

PARK COUNTY
LIVINGSTON, MONTANA

FINANCIAL STATEMENTS

For the Year Ended June 30, 2016

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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PARK COUNTY

ORGANIZATION

June 30, 2016

BOARD OF COUNTY COMMISSIONERS

Clint Tinsley	Board Chairperson
Marty Malone	Commissioner
Steven Caldwell	Commissioner

ELECTED OFFICIALS

Maritza Reddington	County Clerk and Recorder
Kevin Larkin	County Treasurer
Scott Hamilton	County Sheriff
Bruce Becker	County Attorney
Jo Newhall	County Superintendent
June Little	Clerk of District Court
Linda Cantin	Justice of the Peace
Albert Jenkins	County Coroner
Sue Martin	Public Administrator
Martha Miller	County Auditor

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

ERNEST J. OLNESS, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Park County
Livingston, Montana

Report on the Financial Statements

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 Park County, Montana (the government) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the government's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 the government, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 72, Fair Value Measurement and Application. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. Our opinion is not modified with respect to this matter.

As described in Note 1 to the financial statements, the government adopted the provisions of GASB Statement No. 79, Certain External Investment Pools and Pool Participants. Our opinion is not modified with respect to this matter.

INDEPENDENT AUDITOR'S REPORT (Continued)

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension plan information and the schedule of funding progress-other post-employment benefits identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the government'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the government's internal control over financial reporting and compliance.

O'neal & Associates, PC

Billings, Montana
December 21, 2016

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Park County's management offers readers of the county's financial statements this narrative overview and analysis of its financial activities for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here, in conjunction with the basic financial statements.

FINANCIAL HIGHLIGHTS

- Net position for Park County was \$22,291,071.
- The County's total net position decreased 3.4 percent as a result of this year's operations. Net position of the governmental activities and business-type activities decreased \$743,195 or 3.4 percent and \$30,022 or 2.9 percent, respectively.
- During the year, governmental activities revenue of \$11,353,425 were \$740,819 less than the \$12,094,244 in expenses, before transfers out. The total cost of governmental activities expenses increased over the prior year by \$832,325 or 7.4 percent.
- In the business-type activities, revenues and expenses decreased \$9,558 (0.9 percent) and \$60,877 (-5.1 percent), respectively.
- The General fund fund balance reported a decrease this year of \$67,256, or 8.0 percent.

USING THIS AUDIT REPORT

This audit report consists of a series of financial statements. The government-wide financial statements provide information about the activities of the government as a whole and present a longer-term view of the county's finances. For governmental activities, fund statements tell how these services were financed in the short term, as well as what remains for future spending. Fund financial statements also report the government's operations in more detail than the all-inclusive, government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which the government acts solely as a trustee or agent for the benefit of those outside of county government.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis provided here is intended to serve as an introduction to Park County's basic financial statements. The county basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide financial statements: The government-wide financial statements are designed to provide readers with a broad overview of Park County's finances in a manner similar to a private-sector business.

The Statement of Net Position and the Statement of Activities (pages 10 and 11) report information about the government as a whole. These statements include all assets and deferred outflows and liabilities and deferred inflows using the accrual basis of accounting, which is similar to the accounting used by most private sector companies. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

These two statements also report the net position and changes in them. Over time, increases or decreases in the county's net position are one indicator of its financial condition. The reader will need to consider other non-financial factors, such as changes in the property tax base and the condition of our capital assets, to assess overall health.

In the Statement of Net Position and the Statement of Activities, Park County's finances are divided into two categories:

Governmental activities: Basic services are reported here, including general government, public safety, public works, public health, social and economic services, conservation of natural resources, and culture and recreation. Property taxes and state and federal grants finance most of these activities.

Business-type activities: The County charges fees to customers to help it cover all or most of the cost of certain services it provides. Solid waste services are reported here.

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. Park County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, and to help it control and manage money for particular purposes. All of the county's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds: Basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the general government operations and the basic services it

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are described in reconciliations (pages 13 and 15).

Proprietary Funds: The County charges fees to customers for the services it provides – whether to outside customers or to other units of the government – and these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the enterprise funds (a component of proprietary funds) are the same as the business-type activities reported in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds. The county has 2 enterprise funds, Landfill and Refuse, which deal with solid waste. Internal service funds (the other component of proprietary funds) report activities that provide supplies and services to other departments of the government. The county has no internal service funds.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds use the accrual basis of accounting. Fiduciary funds are *not* included in the government-wide financial statements because these assets are not available to finance Park County operations. The county is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

THE GOVERNMENT AS A WHOLE

Net position: Net position may serve over time as a useful indicator of a government's financial position. The following schedules provide summaries of changes in net position of the county's governmental and business-type activities.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 14,186,613	\$ 15,016,350	\$ 2,722,362	\$ 3,473,514	\$ 16,908,975	\$ 18,489,864
Capital assets	15,411,025	15,474,664	879,798	774,610	16,290,823	16,249,274
Total assets	29,597,638	30,491,014	3,602,160	4,248,124	33,199,798	34,739,138
Deferred outflows-pension plans	910,644	305,822	15,040	14,692	925,884	320,514
Other liabilities	30,280	190,688	23,630	-	53,910	190,688
Long-term liabilities outstanding	8,063,459	6,944,918	2,550,569	3,173,505	10,614,028	10,118,423
Total liabilities	8,093,739	7,135,606	2,574,199	3,173,505	10,667,938	10,629,625
Deferred inflows-pension plans	1,132,433	1,635,725	34,240	50,528	1,166,673	1,686,253
Net position:						
Net investment in capital assets	14,618,236	14,600,019	879,798	774,610	15,498,034	15,374,629
Restricted	12,436,204	13,108,506	-	-	12,436,204	13,108,506
Unrestricted	(5,772,130)	(5,683,020)	128,963	264,173	(5,643,167)	(5,418,847)
Total net position	\$ 21,282,310	\$ 22,025,505	\$ 1,008,761	\$ 1,038,783	\$ 22,291,071	\$ 23,064,288

A large portion of the County's net position reflects its investment in capital assets (land, buildings, machinery, equipment, and infrastructure) less any related debt used to acquire those assets that is still outstanding. We use these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the county's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted net position in the governmental and business-type activities, \$12,436,204, represent resources that are subject to external restrictions on how they may be used.

At the end of the fiscal year, net position was \$21,282,310 for the governmental activities and \$1,008,761 for the business-type activities, or a total of \$22,291,071.

The County's overall net position decreased 3.4% or \$773,217 from fiscal year 2015 to 2016. This is largely due to a 3.4% decrease in net position in the governmental activities, and the business-type activities saw a 2.9% decrease, or \$30,022.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

CHANGES IN NET POSITION:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2014
Revenues:						
Program revenues:						
Charges for services	\$ 909,402	\$ 1,045,122	\$ 1,073,797	\$ 1,068,604	\$ 1,983,199	\$ 2,113,726
Operating grants and contributions	1,126,020	882,536	4,959	15,529	1,130,979	898,065
Capital grants and contributions	88,875	535,242	-	-	88,875	535,242
General revenues:						
Taxes	6,194,165	6,110,926	-	-	6,194,165	6,110,926
Licenses and permits	40,913	33,290	-	-	40,913	33,290
Intergovernmental	2,704,039	2,491,054	-	-	2,704,039	2,491,054
Interest	134,828	119,995	28,081	29,871	162,909	149,866
Miscellaneous	113,804	112,794	40	70	113,844	112,864
Gain/loss on disposal of capital assets	41,379	47,721	(2,361)	-	39,018	47,721
Total revenues	11,353,425	11,378,680	1,104,516	1,114,074	12,457,941	12,492,754
Expenses:						
General government	3,370,593	3,144,378	-	-	3,370,593	3,144,378
Public safety	3,519,229	3,346,632	-	-	3,519,229	3,346,632
Public works	2,625,688	2,808,751	-	-	2,625,688	2,808,751
Public health	621,555	538,178	-	-	621,555	538,178
Social and economic services	394,952	342,422	-	-	394,952	342,422
Culture and recreation	1,441,656	930,098	-	-	1,441,656	930,098
Housing and community development	50,413	68,168	-	-	50,413	68,168
Landfill	-	-	123,248	163,896	123,248	163,896
Incinerator/transfer station	-	-	1,013,666	1,033,895	1,013,666	1,033,895
Interest on long-term debt	17,946	18,171	-	-	17,946	18,171
Intergovernmental	52,212	65,121	-	-	52,212	65,121
Total expenses	12,094,244	11,261,919	1,136,914	1,197,791	13,231,158	12,459,710
Change in net position before transfers	(740,819)	116,761	(32,398)	(83,717)	(773,217)	33,044
Transfers	(2,376)	(708)	2,376	708	-	-
Change in net position	(743,195)	116,053	(30,022)	(83,009)	(773,217)	33,044
Net position, beginning	22,025,505	26,647,728	1,038,783	2,212,495	23,064,288	28,860,223
Prior period adjustment	-	(4,738,276)	-	(1,090,703)	-	(5,828,979)
Net position, ending	\$ 21,282,310	\$ 22,025,505	\$ 1,008,761	\$ 1,038,783	\$ 22,291,071	\$ 23,064,288

FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the major (most significant) funds. To be reported as a major fund, a fund must meet each of the two following criteria. Governments may choose to report other governmental and enterprise funds as major funds, even though they do not meet this test. The General Fund is always reported as a major fund.

Total assets and deferred outflows and liabilities and deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding element total for all funds of that category or type (that is, total governmental or total enterprise funds).

The same element that met the 10 percent criterion is at least 5 percent of the corresponding element total for all governmental and enterprise funds combined.

Governmental Funds

Park County has five governmental funds that are reported as major funds in fiscal year 2016. These are: General, Road, Public Safety (Law Enforcement), Payment in Lieu of Taxes (PILT), and the General Capital Improvement funds.

- *General Fund:* This is the primary operating fund for Park County and includes the Commissioners, Justice of the Peace, Clerk and Recorder, Elections Administration, Auditor, Treasurer, County Attorney, Building Maintenance, Public Administrator, School Superintendent, Mail/copier Services, Juvenile Detention, Coroner, Sanitarian, Health Department,

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

Extension, Public Works, Veteran Services, Mental Health Services, County Parks, Historical Research, Accounting, Human Resources, Information Technology, and Geographic Information Systems.

