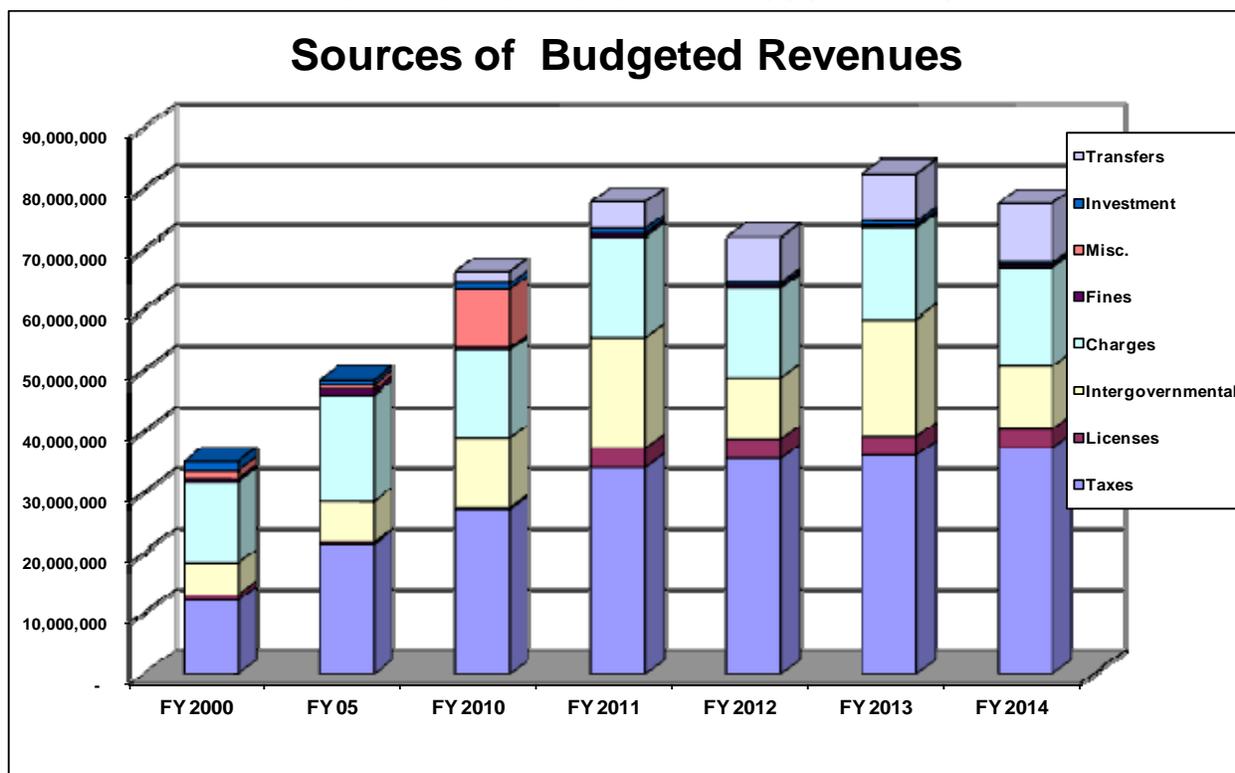

FINANCIAL SUMMARIES

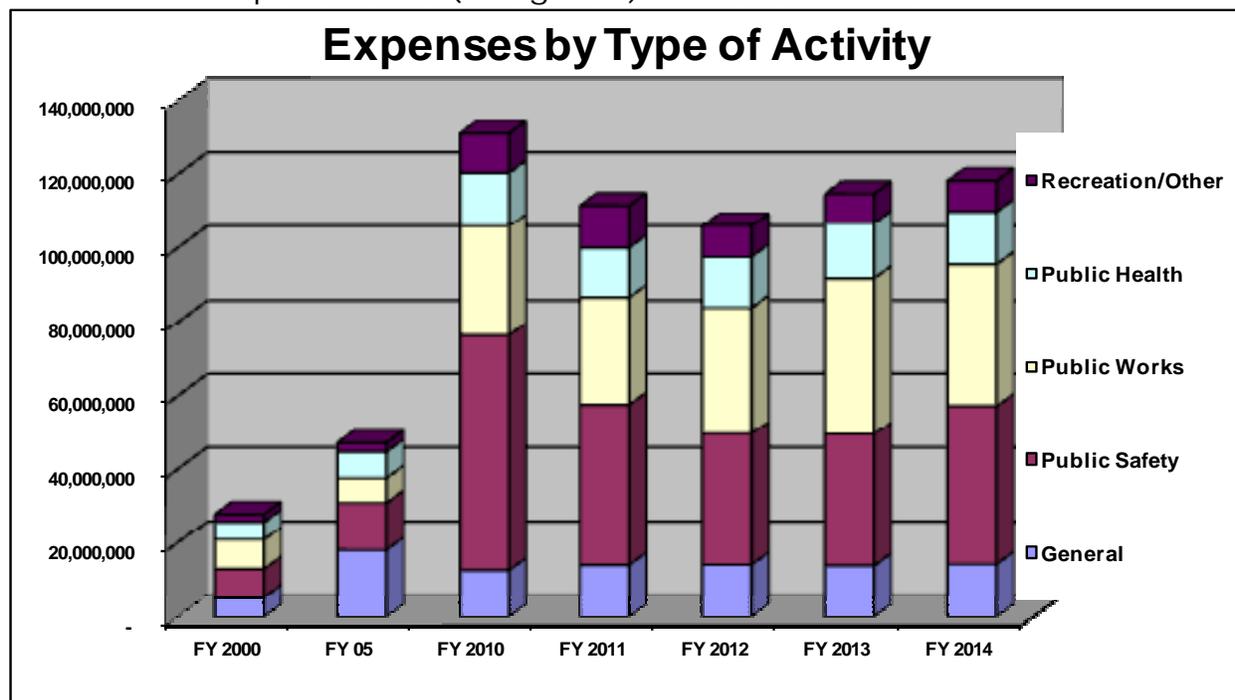


Overview of Budgeted Resources

Estimated Revenue Sources FY 2000 - FY 2014



Expenditures (Budgeted) FY 2000 - FY 2014



FINANCIAL SUMMARIES

Overview of Budgeted Resources

Summary of Major Revenues, Expenditures, and Other Financing Sources/Uses

Actual Revenues and Expenses FY 2010 – FY 2013, FY 2014(Budget)

SUMMARY OF MAJOR REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES/USES

Actual Revenue - Expenses - FY 2010 -- FY 2013

Budgeted Revenue - Expenses - FY 2014

	Total All Funds	Total All Funds	Total All Funds	Total All Funds	Total All Funds
	FY 2014 BUDGET	FY 2013 BUDGET	FY 2012 ACTUAL	FY 2011 ACTUAL	FY 2010 ACTUAL
Beginning / Adjusted Fund Balance	\$ 54,396,972	\$ 45,239,555	\$ 59,037,089	\$ 61,727,935	\$ 75,111,644
<u>REVENUES</u>					
Taxes & Assessments	37,131,162	35,957,006	35,497,168	35,080,213	27,226,244
Licenses & Permits	3,165,806	3,105,707	3,060,573	3,105,043	244,025
Intergovernmental	10,287,730	18,723,874	10,282,097	12,776,688	11,366,707
Charges for Services	16,255,077	13,361,593	17,405,801	16,187,724	14,529,471
Fines & Forfeitures	404,500	4,932,296	609,080	655,799	409,118
Miscellaneous	119,256	1,374,000	10,687,203	6,003,910	9,543,195
Investment Earnings	427,801	514,827	843,047	1,336,769	993,924
Transfers	9,614,208	9,267,370	12,511,510	10,360,636	1,946,405
Total Revenues	77,405,540	87,236,673	90,896,479	85,506,781	66,259,089
<u>EXPENSES</u>					
General Government	11,678,099	18,372,737	8,574,215	11,111,047	8,778,433
Public Safety	32,519,059	27,811,622	26,129,206	26,911,519	12,717,007
Public Works	23,043,223	35,534,957	15,672,077	14,791,204	10,744,187
Public Health	12,690,921	13,037,724	9,083,076	11,102,436	13,203,518
Recreation & Other	4,625,000	8,116,563	10,678,895	4,010,116	7,516,522
Debt Service	8,600,019	2,759,241	2,928,928	4,657,145	4,275,917
Transfers (out)	-	-	3,558,192	9,838,825	1,946,404
Capital Outlay	25,016,704	11,615,736	1,180,254	19,203,918	24,783,969
Total Expenses	118,173,024	117,248,580	77,804,843	101,626,209	83,965,957
Projected Change in Fund Balance/Cash	<u>(40,767,484)</u>	<u>(30,011,907)</u>	<u>13,091,636</u>	<u>(16,119,428)</u>	<u>(17,706,868)</u>
Projected / Ending Fund Balance/Cash	\$ 13,597,902	\$ 15,227,648	\$ 72,128,727	\$ 45,608,507	\$ 57,404,776

