



GALLATIN COUNTY, MONTANA

Fiscal Year Ended June 30, 2011

AUDIT REPORT

GALLATIN COUNTY, MONTANA
AUDIT REPORT
Fiscal Year Ended June 30, 2011

TABLE OF CONTENTS

INTRODUCTORY SECTION

Letter of Transmittal	i
List of Elected and Appointed Officials	ii

FINANCIAL SECTION

Independent Auditor's Report	A-1
Management's Discussion and Analysis	A-3

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Assets	B-1
Statement of Activities	B-2

Fund Financial Statements

Balance Sheet – Governmental Funds	B-3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	B-4
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	B-6
Statement of Net Assets – Proprietary Funds	B-7
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	B-8
Statement of Cash Flows – Proprietary Funds	B-9
Statement of Fiduciary Net Assets – Fiduciary Funds	B-10
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	B-11
Notes to the Financial Statements	B-12

Required Supplementary Information

Budgetary Comparison Schedule – General Fund	C-1
Budgetary Comparison Schedule – Public Safety Fund	C-2
Budgetary Comparison Schedule – RID Maintenance Fund	C-3
Employee Group Benefits Plan – Other Postemployment Benefits (OPEB)	C-4

Single Audit Section

Schedule of Expenditures of Federal Awards	D-1
Independent Auditor's Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	D-4
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	D-6
Schedule of Findings and Questioned Costs and Report on Prior Audit Report Recommendations	D-8
County Response to Audit Comments	D-13

STATISTICAL SECTION

General Statistical Information	E-1
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INTRODUCTORY SECTION

County of Gallatin

Bozeman



GALLATIN COUNTY CLERK AND RECORDER

February 21, 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, 2011, 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, 2011 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 blue ink, reading "Charlotte Mills", is written over a horizontal line.

Charlotte Mills
Gallatin County Clerk and Recorder

GALLATIN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2011

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

RICK WEST
BRYON ADAMS
MARY ELLEN FITZGERALD
JIM CASHELL
MICHAEL SALVAGNI
HOLLY BROWN
JOHN C. BROWN

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

FINANCIAL

SECTION

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, 2011, 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, 2011, 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 February 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.

The management's discussion and analysis, budgetary comparison information and Employee Group Benefit Plan-Other Postemployment Benefits schedule are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied

certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the County. The schedule of expenditures of federal awards has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
February 21, 2012

MANAGEMENT'S

DISCUSSION

AND

ANALYSIS

Gallatin County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

As managers of Gallatin County, the Board of County Commissioners, with assistance from County Elected Officials, the County Administrator and their staff, we present the following Management Discussion and Analysis. The information comes from Gallatin County's financial statements and includes narrative on the financial activities of Gallatin County, Montana, for the fiscal year ended June 30, 2011. We encourage readers to consider the information in this Management Discussion and Analysis (MD&A) along with the rest of the annual report, of which the Management Discussion and Analysis is the first part of.

FINANCIAL HIGHLIGHTS:

The financial statements presented herein 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 2011, the fund balance for the General Fund was \$3,289,147 – up \$2,183,224 from June 30, 2010 – increase associated with combining the Bridge, Airport, Senior and Extension Funds into the General Fund;
- The County will face a number of fiscal challenges in the future. The challenges have 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 and continued increases in taxable value and a significant increase in total net assets.
- The assets of the County exceeded its liabilities at year-end by \$157.3 million (net assets). Of this amount \$48.6 million (30.89%) is unrestricted and may be used to meet the County's 2012 budgetary needs and Operating Reserves.
- Revenues from Taxes/Assessment were \$35,170,629 for governmental funds, up \$5,734,468 from fiscal year 2010. This increase was from newly taxable property appearing for the first time on the tax roles, required bond payments and increase in RID maintenance and bonds.
- The County Landfill saw an increase in net assets. The activity increased net assets by \$1,286,304 during fiscal year 2011.
- County Health Insurance Fund saw a continuation of a positive financial position, as represented by unreserved cash sitting at \$2,517,896 (cash \$2,805,033- Claims Payable \$287,137), 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 and fiscal year 2010 at \$2.4M.
- The County's debt (excluding OPEB liability) for Governmental Activity debt increased by \$3,115,146 to \$62,763,894 with Business-Type Activity debt decreasing \$692,206 to \$3,981,041 with total debt increasing by \$2,422,941 during fiscal year 2011. The Governmental Activities debt increased with the issuance of the settlement loan, and the Clarkston RID Bond in fiscal year 2011.
- Implemented Government Accounting Standards Board (GASB) Statement 54, as of June 30 2011. As a result, the classifications for fund balance now used for governmental funds are reported in two general classifications, non-spendable and spendable

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 ended. All changes in net assets are reported as soon as the underlying event giving rise to the changes are known, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will result in cash flow changes in future fiscal periods (e.g. receivables at the landfill, fairgrounds, and rest home and expenses such as unused vacation, sick, or comp time).

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

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

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

General Government:

Elected Offices –

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

Departments –

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

Public Safety:

Elected Offices –

- County Sheriff, Coroner.

Departments –

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

Public Works:

Departments –

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

Public Health:

Departments/Agencies –

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

Economic Development:

- Economic Development, Extension Agents.

Culture and Recreation:

- Library, Fair, and Parks

Conservation and Natural Resources:

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

Debt Service:

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

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

Reporting the County's Significant Funds

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

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

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

The County maintains 5 major governmental (the RID Bond consists of 40 funds and the RID Maintenance Fund includes 62 Funds) and 3 major proprietary funds, 100 non- major funds and 220 trust and agency funds. This means the County maintains 427 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, RID Bonds and County Building – Capital Projects Fund. The Non-major governmental funds include 80 operating funds, 5 debt funds, 9 capital funds, 6 revolving funds and 220 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, 2011

	Primary Government			FY 10 TOTALS	FY 09 TOTALS	FY 08 TOTALS
	Governmental Activities	Business- type	Total			
ASSETS						
Cash & Cash Equivalents	36,298,253	11,967,883	48,266,136	52,976,227	71,370,187	40,480,462
Other Assets	13,985,570	1,050,449	15,036,019	10,598,711	7,988,779	8,089,298
Capital Assets (net)	156,032,373	11,202,665	167,235,038	158,647,384	137,620,438	126,197,031
Total assets	\$ 206,316,195	\$24,220,997	\$230,537,192	222,222,322	216,979,404	174,766,791
LIABILITIES						
Current Liabilities	8,372,027	1,504,736	9,876,763	-	-	-
Long Term Debt	60,067,864	3,243,424	63,311,288	61,241,836	60,932,118	27,599,844
Total liabilities	68,439,891	4,748,160	73,188,051	61,241,836	60,932,118	27,599,844
NET ASSETS						
Invested in capital assets, net of related debt	96,440,340	9,016,220	105,057,164	97,732,177	77,761,679	101,531,355
Restricted for	1,390,765	2,338,767	3,729,532	3,153,573	3,776,598	3,119,259
Unrestricted	40,045,199	8,117,850	48,562,445	50,190,018	65,611,667	37,433,133
Total net assets	\$ 137,876,304	\$ 19,472,837	\$ 157,349,141	151,075,768	147,149,944	142,083,747

See accompanying notes to the financial statements.

The County is providing condensed financial information for fiscal year 2008 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 the New Detention Center in FY 2011.

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

The County's changes in net assets in the governmental and business-type activities are shown in the following table. The report shows that governmental activities increased net assets to \$137,876,304, compared to 2010's \$133,368,358, fiscal year 2009's \$130,705,829, fiscal year 2008's \$127,620,966 and fiscal year 2007 net assets of \$124,886,538. Business-Type Activities for fiscal year 2011 show an increase in net assets to \$19,472,837 an increase of \$1,765,426. The increase comes primarily from Rest Home and Landfill.

Gallatin County, State of Montana
Statement of Activities
For the Year Ended June 30, 2011

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	\$ 10,717,791	\$ 2,072,516	\$ 1,594,911	\$ 390,525	\$ (6,659,839)	\$ -	\$ (6,659,839)
Public Safety	17,455,813	1,506,450	2,955,539	-	(12,993,823)	-	(12,993,823)
Public Works	9,312,385	168,542	766,823	-	(8,377,020)	-	(8,377,020)
Public Health	3,240,896	310,089	1,263,306	-	(1,667,502)	-	(1,667,502)
Social & Economic Services	523,175	78,070	-	-	(445,106)	-	(445,106)
Culture & Recreation	1,822,117	510,308	3,382	3,818,008	2,509,581	-	2,509,581
Culture & Rec-Capital Expend	-	-	-	-	-	-	-
Housing & Community Dev.	3,842,160	310,894	-	-	(3,531,265)	-	(3,531,265)
Conservation of Natural Resour	138,890	149,100	-	-	10,211	-	10,211
Debt Service-Debt Serv Int	2,424,179	-	-	-	(2,424,179)	-	(2,424,179)
Miscellaneous	34,610	-	-	-	(34,610)	-	(34,610)
Total governmental activities	49,512,015	5,105,969	6,583,961	4,208,533	(33,613,553)	-	(33,613,553)
Business-type Activities:							
West Yellow stone Refuse District	760,267	838,678	-	-	-	78,411	78,411
Gallatin jCounty Rest Home	5,675,659	5,788,158	183,516	22,566	-	318,581	318,581
Gallatin County Landfill	3,165,398	4,373,723	-	-	-	1,208,325	1,208,325
Total business-type activities	9,601,325	11,000,558	183,516	22,566	-	1,605,316	1,605,316
Total primary government	\$ 59,113,340	\$ 16,106,527	\$ 6,767,477	\$ 4,231,099	\$ (33,613,553)	\$ 1,605,316	\$ (32,008,238)

Gallatin County, Montana - Statement of Changes in Net Assets
For the Year Ended June 30, 2011
Net (Expenses) Revenues and

	Changes in Net Assets		
	--- Primary Government ----		
	Governmental Activities	Business-Type Activities	TOTAL
GENERAL REVENUES:			
Property Taxes for General Purposes	35,170,629	103	35,170,732
Grants & entitlements not restricted to specific	2,144,264	-	2,144,264
Investment Earnings	558,595	157,158	715,754
Miscellaneous	84,634	-	84,634
Sale/Disposal of Fixed Assets	163,378	2,849	166,227
	38,121,500	160,110	38,281,610
Change in net assets	4,507,947	1,765,426	6,273,373
Net assets - beginning	133,368,358	17,707,411	151,075,769
Net assets - ending	\$ 137,876,304	\$ 19,472,837	\$ 157,349,141

Government Activities

Gallatin County spent \$ 49,512,015 for primary governmental activities in fiscal year 2011. Governmental activities include:

- **General Government** (County Attorney, Auditor, Clerk & Recorder/Surveyor, Commission, Justice of the Peace, Clerk of District Court/Public Administrator, Treasurer/Assessor, County Administrator, Compliance Office, Court Services, Finance, Geographic Information, Grant Administration, Human Resources, Information Technology, Planning/Zoning, Public Defenders).
- **Public Safety** (County Sheriff, Coroner, Disaster & Emergency Services, Dispatch Services, Fire Marshal, Detention Services – Adult & Juvenile, Hazardous Materials Incident Services, Search & Rescue).
- **Public Works** (Airport – Three Forks, Bridge, Noxious Weed Control, Road, Junk Vehicle, and Rural Improvement Maintenance are reported as special revenues. While 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 \$35,170,629 or 71.03% of primary government activity expenses. The following table shows the changes in the percentage Taxes are to government activity expenses:

• 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%

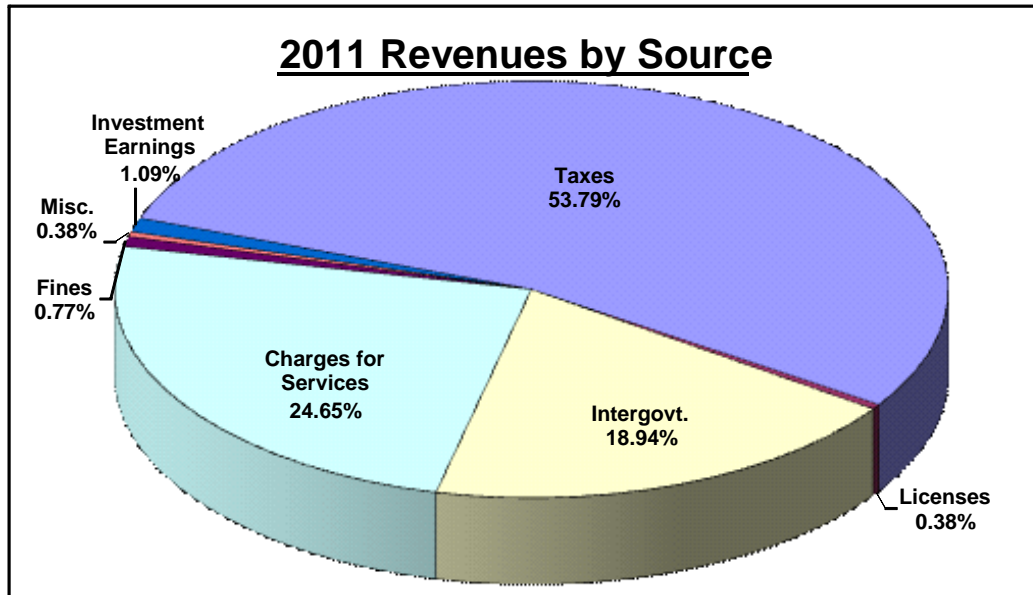
Some costs, as shown on the schedule at the top of page 11, were paid directly by users of a service (Charges for Services), these revenues accounted for \$5,105,969 (10.31%) of fiscal year 2011 Governmental Activity expenses. Operating Grants & Contributions (Intergovernmental Revenues) generated \$6,583,961, accounting for 13.29% 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 \$16,106,527 from charges for services, while operating grants and contributions equaled \$6,767,477 accounting for \$22,874,004 or \$36,239,336 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.