Besides taxes and charges for services, General fund revenue sources include a Local Option Tax, which amounted to \$701,991 in fiscal year 2016, an increase of 5.5% over fiscal year 2015. Before transfers in and transfers out, revenues increased 5.9% by \$169,050 and expenditures increased 4.9% by 157,251 over the prior fiscal year. Transfers in from Permissive Medical Levy, Road and the Enterprise funds amounted to \$373,217, a decrease of \$213,081 from 2015 due to discontinuing PILT transfers into the General Fund.

- *Road Fund:* This fund accounts for costs related to maintenance and reconstruction of county roads. Revenues in 2016 increased \$12,893 from the prior year, before other financing sources. A .2% increase in tax revenue and a 2.9% increase in state entitlement payments were offset by a decrease in Forest Reserve funds and fixed asset sales.

Transfers included \$480,115 from PILT, a 24.7% increase of \$95,115 over 2015 to cover an additional project, and \$58,911 from the Permissive Medical Levy fund, a decrease of 17.3%. Expenditures increased \$45,068 or 3.6 percent over the prior year. Expenditures include \$31,574 transferred to the General fund for the Road funds share of the Public Works Director. Transfers out also include \$167,518 for Rock Creek Road CIP work and \$56,493 to reimburse the General Capital Improvement Fund. The Road fund has a negative fund balance due to a liability incurred for an interfund loan in 2010 for the purchase of road graders. The deficit will be reduced over time as the loan is repaid.

- *Public Safety:* The Public Safety fund accounts for activities for law enforcement: the Sheriff's Office, detention center, civil clerk, concealed weapons licensing, and the community service program. Revenues for fiscal year 2016 before transfers in decreased \$47,973, or 2.9% over the prior year. Tax revenues were down \$48,024 from 2015, or 3.5%. Transfers in from other funds increased \$21,549 or 4.0%. The largest share of transfers in (\$352,378) was from PILT.

Public Safety's expenses remained flat in 2016, decreasing by 0.1% or \$1,298. With the decrease in revenues and increase in transfers in, the ending fund balance decreased \$20,883 or 4.5%.

- *Payment in Lieu of Taxes (PILT):* PILT funds are received annually from the federal government in lieu of taxes on federal property within the county. The majority of appropriations from PILT are transfers out to other funds in order to finance their operations, such as Law Enforcement, General, Road, Planning and Fair funds. PILT is also used to pay for operating costs of certain public safety services, litigation expenses, motor pool maintenance, Commissioners' special projects, and support of the city/county dispatch.

In fiscal year 2016, the amount that the county received for PILT was \$1,408,019, a 20.7% increase from the prior fiscal year. This included a one-time payment of \$99,358 from the government for the 2015 sequestration of funds and it is not expected to be received in future years. Excluding the one-time payment, PILT increased 12.2%. The amount transferred to other funds was \$1,120,332, a 6.1% increase. The net change in fund balance from the prior fiscal year was a decrease of \$190,630, for an ending fund balance of \$881,782.

- *General Capital Improvement Fund:* This fund represents the amount awarded to the county from a 1999 law suit settlement plus interest. Use of this fund is restricted by resolutions passed by the county Commissioners. Revenue consists of interest. Besides investment interest, annual payments are received for loans made from the fund. In fiscal year 2010, the fund loaned \$650,000 to the Road fund for road graders, and in 2015 it loaned \$53,441 to the Cooke City Fire District for equipment purchases.

Whereas earlier resolutions by the Board of County Commissioners restricted expenditures for only specific purposes, Resolution No. 1145, signed in November 2012, allowed interest from the BN fund to be expended on capital improvement projects. In fiscal year 2016, \$192,469 was expended for a number of capital improvement projects, including: a loan payment for a new building for Search and Rescue, and a county cash match for an Airport grant and the Mill Creek, Main Boulder and Gardiner Gateway Federal Lands Access Project grants. Additionally, \$55,000 was transferred to the Landfill for monitoring and cleanup costs. The ending fund balance was \$9,594,748, a decrease of \$138,809 over the prior year.

Enterprise Funds

The county's waste disposal system has been in transition since 2012. The Park County Transfer Station no longer accepts refuse or recycling; all refuse activities have moved to the city of Livingston Transfer Station. In the fall of 2015 the Park County Solid Waste Board recommended and the Commissioners moved to close the landfill, pending DEQ approval. All landfill jobs have been eliminated. Consequently, remaining years of life of the landfill could not be calculated. Construction of a waste compactor in the Gardiner area has been completed, with \$16,773 expended toward construction in progress in 2016. Net position for the refuse facility fund decreased \$39,442 mainly due to current year depreciation.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

GENERAL FUND BUDGETARY HIGHLIGHTS

Original budget compared to final budget. In 2014, Gardiner held an election to create a Gardiner Resort Tax Area. Park County was responsible for the funds until voters elected to create a Gardiner Resort Tax District in the spring of 2015 and elected a board in the fall of 2015. The funds were released to the district in January 2016, effectively ending Park County's participation in the fund. The Health Department received an Asthma Grant during 2016, and received \$22,457 in funds. Park County received a \$28,000 Community Block Development Grant to be applied to developing a new Growth Policy during 2016 and 2017, with a \$12,000 match from Park County. The project costs for 2016 were \$20,505.25, so the full \$12,000 match was met in 2016 and the remainder will be reimbursed in 2017. The Airport received a grant in 2016 for work to be done mostly in 2017. However, since the project started at the end of 2016, \$5,500 from reserves was added to the budget to help cover initial costs. Park County established a new fund, the Rural Improvement District Fund, which will receive and expend funds for RID's. In 2016, Park County spent \$10,550 related to an application submitted for the Buffalo/Wineglass area RID. The application was withdrawn, and Park County covered the engineering fees since an RID was not created. The Park County IT Department implemented a Cyber Security project improving firewalls using a Homeland Security Grant. Park County and the City of Livingston each matched \$5,000 for a total project cost of \$65,000, with \$55,000 coming from the grant. Park County received \$14,453 from the Department of Public Health and Human Services to implement Crisis Intervention and Jail Diversion programs during 2016.

Final budget compared to actual results. Actual revenues for the General fund, before other financing sources, were 99% of budget. Total actual revenues, including transfers in, were 1.13% under budget. General fund tax revenues were estimated closely (< 1% over budget); local option taxes, which are collected in the General fund, were 4.0% more than budgeted. Health, Sanitarian and Clerk & Recorder fees received higher revenues than budgeted. Some grants came in lower than expected. Administrative fees for the Rural Improvement District and resort tax did not come in since there were no RID revenues in 2016 and the Gardiner Resort Tax Board assumed responsibility for the Gardiner Resort Tax funds in 2016. Investment earnings went up in 2016.

Actual expenditures were 99.85% of appropriations, or \$5,094 under budget. The Copier/Mail department and the Parks department within the General fund were over budget due to excess postage and a Highway 89 Trail Improvement project, but these were offset by other departments spending under their appropriations. The net change in the General fund fund balance was a decrease of \$67,256.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Park County's net investment in capital assets as of June 30, 2016 totaled \$15,498,034. This investment includes land, construction in progress, buildings, infrastructure, machinery, and equipment. See the notes to financial statements for changes in capital assets.

Long Term Debt: Debt Service Funds are used to account for the payment of interest and principal on long term bonded debt other than revenue bonds. Montana statutes specify that a single debt service fund be established for each general obligation bond, special assessment bond, judgment levy, and S.I.D. revolving.

State statute limits the amount of county indebtedness to 2.5 percent of the total assessed value of taxable property. The 2016 market value of property in the County was \$2,444,352,470, and the statutory limit of county indebtedness was \$61,108,812. As of June 30, 2016, Park County had at total of \$792,789 in outstanding notes, of which \$725,594 is long term. Park County's total debt decreased \$81,856 during the fiscal year. This included reductions by regularly scheduled principal payments on existing debt.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The taxable value of property in Park County (less the value of the Tax Increment Financing Districts) decreased 1.7% from \$40,001,441 in fiscal year 2015 to \$39,312,486 in fiscal year 2016. The value of newly taxable property county-wide was \$651,103. It should be noted that 2015 was a reassessment year for the Montana Department of Revenue, who is required by state law to conduct periodic reappraisals of property in the interest of equal taxation. The next reassessment will occur in 2017.

A Tax Increment Financing District (TIF) is a vehicle by which a targeted economic development district can set aside incremental increases in tax revenues above a base year for specific uses, generally allied to infrastructure. These increases in tax revenue are not available to other affected taxing bodies. There are 2 TIF's in Park County, both of which are within the City of Livingston. The downtown TIF expires 2018, and the west end TIF expires 2025 when the related infrastructure bonds are paid.

County general mills are split among the General, Bridge, Weed Control, Fair, Airport, District Court, Comprehensive Insurance, Senior Citizens, Law Enforcement, and Museum funds at the commissioners' discretion, with certain restrictions. The growth in number of authorized mills for these aggregate mills went from 84.53 in fiscal year 2015 to 88.05 in fiscal year 2016. Calculations were done according to Montana Code Annotated, Title 15, Section 10, Part 420, which limits the growth in mills to one half the average of inflation over the prior 3 years. From fiscal years 2010 through 2013, the Commissioners levied county general mills below the maximum allowed, for a total of 4.61 carry forward mills available. This reflected a concerted effort on the part of the Commissioners to give a measure of relief to the taxpayers of the County in light of the recent economic recession. The commissioners levied the full amount authorized in fiscal year 2016.

PARK COUNTY
MANAGEMENT'S DISCUSSION & ANALYSIS

With the increase in the newly taxable property value and the increase in number of mills authorized to be levied, tax revenues for the county general mills were expected to increase 2.4%, from \$3,381,322 in fiscal year 2015 to \$3,461,346 that was budgeted in fiscal year 2016. Actual tax revenues were 100% of budgeted.

In light of the most recent Consumer Price Index statistics indicating a Cost of Living Adjustment of 1.5%, the county's Compensation Board recommended that elected officials receive a 1.5% increase to their base salary. Wages for eligible county employees were also adjusted at the same rate.