FINANCIAL SUMMARIES

Overview of Budgeted Resources

Final FY 2014 Budgeted - Revenue and Expense

SUMMARY OF MAJOR REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES/USES

Final Budget - July 1, 2013 through June 30, 2014 (FY 2014)

	Governmental Fund Types			Proprietary Fund Types	Fiduciary Fund Types	Total All Funds	
	General	Special Revenue	Debt Service	Capital Project	Enterprise & Internal Service		Trust & Agency
Beginning Fund							
Balance/Cash	\$ 3,030,688	\$ 19,899,559	\$ 1,682,637	\$ 5,238,545	\$ 18,548,979	\$ 5,996,564	\$ 54,396,972
	-						
Estimated Revenues							
Taxes & Assessment	5,308,268	17,644,466	4,374,919	1,111,379	913,947	7,778,183	37,131,162
Licenses & Permits	1,490,900	1,674,906	-	-	-	-	3,165,806
Intergovernmental	1,014,159	5,360,716	-	688,402	-	3,224,453	10,287,730
Charges for Service	1,831,240	2,202,382	-	-	10,399,494	1,821,961	16,255,077
Fines & Forfeitures	392,500	12,000	-	-	-	-	404,500
Miscellaneous	85,356	33,900	-	-	-	-	119,256
Investment Earnings	100,000	131,710	15,000	26,891	84,200	70,000	427,801
Transfers	400,000	359,721	-	72,000	7,078,963	1,703,523	9,614,208
Total Estimated Revenue	10,622,423	27,419,801	4,389,919	1,898,672	18,476,604	14,598,120	77,405,540
Approved Budget							
General Government	8,347,995	2,502,289	-	900,060	2,340,920	-	14,091,263
Public Safety	1,159,455	17,848,946	2,360,196	890,545	2,345,277	18,461,704	43,066,123
Public Works	1,511,985	14,895,979	2,059,630	3,129,600	14,997,571	1,749,289	38,344,054
Public Health	-	4,993,654	39,644	-	9,345,632	-	14,378,930
Recreation & Other	1,133,676	3,637,045	1,238,086	1,711,024	211,873	360,950	8,292,654
Total Approved Budget	12,153,111	43,877,913	5,697,556	6,631,229	29,241,272	20,571,943	118,173,024
Projected Change in							
Fund Balance/Cash	(1,530,688)	(16,458,112)	(1,307,637)	(4,732,557)	(10,764,668)	(5,973,823)	(40,799,072)
Projected Ending							
Fund Balance/Cash	\$ 1,500,000	\$ 3,441,447	\$ 375,000	\$ 505,988	\$ 7,784,311	\$ 22,741	\$ 13,597,900

FINANCIAL SUMMARIES

Overview of Budgeted Resources

BUDGETED Revenues and Expenses FY 2013

SUMMARY OF MAJOR REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES/USES
Final Budget - July 1, 2012 through June 30, 2013 (FY 2013)

	Governmental Fund Types			Proprietary Fund	Fiduciary	Total	
	General	Special Revenue	Debt Service	Capital Project	Enterprise & Internal Service		Trust & Agency
Beginning Fund							
Balance/Cash	\$ 3,398,888	\$ 16,426,052	\$ 1,749,603	\$ 5,648,958	\$ 12,880,751	\$ 5,135,303	\$ 45,239,555
Estimated Revenues							
Taxes & Assessment	4,924,296	17,914,246	4,441,413	933,422	-	7,746,334	35,959,710
Licenses & Permits	1,351,000	1,754,707	-	-	-	-	3,105,707
Intergovernmental	1,044,127	4,396,080	-	11,543,309	8,000	2,402,985	19,394,501
Charges for Service	1,652,650	1,863,874	-	-	10,797,092	575,627	14,889,243
Fines & Forfeitures	373,500	8,000	-	-	-	-	381,500
Miscellaneous	90,000	24,000	-	-	-	-	114,000
Investment Earnings	125,000	180,710	25,000	42,072	145,000	122,045	639,827
Transfers	294,138	380,520	-	105,637	6,676,182	452,380	7,908,858
Total Estimated Revenue	9,854,711	26,522,137	4,466,413	12,624,440	17,626,274	11,299,370	82,393,346
Approved Budget							
General Government	8,507,470	2,139,990	-	2,138,205	2,405,450	55,901	15,247,016
Public Safety	1,133,324	17,130,772	2,345,271	302,617	2,543,162	12,510,541	35,965,687
Public Works	1,591,668	12,371,100	2,205,745	13,128,948	10,691,473	2,415,965	42,404,899
Public Health	-	5,037,704	39,202	-	9,843,785	192,561	15,113,252
Recreation & Other	521,137	3,559,487	1,278,373	2,265,319	218,624	475,595	8,318,534
Total Approved Budget	11,753,599	40,239,053	5,868,591	17,835,089	25,702,494	15,650,563	117,049,387
Projected Change in							
Fund Balance/Cash	(1,898,888)	(13,716,916)	(1,402,178)	(5,210,649)	(8,076,220)	(4,351,193)	(34,656,041)
Projected Ending							
Fund Balance/Cash	\$ 1,500,000	\$ 2,709,136	\$ 347,425	\$ 438,309	\$ 4,804,531	\$ 784,110	\$ 10,583,513

FINANCIAL SUMMARIES

Overview of Budgeted Resources

Actual Revenues and Expenses FY 2012

SUMMARY OF MAJOR REVENUES, EXPENDITURES,
AND OTHER FINANCING SOURCES/USES
ACTUAL - July 1, 2011 through June 30, 2012 (FY 2012)

	Governmental Fund Types			Capital Project	Proprietary Fund	Fiduciary	Total All Funds
	General	Special Revenue	Debt Service		Enterprise & Internal Service	Trust & Agency	
Beginning Fund							
Balance/Cash	\$ 2,903,946	\$ 15,445,316	\$ 1,429,556	\$ 6,836,814	\$ 11,263,383	\$ 5,416,295	\$ 43,295,310
<u>Estimated Revenues</u>							
Taxes & Assessments	4,651,532	17,809,093	4,926,483	788,235	668	6,954,103	35,130,114
Licenses & Permits	1,444,161	1,616,412	-	-	-	-	3,060,573
Intergovernmental	1,011,184	9,033,402	-	-	3,555,595	1,770,770	15,370,951
Charges for Services	1,901,650	7,640,350	-	-	7,110,650	2,863,053	19,515,703
Fines & Forfeitures	376,184	18,019	-	-	-	-	394,203
Miscellaneous	95,488	541,704	-	-	-	-	637,192
Investment Earnings	122,249	223,138	116,775	139,285	68,510	160,368	830,325
Transfers	551,355	863,432	-	-	1,179,973	-	2,594,760
Total Estimated Revenues	10,153,803	37,745,550	5,043,258	927,520	11,915,396	11,748,294	77,533,821
<u>Approved Budget</u>							
General Government	7,639,767	5,609,832	-	-	5,343,737	-	18,593,336
Public Safety	1,008,399	14,470,900	2,328,421	3,124,514	-	7,925,131	28,857,365
Public Works	832,501	5,712,585	1,063,406	1,589,558	6,057,804	2,715,693	17,971,547
Public Health	-	3,260,298	-	-	5,608,096	77,178	8,945,572
Recreation & Other	393,409	1,869,366	1,270,263	-	169,498	459,529	4,162,067
Total Approved Budget	9,874,076	30,922,981	4,662,090	4,714,072	17,179,135	11,177,531	78,529,885
Projected Change in							
Fund Balance/Cash	279,727	6,822,569	381,168	(3,786,552)	(5,263,739)	570,763	(996,064)
Projected Ending							
Fund Balance/Cash	\$ 3,183,673	\$ 22,267,885	\$ 1,810,724	\$ 3,050,262	\$ 5,999,644	\$ 5,983,169	\$ 42,295,246

FINANCIAL SUMMARIES

Overview of Budgeted Resources

Actual Expenses and Revenues FY 2011

SUMMARY OF MAJOR REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES/USES

Final Budget - July 1, 2010 through June 30, 2011 (FY 2011)