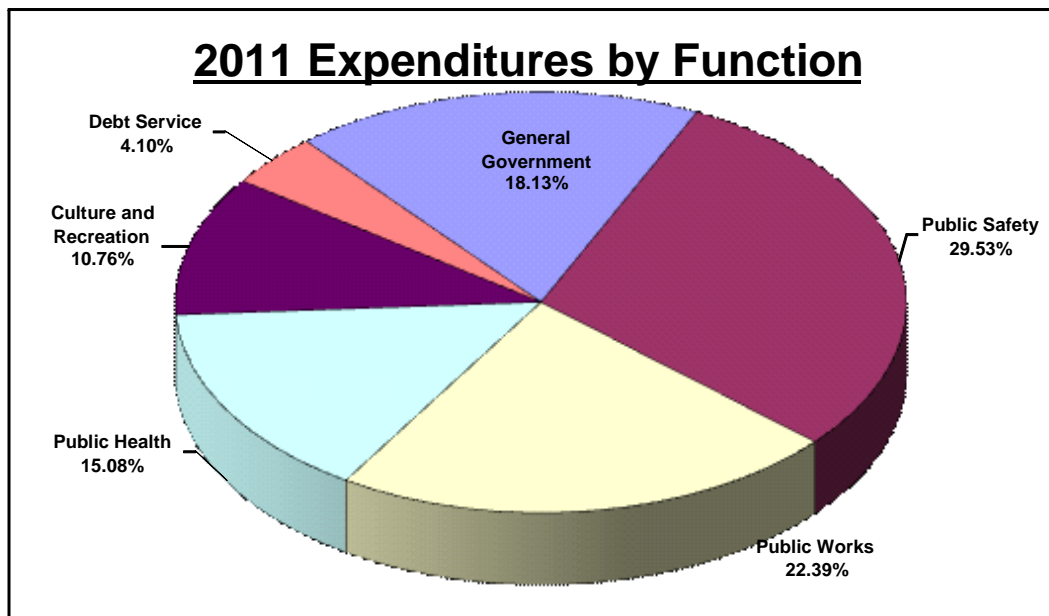
Graph of Revenues by Source – Activities

Gallatin County received \$54,019,962 in revenues to finance governmental operations. Total expenses for governmental activities were \$49,512,015; thus the County's net fund balance increased by \$4,507,947 from inclusion of grants and completion of detention center.

After all activities are considered, net assets increased from \$151,075,769 to \$157,349,141 for governmental activities and business type activities. The graphs that follow show revenues by source and expenditures by activity for all activities.

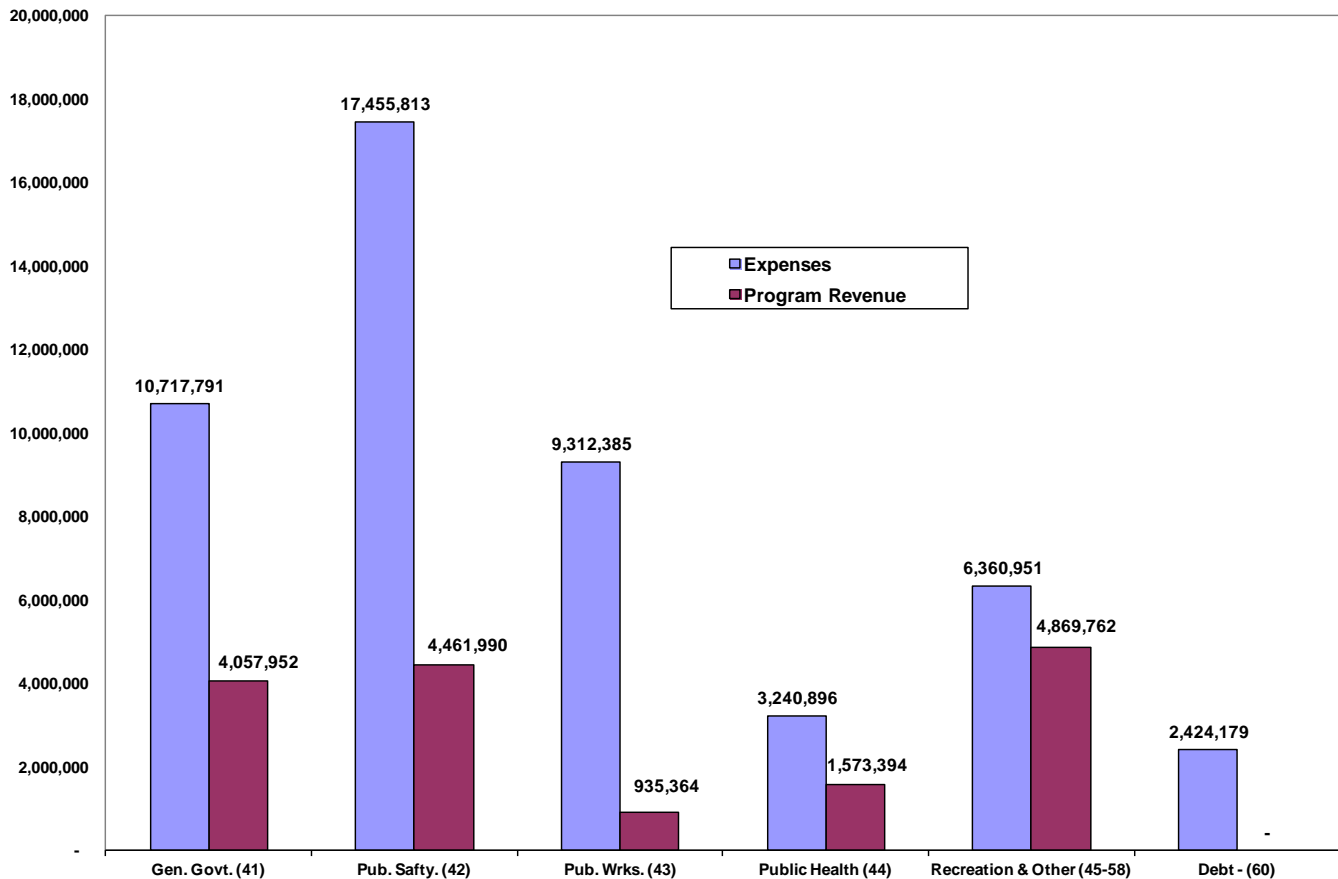


A listing of what departments are included in each function section of the following pie chart can be found earlier in the document.



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

Expenses and Program Revenues by Activity FY 2011



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:

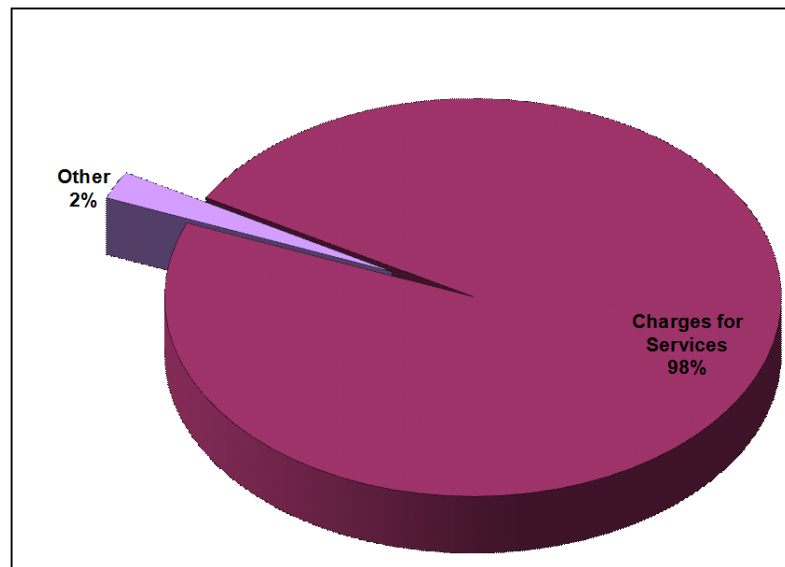
- 1) receive authorization from the state legislature to increase local governments ability to charge the true cost of services, or authorize changes in current methods of funding local government (local option taxes), and/or
- 2) the County Commission will need to fully utilize current taxing authority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

Business Type Activities

The cost of all proprietary (business type) activities this year was \$9,601,325. The amount paid by users' of the Rest Home, Landfill and Refuse District was \$11,206,641.

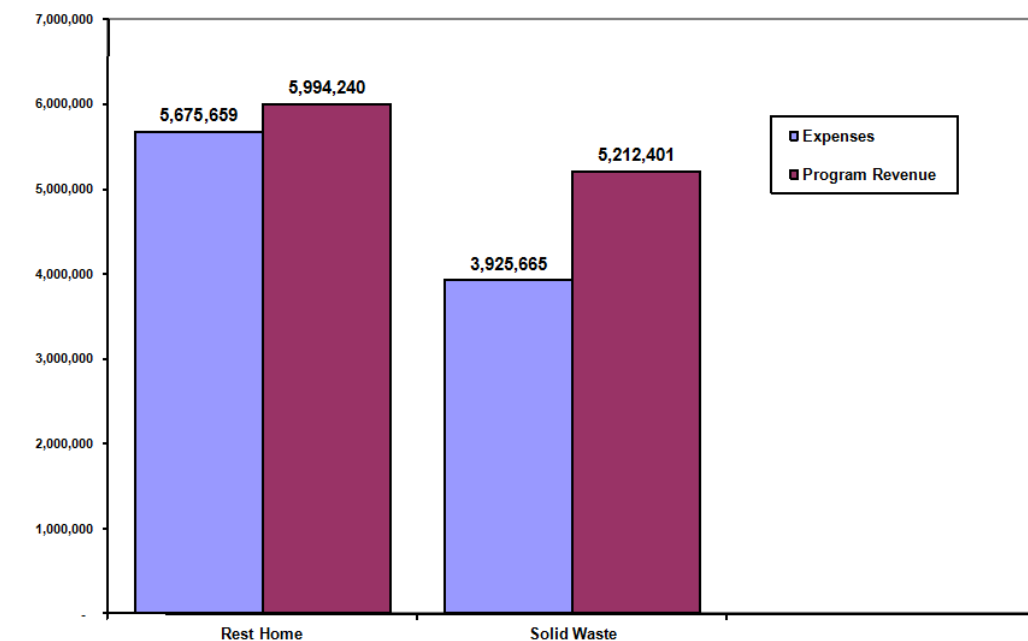
Total resources for fiscal year 2011 to finance proprietary funds (business type) were \$11,206,641 (Charges for Services \$11,000,558 and Grants / Contributions \$206,082).

2011 Revenues by Type - Business Areas



Total proprietary expenses during the year were \$9,601,325

Business Type Activity - Expenses and Revenues FY 2011



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 2011 to FY 2010:

Gallatin County, State of Montana

Statement of Activities

For the Year Ended June 30, 2011

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE	RID DEBT SERVICE	COUNTY BUILDING	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	FY 2010 TOTALS
REVENUES:								
Property Taxes	5,147,320	10,561,363	830,028	952,471	1,049,801	12,432,494	30,973,477	27,225,881
Licenses & Permits	1,200	22,120	-	-	-	257,443	280,763	244,025
Intergovernmental	855,431	538,515	-	-	138,640	9,994,618	11,527,205	11,279,650
Charges for Services	1,976,583	734,084	-	-	94,279	992,317	3,797,263	3,799,620
Fines & Forfeitures	537,918	7,937	-	-	-	63,225	609,080	409,118
Miscellaneous	79,171	1,428,523	-	-	-	342,963	1,850,657	1,547,688
Investment Earnings	170,918	15,533	49,194	4,265	80,136	172,369	492,415	761,952
Transfers In	2,663,934	235,970	(712)	25,963	8,463	515,316	3,448,934	1,164,801
Contributions/Donations/Loans	-	1,300,896	-	-	21,039	7,276,889	8,598,824	37,652
TOTAL REVENUES	11,432,474	14,844,941	878,511	982,698	1,392,358	32,047,633	61,578,615	46,470,387

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

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE	RID DEBT SERVICE	COUNTY BUILDING	OTHER GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS	FY 2010 TOTALS
EXPENSES:								
General Government	7,656,968	-	-	-	-	183,980	1,390,958	9,231,907
Public Safety	1,027,139	13,624,731	-	-	-	529,121	1,553,565	16,734,556
Public Works	(153,945)	-	445,032	-	-	-	5,836,114	6,127,201
Public Health	-	-	-	-	-	-	3,156,749	3,156,749
Social & Econ. Serv.	-	-	-	-	-	-	504,302	504,302
Culture & Recreation	-	-	-	-	-	300	1,687,234	1,687,534
Housing & Comm Dev	-	-	-	-	-	-	3,812,182	3,812,182
Cons Nat'l Resources	-	-	-	-	-	-	132,472	132,472
Miscellaneous	602,917	-	-	-	-	-	34,610	637,527
Principal Retirement	77,710	89,075	-	-	568,000	-	4,662,218	5,397,003
Interest	404	16,670	-	-	452,558	-	1,954,547	2,424,179
Capital Outlay	8,926	1,461,754	-	-	-	7,945,321	4,052,851	13,468,852
Transfer Out	29,131	286,232	-	-	25,251	-	3,892,839	4,233,453
TOTAL EXPENSES	9,249,250	15,478,461	445,032	1,045,809	8,658,722	8,658,722	32,670,642	67,547,916

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. County Building is a 'Major Fund' because it has assets, liabilities, revenues and expenses that make up more than 10% of all Capital Project Funds.

Proprietary Funds

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

Gallatin County, State of Montana					
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds					
For the Year Ended June 30, 2011					
Business-type Activities - Enterprise Funds					
	GALLATIN CO. REST HOME	GALLATIN COUNTY LANDFILL	ENT- W.YELL/HEBGN REFUSE DIST 2	Total Proprietary Funds	Gov. Activities Internal Service
Operating revenues:					
Charges for Services	5,788,146	4,371,323	835,678	10,995,147	507,465
Miscellaneous	12	-	-	12	892
Internal Services	-	-	-	-	6,863,028
Total Operating Revenues	5,788,158	4,371,323	835,678	10,995,159	7,371,385
Operating expenses:					
Public Works Personnel Serv.	-	779,150	155,328	934,478	-
Public Works Operations	-	1,303,785	462,410	1,766,195	-
Public Works-Depreciation	-	1,001,407	142,530	1,143,937	-
Public Health Personnel	3,835,553	-	-	3,835,553	-
Public Health Operations	1,700,900	-	-	1,700,900	-
Internal Service-Personnel	-	-	-	-	359,408
Internal Service-Supplies	-	-	-	-	130,764
Internal Service-Purchased Ser	-	-	-	-	1,122,030
Internal Service-Fixed Charges	-	-	-	-	2,141,205
Internal Service-Depreciation	-	-	-	-	60,133
Internal Serv-Benefit Pymts	-	-	-	-	3,964,832
Public Health Depreciation	139,206	-	-	139,206	-
Total operating expenses	5,675,659	3,084,342	760,268	9,520,269	7,778,372
Operating Income (loss)	112,499	1,286,981	75,410	1,474,890	(406,987)
Nonoperating revenues (expenses):					
Property Taxes	103	-	-	103	-
Intergovernmental Revenues	183,516	-	-	183,516	-
Miscellaneous	-	2,400	3,000	5,400	-
Investment Earnings	56,679	72,141	28,338	157,158	66,180
Sale of Fixed Assets	(2,988)	5,838	-	2,850	(1,262)
Interest Expense	-	(81,056)	-	(81,056)	-
Total non operating revenue(exp)	237,310	(677)	31,338	267,970	64,918
Income (loss) before contributions and transfers out	349,809	1,286,304	106,748	1,742,861	(342,069)
Transfers In	22,566	-	-	22,566	761,952
Change in net assets	372,375	1,286,304	106,748	1,765,427	419,883
Total net assets -- beginning	5,571,314	7,651,494	4,484,602	17,707,410	4,459,823
Total net assets -- ending	\$ 5,943,689	\$ 8,937,799	\$ 4,591,351	\$ 19,472,837	\$ 4,879,706

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

	----- PRIOR YEARS -----				
	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
TOTAL ASSETS	\$15,858,234	20,614,978	21,292,464	23,155,238	\$24,220,997
NET ASSETS	<u>8,504,496</u>	<u>14,462,781</u>	<u>16,444,115</u>	<u>17,707,410</u>	<u>19,472,837</u>
TOTAL LIABILITIES	7,353,738	6,152,197	4,848,349	5,447,828	4,748,160
NET INCOME – BUSINESS ACTIVITIES	2,284,705	5,958,285	1,783,866	1,119,223	1,765,427
(Divided by)					
ENDING NET ASSETS	<u>8,504,496</u>	<u>14,462,781</u>	<u>16,444,115</u>	<u>17,707,410</u>	<u>19,472,837</u>
Equals					
RETURN ON ENDING NET ASSETS	26.86%	41.20%	10.85%	6.32%	9.07%

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 increased in fiscal-year 2011 by \$3,115,146. This came from issuance of the Clarkston RID Bond, Settlement note of \$1,300,000 and a Capital lease of \$1,273,260.