Grants financed a number of projects during the year, including some capital projects which will continue into subsequent fiscal years.

- Park County and the City of Livingston submitted an FAA grant project to the U.S. Department of Transportation for a Mission Field Runway Rehabilitation project. In 2016, the project received \$24,561 out of a total of \$155,000. The remaining balance will be used to complete the project in 2017.
- CTEP grants for the Cooke City Museum and the Highway 89 Trail Improvement had \$27,009 revenue in fiscal year 2016 and will continue into the next year.
- Park County received \$30,572 in funding from the Montana Treasure State Endowment Program (TSEP) for bridge replacement and rehabilitation.
- Park County and neighboring Sweet Grass County have entered into a joint agreement for improvement on the Main Boulder River Road which straddles both counties. The projects costs of \$6.5 million will be provided by the Federal Lands Access Program and contributions from both counties. Park County has committed \$509,960 through 2017.
- Another FLAP project underway is the Gardiner Gateway project, which is intended to reduce congestion, improve safety, provide parking, and improve drainage on several roads in Gardiner, the north entrance to Yellowstone National Park. Of the total estimated cost of \$15.7 million, Park County has cash and in kind matches of \$819,820 through 2017. Park County was also reimbursed \$28,747 for engineering expenses covered by an agreement in 2016.
- In 2016, Park County was awarded a grant to assist with Crisis Intervention and Jail Diversion, receiving \$14,453.
- A new Mill Creek Federal Lands Access Program award was started in 2016 for a project that will require Park County match funding of 13.42%, or \$262,529, for a total project cost of \$1,693,721. Park County paid \$31,504 in 2016 with the remainder due in 2018.
- Tom Miner Creek road also has a new FLAP program which required a payment of \$18,457 in 2016. The Tom Miner Creek Road Capital Improvements project will total \$2,098,467, and the remaining payment of \$306,808 from Park County will be due in 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Park County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Park County Finance Office, 414 E. Callender Street, Livingston, MT 59047.

PARK COUNTY
STATEMENT OF NET POSITION
June 30, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and equivalents	\$ 3,301,447	\$ 353,242	\$ 3,654,689
Investments	9,435,000	-	9,435,000
Receivables:			
Taxes/assessments	236,344	237,583	473,927
Resort tax	30,918	-	30,918
CDBG	221,661	-	221,661
Governments	287,452	-	287,452
Other	19,236	-	19,236
Internal balances	490,741	(490,741)	-
Inventories	163,519	-	163,519
Prepays	295	-	295
Restricted assets:			
Cash and equivalents	-	418,634	418,634
Investments	-	2,203,644	2,203,644
Capital assets:			
Capital assets not being depreciated-land and construction in progress	978,724	52,528	1,031,252
Capital assets, net of accumulated depreciation	14,432,301	827,270	15,259,571
Total assets	<u>29,597,638</u>	<u>3,602,160</u>	<u>33,199,798</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	910,844	15,040	925,884
Total deferred outflows of resources	<u>910,844</u>	<u>15,040</u>	<u>925,884</u>
LIABILITIES			
Accounts payable-vendors	30,280	23,630	53,910
Noncurrent liabilities:			
Due within one year:			
Notes	67,195	-	67,195
Compensated absences	46,970	5,245	52,215
Due in more than one year:			
Notes	725,594	-	725,594
Compensated absences	422,726	47,200	469,926
Landfill closure/postclosure costs payable	-	2,087,789	2,087,789
Other post-employment benefits	2,591,026	210,083	2,801,109
Net pension liability	4,209,948	200,252	4,410,200
Total liabilities	<u>8,093,739</u>	<u>2,574,199</u>	<u>10,667,938</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plans	1,132,433	34,240	1,166,673
Total deferred inflows of resources	<u>1,132,433</u>	<u>34,240</u>	<u>1,166,673</u>
NET POSITION (DEFICIT)			
Net investment in capital assets	14,618,236	879,798	15,498,034
Restricted for:			
General government	836,825	-	836,825
Public safety	786,322	-	786,322
Public works	350,016	-	350,016
Public health	92,460	-	92,460
Social and economic services	50,764	-	50,764
Culture and recreation	351,923	-	351,923
Housing and community development	221,661	-	221,661
Capital projects	9,746,233	-	9,746,233
Unrestricted (deficit)	(5,772,130)	128,963	(5,643,167)
Total net position (deficit)	<u>\$ 21,282,310</u>	<u>\$ 1,008,761</u>	<u>\$ 22,291,071</u>

PARK COUNTY
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 3,370,593	\$ 365,744	\$ 271,859	\$ -	\$ (2,732,990)	\$ -	\$ (2,732,990)
Public safety	3,519,229	262,747	256,193	43,953	(2,956,336)	-	(2,956,336)
Public works	2,625,688	153,241	388,920	28,722	(2,054,805)	-	(2,054,805)
Public health	621,555	79,184	166,935	-	(375,436)	-	(375,436)
Social and economic services	394,952	8,519	9,703	-	(376,730)	-	(376,730)
Culture and recreation	1,441,656	39,967	32,410	16,200	(1,353,079)	-	(1,353,079)
Housing and community development	50,413	-	-	-	(50,413)	-	(50,413)
Interest on long-term debt	17,946	-	-	-	(17,946)	-	(17,946)
Intergovernmental	52,212	-	-	-	(52,212)	-	(52,212)
Total governmental activities	12,094,244	909,402	1,126,020	88,875	(9,969,947)	-	(9,969,947)
Business-type activities:							
Landfill	123,248	82,737	-	-	-	(40,511)	(40,511)
Refuse Facility	1,013,666	991,060	4,959	-	-	(17,647)	(17,647)
Total business-type activities	1,136,914	1,073,797	4,959	-	-	(58,158)	(58,158)
Total	\$ 13,231,158	\$ 1,983,199	\$ 1,130,979	\$ 88,875	(9,969,947)	(58,158)	(10,028,105)
General revenues:							
Property taxes					6,194,165	-	6,194,165
Licenses and permits					40,913	-	40,913
Intergovernmental					2,704,039	-	2,704,039
Unrestricted investment earnings					134,828	28,081	162,909
Miscellaneous					113,804	40	113,844
Gain (loss) on disposal of capital assets					41,379	(2,361)	39,018
Transfers					(2,376)	2,376	-
Total general revenues and transfers					9,226,752	28,136	9,254,888
Change in net position					(743,195)	(30,022)	(773,217)
Net position - beginning					22,025,505	1,038,783	23,064,288
Net position - ending					\$ 21,282,310	\$ 1,008,761	\$ 22,291,071

PARK COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	General	Road	Public Safety	PILT	General Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 597,612	\$ 46,279	\$ 425,229	\$ 371,484	\$ -	\$ 1,860,843	\$ 3,301,447
Investments	100,000	-	-	500,000	8,829,895	5,105	9,435,000
Receivables:							
Taxes/assessments	51,063	20,848	62,763	-	-	101,670	236,344
Governments	69,942	9,229	23,051	298	44,454	140,478	287,452
Resort tax	-	-	-	-	-	30,918	30,918
CDBG	-	-	-	-	-	221,661	221,661
Other	5,894	2,669	-	-	-	10,673	19,236
Due from other funds	-	-	-	10,000	720,399	-	730,399
Inventories	-	140,792	-	-	-	22,727	163,519
Prepaid items	-	-	295	-	-	-	295
Total assets	\$ 824,511	\$ 219,817	\$ 511,338	\$ 881,782	\$ 9,594,748	\$ 2,394,075	\$ 14,426,271
LIABILITIES							
Accounts payable-vendors	\$ -	\$ -	\$ 1,011	\$ -	\$ -	\$ 29,269	\$ 30,280
Due to other funds	-	229,658	-	-	-	10,000	239,658
Total liabilities	-	229,658	1,011	-	-	39,269	269,938
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-taxes/assessments	51,063	20,848	62,763	-	-	101,670	236,344
Total deferred inflows of resources	51,063	20,848	62,763	-	-	101,670	236,344
Total liabilities and deferred inflows of resources	51,063	250,506	63,774	-	-	140,939	506,282
FUND BALANCES (DEFICITS)							
Nonspendable:							
Prepaid items	-	-	295	-	-	-	295
Inventory	-	140,792	-	-	-	22,727	163,519
Noncurrent portion of interfund receivable	-	-	-	-	161,390	-	161,390
Restricted for:							
General government	-	-	-	-	-	792,875	792,875
Public safety	-	-	447,269	-	-	262,120	709,389
Public works	-	-	-	-	-	311,492	311,492
Public health	-	-	-	-	-	87,428	87,428
Social and economic services	-	-	-	-	-	46,321	46,321
Culture and recreation	-	-	-	-	-	333,350	333,350
Housing and community development	-	-	-	-	-	221,661	221,661
Capital projects	-	-	-	-	9,433,358	151,485	9,584,843
Committed for:							
General government	-	-	-	881,782	-	-	881,782
Public safety	-	-	-	-	-	25,444	25,444
Unassigned	773,448	(171,481)	-	-	-	(1,767)	600,200
Total fund balances (deficits)	773,448	(30,689)	447,564	881,782	9,594,748	2,253,136	13,919,989
Total liabilities, deferred inflows of resources and fund balances (deficits)	\$ 824,511	\$ 219,817	\$ 511,338	\$ 881,782	\$ 9,594,748	\$ 2,394,075	\$ 14,426,271

See notes to basic financial statements.

