



GALLATIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2012

AUDIT REPORT

GALLATIN COUNTY, MONTANA
AUDIT REPORT
Fiscal Year Ended June 30, 2012

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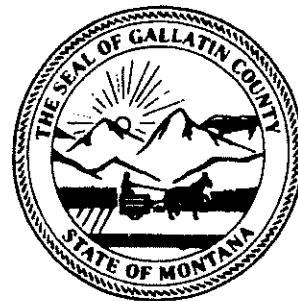
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INTRODUCTORY SECTION

County of Gallatin

Bozeman



GALLATIN COUNTY CLERK AND RECORDER

December 27, 2012

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

The annual financial report of Gallatin County for the Fiscal year ended June 30, 2012, is hereby submitted. The form and contents of this report has been prepared by the Accountant for the Clerk and Recorder's Office in conformance with the standards promulgated by the Governmental Accounting Standards Board. This report is presented in four main sections: Management's Discussion and Analysis, Basic Financial Statements, Supplemental Schedules, and the Single Audit Section. The Management Discussion and Analysis provides a readable overview of the Financial Statements contained in the subsequent pages of this report. The Basic Financial Statements section includes the Financial Statements and the Notes to the Financial Statements. The combined statements provide a summary of the financial position at June 30, 2012 and the results of operations for the fiscal year then ended in accordance with GASB 34 statement. The Notes to the Financial Statements are considered an integral and essential part of adequate disclosure and fair presentation of this financial report. The notes include a summary of Significant Accounting Policies for the County and other necessary disclosures of pertinent matters relating to the financial position of the County. Because the notes are an integral part of the financial statements they should be read in conjunction with them. The Supplemental Section includes the combining financial statements, which are required when the County has more than one fund of a given type. The Single Audit Section includes reports required by the Office of Management and Budget Circular A-133 and the Single Audit Act Amendment of 1996. Those consist of the Schedule of Federal Awards Expended and the outside auditors' letters, comments and recommendations. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain the maximum understanding of the County's financial activity have been included.

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

A handwritten signature in cursive script that reads "Charlotte Mills". The signature is written in dark ink and is positioned above the printed name and title.

Charlotte Mills
Gallatin County Clerk and Recorder

GALLATIN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2012

BOARD OF TRUSTEES

BILL MURDOCK
JOSEPH SKINNER
R. STEPHEN WHITE

Commissioner (Chairperson)
Commissioner
Commissioner

OFFICIALS

MARTY LAMBERT
JENNIFER BLOSSOM
KIMBERLY BUCHANAN
CHARLOTTE MILLS
JENNIFER BRANDON

Attorney
Auditor
Treasurer / Assessor
Clerk and Recorder / Surveyor
Clerk of District Court / Public
Administrator

RICK WEST
BRYON ADAMS
MARY ELLEN FITZGERALD
BRIAN GOOTKIN
MICHAEL SALVAGNI
HOLLY BROWN
JOHN C. BROWN

Justice of the Peace
Justice of the Peace
School Superintendent
Sheriff / Coroner
District Court Judge
District Court Judge
District Court Judge

FINANCIAL

SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Gallatin County, Montana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gallatin County, Montana (the County), as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gallatin County, Montana, as of June 30, 2012, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board,

who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
December 21, 2012

MANAGEMENT'S

DISCUSSION

AND

ANALYSIS

Gallatin County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012

As managers of Gallatin County, the Board of County Commissioners, with assistance from County Elected Officials, the County Administrator and their staff, we present the following Management Discussion and Analysis. The information comes from Gallatin County's financial statements and includes a narrative on the financial activities of Gallatin County, Montana, for the fiscal year ended June 30, 2012. We encourage readers to consider the information in this Management Discussion and Analysis (MD&A) along with the rest of the annual report, of which the Management Discussion and Analysis is the first part.

FINANCIAL HIGHLIGHTS:

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

- At the end of Fiscal Year 2012, the fund balance for the General Fund was \$3,638,843 – up \$347,696 from June 30, 2011 – increase associated with combining expenses being lower than anticipated;
- The County will face a number of fiscal challenges in the future. The challenges have not increased with the slowing of the local economy leading to a downturn in construction, decrease in employment and development. Gallatin County continues to maintain a good financial standing because of positive growth of taxable values, completion of a new Detention Center, adoption and implementation of the Growth Policy, adoption and full funding of 'Core Rolling Stock Vehicles Replacement Policy, beginning of Bridge Replacement Program and continued increases in taxable value and continued increase in total net assets.
- The assets of the County exceeded its liabilities at year-end by \$159.0 million (net assets). Of this amount \$47.7 million (31.60%) is unrestricted and may be used to meet the County's 2013 budgetary needs and Operating Reserves.
- Revenues from Taxes/Assessment were \$30,201,126 for governmental funds, down \$4,969,293 from fiscal year 2011. This decrease was from FY 2011. This comes from receivables decreasing for FY 2012.
- The County Landfill saw an increase in net assets. The activity increased net assets by \$872,444 during fiscal year 2012.
- County Health Insurance Fund saw continued positive financial position for FY 2012, as represented by unreserved cash sitting at \$2,507,888 (cash \$2,778,279- Claims Payable \$270,391), compared to fiscal year 2006 cash of \$1.3M, fiscal year 2007 cash of \$2.1 M, fiscal year 2008 cash of \$2.9 M, fiscal year 2009 balance of \$3.0M, fiscal year 2010 at \$2.4M and fiscal year 2011 at \$2.5M
- The County's debt (excluding OPEB liability) for Governmental Activity debt decreased by \$4,858,992 to \$57,914,983 with Business-Type Activity debt decreasing \$665,573 to \$3,315,468 with total debt decreasing by \$5,524,565 during fiscal year 2012. The Governmental Activities debt decreased with the payoff of the settlement loan, payoff of the District Court #3 loan and normal debt service payments.

OVERVIEW OF THE ANNUAL REPORT:

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

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

Reporting the County as a whole:

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

Statement of Net Assets and the Statement of Activities

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

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

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

Both of these statements distinguish activities of the County that are supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The County's activities include general government, public safety, public works, public health, economic development, and recreation. The business-type activities of the County include Solid Waste District (Logan landfill), Hebgen Basin Refuse District, and Rest Home activities.

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

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

General Government:

Elected Offices –

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

Departments –

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

Public Safety:

Elected Offices –

- County Sheriff, Coroner.

Departments –

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

Public Works:

Departments –

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

Public Health:

Departments/Agencies –

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

Economic Development:

- Economic Development, Extension Agents.

Culture and Recreation:

- Library, Fair, and Parks

Conservation and Natural Resources:

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

Debt Service:

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

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

Reporting the County's Significant Funds

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

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

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

The County maintains 4 major governmental (the RID Bond consists of 41 funds and the RID Maintenance Fund includes 65 Funds) and 3 major proprietary funds, 93 non- major funds and 217 trust and agency funds. This means the County maintains 423 funds. Major funds are the general fund plus any other fund in which total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total (assets, liabilities, and so forth) for all funds of that category or type. Also, total assets, liabilities, revenues, expenditures/expenses for the individual governmental fund or enterprise fund are at least 5 % of the corresponding total for all governmental and enterprise funds combined. Non-major governmental funds are those that do not meet the above criteria.

Major governmental funds include the General Fund, Public Safety Fund, RID Maintenance, and RID Bonds. The Non-major governmental funds include 71 operating funds, 6 debt funds, 9 capital funds, 6 revolving funds and 217 trust and agency funds. The information for the Non-Major Governmental Funds is combined into a single, aggregated presentation. Data for funds is provided in the form of combining statements elsewhere in this report.

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

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

services benefit governmental activities rather than business type activities, they have been included within governmental activities in the governmental-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, but in greater detail. All funds are aggregated when the final statements are compiled. The basic proprietary fund financial statements are found in the government-wide financial statements section of this report, which immediately follows the MD & A.

Fiduciary Funds – The County maintains a significant number of fiduciary funds including fire districts, fire service areas, school districts, cities, and other state and local accounts. Fiduciary funds are used to account for resources held for the benefit of parties outside the government.

Fiduciary funds are not reflected in the governmental-wide financial statements because the resources of those funds are not available for expenditures by the government, but are restricted for use by the agency having control of the fund. The basic fiduciary fund financial statements are found in the government-wide financial statement section, which immediately follows the MD & A Section.

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

The County as a whole

Gallatin County, State of Montana
Statement of Net Assets
June 30, 2012

	Primary Government			FY 11 TOTALS	FY 10 TOTALS	FY 09 TOTALS
	Governmental Activities	Business- type	Total			
ASSETS						
Cash & Cash Equivalents	33,766,573	13,197,403	46,963,976	48,266,136	52,976,227	71,370,187
Other Assets	12,648,958	867,456	13,516,414	15,036,019	10,598,711	7,988,779
Capital Assets (net)	154,522,252	10,341,739	164,863,991	167,235,038	158,647,384	137,620,438
Total assets	\$ 200,937,783	\$24,406,598	\$225,344,381	\$ 230,537,193	\$222,222,322	\$216,979,404
LIABILITIES						
Current Liabilities	6,867,982	943,497	7,811,479	9,876,763	-	-
Long-Term Liabilities	55,366,375	3,119,421	58,485,796	63,311,288	61,241,836	60,932,118
Total liabilities	62,234,357	4,062,918	66,297,275	73,188,051	61,241,836	60,932,118
NET ASSETS						
Invested in capital assets, net of related debt	98,592,729	9,036,239	107,628,968	105,057,164	97,732,177	77,761,679
Restricted	1,390,765	2,338,767	3,729,532	3,729,532	3,153,573	3,776,598
Unrestricted	38,719,932	8,968,674	47,688,606	48,562,445	50,190,018	65,611,667
Total net assets	\$ 138,703,426	\$ 20,343,680	\$ 159,047,106	\$ 157,349,141	\$ 151,075,768	\$ 147,149,944

See accompanying notes to the financial statements.

The County is providing condensed financial information for fiscal years 2009 through 2011. The comparative information is being provided for four years of GASB 34 implementation for Gallatin County. The analysis that follows focuses on the County's net assets for governmental and business activities. Net Assets – Invested in capital assets increased for payoff of debt in FY 2012.

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

- Fiscal Year 2006 (June 30, 2006) 126,812,992
- Fiscal Year 2007 (June 30, 2007) 133,386,034
- Fiscal Year 2008 (June 30, 2008) 142,083,747
- Fiscal Year 2009 (June 30, 2009) 147,149,944
- Fiscal Year 2010 (June 30, 2010) 151,075,768
- Fiscal Year 2011 (June 30, 2011) 157,349,141
- Fiscal Year 2012 (June 30, 2012) 159,047,106

The County's changes in net assets in the governmental and business-type activities are shown in the following table. The report shows that primary governmental activities increased net assets to \$159,047,106, compared to 2011's \$157,349,141, 2010's \$151,075,769, fiscal year 2009's \$147,407,727, and fiscal year 2008's \$142,083,747. Business-Type Activities for fiscal year 2012 show an increase in net assets to \$20,343,680 an increase of \$870,843. The increase comes primarily from Rest Home and Landfill.

Gallatin County, State of Montana Statement of Activities For the Year Ended June 30, 2012							
Functions/Programs	Expenses	Program Revenues			Net(Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General Government	\$ 9,473,100	\$ 2,001,464	\$ 1,672,123	\$ 279,416	\$ (5,520,097)	\$ -	\$ (5,520,097)
Public Safety	16,489,018	1,763,039	1,777,691	-	(12,948,288)	-	(12,948,288)
Public Works	9,496,497	157,004	809,861	175,333	(8,354,299)	-	(8,354,299)
Public Health	3,391,539	343,248	1,329,347	-	(1,718,944)	-	(1,718,944)
Social & Economic Services	485,585	29,990	-	-	(455,595)	-	(455,595)
Culture & Recreation	1,822,716	502,987	8,101	-	(1,311,628)	-	(1,311,628)
Housing & Community Dev.	89,737	180,104	-	24,107	114,474	-	114,474
Conservation of Natural Resour	110,871	116,995	-	-	6,124	-	6,124
Debt Service-Debt Serv Int	2,376,239	-	-	-	(2,376,239)	-	(2,376,239)
Total governmental activities	43,735,302	5,094,831	5,597,123	478,856	(32,564,492)	-	(32,564,492)
Business-type Activities:							
West Yellowstone Refuse District	828,661	885,666	42,979	-	-	99,984	99,984
Gallatin County Rest Home	5,735,565	5,324,435	251,825	-	-	(159,305)	(159,305)
Gallatin County Landfill	3,158,842	3,975,555	-	-	-	816,713	816,713
Total business-type activities	9,723,068	10,185,656	294,804	-	-	757,392	757,392
Total primary government	\$ 53,458,370	\$ 15,280,487	\$ 5,891,927	\$ 478,856	\$ (32,564,492)	\$ 757,392	\$ (31,807,100)

**Gallatin County, Montana - Statement of Changes in Net Assets
For the Year Ended June 30, 2012
Net (Expenses Revenues and Changes in Net Assets)**

	Changes in Net Assets		
	--- Primary Government ---		
	Governmental Activities	Business-Type Activities	TOTAL
Property Taxes for General Purposes	30,201,336	(210)	30,201,126
Grants & entitlements not restricted to specific	2,345,984	-	2,345,984
Investment Earnings	315,656	114,833	430,489
Miscellaneous	543,174	-	543,174
Sale/Disposal of Fixed Assets	(14,536)	(1,172)	(15,708)
	33,391,614	113,451	33,505,065
Change in net assets	827,122	870,843	1,697,965
Net assets - beginning	137,876,304	19,472,837	157,349,141
Net assets - ending	\$ 138,703,426	\$ 20,343,680	\$ 159,047,106

See accompanying notes to the financial statements.

Government Activities

Gallatin County spent \$ 43,735,302 for primary governmental activities in fiscal year 2012. Governmental activities include:

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

The previous statement shows the amount paid by property taxpayers was \$30,201,126 or 71.03% of primary government activity expenses. The following table shows the changes in the percentage Taxes are to government activity expenses:

• 2012	69.05%
• 2011	71.03%
• 2010	65.12%
• 2009	67.98%
• 2008	58.04%
• 2007	57.17%
• 2006	52.08%
• 2005	66.74%
• 2004	62.77%
• 2003	67.48%

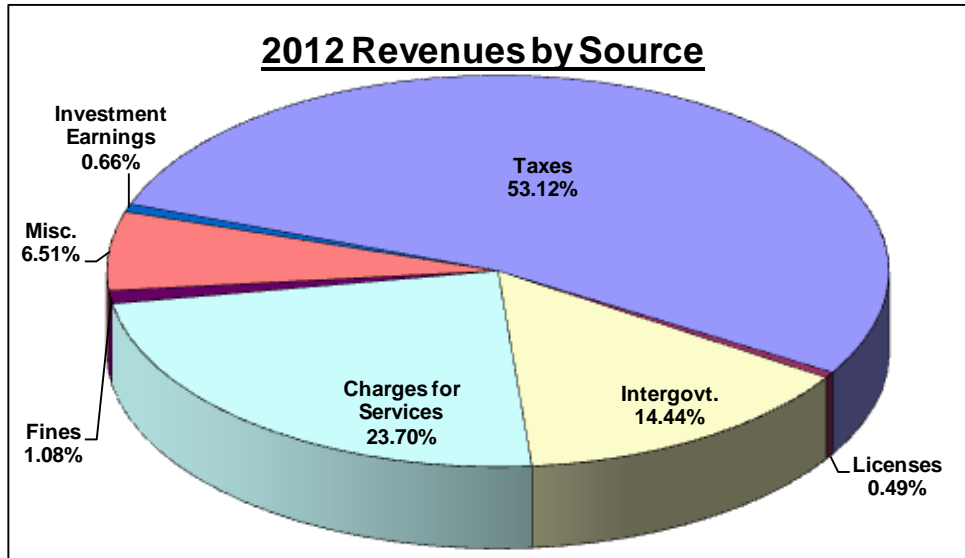
Some costs, as shown on the schedule at the top of page 11, were paid directly by users of a service (Charges for Services), these revenues accounted for \$5,094,831 (11.61%) of fiscal year 2012 Governmental Activity expenses. Operating Grants & Contributions (Intergovernmental Revenues) generated \$5,597,123, accounting for 12.79% of expenses. Other Revenue sources generated the balance of money needed.

Overall, governmental program revenues, both primary government and business-type activity (revenue generated for services, fines, etc.), generated \$15,280,487 from charges for services, while operating grants and contributions equaled \$5,891,927 accounting for \$21,172,414 or \$22,562,888 less than it cost to provide services. Program revenues do not include taxes, investment earnings, entitlements or sale of fixed assets, but are restricted to revenue generated by the individual departments for services, fees, fines, grants, contributions or other direct revenue sources.