The cost per capita for governmental debt outstanding increased from \$252.62 in FY 2007 to \$690.98 in fiscal year 2011. (\$62,773,975 divided by estimated population of 90,848). Governmental activity debt summary for fiscal year 2011 is presented below:

	----- PRIOR YEARS -----				
	<u>FY 07</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 11</u>
DEBT PAYABLE ON (June 30)					
BEGINNING BALANCE	20,562,567	21,127,460	22,371,830	58,916,157	59,648,747
ADD: InterCap Loan/Notes	1,499,000	2,299,000	1,000,000	-0-	1,300,000
Special Assessment Bonds	455,000	900,000	-0-	1,765,000	4,715,000
G. O. Bonds	8,500	-0-	36,031,152	1,000,000	2,301,000
Compensated Absences (increase)	-0-	76,669	224,565	58,649	159,428
Capital Lease Agreements	-0-	-0-	1,473,182	-0-	1,273,260
LESS: Loan/Lease Payments	479,201	554,449	1,232,933	795,774	1,954,084
Special Assessment Payments	399,000	876,000	310,000	374,000	568,000
Compensated Absences (decrease)	38,556	-0-	15,558	-0-	-0-
G.O. Payments/Refinancing	<u>480,850</u>	<u>600,850</u>	<u>626,081</u>	<u>921,285</u>	<u>4,101,377</u>
DEBT PAYABLE (July 1)	21,127,460	22,371,830	58,916,157	59,648,747	62,773,975
Cost Per Capita	\$252.62	\$256.09	\$655.91	\$656.58	\$690.98

Debt includes compensated absences (amount due to employees for accrued leave, including 1/4 sick leave, all vacation and compensatory time) of \$1,881,942 up \$159K from FY 10. The increase of \$159,428 represents a change of 8.99%, primarily from increased Deputy wages. Debt does not include Other Post Employment Benefits (OPEB) of \$658,311 for Governmental Activities and \$172,118 for Business Type Activities.

The County, by statute, can have debt of 2.50% of Assessed Valuation. For fiscal year 2011 this equals \$194,829,558. County debt of \$53,945,975 (\$62,773,975 less Special Assessment Bonds (RID) \$8,828,000) means the County has used 27.68% of its borrowing capacity through fiscal year 2011, with unused borrowing capacity being \$140,883,583.

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 (\$8,828,000 X 5% = \$441,400 (cash balance in RSID Revolving Fund amounted to \$1,054,047 as of June 30, 2011). 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, 2011, net capital assets of our governmental activities totaled \$156,032,373 and the net capital assets associated with business-type activities equaled \$11,202,665.

At the end of 2011 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 changes during 2011 included:

▪ Building Improvements	6,812,464	(net of construction in progress reduction)
▪ Intangibles	279,015	(reported for the 1 st time in FY 2011)
▪ Infrastructure	1,746,712	
▪ Improvements	18,466	
▪ Machinery & Equipment	387,721	
▪ Construction in progress	3,530,484	

As the previous table shows Gallatin County is committed to the upkeep, maintenance and replacement/expansion of the County's assets. The change in Land and Intangibles comes from transfer of Intangibles out of Land into a separate category for the first time in FY 2011.

Budgets and Budgetary Accounting

County General and Public Safety Fund Budget Highlights and Variances

The fiscal year 2011 adopted and final budget for the General and Public Safety Funds were \$21,213,112. 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

\$ 21,213,112 + \$ -0- + \$ -0- = \$ 21,213,112

Beg. Balance +/- Supplemental Changes = Final Budget
\$21,213,112 + \$4,338,602 = \$ 25,551,174

The beginning to final budget shows an increase of 20.45% from budget amendments. Changes were caused by a lawsuit settlement and the recording of donated assets for Enhanced Dispatch.

Budget Changes – FY 11 Compared to FY 2012

Major changes in the operational budget fiscal year 2012 to fiscal year 2011 were made by the County Commission. These included staffing of new detention center for full year as reductions to fund costs of lawsuit and downturn in economy. The changes in staffing were:

DEPARTMENT/DIVISION	Net Increase (Decrease)
COUNTY ATTORNEY	(1.00)
CLERK AND RECORDER	(1.00)
CLERK OF DISTRICT COURT	(1.00)
COMMISSION	(1.00)
COURT SERVICES	0.08
ENVIROMENTAL HEALTH	(0.25)
EXTENSION	(0.50)
CITY / COUNTY HEALTH	1.33
GRANT ADMINISTRATION	0.15
PLANNING	(0.35)
ROAD	0.28
SUPERINTENDENT OF SCHOOLS	(0.25)
SHERIFF	(1.96)
SHERIFF - DETENTION CENTER	9.00
TREASURER	(0.34)
TOTAL COUNTY TAX SUPPORTED PERSONNEL	3.19
FACILITIES (for new Det. Cntr.)	1.20
HEALTH - CITY/COUNTY - GRANTS	(0.13)
PUBLIC SAFETY GRANTS	1.52
REST HOME (if CNA's can be hired)	0.07
TOT OTHER CHANGES	1.22
TOTAL CHANGES IN PERSONNEL	3.88
	7.07

The following Capital Projects table identifies estimated costs of projects, amount expended through June 30, 2011 and the amount budgeted for FY 2012. 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.

Summary of 2012 Capital Projects			
<u>Description</u>	<u>Project</u>	<u>Expended</u>	<u>2012 Budget</u>
Open Space Acquisition	\$20,000,000 (plus interest.)	\$ 17,824,985	\$ 2,175,015
Detention Center	37,580,939	36,608,325	972,614
Court / Law Enforcement Buildings	25,686,400	100,000	50,000
Neighborhood Stabilization	7,200,000	7,127,716	-0-
Stimulus Activities	504,000	443,025	60,975
Noxious Weed Complex	750,000	-0-	Future year
Core Equipment (rolling stock)	7,320,112	Yearly allocation	974,046
County Facilities (0.95 set aside)		Sq.Ft.charge	850,000
Capital Equipment (county accounts)	-0-	Yearly allocation	3,462,216
Capital (grants/ misc.)	-0-	Yearly allocation	2,019,573
Capital Equipment (special districts)	-0-	<u>Yearly allocation</u>	<u>8,499,254</u>
Total	99,041,451	62,575,699	\$19,063,693

Capital Projects increased to \$62.6 million for FY 2012. 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 2012 Budget. The Commission authorized \$972,614 for completion of Detention Center, L & J replacement \$50,000 Stimulus Activity \$60,975, Core Equipment \$974,046 and County Facilities set aside \$850,000.

Summary

The fiscal year 2012 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 2008 through fiscal year 2012 shows:

<u>TAXES</u>						<u>%</u>
<u>Description</u>	<u>FY 08</u>	<u>FY 09</u>	<u>FY 10</u>	<u>FY 2011</u>	<u>FY 2012</u>	<u>Change</u>
County Operating Taxes	\$14,455,682	\$15,408,210	\$16,343,857	\$16,901,437	\$17,122,165	1.30%
Road and Library Taxes	2,715,318	2,980,571	3,153,566	3,294,337	3,373,752	2.41%
Debt Service/Insurance Taxes	1,989,435	2,251,477	3,941,648	5,250,549	5,173,537	(1.47%)

MILL LEVIES:

County Operating Taxes	73.73	73.52	73.20	73.20	72.62	(0.79%)
Road and Library Taxes	24.68	25.47	25.23	25.39	25.48	0.35%
Debt Service/Insurance Taxes	10.24	10.89	17.80	22.88	22.08	(3.50%)

TAXABLE VALUATIONS:

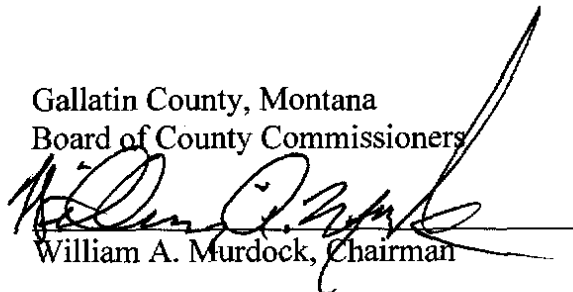
County Wide Valuations	196,866	209,639	223,244	230,919	235,791	2.11%
Road and Library Valuations	110,021	117,027	125,025	129,779	132,432	2.04%
Open Land Valuations	190,380	203,197	217,532	225,562	231,290	2.54%

The previous table shows growth in the valuation of property (primarily new construction) accounted for 2.11% 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 2012 did increase, 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 \$1,686,504. 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 \$1,242,615 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



William A. Murdock, Chairman

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE

FINANCIAL

STATEMENTS

Gallatin County, State of Montana

Statement of Net Assets

June 30, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash & Cash Equivalents	36,298,253	11,967,883	48,266,136
Tax/Assessments Receivable (Net)	11,964,076	2,211	11,966,287
Other Receivables	1,824,148	1,048,238	2,872,386
Inventories	197,345	-	197,345
Capital Assets (net)	156,032,372	11,202,665	167,235,037
Total assets	<u>\$ 206,316,194</u>	<u>\$ 24,220,997</u>	<u>\$ 230,537,191</u>
LIABILITIES			
Accounts Payable	3,118,657	295,604	3,414,261
Accrued Liabilities	1,305,912	299,398	1,605,310
Deferred Revenue	563,316	-	563,316
Deposits Payable	19,719	-	19,719
Current Portion Of Long Term Debt	3,364,422	909,734	4,274,156
Long Term Debt	59,409,553	1,554,605	60,964,158
Closure/Post Closure Costs	-	1,516,701	1,516,701
GASB45 OPEB OBLIGATION	658,311	172,118	830,429
Total liabilities	<u>\$ 68,439,890</u>	<u>\$ 4,748,160</u>	<u>\$ 73,188,050</u>
NET ASSETS			
Invested in capital assets, net of related debt	96,440,340	9,016,220	105,057,164
Restricted	1,390,765	2,338,767	3,729,532
Unrestricted	40,045,199	8,117,850	48,562,445
Total net assets	<u>\$ 137,876,304</u>	<u>\$ 19,472,837</u>	<u>\$ 157,349,141</u>

See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Activities
For the Year Ended June 30, 2011

Functions/Programs	Program Revenues			Net(Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services		Primary Government		
		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Primary government:						
Governmental activities:						
General Government	\$ 10,717,791	\$ 2,072,516	\$ 1,594,911	\$ 390,525	\$ (6,659,839)	\$ (6,659,839)
Public Safety	17,455,813	1,506,450	2,955,539	-	(12,993,824)	(12,993,824)
Public Works	9,312,385	168,542	766,822	-	(8,377,021)	(8,377,021)
Public Health	3,240,896	310,089	1,263,306	-	(1,667,501)	(1,667,501)
Social & Economic Services	523,175	78,069	-	-	(445,106)	(445,106)
Culture & Recreation	1,822,116	510,308	3,382	3,818,008	2,509,582	2,509,582
Culture & Rec-Capital Expend	-	-	-	-	-	-
Housing & Community Dev.	3,842,160	310,894	-	-	(3,531,266)	(3,531,266)
Conservation of Natural Resources	138,890	149,100	-	-	10,210	10,210
Debt Service-Debt Serv Int	2,424,179	-	-	-	(2,424,179)	(2,424,179)
Miscellaneous	34,610	-	-	-	(34,610)	(34,610)
Total governmental activities	49,512,015	5,105,968	6,583,960	4,208,533	(33,613,554)	(33,613,554)
Business-type Activities:						
West Yellowstone Refuse District	760,268	838,678	-	-	78,410	78,410
Gallatin jCounty Rest Home	5,675,659	5,788,158	183,516	22,566	318,581	318,581
Gallatin County Landfill	3,165,398	4,373,723	-	-	1,208,325	1,208,325
Total business-type activities	9,601,325	11,000,559	183,516	22,566	1,605,316	1,605,316
Total primary government	\$ 59,113,340	\$ 16,106,527	\$ 6,767,476	\$ 4,231,099	\$ (33,613,554)	\$ (32,008,238)
Property Taxes for General Purposes					103	35,170,732
Grants & entitlements not restricted to specific				35,170,629	-	2,144,264
Investment Earnings				2,144,264	157,158	715,753
Miscellaneous				558,595	-	84,634
Sale/Disposal of Fixed Assets				84,634	2,850	166,228
Total general revenues				163,378	160,111	38,281,611
Change in net assets				38,121,500	1,765,427	6,273,373
Net assets - beginning				4,507,946	17,707,410	151,075,768
Net assets - ending				133,368,358	\$ 19,472,837	\$ 157,349,141

See accompanying notes to the financial statements.