PARK COUNTY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
June 30, 2016

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

Total fund balances, governmental funds	\$ 13,919,989
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,411,025
Deferred inflows of resources related to taxes and assessments are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	236,344
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources related to pensions	910,844
Deferred inflows of resources related to pensions	(1,132,433)
Long-term liabilities, such as notes payable, compensated absences, the net pension liability and other post-employment benefits, are not due and payable in the current period and, therefore, are not included in the funds.	<u>(8,063,459)</u>
Net position of governmental activities	<u>\$ 21,282,310</u>

PARK COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	General	Road	Public Safety	PILT	General Capital Improvement	Total Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes/assessments	\$ 1,827,433	\$ 436,690	\$ 1,326,480	\$ -	\$ -	\$ 2,654,018	\$ 6,244,621
Fines and forfeitures	125,612	-	-	-	-	11,513	137,125
Licenses and permits	24,105	15,723	1,085	-	-	2,847	43,760
Intergovernmental	585,026	611,059	142,703	1,408,019	-	1,046,018	3,792,825
Charges for services	407,646	33,879	100,455	-	-	206,316	748,296
Investment earnings	10,838	-	-	12,193	108,660	3,137	134,828
Miscellaneous	47,890	351	17,590	5,082	-	96,325	167,238
Total revenues	3,028,550	1,097,702	1,588,313	1,425,294	108,660	4,020,174	11,268,693
EXPENDITURES							
Current:							
General government	2,587,467	-	-	124,675	-	547,260	3,259,402
Public safety	123,226	-	2,048,222	207,347	-	824,976	3,203,771
Public works	109,700	1,171,768	-	37,570	31,504	752,123	2,102,665
Public health	343,029	-	-	40,000	-	234,619	617,648
Social and economic services	160,684	-	-	86,000	-	113,545	360,229
Culture and recreation	3,335	-	-	-	-	1,401,211	1,404,546
Housing and community development	48,954	-	-	-	-	1,459	50,413
Debt service:							
Principal	-	5,626	-	-	-	76,230	81,856
Interest and other charges	-	6,184	-	-	-	11,762	17,946
Capital outlay	14,603	105,760	148,627	-	18,457	555,993	843,440
Intergovernmental	-	-	-	-	-	52,212	52,212
Total expenditures	3,390,998	1,289,338	2,196,849	495,592	49,961	4,571,390	11,994,128
Excess (deficiency) of revenues over expenditures	(362,448)	(191,636)	(608,536)	929,702	58,699	(551,216)	(725,435)
OTHER FINANCING SOURCES (USES)							
Sale of capital assets	2,325	16,335	56,303	-	-	12,841	87,804
Transfers in	373,216	539,026	563,728	-	-	1,279,502	2,755,472
Transfers out	(80,349)	(255,584)	(32,378)	(1,120,332)	(197,508)	(1,071,697)	(2,757,848)
Total other financing sources (uses)	295,192	299,777	587,653	(1,120,332)	(197,508)	220,646	85,428
Net change in fund balances	(67,256)	108,141	(20,883)	(190,630)	(138,809)	(330,570)	(640,007)
Fund balances (deficit) - beginning	840,704	(138,830)	468,447	1,072,412	9,733,557	2,583,706	14,559,996
Fund balances (deficit) - ending	\$ 773,448	\$ (30,689)	\$ 447,564	\$ 881,782	\$ 9,594,748	\$ 2,253,136	\$ 13,919,989

PARK COUNTY
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	\$ (640,007)
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated lives and reported as depreciation expense.</p> <p>This is the amount by which depreciation (\$933,329) exceeded capital outlay (\$843,440) in the current period.</p>	
	(89,889)
<p>The net effect of various miscellaneous transactions involving capital assets (i.e., sales and trade-ins) is to decrease net position.</p>	
	(46,425)
<p>Donated capital assets.</p>	
	72,675
<p>Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.</p>	
	(29,322)
<p>Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits is reported as pension expense.</p>	
	156,186
<p>Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount of debt repayments.</p>	
	81,856
<p>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:</p>	
Compensated absences	(38,589)
Other post-employment benefits	(209,680)
	(248,269)
Change in net position of governmental activities	\$ (743,195)

PARK COUNTY
STATEMENT OF NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2016

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 353,242	\$ 353,242
Receivables:			
Taxes/assessments	29,145	208,438	237,583
Total current assets	<u>29,145</u>	<u>561,680</u>	<u>590,825</u>
Non-current assets:			
Restricted assets:			
Cash and cash equivalents	418,634	-	418,634
Investments	2,203,644	-	2,203,644
	<u>2,622,278</u>	<u>-</u>	<u>2,622,278</u>
Capital assets:			
Land	-	52,528	52,528
Buildings and improvements	54,241	382,335	436,576
Equipment and furniture	598,875	1,636,758	2,235,633
Less: accumulated depreciation	(534,544)	(1,310,395)	(1,844,939)
	<u>118,572</u>	<u>761,226</u>	<u>879,798</u>
Total non-current assets	<u>2,740,850</u>	<u>761,226</u>	<u>3,502,076</u>
Total assets	<u>2,769,995</u>	<u>1,322,906</u>	<u>4,092,901</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension plans	-	15,040	15,040
Total deferred outflows of resources	<u>-</u>	<u>15,040</u>	<u>15,040</u>
LIABILITIES			
Current liabilities:			
Accounts payable-vendors	23,630	-	23,630
Due to other funds	490,741	-	490,741
Compensated absences	-	5,245	5,245
Total current liabilities	<u>514,371</u>	<u>5,245</u>	<u>519,616</u>
Non-current liabilities:			
Compensated absences	-	47,200	47,200
Landfill closure/postclosure costs payable	2,087,789	-	2,087,789
Net pension liability	-	200,252	200,252
Other post-employment benefits	-	210,083	210,083
Total non-current liabilities	<u>2,087,789</u>	<u>457,535</u>	<u>2,545,324</u>
Total liabilities	<u>2,602,160</u>	<u>462,780</u>	<u>3,064,940</u>
DEFERRED INFLOWS OF RESOURCES			
Pension plans	-	34,240	34,240
Total deferred inflows of resources	<u>-</u>	<u>34,240</u>	<u>34,240</u>
NET POSITION			
Net investment in capital assets	118,572	761,226	879,798
Unrestricted	49,263	79,700	128,963
Total net position	<u>\$ 167,835</u>	<u>\$ 840,926</u>	<u>\$ 1,008,761</u>

See notes to basic financial statements.

PARK COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2016

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
REVENUES			
Charges for services	\$ 1,570	\$ 21,434	\$ 23,004
Assessment revenue	81,167	969,626	1,050,793
Total operating revenues	82,737	991,060	1,073,797
OPERATING EXPENSES			
Personal services	-	269,892	269,892
Supplies	411	53,224	53,635
Purchased services	51,951	550,894	602,845
Fixed charges	27,460	47,861	75,321
Depreciation	43,426	91,795	135,221
Total operating expenses	123,248	1,013,666	1,136,914
Operating loss	(40,511)	(22,606)	(63,117)
NON-OPERATING REVENUES (EXPENSES)			
Interest and investment revenue	28,081	-	28,081
Miscellaneous revenue	-	40	40
Operating grants and contributions	-	4,959	4,959
Loss on disposal of capital assets	-	(2,361)	(2,361)
Total non-operating revenues (expenses)	28,081	2,638	30,719
Loss before transfers	(12,430)	(19,968)	(32,398)
Transfers in	55,000	242,312	297,312
Transfers out	(33,150)	(261,786)	(294,936)
Change in net position	9,420	(39,442)	(30,022)
Net position - beginning	158,415	880,368	1,038,783
Net position - ending	\$ 167,835	\$ 840,926	\$ 1,008,761

PARK COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2016

	Business-type Activities		
	Landfill	Refuse Facility	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 86,430	\$ 1,007,266	\$ 1,093,696
Cash paid to employees	-	(332,863)	(332,863)
Cash paid to suppliers for goods and services	(632,793)	(651,979)	(1,284,772)
Net cash provided (used) by operating activities	<u>(546,363)</u>	<u>22,424</u>	<u>(523,939)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from grants and contributions	-	4,959	4,959
Cash received from miscellaneous sources	-	40	40
Cash paid for operating transfers	(33,150)	(261,786)	(294,936)
Cash received from operating transfers	55,000	242,312	297,312
Cash received on interfund payable	490,741	-	490,741
Net cash provided (used) by noncapital financing activities	<u>512,591</u>	<u>(14,475)</u>	<u>498,116</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:			
Cash paid for capital assets	(10,785)	(231,985)	(242,770)
Net cash used by capital financing activities	<u>(10,785)</u>	<u>(231,985)</u>	<u>(242,770)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Net change in investments	96,618	-	96,618
Interest received	28,081	-	28,081
Net cash provided by investing activities	<u>124,699</u>	<u>-</u>	<u>124,699</u>
Change in cash and cash equivalents	80,142	(224,036)	(143,894)
Cash and cash equivalents - beginning (Landfill includes restricted cash and cash equivalents of \$269,443)	338,492	577,278	915,770
Cash and cash equivalents - ending (Landfill includes restricted cash and cash equivalents of \$418,634)	<u>\$ 418,634</u>	<u>\$ 353,242</u>	<u>\$ 771,876</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating loss	\$ (40,511)	\$ (22,606)	\$ (63,117)
Adjustment to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation	43,426	91,795	135,221
Other post-employment benefits	-	(54,511)	(54,511)
Pensions	-	(11,914)	(11,914)
Landfill closure/postclosure costs	(576,601)	-	(576,601)
Increase in taxes/assessments receivable	3,693	16,206	19,899
Decrease in accounts payable	23,630	-	23,630
Increase in compensated absences	-	3,454	3,454
Net cash provided (used) by operating activities	<u>\$ (546,363)</u>	<u>\$ 22,424</u>	<u>\$ (523,939)</u>

PARK COUNTY
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
June 30, 2016

	External Investment Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 3,366,696	\$ 2,899,479
Investments	73,548	-
Taxes/assessments receivable	-	818,046
Total assets	3,440,244	\$ 3,717,525
LIABILITIES		
Accounts payable	-	\$ 2,263,470
Due to special districts	-	212,781
Due to state	-	264,775
Due to schools	-	426,600
Due to cities/towns	-	549,899
Total liabilities	-	\$ 3,717,525
NET POSITION		
Net position held in trust for external participants	\$ 3,440,244	

PARK COUNTY
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended June 30, 2016

	External Investment Trust Fund
ADDITIONS	
Contributions	\$ 6,599,333
Interest	9,681
Total additions	6,609,014
DEDUCTIONS	
Distribution of investments	6,623,667
Total deductions	6,623,667
Change in net position	(14,653)
Net position - beginning	3,454,897
Net position - ending	\$ 3,440,244

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations).

The government adopted the provisions of the following GASB statements:

GASB Statement No. 72, Fair Value Measurement and Application. This Statement addresses accounting and financial reporting issues related to fair value measurements.