	Governmental Fund Types			Proprietary Func Types	Fiduciary Fund Types	Total All Funds	
	General	Special Revenue	Debt Service	Capital Project	Enterprise & Internal Service		Trust & Agency
Beginning Fund							
Balance/Cash	\$ 1,193,930	\$ 17,023,200	\$ 878,905	\$ 15,679,919	\$ 11,544,235	\$ 4,323,156	\$ 50,643,345
<u>Estimated Revenues</u>							
Taxes & Assessments	3,677,194	17,546,571	5,085,805	930,448	-	6,763,903	34,003,921
Licenses & Permits	1,485,000	1,611,000	-	-	-	-	3,096,000
Intergovernmental	876,770	4,137,987	-	8,426,723	1,499,247	363,824	15,304,551
Charges for Services	1,661,457	3,024,130	-	-	14,241,801	651,258	19,578,646
Fines & Forfeitures	500,000	6,000	-	-	-	-	506,000
Miscellaneous	70,000	114,800	-	1,000,000	8,500	-	1,193,300
Investment Earnings	221,000	669,836	52,413	1,000	235,000	85,000	1,264,249
Transfers	589,374	190,129	26,779	-	550,276	1,358,895	2,715,453
Total Estimated Revenues	9,080,795	27,300,453	5,164,997	10,358,171	16,534,824	9,222,880	77,662,120
<u>Approved Budget</u>							
General Government	8,241,136	3,222,085	-	1,295,489	2,059,118	-	14,817,828
Public Safety	983,589	16,051,168	2,309,647	10,758,710	1,894,893	11,021,630	43,019,637
Public Works	-	13,005,143	2,348,925	6,600,385	10,492,123	1,757,058	34,203,633
Public Health	-	4,686,661	35,393	-	9,259,480	-	13,981,534
Recreation & Other	-	4,004,063	1,289,937	6,699,754	278,871	685,027	12,957,652
Total Approved Budget	9,224,725	40,969,119	5,983,902	25,354,338	23,984,485	13,463,715	118,980,283
Projected Change in							
Fund Balance/Cash	(143,930)	(13,668,666)	(818,905)	(14,996,167)	(7,449,661)	(4,240,835)	(41,318,163)
Projected Ending							
Fund Balance/Cash	\$ 1,050,000	\$ 3,354,534	\$ 60,000	\$ 683,752	\$ 4,094,574	\$ 82,321	\$ 9,325,182

FINANCIAL SUMMARIES

Overview of Budgeted Resources

Actual Expenses and Revenues FY 2010

SUMMARY OF MAJOR REVENUES, EXPENDITURES, AND OTHER FINANCING SOURCES/USES

July 1, 2009 through June 30, 2010 (FY 2010)

	Governmental Fund Types			Capital Project	Proprietary Fund Types	Fiduciary Fund Types	Total All Funds
	General	Special Revenue	Debt Service		Enterprise & Internal Service	Trust & Agency	
Beginning Fund							
Balance/Cash	\$ 1,112,452	\$ 17,118,650	\$ 1,587,657	\$ 33,569,441	\$ 21,465,661	\$ 4,208,415	\$ 79,062,276
Actual Revenues							
Taxes & Assessment:	4,452,533	17,674,647	3,085,192	2,013,509	363	5,662,565	32,888,809
Licenses & Permits	1,080	242,945	-	-	-	-	244,025
Intergovernmental	787,984	6,476,320	-	4,510,862	87,057	2,967,763	14,829,986
Charges for Services	1,912,228	1,873,210	-	71,966	15,925,887	634,102	20,417,393
Fines & Forfeitures	324,847	84,272	-	-	-	-	409,119
Miscellaneous	331,537	1,071,215	88,250	2,865,077	4,408	-	4,360,487
Investment Earnings	320,087	171,440	27,658	394,207	217,504	85,000	1,215,896
Transfers	638,389	435,936	58,176	32,300	781,604	-	1,946,405
Total Revenues	8,768,685	28,029,985	3,259,276	9,887,921	17,016,823	9,349,430	76,312,120
Actual Expenses							
General Government	7,974,672	619,906	11,996	90,579	-	-	8,697,153
Public Safety	997,281	11,471,974	-	172,464	-	7,242,483	19,884,202
Public Works	-	5,043,517	-	-	6,170,584	1,122,827	12,336,928
Public Health	2	3,058,851	-	-	5,425,929	75,479	8,560,261
Recreation & Other	(707,315)	3,262,307	3,961,955	1,098,962	4,718,737	531,067	12,865,713
Transfers (out)	1,669	1,886,560	58,176	-	-	-	1,946,405
Capital Outlay	221,530	2,008,794	-	26,411,353	-	-	28,641,677
Total Expenses	8,487,839	27,351,909	4,032,127	27,773,358	16,315,251	8,971,856	92,932,339
Projected Change in							
Fund Balance/Cash	280,846	678,076	(772,851)	(17,885,437)	701,572	377,574	(16,620,219)
Projected Ending							
Fund Balance/Cash	\$ 1,393,298	\$ 17,796,726	\$ 814,806	\$ 15,684,004	\$ 22,167,233	\$ 4,585,989	\$ 62,442,056

Assumptions, Estimates & Trends

Overview

Funding for services provided to Gallatin County residents comes from a variety of revenue sources. The County strives to maintain a diversified and stable revenue system that will provide shelter from short-term fluctuations in any one revenue source and ensure the ability to provide ongoing services, within the confines of Montana Law. Gallatin County is heavily reliant upon property tax levy for its general fund, public safety, fair, noxious weed, senior programs, library and road / bridge revenue, which is explained in greater detail on the following pages. The County will continue its policy of seeking alternative revenue sources to lower the tax burden for County services, charging users for specific services where feasible, and aggressively collecting all revenues due to the County. Enterprise fund revenues are generated through direct fees for service. Total estimated (budgeted) revenue, regardless of the source, amounts to \$77,405,540 for FY 2014.

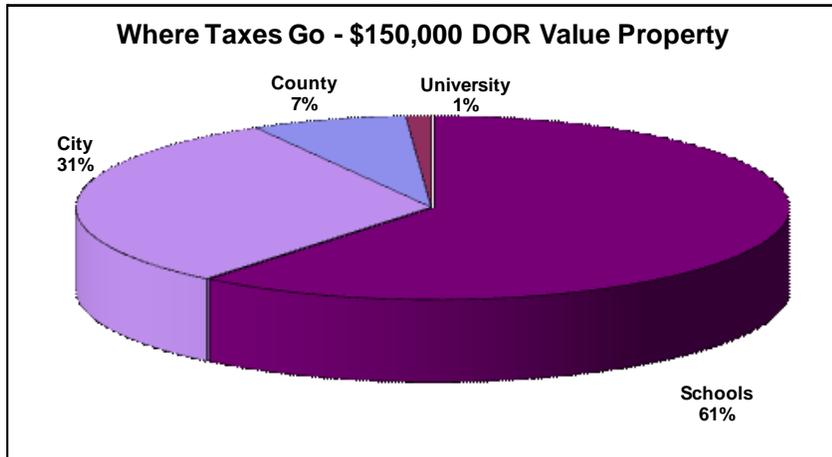
County revenues are divided into eight basic categories: Taxes and Assessments; Licenses and Permits; Intergovernmental Revenue; Charges for Services; Fines and Forfeitures; Miscellaneous Revenue; Investment Earnings; and Inter-fund Transfers.

- **Taxes and Assessments** - \$37,131,162 (47.96% of revenues) - comprised of taxes derived from the levying of taxes on real property, personal tangible property and assessments generated by charges within districts either based on value or a per unit fee. An example of taxes is real property taxes, while special assessment examples include Rural Improvement District (RID) maintenance fees and Fire Service Area Fees.
- **Licenses and Permits** – \$3,165,806 (4.09% of revenues) - comes from the issuance of local licenses and permits. This includes the Motor Vehicle local option tax along with items such as Wastewater Treatment Permits (Septic Permits).
- **Intergovernmental Revenue** – \$10,287,730 (13.29% of revenues) - is generated by grants from federal, state and other local government sources, shared revenues, and payments in lieu of taxes (PILT). State entitlement and federal PILT are examples.
- **Charges for Services** – \$16,255,077 (21.00% of revenues) – revenues generated by this source are from fees for land use (Planning, Clerk & Recorder) with the largest amount coming from Enterprise and Internal Service Funds. Examples of charges for services are solid waste disposal fees, Rest Home per bed fees and charges collected by Clerk & Recorder, Planning and Zoning areas.
- **Fines and Forfeitures** – \$404,500 (0.52% of revenues) - received from Justice and District Court for fines and penalties imposed for the commission of statutory offenses, violation of lawful administrative rules and regulations, and for neglect of official duty. Examples include: court fines, victim witness fines and bonds forfeited.
- **Miscellaneous Revenue:** \$119,256 (0.15% of revenues) – Revenue from sources not otherwise provided in other categories. Rents and impact fees are examples of miscellaneous revenues.
- **Investment Earnings:** \$427,801 (0.55% of revenues) – Revenue derived from the investment of available cash balances and delinquent taxes.
- **Inter-fund Transfers:** \$9,614,208 (12.44% of revenues) – Transfers between individual funds of a governmental unit that are not repayable and are not considered charges for goods or services. An example is matching funds transferred from public safety to Drug Task Force for grant match and administrative costs.