FUND

FINANCIAL

STATEMENTS

Gallatin County, State of Montana
Balance Sheet
Governmental Funds
June 30, 2011

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE	RID BOND DEBT SERVICE	COUNTY BUILDING	Other Governmental Funds	Total Governmental Funds
Current assets:							
Cash & Cash Equivalents	\$ 3,589,479	\$ 1,221,784	\$ 4,584,412	\$ 365,769	\$ 4,346,164	\$ 17,034,728	\$ 31,142,336
Cash & Cash Equivalents-Restricted	-	-	-	-	251,715	-	251,715
Taxes Receivable	516,854	992,146	88,521	188,790	149,337	1,100,595	3,036,243
Special Assessments Receivable	-	-	-	8,927,834	-	-	8,927,834
Accounts Receivable-Net	354,448	50,628	-	-	42,975	624,039	1,072,090
Notes Receivable	-	-	-	-	-	303,553	303,553
Due from Advance to Other funds	-	77,879	-	-	309,002	33,824	420,705
Inventories	153,945	-	-	-	-	43,400	197,345
Total Current assets:	<u>4,614,726</u>	<u>2,342,437</u>	<u>4,672,933</u>	<u>9,482,393</u>	<u>5,099,193</u>	<u>19,140,139</u>	<u>45,351,821</u>
Total assets	<u>\$ 4,614,726</u>	<u>\$ 2,342,437</u>	<u>\$ 4,672,933</u>	<u>\$ 9,482,393</u>	<u>\$ 5,099,193</u>	<u>\$ 19,140,139</u>	<u>\$ 45,351,821</u>
LIABILITIES AND FUND BALANCES							
Current liabilities:							
Accounts Payable	\$ 268,161	\$ 210,495	\$ 21,202	\$ -	\$ 466,061	\$ 1,527,675	\$ 2,493,594
Contracts/Loans Payable	-	-	-	19,719	-	-	19,719
Other Accrued Payables	357,362	335,933	-	4,998	-	303,985	1,002,278
Due To Other Funds	-	-	-	33,824	-	386,881	420,705
Deferred Revenue	700,056	992,146	88,522	9,116,624	149,337	1,100,595	12,147,280
Total Current liabilities:	<u>1,325,579</u>	<u>1,538,574</u>	<u>109,724</u>	<u>9,175,165</u>	<u>615,398</u>	<u>3,319,136</u>	<u>16,083,576</u>
Total liabilities	<u>1,325,579</u>	<u>1,538,574</u>	<u>109,724</u>	<u>9,175,165</u>	<u>615,398</u>	<u>3,319,136</u>	<u>16,083,576</u>
Fund balances:							
Nonspendable:							
Inventories	153,945	-	-	-	-	43,400	197,345
Restricted for:							
Grants	-	-	-	-	-	3,440,464	3,440,464
Debt Service Obligations	-	-	-	-	-	434,435	434,435
RID Debt Services	-	-	-	307,228	-	-	307,228
Construction Projects	-	-	-	-	807,083	4,245,289	5,052,372
General Government	-	-	-	-	-	39,436	39,436
Public Safety	-	803,863	-	-	-	-	803,863
Committed for:							
RID Maintenance	-	-	4,563,209	-	-	-	4,563,209
General Government	3,128,219	-	-	-	3,676,712	3,034,152	9,839,083
Public Safety	-	-	-	-	-	37,004	37,004
Public Works	-	-	-	-	-	2,431,619	2,431,619
Public Health	-	-	-	-	-	1,107,669	1,107,669
Culture & Recreation	-	-	-	-	-	480,513	480,513
Conservation Of Natural Resources	-	-	-	-	-	527,022	527,022
Assigned for:							
General Government	6,983	-	-	-	-	-	6,983
Total fund balances	<u>3,289,147</u>	<u>803,863</u>	<u>4,563,209</u>	<u>307,228</u>	<u>4,483,795</u>	<u>15,821,003</u>	<u>29,268,245</u>
Total liabilities and fund balances	<u>\$ 4,614,726</u>	<u>\$ 2,342,437</u>	<u>\$ 4,672,933</u>	<u>\$ 9,482,393</u>	<u>\$ 5,099,193</u>	<u>\$ 19,140,139</u>	<u>\$ 45,351,821</u>

See accompanying notes to the financial statements.

Gallatin County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2011

Total fund balances - governmental funds	\$	29,268,245
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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	238,641,840	
Accumulated depreciation	<u>-83,101,429</u>	
		155,540,411

Property taxes receivable are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	11,964,078
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Unamortized Debt Issuance Costs	(380,114)
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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	4,879,706
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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	(63,396,022)
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Total net assets - governmental activities	\$	<u><u>137,876,304</u></u>
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See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

	GENERAL	PUBLIC SAFETY FUND	RID MAINTENANCE	RID BOND DEBT SERVICE	COUNTY BUILDING	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes & Special Assessments	\$ 5,147,320	\$ 10,561,363	\$ 830,028	\$ 952,471	\$ 1,049,801	\$ 12,432,494	\$ 30,973,477
Licenses & Permits	1,200	22,120	-	-	-	257,443	280,763
Intergovernmental Revenues	855,430	538,515	-	-	138,640	9,994,618	11,527,203
Charges for Services	1,976,583	734,084	-	-	94,279	992,317	3,797,263
Fines & Forfeitures	537,918	7,937	-	-	-	63,225	609,080
Miscellaneous	79,171	19,387	-	-	-	393,314	491,872
Investment Earnings	170,918	15,533	49,194	4,265	80,136	172,369	492,415
Contributions/Donations	-	1,409,997	-	-	20,041	130	1,430,168
Total revenues	<u>8,768,540</u>	<u>13,308,936</u>	<u>879,222</u>	<u>956,736</u>	<u>1,382,897</u>	<u>24,305,910</u>	<u>49,602,241</u>
EXPENDITURES							
Current:							
General Government	8,105,940	-	-	-	183,980	1,390,958	9,680,878
Public Safety	1,027,139	13,624,730	-	-	529,121	1,553,565	16,734,555
Public Works	-	-	445,032	-	-	5,836,114	6,281,146
Public Health	-	-	-	-	-	3,156,749	3,156,749
Social & Econ Serv.	-	-	-	-	-	504,302	504,302
Culture & Recreation	-	-	-	-	300	1,687,234	1,687,534
Housing & Comm Dev	-	-	-	-	-	3,812,182	3,812,182
Cons Nat'l Resources	-	-	-	-	-	132,472	132,472
Miscellaneous	-	-	-	-	-	710	710
Debt service:							
Principal Retirement	77,710	89,075	-	568,000	-	4,662,219	5,397,004
Interest	404	16,670	-	452,558	-	1,954,547	2,424,179
Bonds Issuance Costs	-	-	-	-	-	33,900	33,900
Capital outlay:	8,926	1,461,754	-	-	7,945,321	4,052,851	13,468,852
Total expenditures	<u>9,220,119</u>	<u>15,192,229</u>	<u>445,032</u>	<u>1,020,558</u>	<u>8,658,722</u>	<u>28,777,803</u>	<u>63,314,463</u>
Excess (deficiency) of revenues over expenditures	<u>(451,579)</u>	<u>(1,883,293)</u>	<u>434,190</u>	<u>(63,822)</u>	<u>(7,275,825)</u>	<u>(4,471,893)</u>	<u>(13,712,222)</u>
OTHER FINANCING SOURCES (USES)							
Transfers Out	(29,131)	(286,232)	-	(25,251)	-	(3,892,839)	(4,233,453)
Bonds Proceeds	-	-	-	-	-	7,015,000	7,015,000
Proc. Notes/Loans/Intercep.	-	1,300,000	-	-	-	-	1,300,000
Sale of Fixed Assets	-	35	-	-	999	211,408	212,442
Transfers In	<u>2,663,934</u>	<u>235,970</u>	<u>(712)</u>	<u>25,962</u>	<u>8,463</u>	<u>515,315</u>	<u>3,448,932</u>
Total other financing sources and uses	<u>2,634,803</u>	<u>1,249,773</u>	<u>(712)</u>	<u>711</u>	<u>9,462</u>	<u>3,848,884</u>	<u>7,742,921</u>
Net Change in fund balances	2,183,224	(633,520)	433,478	(63,111)	(7,266,363)	(623,009)	(5,969,301)
Fund balances -- beginning	<u>1,105,923</u>	<u>1,437,383</u>	<u>4,129,731</u>	<u>370,339</u>	<u>11,750,158</u>	<u>16,444,012</u>	<u>35,237,546</u>
Fund balances -- ending	<u>\$ 3,289,147</u>	<u>\$ 803,863</u>	<u>\$ 4,563,209</u>	<u>\$ 307,228</u>	<u>\$ 4,483,795</u>	<u>\$ 15,821,003</u>	<u>\$ 29,268,245</u>

See accompanying notes to the financial statements.

Gallatin County, Montana
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Fiscal Year ended June 30, 2011

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

Net change in fund balances - total governmental funds	\$	(5,969,301)
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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	\$	14,850,974	
Depreciation		-5,793,818	
			9,057,156

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		4,210,728
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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		(244,721)
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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	\$	-1,347,802	
Bond and RID Issues		-7,015,000	
			(8,362,802)

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.		5,397,003
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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.		419,883
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Change in net assets - statement of activities	\$	4,507,946
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See accompanying notes to the financial statements.

Gallatin County, State of Montana
Statement of Net Assets
Proprietary Funds
June 30, 2011

Business-type Activities - Enterprise Funds

	Gallatin County Rest Home	Gallatin County Landfill	West Yellowstone Refuse District	Total Proprietary Funds	Gov. Activities Internal Service Funds
ASSETS					
Current assets:					
Cash & Cash Equivalents	\$ 4,555,985	\$ 3,041,333	\$ 2,031,798	\$ 9,629,116	\$ 4,904,202
Cash & Cash Equivalents-Restricted	-	2,338,767	-	2,338,767	-
Taxes Receivable	1,599	-	612	2,211	-
Accounts Receivable-Net	403,625	458,858	185,755	1,048,238	448,504
Capital Assets-Net of Accum.	1,636,207	7,120,003	2,446,455	11,202,665	491,960
Total Current assets:	6,597,416	12,958,961	4,664,620	24,220,997	5,844,666
Total assets	6,597,416	12,958,961	4,664,620	24,220,997	5,844,666
LIABILITIES AND FUND BALANCES					
Current liabilities:					
Accounts Payable	145,841	102,696	47,067	295,604	625,062
Contracts/Loans Payable	-	881,945	-	881,945	-
Other Accrued Payables	157,178	134,541	7,679	299,398	303,634
Compensated Absences	21,152	5,312	1,325	27,789	27,019
Total Current liabilities:	324,171	1,124,494	56,071	1,504,736	955,715
Non current liabilities:					
GASB 45 OPEB Obligation	139,185	27,658	5,275	172,118	9,245
Contracts/Loans Payable	-	1,304,500	-	1,304,500	-
Closure/Post Closure Costs	-	1,516,701	-	1,516,701	-
Compensated Absences	190,371	47,810	11,924	250,105	-
Total Non current liabilities:	329,556	2,896,669	17,199	3,243,424	9,245
Total liabilities	653,727	4,021,163	73,270	4,748,160	964,960
NET ASSETS					
Invested in capital assets, net of related debt	1,636,207	4,933,558	2,446,455	9,016,220	-
Restricted (expendable)	-	2,338,767	-	2,338,767	-
Unrestricted	4,307,482	1,665,473	2,144,895	8,117,850	4,879,706
Total net assets	\$ 5,943,689	\$ 8,937,798	\$ 4,591,350	\$ 19,472,837	\$ 4,879,706

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, 2011

	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	\$ 5,788,146	\$ 4,371,323	\$ 835,678	\$ 10,995,147	\$ 507,465
Miscellaneous	12	-	-	12	892
Internal Services	-	-	-	-	6,863,028
Total Operating Revenues	<u>5,788,158</u>	<u>4,371,323</u>	<u>835,678</u>	<u>10,995,159</u>	<u>7,371,385</u>
Operating expenses:					
Personnel	3,835,553	779,150	155,328	4,770,031	-
Operations	1,700,900	1,303,785	462,410	3,467,095	-
Depreciation	139,206	1,001,407	142,530	1,283,143	-
Internal Service-Personnel	-	-	-	-	359,408
Internal Service-Supplies	-	-	-	-	130,764
Internal Service-Purchased Ser	-	-	-	-	1,122,030
Internal Service-Fixed Charges	-	-	-	-	2,141,205
Internal Service-Depreciation	-	-	-	-	60,133
Internal Serv-Benefit Pymts	-	-	-	-	3,964,832
Total operating expenses	<u>5,675,659</u>	<u>3,084,342</u>	<u>760,268</u>	<u>9,520,269</u>	<u>7,778,372</u>
Operating Income (loss)	<u>112,499</u>	<u>1,286,981</u>	<u>75,410</u>	<u>1,474,890</u>	<u>(406,987)</u>
Nonoperating revenues (expenses):					
Property Taxes	103	-	-	103	-
Intergovernmental Revenues	183,516	-	-	183,516	-
Miscellaneous	-	2,400	3,000	5,400	-
Investment Earnings	56,679	72,141	28,338	157,158	66,180
Sale of Fixed Assets	(2,988)	5,838	-	2,850	(1,262)
Interest Expense	-	(81,056)	-	(81,056)	-
Total non operating revenue (expense)	<u>237,310</u>	<u>(677)</u>	<u>31,338</u>	<u>267,971</u>	<u>64,918</u>
Income (loss) before contributions and transfers	349,809	1,286,304	106,748	1,742,861	(342,069)
Transfers In	22,566	-	-	22,566	761,952
Change in net assets	<u>372,375</u>	<u>1,286,304</u>	<u>106,748</u>	<u>1,765,427</u>	<u>419,883</u>
Total net assets -- beginning	<u>5,571,314</u>	<u>7,651,494</u>	<u>4,484,602</u>	<u>17,707,410</u>	<u>4,459,823</u>
Total net assets -- ending	<u>\$ 5,943,689</u>	<u>\$ 8,937,798</u>	<u>\$ 4,591,350</u>	<u>\$ 19,472,837</u>	<u>\$ 4,879,706</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, 2011

	Business-type Activities - Enterprise Funds					Gov. Activities Internal Service Funds
	Gallatin County Rest Home	Gallatin County Landfill	West Yellowstone Refuse District	Total Proprietary Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Charges for services	\$ -	\$ -	\$ -	\$ -	\$	7,371,384
Cash Other	12	-	-	12		-
Cash receipts from customer	5,788,146	4,371,323	835,678	10,995,147		(76,897)
Other Payments	-	-	-	-		-
Payments to employees	(3,835,553)	(779,150)	(155,328)	(4,770,031)		(359,407)
Payments to interfund	-	-	-	-		-
Payments to suppliers	(1,745,832)	(1,170,744)	(543,154)	(3,459,730)		(7,458,652)
Net cash provided (used) by operating activities	<u>206,773</u>	<u>2,421,429</u>	<u>137,196</u>	<u>2,765,398</u>		<u>(523,572)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Intergovernmental Revenue	183,516	-	-	183,516		-
Subsidy from taxes	635	-	-	635		-
Transfers from Other Funds	22,669	-	-	22,669		761,952
Net cash provided by Noncapital financing	<u>206,820</u>	<u>-</u>	<u>-</u>	<u>206,820</u>		<u>761,952</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest Paid on Debt	-	(81,057)	-	(81,057)		-
Principal on Debt	-	(518,500)	-	(518,500)		-
Purchases/acquisition/const. of Capital Assets	(35,474)	(1,075,604)	(23,696)	(1,134,774)		(15,956)
Net cash (used) by capital and related financing activities	<u>(35,474)</u>	<u>(1,675,161)</u>	<u>(23,696)</u>	<u>(1,734,331)</u>		<u>(15,956)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest Earnings	56,679	74,540	31,338	162,557		59,106
Net cash provided by investing activities	<u>56,679</u>	<u>74,540</u>	<u>31,338</u>	<u>162,557</u>		<u>59,106</u>
Net Increase in cash and cash equivalents	434,798	820,808	144,838	1,400,444		281,530
Balances - beginning of year	<u>4,121,187</u>	<u>4,559,292</u>	<u>1,886,960</u>	<u>10,567,439</u>		<u>4,622,672</u>
Balances - end of the year	<u>\$ 4,555,985</u>	<u>\$ 5,380,100</u>	<u>\$ 2,031,798</u>	<u>\$ 11,967,883</u>	<u>\$</u>	<u>4,904,202</u>
Cash and Equivalents consists of:						
Cash and investments	\$ 4,555,985	\$ 3,041,333	\$ 2,031,798	\$ 9,629,116	\$	4,904,202
Restricted cash and investments	-	2,338,767	-	2,338,767		-
Total cash and cash equivalents	<u>\$ 4,555,985</u>	<u>\$ 5,380,100</u>	<u>\$ 2,031,798</u>	<u>\$ 11,967,883</u>	<u>\$</u>	<u>4,904,202</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	112,499	1,286,981	75,410	1,474,890		(406,987)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:						
Depreciation Expense	139,206	1,001,407	142,530	1,283,143		60,134
Changes in assets and Liabilities:	-	-	-	-		-
Increase in Accounts Payable - Other	-	101,336	-	101,336		-
Increase (decrease) in Accounts Payable - Supplier	10,210	(31,958)	(10,455)	(32,203)		(89,184)
Increase (decrease) in Compensated absences	(3,800)	9,280	3,508	8,988		-
(Increase) decrease in Customer Receivables	(74,986)	51,623	(74,984)	(98,347)		(87,535)
Increase in Salaries & Benefits Payable	23,644	2,760	1,187	27,591		-
Net Cash provided (used) by operating activities	<u>\$ 206,773</u>	<u>\$ 2,421,429</u>	<u>\$ 137,196</u>	<u>\$ 2,765,398</u>	<u>\$</u>	<u>(523,572)</u>