GASB Statement No. 76, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments. The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP).

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants.

The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. Based on the criteria established by the Governmental Accounting Standards Board, the government has no component units.

Related Organizations - The Board of County Commissioners is responsible for appointing members of the boards of other organizations, but the government's accountability for these organizations does not extend beyond making the appointments.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. 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. Fiduciary funds are excluded from the government-wide financial statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or identifiable activity. Program revenues include 1) charges for services which report fees and other charges provided by a given function or identifiable activity 2) operating grants and contributions and 3) capital grants and contributions. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported in separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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 revenues in the year for which they are levied. Grants and similar items are recognized as revenue 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. General

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish operating revenues and expenses from nonoperating 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 are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The government reports the following major governmental funds:

The general fund is used to account for all financial resources, except those required by law or administrative action to be accounted for in another fund. The general fund is always reported as a major fund in the governmental fund statements.

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditure for specific purposes other than debt service or capital projects. The following special revenue funds are reported as major.

The road fund accounts for resources accumulated from property taxes and state entitlement and payments made for the maintenance, repair and construction of county-owned roads.

The public safety fund accounts for resources accumulated from property taxes, state entitlement and charges for services and payments made for providing law enforcement and public safety services.

The PILT fund accounts for resources accumulated from the federal government for payments in lieu of taxes. Payments made from the fund are at the discretion of the Board of County Commissioners.

The general capital improvement fund accounts for financial resources earmarked or segregated for the acquisition and construction of major capital facilities and other project-oriented activities.

The government reports the following major proprietary funds:

The landfill and refuse facility funds account for the activities of the government's landfill and sanitation services.

Additionally, the government reports the following fund types:

The government's investment trust fund accounts for the external portion of the cash management pool, which represents resources that belong to legally separate entities.

Agency funds are custodial in nature and are used to account for assets that the government holds for others in an agency capacity.

Assets, Liabilities, Deferred Outflows/Inflows and Net Position/Fund Balance

Cash and Investments

The County maintains and controls an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The investment pool is managed by the County Treasurer and overseen by the Board of County Commissioners. The investment pool is not registered with the SEC. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 16% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is an investment program managed and administered under the direction of the Montana Board of Investments (MBOI) as authorized by the Unified Investment Program. The STIP portfolio is reported at fair value versus amortized cost.

The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units. The pool does not include any involuntary participants.

Investments are measured at fair value on a recurring basis. Recurring fair value measurements are those that Governmental Accounting Standards Board (GASB) Statements require or permit in the statement of net position at the end of each reporting period. The government had no nonrecurring fair value measurements. Fair value measurements are categorized based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year. The government does not charge an administrative fee to all participants in the pool or individual investment accounts.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Most property taxes are levied in September of each fiscal year, based on assessments as of the prior January 1. Real property taxes are billed as of November 1 and are payable in two payments, November 30 and May 31. Unpaid taxes become delinquent on December 1 and June 1. Most personal property taxes are due and payable on January 1 and become delinquent February 1. Property taxes are maintained and collected by the County Treasurer. No allowance is made for uncollectible taxes as they are not considered significant.

Inventories and Prepaid Items

All inventories are valued at cost. Inventories are recorded as expenses when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance the closure and postclosure care costs of its landfill. The amount is reported as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 for machinery and equipment, \$10,000 for buildings and improvements and \$25,000 for infrastructure and an estimated useful life in excess of 5 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value, which is determined as of the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. There was no capitalized interest for the year ended June 30, 2016.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation on capital assets is calculated on the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land improvements	10-15
Infrastructure	50
Buildings	40-100
Machinery and equipment	5-30

Collections Not Capitalized

Certain collections of historic artifacts and works of art are not reported in the accompanying financial statements. These assets have not been capitalized because they meet all of the conditions that qualify them as collections that are not required to be capitalized. These conditions are the collections are held for public exhibition or education in the furtherance of public service, not held for financial gain; the collections are protected, kept unencumbered, cared for, and preserved; and any sale proceeds are expected to be used to acquire other items for the collections.

Compensated Absences

Liabilities associated with accumulated vacation and sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

Employees earn vacation leave ranging from 15 to 24 days per year depending on the individual's years of service. Accumulated vacation is restricted under State statute to a maximum accumulation of two times the amount earned annually. Sick leave is accumulated at 12 days per year with no limitations on the amount that may be accumulated. Upon retirement or resignation, an employee is eligible for 100 percent of the accumulated vacation leave and 25 percent of the accumulated sick leave.

Long-term Obligations

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 position. Bond issuance costs are recognized as an expense in the period incurred. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources

The government reports decreases in net position that relate to a future period(s) as deferred outflows of resources in a separate section of its statement of net position. Deferred outflows of resources are related to the government's pension plans and consist of differences between expected and actual results, changes in actuarial assumptions, differences between actual and expected contributions and contributions made to the pension plans subsequent to the measurement date. No deferred outflows of resources affect the governmental funds financial statements in the current year.

The government's statements of net position and its governmental fund balance sheet report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period(s). Deferred inflows of resources are reported in the government's statement of net position for actual pension plan investment earnings in excess of the expected amounts and differences between actual and expected contributions included in determining pension expense. In the governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The government will not recognize the related revenues until they are available under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes are reported in the governmental funds balance sheet.

It is the government's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Net Position

In the government-wide statements, equity is classified as net position and displayed in three components:

Net investment in capital assets - consists of capital assets (net of accumulated depreciation), plus capital-related deferred outflows of resources, less capital-related borrowings and deferred inflows of resources.

Restricted - consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted - any portion of net position that does not meet the definition of "net investment in capital assets" or "restricted."

Proprietary fund equity is classified the same as in the government-wide statements.

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund Balance

In the fund statements, governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed fund balance - amounts constrained to specific purposes by the government itself, using its highest level of decision-making authority (i.e., governing body). The government establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint.

Assigned fund balance - amounts the government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.

Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The governing body has, by resolution, authorized the finance director and/or commissioners to assign fund balance. There was no assigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the government considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the government considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing body has provided otherwise in its commitment or assignment actions.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equity

The road (\$30,689) and DES grant (\$1,767) funds had deficit fund balances as of June 30, 2016. The deficit in the road fund occurred because the fund paid off a motor grader loan in the prior year. The deficit is expected to be eliminated over time with the collection of property taxes. The deficit in the DES grant fund deficit occurred because current year expenditures exceeded current year revenues. The deficit is expected to be eliminated through a contribution from the general fund.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 3. DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents and Investments

The government's cash, cash equivalents and investments are reported as follows:

Governmental activities	\$ 12,736,447
Business-type activities	2,975,520
Fiduciary funds	<u>6,339,723</u>
	<u>\$ 22,051,690</u>

Total carrying value of cash, cash equivalents and investments as of June 30, 2016, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 3,430	\$ -	\$ 3,430
Cash in banks:			
Demand deposits	(372,000)	-	(372,000)
Savings deposits	199,031	-	199,031
Time deposits	-	4,173,548	4,173,548
U.S. Government securities	-	7,538,644	7,538,644
Broker money market	418,655	-	418,655
Short-term Investment Program (STIP)	<u>10,090,382</u>	<u>-</u>	<u>10,090,382</u>
	<u>\$ 10,339,498</u>	<u>\$ 11,712,192</u>	<u>\$ 22,051,690</u>

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2016, the government was not exposed to custodial credit risk.

State statutes require that the government obtain securities for the uninsured portion of 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.) 100% if the ratio of net worth to total assets is 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 the government's deposits as of June 30, 2016, exceeded the amount required by state statute.

Fair value measurements are as follows at June 30, 2016:

	Fair Value	Fair Value Measurements Using		
Investments		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Debt securities:				
U.S. Treasuries	\$ 7,550,199	<u>\$ 7,550,199</u>	<u>\$ -</u>	<u>\$ -</u>
State Short-Term Investment Program (STIP)	<u>10,092,471</u>			
	<u>\$ 17,642,670</u>			

Debt securities categorized as Level 1 are valued based on prices quoted in active markets for those securities. The government had no investments categorized as Level 2 or 3 inputs.

The STIP investments are purchased in accordance with the statutorily mandated "Prudent Expert Principle". This pool is managed to preserve principal, while obtaining money market type returns and 24-hour liquidity. Funds may be invested for one or more days and redeemed with one business days' notice. The government's STIP ownership is represented by shares. Share prices are fixed at \$1.00 per share for transactional purposes. The STIP investment portfolio consists of securities with maximum maturity of 2 years or less. The portfolio is reported at fair value for financial reporting purposes. STIP income is distributed on the first calendar day of each month. Shareholders have the option to automatically reinvest their distribution income in additional shares.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Interest Rate Risk. The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, under state statute, an investment may not have a maturity date exceeding 5 years, except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

Credit Risk. Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). The STIP portfolio is reported on at fair value versus amortized cost. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

Investments made by the government are summarized below. The investments that are represented by specific identifiable investment securities are categorized in the following manner: Category 1-Insured or registered, with securities held by the government or its agent in the government's name; Category 2-Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; Category 3-Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the government's name.