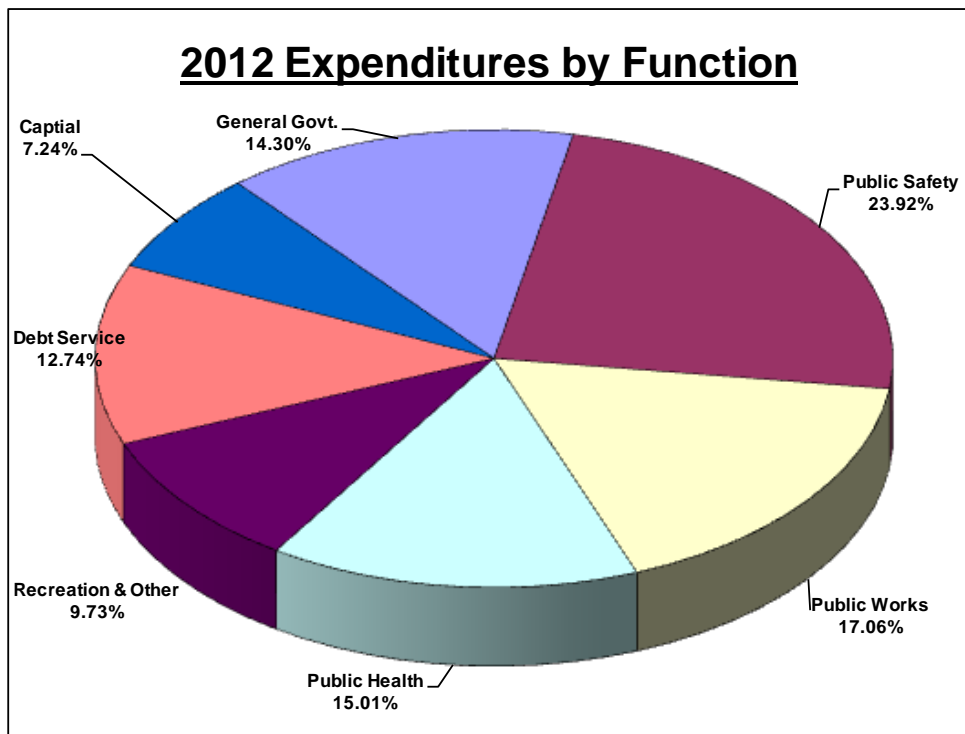
Graph of Revenues by Source – Activities

Gallatin County received \$44,562,424 in revenues to finance governmental operations. Total expenses for governmental activities were \$43,735,302; thus the County's net fund balance increased by \$827,122 from expenses being less than revenues.

After all activities are considered, net assets increased from \$157,349,141 to \$159,047,106 for governmental activities and business type activities. The graphs that follow show revenues by source and expenditures by activity for all activities.

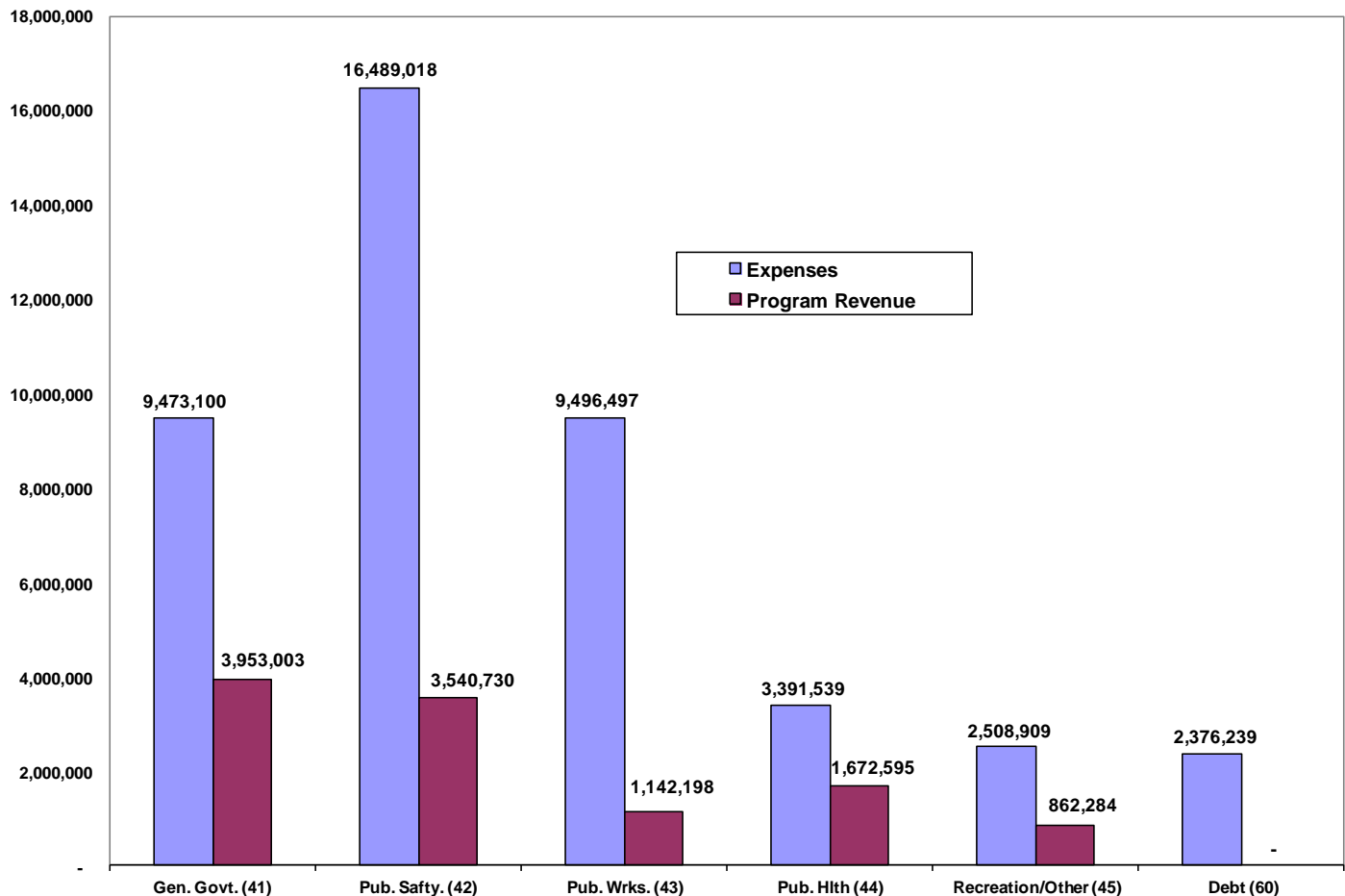


A listing of what departments are included in each function section of the following pie chart can be found earlier in the document.



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

Expenses and Program Revenues by Activity FY 2012



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

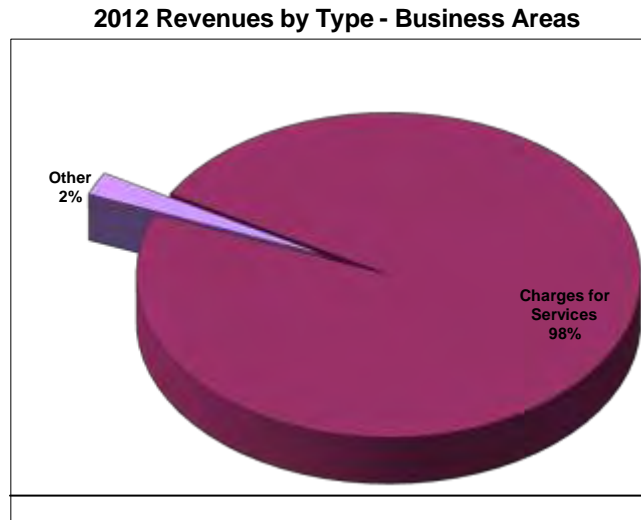
Local governments use tax revenues to support mandated services, allowing Gallatin County to pay for current levels of service. To some extent the County may need to levy part of the inflationary mill to maintain current service levels. In order to increase service levels, the following options are available:

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

Business Type Activities

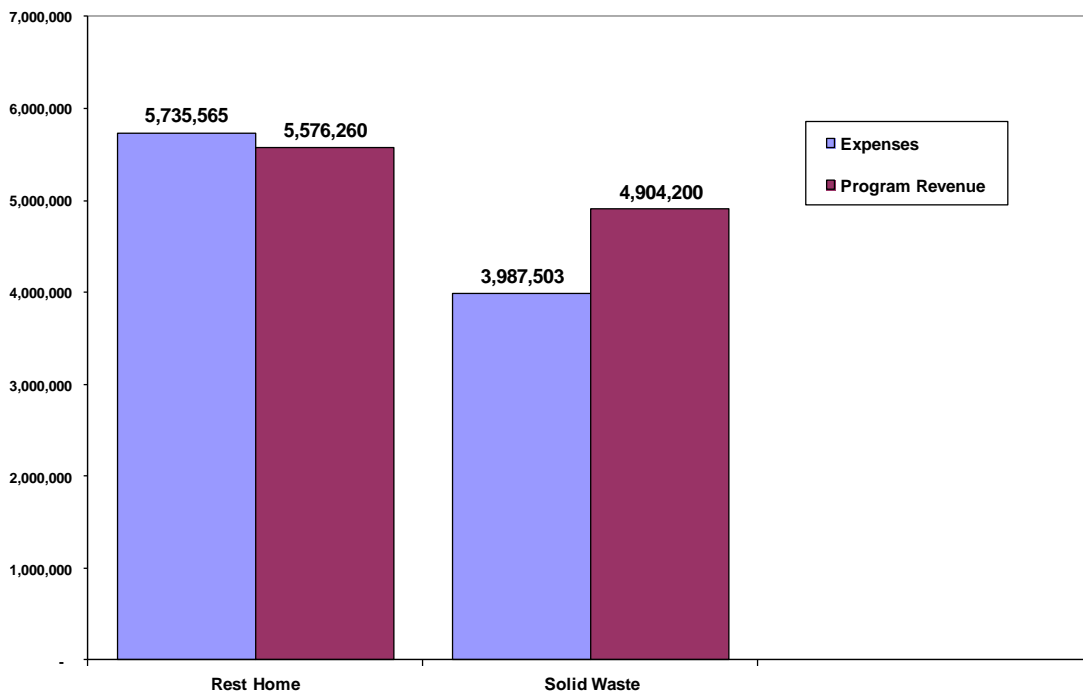
The cost of all proprietary (business type) activities this year was \$9,723,068. The amount paid by users' of the Rest Home, Landfill and Refuse District was \$10,185,656.

Total resources for fiscal year 2012 to finance proprietary funds (business type) were \$10,480,460 (Charges for Services \$10,185,656 and Grants / Contributions \$294,804).



Total proprietary expenses during the year were \$9,723,068

Business Type Activity - Expenses and Revenues FY 2012



Funds of the County

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

General Major Governmental Functions

The information below compares revenues in FY 2012 to FY 2011:

**Gallatin County, State of Montana
Statement of Activities
For the Year Ended June 30, 2012**

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE	RID DEBT SERVICE	Other Governmental Funds	Total Governmental Funds	FY 2011 TOTALS
REVENUES							
Property Taxes	6,124,954	11,368,029	991,457	1,008,360	11,819,565	31,312,365	30,973,477
Licenses & Permits	1,075	32,215	-	-	258,193	291,483	280,763
Intergovernmental Revenues	1,034,561	617,881	-	-	6,564,081	8,216,523	11,527,205
Charges for Services	1,952,401	935,185	-	-	891,181	3,778,767	3,797,263
Fines & Forfeitures	379,534	14,839	-	-	239,638	634,011	609,080
Miscellaneous	81,722	527,530	-	-	511,915	1,121,167	1,850,657
Investment Earnings	112,117	7,475	42,648	4,029	110,182	276,451	492,415
Transfers In	551,355	14,698	-	25,317	2,121,335	2,712,705	3,448,934
Contributions/Donations	-	3,180	-	-	1,260	4,440	8,598,824
Total revenues	10,237,719	13,521,032	1,034,105	1,037,706	22,517,350	48,347,912	61,578,618

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

EXPENSES:							
General Government	7,574,067	-	-	-	1,000,148	8,574,215	9,231,907
Public Safety	1,012,089	11,389,877	-	-	1,939,827	14,341,793	16,734,556
Public Works	710,602	-	1,301,693	-	4,224,766	6,237,061	6,127,201
Public Health	-	-	-	-	3,264,437	3,264,437	3,156,749
Social & Econ Service	393,408	-	-	-	62,120	455,528	504,302
Culture & Recreation	-	-	-	-	1,680,016	1,680,016	1,687,534
Housing & Comm Dev	-	-	-	-	40,930	40,930	3,812,182
Cons Nat'l Resources	-	-	-	-	102,060	102,060	132,472
Miscellaneous	-	-	-	-	-	-	637,527
Principal Retirement	129,095	511,409	-	602,000	4,020,005	5,262,509	5,397,003
Interest	(11,352)	18,025	-	457,475	1,912,091	2,376,239	2,424,179
Capital Outlay	55,043	101,934	-	-	4,182,184	4,339,161	13,468,852
Transfer Out	27,072	617,649	-	-	2,907,021	3,551,742	4,233,453
Total Expenses	9,890,024	12,638,894	1,301,693	1,059,475	25,335,605	50,225,691	67,547,916
	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE	RID DEBT SERVICE	Other Governmental Funds	Total Governmental Funds	FY 2011 TOTALS

The General Fund is always a 'Major Fund'. Public Safety and RID Maintenance Funds are 'Major Funds' because liabilities, revenues and expenditures are all greater than 10% of the Special Revenue Funds. RID Bonds are considered a 'Major Fund' because they have greater than 10% assets and it also has greater than 10% of the Assets and Liabilities of debt service funds.

Proprietary Funds

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

Gallatin County, State of Montana
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				
	GALLATIN COUNTY REST HOME	GALLATIN COUNTY LANDFILL	WEST YELLOWSTONE REFUSE DISTRICT	Total Proprietary Funds	Gov. Activities Internal Service Funds
Operating revenues:					
Charges for Services	5,324,399	3,973,156	884,166	10,181,721	582,260
Miscellaneous	36	-	-	36	1,675
Internal Services	-	-	-	-	5,435,331
Total Operating Revenues	5,324,435	3,973,156	884,166	10,181,757	6,019,266
Operating expenses:					
Sale of Assets	-	-	48,478	48,478	-
Public Safety Personnel Serv.	-	4	-	4	-
Public Works Personnel Serv.	-	829,921	151,865	981,786	-
Public Works Operations	-	1,381,419	467,120	1,848,539	-
Public Works-Depreciation	-	901,217	146,972	1,048,189	-
Public Health Personnel	3,832,653	-	-	3,832,653	-
Public Health Operations	1,766,151	-	-	1,766,151	-
Internal Service-Personnel	-	-	-	-	417,731
Internal Service-Supplies	-	-	-	-	193,262
Internal Service-Purchased Ser	-	-	-	-	1,152,696
Internal Service-Fixed Charges	-	-	-	-	749,138
Internal Service-Depreciation	-	-	-	-	59,625
Internal Serv-Benefit Pymts	-	-	-	-	4,113,875
Public Health Depreciation	136,761	-	-	136,761	-
Total operating expenses	5,735,565	3,112,561	814,435	9,662,561	6,686,327
Operating Income (loss)	(411,130)	860,595	69,731	519,196	(667,061)
Nonoperating revenues (expenses):					
Property Taxes	(210)	-	-	(210)	-
Intergovernmental Revenues	251,825	-	-	251,825	-
State Grants	-	-	42,979	42,979	-
Miscellaneous	-	2,401	1,500	3,901	-
Investment Earnings	39,054	55,629	20,149	114,832	39,204
Sale of Fixed Assets	(1,272)	100	-	(1,172)	-
Sale of Assets	-	-	(14,226)	(14,226)	-
Transfers Out	-	-	-	-	(6,450)
Interest Expense	-	(46,281)	-	(46,281)	-
Total non operating revenue (expenses)	289,397	11,849	50,402	351,648	32,754
Income (loss) before transfers in	(121,733)	872,444	120,133	870,844	(634,307)
Transfers In	-	-	-	-	845,487
Change in net assets	(121,733)	872,444	120,133	870,844	211,180
Total net assets -- beginning	5,943,688	8,937,797	4,591,351	19,472,837	4,879,708
Total net assets -- ending	\$ 5,821,955	\$ 9,810,241	\$ 4,711,484	\$ 20,343,681	\$ 5,090,888

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

	----- PRIOR YEARS -----				CURRENT
	FY 08	FY 09	FY 10	FY 11	FY 12
TOTAL ASSETS	20,614,978	21,292,464	23,155,238	24,220,996	24,406,597
NET ASSETS	14,462,781	16,444,115	17,707,410	19,472,837	20,343,681
TOTAL LIABILITIES	6,152,197	4,848,349	5,447,828	5,748,159	4,062,916
NET INCOME – BUSINESS ACTIVITIES	5,958,258	1,783,866	1,119,223	1,765,427	519,196
<i>(divided by)</i>					
ENDING NET ASSETS	14,462,781	16,444,115	17,707,410	19,472,837	20,343,681
<i>(equals)</i>					
RETURN ON ENDING NET ASSETS	41.20%	10.85%	6.32%	9.06%	2.56%

Debt Administration

Gallatin County continues to have a bond rating from Standard and Poor of AA-, based on the 2011 General Obligation \$2,300,000 refunding bond for Open Space. Loans, bonds, lease/purchase instruments, and similar obligations of Gallatin County are considered a liability of governmental activities. As a whole, Governmental Activities debt decreased in fiscal-year 2012 by \$4,757,164. This came from normal principle payments and early payoff of the 3rd District Court Loan and the Settlement note of \$1,300,000.