See accompanying notes to the financial statements

GALLATIN COUNTY, MONTANA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2011

	Investment Trust Funds	Agency Funds
	<hr/>	<hr/>
ASSETS		
Cash and investments	\$ 56,490,000	\$ 2,008,413
Tax/assessment receivable (net)	-	11,751,229
Accounts Receivable		-
Accrued Interest Receivable	96,866	-
	<hr/>	<hr/>
Total Assets	\$ 56,586,866	\$ 13,759,642
	<hr/>	<hr/>
LIABILITIES		
Accounts payable	\$ -	\$ 3,409,976
Warrants Payable		2,169,951
Due to other governments	-	8,179,715
	<hr/>	<hr/>
Total Liabilities	- \$	13,759,642
	<hr/>	<hr/>
NET ASSETS		
Held in trust for investments and other purposes	\$ 56,586,866	\$ -
	<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, 2011

	Investment Trust Funds
	<hr/>
ADDITIONS:	
Investment earnings	\$ 385,388
Contributions to investment trust	65,701,479
	<hr/>
Total Additions	66,086,867
	<hr/>
DEDUCTIONS:	
Distribution of investments	54,260,122
	<hr/>
Total Deductions	54,260,122
	<hr/>
Change in net assets	11,826,745
Net assets - July 1, 2010	44,760,121
	<hr/>
Net assets - June 30, 2011	\$ 56,586,866
	<hr/> <hr/>

See accompanying notes to the financial statements.

NOTES

TO THE

FINANCIAL

STATEMENTS

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The County of Gallatin is a political subdivision of the State of Montana governed by a three member Board of Commissioners duly elected by the registered voters of the County. The County utilizes the Commission form of government. The accompanying financial statements present the primary government and its component units; entities for which the government is considered to be financially accountable. Blended component units are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. Component units are discretely presented if it is financially accountable to or fiscally dependent upon the primary government or if its omission from the financial statements would be misleading or incomplete. The County does not have any component units for fiscal year 2011.

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.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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

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

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

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

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

The Government reports the following major proprietary funds:

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

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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 payments-in-lieu of taxes and other charges between the governments' enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

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

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

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.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 was \$62,281. 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, 2011 was \$71,983.

Property tax levies are set on the last Tuesday in August, in connection with the budget process. Notices are normally mailed the following March or April. 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 last Tuesday in August, 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 September 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, 2011 were based upon the County wide taxable valuation of \$230,918,819.

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.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

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 upon termination.

9. Long-term Obligations

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

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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

10. Fund Balance

Fund Balance Classification Policies and Procedures

Gallatin County implemented Governmental Accounting Standard Board (GASB) Statement No. 54 as of June 30, 2011. As a result, the classifications for fund balance now used for governmental funds are reported in two general classifications, nonspendable and spendable.

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 the policy for assumed order of spending is restricted first, committed second, and assigned last. For Special Revenue Funds the policy for the assumed order of spending is assigned first, committed second and restricted 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
JUNE 30, 2011

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Excess of Expenditures over Appropriations

There was no excess of expenditures over appropriations for fiscal year ended 2011.

C. Deficit Fund Balances

<u>Fund Number</u>	<u>Fund Name</u>	<u>Amount</u>	<u>Explanation</u>
3050	Detention Center Bond	\$ 135,732	Pending receipt of Delinquent taxes of \$172,773
3553	Sweetgrass Hills RID 353	9,527	Payment of \$10,412 by Treasurer in December.
3560	Mystic Heights 2 & 3 Debt	401	Due to Performance Bond requirements.
3580	Looking Glass	2	Real Estate Adjustment
3596	RID 395 Ousel Falls Road	16,977	Payment of Delinquent taxes \$29,360
3596	Clarkston & Logan Trident Road	16,847	Protests and Delinquent taxes.
4990	Stimulus Activities	11	Adjustment of expenditure transfer needs to occur

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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, 2011 are as follows:

Current use funds:		
Cash on Hand and Petty cash	\$	388,610
Cash in banks - Demand deposits	\$	9,717,544
		<u>\$ 10,106,155</u>
Investment pool funds:		
Cash in banks - Savings deposits	\$	36,077,333
US Government Securities (brokerage)	\$	60,581,063
		<u>\$ 96,658,396</u>
Total cash and cash equivalents		<u>\$ 106,764,551</u>

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

Government wide	\$	48,266,136
Investment Trust Funds	\$	56,490,000
Agency Funds	\$	2,008,413
Total cash and cash equivalents	\$	<u>106,764,551</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

Unrestricted	\$ 45,927,369
Restricted - See Note G	\$ 2,338,767
	<u>\$ 48,266,136</u>

Interest rates at June 30, 2011 ranged from 1% - 4.35%. Future maturities on investments range from July 2012 to June 2016.

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, 2011 equaled or exceeded the amount required by State statutes.

5. Categorized Risk

Investments – As noted above, statutes authorize the County to invest in the State Short-Term Investment Pool (STIP); repurchase agreements; registered warrants of the County or of municipalities or school districts located in the county; U.S. Government treasury bills, notes, bonds and other treasury obligations such as state and local government series; general obligations of certain agencies of the United States such as Federal Home Loan Bank; and U.S. Government security money market funds if the fund meets certain conditions. These investments are in addition to the demand, time, credit union and savings deposits, which are included in deposits above. The County investments are categorized below to give an indication of the level of risk assumed by the County at June 30, 2011.

	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>	<u>No Maturity</u>	<u>Total</u>
Primary Government Investments:							
Federal National Mortgage Association				2,000,000			2,000,000
Federal Home Loan Bank	1,000,000	4,500,000	4,010,000	19,055,000	15,475,000		44,040,000
Federal Farm Credit Bank			3,000,000	7,450,000			10,450,000
Savings Deposits						1,917	1,917
State Short-Term Investment Pool						36,000,000	36,000,000
Equity Mutual Fund						22,418	22,418
Government Money Market						4,068,645	4,068,645
Certificate of Deposits						110,092	110,092
Totals	<u>\$1,000,000</u>	<u>\$4,500,000</u>	<u>\$7,010,000</u>	<u>\$28,505,000</u>	<u>\$15,475,000</u>	<u>\$40,203,072</u>	<u>\$96,693,072</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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	\$ 2,000,000	AAA
Federal Home Loan Bank	44,040,000	AAA
Federal Farm Credit Bank	10,450,000	AAA
Savings Deposits	1,917	NR
State Short-Term Investment Pool	36,000,000	NR
Equity Mutual Fund	22,418	NR
Government Money Market	4,068,645	NR
Certificate of Deposits	110,092	NR
TOTAL	\$ 96,693,072	

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 2011:

Transfers Out:

Transfer In:	General Fund	Public Safety	RID Bonds	Capital Development	Nonmajor Governmental	Internal Service	Total Transfers In
Governmental funds:							
General Fund					2,663,934		2,663,934
Public Safety	2,547				233,423		235,970
RID Maintenance			-712				-712
RID Bonds			25,964				25,964
Capital Development	8,463						8,463
Nonmajor Governmental	18,121	286,232			210,963		515,316
Total governmental funds							3,448,935
Proprietary funds					22,566		22,566
Internal Service					761,952		761,952
	<u>29,131</u>	<u>286,232</u>	<u>25,252</u>		<u>3,892,839</u>		
Total transfers out - governmental funds					<u><u>4,233,453</u></u>		
Total transfers out - internal service funds						<u><u>-</u></u>	
Total transfers out							\$ 4,233,453

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The composition of interfund balances as of June 30, 2011 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Safety	Other Governmental Funds	\$ 77,879
County Building	Other Governmental Funds	\$ 309,002
Other Governmental Funds	RID Bond Fund	<u>\$ 33,824</u>
		<u>\$ 420,705</u>

C. Capital Assets

A summary of changes in capital assets is as follows:

	Balance July 1, 2010	Increases	Decreases	Transfers	Balance June 30, 2011
Governmental activities:					
Land	\$ 17,271,380	\$ -	\$ -	\$ (12,825,300)	\$ 4,446,080
Buildings	23,687,315	7,749,602	52,023	27,787,466	59,172,360
Intangibles Software	-	159,015	-	1,436,344	1,595,359
Intangibles Easements	-	120,000	-	12,825,300	12,945,300
Improvements other than buildings	1,303,623	9,857	-	8,608	1,322,088
Machinery and equipment	18,572,798	4,287,143	2,558,150	(1,341,272)	18,960,519
Infrastructure	135,451,571	1,022,748	22,246	746,210	137,198,283
Total capital assets being depreciated	179,015,307	13,348,365	2,632,419	41,462,656	231,193,909
Construction in progress	29,004,445	3,530,484	35,225	(28,637,356)	3,862,348
Total capital assets	\$ 225,291,132	\$ 16,878,849	\$ 2,667,644	\$ -	\$ 239,502,337
Less accumulated depreciation:	78,278,811	5,793,818	602,664	-	83,469,965
Governmental activities capital assets, net	<u>\$ 147,012,321</u>	<u>\$ 11,085,031</u>	<u>\$ 2,064,980</u>	<u>\$ -</u>	<u>\$ 156,032,372</u>
Business-type activities:					
Land	\$ 1,657,607	\$ -	\$ -	\$ -	\$ 1,657,607
Buildings	6,613,576	27,900	6,940	35,680	6,670,216
Intangibles	-	-	-	65,152	65,152
Improvements other than buildings	2,896,938	47,661	-	-	2,944,599
Machinery and equipment	6,164,271	826,984	476,152	(65,152)	6,449,950
Total capital assets being depreciated	15,674,785	902,545	483,092	-	16,129,918
Construction in progress	35,680	11,849	-	(35,680)	11,849
Total capital assets	\$ 17,368,072	\$ 914,394	\$ 483,092	\$ -	\$ 17,799,375
Less accumulated depreciation:	5,733,008	1,283,143	419,441	-	6,596,710
Business-type activities capital assets, net	<u>\$ 11,635,064</u>	<u>\$ (368,749)</u>	<u>\$ 63,651</u>	<u>\$ -</u>	<u>\$ 11,202,665</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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

Governmental activities:

General Government	\$	521,886
Public Safety		1,246,425
Public Works		3,877,755
Public Health		12,965
Social and Economic Services		1,087
Culture and Recreation		130,514
Housing and Community Development		512
Conservation of Natural Resources		<u>2,674</u>

Total depreciation expense - governmental activities	\$	<u><u>5,793,818</u></u>
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Business-type activities:

Rest Home	\$	139,206
Gallatin County Landfill		1,001,407
West Yellowstone Refuse Dist.		<u>142,530</u>

Total depreciation expense - business-type activities	\$	<u><u>1,283,143</u></u>
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D. Accrued Liabilities

Accrued Liabilities reported on the Statement of Net Assets include:

	Governmental Activities	Business- type Activities	Total
Payroll Payable	\$ 864,313	\$ 197,971	\$ 1,062,284
Security Deposits Payable	24,736	85,500	110,236
Accrued Interest Payable	63,540	15,927	79,467
Abandon Property Payable	49,689	-	49,689
Internal Service Payables	<u>303,634</u>	<u>-</u>	<u>303,634</u>
	<u>\$ 1,305,912</u>	<u>\$ 299,398</u>	<u>\$ 1,605,310</u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

E. Long-Term Debt

During year ended June 30, 2011, the following changes in liabilities were reported in long-term debt:

	Balance			Balance	Due within
Governmental Activities:	01-Jul-10	Additions	Deletions	30-Jun-11	one year
General Obligation Bonds	\$ 46,510,586	\$ 2,300,000	\$ 4,100,377	\$ 44,710,209	\$ 1,885,561
Special Assessment Bonds	4,681,000	4,715,000	568,000	8,828,000	305,000
Compensated Absences	1,722,514	159,428	-	1,881,942	188,194
OPEB Liability	562,933	95,378	-	658,311	-
Interap Loans	5,508,189	-	727,626	4,780,563	747,962
Notes Payable	-	1,300,000	-	1,300,000	120,334
Capital Leases	1,226,459	1,273,260	1,226,458	1,273,261	115,371
Total	<u>\$ 60,211,681</u>	<u>\$ 9,843,066</u>	<u>\$ 6,622,461</u>	<u>\$ 63,432,286</u>	<u>\$ 3,364,422</u>

	Balance			Balance	Due within
Business-Type Activities	01-Jul-10	Additions	Deletions	30-Jun-11	one year
Revenue Bonds	\$ 2,422,000	\$ -	\$ 518,500	\$ 1,903,500	\$ 599,000
Compensated Absences	268,906	12,789	3,800	277,895	27,789
OPEB Liability	144,527	27,591	-	172,118	-
Closure/postclosure care costs	1,415,366	101,335	-	1,516,701	-
Capital Leases	566,974	-	284,030	282,944	282,945
Total	<u>\$ 4,817,773</u>	<u>\$ 141,716</u>	<u>\$ 806,329</u>	<u>\$ 4,153,158</u>	<u>\$ 909,734</u>

The OPEB plan allows retirees to participate, as a group, at a rate that does not cover all the related costs. This results in the reporting of an “implicit rate” subsidy in the related financial statements. While this liability is disclosed for financial purposes, it does not represent a legal liability of the County.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011 were as follows:

Purpose	Issue Date	Interest Rate	Term of years	Final maturity	Bonds issued	Outstanding 6/30/11	Annual serial payment
Pogreba Mobile Home	11/25/2002	4.8	10	08/01/2012	30,000	7,209	Varies
Open Space	04/01/2003	2.0-4.75	20	07/01/2023	4,000,000	2,795,000	Varies
Pogreba Field	07/07/2005	2.00	10	02/28/2016	8,500	4,250	850
Open Space	06/28/2005	3.625-4.25	20	02/01/2026	5,000,000	4,215,000	Varies
Open Space	12/15/2008	4.3	18	07/01/2026	4,000,000	3,775,000	Varies
Pogreba Animal Fence	07/29/2008	3.625	10	02/28/2018	12,500	8,750	1250
Detention Center	02/01/2009	3.5-4.6	18	02/01/2027	32,000,000	30,635,000	Varies
Hope House	07/01/2010	2.0-4.0	20	07/01/2030	1,000,000	970,000	Varies
Open Space	04/12/2011	3.0-3.25	10	07/01/2021	2,300,000	2,300,000	Varies
Total G.O. Bonds					<u>\$ 48,351,000</u>	<u>\$ 44,710,209</u>	<u>2,100</u>

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

Purpose	Issue Date	Interest Rate	Term of years	Final maturity	Bonds issued	Outstanding 30-Jun-11	Annual serial payment
Landfill Cell 3	2007	3.75	5	2013	\$ 2,242,000	\$ 716,000	Varies
Landfill Land	2010	1.95	10	2020	\$ 1,250,000	\$ 1,187,500	Varies
Total Revenue Bonds					<u>\$ 3,492,000</u>	<u>\$1,903,500</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, 2011.