MAJOR REVENUE SOURCES

Assumptions, Estimates & Trends

When talking about County revenues, we must state that they are only 20% of revenue collected by the Treasurer. The majority of revenue is collected and used by Trust and Agency accounts. These include 16 Elementary School Districts, 7 High School Districts, 5 Cities and Towns and many state Funds.

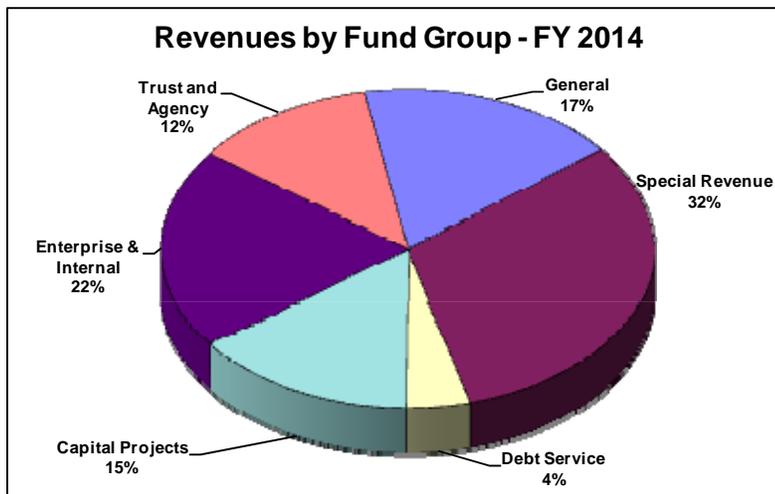
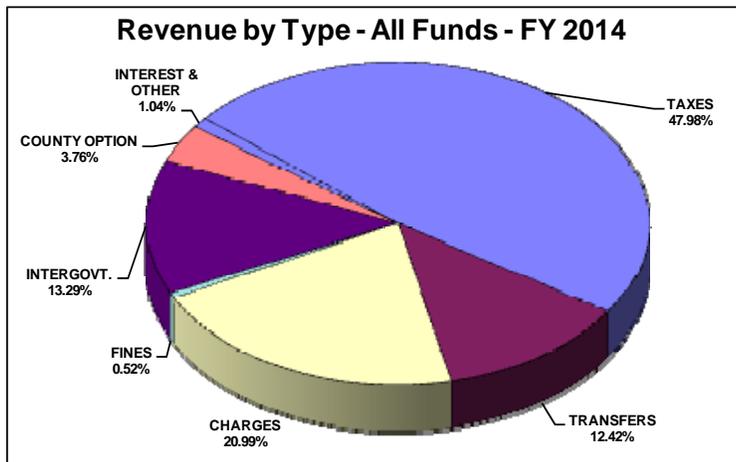


A graph of Where Taxes Go - FY 2013, shows Schools received 61%, the City of Bozeman generated 31%, and Gallatin County collected 7%.

A County-Wide graph for other areas would show comparable break downs, with schools generally receiving 72% of taxes, county 18%, cities 9% and state university 1% for the County as a whole.

Shown in the graphs below are two pie charts giving graphic overview of total County revenues—one by Type and the other by Fund Group.

As depicted by the graph of revenues by type, taxes and assessments and charges for services are the two largest categories of revenues for the FY 14 budget (69% for FY 14 vs. 71% for FY 13). Intergovernmental payments and Transfers are the next largest section at 26%, compared to 15% in FY 13. Finally, County Option accounts for 4% in FY 2014 of all revenues. These five revenue types constitute 99% of all Gallatin County revenues estimated for FY 2014.



The graph of Revenues by Fund Group gives a look at the 'Big Picture' of County revenues. The graph on the left shows the general fund accounts for 17% of revenues, Enterprise and Internal Service Funds generate 22%, Special Revenue Funds are 32% and Capital Projects account for 15%. These four Fund Groups account for 86% of estimated revenues for County Funds in FY 2014.

Assumptions, Estimates & Trends

Revenue Forecast Assumptions & Methodology

Forecasting, as used in the budget, refers to the methodology used in projecting future changes in revenues. It provides an estimate of revenue amounts that will be available and the resources required to meet current service levels and programs over the forecast period. The value of forecasts is in estimating whether (given assumptions about local financial policies and economic trends) the County will have sufficient resources to meet the resource requirements of ongoing, planned, or mandated programs. Forecast models have the added value of providing a planning tool for capital projects and indicating whether bonded indebtedness will be required for capital funding. In short, forecasting provides an estimate of the financial flexibility of the County, as well as insight into tax, revenue, and service options the Commission must address. Our forecasting methodology reflects a combination of internal analysis and locally generated consensus forecasts covering such factors as population growth, revenue trends, and inflation. Specifically, for revenue forecasts, we begin with models that include prior year actual collections and project the balance of the current fiscal year based on prior year patterns.

In general, we seek to match revenue sources with economic and/ or demographic variables that most directly affect year-to-year changes in those revenues. Methods to project revenues used in the budget vary depending upon the type of revenue examined. However, the most common method used is **Trend Analysis** and especially a year-to-date approach. Examination of a variety of revenue sources on a monthly basis has revealed consistent patterns in monthly collections. Trends are identified, along with an analysis of whether or not the trend is likely to continue. These have been good indicators of revenue collections during the course of a year and help to set a basis for future projections. Forecasting variances are analyzed and used to improve forecasting in future periods. **Expert Judgment** is a projection methodology that relies upon individual department directors and financial managers to make projections for the revenues that effect their operations.

Revenue Estimates

The National Advisory Council on State and Local Budgeting prepared a set of recommended practices relating to governmental revenue estimates. Stated below are some excerpts from their recommended practices, along with Gallatin County's revenue estimate practices.

Projection of revenues and other resources is critical in order to understand the level of funding available for services and capital acquisition. Projections for future budget periods help determine the likelihood that services can be sustained and highlight future financial issues to be addressed. Preparing revenue projections also enhances our understanding of revenue sensitivity to changes in assumptions and to controllable factors such as changes to tax rates or fees.

One key analytical tool used by the County to assist in the development of revenue estimates is the comprehensive five-year financial forecast. This forecast considers key revenue and expenditure projection factors such as population, changes in the Consumer Price Index (CPI) and other growth factors. The trending of these key factors and their effect on revenues and expenditures for the past ten years provides a historical basis for the five-year financial forecast. The forecast was initially prepared in 2001, and is updated annually during the mid-year budget review process.

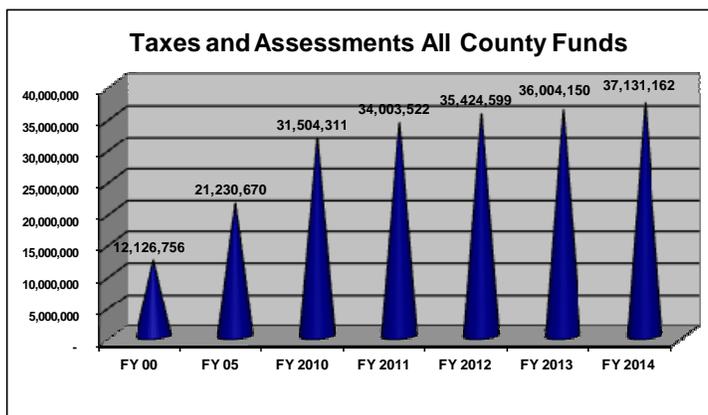
MAJOR REVENUE SOURCES

Assumptions, Estimates & Trends

Overall, the County's practice is to budget revenues conservatively and to use as much information as possible to enhance the accuracy of revenue estimates. By identifying and utilizing several revenue-related variables in forecasting, we minimize the risks of over or under stating revenues that could arise from using only a few variables to forecast revenues. Our approach to forecasting, in general, is to apply a conservative philosophy that will produce our long-term goal of not overstating revenues. Most estimates involve two projections: an estimate for the amount to be collected in current year based on year-to-date activity; and an estimate for the increase or decrease in receipts anticipated for a future budget year. As part of the mid-year budget review process, the revenue assumptions included in the forecast are comprehensively re-examined based on actual results for 2012-13, as well as emerging trends at the mid-point of the year.