The cost per capita for governmental debt outstanding decreased from \$690.98 to \$635.94 in fiscal year 2012 (\$57,914,983 divided by estimated population of 91,070). Governmental activity debt summary for fiscal year 2012 is presented below:

	----- PRIOR YEARS -----				CURRENT
	FY 08	FY 09	FY 10	FY 11	FY 12
DEBT PAYABLE ON (June 30)					
BEGINNING BALANCE	21,127,460	22,371,830	58,916,157	59,648,747	62,773,975
ADD: Intercap Loan / Notes	2,299,000	1,000,000	-0-	1,300,000	300,000
Special Assessment Bonds	900,000	-0-	1,765,000	4,715,000	-0-
G. O Bonds	-0-	36,031,152	1,000,000	2,301,000	-0-
Compensated Absences (INC)	76,669	224,565	58,649	159,428	109,168
Capital Lease Agreements	-0-	1,473,182	-0-	1,273,260	-0-
LESS: Loan/Lease Payments	554,449	1,232,933	795,774	1,954,084	2,774,953
Special Assessment Payments	876,000	310,000	374,000	568,000	602,000
Compensated Absence (DEC)	-0-	15,558	-0-	-0-	5,650
G.O. Payment/Refinancing	600,850	626,081	921,285	4,101,377	1,885,557
DEBT PAYABLE (July 1)	22,371,830	58,916,157	59,648,747	62,773,975	57,914,983
Cost Per Capita	\$256.09	\$655.91	\$656.58	\$690.98	\$635.94

Debt includes compensated absences (amount due to employees for accrued leave, including 1/4 sick leave, all vacation and compensatory time) of \$1,985,460 up \$104K from FY 11. The increase of \$103,518 represents a change of 5.50%, primarily from increased Deputy costs. Debt does not include Other Post Employment Benefits (OPEB) of \$760,139 for Governmental Activities and \$200,129 for Business Type Activities.

The County, by statute, can have debt of 2.50% of Assessed Valuation. For fiscal year 2012 this equals \$218,070,877. County debt of \$50,449,122 (\$58,675,122 less Special Assessment Bonds (RID) \$8,226,000) means the County has used 23.13% of its borrowing capacity through fiscal year 2012, with unused borrowing capacity being \$167,621,755.

Special assessment bonds are not included when calculating debt limit. They are the responsibility of the issuing Rural Improvement District. RID's can be backed by the Rural Improvement Revolving Fund, which maintains a balance in excess of statutory requirements. Statutory requirement is a minimum of 5% of the outstanding RID Bonds, the calculations are (\$8,226,000 X 5% = \$411,300 (cash balance in RSID Revolving Fund amounted to \$1,071,284 as of June 30, 2012). Debt from Business-Type Activities does not affect the county's debt limit.

Capital Assets

Capital assets (non-current assets) of the County are those assets used in the performance of the County's functions including infrastructure assets. On June 30, 2012, net capital assets of our governmental activities totaled \$166,345,274 and the net capital assets associated with business-type activities equaled \$10,341,737.

At the end of 2012 the County had invested in a broad range of capital assets, including law enforcement equipment, roads and road equipment, bridges, county facilities, and other infrastructure. Major additions during 2012 included:

	<u>Governmental</u>	<u>Business-Type</u>
▪ Land – Intangibles	\$ -0-	\$ -0-
▪ Building Improvements	940,406	99,076
▪ Intangibles Software	-0-	-0-
▪ Intangibles Easements	85,316	-0-
▪ Infrastructure	5,364,165	-0-
▪ Improvements	2,275	94,500
▪ Machinery & Equipment	875,462	69,376
▪ Construction in Progress	(2,519,311)	43,093

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

Budgets and Budgetary Accounting

County General and Public Safety Fund Budget Highlights and Variances

The fiscal year 2012 adopted and final budget for the General and Public Safety Funds were \$24,666,797. The budgets increased by \$4,338,602 during the year. Individual department budgets were amended, throughout the year, without affecting the total budget.

Original Budget	+	Continuing Appropriations	+	Encumbrances	=	Beg. Balance
\$ 23,820,100	+	-0-	+	-0-	=	\$ 23,820,100

Beg. Balance	+/-	Supplemental Changes	=	Final Budget
\$ 23,820,100	+	\$ 323,373	=	\$ 24,142,473

The beginning to final budget shows an increase of 13.58% from budget amendments. Changes were caused by a payoff of the settlement loan and changes associated with normal budget amendments for grants and increase in fee revenue.

Budget Changes – FY 12 Compared to FY 2013

No major changes in operational budgets occurred between fiscal year 2013 and fiscal year 2012 by the County Commission. Changes in staffing were:

Staffing Changes (FTE)

DEPARTMENT/DIVISION	Net Increase (Decrease)
COUNTY AUDITOR	0.17
COURT SERVICES	(0.08)
DETENTION CENTER	(1.00)
ENVIRONMENTAL HEALTH	0.25
EXTENSION	(0.50)
FAIR - Accountant if sufficient revenue	0.25
FINANCE - Accounting	0.50
HEALTH - HUMAN SERVICES	0.69
ITS	0.04
9-1-1 - Law Enforcement Records (prev. temp.)	1.00
NOXIOUS WEED	(0.12)
ROAD MAINTENANCE	0.75
SHERIFF	0.36
TREASURER	0.53
TOTAL COUNTY TAX SUPPORTED PERSONNEL	2.84
HEALTH - CITY/COUNTY - GRANTS	0.62
PUBLIC SAFETY / MRDTF GRANT	(0.75)
REST HOME (if CNA's can be hired)	0.91
SOLID WASTE SYSTEM	1.00
OTHER CHANGES	(0.74)
TOTAL NON TAX SUPPORTED PERSONNEL	1.04
TOTAL CHANGES IN PERSONNEL	3.88

The following Capital Projects table identifies estimated costs of projects, amount expended through June 30, 2012 and the amount budgeted for FY 2013. The table includes 'Capital Equipment (County accounts)' for capital outlay funded through tax supported funds, 'Capital Equipment (grants/misc.)' which summarizes authorized capital purchases from Grants and misc. funds and 'Capital Equipment (special districts)' for capital items funded from fire districts, etc.

CAPITAL OUTLAY / CAPITAL PROJECTS								
FY 2013 CAPITAL PROJECTS/OUTLAY - Approved <u>Budget</u>								
Projects by Department/Project Name								
CAPITAL PROJECTS								
DESCRIPTION	YEAR	FY 2013 BUDGET	ESTIMATED PROJECT	REVENUE SOURCES				Amount Needed
				County	Department	Other	TOTAL	
Core Rolling Stock	2013	1,331,336	7,900,000	5,400,000	2,500,000	-	7,900,000	-
Bridge Replacement Program	2013	200,000	23,948,640	21,448,640	2,500,000	-	23,948,640	-
Building Reserve (\$.95/sq. ft.)	2013	780,000	780,000	-	780,000	-	780,000	-
Judicial / Law Enforcement Building	2013	100,000	43,210,200	28,086,630	-	15,123,570	43,210,200	-
Guenther Update/Remodel	2013	175,000	250,000	250,000	-	-	250,000	-
Airport Interchange	2013	10,976,224	37,800,000	2,000,000	-	35,800,000	37,800,000	-
CTEP PROJECTS	2013	26,000	531,231	26,000	-	505,231	531,231	-
subtotal Budgeted Projects		13,588,560	114,420,071	57,211,270	5,780,000	51,428,801	114,420,071	-
CIP - Long Term				ESTIMATES ONLY				
Fair - Indoor Arena	2016	-	1,500,000	-	-	-	-	1,500,000
DES - Storage Facility	2018	-	400,000	-	-	-	-	400,000
Fair - Move RV Pedestals	2014	-	50,000	-	-	-	-	50,000
Fair - Parking North of Office	2015	-	62,000	-	20,667	20,667	41,334	20,666
Historical Society - Old Jail		-	150,000	-	-	-	-	150,000
Fair - Indoor Swim Center	5+	-	7,195,000	-	-	7,195,000	7,195,000	-
Fair - Storm Water Management	2016	-	60,000	-	-	-	-	60,000
Fair - Year Round Ice Facility	2015	-	4,500,000	-	-	4,500,000	4,500,000	-
Fair- Exhibit Bldg Remodel	2015	-	55,000	-	-	-	-	55,000
Fair - Remodel Midway Facility	5+	-	62,000	-	-	-	-	62,000
Fair - Sale Pavilion	2014	-	60,000	-	-	-	-	60,000
Fair - Event Center	5+	-	4,500,000	-	-	-	-	4,500,000
Fair - New Animal Wash Rack	2015	-	50,000	-	-	-	-	50,000
Fair - Signage at Entrances	2014	-	60,000	-	-	-	-	60,000
Fair - Outdoor Lazy River Water Park	5+	-	2,700,000	-	-	2,700,000	2,700,000	-
Fair - Concourse Building	2018	-	2,500,000	-	-	-	-	2,500,000
Fair - Model Train Building		-	150,000	-	-	-	-	150,000
subtotal CIP Long - Term		-	24,054,000	-	20,667	14,415,667	14,436,334	9,617,666
TOTAL CAPITAL PROJECTS		13,588,560	138,474,071	57,211,270	5,800,667	65,844,468	128,856,405	9,617,666

Capital Projects increased to \$138.5 million for FY 2013, with \$13,588,560 funded in FY 2013. The previous table shows funding for all capital projects, capital outlay, capital equipment and those projects included in the long-term capital plan but not funded during in the FY 2013 Budget. The Commission authorized \$1,331,336 for the Core Rolling Stock, \$200,000 for a new Bridge Replacement Program, \$805,000 for repair, remodeling and updating of County Facilities, \$100,000 for co-design of the Law Enforcement Building, Guenther Remodel \$150,000, \$10,976,224 for the East Belgrade (Airport) I-90 Interchange, with \$2,000,000 being a county debt and the balance coming from outside sources and \$26,000 in CTEP Projects.

Summary

The fiscal year 2013 budget sees increases in taxes for operations and decreases in taxes for debt service. A comparison of budgeted taxes and mill levies for fiscal year 2009 through fiscal year 2013 shows:

<u>TAXES</u>						
<u>Description</u>	<u>FY 2009</u>	<u>FY 2010</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>% Change</u>
County Operating Taxes	\$15,408,210	\$16,343,857	\$16,901,437	\$17,122,165	\$17,362,033	1.40%
Road and Library Taxes	2,980,571	3,153,566	3,294,337	3,373,752	3,563,417	5.62%
Debt Service/Insurance Taxes	2,251,477	3,941,648	5,250,549	5,173,537	4,719,997	(8.77%)

MILL LEVIES:

County Operating Taxes	73.52	73.20	73.20	72.62	72.50	(0.02%)
Road and Library Taxes	25.47	25.23	25.39	25.48	26.34	3.37%
Debt Service/Insurance Taxes	10.89	17.80	22.88	22.08	19.79	(10.37%)

TAXABLE VALUATIONS:

County Wide Valuations	209,639	223,244	230,919	235,791	239,468	1.56%
Road and Library Valuations	117,027	125,025	129,779	132,432	135,307	2.17%
Open Land Valuations	203,197	217,532	225,562	231,290	235,498	1.82%

The previous table shows growth in the valuation of property (primarily new construction) accounted for 1.56% of the increase in taxes, with the balance coming from small increase associated with reappraisal. The County Commission did not maximize the number of mills levied for the Permissive Medical levy (premiums for fiscal year 2013 did increase, therefore but taxes did not increase). The Commission did not maximize taxes for county operating and rural taxes as authorized by state law. This results in the County not assessing taxes of \$1,788,976. The Commission may impose these taxes in future years if they deem it is in the best interest of the County. In addition, the Commission could levy \$1,285,043 in Permissive Medical Taxes.

Contacting the County Financial Management

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

Gallatin County, Montana
Board of County Commissioners


R. Stephen White, Chairman

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE

FINANCIAL

STATEMENTS

Gallatin County, State of Montana
Statement of Net Assets
June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	33,766,573	10,858,636	44,625,209
Cash & Cash Equivalents-Restricted		2,338,767	2,338,767
Tax/Assessments Receivable (Net)	10,853,049	957	10,854,006
Other Receivables	1,591,431	866,499	2,457,930
Inventories	204,478	-	204,478
Capital Assets (net)	154,522,252	10,341,738	164,863,990
Total assets	<u>\$ 200,937,783</u>	<u>\$ 24,406,597</u>	<u>\$ 225,344,380</u>
LIABILITIES			
Accounts Payable	1,562,343	261,317	1,823,660
Accrued Payroll & Other Liabilities	1,321,470	286,003	1,607,473
Deferred Revenue	655,704	-	655,704
Deposits Payable	19,719	-	19,719
Current Portion Of Long Term Debt	3,308,746	396,177	3,704,923
Long Term Debt	54,606,237	1,191,091	55,797,328
Closure/Post Closure Costs	-	1,728,200	1,728,200
GASB45 OPEB Obligation	760,138	200,129	960,267
Total liabilities	<u>62,234,357</u>	<u>4,062,917</u>	<u>66,297,274</u>
NET ASSETS			
Invested in capital assets, net of related debt	98,592,729	9,036,239	107,628,968
Restricted	1,390,765	2,338,767	3,729,532
Unrestricted	<u>\$ 38,719,932</u>	<u>\$ 8,968,674</u>	<u>\$ 47,688,606</u>
Total net assets	<u>\$ 138,703,426</u>	<u>\$ 20,343,680</u>	<u>\$ 159,047,106</u>

See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Activities
For the Year Ended June 30, 2012

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental activities:							
General Government	\$ 9,473,100	\$ 2,001,464	\$ 1,672,123	\$ 279,416	\$ (5,520,097)	\$ -	\$ (5,520,097)
Public Safety	16,489,018	1,763,039	1,777,691	-	(12,948,288)	-	(12,948,288)
Public Works	9,496,497	157,004	809,861	175,333	(8,354,299)	-	(8,354,299)
Public Health	3,391,539	343,248	1,329,347	-	(1,718,944)	-	(1,718,944)
Social & Economic Services	485,585	29,990	-	-	(455,595)	-	(455,595)
Culture & Recreation	1,822,716	502,987	8,101	-	(1,311,628)	-	(1,311,628)
Housing & Community Dev.	89,737	180,104	-	24,107	114,474	-	114,474
Conservation of Natural Resour	110,871	116,995	-	-	6,124	-	6,124
Debt Service-Debt Serv Int	2,376,239	-	-	-	(2,376,239)	-	(2,376,239)
Total governmental activities	43,735,302	5,094,831	5,597,123	478,856	(32,564,492)	-	(32,564,492)
Business-type Activities:							
West Yellowstone Refuse District	828,661	885,666	42,979	-	-	99,984	99,984
Gallatin County Rest Home	5,735,565	5,324,435	251,825	-	-	(159,305)	(159,305)
Gallatin County Landfill	3,158,842	3,975,555	-	-	-	816,713	816,713
Total business-type activities	9,723,068	10,185,656	294,804	-	-	757,392	757,392
Total primary government	\$ 53,458,370	\$ 15,280,487	\$ 5,891,927	\$ 478,856	\$ (32,564,492)	\$ 757,392	\$ (31,807,100)
Property Taxes for General Purposes					30,201,336	(210)	30,201,126
Grants & entitlements not restricted to specific					2,345,984	-	2,345,984
Investment Earnings					315,656	114,833	430,489
Miscellaneous					543,174	-	543,174
Sale/Disposal of Fixed Assets					(14,536)	(1,172)	(15,708)
Total general revenues					33,391,614	113,451	33,505,065
Change in net assets					827,122	870,843	1,697,965
Net assets - beginning					137,876,304	19,472,837	157,349,141
Net assets - ending					\$ 138,703,426	\$ 20,343,680	\$ 159,047,106

See accompanying notes to the financial statements.