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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 6/30/11</u>	<u>Annual serial payment</u>
#358 & #359	1992	3.5-6.75	20	2012	533,000	30,000	Varies
#361	1995	3.78-7.0	18	2013	187,200	25,000	Varies
#366	1995	3.5-8.25	16	2012	130,000	15,000	Varies
#368	1996	4.0-6.5	20	2016	125,000	20,000	Varies
#370	1998	4.4-6.0	20	2018	198,500	35,000	Varies
#371	1999	3.0-7.2	20	2020	63,000	24,000	Varies
#372	1999	3.0-6.1	15	2014	200,000	15,000	Varies
#376	2001	3.6-5.5	20	2021	540,000	140,000	Varies
#378	2001	3.6-5.5	20	2021	1,188,000	600,000	Varies
#382	2002	3.0-6.5	15	2017	199,000	95,000	Varies
#383	2002	2.2-5.5	20	2022	200,200	85,000	Varies
#384	2003	2.0-5.0	15	2018	160,000	50,000	Varies
#386	2003	1.75-4.9	15	2018	300,000	155,000	Varies
#387	2005	2.1-5.0	15	2020	180,000	120,000	Varies
#388	2005	2.1-5.0	15	2020	160,000	95,000	Varies
#391	2006	2.0-5.25	20	2026	395,000	285,000	Varies
#392	2006	3.0-7.0	20	2026	60,000	34,000	Varies
#393	2007	4.2-5.5	20	2028	900,000	740,000	Varies
#395	2010	2.0-6.0	20	2030	1,765,000	1,705,000	Varies
#396	2010	2.5-6.0	20	2030	4,715,000	4,560,000	Varies
Total Special Assessment Bonds					<u>\$ 12,198,900</u>	<u>\$ 8,828,000</u>	

Loans/Contracted Debt:

Loans and Contracted Debt outstanding as of June 30, 2011 were as follows:

<u>Purpose</u>	<u>Original Amount</u>	<u>Date of Issue</u>	<u>Interest Rate</u>	<u>Outstanding 06/30/2011</u>	<u>Date of Last Payment</u>
Guenther Building Purchase (1)	999,000	2004	Varies	327,969	2014
Capital Improvement Libraries (1)	999,000	2005	Varies	498,215	2016
Re-Entry Facility (1)	800,000	2006	Varies	441,020	2016
Fair Grounds Improvement (1)	500,000	2007	Varies	285,380	2016
3rd District Court Building (1)	999,000	2007	Varies	682,791	2017
Courthouse Annex (1)	999,000	2007	Varies	699,556	2018
9-1-1 Center (1)	1,000,000	2009	Varies	821,171	2019
Road & Bridge Shop Complex (1)	1,300,000	2008	Varies	1,024,461	2019
Sheriff Deputy Settlement Loan (1)	1,300,000	2011	2.75	1,300,000	2016
Total	<u>\$ 8,896,000</u>			<u>\$ 6,080,563</u>	

(1) Reported in general long-term debt account group: \$6,080,563

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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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	\$ 277,895
General Governmental Activities	1,854,923
Internal Service Funds	<u>27,019</u>
	<u><u>\$ 2,159,837</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 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, 2011, include the following:

Equipment	\$ 2,704,853
Less: Accumulated depreciation	<u>(721,307)</u>
Total	<u><u>\$ 1,983,546</u></u>

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

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, 2011 were as follows:

For Fiscal Year Ended	G. O. Principal	G. O. Interest	Revenue Bond Principal	Revenue Bonds Interest
2012	1,885,561	1,777,681	599,000	49,162
2013	1,990,848	1,696,265	367,000	28,444
2014	2,077,100	1,624,121	125,000	23,437
2015	2,172,100	1,553,246	125,000	20,313
2016	2,267,100	1,482,171	125,000	20,625
2017-2021	12,992,500	6,147,206	562,500	61,250
2022-2026	13,930,000	3,561,800	-	-
2027-2031	<u>7,395,000</u>	<u>711,433</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 44,710,209</u></u>	<u><u>\$ 18,553,923</u></u>	<u><u>\$ 1,903,500</u></u>	<u><u>\$ 203,231</u></u>

Continued:	Special Bonds Principal	Special Bonds Interest	Contract Debt Principal	Contract Debt Interest
2012	305,000	320,416	870,296	140,325
2013	395,000	392,928	907,602	139,138
2014	423,000	385,411	942,956	122,149
2015	453,000	375,046	865,947	105,415
2016	483,000	363,404	1,479,232	82,876
2017-2021	2,569,000	1,541,213	1,014,530	67,230
2022-2026	2,275,000	959,613	-	-
2027-2031	<u>1,925,000</u>	<u>290,050</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 8,828,000</u></u>	<u><u>\$ 4,628,081</u></u>	<u><u>\$ 6,080,563</u></u>	<u><u>\$ 657,133</u></u>

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

Continued:	Capital Lease Principal	Capital Lease Interest	Grand Total
2012	398,314	47,709	6,393,464
2013	118,586	32,246	6,068,057
2014	121,886	28,944	5,874,004
2015	125,280	25,550	5,820,897
2016	792,140	22,062	7,117,610
2017-2021	-	-	24,955,429
2022-2026	-	-	20,726,413
2027-2031	-	-	10,321,483
Total	<u>\$ 1,556,206</u>	<u>\$ 156,511</u>	<u>\$ 87,277,357</u>

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, 2011 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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

The County's contributions for the years ended June 30, 2011, 2010 and 2009 as listed below were equal to the required contributions for each year.

	2009	2010	2011
PERS			
County	918,687	948,599	957,167
Employee	914,050	925,790	934,148
State	13,266	13,417	13,417
SRS			
County	378,255	371,813	636,784
Employee	355,925	391,446	582,015
TRS			
County	4,796	4,589	4,742
Employee	4,591	4,794	4,538
State	67	64	64

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, 2011. 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>

I. Fund Equity

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

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

J. 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 \$1,516,701 liability for landfill closure and post closure as of June 30, 2011, which represents the cumulative amount reported to date based on the use of 44.81% 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 \$1,395,400. These amounts are based on what it should cost to perform all closure and post closure in 2011. 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, 2011 Gallatin County demonstrated its ability to handle closure and post closure care costs by passing the local government financial test.

K. 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.

L. 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 joined with other Montana counties to form a self-insurance pool offering workers' compensation coverage. This pool, named the Montana Association of Counties Workers' Compensation Trust, provides claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise specific control over the budgeting and financing of the Trust's activities.

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

Audited financial statements for fiscal year ended September 30, 2010 are available from the Montana Association of Counties Workers' Compensation Trust.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, were estimated by the plan administrator. Claims payable as of year end are:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Beginning claims payable	\$ 228,665	\$ 304,411	\$ 617,888
Claims incurred	3,092,622	4,718,738	3,964,831
Claims paid	<u>(3,016,876)</u>	<u>(4,405,261)</u>	<u>(4,295,962)</u>
Ending claims payable	\$ <u>304,411</u>	\$ <u>617,888</u>	\$ <u>286,757</u>

M. Commitments

Primary Government

At June 30, 2011, Gallatin County had approximate contractual commitments of the following:

<u>Department</u>	<u>Amount</u>	<u>Project</u>
Commission	\$ 42,375	External Audit
Finance	2,102,131	Clarkston RID
Grants	94,146	Mobile Command Unit Equipment
Grants	20,295	Progreba Airport Engineering
Grants	538,962	Neighborhood Stabilization
Grants	72,826	Detention Center
Procurement	9,614	Commission of the DC
Procurement	3,500	Video Arraignment - New DC
Road & Bridge	1,157,889	Graders
Solid Waste Management District	<u>102,778</u>	2010 Crawler/Dozer
	\$ <u><u>15,986,039</u></u>	

Future appropriations will fund these commitments as work is performed.

N. 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 2011.

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 2011 there are 32 retirees and/or survivors enrolled for the employer's sponsored health insurance plan.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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	\$ 188,949
Interest on net OPEB obligation	30,067
Adjustment to annual required contribution	<u>(28,174)</u>
Annual OPEB cost (expense)	190,842
Contributions made	<u>(67,873)</u>
Increase in net OPEB obligation	122,969
Net OPEB obligation - beginning of year	<u>707,460</u>
Net OPEB obligation - end of year	<u><u>\$ 830,429</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, 2011, 2010, and 2009 are as follows:

Fiscal Year Ended	Annual OBEP 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

Funded Status and Funding Progress

As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$1,477,499, 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 \$16,393,964, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 9.8%.

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.
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.

GALLATIN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2011

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 2011 retirees were used as the basis for calculation of the present value of total benefits to be paid.

O. 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

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Property Taxes	5,137,194	5,137,194	5,147,320	10,126
General Business Licenses	-	-	1,200	1,200
Federal Grants	67,070	304,972	81,974	(222,998)
Federal Payments in Lieu of Tx	-	-	318	318
State Grants	53,000	53,000	56,229	3,229
State Shared Revenue	700,000	700,000	716,064	16,064
Local Grants	-	-	846	846
Charges for Services	1,743,000	1,746,000	1,976,583	230,583
Fines & Forfeitures	500,000	500,000	537,918	37,918
Miscellaneous	80,157	80,157	79,171	(986)
Investment Earnings	211,000	211,000	170,918	(40,082)
Total revenues	8,491,421	8,732,323	8,768,540	36,217
EXPENDITURES				
Current:				
General Government	-	-	217	(217)
General Government-Personnel	6,580,532	6,581,117	6,347,156	233,961
General Government-Operations	1,500,299	1,500,299	1,309,595	190,704
Public Safety-Personnel	523,057	543,829	510,333	33,496
Public Safety-Operations	460,532	677,662	516,806	160,856
Public Works	-	-	(153,945)	153,945
Miscellaneous	-	600,000	602,917	(2,917)
Total current:	9,064,420	9,902,907	9,133,079	769,828
Debt service:				
Principal Retirement	87,446	87,446	77,710	9,736
Interest	5,789	5,789	404	5,385
Total debt service:	93,235	93,235	78,113	15,122
Capital outlay:				
General Government-Capital Exp	50,995	61,110	8,926	52,184
Total capital outlay:	50,995	61,110	8,926	52,184
Total expenditures	9,208,650	10,057,252	9,220,119	837,133
Excess (deficiency) of revenues over (under) expenditures	(717,229)	(1,324,929)	(451,578)	873,351
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Transfers In	589,374	1,197,074	2,663,934	1,466,860
General Government.	(75)	(75)	-	75
Transfers Out	(16,000)	(16,000)	(29,131)	(13,131)
Total other financing sources and uses and special items	573,299	1,180,999	2,634,803	1,453,804
Net change in fund balances	(143,930)	(143,930)	2,183,225	2,327,155
Fund balances -- beginning	1,105,923	1,105,923	1,105,923	-
Fund balances -- ending	\$ 961,993	\$ 961,993	\$3,289,147	\$ 2,327,155

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	10,489,564	10,489,564	10,561,363	71,799
Other licenses	15,000	15,000	22,120	7,120
Federal Grants	96,633	117,066	86,860	(30,206)
State Shared Revenue	434,840	434,840	451,655	16,815
Charges for Services	694,390	694,390	734,084	39,694
Fines & Forfeitures	6,000	6,000	7,937	1,937
Miscellaneous	15,000	657,368	1,428,523	771,155
Investment Earnings	17,000	17,000	15,533	(1,467)
Proc. Notes/Loans/Intercap.	-	1,300,000	1,300,000	-
Contributions/Donations	-	-	861	861
Total revenues	11,768,427	13,731,228	14,608,936	877,709
EXPENDITURES				
Current:				
Public Safety-Personnel	8,084,823	10,935,522	10,524,958	410,565
Public Safety-Operations	3,204,200	3,224,602	3,099,773	124,829
Total current:	11,289,023	14,160,124	13,624,731	535,393
Debt service:				
Principal Retirement	-	-	89,074	(89,074)
Interest	106,389	106,389	16,670	89,719
Total debt service:	106,389	106,389	105,744	645
Capital outlay:				
Public Safety-Capital Expend	91,000	709,899	1,461,754	(751,855)
Total capital outlay:	91,000	709,899	1,461,754	(751,855)
Total expenditures	11,486,412	14,976,412	15,192,229	(215,817)
Excess (deficiency) of revenues over (under) expenditures	282,015	(1,245,184)	(583,293)	661,892
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Sale of Fixed Assets	-	-	35	35
Transfers In	-	352,199	235,970	(116,229)
Transfers Out	(502,050)	(502,050)	(286,232)	215,818
Total other financing sources and uses and special items	(502,050)	(149,851)	(50,227)	99,624
Net change in fund balances	(220,035)	(1,395,035)	(633,520)	761,516
Fund balances -- beginning	1,437,383	1,437,383	1,437,383	-
Fund balances -- ending	1,217,348	42,348	803,863	761,516

Gallatin County, State of Montana

2500 RID MAINTANENCE

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property Taxes	868,075	869,829	830,028	(39,801)
Investment Earnings	-	-	49,194	49,194
Total revenues	868,075	869,829	879,222	9,394
EXPENDITURES				
Current:				
Public Works-Operations	4,997,323	4,999,077	445,032	4,554,045
Total current:	4,997,323	4,999,077	445,032	4,554,045
Capital outlay:				
Total capital outlay:	-	-	-	-
Total expenditures	4,997,323	4,999,077	445,032	4,554,045
Excess (deficiency) of revenues over (under) expenditures	(4,129,248)	(4,129,248)	434,190	4,563,438
OTHER FINANCING SOURCES (USES) AND SPECIAL ITEMS				
Transfers In	-	-	(712)	(712)
Total other financing sources and uses and special items	-	-	(712)	(712)
Net change in fund balances	(4,129,248)	(4,129,248)	433,478	4,562,727
Fund balances -- beginning	4,129,731	4,129,731	4,129,731	-
Fund balances -- ending	483	483	4,563,209	4,562,727