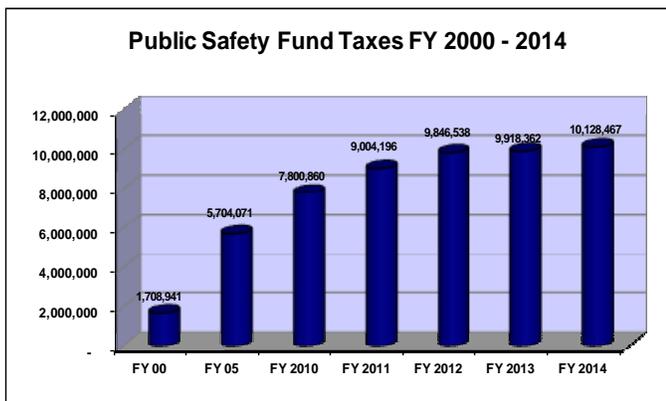
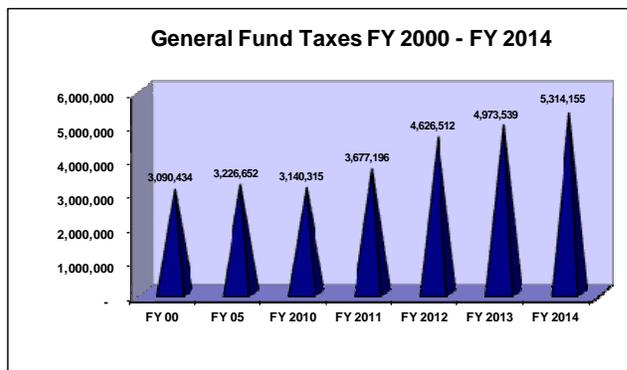
The following revenue categories, their trends, and estimates represent 87.56% of total County revenues.

Key Revenue Estimates and Trends



Taxes / Assessments generate 47.96% of the County's revenues. The graph on the left shows Taxes and Assessments for all County Funds over a 15-year period, with estimates for the previous year and budgeted revenues for FY 2014. The increase in revenues comes from the effects of reappraisal, new construction, voted levy increases for the Open Land Bond, 9 mills for Dispatch, new taxes for fire districts and fire service areas, new rural improvement districts and taxes authorized by the legislature.

The graph on the right shows actual General Fund Taxes for a 15-year period, together with estimates for the previous year and budgeted revenues for FY 2014. The General Fund in FY 2014 continues to include activities previously in separate funds including the Bridge, Three Forks Airport, County Extension and Senior Programs. Increase is for payment of the I-90 debt, \$228,000.

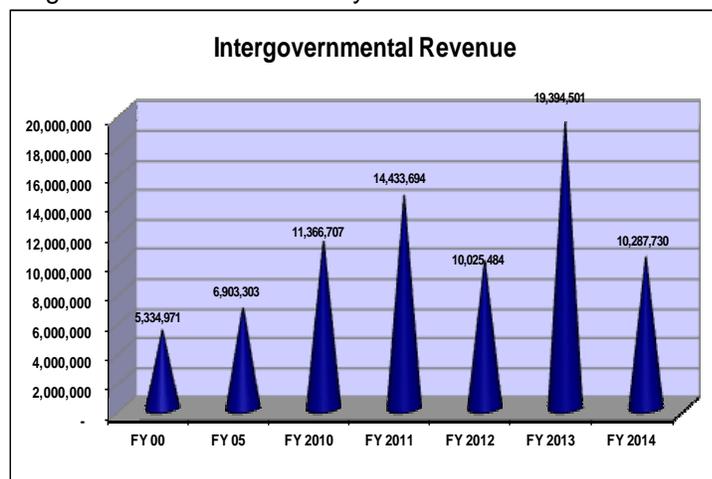
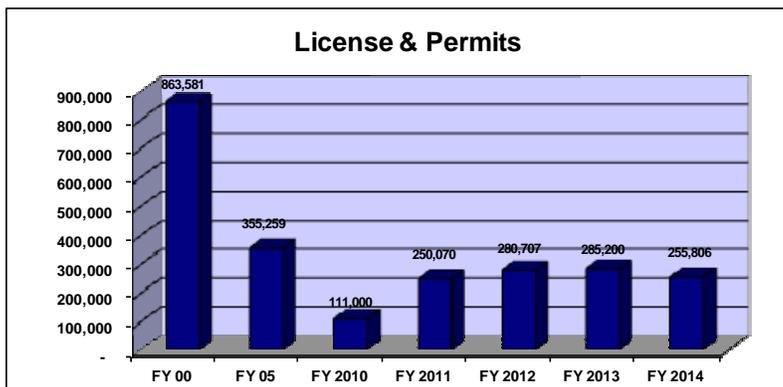


The Public Safety Fund tax is the single largest taxing activity of County government. The rapid growth of taxes comes from yearly decisions made by the County Commission to emphasize Public Safety with a corresponding increase in taxes. The majority of the increase comes from inflation mills and decreases in millage to other County tax supported funds. The Commission approved an increase to 1 Mill for Search & Rescue as approved by the voters in the 80's.

MAJOR REVENUE SOURCES

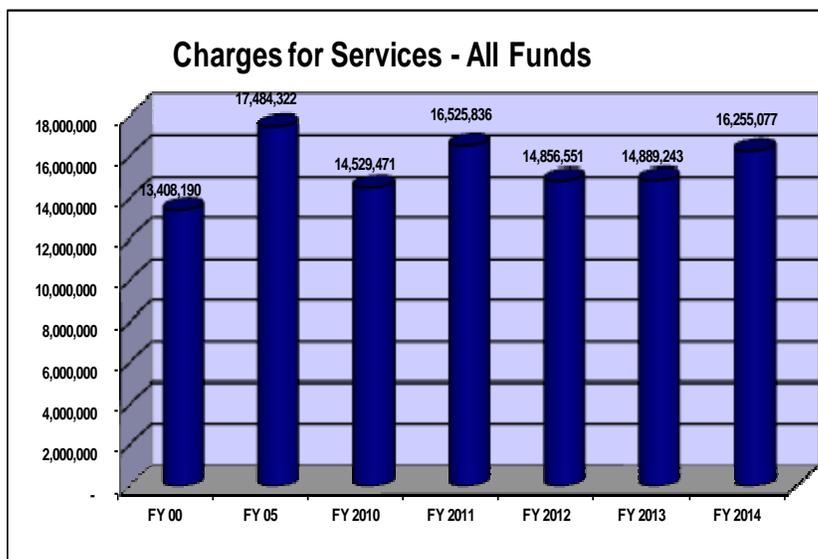
Assumptions, Estimates & Trends

License & Permit revenues are 3.75% - shown on the right. The decline from FY 00 reflects legislative changes (including Motor Vehicle Fees, Bank License taxes, Gambling Revenues and others); the lost revenue offset the state assumption of Public Assistance and District Courts. The change included the state transferring a portion of the revenue back in Entitlement. Projections are based on historic trends with septic permits and zoning permits stagnant for the next several years.



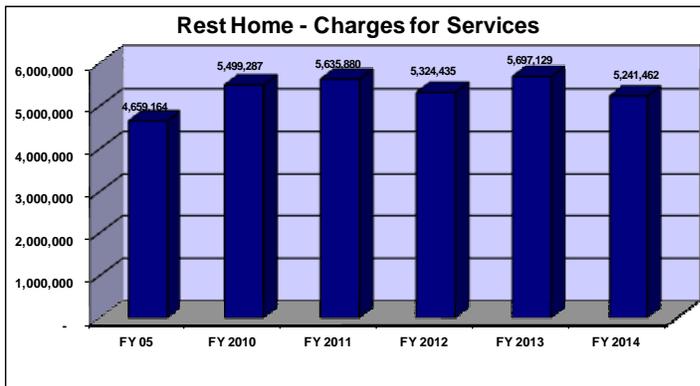
Intergovernmental revenue is 13.29% of revenues. The change is from receipt of an \$8.9 million TIGER grant to complete the East Belgrade (Airport) I-90 Interchange. Estimates are based on applications completed prior to the setting of the budget. The decrease is from the TIGER Grant going directly to the State of Montana and not being recorded in the county books.

Charges for Services - for all funds, represents 21.00% of Gallatin County revenues. The largest component of this source is charges generated by Enterprise activity. Specific graphs follow for the two largest components. Growth for other fees is primarily based on estimated property activity including mortgages, subdivision, zoning and property splits. These activities have seen an increase, and are anticipated to increase for FY 2014.