FUND

FINANCIAL

STATEMENTS

Gallatin County, State of Montana
Balance Sheet
Governmental Funds
June 30, 2012

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE	RID BOND DEBT SERVICE	Other Governmental Funds	Total Governmental Funds
Current assets:						
Cash & Cash Equivalents	\$ 3,927,301	\$ 1,881,742	\$ 4,320,944	\$ 323,196	\$ 18,215,546	\$ 28,668,729
Real Estate	239,187	494,954	58,072	167,539	620,685	1,580,437
Personal	64,052	103,256	-	-	150,665	317,973
Protested	100,073	204,559	-	4,884	235,518	545,034
Special Assessments	-	-	-	8,409,605	-	8,409,605
Accounts Receivable-Net	347,635	96,466	-	-	839,026	1,283,127
Notes Receivable	-	-	-	-	253,334	253,334
Due from Advance to Other fund	-	286,993	-	-	23,553	310,546
Inventories	149,113	-	-	-	55,365	204,478
Total Current assets:	4,827,361	3,067,970	4,379,016	8,905,224	20,393,692	41,573,263
Total assets	\$ 4,827,361	\$ 3,067,970	\$ 4,379,016	\$ 8,905,224	\$ 20,393,692	\$ 41,573,263
LIABILITIES AND FUND BALANCES						
Current liabilities:						
Accounts Payable	203,094	234,057	25,322	-	911,007	1,373,480
Contracts/Loans Payable	-	-	-	19,719	-	19,719
Other Accrued Payables	365,694	345,142	-	4,998	318,522	1,034,356
Due To Other Funds	-	-	-	13,021	297,525	310,546
Deferred Revenue	621,730	802,769	58,072	8,582,028	1,077,616	11,142,215
Total Current liabilities:	1,190,518	1,381,968	83,394	8,619,766	2,604,670	13,880,316
Total liabilities	1,190,518	1,381,968	83,394	8,619,766	2,604,670	13,880,316
Fund balances:						
Nonspendable:						
Inventories	149,113	-	-	-	55,365	204,478
Restricted for:						
Grants	382,745	-	-	-	3,317,904	3,700,649
Debt Service Obligations	-	-	-	-	853,875	853,875
RID Debt Services	-	-	-	285,458	-	285,458
Construction Projects	-	-	-	-	3,937,551	3,937,551
General Government	-	-	-	-	12,874	12,874
Public Safety	-	21,097	-	-	-	21,097
Committed for:	-	-	-	-	-	-
RID Maintenance	-	-	4,295,622	-	-	4,295,622
General Government	2,732,530	-	-	-	4,797,887	7,530,417
Public Safety	-	1,631,897	-	-	57,971	1,689,868
Public Works	-	-	-	-	2,506,952	2,506,952
Public Health	-	-	-	-	1,155,637	1,155,637
Culture & Recreation	-	-	-	-	545,797	545,797
Conservation Of Natural Resources	-	-	-	-	547,209	547,209
Assigned for:	-	-	-	-	-	-
General Government	372,455	-	-	-	-	372,455
Public Safety	-	33,008	-	-	-	33,008
Total fund balances	3,636,843	1,686,002	4,295,622	285,458	17,789,022	27,692,947
Total liabilities and fund balances	\$ 4,827,361	\$ 3,067,970	\$ 4,379,016	\$ 8,905,224	\$ 20,393,692	\$ 41,573,263

See accompanying notes to the financial statements.

Gallatin County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2012

Total fund balances - governmental funds	\$	27,692,947
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Amounts reported for *governmental activities* in the statement of net assets are different because:

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

Capital assets	243,376,149	
Accumulated depreciation	-89,300,236	
		154,075,913

Property taxes receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	10,853,049
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Unamortized Debt Issuance Costs	(366,538)
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An internal service fund is used by management to charge the costs of employees medical insurance. The governmental portion of the internal service fund are included with governmental activities	5,090,887
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Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds	(58,642,832)
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Total net assets - governmental activities	\$	138,703,426
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See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE	RID BOND DEBT SERVICE	Other Governmental Funds	Total Governmental Funds
REVENUES	\$	\$	\$	\$	\$	\$
Property Taxes	6,124,954	11,368,029	991,457	1,008,360	11,819,565	31,312,365
Licenses & Permits	1,075	32,215	-	-	258,193	291,483
Intergovernmental Revenues	1,034,561	617,881	-	-	6,564,081	8,216,523
Charges for Services	1,952,401	935,185	-	-	891,181	3,778,767
Fines & Forfeitures	379,534	14,839	-	-	239,638	634,011
Miscellaneous	81,723	527,530	-	-	511,915	1,121,168
Investment Earnings	112,117	7,475	42,648	4,029	110,182	276,451
Contributions/Donations	-	3,180	-	-	1,260	4,440
Total revenues	9,686,365	13,506,334	1,034,105	1,012,389	20,396,015	45,635,208
EXPENDITURES						
Current:						
General Government	7,574,067	-	-	-	1,000,148	8,574,215
Public Safety	1,012,089	11,389,877	-	-	1,939,827	14,341,793
Public Works	710,602	-	1,301,693	-	4,224,766	6,237,061
Public Health	-	-	-	-	3,264,437	3,264,437
Social & Econ Service	393,408	-	-	-	62,120	455,528
Culture & Recreation	-	-	-	-	1,680,016	1,680,016
Housing & Comm Dev	-	-	-	-	40,930	40,930
Cons Nat'l Resources	-	-	-	-	102,060	102,060
Debt service:						
Principal Retirement	129,095	511,409	-	602,000	4,020,005	5,262,509
Interest	(11,352)	18,025	-	457,475	1,912,091	2,376,239
Capital Outlay	55,043	101,934	-	-	4,182,184	4,339,161
Total expenditures	9,862,952	12,021,245	1,301,693	1,059,475	22,428,584	46,673,949
Excess (deficiency) of revenues over expenditures	(176,587)	1,485,089	(267,588)	(47,086)	(2,032,569)	(1,038,741)
OTHER FINANCINGSOURCES (USES)						
Transfers Out	(27,072)	(617,649)	-	-	(2,907,021)	(3,551,742)
Proc. Notes/Loans/Intercep.	-	-	-	-	300,000	300,000
Sale of Fixed Assets	-	-	-	-	2,475	2,475
Transfers In	551,355	14,698	-	25,317	2,121,335	2,712,705
Total other financing sources and uses	-	-	-	-	-	-
	524,283	(602,951)	-	25,317	(483,211)	(536,562)
Net Change in fund balances	347,696	882,138	(267,588)	(21,769)	(2,515,780)	(1,575,303)
Fund balances -- beginning	3,289,147	803,864	4,563,210	307,227	20,304,802	29,268,250
Fund balances -- ending	\$ 3,636,843	\$ 1,686,002	\$ 4,295,622	\$ 285,458	\$ 17,789,022	\$ 27,692,947

See accompanying notes to the financial statements.

Gallatin County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year ended June 30, 2012

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

Net change in fund balances - total governmental funds	\$	(1,575,304)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Asset acquisition	\$ 5,022,062	
Depreciation	-6,486,555	
		(1,464,493)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(1,097,453)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Increase in compensated absences	-109,168	
Increase in GASB 45 OPEP Obligation	\$ -100,150	
		(209,318)

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

Notes Payable and Capital Leasing	\$ -300,000	
		(300,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		5,262,509
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Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of the internal service funds is reported with the governmental activities.		211,181
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Change in net assets - statement of activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black;">827,122</div>
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See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Net Assets
Proprietary Funds
June 30, 2012

	Business-type Activities - Enterprise Funds				
	GALLATIN COUNTY REST HOME	GALLATIN COUNTY LANDFILL	YELLOWSTONE REFUSE DISTRICT	Total Proprietary Funds	Gov. Activities Internal Service Funds
ASSETS					
Current assets:					
Cash & Cash Equivalents	\$ 4,577,401	\$ 4,041,986	\$ 2,239,248	\$ 10,858,635	\$ 5,097,845
Cash & Cash Equiv-Restricted	-	2,338,767	-	2,338,767	-
Real Estate	139	-	612	751	-
Personal	206	-	-	206	-
Accounts Receivable-Net	244,746	402,899	218,855	866,500	54,970
Capital Assets-Net of Accum.	1,586,321	6,389,283	2,366,134	10,341,738	446,335
Total Current assets	6,408,813	13,172,935	4,824,849	24,406,597	5,599,150
Total assets	6,408,813	13,172,935	4,824,849	24,406,597	5,599,150
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts Payable	71,242	106,075	84,000	261,317	188,862
Contracts/Loans Payable	-	1,305,500	-	1,305,500	-
Other Accrued Payables	147,290	130,306	8,407	286,003	287,111
Compensated Absences	20,603	6,082	1,492	28,177	21,369
Total Current liabilities:	239,135	1,547,963	93,899	1,880,997	497,342
Non current liabilities:					
GASB 45 OPEB Obligation	162,299	31,790	6,040	200,129	10,920
Closure/Post Closure Costs	-	1,728,200	-	1,728,200	-
Compensated Absences	185,424	54,741	13,426	253,591	-
Total Non Current Liabilities	347,723	1,814,731	19,466	2,181,920	10,920
Total liabilities	586,858	3,362,694	113,365	4,062,917	508,262
NET ASSETS					
Invested in capital assets, net of related debt	1,739,939	4,311,596	2,565,289	8,616,824	-
Restricted (expendable)	-	2,338,767	-	2,338,767	-
Unrestricted	4,082,016	3,159,878	2,146,195	9,388,089	5,090,888
Total net assets	\$ 5,821,955	\$ 9,810,241	\$ 4,711,484	\$ 20,343,680	\$ 5,090,888

See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				
	GALLATIN COUNTY REST HOME	GALLATIN COUNTY LANDFILL	YELLOWSTONE REFUSE DISTRICT	Total Proprietary Funds	Gov. Activities Internal Service Funds
Operating revenues:					
Charges for Services	\$ 5,324,399	\$ 3,973,156	\$ 884,166	\$ 10,181,721	\$ 582,260
Miscellaneous	36	-	-	36	1,675
Internal Services	-	-	-	-	5,435,331
Total Operating Revenues	<u>5,324,435</u>	<u>3,973,156</u>	<u>884,166</u>	<u>10,181,757</u>	<u>6,019,266</u>
Operating expenses:					
Sale of Assets	-	-	48,478	48,478	-
Public Safety Personnel Serv.	-	4	-	4	-
Public Works Personnel Serv.	-	829,921	151,865	981,786	-
Public Works Operations	-	1,381,419	467,120	1,848,539	-
Public Works-Depreciation	-	901,217	146,972	1,048,189	-
Public Health Personnel	3,832,653	-	-	3,832,653	-
Public Health Operations	1,766,151	-	-	1,766,151	-
Internal Service-Personnel	-	-	-	-	417,731
Internal Service-Supplies	-	-	-	-	193,262
Internal Service-Purchased Ser	-	-	-	-	1,152,696
Internal Service-Fixed Charges	-	-	-	-	749,138
Internal Service-Depreciation	-	-	-	-	59,625
Internal Serv-Benefit Pymts	-	-	-	-	4,113,875
Public Health Depreciation	136,761	-	-	136,761	-
Total operating expenses	<u>5,735,565</u>	<u>3,112,561</u>	<u>814,435</u>	<u>9,662,561</u>	<u>6,686,327</u>
Operating Income (loss)	<u>(411,130)</u>	<u>860,595</u>	<u>69,731</u>	<u>519,196</u>	<u>(667,061)</u>
Nonoperating revenues (expenses):					
Property Taxes	(210)	-	-	(210)	-
Intergovernmental Revenues	251,825	-	-	251,825	-
State Grants	-	-	42,979	42,979	-
Miscellaneous	-	2,401	1,500	3,901	-
Investment Earnings	39,054	55,629	20,149	114,832	39,204
Sale of Fixed Assets	(1,272)	100	-	(1,172)	-
Sale of Assets	-	-	(14,226)	(14,226)	-
Transfers Out	-	-	-	-	(6,450)
Interest Expense	-	(46,281)	-	(46,281)	-
Total non operating revenue (expenses)	<u>289,397</u>	<u>11,849</u>	<u>50,402</u>	<u>351,648</u>	<u>32,754</u>
Income (loss) before contributions and transfers	(121,733)	872,444	120,133	870,844	(634,307)
Transfers In	-	-	-	-	845,487
Change in net assets	<u>(121,733)</u>	<u>872,444</u>	<u>120,133</u>	<u>870,844</u>	<u>211,180</u>
Total net assets -- beginning	<u>5,943,688</u>	<u>8,937,797</u>	<u>4,591,351</u>	<u>19,472,836</u>	<u>4,879,708</u>
Total net assets -- ending	<u>\$ 5,821,955</u>	<u>\$ 9,810,241</u>	<u>\$ 4,711,484</u>	<u>\$ 20,343,680</u>	<u>\$ 5,090,888</u>

See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012

	Business-type Activities - Enterprise Funds				
	GALLATIN COUNTY REST HOME	GALLATIN COUNTY LANDFILL	YELLOWSTON E REFUSE DISTRICT	TOTAL PROPRIETARY FUNDS	GOV ACTIVITIES INTERNAL SERVICE FUNDS
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash From interfund	\$ -	\$ -	\$ -	\$ -	\$ 5,847,196
Cash Other	36	-	-	36	-
Cash receipts from customer	5,483,279	4,029,115	851,066	10,363,460	565,607
Other Payments	(30,009)	200,525	-	170,516	-
Payments to employees	(3,824,773)	(815,354)	(148,702)	(4,788,829)	(935,678)
Payments to interfund	(56,700)	-	-	(56,700)	(16,913)
Payments to suppliers	(1,754,191)	(1,374,039)	(478,664)	(3,606,894)	(6,130,809)
Net cash provided by operating activities	<u>(182,358)</u>	<u>2,040,247</u>	<u>223,700</u>	<u>2,081,588</u>	<u>(670,597)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Intergovernmental Revenue	251,825	-	42,979	294,804	-
Subsidy from taxes	1,043	-	-	1,043	-
Transfers from (to) Other Funds	-	-	-	-	839,037
Net cash (used) by Noncapital financing	<u>252,868</u>	<u>-</u>	<u>42,979</u>	<u>295,847</u>	<u>839,037</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Interest Paid on Debt	-	(46,281)	-	(46,281)	-
Principal on Debt	-	(598,000)	-	(598,000)	-
Purchases/acquisition/const. of Capital Assets	(88,148)	(453,442)	(80,878)	(622,468)	(14,000)
Net cash (used) by capital and related financing	<u>(88,148)</u>	<u>(1,097,723)</u>	<u>(80,878)</u>	<u>(1,266,749)</u>	<u>(14,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest Earnings	39,054	58,129	21,649	118,832	39,204
Net cash provided by investing activities	<u>39,054</u>	<u>58,129</u>	<u>21,649</u>	<u>118,832</u>	<u>39,204</u>
Net Increase (decrease) in cash and	21,416	1,000,652	207,450	1,229,518	193,644
Balances - beginning of year	<u>4,555,985</u>	<u>5,380,101</u>	<u>2,031,798</u>	<u>11,967,884</u>	<u>4,904,201</u>
Balances - end of the year	<u>\$ 4,577,401</u>	<u>\$ 6,380,753</u>	<u>\$ 2,239,248</u>	<u>\$ 13,197,402</u>	<u>\$ 5,097,845</u>
Cash and Equivalents consists of:					
Cash and investments	\$ 4,577,401	\$ 4,041,986	\$ 2,239,248	\$ 10,858,635	\$ 5,097,845
Restricted cash and investments		2,338,767		2,338,767	
Total cash and cash equivalents	<u>\$ 4,577,401</u>	<u>\$ 6,380,753</u>	<u>\$ 2,239,248</u>	<u>\$ 13,197,402</u>	<u>\$ 5,097,845</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:					
Operating income (loss)	(411,130)	860,595	69,731	519,196	(667,061)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation Expense	136,761	901,217	146,973	1,184,951	59,627
Changes in assets and Liabilities:					
Increase in Accounts Payable - Other	(9,888)	200,525	-	190,637	55,550
Increase (decrease) in Accounts Payable -	(51,485)	7,380	36,934	(7,171)	(3,974)
Increase (decrease) in Compensated	(5,496)	11,833	2,434	8,771	-
(Increase) decrease in Customer Receivables	158,880	55,958	(33,100)	181,738	393,535
Increase (decrease) in Salaries & Benefits	-	2,739	728	3,467	(508,274)
Net Cash provided by operating activities	<u>\$ (182,358)</u>	<u>\$ 2,040,247</u>	<u>\$ 223,700</u>	<u>\$ 2,081,589</u>	<u>\$ (670,597)</u>

See accompanying notes to the financial statements

**GALLATIN COUNTY, MONTANA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2012**

	Investment Trust Funds	Agency Funds
	<hr/>	<hr/>
ASSETS		
Cash and investments	\$ 55,140,000	\$ 10,480,842
Tax/assessment receivable (net)	-	8,744,446
Accrued Interest Receivable	-	70,020
Total Assets	\$ 55,140,000	\$ 19,295,308
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	\$ -	\$ 3,505,608
Due to other governments	-	15,789,701
Total Liabilities	-	\$ 19,295,309
	<hr/>	<hr/>
NET ASSETS		
Held in trust for investments and other purposes	\$ 55,140,000	\$ -
	<hr/>	<hr/>

See accompanying notes to the financial statements.