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%

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, 2011

Federal Grantor/Pass-Through	Federal CFDA Number	Prime Award Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance June 30, 2010	Federal Revenue	Federal Expenditures	Ending Balance June 30, 2011
U.S. Department of Agriculture								
<i>Passed through the State Department of Public Health and Human Services</i>								
Special Supplemental Food Program (WIC) (includes amendments)	10.557		10-07-5-21-009-0	\$ 191,554.00	\$ -	\$ 64,331.00	\$ 64,331.00	\$ -
Special Supplemental Food Program (WIC)	10.557		11-07-5-21-009-0	\$ 205,006.00	\$ -	\$ 147,198.00	\$ 147,198.00	\$ -
Special Supplemental Food Program (WIC BFPC)	10.557		10-07-5-21-039-0	\$ 24,256.00	\$ -	\$ 6,043.00	\$ 6,043.00	\$ -
Special Supplemental Food Program (WIC BFPC)	10.557		11-07-5-21-039-0	\$ 15,897.00	\$ -	\$ 13,163.00	\$ 13,163.00	\$ -
<i>Passed through the State Department of Agriculture</i>								
Noxious Weed Trust Fund Project-Lower Madison Weed Management Area	10.664	MDA 2009-718	MDA 2009-718	\$ 21,348.00	\$ -	\$ 12,074.00	\$ 12,074.00	\$ -
<i>Direct:</i>								
Gallatin County Comprehensive Travel Map USDA -Cooperative Agreement	10.665	11-CA-1101100-030		\$ 15,000.00	\$ -	\$ 883.00	\$ 883.00	\$ -
Hyalite Road Plowing Project -Cooperative Agreement	10.665	10-CS-1101100-002		\$ 21,700.87	\$ -	\$ 18,135.08	\$ 18,135.08	\$ -
Total U.S. Department of Agriculture				\$ 494,761.87	\$ -	\$ 261,827.08	\$ 261,827.08	\$ -
U.S. Department of Energy								
<i>Direct</i>								
ARRA EECBG - Energy Efficiency & Conservation Block Grant	81.128	DE-RW0000148		\$ 198,700.00	\$ -	\$ 84,439.00	\$ 84,439.00	\$ -
Total U.S. Department of Energy				\$ 198,700.00	\$ -	\$ 84,439.00	\$ 84,439.00	\$ -
U.S. Environmental Protection Agency								
<i>Passed through the Montana Department of Environmental Quality:</i>								
Radon Grant 07/01/10 - 06/30/11	66.605		211007	\$ 2,300.00	\$ -	\$ 2,300.00	\$ 2,300.00	\$ -
Public Water Supply System Testing (Original \$3,000 increased to \$4,600)	66.605		510037 & MOD 1	\$ 4,600.00	\$ -	\$ 1,505.00	\$ 1,505.00	\$ -
Total Environmental Protection Agency				\$ 6,900.00	\$ -	\$ 3,805.00	\$ 3,805.00	\$ -
U.S. Department of Health and Human Services								
<i>Passed through the State Department of Public Health and Human Services:</i>								
Maternal & Child Health Services Block Grant - MCH 07/01/10-06/30/11			11-07-5-01-016-0	\$ 107,613.00	\$ -	\$ 107,613.00	\$ 107,613.00	\$ -
Immunization Action Plan 01/01/10-12/31/10	93.268		10-07-4-31-016-0	\$ 33,394.00	\$ -	\$ 16,697.00	\$ 16,697.00	\$ -
Immunization Action Plan 01/01/11-12/31/11	93.268		11-07-4-31-016-0	\$ 31,394.00	\$ -	\$ 15,697.00	\$ 15,697.00	\$ -
Montana Cancer Control Programs (Colorectal & Breast & Cervical combined) 07/01/10 - 06/30/11	93.283		11-07-3-01-007-0	\$ 100,580.00	\$ -	\$ 100,580.00	\$ 100,580.00	\$ -
Title II STD/HIV Grant & Case Mgmt Amend #1 - 04/01/10-07/31/11	93.117		10-07-4-51-104-0	\$ 10,750.00	\$ -	\$ 6,473.48	\$ 6,473.48	\$ -
TB Vaccination Program 01/01/10-12/31/10	93.116/93.991		10-07-4-11-041-0	\$ 5,000.00	\$ -	\$ 1,601.64	\$ 1,601.64	\$ -
TB Vaccination Program 01/01/11-12/31/11	93.116/93.991		11-07-4-11-041-0	\$ 4,000.00	\$ -	\$ 3,516.42	\$ 3,516.42	\$ -
Public Health Emergency Preparedness (PHEP) 09/01/09-08/31/10	93.069		10-07-6-11-021-0	\$ 108,196.00	\$ -	\$ 18,032.00	\$ 18,032.00	\$ -
Public Health Emergency Preparedness (PHEP) 09/01/10 - 08/31/11	93.069		11-07-6-11-021-0	\$ 108,196.00	\$ -	\$ 90,163.00	\$ 90,163.00	\$ -
PHER Phase III	93.069		10-07-6-11-021-0	\$ 202,886.00	\$ -	\$ 69,754.00	\$ 69,754.00	\$ -
<i>Passed through Montana State University</i>								
NAPA Grant-Amended 07/01/10 - 06/30/11 (Included Amendment 1)	93.283		G152-11-W3300	\$ 20,000.00	\$ -	\$ 20,000.00	\$ 20,000.00	\$ -
<i>Passed through Yellowstone City/County Health Dept/Riverstone Health</i>								
Title III Ryan White STD/HIV Early Intervention Services 07/01/10 - 06/30/11	93.918		none	\$ 5,000.00	\$ -	\$ 3,545.89	\$ 3,545.89	\$ -
Total U.S. Department of Public Health and Human Services				\$ 737,009.00	\$ -	\$ 453,673.43	\$ 453,673.43	\$ -
U.S. Department of Homeland Security								
<i>Passed through the Montana Disaster & Emergency Services</i>								
Montana DES - Middle Creek Early Warning System	97.067		2008-GE-TB-0023	\$ 267,206.00	\$ -	\$ 107,537.00	\$ 107,537.00	\$ -
Homeland Security Grant Program (Equipment for Command Vehicle)	97.067		DHS-10-GPD-067-000-0	\$ 157,865.00	\$ -	\$ 63,003.39	\$ 63,003.39	\$ -
Homeland Security Grant Program (Emergency Planning Grant)	97.067		2009-SS-T9-0005	\$ 36,922.77	\$ -	\$ 21,801.00	\$ 21,801.00	\$ -
Emergency Management Performance Grant	97.042		2010-EP-E0-0015	\$ 85,660.00	\$ -	\$ 60,660.00	\$ 60,660.00	\$ -
Total U.S. Department of Homeland Security				\$ 547,653.77	\$ -	\$ 253,001.39	\$ 253,001.39	\$ -

GALLATIN COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2011

Federal Grantor/Pass-Through	Federal CFDA Number	Prime Award Number	Pass-Through Grantor's Number	Program or Award Amount	Beginning Balance June 30, 2010	Federal Revenue	Federal Expenditures	Ending Balance June 30, 2011
U.S. Department of Housing and Urban Development								
<i>Passed through the Montana Department of Commerce</i>								
HERA-FY 08 Neighborhood Stabilization Program	14.228		MT-NSP-008-01-001	\$ 7,007,462.00	\$ -	\$ 3,562,288.28	\$ 3,562,288.28	\$ -
Community Development Block Grant - Rae Water Sewer	14.228		MT-CDBG-07PF-04	\$ 121,320.00	\$ -	\$ 121,320.00	\$ 121,320.00	\$ -
Community Development Block Grant - Belgrade Senior Center	14.228		MT-CDBG-08PG-08	\$ 15,000.00	\$ -	\$ 5,356.00	\$ 5,356.00	\$ -
Total U.S. Department of Housing and Urban Development				\$ 7,143,782.00	\$ -	\$ 3,688,964.28	\$ 3,688,964.28	\$ -
U.S. Department of Justice								
<i>Direct:</i>								
LLBEG Bulletproof Vest Program	16.607	2008 Fund		\$ 3,889.00	\$ -	\$ 170.00	\$ 170.00	\$ -
LLBEG Bulletproof Vest Program	16.607	2009 Fund		\$ 2,909.17	\$ -	\$ 2,909.17	\$ 2,909.17	\$ -
LLBEG Bulletproof Vest Program	16.607	2010 Fund		\$ 2,100.00	\$ -	\$ 1,079.00	\$ 1,079.00	\$ -
COPS HIRING Grant	16.710	2010JMWX0185		\$ 420,656.00	\$ -	\$ 41,021.00	\$ 41,021.00	\$ -
Gallatin County Treatment Court Program BJA FY 10 Congressionally Selected - Women's Transition	16.753	2010-DD-BX-0523		\$ 185,000.00	\$ -	\$ 12,556.00	\$ 12,556.00	\$ -
<i>Passed through the State Department of Justice - Montana Board of Crime Control:</i>								
Victim Witness Program	16.588		10-W03-90757	\$ 39,739.00	\$ -	\$ 39,739.00	\$ 39,739.00	\$ -
Operation Freedom from Fear	16.588		10-W02-90749	\$ 44,400.00	\$ -	\$ 44,400.00	\$ 44,400.00	\$ -
JAG Byrne Memorial Justice Assistance Grant - Missouri River Drug Task Force	16.738		09-G01-90862	\$ 239,139.56	\$ -	\$ 239,139.56	\$ 239,139.56	\$ -
JAG Byrne Memorial Justice Assistance Grant - Missouri River Drug Task Force (Includes Adj #1 \$124,777.38)	16.738		10-G01-90869	\$ 329,141.38	\$ -	\$ 203,202.37	\$ 203,202.37	\$ -
ARRA-Misdemeanor Probation - Domestic Violence	16.588		09-WR01-90546	\$ 64,911.24	\$ -	\$ 34,054.00	\$ 34,054.00	\$ -
<i>Passed through the Office of Court Administrator:</i>								
Montana Judicial Branch - Gallatin County Adult Drug Court	16.585			\$ 5,000.00	\$ -	\$ 2,046.00	\$ 2,046.00	\$ -
<i>Passed through the Montana Peace Officer's Association</i>								
Mental Health Initiative -MT Offender Notification Tracking System (MONTIS) - BJA FY 09 Congressionally Selected	16.753	2009-DJ-BX-0211		\$ 52,902.00	\$ -	\$ 13,317.00	\$ 13,317.00	\$ -
<i>Passed through the State Department of Administration Information Technology Services Division</i>								
COPS TECH/Interoperability Montana/Mobile Data Consortium - Equipment Only	16.710		2007CKWX0043	\$ 3,478.00	\$ -	\$ 3,478.00	\$ 3,478.00	\$ -
Total U.S. Department of Justice				\$ 1,393,265.35	\$ -	\$ 637,111.10	\$ 637,111.10	\$ -
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	\$ -	\$ 8,012.00	\$ 8,012.00	\$ -
FAA - Pogueba Airport Improvements	20.106	3-30-0077-007-2011		\$ 266,351.00	\$ -	\$ 29,548.00	\$ 29,548.00	\$ -
Montana Department of Transportation - STEP Overtime Grant	20.600		2011-02-06-16	\$ 18,000.00	\$ -	\$ 9,731.00	\$ 9,731.00	\$ -
Montana Department of Transportation - STEP Overtime Grant	20.600		2010-05-04-12, 2010-1	\$ 23,000.00	\$ -	\$ 4,595.00	\$ 4,595.00	\$ -
Community Transportation Enhancement Pgm - CTEP Manhattan Sidewalks	20.205		UPN 6775	\$ 71,197.00	\$ -	\$ 205.00	\$ 205.00	\$ -
Community Transportation Enhancement Pgm - CTEP Three Forks Pedestrian Bridge	20.205		UPN 6649	\$ 97,757.00	\$ -	\$ 39,644.00	\$ 39,644.00	\$ -
Total U.S. Department of Transportation				\$ 489,300.00	\$ -	\$ 91,735.00	\$ 91,735.00	\$ -
Total Federal Assistance				\$ 11,011,371.99	\$ -	\$ 5,474,556.28	\$ 5,474,556.28	\$ -

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, 2011. 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.

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*.

GALLATIN COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended June 30, 2011

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>Ami Provided to Subrecipient:</u>
DOJ Byrne Formula Missouri River Drug Task Force	16.738	City of Bozeman	\$ 108,420.15
DOJ Byrne Formula Missouri River Drug Task Force	16.738	Broadwater Co Sheriff	\$ 12,338.12
DOJ Byrne Formula Missouri River Drug Task Force	16.738	City of Helena	\$ 53,328.58
DOJ Byrne Formula Missouri River Drug Task Force	16.738	Lewis & Clark County	\$ 70,659.61
DOJ Byrne Formula Missouri River Drug Task Force	16.738	Park County Sheriff	\$ 49,145.16
			<u>\$283,891.62</u>
Community Development Block Grant - Rae Water & Sewer	14.228	Rae W&S District	\$ 121,320.00
U.S Dept of Transportation - CTEP - Three Forks Ped Bridge	20.205	City of Three Forks	\$ 39,664.00
U.S. Dept of Transportation - State & Community Highway Safety DUI TF	20.600	Montana Highway Patrol	\$ 2,710.21
U.S. Dept of Transportation - State & Community Highway Safety DUI TF	20.600	Belgrade Police Department	\$ 3,000.00

Note 4. Equipment Received/Non-Cash Awards:

COPS TECH/Interoperability Montana/Mobile Data Consortium - 16.710.2007CKW0043

The State of Montana, Public Safety Services Bureau purchased 1 mobile data computer for Gallatin County. Gallatin County paid \$434.75 which is 1/2 of the required 25% match.

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, 2011, which collectively comprise the County’s basic financial statements and have issued our report thereon dated February 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

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 above.

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.

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
February 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, 2011. 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.

As described in the accompanying schedule of findings and questioned costs (Findings 2011-01, 2011-02, and 2011-03), the County did not comply with requirements regarding sub-recipient monitoring and grants administration. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to these programs.

In our opinion, except for the non-compliance described in the preceding paragraph, Gallatin 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, 2011.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2011-01, 2011-02, and 2011-03 to be material weaknesses.

The County's responses to the findings identified in our audit are described in the enclosed County Response to Audit Comments. We did not audit the County's response and, accordingly, we express no opinion on the responses.

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

Anderson Zur Muehlen & Co., P.C.