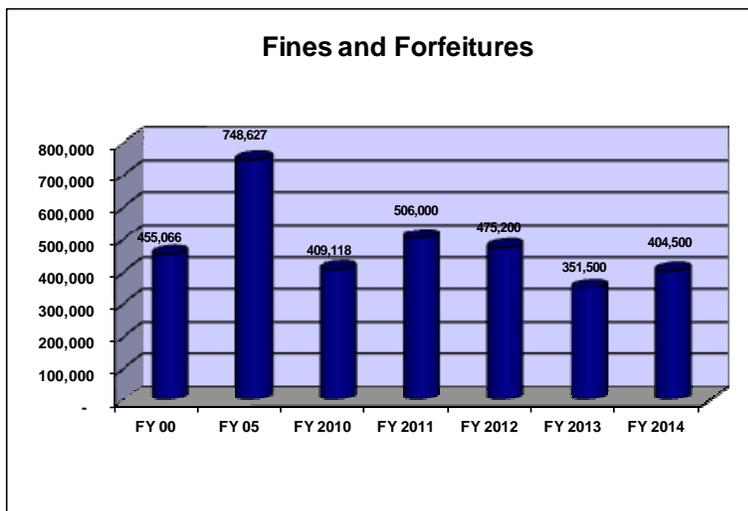
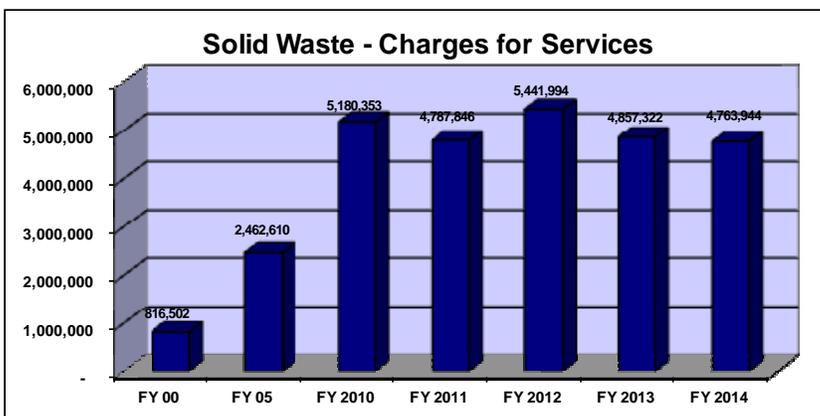
MAJOR REVENUE SOURCES

Assumptions, Estimates & Trends



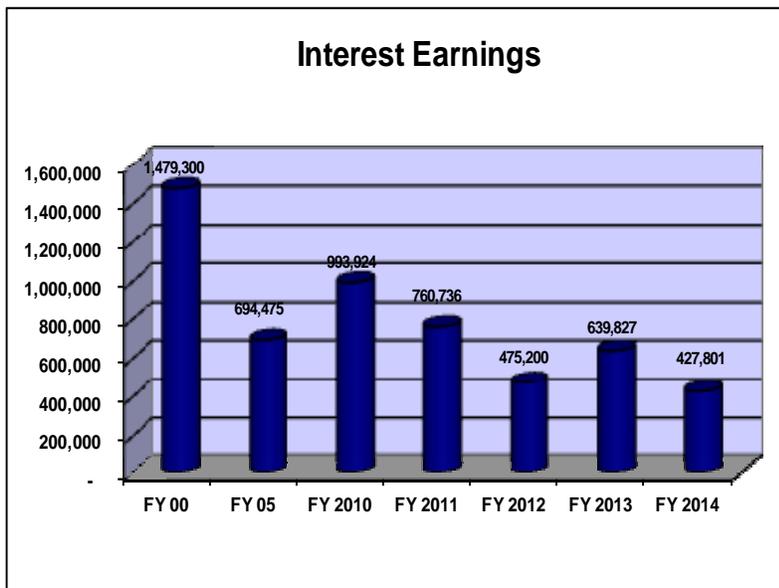
The change in Rest Home charges for services comes from the loss of the Detention Center meal payment and reduction in federal Medicaid reimbursement rates for FY 2014. The Rest Home continues to support costs of operations from Charges for Services. Per day cost rate and estimated number of beds are anticipated to decrease slightly for FY 2014.

Charges for services at the Logan landfill showed a steady growth for FY 05 through FY 10. FY 11 saw a decrease resulting from the economic downturn; the lower utilization continuing into FY 2014. The districts continue to be on solid financial footing and are maintaining good reserves for equipment and cell replacement.



Fines and Forfeitures – come in at 0.52%. These revenues, are generated primarily (95%) from two Justice Courts. Revenues increase and decrease based on a correlation between citations, criminal acts, felonies and bonds based on population and the number of active officers (Sheriff, City Police, Town Marshal, Highway Patrol and Rangers/Wardens). The decrease in FY 2013 brought the total below the FY 98 levels. The Justice Courts have projected an increase for FY 2014 based on the most up to date collections.

Assumptions, Estimates & Trends



Investment earnings – 0.55% - reflect a combination of available cash balances together with the interest rate the County is able to obtain and delinquency for taxes. As shown by the graph, investment earnings have been volatile, with sharp declines and equally sharp increases, which correspond to interest rates in the national economy, and increases in cash available for the County to invest. Interest earnings in FY 2014 are expected to be \$427,801. The County General Fund receives about 25% of the interest generated by County funds, with the Public Safety, Capital Projects and Public Works areas

receiving the balance of County investment earnings.

Overall revenues are decreasing for FY 2014 to \$77,405,540 compared to \$83,293,346 in FY 2013 and \$77,662,120 for FY 2012. Revenue generated by taxes increased from \$35,959,710 to \$37,131,162, an increase of \$1,171,452 (3.26%). The majority of this increase comes from use of inflationary mill levy for 1) I-90 Interchange debt \$228,000; 2) Legislative increase for Retirement System \$112,278; 3) Employee Health Insurance \$76,000; 4) Road \$25,000; and 5) increasing Search and Rescue to maximum 1 mill approved by voters \$33,375. The amounts changed with the County receiving its certified taxable value along with our Newly Taxable Property (on the tax roles for the first time). The balance of tax increase came from districts using the maximum number of mills allowed by state law and increases in voted levies or fees.

MAJOR REVENUE SOURCES

Assumptions, Estimates & Trends

The following is a comparison of taxes by type for FY 2014:

Type	FY 2013	FY 2014	difference	% Chng.	Explanation
County Operations	\$17,362,033	\$18,282,663	\$920,630	5.30%	I-90, PERS, SAR, NTP
County Rural	3,563,417	3,686,493	123,076	3.45%	Inflationary for FY 2013, NTP
Permissive / Debt	4,719,997	4,696,891	(23,106)	(0.49%)	Perm. Med. Levy
Special Revenue	517,571	577,152	59,581	11.51%	Water Quality Fee, NTP
Fire Districts/Areas	5,486,784	6,183,880	697,096	12.70%	Big Sky voted levy, Sourdough Bond, requests by districts, NTP
Other Districts	2,259,550	1,594,303	(665,247)	(29.44%)	Water & Sewer Dist.
RID Mntc/Bonds	<u>2,050,360</u>	<u>2,109,780</u>	<u>59,420</u>	2.90%	Bond & maint. Exp.
TOTAL	\$35,959,710	\$37,131,162	\$1,171,452	3.26%	

The County Treasurer reported that tax collections for FY 2013 have increased with delinquencies being paid. A review of all delinquencies shows Gallatin County returning to the high tax collections historically seen. This is in stark contrast to the lows experienced during the economic recession. The County is anticipating lower delinquencies to continue and that protests associated with re-appraisals have ended which will stabilize the billing and collections associated with all taxes collected for the state, county, school, city and special districts.

While lower delinquencies have been anticipated in relation to the FY 2014 budget, actual tax collections will continue to be monitored on a monthly basis throughout the year. On a positive note, the 2013 Mobile Home and Separate Personal property taxes have been billed and are being received as usual.

FINANCIAL SUMMARIES

Estimates, Projections and Mill Levy Information

Department Summary

The following tables show the changes in expenditures (budget or actual) for Gallatin County by group (Personnel, Operations, Debt Service or Capital Outlay). The budgets for 'County Funds Supported By Tax Revenues' shows personnel increased by \$765,781 – 2.98%, for Permissive Medical Levy, Retirement 1% increase, 1% wage adjustment and performance adjustments for deserving employees. Operations saw an increase of \$645,074. Debt Service increased by \$186,952 for the I-90 bond and Capital increased by \$241,607. The total increase comes to \$1,839,414 – 3.55%) from Fiscal Year 2013.