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
U.S. government securities	\$ 1,500,000	\$ -	\$ 6,038,644	\$ 7,538,644	\$ 7,550,199
Broker money market	418,655	-	-	418,655	418,655
	<u>\$ 1,918,655</u>	<u>\$ -</u>	<u>\$ 6,038,644</u>	7,957,299	<u>\$ 7,968,854</u>
Uncategorized: STIP				<u>10,090,382</u>	
				<u>\$ 18,047,681</u>	

Following is the condensed schedule of changes in net position and net position for the investment pool for the year ended June 30, 2016:

	Internal	External	Total
Net position - beginning of year	\$ 18,152,678	\$ 3,454,897	\$ 21,607,575
Contributions from participants	18,358,000	6,599,333	24,957,333
Investment earnings/change in fair value	162,511	9,681	172,192
Distributions to participants	<u>(18,061,743)</u>	<u>(6,623,667)</u>	<u>(24,685,410)</u>
Net position - end of year	<u>\$ 18,611,446</u>	<u>\$ 3,440,244</u>	<u>\$ 22,051,690</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 605,993	\$ 16,200	\$ -	\$ 622,193
Construction-in-progress	152,528	356,531	(152,528)	356,531
Total capital assets, not being depreciated	<u>758,521</u>	<u>372,731</u>	<u>(152,528)</u>	<u>978,724</u>
Capital assets, being depreciated				
Buildings/improvements	7,010,762	-	-	7,010,762
Improvements other than buildings	4,537,231	11,780	-	4,549,011
Machinery and equipment	6,400,314	519,709	(257,759)	6,662,264
Infrastructure	4,439,954	164,423	-	4,604,377
Total capital assets, being depreciated	<u>22,388,261</u>	<u>695,912</u>	<u>(257,759)</u>	<u>22,826,414</u>
Less accumulated depreciation for:				
Buildings/improvements	(2,925,558)	(125,101)	-	(3,050,659)
Improvements other than buildings	(871,776)	(229,664)	-	(1,101,440)
Machinery and equipment	(3,667,930)	(487,223)	211,334	(3,943,819)
Infrastructure	(206,854)	(91,341)	-	(298,195)
Total accumulated depreciation	<u>(7,672,118)</u>	<u>(933,329)</u>	<u>211,334</u>	<u>(8,394,113)</u>
Total capital assets, being depreciated, net	<u>14,716,143</u>	<u>(237,417)</u>	<u>(46,425)</u>	<u>14,432,301</u>
Governmental activities capital assets, net	<u>\$ 15,474,664</u>	<u>\$ 135,314</u>	<u>\$ (198,953)</u>	<u>\$ 15,411,025</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 102,862
Public safety	253,099
Public works	504,723
Public health	3,393
Social and economic	16,645
Culture and recreation	52,607
Total depreciation-governmental activities	<u>\$ 933,329</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Business-type activities:				
Capital assets, not being depreciated				
Land	\$ 52,528	\$ -	\$ -	\$ 52,528
Construction-in-progress	116,757	-	(116,757)	-
Total capital assets, not being depreciated	<u>169,285</u>	<u>-</u>	<u>(116,757)</u>	<u>52,528</u>
Capital assets, being depreciated				
Buildings and systems	203,582	96,370	-	299,952
Improvements other than buildings	99,464	37,160	-	136,624
Machinery and equipment	2,019,636	240,997	(25,000)	2,235,633
Total capital assets, being depreciated	<u>2,322,682</u>	<u>374,527</u>	<u>(25,000)</u>	<u>2,672,209</u>
Less accumulated depreciation for:				
Buildings and systems	(77,352)	(9,681)	-	(87,033)
Improvements other than buildings	(59,489)	(6,053)	-	(65,542)
Machinery and equipment	(1,580,516)	(119,487)	7,639	(1,692,364)
Total accumulated depreciation	<u>(1,717,357)</u>	<u>(135,221)</u>	<u>7,639</u>	<u>(1,844,939)</u>
Total capital assets, being depreciated, net	<u>605,325</u>	<u>239,306</u>	<u>(17,361)</u>	<u>827,270</u>
Business-type activities capital assets, net	<u>\$ 774,610</u>	<u>\$ 239,306</u>	<u>\$ (134,118)</u>	<u>\$ 879,798</u>

Depreciation expense was charged to business-type activities as follows:

Business-type activities:	
Landfill	\$ 43,426
Refuse facility	<u>91,795</u>
Total depreciation-business-type activities	<u>\$ 135,221</u>

Interfund Transfers, Receivables and Payables

Interfund transfers consisted of the following:

	Transfer In	Transfer Out	Total
Governmental activities:			
General	\$ 373,216	\$ (80,349)	\$ 292,867
Road	539,026	(255,584)	283,442
Public safety	563,728	(32,378)	531,350
PILT	-	(1,120,332)	(1,120,332)
General capital improvement	-	(197,508)	(197,508)
Nonmajor governmental funds	1,279,502	(1,071,697)	207,805
	<u>\$ 2,755,472</u>	<u>\$ (2,757,848)</u>	<u>\$ (2,376)</u>
Business-type activities:			
Landfill	\$ 55,000	\$ 242,312	\$ 297,312
Refuse facility	(33,150)	(261,786)	(294,936)
	<u>\$ 21,850</u>	<u>\$ (19,474)</u>	<u>\$ 2,376</u>

Transfers are normal recurring amounts used to fund operations of various governmental and business-type activities. Resources transferred from the general capital improvement fund to the landfill fund were used to fund the closure/postclosure trust fund and monitoring.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Interfund balances as of June 30, 2016, consisted of the following:

	Due from funds	Due to funds	Long-term Portion
Governmental activities:			
Road	\$ -	\$ (229,658) 1	\$ (154,616)
PILT	10,000 1	-	-
General capital improvement	720,399 1, 2	-	-
Nonmajor governmental funds	-	(10,000) 1	(6,674)
	<u>\$ 730,399</u>	<u>\$ (239,658)</u>	<u>\$ (161,290)</u>
Business-type activities			
Landfill	<u>\$ -</u>	<u>\$ (490,741) 2</u>	<u>\$ -</u>

1. Interfund loan for equipment purchases
2. Interfund loan to cover cash deficit

Long-Term Debt

Notes payable currently outstanding are as follows:

	Original Amount	Term	Interest Rate	Payment	Balance June 30, 2016
Durapatcher-2011	\$ 77,500	10 yr	1.63%	Annual	\$ 38,750
Search and Rescue Building-2013 *	700,000	15 yr	1.55%	Semi-annual	754,039
					<u>\$ 792,789</u>

* Loan through Montana Board of Investments. Interest adjusted each March to a maximum of 15 percent.

Annual debt service requirements to maturity for notes payable are as follows:

Year ending June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 67,195	\$ 10,608	\$ 77,803
2018	67,791	9,744	77,535
2019	68,393	8,873	77,266
2020	69,001	7,995	76,996
2021	69,615	7,109	76,724
2022-2026	318,753	23,244	341,997
2027-2028	132,041	4,330	136,371
	<u>\$ 792,789</u>	<u>\$ 71,903</u>	<u>\$ 864,692</u>

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Governmental activities:					
Notes payable	\$ 874,645	\$ -	\$ (81,856)	\$ 792,789	\$ 67,195
Compensated absences	431,107	38,589	-	469,696	46,970
Governmental activity long-term liabilities	<u>\$ 1,305,752</u>	<u>\$ 38,589</u>	<u>\$ (81,856)</u>	<u>\$ 1,262,485</u>	<u>\$ 114,165</u>
Business-type activities:					
Compensated absences	\$ 48,991	\$ 3,454	\$ -	\$ 52,445	\$ 5,245
Business-type activity long-term liabilities	<u>\$ 48,991</u>	<u>\$ 3,454</u>	<u>\$ -</u>	<u>\$ 52,445</u>	<u>\$ 5,245</u>

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

For the governmental activities, notes payable are generally liquidated by various governmental funds and compensated absences are liquidated from where the terminated employee was paid from.

Landfill Closure/Postclosure

State and federal laws and regulations require the government to place a final cover on its landfill sites when they stop accepting waste and to perform certain maintenance and monitoring functions at the sites for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfills stop accepting waste, the government reports a portion of these closure and postclosure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. \$2,087,789 is reported as a landfill closure/postclosure care liability as of June 30, 2016. The government has stopped accepting waste at the landfill and has begun the process to officially close the landfill to meet state and federal regulations. The \$2,087,789 is based on what it would cost to perform all closure and postclosure care as of June 30, 2016. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. If additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

During 1998, the Montana Department of Environmental Quality (DEQ) issued a "1998 Corrective Action Order" (CA). The CA required the County to install ground-water pump/treatment systems to remedy ground-water contaminants to acceptable levels. Estimated costs to install the ground-water pumps/systems and to monitor contaminant levels are \$1,145,861 over a 25 year period.

The government is required by state and federal laws and regulations to make annual contributions to a trust to finance closure and postclosure care costs and corrective action. The government is in compliance with the requirements, and, as of June 30, 2016, \$2,622,278 had been set aside for this purpose and is restricted and reported on the statement of net position as "restricted assets." The government expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws and regulations), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The following changes occurred in the closure and postclosure care liability during the year ended June 30, 2016:

<u>Balance</u>			<u>Balance</u>
<u>July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2016</u>
<u>\$ 2,664,390</u>	<u>\$ -</u>	<u>\$ (576,601)</u>	<u>\$ 2,087,789</u>

NOTE 4. OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; professional liability (i.e., errors and omissions); workers compensation (i.e., employee injuries); medical insurance costs; and environmental damages. A variety of methods is used to provide insurance for these risks. Policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for theft, damage or destruction of assets, professional liabilities and employee medical costs. The government participates in a state-wide public risk pool, MACO, for workers' compensation coverage. The government pays monthly premiums for its employee injury insurance coverage. The agreement for formation of the pool provides that it will be self-sustaining through member premiums. There are no deductibles or maximum coverage limits in the plan. The government also participates in MACO's Joint Powers Insurance Authority which offers insurance for other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. Given lack of coverage available, the government has no coverage for potential losses from environmental damages.

Interlocal Agreements

The City of Livingston and Park County entered into an agreement to fund a library for City and County residents. The City maintains the library accounting records and includes the financial activities of the library in its financial statements. The County contributed \$227,126 during fiscal year 2016.

The City of Livingston and Park County entered into agreements for the City-County Law Enforcement Dispatch Center and ambulance services. The City provides dispatch and ambulance services to the County. The County contributed \$300,703 and \$202,436, respectively, during fiscal year 2016 for these services.

The City-County Airport is owned and operated jointly by the City of Livingston and Park County. The operation of the airport is accounted for by the County. The airport is administered by a five-member board, consisting of the two City-appointed members, two County-appointed members and one member-at-large appointed by the Airport Board. The budget is approved by the controlling members. The Airport Board exercises control over the airport's normal operations.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Commitments and Contingencies

At year-end, the government had commitments outstanding, in the form of contracts, of approximately \$367,000, primarily for construction projects.

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's counsel the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Retirement Plans

Plan Description

The Public Employees Retirement System (PERS) Defined Benefit Retirement Plan (DBRP), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 and 3, MCA. The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans. Benefits are established by state law and can only be amended by the Legislature. Benefits are based on eligibility, years of service, and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the PERS web site at mpera.mt.gov.