Bozeman, Montana
February 21, 2012

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2011

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?	No
Noncompliance material to financial statements noted?	No

Federal Awards

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

Identification of major programs:

14.228 Neighborhood Stabilization Program
14.228 Community Development Block Grant – Rae Water and Sewer
14.228 Community Development Block Grant – Belgrade Senior Center
16.738 Byrne Memorial Justice Assistant Grant – Missouri River Drug Task Force
16.738 Byrne Memorial Justice Assistant Grant – Missouri River Drug Task Force

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, 2011

Federal Award Findings and Questioned Costs:

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

Criteria:

OMB Circular A-133 requires that pass-through grantors provide each sub-recipient certain information in relation to the grant. Such information should include the CFDA title and number, award year, and name of Federal agency. Pass-through entities should also advise sub-recipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements. They are also required to monitor the activities of sub-recipients as necessary to ensure compliance when sub-recipients are not required to have an audit.

Condition:

The County is the recipient of a grant from the Montana Department of Commerce. This grant is the Community Development Block Grant – Rae Water and Sewer. The County did not meet all of its pass-through entity responsibilities. The executed Inter-local Agreement does not contain the required information, and the required information was not provided by other means. The County did not obtain evidence that sub-recipients were meeting audit requirements, or ensuring compliance with the grant.

Context:

The County's sub-recipient under this program incurred \$121,320 of expenditures during fiscal year 2011, which accounted for 100% of the grant effort. These costs were reported to the County in 2011, at which time the County included these in their Schedule of Federal Awards.

Effect:

Sub-recipient compliance with the Federal grant requirements cannot be reasonably assured.

Cause:

No specific procedures are in place to ensure compliance with sub-recipient monitoring requirements.

Recommendation:

Employee roles and responsibilities should be established to ensure proper delegation, authority, and responsibility in relation to sub-recipient monitoring requirements. Appropriate training of key personnel is recommended, with an emphasis on continuous learning.

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

Federal Award Findings and Questioned Costs (continued):

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

Criteria:

OMB Circular A-133 requires that grantees of Federal awards maintain a system of internal controls over Federal programs that provides reasonable assurance that the grantee is managing Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its Federal programs. Grantees who partner with other entities in executing the goals of a program must maintain internal controls and monitoring to ensure that the entity administering the Federal award complies with laws, regulations, and the provisions of grant agreements. Program income, as defined by 24 CFE 570.00 (a) should be properly determined, calculated, recorded, and used in accordance with grant guidelines.

Condition:

The County is the recipient of a grant from the Montana Department of Commerce. This grant is the Neighborhood Stabilization Program. The County has partnered with the Human Resource Development Council (HRDC) to administer the grant funds and to execute the goals of the program. The County's contract with HRDC assigned the County's responsibility to comply with Federal and grant compliance requirements to HRDC. However, the County did not implement a system of internal controls sufficient to ensure a proper level of oversight over HRDC's compliance with Federal laws and regulations. Program income reported to the State Department of Commerce did not agree to underlying documentation or to quarterly progress reports.

Context:

The County passed through \$3,562,288 of Federal awards related to this program to the HRDC during fiscal year 2011, which accounted for 100% of the grant effort. Program income generated by the program approximated \$1,500,000 during fiscal year 2011.

Effect:

Compliance with the Federal grant requirements and accuracy of amounts reported in regards to program income cannot be reasonably assured.

Cause:

An adequate system of internal controls sufficient to monitor compliance by partner agencies was not implemented.

Recommendation:

The County should establish a system to identify all applicable compliance requirements upon execution of each grant agreement. The system should include proper documentation of relevant requirements, review of those requirements, and monitoring of compliance. Employee roles and responsibilities should be established to ensure proper delegation, authority, and responsibility in relation to grant administration and monitoring requirements.

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

Federal Award Findings and Questioned Costs (continued):

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

Criteria:

OMB Circular A-133 requires that pass-through grantors provide each sub-recipient certain information in relation to the grant. Such information should include the CFDA title and number, award year, and name of Federal agency. Pass-through entities should also advise sub-recipients of requirements imposed on them by Federal laws, regulations, and the provisions of contracts or grant agreements. They are also required to monitor the activities of sub-recipients as necessary to ensure compliance, ensure sub-recipients meet the audit requirements under this circular, issue a management decision on audit findings within six months of receipt of the sub-recipient's audit report and take appropriate corrective action, and consider whether sub-recipients audits necessitate adjustment of the pas-though entity's own records.

Condition:

The County is the recipient of a grant from the U.S. Department of Justice. This grant is the Byrne Memorial Justice Assistance Grant - Missouri River Drug Task Force. The County did not meet all of its pass-through entity responsibilities. The executed Inter-local Agreement does not contain the required information, and the required information was not provided timely to the sub-recipient. The County did not obtain evidence that sub-recipients were meeting audit requirements, or that such audits reflected findings or adjustments to this grant.

Context:

Total grant expenditures during the year ended June 30, 2010 amounted to \$442,342. Of this amount, \$291,419 was passed through to other governmental entities that are part of the Missouri River Drug Task Force.

Effect:

Sub-recipient compliance with the Federal grant requirements cannot be reasonably assured.

Cause:

No specific procedures are in place to ensure compliance with sub-recipient monitoring requirements.

Recommendation:

Employee roles and responsibilities should be established to ensure proper delegation, authority, and responsibility in relation to sub-recipient monitoring requirements. Appropriate training of key personnel is recommended, with an emphasis on continuous learning.

GALLATIN COUNTY, MONTANA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
Year Ended June 30, 2011

Prior Year Audit Findings:

2010-01 OMB A-133 Schedule of Expenditures of Federal Awards

Status – Implemented.

2010-02 Sub-recipient Monitoring over Federal Awards – Missouri River Drug Task Force Grant – CFDA No. 16.803

Status – Not implemented. See current year finding 2011-03.

2010-03 Sub-recipient Monitoring over Federal Awards – Community Transportation Enhancement Program – CFDA No. 20.205

Status – Not implemented. See current year finding 2011-01 and 2011-03.

2010-04 Infrastructure Assets

Status – Implemented.

2010-05 Subsidiary Records

Status – Implemented.

2010-06 Fund Allocation

Status – Implemented.

2010-07 Significant Estimates

Status – Implemented.

2010-08 Negative Cash Balances

Status – Implemented.



GALLATIN COUNTY

311 West Main, Rm. 306 • Bozeman, MT 59715

County Commission

William A. Murdock

Joe P. Skinner

Steve White

Phone (406) 582-3000

FAX (406) 582-3003

February 22, 2012

AZ & Company

Attn: Kyla Q. Stafford, CPA

1007 East Main Street Suite 300

Bozeman, Mt. 59715

RE: Official Responses to Findings:

Dear Kyla Stafford:

We are submitting our official response to the Findings listed in your report. The Grants, Auditor and Finance offices have implemented a majority of the policies and procedures necessary to correct the findings in your report.

Gallatin County is committed to correcting the problems in our sub-recipient monitoring and program income monitoring within Grant Administration. The following are our responses to the conditions.

2011-01 Sub-recipient Monitoring Over Federal Rewards – Community Development Block Grant – RAE Water & Sewer – CFDA No. 14.228

Condition:

The County did not meet all of its pass-through entity responsibilities. The executed Inter-local Agreement does not contain the required information and the required information was not provided by other means. The County did not obtain evidence that sub-recipients were meeting audit requirements or ensuring compliance with the grant.

Recommendation:

Employee roles and responsibilities should be established to ensure proper delegation authority and responsibility in relation to sub-recipient monitoring requirements. Appropriate training of key personnel is recommended, with an emphasis on continuous learning.

Response:

The County used contractual documents and agreements that were either provided by the Montana Department Commerce or reviewed and approved by Department Officials. Because these documents were found to be inadequate, all future agreements will be reviewed by the County to ensure compliance with OMB criteria. The County has adopted new policies and procedures for the administration of grants. These procedures now contain management outlines for each grant that describe and facilitate sub-recipient monitoring activities. The Grants Department through the Grants Administrator have been assigned responsibility for sub-recipient monitoring. Staff has participated in additional training in FY12 and more training is being scheduled.

2011-012 Program Income, Grants Administration and Monitoring – Neighborhood Stabilization Program – CFDA No. 14.228

Condition:

The County's contract with HRDC assigned the County's responsibility to comply with Federal grant compliance requirements to HRDC. However, the County did not implement a system of internal controls sufficient to ensure a proper level of oversight over HRDC's compliance with Federal laws and regulations. Program income reported to the Department of Commerce did not agree to underlying documentation or to underlying quarterly progress reports.

Recommendation:

The County should establish a system to identify all applicable compliance requirements upon execution of each grant agreement. The system should include proper documentation of relevant requirements, review of those requirements, and monitoring of compliance. Employee roles and responsibilities should be established to ensure proper delegation, authority, and responsibility in relation to grant administration and monitoring requirements.

Response:

The program income reporting error was unfortunately contained in the fiscal year end quarterly report which reported net versus cumulative program income. The error was reconciled on the next report but, not with the County fiscal year reporting period. The County has adopted new policies and procedures for the administration of grants. These procedures now contain management outlines for each grant that describe and facilitate sub-recipient monitoring activities. Individual employee roles and responsibilities are described in these management plans. The Grants & Projects Department is currently facilitating a plan for the development of a computer database system or comparable infrastructure that will enhance the ability to monitor compliance with federal requirements. The Grants Department through the Grants Administrator have been assigned responsibility for program income monitoring. All future HRDC program income reports will be sent to the County for review before they are forwarded to the Department of Commerce.

2011-03 Sub-Recipient Monitoring Over Federal Awards – Missouri River Drug Task Force Grant – CFDA No. 16738

Condition:

The County did not meet all of its pass-through entity responsibilities. The executed Inter-Local Agreement does not contain the required information, and the required information was not provided timely to the sub-recipient. The County did not obtain evidence that sub-recipients were meeting audit requirements or that such audits reflected finds or adjustments to this grant.

Recommendation:

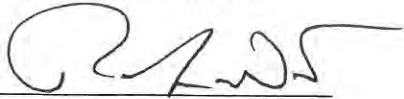
Employee roles and responsibilities should be established to ensure proper delegation, authority, and responsibility in relation to sub-recipient monitoring requirements. Appropriate training of key personnel is recommended, with an emphasis on continuous learning.

Response:

The County used contractual documents and agreements that were either provided by the Montana Board of Crime Control or reviewed and approved by Department Officials. Because these documents were found to be inadequate, all future agreements will be reviewed by the County to ensure

compliance with OMB criteria. The County did provide sub-recipients with OMB required information at an executive Board meeting on May 18th, 2011. The County has adopted new policies and procedures for the administration of grants. These procedures now contain management outlines for each grant that describe and facilitate sub-recipient monitoring activities. The Grants Department through the Grants Administrator have been assigned responsibility for sub-recipient monitoring. In the first quarter of FY12 all MRDTF sub-recipients have received comprehensive sub-recipient agreements outlining responsibilities, assurances and certifications for OMB requirements. Each sub-recipient signed the document and agreed to comply with the contents. Each sub-recipient has also been reviewed for compliance through an onsite visitation conducted in the first quarter of FY12. The County is currently reviewing FY 2011 sub-recipient audits that have just become available. The County will soon issue correspondence to sub-recipients regarding the content of those audits as such applies to any findings or adjustments to this grant. County staff has participated in additional training in FY12 and more training is being scheduled.

Respectfully submitted:



R. Stephen White, Chairman
Gallatin County Commission



Jennifer Blossom
Gallatin County Auditor



Kim Buchanan
Gallatin County Treasurer



Earl Mathers
Gallatin County Administrator



Ed Blackman
Gallatin County Finance



Larry Watson
Gallatin County Grants

STATISTICAL

SECTION

7. Tax Levies

Taxing Entity	----- Fiscal Year -----				
	2007/08	2008/09	2009/10	2010/11	2011/12
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	79.50	79.78	85.19	89.94	88.69
County Road Fund	18.30	19.09	19.17	19.25	19.34
County Library Levy	6.38	6.38	6.06	6.14	6.14
County-wide School Levy	97.05	100.26	94.02	95.74	95.61
Bozeman High School District Levies	65.34	71.40	69.05	75.34	73.48
Bozeman Elementary School District Levies	118.51	141.13	130.49	121.55	123.38
Open Space Bond Levy	4.17	4.63	5.81	6.14	5.99
Total	435.25	468.67	455.79	460.10	458.63
City of Bozeman	154.18	171.16	171.16	166.75	164.75

8. Tax Collections – General Fund

Fiscal Year	Total Tax Levy ²	Current Property Tax Collections	Total Property Tax Collections ¹
2010/2011	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
2004/05	1,929,850	1,845,648	1,922,027

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	2010/11 Taxable Value
1. Northwestern Energy	Electric Utility	\$14,755,281
2. Qwest Corporation	Telecommunications	2,242,025
3. Holcim, Inc. (formerly Holnam)	Cement Manufacturer	1,008,432
4. Montana Rail Link	Railroad	1,457,217
5. Luzenac America, Inc.	Talc Processing Facility	906,489
6. PPL Montana	Utility Distribution	785,400
7. Cellco Partnership	Technology	768,724
8. Black Bull Run	Development	636,780
9. Zoot Properties LLC	Technology	589,648
10. Daum Harry	Mall / Developer	524,108

10. Revolving Fund

Fiscal Year End (June 30)	Revolving Fund Cash Balance	Principal Amount of Bonds	Percentage
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
2005	603,405	4,223,000	14.3

Bond issued for RID Number 396 for Clarkston in the amount of \$4,715,000 maturing in 2030.

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, 2005 through 2011.

Tax Year	Assessment Billing	Current Tax Collections in Year Assessed	Percent of Assessments Collected
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
2004/05	609,267	575,488	94.5

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 June 30, 2006 through June 30, 2011.

	Audited 2006/07	Audited 2007/08	Audited 2008/09	Audited 2009/10	Audited 2010/11
Beginning Balance – July 1	\$638,110	\$686,430	\$762,158	\$766,111	\$854,654
Property Taxes	\$7	\$5,363	\$472	\$41	2
Investment Earnings	28,773	28,611	19,573	12,248	14,624
Transfer In ¹	22,750	45,003	0	88,250	233,119
Transfer (Out) ²	3,209	3,249	16,092	11,996	14,528
Receipts Over Disbursements	\$48,321	\$75,728	\$3,953	\$88,543	\$233,217
Ending Balance – June 30	\$686,431	\$762,158	\$766,111	\$854,654	\$1,087,871
Assets:					
Cash/Investments	\$686,430	\$762,158	\$766,111	\$854,654	\$1,087,871
Receivables	26	597	114	79	77
Total Assets	\$686,456	\$762,755	\$766,225	\$854,733	\$1,087,948
Total Liabilities	\$26	\$597	\$114	\$79	\$77
Fund Balance (Reserved)	\$178,800	\$180,000	\$164,500	\$234,050	\$441,400
Fund Balance (Unreserved)	507,630	582,158	601,611	620,604	646,471
Total Fund Balance	\$686,430	\$762,158	\$766,111	\$854,654	\$1,087,871
Total Liabilities/Fund Balances	\$686,456	\$762,755	\$766,225	\$854,733	\$1,087,948