DEPARTMENT SUMMARY LISTING							
FY 2014 FINAL OPERATING AND CAPITAL BUDGET							
DEPARTMENT	ACTIVITY	Actual FY 2012	FY 2013 ADOPTED	FY 2013 Actual	FY 2014 REQUEST	FY 2014 PRELIMINARY	FY 2014 FINAL
TOTAL COUNTY FUNDS SUPPORTED BY TAX REVENUES	Personnel	24,345,908	25,690,948	23,777,514	25,934,281	26,264,327	26,569,842
	Operations	11,601,990	14,997,051	13,769,966	15,015,266	14,826,087	15,240,165
	Debt Service	4,492,089	5,257,367	4,160,075	5,487,360	5,487,360	5,444,319
	Capital Outlay	6,978,184	6,259,857	732,590	5,706,993	5,412,172	6,499,205
	TOTAL	47,418,171	52,205,223	42,440,145	52,143,900	51,989,946	53,753,531
TOTAL - GRANT, SPECIAL REVENUE AND OTHER FUNDS	Personnel	1,690,218	1,842,251	1,533,862	1,495,834	1,527,288	1,667,971
	Operations	3,623,791	6,565,780	6,509,899	23,029,358	10,732,472	8,255,241
	Debt Service	2,086,591	984,142	149,721	749,555	691,424	882,681
	Capital Outlay	392,413	2,136,701	381,637	1,794,788	7,384,256	1,815,352
	TOTAL	7,793,012	11,528,874	8,575,119	27,069,535	20,335,440	12,621,246
ENTERPRISE AND INTERDEPARTMENTAL FUNDS	Personnel	6,166,960	1,604,686	1,467,458	1,662,909	1,638,933	1,658,484
	Operations	4,312,633	11,284,672	9,213,249	11,213,714	10,964,191	10,475,896
	Debt Service	567,570	392,756	380,491	134,260	134,260	134,260
	Capital Outlay	365,863	4,289,240	1,270,828	4,350,469	4,595,023	9,232,520
	TOTAL	11,413,026	17,571,354	12,332,026	17,361,352	17,332,407	21,501,160
TOTAL - FIRE DISTRICTS AND FIRE SERVICE AREA	Personnel	2,225,971	3,570,944	3,502,199	4,554,482	4,554,482	4,566,102
	Operations	3,573,430	5,446,470	2,171,988	5,683,132	5,692,690	8,222,972
	Debt Service	274,738	1,333,015	1,154,416	847,640	847,640	847,640
	Capital Outlay	1,850,993	2,160,112	1,503,545	4,062,502	4,062,502	4,824,990
	TOTAL	7,925,132	12,510,541	8,332,149	15,147,756	15,157,314	18,461,704
TOTAL - OTHER DISTRICTS	Personnel	86,829	217,036	166,524	217,037	217,085	217,085
	Operations	3,044,934	2,558,260	2,994,971	1,454,571	1,437,116	2,019,843
	Debt Service	-	-	-	-	-	-
	Capital Outlay	116,937	308,825	108,500	67,930	77,930	77,930
	TOTAL	3,248,700	3,084,121	3,269,995	1,739,538	1,732,131	2,314,858
CAPITAL PROJECTS RID MAINTENANCE RID BOND	Capital Outlay	1,595,093	14,297,040	839,021	5,065,421	3,208,687	2,634,637
	Operations	1,301,693	5,509,147	552,897	6,149,997	6,096,744	6,062,119
	Debt Service	1,059,477	1,175,390	1,137,317	931,116	930,910	1,028,389
	TOTAL	3,956,263	20,981,577	2,529,235	12,146,534	10,236,341	9,725,145
	Personnel	34,515,886	32,975,082	30,447,557	33,864,543	34,164,487	34,641,856
	Operations	27,458,471	58,422,720	35,212,970	62,546,037	49,662,558	50,177,175
	Debt Service	8,480,465	9,142,670	6,982,020	8,149,931	8,091,594	8,337,289
	Capital Outlay	11,299,483	29,451,882	4,836,121	21,048,103	24,672,640	25,016,704
	TOTAL EXPENSES	81,754,304	129,992,354	77,478,669	125,608,615	116,591,279	118,173,024

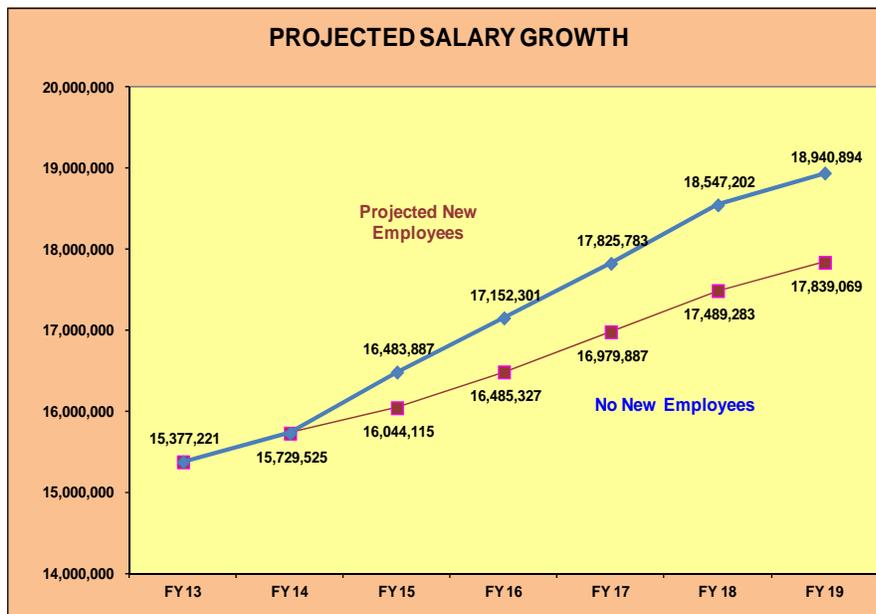
TOTAL EXPENSES saw Personnel increase by \$1,497,299 (4.54%), Operations decreased by \$5,278,686 (9.27%). Total expenses decreased by \$9,252,082 (7.20%).

Estimates, Projections and Mill Levy Information

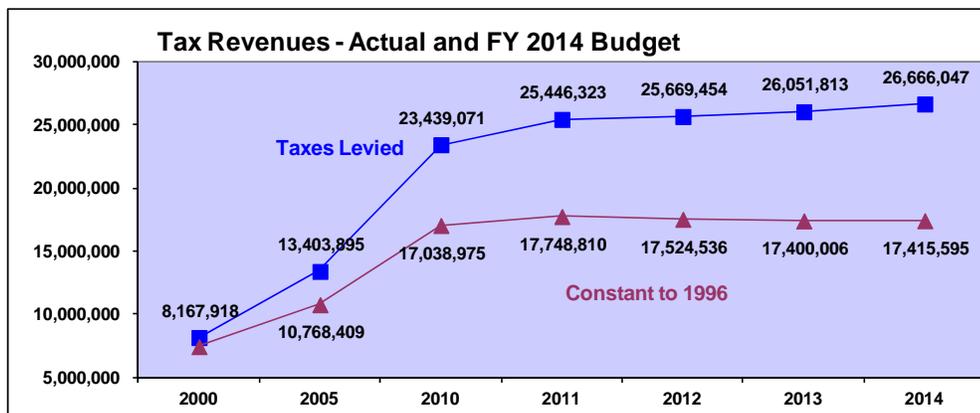
Projected Cost of Employee Wages

The County Finance Office prepares a yearly Financial Trend Analysis and Financial Forecast Report. This report uses information available at the mid-year point of the Fiscal Year (December 31st). The Analysis, Assumptions and Trends identified in the FY 13 Report are being used to show the projected changes in Expenditures, Revenues and Working Capital.

The information at right shows projected growth in wages and salaries based on the FY 2014 Budget, for Funds Levying Taxes. The graph is for tax-supported positions only, and does not include the Rest Home, Solid Waste Districts, Grants or other non-tax supported positions. For FY 2014 the small increase comes from increases in health insurance, retirement, unemployment insurance, a 1% wage adjustment, and performance increase where appropriate.



The 'No New Employees' line, projects the amount the County will need to meet current staffing levels. The 'Projected New Employees' takes into consideration historical increases in staffing patterns.