COUNTY OF GALLATIN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2012

	<u>Investment Trust Funds</u>
ADDITIONS:	
Investment earnings	\$ 654,216
Contributions to investment trust	45,035,784
Total Additions	<u>45,690,000</u>
DEDUCTIONS:	
Distribution of investments	47,136,866
Total Deductions	<u>47,136,866</u>
Change in net assets	(1,446,866)
Net assets - July 1, 2011	56,586,866
Net assets - June 30, 2012	<u>\$ 55,140,000</u>

See accompanying notes to the financial statements.

NOTES

TO THE

FINANCIAL

STATEMENTS

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The County of Gallatin is a political subdivision of the State of Montana governed by a three member Board of Commissioners duly elected by the registered voters of the County. The County utilizes the Commission form of government. The accompanying financial statements present the primary government.

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, fines and forfeitures, and interest associated with the current fiscal periods are all considered to be susceptible to accrual and have been recognized as revenues of the current period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue in the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. Taxes and assessments receivable remaining uncollected at year end are offset by deferred revenue since they are not available to pay liabilities of the current period.

The government reports the following governmental funds:

General Fund – The general fund should be used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Funds – To account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Fund – To account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Fund – To account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The government reports the following major governmental funds:

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

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

RID Maintenance Special Revenue Fund- This fund accounts for financial resources for the maintenance costs associated with the rural improvement districts.

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

The Government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

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

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

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

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

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

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

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2.Receivables and Payables

Activity between funds that are representative of lending or borrowing arrangements outstanding at fiscal year end are referred to as due from/to other funds.

Accounts receivables are shown net of an allowance for uncollectible accounts. An allowance for uncollectible accounts was not maintained for real and personal property taxes and special assessments receivable. The direct write off method is used for these accounts. This is an immaterial departure from generally accepted accounting principles. The allowance for bad debts for the Rest Home is 1.5% of the average annual sales. For the County Rest Home the allowance for doubtful accounts at June 30, 2012 was \$74,598. The process for determining the allowance for bad debts for Justice Court is 30% of balances that are less than 5 years old and receivables that are 5 years or older are written off. For Justice Court the allowance for doubtful accounts at June 30, 2012 was \$81,906.

Property tax levies are set on the later of the first Thursday in September or within thirty calendar days after receiving certified taxable valuation (MCA 7-6-4036) in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent. These taxes attach as an enforceable lien immediately if not paid when due. A lien is placed upon the property and after three years, the County may exercise the lien and take title to the property. Special assessments are set based on a square foot, per lot or per utilization basis for each district created by the County Commission (RID Bond, RID Maintenance, Local Water Quality, Planning / Zoning, and Lighting Districts) on the later of the first Thursday in September or within thirty calendar days after receiving certified taxable valuation, in connection with the budget process. They are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later then the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves. The first is due thirty days after billing; the second due November 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges. Personal property taxes attach as an enforceable lien immediately if not paid when due.

The tax levies for the fiscal year ended June 30, 2012 were based upon the County wide taxable valuation of \$235,791,240.

3.Inventories and Prepaid Items

All inventories are valued at cost. Inventories are recorded as expenditures when purchased. Any material inventory remaining at year-end is included in the balance sheets of each fund at cost. The reported inventory is offset equally by a fund balance reserve which indicates that it does not constitute available spendable resources even though it is included in net current assets. The First-In First-Out (FIFO) valuation method is used to value the inventory.

4.Warrants Payable

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

5.Restricted Assets and Sources

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

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6. Capital Assets

Capital assets which include: property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, curbs, etc), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 year, except for the Rest Home where assets with a value of \$500 or more are capitalized. Such assets are recorded at historical cost or capital estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	15-40
Building Improvements	10-20
Infrastructure:	
Road	20-60
Bridge	50-75
Vehicles	7
Equipment other than Vehicles	5-20
Office Equipment	5-20
Computer Equipment	5
Intangibles:	
Software	7

Capital assets that are not depreciated include land and easements.

7. Deferred Revenues

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

8. Compensated Absences

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

9. Long-term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuance are

GALLATIN COUNTY, MONTANA
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reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

10. Fund Balance

Governmental Accounting Standard Board (GASB) Statement No. 54 requires presentation of governmental fund balances by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate for the following fund balance classifications: nonspendable, restricted, committed, assigned and unassigned.

Nonspendable represents the portion of fund balance that is not in spendable form. Nonspendable fund balance includes items such as inventory or amounts legally or contractually required to remain intact. Spendable fund balance is further categorized as restricted, committed, assigned and unassigned.

Restricted fund balance classification includes amounts that can only be spent or used for specific purposes and the constraints placed on the use of the resources are either externally imposed by creditors, grantors, contributors, or laws and/or regulations of other governments, imposed by law through constitutional provisions, or imposed by enabling legislation that is legally enforceable by an external party.

Committed fund balance classification includes amounts that can only be used for specific purposes when constraints placed on the resources are either imposed by formal action of the governments highest level of decision making authority or amounts that are contractual obligations to the extent the existing resources in the fund have been specifically committed for uses in satisfying those contractual requirements. Committed fund balances will be authorized by the County Commission in a public meeting by resolution and according to policy.

Assigned fund balance classification includes 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 or amounts that are neither nonspendable, restricted or committed. 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 F.A.Ac.T. (Finance, Auditor, Accounting, Treasurer) Committee.

Unassigned fund balance represents spendable amounts that have not been Restricted, Committed or Assigned to a specific purpose within the general fund.

Hierarchy of spending

The County has adopted a policy determining whether restricted, committed, assigned and unassigned amounts are considered to have been spent. In the General Fund and the Special Revenue Funds, the policy for assumed order of spending is restricted first, committed second, and assigned last unless there are legal documents/contracts that prohibit this approach.

Minimum General Fund-Fund Balance

The County does not maintain a stabilization fund. 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 this 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.

11. Interfund Transactions

Interfund transactions consisting of identified services performed for other funds or costs billed to other funds are treated as expenditures in the fund receiving the services and as revenue in the fund performing the services. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from it which are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Advances between funds are accounted for in the appropriate interfund receivable and payable accounts.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

B. Excess of Expenditures over Appropriations

There were no excess of expenditures over appropriations for fiscal year ended 2012.

C. Deficit Fund Balances

In fiscal year 2012, there were no funds with deficit fund balances.

3. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

1. Investment Income

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

2. Investment in the Treasurer's Pools

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

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

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

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

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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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3. Cash Composition

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

The County's total composition of cash, deposits and investments at June 30, 2012 are as follows:

Current use funds:		
Cash on Hand and Petty cash	\$	536,120
Cash in banks - Demand deposits	\$	9,947,741
		<u>\$ 10,483,861</u>
Investment pool funds:		
Cash in banks - Savings deposits	\$	43,461,499
US Government Securities (brokerage)	\$	58,639,458
		<u>\$ 102,100,957</u>
Total cash and cash equivalents		<u>\$ 112,584,818</u>

The amounts above are reported in the accompanying financial statements as follows:

Government wide	\$	46,963,976
Investment Trust Funds	\$	55,140,000
Agency Funds	\$	10,480,842
Total cash and cash equivalents	\$	<u>112,584,818</u>

Cash and cash equivalents on the government-wide statement of net assets are comprised of the following:

Unrestricted	\$	44,625,209
Restricted - See Note G	\$	<u>2,338,767</u>
	\$	<u>46,963,976</u>

Interest rates at June 30, 2012 ranged from .25% - 5.50%. Future maturities on investments range from July 2014 to June 2017.

4. Deposits

Montana statutes require that the County obtain securities for the uninsured portion of the deposits as follows 1) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more or 2) securities equal to 100% of the uninsured deposits if the institution in which the deposits are made has a net worth to total assets ratio of less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for County deposits at June 30, 2012 equaled or exceeded the amount required by State statutes.

5. Categorized Risk

As noted above, statutes authorize the County to invest in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the County or of municipalities or school districts located in the county; U.S. Government treasury bills, notes, bonds and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. Government security money market funds if the fund meets certain conditions. These investments are in addition to the demand, time, credit union and savings deposits, which are included in deposits above. The County investments are categorized below to give an indication of the level of risk assumed by the County at June 30, 2012.

GALLATIN COUNTY, MONTANA
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	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>FY 2017</u>	<u>No Maturity</u>	<u>Total</u>
Primary Government Investments:							
Federal National Mortgage Association			1,000,000				1,000,000
Federal Home Loan Bank		1,000,000		11,000,000	30,950,000		42,950,000
Federal Farm Credit Bank			1,000,000	9,000,000	2,500,000		12,500,000
Savings Deposits						1,917	1,917
State Short-Term Investment Pool						43,000,000	43,000,000
Government Money Market						2,189,458	2,189,458
Certificate of Deposits						479,660	479,660
Totals	<u>\$ 0</u>	<u>\$ 1,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ 20,000,000</u>	<u>\$ 33,450,000</u>	<u>\$ 45,671,035</u>	<u>\$ 102,121,035</u>

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

Primary Government Investments	Value	S&P
Federal National Mortgage Association	\$ 1,000,000	AAA
Federal Home Loan Bank	42,950,000	AAA
Federal Farm Credit Bank	12,500,000	AAA
Savings Deposits	1,917	NR
State Short-Term Investment Pool	43,000,000	NR
Government Money Market	2,189,458	NR
Certificate of Deposits	<u>479,660</u>	NR
TOTAL	<u>\$ 102,121,035</u>	

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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B. Interfund Transfers:

The principle purpose of the County's interfund transfers were indirect costs and administrative and grant fees. The following is an analysis of operating transfers in and out during fiscal year 2012:

Transfers Out:

Transfer In:	General Fund	Public Safety	RID Bonds	Nonmajor Governmental	Internal Service	Total Transfers In
Governmental funds:						
General Fund	\$	\$	\$	\$ 551,355	\$	\$ 551,355
Public Safety				14,698		14,698
RID Maintenance						
RID Bonds						25,317
Nonmajor Governmental	27,072	617,649		1,495,481	6,450	2,121,335
Total governmental funds						2,712,705
Proprietary funds						
Internal Service				845,487		845,487
	<u>27,072</u>	<u>617,649</u>		<u>2,907,021</u>		3,558,192
Total transfers out - governmental funds				<u>3,551,742</u>		
Total transfers out - internal service funds					<u>6,450</u>	
Total transfers out						\$ 3,558,192

The composition of interfund balances as of June 30, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Other Governmental Funds	Other Governmental Funds	\$ 10,532
Public Safety	Other Governmental Funds	286,993
Other Governmental Funds	RID Bond Debt Service Fund	13,021
		<u>\$ 310,546</u>

GALLATIN COUNTY, MONTANA
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C. Capital Assets

A summary of changes in capital assets is as follows:

	Balance July 1, 2011	Increases	Decreases	Transfers	Balance June 30, 2012
Governmental activities:					
Land	\$ 4,446,080	\$ -	\$ -	\$ -	\$ 4,446,080
Buildings	59,172,360	937,506	2,750	5,650	60,112,766
Intangibles Software	1,595,359	-	-	-	1,595,359
Intangibles Easements	12,945,300	85,316	-	-	13,030,616
Improvements other than buildings	1,322,088	2,275	-	-	1,324,363
Machinery and equipment	18,960,519	1,180,225	304,763	-	19,835,981
Infrastructure	137,198,283	2,002,288	-	3,361,877	142,562,448
Total capital assets being depreciated	231,193,909	4,207,611	307,513	3,367,527	238,461,535
Construction in progress	3,862,348	848,216	-	(3,367,527)	1,343,037
Total capital assets	239,502,337	5,055,827	307,513	-	244,250,651
Less accumulated depreciation:	83,469,965	6,546,182	287,747	-	89,728,400
Governmental activities capital assets, net	\$ 156,032,372	\$ (1,490,355)	\$ 19,766	\$ -	\$ 154,522,252
Business-type activities:					
Land	\$ 1,657,607	\$ -	\$ -	\$ -	\$ 1,657,607
Buildings	6,670,216	87,227	-	11,849	6,769,292
Intangibles	65,152	-	-	-	65,152
Improvements other than buildings	2,944,599	95,075	575	-	3,039,099
Machinery and equipment	6,449,950	102,339	32,962	-	6,519,327
Total capital assets being depreciated	16,129,917	284,641	33,537	-	16,392,870
Construction in progress	11,849	54,942	-	(11,849)	54,942
Total capital assets	17,799,373	339,583	33,537	-	18,105,419
Less accumulated depreciation:	6,596,710	1,184,950	17,979	-	7,763,681
Business-type activities capital assets, net	\$ 11,202,663	\$ (845,367)	\$ 15,558	\$ -	\$ 10,341,738

GALLATIN COUNTY, MONTANA
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Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 515,900
Public Safety	1,933,652
Public Works	3,927,579
Public Health	20,862
Social and Economic Services	3,512
Culture and Recreation	136,625
Housing and Community Development	4,829
Conservation of Natural Resources	<u>3,223</u>
Total depreciation expense - governmental activities	\$ <u>6,546,182</u>

Business-type activities:

Rest Home	136,761
Gallatin County Landfill	901,217
West Yellowstone Refuse Dist.	<u>146,972</u>
Total depreciation expense - business-type activities	\$ <u>1,184,950</u>

D. Other Accrued Liabilities

Other Accrued Liabilities reported on the Statement of Net Assets include:

	Governmental Activities	Business-type Activities	Total
Payroll Payable	\$ 900,145	\$ 191,550	\$ 1,091,695
Security Deposits Payable	38,278	89,500	127,778
Accrued Interest Payable	41,606	4,953	46,559
Abandon Property Payable	54,330	-	54,330
Internal Service Payables	<u>287,111</u>	<u>-</u>	<u>287,111</u>
	\$ 1,321,470	\$ 286,003	\$ 1,607,473

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

E. Long-Term Debt

During year ended June 30, 2012, the following changes in liabilities were reported in long-term debt:

Governmental Activities:	Balance 01-Jul-11	Additions	Deletions	Balance 30-Jun-12	Due within one year
General Obligation Bonds	\$ 44,710,209	\$ -	\$ 1,885,557	\$ 42,824,652	\$ 1,990,848
Special Assessment Bonds	8,828,000	-	602,000	8,226,000	300,000
Compensated Absences	1,881,942	109,168	5,650	1,985,460	198,546
InterCap Loans	4,780,563	300,000	1,359,582	3,720,981	700,767
Notes Payable	1,300,000	-	1,300,000	-	-
Capital Leases	1,273,261	-	115,371	1,157,890	118,585
Total	\$ 62,773, 975	\$ 409,168	\$ 5,268,160	\$ 57,914,983	\$ 3,308,746

Business-Type Activities	Balance 01-Jul-11	Additions	Deletions	Balance 30-Jun-12	Due within one year
Revenue Bonds	\$ 1,903,500	\$ -	\$ 598,000	\$ 1,305,500	\$ 368,000
Compensated Absences	277,895	9,370	5,497	281,768	28,177
Closure/post closure care costs	1,516,701	211,499	-	1,728,200	-
Capital Leases	282,944	-	282,944	-	-
Total	\$ 3,981,040	\$ 220,869	\$ 886,441	\$ 3,315,468	\$ 396,177

General Obligation Bonds – The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds outstanding as of June 30, 2012 were as follows:

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term of years</u>	<u>Final maturity</u>	<u>Bonds issued</u>	<u>Outstanding 6/30/12</u>	<u>Annual serial payment</u>
Pogreba Mobile Home	11/25/2002	4.8	10	08/01/2012	30,000	3,752	Varies
Open Space	04/01/2003	2.0-4.75	20	07/01/2023	4,000,000	2,610,000	Varies
Pogreba Field	07/07/2005	2.00	10	02/28/2016	8,500	3,400	850
Open Space	06/28/2005	3.625-4.25	20	02/01/2026	5,000,000	4,010,000	Varies
Open Space	12/15/2008	4.3	18	07/01/2026	4,000,000	3,600,000	Varies
Pogreba Animal Fence	07/29/2008	3.625	10	02/28/2018	12,500	7,500	1,250
Detention Center	02/01/2009	3.5-4.6	18	02/01/2027	32,000,000	29,545,000	Varies
Hope House	07/01/2010	2.0-4.0	20	07/01/2030	1,000,000	930,000	Varies
Open Space	04/12/2011	3.0-3.25	10	07/01/2021	2,300,000	2,115,000	Varies
Total G.O. Bonds					\$ 48,351,000	\$ 42,824,652	

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

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

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term of years</u>	<u>Final maturity</u>	<u>Bonds issued</u>	<u>Outstanding 30-Jun-12</u>	<u>Annual serial payment</u>
Landfill Cell 3	2007	3.75	5	2013	\$ 2,242,000	\$ 243,000	Varies
Landfill Land	2010	1.95	10	2020	\$ 1,250,000	\$ 1,062,500	Varies
Total Revenue Bonds					<u>\$ 3,492,000</u>	<u>\$ 1,305,500</u>	

Revenue bond resolutions include various restrictive covenants. The more significant covenants 1) require that cash be restricted and reserved for operations, construction, debt service, and replacement and depreciation; 2) specify minimum required operating revenue; and 3) specific and timely reporting of financial information to bond holders and registrar. The County was in compliance with applicable covenants as of June 30, 2012.