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature. The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service. Additional information pertaining to membership, benefit structure, and prior years' actuarial valuations, as well as links to applicable statutes and administrative rules, may be obtained by visiting the SRS web site at mpera.mt.gov.

Pension Benefits

Public Employees Retirement System

Plan members hired prior to July 1, 2011 are eligible to retire at age 60 with 5 years of membership service, age 65 regardless of years of membership service or any age with 30 years of membership service. Benefits are calculated as follows: 1) if less than 25 years of membership service, 1.785% of the member's highest average compensation (HAC) multiplied by years of service credit or 2) if 25 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired on or after July 1, 2011 are eligible to retire at age 65 with 5 years of membership service or age 70 regardless of years of membership service. Benefits are calculated as follows: 1) if less than 10 years of membership service, 1.5% of the member's HAC multiplied by years of service credit, 2) if between 10 and 30 years of membership service, 1.785 of HAC multiplied by years of service credit, or 3) if 30 years of membership service or more, 2% of HAC multiplied by years of service credit.

Plan members hired prior to July 1, 2011 are eligible for early retirement at age 50 with 5 years of membership service or any age under age 60 with 25 years of membership service. Plan members hired on or after July 1, 2011 are eligible for early retirement at age 55 with 5 years of membership service. Benefits are actuarially reduced.

For members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to 1). 3% for members hired prior to July 1, 2007, 2). 1.5% for members hired between July 1, 2007 and June 30, 2013 or, 3). Members hired on or after July 1, 2013: a). 1.5% for each year PERS is funded at or above 90%; b). 1.5% is reduced by .1% for each 2% PERS is funded below 90%; and c). 0% whenever the amortization period for PERS is 40 years or more.

Sheriff's Retirement System

SRS provides retirement, disability and death benefits. Members with 20 years of membership service are eligible to retire. Retirement benefits are determined as 2.5 percent of the member's highest average compensation (HAC) multiplied by years of service credit. For plan members hired prior to July 1, 2011, HAC is determined during any consecutive 36 months. For plan members hired on or after July 1, 2011, HAC is determined during any consecutive 60 months. For plan members hired on or after July 1, 2013, HAC is determined on

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

110% annual cap on compensation. Members age 50 with 5 years of membership service are eligible for early retirement. Retirement benefits are determined using HAC and years of service credit at early retirement, reduced to the actuarial equivalent.

5 years of membership service is required for a non-duty disability and any membership service for a duty-related disability. Disability benefits for a non-duty-related disability are calculated as the actuarial equivalent of the accrued normal retirement benefit available at the time of disability or for a duty-related disability (a) if less than 20 years of membership service: 50% of HAC, or (b) if 20 years or more of membership service: 2.5% of HAC multiplied by years of service credit.

The non-duty-related death benefit is either a lump-sum payment of the member's accumulated contributions or a monthly survivor benefit equal to 2.5% of HAC for each year of service credit actuarially reduced from age 60 or from the date when 20 years of membership service would have been completed, whichever provides the greater benefit. The duty-related death benefit is either a lump-sum payment of the member's accumulated contributions or a monthly survivor benefit to the designated beneficiary equal to the greater of (a) 50% of HAC or (b) 2.5% of HAC for each year of service credit actuarially reduced from age 60 or from the date when 20 years of membership service would have been completed, whichever provides the greater benefit. A beneficiary may elect to receive the present value of the benefit as a single lump sum. For retired members without a contingent annuitant, a payment will be made to the designated beneficiary equal to the accumulated contributions reduced by any retirement benefits already paid.

A member who leaves service may withdraw contributions made. Upon receipt of a refund of contributions, a member's vested right to a monthly benefit is forfeited.

For retired members who have been retired at least 12 months, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to a maximum of 1.5% for members hired on or after July 1, 2007 and 3% for members hired prior to July 1, 2007.

Member and Employer Contributions

Public Employees Retirement System

All members contribute 7.9% of their compensation. Interest is credited to member accounts at the rates determined by the Board. All member contributions will be decreased to 6.9% on January 1 following the actuary valuation results that project the amortization period to drop below 25 years. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contribute 7.9% of each member's compensation. This was temporarily increased from 6.9% on July 1, 2013. Beginning July 1, 2014, employer contributions will increase an additional 0.1% a year over 10 years, through 2024. The employer additional contributions terminates on January 1 following actuary valuation results that show the amortization period of the PERS-DBRP has dropped below 25 years and would remain below 25 years following the reductions of both the additional employer and member contributions rates. The State's General Fund contributes an additional .37% of earned compensation. Effective July 1, 2013, contributions are also made to the system from the Coal Tax Fund. Beginning July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.

Sheriff's Retirement System

Members contribute 9.245% of their compensation. Interest is credited at rates determined by the Board. Member contributions are made through an "employer pick-up" arrangement that results in deferral of taxes on the contributions.

Employers contribute 10.115% of each member's compensation. The rate increased from 9.535% to 9.825% on July 1, 2007 and to 10.115% on July 1, 2009. These increased contributions as of 2009 of 0.58% will terminate if an actuarial valuation shows that the period required to amortize the system's unfunded liabilities is less than 25 years, and that the termination of those increases would not cause the amortization to increase beyond 25 years.

Beginning July 1, 2013, employers of retirees who return to work in a position working less than 480 hours contribute 10.115% of the working retiree's compensation.

Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2016, the government recorded a liability of \$2,860,745 (PERS) and \$1,549,455 (SRS) for its proportionate share of the net pension liability.

PERS has a special funding situation in which the State of Montana is legally responsible for making contributions directly to PERS on behalf of the government. Due to the existence of this special funding situation, the government is required to report the portion of the State of Montana's proportionate share of the collective net pension liability. The government's and State of Montana's proportionate share of the net pension liability are presented below:

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	Net Pension Liability June 30, 2016	
	PERS	SRS
Employer proportionate share	\$ 2,860,745	\$ 1,549,455
State of Montana proportionate share associated with employer	35,139	-
Total	\$ 2,895,884	\$ 1,549,455

The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The government's proportion of the net pension liability was based on the government's contributions received by PERS, and SRS during the measurement period July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all PERS and SRS participating employers. At June 30, 2016, the government's proportion was .2047 and 1.6073 percent for PERS and SRS, respectively.

For the year ended June 30, 2016, the government recognized \$42,148 (PERS) and \$118,206 (SRS) for its proportionate share of the pension expense. The government also recognized grant revenue of \$70,838 (PERS) for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the government. Total pension expense recognized was \$112,986 and \$118,206 for PERS and SRS, respectively.

At June 30, 2016, the government reported its proportionate share of PERS and SRS deferred outflows and inflows of resources from the following sources:

	PERS		SRS	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 17,308	\$ -	\$ 2,612
Changes in assumptions	-	-	576,743	568,794
Net difference between projected and actual earnings on pension plan investments	-	242,193	-	106,119
Changes in the employer's proportion and differences between employer's contributions and the employer's proportionate contributions	2,512	229,647	18,175	-
Employer contributions subsequent to measurement date	212,339	-	116,115	-
	\$ 214,851	\$ 489,148	\$ 711,033	\$ 677,525

Amounts reported as deferred outflows of resources related to pensions resulting from the government's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources will be recognized in pension expense as follows:

Year Ended June 30:	PERS	SRS
2017	(183,132)	\$ (40,253)
2018	(183,132)	(40,253)
2019	(183,361)	(40,253)
2020	(62,990)	33,451
2021	-	4,702

Actuarial Assumptions

For each of the retirement plans, the total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

	PERS	SRS
Investment rate of return, net of investment and administrative expenses	7.75%	7.75%
Salary increases	4.00%	4.00%
Inflation	3.00%	3.00%

Mortality rates for the PERS and SRS retirement plans are based on the RP-2000 Combined Employee and Annuitant Mortality Tables projected to 2015 with scale AA.

The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the PERS and SRS plans. The most recent PERS and SRS analysis, performed for the period covering fiscal years 2003 through 2009, is outlined in a report dated May 2010, which is located on the MPERA website. Several factors are considered in evaluating the long-term rate of return assumption including rates of return adopted by similar public sector systems, and by using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years. Best estimates are presented as the arithmetic real rates of return for each major asset class included in the PERS' and SRS' target asset allocation as of June 30, 2015, and are summarized in the following table:

Asset Class	PERS		SRS	
	Target Asset Allocation	Long-Term Expected Real Rate of Return	Target Asset Allocation	Long-Term Expected Real Rate of Return
Cash equivalents	2.0%	-0.25%	2.0%	-0.25%
Domestic equity	36.0%	4.55%	36.0%	4.55%
Foreign equity	18.0%	6.10%	18.0%	6.10%
Fixed income	24.0%	1.25%	24.0%	1.25%
Private equity	12.0%	8.00%	12.0%	8.00%
Real estate	8.0%	4.25%	8.0%	4.25%
	<u>100.0%</u>		<u>100.0%</u>	

Discount Rate

Public Employees Retirement System

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and nonemployer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. The State contributes 0.1% of salaries for local governments and 0.37% for school governments. In addition, the State contributes coal severance tax and interest money from the general fund. The interest is contributed monthly and the severance tax is contributed quarterly. Based on those assumptions, the PERS' fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2123. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. No municipal bond rate was incorporated in the discount rate.

Sheriff's Retirement System (SRS)

The discount rate used to measure the TPL was 6.86%, which is a blend of the assumed long-term expected rate of return of 7.75% on System's investments and a municipal bond index rate of 3.80%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities will be made based on the Board's funding policy, which establishes the contractually required rates under Montana Code Annotated. Based on those assumptions, the System's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members after 2057. Therefore, the portion of future projected benefit payments after 2057 are discounted at the municipal bond index rate.

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

Sensitivity Analysis

The following presents the employer's PERS proportionate share net pension liability calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.75%) or 1.00% higher (8.75%) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net pension liability-PERS	\$ 4,410,650	\$ 2,860,745	\$ 1,551,886

The following presents the employer's SRS proportionate share net pension liability calculated using the discount rate of 6.86%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (5.86%) or 1.00% higher (7.86%) than the current rate.