The next area reviewed is the County's Mill Levy and Valuations. The graph to the left shows County taxes levied to support County Wide mills and Rural Mills. The graph does not include special districts, rural improvement districts or other unique taxing

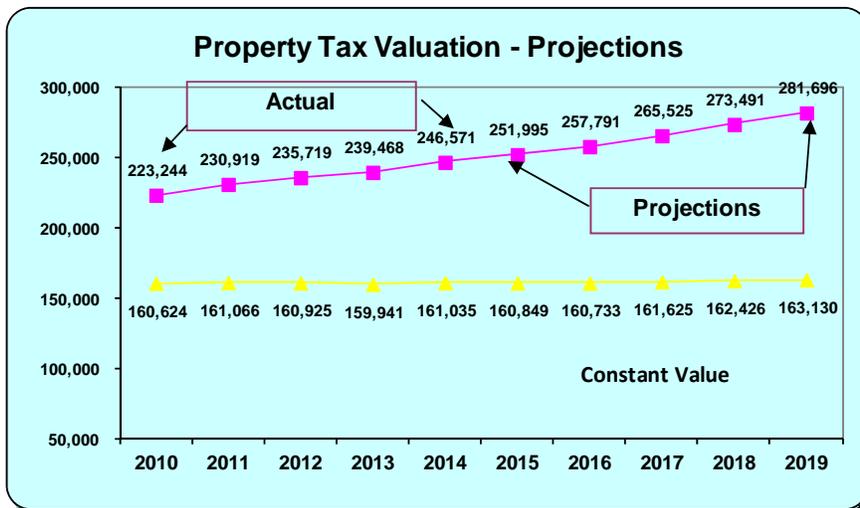
authorities. The Constant dollar uses 1996 as the base year. During the period 1996 to 2012 population has grown from 60,157 to an estimated 93,241 (54.96%). Voters have also approved 3.5 mills for Library, 9 Mills for Dispatch, two Open Space Bonds, and the Detention Center Bond. The County Taxable Valuation has grown from \$101,560 in 1996 to \$246,571 for FY 2014, a 142.78% increase.

Estimates, Projections and Mill Levy Information

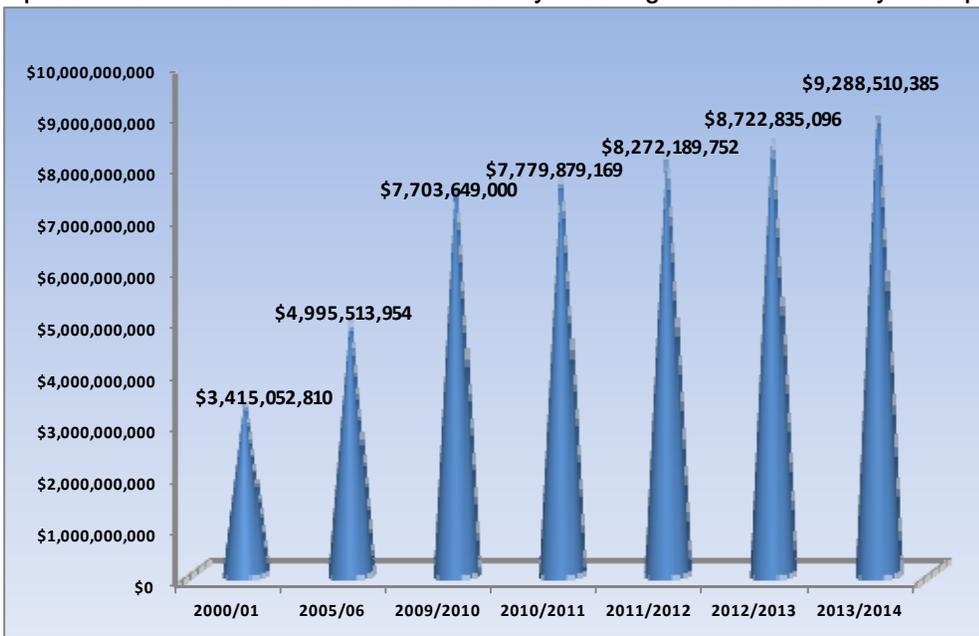
Market and Taxable Value History / Projections

The FY 09 – FY 14 numbers shown in the graph to the right are actual numbers. The FY 2015 through FY 2019 numbers are projections. The growth rate is a conservative 2.2% to 3.0%.

As can be seen, the actual growth rate has been at a low of 1.6% to a high of 3.4. FY 2015 is a reappraisal year and will adjust valuations based on current market trends.



The average selling price for a single-family home has increased from \$228,000 in 2009 (reappraisal year) to an estimated \$258,000 in 2013. The 2009 reappraisal dramatically increased valuations from the 2003 values, however, the State Legislature adjusted taxable ratios so a majority of taxpayers did not see an increase in taxes. The exception to this comes from those properties growing at a greater percentage than the State average. In 2009, Gallatin County's Market Valuation grew at 64% versus the State average of 55%. This could have resulted in a 9% increase in revenue; however the state implemented a six-year phase-in of the new valuations so the county is seeing an increase of only 1.5% per year.



This graph shows changes in certified market value from the Department of Revenue. The graph shows a growth rate of 85% from FY 05 through FY 14. Growth in property values from FY 05 through FY 14 were 52.60%, or 6.58% per year.

Estimates, Projections and Mill Levy Information

Mill Levy History

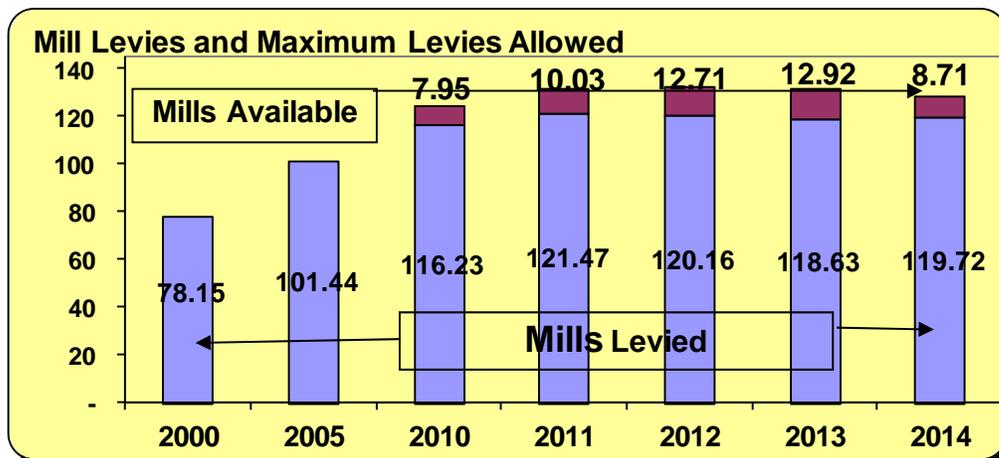
Gallatin County has seen significant changes in mill levies. Changes occurred because of:

- Legislative changes
 - Loss of revenue allowed to be corrected through increases in taxes,
 - Inflationary mill levy of ½ the three year average of Economic Growth for the State of Montana as a whole, is allowed (County is not using FY 07 – FY 12)
 - Authorization for Mill Levy if health insurance premiums increase, adjusted in FY 2014 based on states formula.
- Voted Mill Levy increases for Library and Enhanced Dispatch (9-1-1)
- Search & Rescue to maximum 1 mill (.49 mill increase)
- Two General Obligation Bonds approved for Open Space Activities (\$20 Million) and the \$32 Million Bond for the Detention Center.

The following graph shows the number of mills levied for Operating Funds (County Wide Mills), Rural Funds (Taxes levied outside the boundaries of incorporated cities and towns) and Debt Service/Permissive Medical Levies.

Mill Levies have increased from 78.15 in FY 2000 to the 119.70 for the Final FY 2014 Budget.

The Commission has not levied inflationary taxes except as needed. For FY 2014 the Commission has authorized the use of



inflation taxes for the I-90 Interchange debt payment, increase by 1% amount paid for public employee retirement system and increases in health care premium associated with the Affordable Care Act. In addition the Commission approved a small increase for Road mills and the levying of the maximum Search and Rescue mill, as approved by the voters. Taxes not levied include: 1) County Operations \$1,418,169, 2) Rural (Road / Library) \$11,770 and 3) \$58,017 for special districts. The County will not be taxing the maximum amount for the Permissive Medical Levy in FY 2014, leaving \$713,271 available if needed in future years.

Pursuant to state statute and bond agreements, the County will be levying the amount required for bond payments. These include the Open Space Bonds and the Detention Center Bonds, however, the number of mills for debt service has decreased from last year. Both of the bond issues were approved by a significant number of county voters.