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

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

<u>Purpose</u>	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Term of years</u>	<u>Final maturity</u>	<u>Bonds issued</u>	<u>Outstanding 6/30/12</u>	<u>Annual serial payment</u>
#370	1998	4.4-6.0	20	2018	\$ 198,500	\$ 20,000	Varies
#371	1999	3.0-7.2	20	2020	63,000	20,000	Varies
#372	1999	3.0-6.1	15	2014	200,000	-	Varies
#376	2001	3.6-5.5	20	2021	540,000	115,000	Varies
#378	2001	3.6-5.5	20	2021	1,188,000	540,000	Varies
#382	2002	3.0-6.5	15	2017	199,000	80,000	Varies
#383	2002	2.2-5.5	20	2022	200,200	75,000	Varies
#384	2003	2.0-5.0	15	2018	160,000	40,000	Varies
#386	2003	1.75-4.9	15	2018	300,000	130,000	Varies
#387	2005	2.1-5.0	15	2020	180,000	105,000	Varies
#388	2005	2.1-5.0	15	2020	160,000	80,000	Varies
#391	2006	2.0-5.25	20	2026	395,000	265,000	Varies
#392	2006	3.0-7.0	20	2026	60,000	26,000	Varies
#393	2007	4.2-5.5	20	2028	900,000	685,000	Varies
#395	2010	2.0-6.0	20	2030	1,765,000	1,645,000	Varies
#396	2010	2.5-6.0	20	2030	4,715,000	4,400,000	Varies
Total Special Assessment Bonds					<u>\$ 11,223,700</u>	<u>\$ 8,226,000</u>	

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Loans/Contracted Debt:

Loans and Contracted Debt outstanding as of June 30, 2012 were as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Outstanding 06/30/2012</u>	<u>Date of Last Payment</u>
Guenther Building Purchase (1)	\$ 999,000	2004	Varies	\$ 221,308	2014
Capital Improvement Libraries (1)	999,000	2005	Varies	393,426	2016
Re-Entry Facility (1)	800,000	2006	Varies	359,575	2016
Fair Grounds Improvement (1)	500,000	2007	Varies	226,023	2016
Courthouse Annex (1)	999,000	2007	Varies	605,081	2018
9-1-1 Center (1)	1,000,000	2009	Varies	729,178	2019
Road & Bridge Shop Complex (1)	1,300,000	2008	Varies	905,807	2019
Search & Rescue Building (1)	300,000	2012	2.75	280,583	2026
Total	<u><u>\$ 6,897,000</u></u>			<u><u>\$ 3,720,981</u></u>	

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

Compensated Absences Payable

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

Enterprise Fund	\$ 281,768
General Governmental Activities	1,964,091
Internal Service Funds	<u>21,369</u>
	<u><u>\$ 2,267,228</u></u>

Capital Leases

The County has entered into several leases which meet the criteria of a capital lease as defined by GAAP. GAAP defines a capital lease generally as a lease which transfers benefits and risks of ownership to the lessee.

Equipment under capital leases in capital assets at June 30, 2012, include the following:

Equipment	\$ 1,273,260
Less: Accumulated depreciation	<u>(370,399)</u>
Total	<u><u>\$ 902,861</u></u>

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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Requirements to Amortize Debt

The annual requirements to amortize all long-term debt outstanding, except compensated absences, and closure/post closure care costs as of June 30, 2012 were as follows:

For Fiscal Year Ended	G. O. Principal	G. O. Interest	Revenue Bond Principal	Revenue Bonds Interest
2013	\$ 1,990,848	\$ 1,696,265	\$ 368,000	\$ 28,444
2014	2,077,100	1,624,121	125,000	23,437
2015	2,172,100	1,553,246	125,000	20,312
2016	2,267,100	1,482,171	125,000	20,625
2017	2,371,250	1,402,058	125,000	19,688
2018-2022	13,321,250	5,685,786	437,500	41,563
2023-2027	13,555,000	2,966,558	-	-
2028-2032	5,070,000	366,038	-	-
Total	<u>\$ 42,824,648</u>	<u>\$ 16,776,243</u>	<u>\$ 1,305,500</u>	<u>\$ 154,069</u>

For Fiscal Year Ended	Special Bonds Principal	Special Bonds Interest	Contract Debt Principal	Contract Debt Interest
2013	\$ 300,000	\$ 429,648	\$ 700,767	\$ 97,536
2014	340,000	420,396	728,140	86,510
2015	403,000	407,683	642,810	74,153
2016	459,000	391,112	551,797	57,980
2017	489,000	371,545	393,180	39,243
2018-2022	2,455,000	1,482,135	613,116	49,709
2023-2027	2,350,000	844,913	91,171	6,350
2028-2032	1,430,000	174,900	-	-
Total	<u>\$ 8,226,000</u>	<u>\$ 4,522,332</u>	<u>\$ 3,720,981</u>	<u>\$ 411,481</u>

For Fiscal Year Ended	Capital Lease Principal	Capital Lease Interest	Grand Total
2013	\$ 118,585	\$ 32,246	\$ 5,762,339
2014	121,886	28,944	5,575,534
2015	125,280	25,550	5,549,134
2016	792,139	22,062	6,168,986
2017	-	-	5,210,964
2018-2022	-	-	24,086,059
2023-2027	-	-	19,813,992
2028-2032	-	-	7,040,938
Total	<u>1,157,890</u>	<u>\$ 108,802</u>	<u>\$ 79,207,946</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

F. State-Wide Retirement Plans

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

Contribution rates are required and determined by State Law. The contribution rates expressed as a percentage of covered payroll for fiscal year ended June 30, 2012 were:

	<u>PERS</u>	<u>SRS</u>	<u>TRS</u>
Employer	7.070%	10.115%	7.47%
Employee	6.90%	9.245%	7.15%
State	0.10%	0.000%	2.49%

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

1. Public Employees Retirement Division & Sheriff Retirement System, P. O. Box 200131, Helena, Montana 59620-0131
Phone: 406-444-3154

2. Teachers Retirement System, P. O. Box 200319, Helena, Montana 59620-0139 Phone: 406-444-3134

The County's contributions for the years ended June 30, 2012, 2011 and 2010 as listed below were equal to the required contributions for each year.'

	<u>2010</u>	<u>2011</u>	<u>2012</u>
PERS			
County	948,599	957,167	979,411
Employee	925,790	934,148	966,958
State	13,417	13,417	13,853
SRS			
County	371,813	636,784	484,691
Employee	391,446	582,015	450,332
TRS			
County	4,589	4,742	4,742
Employee	4,794	4,538	4,538
State	64	64	1,581

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

G. Local Retirement Plans

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

H. Restricted Cash/Investments

The following restricted cash and investments were held by the County as of June 30, 2012. These amounts are reported within the cash and investment account on fund financial statements.

<u>Description</u>	<u>Amount</u>
Gallatin County Landfill	\$ 2,338,767
Total	<u>\$ 2,338,767</u>

Restricted cash of \$44,011 in other governmental funds exists for cash reserved for security deposits and capital restrictions.

I. Landfill Closure and Post Closure Care Costs

State and Federal laws and regulations require that Gallatin County place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. Gallatin County has elected to use the Local Government Financial Test to satisfy its financial responsibility under RCRA Subtitle D. Although closure and post closure care costs will be paid only near or after the date the landfill stops accepting waste, the landfill reports a portion of these closure and post closure care costs as an operating expense each period. The costs expensed during a period are based on landfill capacity used as of each balance sheet date. Independent engineering reports show that there is a \$1,728,200 liability for landfill closure and post closure as of June 30, 2012, which represents the cumulative amount reported to date based on the use of 47.28% of the estimated capacity of the landfill. The remaining estimated cost of closure and post closure care will be recognized as the remaining estimated capacity is filled.

The estimated total current cost of closure and post closure care remaining to be recognized is \$1,926,800. These amounts are based on what it should cost to perform all closure and post closure in 2012. The County expects to close the landfill in the year 2029. Actual costs may be higher due to inflation, changed in technology or changes in regulations.

The County is required by State and Federal laws and regulations to demonstrate financial assurance for the costs of closure and post closure care costs. For the fiscal year ended June 30, 2012 Gallatin County demonstrated its ability to handle closure and post closure care costs by passing the local government financial test.

J. Services Provided to Other Governments

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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

K. Risk Management

The County faces a considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e. employee injuries, and (f) medical insurance costs of employees. Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees' torts, and professional liabilities. Employee medical insurance is provided for by purchase of re-insurance, and given the lack of coverage available; the County has minimal coverage for potential losses from environmental damages. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Gallatin County has contracted with Traveler's Insurance company for workers' compensation coverage. The county budgets and pays the required premium on a quarterly basis.

Self-Insurance

The County provides medical insurance coverage for its employees via a partially self-insured plan. It provides medical and dental benefits and is operated as an Internal Service Fund. Rates are determined in consultation with the administrator based on past claim experience. Incurred but unreported claims at June 30, 2012, were estimated by the plan administrator. Claims payable as of year end are:

	2010	2011	2012
Beginning claims payable	\$ 304,411	\$ 617,888	\$ 286,757
Claims incurred	4,718,738	3,964,831	4,113,875
Claims paid	(4,405,261)	(4,295,962)	(4,130,241)
Ending claims payable	\$ 617,888	\$ 286,757	\$ 270,391

L. Commitments

Primary Government

At June 30, 2012, Gallatin County had approximate contractual commitments of the following:

<u>Department</u>	<u>Amount</u>	<u>Project</u>
Commission	\$ 42,375	External Audit
Facilities	33,776	Guenther Generator
Grants	11,328	Pogreba Airport Paving
Grants	8,500	Churchill Sidewalk
Landfill	132,777	Leachate Pond
WY Compost Facility	22,648	Stormwater Management
Search & Rescue	29,071	Mobile Command Vehicle
Detention Center	58,014	DC Contract Retainage
Road & Bridge	1,121,880	Graders
	<u>\$ 1,460,368</u>	

Future appropriations will fund these commitments as work is performed.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

M. Other Postemployment Benefits (OPEB)

As required by Governmental Accounting Standards Board (GASB) Statement No. 45 Other Postemployment Benefits, the County has calculated and included a post employment benefit liability in 2012.

Plan Description

Gallatin County maintains a single-employer self-insured medical plan. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependants, included are medical, dental, and vision benefits. Participation is elected by the retiree at the time of retirement. Benefit provisions are set annually by the Board of County Commissioners and may be revoked or altered at any time.

Funding Policy

The County provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former fulltime and certain other employees. As of June 2012 there are 34 retirees and/or survivors enrolled for the employer's sponsored health insurance plan.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

Annual OPEB Cost Obligation.

The County's other postemployment benefit (OPEB) cost (expense) is calculated based on the entry age normal actuarial cost method. Under this method, each individual's present value of benefits is levelly spread over the individual's projected earnings or service from entry age to assumed exit age. Typically, when this method is introduced, it tends to produce lower initial contributions while still keeping contributions level as a percentage of payroll.

Annual required contribution	\$ 199,235
Interest on net OPEB obligation	35,293
Adjustment to annual required contribution	<u>(33,071)</u>
Annual OPEB cost (expense)	201,457
Contributions made	<u>(71,618)</u>
Increase in net OPEB obligation	129,839
Net OPEB obligation - beginning of year	<u>830,429</u>
Net OPEB obligation - end of year	<u><u>\$ 960,268</u></u>

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the years ended June 30, 2012, 2011, 2010, and 2009 are as follows:

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 418,749	17.3%	\$ 346,371
2010	\$ 433,469	16.7%	\$ 707,461
2011	\$ 190,842	35.6%	\$ 830,429
2012	\$ 201,457	35.6%	\$ 960,268

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$1,606,557, all of which was unfunded. There are no assets set aside to fund these benefits as the County funds post-retirement health insurance benefits on a pay-as-you-go basis. The covered payroll (annual payroll of active employees covered by the Plan) was \$17,049,722 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.4%.

The projection of future benefit payments for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the note to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The following assumptions were made:

1. Retirement and Disability rates are assumed to follow the RP2000 Healthy Combined Table with mortality improvements by Scale AA to 2015 and set backs of two years for both males and females. In the case of a disability the same applies, except for females, where it is set forward one year.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

2. Turnover rates were based on specific gender age data assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.
3. Amortization factor for a 30-year, level percent of pay amortization on an open basis, using a 4.25 percent discount rate and a 4 percent payroll growth assumption.
4. Healthcare cost trend rate (HCCTR) was based on projections from historical rates of the County. A rate of 10.0% initially in 2012 reduced by 1% each year until an ultimate rate of 6.0% after 4 years and after.
5. Health insurance premiums for 2012 retirees were used as the basis for calculation of the present value of total benefits to be paid.

N. Pending Litigation

The County is involved in numerous lawsuits, which arise out of the normal course of operations. Management intends to vigorously defend each claim, and does not believe any of the outstanding cases have a probable negative outcome. It is reasonably possible that some of the cases may result in future losses, but, based on the complexities of each case, it is not possible to determine or reasonably estimate any losses as of the date of this financial report.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Gallatin County, State of Montana
1000 GENERAL

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	6,091,512	6,091,512	6,124,954	33,442
General Business Licenses	500	500	1,075	575
Federal Grants	446,053	446,053	113,621	(332,432)
Federal Payments in Lieu of Tx	-	-	477	477
State Grants	55,000	55,000	82,133	27,133
State Shared Revenue	784,000	784,000	827,804	43,804
Local Grants	-	5,526	10,526	5,000
Charges for Services	1,649,086	1,649,086	1,952,401	303,315
Fines & Forfeitures	467,200	467,200	379,534	(87,666)
Miscellaneous	74,000	74,000	81,723	7,723
Investment Earnings	140,000	140,000	112,117	(27,883)
Total revenues	<u>9,707,351</u>	<u>9,712,877</u>	<u>9,686,365</u>	<u>(26,512)</u>
EXPENDITURES				
Current:				
General Government-Personnel	6,479,178	6,479,225	6,342,598	136,627
General Government-Operations	1,397,299	1,420,599	1,231,228	189,371
Public Safety-Personnel	550,547	555,591	515,726	39,865
Public Safety-Operations	509,808	510,290	496,363	13,927
Public Works-Personnel	487,827	487,827	482,158	5,669
Public Works-Operations	1,047,652	1,047,652	228,444	819,208
Social & Econ Serv-Personnel	71,059	71,059	72,040	(981)
Social & Econ Serv-Operations	327,050	327,050	321,368	5,682
Cons Nat'l Rec-Debt Principal	-	-	201	(201)
Total current:	<u>10,870,420</u>	<u>10,899,293</u>	<u>9,690,127</u>	<u>1,209,166</u>
Debt service:				
Principal Retirement	127,362	127,362	129,095	(1,733)
Interest	28,704	28,704	(11,352)	40,056
Total debt service:	<u>156,066</u>	<u>156,066</u>	<u>117,743</u>	<u>38,323</u>
Capital outlay:				
General Government-Capital Exp	65,361	75,361	20,701	54,660
Public Works-Capital Expend	456,377	456,377	34,342	422,035
Social & Econ Serv-Capital Exp	2,500	2,500	-	2,500
Total capital outlay:	<u>524,238</u>	<u>534,238</u>	<u>55,043</u>	<u>479,195</u>
Total expenditures	<u>11,550,724</u>	<u>11,589,597</u>	<u>9,862,912</u>	<u>1,726,685</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,843,373)</u>	<u>(1,876,720)</u>	<u>(176,548)</u>	<u>1,700,173</u>
SPECIAL ITEMS				
Transfers In	260,000	293,300	551,355	258,055
General Government.	(75)	(75)	(40)	35
Transfers Out	(20,448)	(20,448)	(27,072)	(6,624)
Total other financing sources and uses and special items	<u>239,477</u>	<u>272,777</u>	<u>524,243</u>	<u>251,466</u>
Net change in fund balances	(1,603,896)	(1,603,943)	347,696	1,951,639
Fund balances -- beginning	<u>3,289,147</u>	<u>3,289,147</u>	<u>3,289,147</u>	<u>-</u>
Fund balances -- ending	<u>\$ 1,685,251</u>	<u>\$ 1,685,204</u>	<u>\$ 3,636,843</u>	<u>\$ 1,951,639</u>

See accompanying notes to the financial statements.

Gallatin County, State of Montana
2300 PUBLIC SAFETY FUND
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	11,265,666	11,265,666	11,368,029	102,363
Other licenses	15,000	15,000	32,215	17,215
Federal Grants	96,000	98,000	70,504	(27,496)
State Grants	30,000	30,000	20,045	(9,955)
State Shared Revenue	459,500	459,500	527,333	67,833
Charges for Services	739,628	739,628	935,185	195,557
Fines & Forfeitures	8,000	8,000	14,839	6,839
Miscellaneous	15,500	415,500	501,280	85,780
Investment Earnings	13,500	13,500	7,475	(6,025)
Contributions/Donations	-	-	3,180	3,180
Total revenues	12,642,794	13,044,794	13,480,085	435,291
EXPENDITURES				
Current:				
Public Safety-Personnel	8,579,447	8,576,447	8,297,886	278,561
Public Safety-Operations	3,246,463	3,262,742	3,091,991	170,751
Total current:	11,825,910	11,839,189	11,389,877	449,312
Debt service:				
Principal Retirement	100,000	100,000	97,011	2,989
Interest	7,000	7,000	32,423	(25,423)
Total debt service:	107,000	107,000	129,434	(22,434)
Capital outlay:				
Public Safety-Capital Expend	336,466	207,687	101,934	105,753
Public Safety-Debt Serv Princi		400,000	400,000	-
Total capital outlay:	336,466	607,687	501,934	105,753
Total expenditures	12,269,376	12,553,876	12,021,245	532,631
Excess (deficiency) of revenues over (under) expenditures	373,418	490,918	1,458,840	967,922
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Local Option Taxes	22,137	22,137	15,000	(7,137)
Miscellaneous	-	15,000	11,250	(3,750)
Transfers In	-	-	14,698	14,698
Transfers Out	(419,241)	(551,741)	(617,649)	(65,908)
Total other financing sources and uses and special items	(397,104)	(514,604)	(576,701)	(62,097)
Net change in fund balances	(23,686)	(23,686)	882,139	905,825
Fund balances -- beginning	803,864	803,864	803,864	-
Fund balances -- ending	\$ 780,178	\$ 780,178	\$ 1,686,003	\$ 905,825

See accompanying notes to the financial statements.

Gallatin County, State of Montana
2500 RID MAINTENANCE
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES	1,038,027	1,038,027	991,457	(46,570)
Property Taxes	-	-	42,648	42,648
Investment Earnings				
Total revenues	1,038,027	1,038,027	1,034,105	(3,922)
EXPENDITURES				
Current:				
Public Works-Operations	5,607,888	5,596,196	1,301,693	4,294,503
Total current:	5,607,888	5,596,196	1,301,693	4,294,503
Capital outlay:				
Total capital outlay:	-	-	-	-
Total expenditures	5,607,888	5,596,196	1,301,693	4,294,503
Excess (deficiency) of revenues over (under) expenditures	(4,569,861)	(4,558,169)	(267,588)	4,290,581
Total other financing sources and uses and special items	-	-	-	-
Net change in fund balances	(4,569,861)	(4,558,169)	(267,588)	4,290,581
Fund balances -- beginning	4,563,210	4,563,210	4,563,210	-
Fund balances -- ending	(\$ 6,651)	\$ 5,041	\$ 4,295,622	\$ 4,290,581

See accompanying notes to the financial statements.

Gallatin County, State of Montana
EMPLOYEE GROUP BENEFITS PLAN - OTHER POSTEMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTAL SCHEDULES

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio %	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll %
	(a)	(b)	(b-a)	(a/b)	(c)	(b-a/c)
June 30, 2009	\$ -	\$ 3,731,698	\$ 3,731,698	0.00%	\$ 17,387,654	21.50%
June 30, 2011	\$ -	\$ 1,477,499	\$ 1,477,499	0.00%	\$ 16,393,964	9.01%
June 30, 2012	\$ -	\$ 1,606,557	\$ 1,606,557	0.00%	\$ 17,049,722	9.40%

This schedule is based on the actuarial values as of July 1, 2008, and January 1, 2011. Information for prior years is not available.

SINGLE

AUDIT

SECTION

GALLATIN COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through	Federal CFDA Number	Prime Award Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance July 1, 2011	Federal Revenue	Federal Expenditures	Ending Balance June 30, 2012
U.S. Department of Agriculture								
<i>Passed through the State Department of Public Health and Human Services</i>								
Special Supplemental Food Program (WIC) (10/01/10-09/30/11)	10.557		11-07-5-21-009-0	\$ 205,006.00	\$ -	\$ 57,808.00	\$ 57,808.00	\$ -
Special Supplemental Food Program (WIC) (Original grant 09/01/11 - 06/30/12 amended to 09/30/12) Award also increased from \$145,000 to \$232,049	10.557		12-07-5-21-009-0	\$ 232,049.00	\$ -	\$ 148,953.00	\$ 148,953.00	\$ -
Special Supplemental Food Program (WIC BFPC) (10/01/10-09/30/11)	10.557		11-07-5-21-039-0	\$ 15,897.00	\$ -	\$ 2,734.00	\$ 2,734.00	\$ -
Special Supplemental Food Program (WIC BFPC) (Original grant 09/01/11 - 06/30/12 amended to 09/30/12) Award also increased from \$10,500 to \$14,000	10.557		12-07-5-21-039-0	\$ 14,000.00	\$ -	\$ 10,500.00	\$ 10,500.00	\$ -
<i>Total Passed through the State Department of Pulic Health and Human Services:</i>				\$ 466,952.00	\$ -	\$ 219,995.00	\$ 219,995.00	\$ -
<i>Passed through the State Department of Agriculture</i>								
Noxious Weed Trust Fund Project-Mule Creek Cooperative	10.664	10-DG-11010000-007	MDA 2011-713	\$ 14,338.00	\$ -	\$ 4,638.00	\$ 4,638.00	\$ -
Noxious Weed Trust Fund Project-Hebgen Basin Weed Management	10.664	10-DG-11010000-007	MDA 2011-711	\$ 20,549.00	\$ -	\$ 20,325.90	\$ 20,325.90	\$ -
				\$ 34,887.00	\$ -	\$ 24,963.90	\$ 24,963.90	\$ -
<i>Direct:</i>								
Gallatin County Comprehensive Travel Map USDA -Cooperative Agreement	10.665	11-CA-11011100-030	DIRECT	\$ 15,000.00	\$ -	\$ 9,510.81	\$ 9,510.81	\$ -
Hyalite Road Plowing Project -Cooperative Agreement - Amendment 2	10.665	10-CS-11011100-002	DIRECT	\$ 10,000.00	\$ -	\$ 10,000.00	\$ 10,000.00	\$ -
				\$ 25,000.00	\$ -	\$ 19,510.81	\$ 19,510.81	\$ -
Total U.S. Department of Agriculture				\$ 526,839.00	\$ -	\$ 264,469.71	\$ 264,469.71	\$ -
U.S. Department of Commerce								
<i>Direct:</i>								
Economic Development Administration -Comprehensive Economic Development Strategy	11.302	05-86-05197	DIRECT	\$ 50,000.00	\$ -	\$ 16,607.00	\$ 16,607.00	\$ -
Total U.S. Department of Commerce				\$ 50,000.00	\$ -	\$ 16,607.00	\$ 16,607.00	\$ -
U.S. Department of Energy								
<i>Direct</i>								
ARRA EECBG - Energy Efficiency & Conservation Block Grant	81.128	DE-RW0000148	DIRECT	\$ 198,700.00	\$ -	\$ 39,802.31	\$ 39,802.31	\$ -
Total U.S. Department of Energy				\$ 198,700.00	\$ -	\$ 39,802.31	\$ 39,802.31	\$ -
U.S. Environmental Protection Agency								
<i>Direct:</i>								
EPA Urban Waters Small Grant	66.440	EPA0W-I0-12-01	DIRECT	\$ 60,000.00	\$ -	\$ 1,166.14	\$ 1,166.14	\$ -
				\$ 60,000.00	\$ -	\$ 1,166.14	\$ 1,166.14	\$ -
<i>Passed through the Montana Department of Environmental Quality:</i>								
Gallatin Ground Water Project (319)	66.460	C9-99833611	211078	\$ 70,000.00	\$ -	\$ 8,293.86	\$ 8,293.86	\$ -
Radon Grant 12/15/11 - 06/30/12	66.605	BG-99861310	212039	\$ 5,000.00	\$ -	\$ 5,000.00	\$ 5,000.00	\$ -
<i>Total passed through the Montana Department of Environmental Quality:</i>				\$ 75,000.00	\$ -	\$ 13,293.86	\$ 13,293.86	\$ -
Total Environmental Protection Agency				\$ 135,000.00	\$ -	\$ 14,460.00	\$ 14,460.00	\$ -
U.S. Department of Health and Human Services								
<i>Passed through the State Department of Public Health and Human Services:</i>								
Immunization Action Plan 01/01/11-12/31/11 - Supplemental Funds of \$5,864	93.268		11-07-4-31-016-0	\$ 37,258.00	\$ -	\$ 21,561.00	\$ 21,561.00	\$ -
Immunization Action Plan 01/01/12 - 06/30/12	93.268		12-07-4-31-016-0	\$ 15,697.00	\$ -	\$ 15,697.00	\$ 15,697.00	\$ -
Crisis Intervention Team Development and Training CIT	93.912		12-331-740746-0	\$ 15,000.00	\$ -	\$ 3,368.51	\$ 3,368.51	\$ -
TB Vaccination Program 01/01/11-12/31/11	93.116;93.991		11-07-4-11-041-0	\$ 4,000.00	\$ -	\$ 483.58	\$ 483.58	\$ -
TB Vaccination Program 01/01/12 - 12/31/12 - No set award. See Note #5	93.116			\$ 1,558.33	\$ -	\$ 1,558.33	\$ 1,558.33	\$ -

GALLATIN COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through	Federal CFDA Number	Prime Award Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance July 1, 2011	Federal Revenue	Federal Expenditures	Ending Balance June 30, 2012
CHA/CHIP Community Health Assessment & Community Health Improvement Plan (06/01/11 - 09-30-11) MLC	93.991		11-07-1-01-014-0	\$ 15,000.00	\$ -	\$ 15,000.00	\$ 15,000.00	\$ -
Pregnant & Parenting Teens (PPT) 8/15/11-9/30/12(Original grant \$83,931, modified \$57,833)	93.500		1102PROS0179	\$ 140,764.00	\$ -	\$ 105,545.31	\$ 105,545.31	\$ -
Public Health Emergency Preparedness (PHEP) 09/01/10 - 08/31/11 <i>Deliverable Based</i>	93.069		11-07-6-11-021-0	\$ 108,196.00	\$ -	\$ 18,032.00	\$ 18,032.00	\$ -
Public Health Emergency Preparedness (PHEP) 09/01/11 - 06/30/12 <i>Deliverable Based</i>	93.069	2U90TP816832-11	12-07-6-11-021-0	\$ 81,146.00	\$ -	\$ 81,146.00	\$ 81,146.00	\$ -
Maternal, Infant & Early Childhood Home Visiting Infrastructure Development (MIECHV ID) Project 04/01/12 - 09/30/12	93.505	6 D89MC23152-01-01	12-07-5-31-028-0	\$ 99,029.20	\$ -	\$ 28,281.26	\$ 28,281.26	\$ -
Montana Cancer Control Programs 07/01/11 - 06/30/12	93.283		12-07-3-01-007-0	\$ 140,080.00	\$ -	\$ 105,080.00	\$ 105,080.00	\$ -
NAPA Grant- 07/01/11 - 06/30/12 <i>Deliverable Based</i>	93.283		12-07-3-01-096-0	\$ 15,000.00	\$ -	\$ 15,000.00	\$ 15,000.00	\$ -
Maternal & Child Health Services Block Grant - MCH 07/01/11 - 06/30/12	93.994		12-07-5-01-016-0	\$ 110,414.00	\$ -	\$ 110,414.00	\$ 110,414.00	\$ -
Title II STD/HIV Grant & Case Mgmt Amend #1 - 04/01/10-07/31/11 - Supplemental Funds	93.917		10-07-4-51-104-0	\$ 10,750.00	\$ -	\$ 500.00	\$ 500.00	\$ -
<i>Total Passed through the State Department of Public Health and Human Services:</i>				\$ 793,892.53	\$ -	\$ 521,666.99	\$ 521,666.99	\$ -
<i>Passed through MT DPHHS to Yellowstone City/County Health Dept/Riverstone Health to Gallatin County</i>								
HIV Case Management & Support Services Delivery 07/01/11-03/31/12	93.917	11-07-4-51-108-0	BOH2010-001	\$ 4,500.00	\$ -	\$ 2,479.99	\$ 2,479.99	\$ -
Ryan White C Outpatient STD/HIV Early Intervention Services 07/01/11 - 06/30/12	93.918	6 H76HA00145-17-01	BOH2012-020	\$ 10,000.00	\$ -	\$ 3,224.97	\$ 3,224.97	\$ -
<i>Total Passed through Yellowstone City/County Health Dept/Riverstone Health:</i>				\$ 14,500.00	\$ -	\$ 5,704.96	\$ 5,704.96	\$ -
<i>Passed through the National Association of County and City Health Officials</i>								
Medical Reserve Corps Units	93.008	5MRCSG101005-02	MRC#12 549	\$ 5,000.00	\$ -	\$ 5,000.00	\$ 5,000.00	\$ -
<i>Total Passed through the National Association of County and City Health Officials:</i>				\$ 5,000.00	\$ -	\$ 5,000.00	\$ 5,000.00	\$ -
<i>Passed through the Montana Board of Crime Control</i>								
MBCC - 911 Mental Health Reporting Improvements - (equipment only - see note #4)	93.243		2012-019	\$ 14,300.00	\$ -	\$ 14,300.00	\$ 14,300.00	\$ -
<i>Total Passed through the Montana Board of Crime Control:</i>				\$ 14,300.00	\$ -	\$ 14,300.00	\$ 14,300.00	\$ -
Total U.S. Department of Public Health and Human Services				\$ 827,692.53	\$ -	\$ 546,671.95	\$ 546,671.95	\$ -
U.S. Department of Homeland Security								
<i>Passed through the Montana Disaster & Emergency Services</i>								
Homeland Security Grant Program (Equipment for Command Vehicle)	97.067	DHS-10-GPD-067-000-01	2010-SS-T0-0089	\$ 157,865.00	\$ -	\$ 66,932.24	\$ 66,932.24	\$ -
Homeland Security Grant Program (GPS Synchronized Transmitters & Support Equipment)	97.067	DHS-10-GPD-067-000-01	2010-SS-T0-0089	\$ 252,525.00	\$ -	\$ 252,525.00	\$ 252,525.00	\$ -
Emergency Management Performance Grant	97.042	EMW-2011-EP-00035	1EMGLLTN	\$ 49,000.00	\$ -	\$ 44,561.52	\$ 44,561.52	\$ -
<i>Passed through the Montana Disaster & Emergency Services:</i>				\$ 459,390.00	\$ -	\$ 364,018.76	\$ 364,018.76	\$ -
Total U.S. Department of Homeland Security				\$ 459,390.00	\$ -	\$ 364,018.76	\$ 364,018.76	\$ -
U.S. Department of Justice								
<i>Direct:</i>								
LLEBG Bulletproof Vest Program	16.607	2010 Fund	DIRECT	\$ 2,100.00	\$ -	\$ 1,021.00	\$ 1,021.00	\$ -
LLEBG Bulletproof Vest Program	16.607	2011 Fund	DIRECT	\$ 3,962.00	\$ -	\$ 3,940.00	\$ 3,940.00	\$ -
Gallatin County Treatment Court Program BJA FY 10 Congressionally Selected - Women's Transition	16.753	2010-DD-BX-0523	DIRECT	\$ 185,000.00	\$ -	\$ 52,638.58	\$ 52,638.58	\$ -
COPS I HIRING Grant	16.710	2010UMWX0185	DIRECT	\$ 420,656.00	\$ -	\$ 123,434.82	\$ 123,434.82	\$ -
COPS II HIRING Grant	16.710	2011-UM-WX-0107	DIRECT	\$ 213,473.00	\$ -	\$ 39,888.10	\$ 39,888.10	\$ -
JAG Byrne Memorial Justice Assistance Grant -Interoperable Communications & Terrorism Prevention	16.738	2011-DJ-BX-2594	DIRECT	\$ 12,402.00	\$ -	\$ 5,844.61	\$ 5,844.61	\$ -
<i>Total Direct:</i>				\$ 837,593.00	\$ -	\$ 226,767.11	\$ 226,767.11	\$ -

GALLATIN COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2012

Federal Grantor/Pass-Through	Federal CFDA Number	Prime Award Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance July 1, 2011	Federal Revenue	Federal Expenditures	Ending Balance June 30, 2012
<i>Passed through the State Department of Justice - Montana Board of Crime Control:</i>								
ARRA-JAG Byrne Memorial Justice Assistance Grant - Missouri River Drug Task Force (2009 JAG Recovery Funds)	16.803	2009-SU-B9-0052	09-GR01-91059	\$ 107,740.96	\$ -	\$ 107,740.96	\$ 107,740.96	\$ -
JAG Byrne Memorial Justice Assistance Grant - Missouri River Drug Task Force Original (2010 JAG funds) FY11 award was extended to 06/12 and carried over \$125,939	16.738	2010-DJ-BX-0348	10-G01-90869	\$ 329,141.38	\$ -	\$ 125,939.01	\$ 125,939.01	\$ -
Victim Witness Program	16.588	2011-WF-AX-0044	11-W03-90936	\$ 32,586.00	\$ -	\$ 32,586.00	\$ 32,586.00	\$ -
Operation Freedom from Fear (Original Award \$43,083 - Rec'd addl \$439.00 for a total of \$43,522.00)	16.588	2011-WF-AX-0044	11-W02-90935	\$ 43,522.00	\$ -	\$ 43,522.00	\$ 43,522.00	\$ -
ARRA-Misdemeanor Probation - Domestic Violence	16.588	2009-EF-S6-0039	09-WR01-90546	\$ 64,700.00	\$ -	\$ 10,246.24	\$ 10,246.24	\$ -
<i>Total Passed through the State Department of Justice - Montana Board of Crime Control:</i>				\$ 577,690.34	\$ -	\$ 320,034.21	\$ 320,034.21	\$ -
<i>Passed through the City of Bozeman</i>								
Gallatin Project Consortium:Rural Project to End Violence Against Women	16.589	2011-WR-AX-0014	GC#2012-135	\$ 117,578.00	\$ -	\$ 23,833.00	\$ 23,833.00	\$ -
<i>Total Passed through the City of Bozeman:</i>				\$ 117,578.00	\$ -	\$ 23,833.00	\$ 23,833.00	\$ -
<i>Passed through the Office of Court Administrator:</i>								
GPS Monitoring and Active Alcohol Monitoring Note #5	16.541		2011-268	\$ 394.00	\$ -	\$ 394.00	\$ 394.00	\$ -
<i>Total Passed through the Office of Court Administrator:</i>				\$ 394.00	\$ -	\$ 394.00	\$ 394.00	\$ -
<i>Passed through the Montana Peace Officer's Association</i>								
Mental Health Initiative -MT Offender Notification Tracking System (MONTs) - BJA FY 09 Congressionally Selected	16.753	2009-DJ-BX-0211	2011-193	\$ 52,902.00	\$ -	\$ 34,961.00	\$ 34,961.00	\$ -
VIRGIL II - Continuation of MHI	16.753	2011-DD-BX-0021	2013-023	\$ 84,440.00	\$ -	\$ 15,775.76	\$ 15,775.76	\$ -
<i>Total Passed through the Montana Peace Officer's Association:</i>				\$ 137,342.00	\$ -	\$ 50,736.76	\$ 50,736.76	\$ -
Total U.S. Department of Justice				\$ 1,670,597.34	\$ -	\$ 621,765.08	\$ 621,765.08	\$ -
U.S. Department of Transportation								
<i>Passed through the State Department of Transportation:</i>								
State and Community Highway Safety - DUI Task Force Grant	20.600		2010-02-20-12	\$ 12,995.00	\$ -	\$ 4,983.00	\$ 4,983.00	\$ -
Montana Department of Transportation - STEP Overtime Grant	20.600;20.601		2011-02-06-16	\$ 18,000.00	\$ -	\$ 8,214.00	\$ 8,214.00	\$ -
Montana Department of Transportation - STEP Overtime Grant	20.600;20.601		106081	\$ 18,000.00	\$ -	\$ 13,965.75	\$ 13,965.75	\$ -
Community Transportation Enhancement Prgm CTEP Churchill Sidewalk Project	20.205		UPN 7746	\$ 104,806.00	\$ -	\$ 8,098.82	\$ 8,098.82	\$ -
Montana Department of Transportation (Equipment Only) Note 4**	20.205		UPN 6770	\$ 199,872.00	\$ -	\$ 199,872.00	\$ 199,872.00	\$ -
<i>Total Passed through the State Department of Transportation:</i>				\$ 353,673.00	\$ -	\$ 235,133.57	\$ 235,133.57	\$ -
<i>Direct - Federal Aviation Administration</i>								
FAA - Pogreba Airport Improvements	20.106	3-30-0077-007-2011	DIRECT	\$ 266,351.00	\$ -	\$ 224,220.00	\$ 224,220.00	\$ -
<i>Total Direct - Federal Aviation Administration</i>				\$ 266,351.00	\$ -	\$ 224,220.00	\$ 224,220.00	\$ -
Total U.S. Department of Transportation				\$ 620,024.00	\$ -	\$ 459,353.57	\$ 459,353.57	\$ -

Total Federal Assistance

\$ 4,488,242.87 \$ - \$ 2,327,148.38 \$ 2,327,148.38 \$ -

Note 1. Basis of Presentation:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Gallatin County under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Gallatin County, it is not intended to and does not present the financial position, changes in net assets or cash flows of Gallatin County.

GALLATIN COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2012

Note 2. Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are presented on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Governments*.

Note 3. Subrecipients:

Of the federal expenditures presented in the schedule, Gallatin County provided federal awards to subrecipients as follows:

<u>Program Name:</u>	<u>CFDA #:</u>	<u>Subrecipient:</u>	<u>Amt Provided to Subrecipient:</u>
DOJ Byrne Formula Missouri River Drug Task Force	16.738	City of Bozeman	\$52,084.00
DOJ Byrne Formula Missouri River Drug Task Force	16.738	Broadwater Co Sheriff	\$7,809.97
DOJ Byrne Formula Missouri River Drug Task Force	16.738	City of Helena	\$28,357.00
DOJ Byrne Formula Missouri River Drug Task Force	16.738	Lewis & Clark County	\$38,810.10
DOJ Byrne Formula Missouri River Drug Task Force	16.738	Park County Sheriff	<u>\$24,827.00</u>
			\$151,888.07
 DPHHS - Pregnant and Parenting Teens	 93.500	 THRIVE	 \$41,071.31
 U.S. Dept of Transportation - State & Community Highway Safety DUI TF	 20.600	 City of Bozeman	 \$4,121.78
U.S. Dept of Transportation - State & Community Highway Safety DUI TF	20.600	Montana Highway Patrol	<u>\$469.19</u>
			\$4,590.97
 Comprehensive Economic Development Strategy	 11.302	 Northern Rocky Mountain Economic Development	 \$14,622.95

Note 4. Equipment Received/Non-Cash Awards:

MDT/Montana Air Congestion Initiative program - 20.205 UPN 6770-CM STWD The State of Montana, Montana Department of Transportation purchased 1 Mechanical Sweeper and a Combination Sander/De-Icer for Gallatin County. Gallatin County paid \$30,980 which is 13.42% of the total amount.

MBCC - 911 Mental Health Report Improvements - 93.243 Montana Board of Crime Control, through this grant, facilitated improvements to the 911 dispatch ILEADS reporting software to record mental health related incidents by purchasing equipment on Gallatin County's behalf

Note 5. These grants are paid only as funds are available. The award amount reported is the amount Gallatin County earned and received in FY 12.

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

To the Board of County Commissioners
Gallatin County, Montana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Gallatin County (the “County”), as of and for the year ended June 30, 2012, which collectively comprise the County’s basic financial statements and have issued our report thereon dated December 21, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County’s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which

could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

We have noted certain matters that we reported to management of the County in a separate letter dated December 21, 2012.

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
December 21, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of County Commissioners
Gallatin County, Montana

Compliance

We have audited Gallatin County's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the County's major federal programs for the year ended June 30, 2012. Gallatin County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The purpose of this report is solely to describe the scope of our testing of compliance with the types of compliance requirements applicable to each of the County's major programs and our testing of internal control over compliance and the results of our testing, and to provide an opinion on the County's compliance but not to provide an opinion on the effectiveness of the County's internal control over compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the County's compliance with requirements applicable to each major program and its internal control over compliance. Accordingly, this report is not suitable for any other purpose.

We have noted certain matters that we reported to management of the County in a separate letter dated December 21, 2012.

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
December 21, 2012

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	No

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Identification of major programs:

10.557 Special Supplemental Food Program (WIC)
10.557 Special Supplemental Food Program (WIC Breastfeeding Peer Counselor)
97.067 Homeland Security Grant Program (Equipment and Command Vehicle)
97.067 Homeland Security Grant Program (GPS Synchronized Transmitters & Support Equipment)
16.738 JAG Byrne Memorial Justice Assistance Grant – Interoperable Communications & Terrorism Prevention
16.738 Byrne Memorial Justice Assistant Grant – Missouri River Drug Task Force
16.803 AARA Byrne Memorial Justice Assistant Grant – Missouri River Drug Task Force
20.205 Community Transportation Enhancement Program – CTEP Churchill Sidewalk Project
20.205 Montana Department of Transportation – Equipment
20.106 FAA Progreba Airport Improvements

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? No

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2012

Prior Year Audit Findings:

2011-01 Sub-recipient Monitoring over Federal Awards – Community Development Block Grant – Rae Water and Sewer – CFDA No. 14.228

Status – Implemented.

2011-02 Program Income, Grants Administration, and Monitoring – Neighborhood Stabilization Program – CFDA No. 14.228

Status – Implemented

2011-03 Sub-recipient Monitoring over Federal Awards – Missouri River Drug Task Force Grant – CFDA No. 16.738

Status – Implemented.

STATISTICAL

SECTION

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

Gallatin County, Montana – General Obligation Bonds

\$3,800,000	Series 2001 Open Space General Obligation Bonds
\$4,000,000	Series 2003 Open Space General Obligation Bonds
\$5,000,000	Series 2006 Open Space General Obligation Bonds
\$4,000,000	Series 2008 Open Space General Obligation Bonds
\$32,000,000	Series 2009 Detention Center General Obligation Bonds
\$1,000,000	Series 2010 Limited Tax General Obligation Bonds

Gallatin County, Montana – Special Assessment Bonds

\$1,188,000	Series 2001 RID Bonds No. 378
\$1,765,000	Series 2010 RID Bonds No. 395
\$4,715,000	Series 2010 RID Bonds No. 396

1. Financial Statement (Audited) - Fiscal Year Ended June 30, 2012
2. General Obligation Debt Outstanding as of :

6/30/12 – \$42,824,648	
6/30/11 – 44,710,209	6/30/10 – 46,510,586
6/30/09 – 46,405,950	6/30/08 – 11,026,800

3. Market and Taxable Valuations:

Fiscal Year	Total County Market Valuation	Total County Taxable Valuation¹	County Open Space Taxable Valuation
2012/13	\$8,722,835,096	\$239,468,735	\$235,497,392
2011/12	8,272,189,432	235,791,352	231,290,476
2010/11	7,779,879,169	230,919,537	225,562,849
2009/10	7,303,040,362	223,244,509	217,532,000
2008/09	6,641,798,174	209,638,913	203,197,000
2007/08	6,105,440,980	196,866,339	190,388,900
2006/07	5,526,323,702	181,081,364	174,462,565
2005/06	5,004,202,230	166,681,835	160,125,399

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

4. Estimated Population:

Year	Gallatin County
2011	90,551
2010	89,513
2009 ¹	90,434
2008 ¹	89,824
2007 ¹	87,359
2006 ¹	84,489

¹ The Estimated Populations presented above are estimates provided by the U. S. Bureau of the Census.

5. Debt Capacity Remaining as of June 30, 2012 \$164,750,262.
6. Description of Future Borrowing:
 The County may borrow \$3,200,000 in open space bonds within the next two to three years.

7. Tax Levies

Taxing Entity	----- Fiscal Year -----				
	2008/09	2009/10	2010/11	2011/12	2012/13
University Millage	6.00	6.00	6.00	6.00	6.00
Statewide School Equalization	40.00	40.00	40.00	40.00	40.00
Gallatin County Operating and Bond	79.78	85.19	89.94	88.69	87.40
County Road Fund	19.09	19.17	19.25	19.34	20.20
County Library Levy	6.38	6.06	6.14	6.14	6.14
County-wide School Levy	100.26	94.02	95.74	95.61	96.47
Bozeman High School District Levies	71.40	69.05	75.34	73.48	71.81
Bozeman Elementary School District Levies	141.13	130.49	121.55	123.38	131.45
Open Space Bond Levy	4.63	5.81	6.14	5.99	4.89
Total	468.67	455.79	460.10	458.63	464.36
City of Bozeman	171.16	171.16	166.75	164.75	164.75

8. Tax Collections – General Fund

Fiscal Year	Total Tax Levy ²	Current Property Tax Collections	Total Property Tax Collections ¹
2011/2012	4,476,939	4,292,953	4,576,441
2010/11	3,713,761	3,376,563	3,686,272
2009/10	3,140,315	2,851,686 ³	3,141,990
2008/09	2,370,867	2,123,721 ³	2,383,704
2007/08	2,440,132	2,259,312	2,342,486
2006/07	1,915,849	1,841,942	1,937,650
2005/06	1,958,627	1,877,868	1,983,534

¹ Total Property Tax Collections includes delinquencies.

² Total Tax Levy represents the tax levy for the general fund only (amount actually billed)

³ Separate Personal Property and Mobile Homes billed at end of fiscal year, so collections did not occur until next fiscal year

9. Major Taxpayers

Taxpayer	Business	2011/12 Taxable Value
1. Northwestern Energy	Electric Utility	\$14,936,160
2. Qwest Corporation	Telecommunications	1,999,312
3. Bresnan Communications	Voice/Data/Video	1,672,258
4. Montana Rail Link	Railroad	1,366,836
5. PPL Montana	Utility Distribution	1,190,485
6. Holcim, Inc. (formerly Holnam)	Cement Manufacturer	1,150,360
7. Verizon Wireless	Telecommunications	1,148,112
8. Luzenac America, Inc.	Talc Processing Facility	919,555
9. Black Bull Run	Development	770,958
10. Zoot Properties LLC	Technology	589,266

10. Revolving Fund

Fiscal Year End (June 30)	Revolving Fund Cash Balance	Principal Amount of Bonds	Percentage
2012	\$1,071,284	\$8,226,000	13.0%
2011	1,087,871	8,828,000	12.3
2010	854,654	4,681,000	18.2
2009	766,111	3,290,000	23.3
2008	762,158	3,600,000	21.2
2007	686,431	3,576,000	18.9
2006	638,110	3,520,000	18.1

11. Rural Improvement District Assessment Billings and Collections

Set forth in the following table are the rural improvement district assessment billing and collection history for the County for the fiscal years ending June 30, 2006 through 2012.

Tax Year	Assessment Billing	Current Tax Collections in Year Assessed	Percent of Assessments Collected
2011/12	\$944,586	\$826,695	87.5%
2010/11	1,024,304	863,568	84.3
2009/10	526,259	489,624	93.0
2008/09	639,663	591,338	92.5
2007/08	632,867	596,541	94.3
2006/07	616,814	593,164	96.2
2005/06	627,743	603,725	96.2

12. Statement of Changes in Fund Balance of the Revolving Fund

Set forth in the following table is a summary of the changes in fund balance of the Revolving Fund for the period July 01, 2007 through June 30, 2012.

	Audited 2007/08	Audited 2008/09	Audited 2009/10	Audited 2010/11	Audited 2011/12
Beginning Balance – July 1	\$ 686,430	\$ 762,158	\$ 766,111	\$ 854,654	\$ 1,087,871
Property Taxes	\$ 5,363	\$ 472	\$ 41	\$ 2	\$ 34
Investment Earnings	28,611	19,573	12,248	14,624	9,545
Transfer In ¹	45,003	0	88,250	233,119	0
Transfer (Out) ²	3,249	16,092	11,996	14,528	14,246
Receipts Over Disbursements	\$ 75,728	\$ 3,953	\$ 88,543	\$ 233,217	(\$ 4,667)
Ending Balance – June 30	\$ 762,158	\$ 766,111	\$ 854,654	\$ 1,087,871	\$ 1,083,204
Assets:					
Cash/Investments	\$ 762,158	\$ 766,111	\$ 854,654	\$ 1,087,871	\$ 1,071,284
Receivables	597	114	79	77	14,581
Total Assets	\$ 762,755	\$ 766,225	\$ 854,733	\$ 1,087,948	\$ 1,085,866
Total Liabilities	\$ 597	\$ 114	\$ 79	\$ 77	\$ 30
Fund Balance (Restricted)	\$ 180,000	\$ 164,500	\$ 234,050	\$ 441,400	\$ 436,733
Fund Balance (Committed)	582,158	601,611	620,604	646,471	649,103
Total Fund Balance	\$ 762,158	\$ 766,111	\$ 854,654	\$ 1,087,871	\$ 1,085,836
Total Liabilities/Fund Balances	\$ 762,755	\$ 766,225	\$ 854,733	\$ 1,087,948	\$ 1,085,866