	1% Decrease (5.86%)	Current Discount Rate (6.86%)	1% Increase (7.86%)
Net pension liability-SRS	\$ 2,488,322	\$ 1,549,455	\$ 779,812

Postemployment Benefits Other Than Pensions

Plan Description. The government provides postemployment health care benefits in accordance with Montana Code Annotated, Title 2, Chapter 18, Section, 704 to the following employees and dependents who elect to continue coverage and pay administratively established premiums: (1) employees and dependents who retire under applicable retirement provisions, and (2) surviving dependents of deceased employees. Retirement eligibility is determined based on the minimum of (1) reaching age 50 with at least 5 years of membership service or (2) reaching 25 years of membership at any age.

Funding Policy. The required contribution is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation. The government's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution (ARC). The government has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the government's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the government's net OPEB obligation to the postemployment benefit plan:

Annual required contribution	\$ 156,820
Interest on net OPEB obligation	112,452
Adjustment to annual required contribution	(88,198)
Annual OPEB cost	181,074
Contributions made	(25,905)
Increase in net OPEB obligation	155,169
Net OPEB obligation - beginning of year	2,645,940
Net OPEB obligation - end of year	\$ 2,801,109

PARK COUNTY
NOTES TO BASIC FINANCIAL STATEMENTS

The government's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the preceding two years are as follows:

Year Ending June 30,	Annual OPEB Cost (AOC)	Percentage of Annual AOC Contributed	Net OPEB Obligation (NOO)
2016	\$ 181,074	0%	\$ 2,801,109
2015	179,068	0%	2,645,940
2014	637,598	0%	2,476,654

Funded Status and Funding Progress. As of July 1, 2015, the Plan was 0% funded. The actuarial accrued liability for benefits was \$1,126,242 and the actuarial value of assets is \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,126,242.

Assumptions About Employees and Members: Based on the historical average retirement age of the covered group, active plan members were assumed to retire at age 65 or the first year thereafter in which the member would qualify for benefits. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on the RP2000 Healthy Combined Mortality Table projected to 2015 with Scale AA. The probability of remaining employed until the assumed retirement age and employees' expected future working lifetimes were developed using non-group-specific age-based turnover data from GASB Statement No. 45.

Assumptions About Healthcare Costs: The 2015 health insurance premiums for retirees were used to calculate the present value of total benefits to be paid. The expected rate of increase in health insurance premiums initially used a select rate of 8%, with reduction to the ultimate rate of 4.5% after 8 years.

Other Assumptions and Methods: The inflation rate was assumed to be 2.50 percent. Based on the historical and expected returns of the government's investments, the investment rate of return was assumed to be 4.25 percent. The value of plan assets was set at market value. The projected unit credit funding method was used in the actuarial valuation. The UAAL is amortized over a thirty-year period as a level percent of projected payroll on an open basis. Payroll was assumed to grow over the long-term at the same rate as inflation.

Future Implementation of GASB Pronouncements

The GASB has issued the following pronouncements:

GASB Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 74, Financial Reporting for Post-employment Benefit Plans Other Than Pension Plans. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

GASB Statement No. 75, Statement 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions. Statement 75 requires governments to report a liability on the face of the financial statements for the OPEB that they provide. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

GASB Statement No. 77, Tax Abatement Disclosures. This Statement requires governments that enter into tax abatement agreements to disclose certain information about the agreements. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 79, Certain External Investment Pools and Pool Participants. The requirements of paragraphs 18, 19, 23–26, and 40 are effective for reporting periods beginning after December 15, 2015.

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
General Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Budget to GAAP Differences	Actual Amounts, GAAP Basis
	Original	Final			
REVENUES					
Taxes/assessments	\$ 1,821,822	\$ 1,821,822	\$ 1,827,433	\$ -	\$ 1,827,433
Fees and fines	140,000	140,000	125,612	-	125,612
Licenses and permits	22,500	22,500	24,105	-	24,105
Intergovernmental	586,579	586,579	519,147	65,879	585,026
Charges for services	369,648	369,648	407,646	-	407,646
Investment earnings	3,000	3,000	10,838	-	10,838
Miscellaneous	60,380	60,380	47,890	-	47,890
Total revenues	3,003,929	3,003,929	2,962,671	65,879	3,028,550
EXPENDITURES					
Current:					
General government	2,563,211	2,563,211	2,551,122	36,345	2,587,467
Public safety	117,278	117,278	120,037	3,189	123,226
Public works	116,949	116,949	95,114	14,586	109,700
Public health	357,200	357,200	336,257	6,772	343,029
Social and economic services	152,870	152,870	158,846	1,838	160,684
Culture and recreation	2,100	2,100	186	3,149	3,335
Housing and community development	48,954	48,954	48,954	-	48,954
Capital outlay	7,000	7,000	14,603	-	14,603
Total expenditures	3,365,562	3,365,562	3,325,119	65,879	3,390,998
Excess (deficiency) of revenues over expenditures	(361,633)	(361,633)	(362,448)	-	(362,448)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	2,325	-	2,325
Transfers in	267,255	372,504	373,216	-	373,216
Transfers out	(45,000)	(45,000)	(80,349)	-	(80,349)
Total other financing sources (uses)	222,255	327,504	295,192	-	295,192
Net change in fund balance	\$ (139,378)	\$ (34,129)	(67,256)	-	(67,256)
Fund balance - beginning			840,704	-	840,704
Fund balance - ending			\$ 773,448	\$ -	\$ 773,448

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Road Fund
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		Actual Amounts
	<u>Original</u>	<u>Final</u>	
REVENUES			
Taxes/assessments	\$ 434,746	\$ 434,746	\$ 436,690
Licenses and permits	9,000	9,000	15,723
Intergovernmental	641,899	641,899	611,059
Charges for services	24,500	24,500	33,879
Miscellaneous	-	-	351
Total revenues	<u>1,110,145</u>	<u>1,110,145</u>	<u>1,097,702</u>
EXPENDITURES			
Current:			
Public works	1,399,893	1,399,893	1,171,768
Debt service:			
Principal	5,627	5,627	5,626
Interest and other charges	6,065	6,065	6,184
Capital outlay	-	-	105,760
Total expenditures	<u>1,411,585</u>	<u>1,411,585</u>	<u>1,289,338</u>
Excess (deficiency) of revenues over expenditures	<u>(301,440)</u>	<u>(301,440)</u>	<u>(191,636)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	20,000	20,000	16,335
Transfers in	538,590	538,590	539,026
Transfers out	<u>(235,874)</u>	<u>(235,874)</u>	<u>(255,584)</u>
Total other financing sources (uses)	<u>322,716</u>	<u>322,716</u>	<u>299,777</u>
Net change in fund balance	<u>\$ 21,276</u>	<u>\$ 21,276</u>	108,141
Fund balance - beginning			<u>(138,830)</u>
Fund balance - ending			<u>\$ (30,689)</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
Public Safety Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Taxes/assessments	\$ 1,322,968	\$ 1,322,968	\$ 1,326,480
Licenses and permits	2,000	2,000	1,085
Intergovernmental	133,314	133,314	142,703
Charges for services	82,400	82,400	100,455
Miscellaneous	6,000	6,000	17,590
Total revenues	<u>1,546,682</u>	<u>1,546,682</u>	<u>1,588,313</u>
EXPENDITURES			
Current:			
Public safety	2,084,315	2,084,315	2,048,222
Capital outlay	176,072	176,072	148,627
Total expenditures	<u>2,260,387</u>	<u>2,260,387</u>	<u>2,196,849</u>
Excess (deficiency) of revenues over expenditures	<u>(713,705)</u>	<u>(713,705)</u>	<u>(608,536)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	5,000	5,000	56,303
Transfers in	531,450	531,450	563,728
Transfers out	-	-	(32,378)
Total other financing sources (uses)	<u>536,450</u>	<u>536,450</u>	<u>587,653</u>
Net change in fund balance	<u>\$ (177,255)</u>	<u>\$ (177,255)</u>	(20,883)
Fund balance - beginning			<u>468,447</u>
Fund balance - ending			<u>\$ 447,564</u>

PARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
PILT Fund
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts
	Original	Final	
REVENUES			
Intergovernmental	\$ 1,236,696	\$ 1,236,696	\$ 1,408,019
Investment earnings	7,500	7,500	12,193
Miscellaneous	900	900	5,082
Total revenues	<u>1,245,096</u>	<u>1,245,096</u>	<u>1,425,294</u>
EXPENDITURES:			
Current:			
General government	127,600	127,600	124,675
Public safety	203,200	203,200	207,347
Public works	47,550	47,550	37,570
Public health	40,000	40,000	40,000
Social and economic services	81,000	81,000	86,000
Capital outlay	5,585	5,585	-
Total expenditures	<u>504,935</u>	<u>504,935</u>	<u>495,592</u>
Excess (deficiency) of revenues over expenditures	<u>740,161</u>	<u>740,161</u>	<u>929,702</u>
OTHER FINANCING USES			
Transfers out	<u>(1,214,690)</u>	<u>(1,214,690)</u>	<u>(1,120,332)</u>
Total other financing uses	<u>(1,214,690)</u>	<u>(1,214,690)</u>	<u>(1,120,332)</u>
Net change in fund balance	<u>\$ (474,529)</u>	<u>\$ (474,529)</u>	(190,630)
Fund balance - beginning			<u>1,072,412</u>
Fund balance - ending			<u>\$ 881,782</u>

PARK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended June 30, 2016

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the first Thursday after the first Tuesday in September or within 30 calendar days of receiving certified taxable values from the department of revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

The difference between budget and actual results for the general fund are related to the on-behalf pension revenue and expense.

PARK COUNTY
SCHEDULE OF CONTRIBUTIONS
PUBLIC EMPLOYEES AND SHERIFF'S RETIREMENT SYSTEMS OF MONTANA
For the Year Ended June 30, 2016

<u>Public Employees Retirement System:</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 212,339	\$ 209,627
Contributions in relation to the contractually required contributions	<u>212,339</u>	<u>209,627</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Pensionable payroll	\$ 2,421,961	\$ 2,388,307
Contributions as a percentage of pensionable payroll	8.77%	8.78%
<u>Sheriff's Retirement System:</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 116,115	\$ 110,946
Contributions in relation to the contractually required contributions	<u>116,115</u>	<u>110,946</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Pensionable payroll	\$ 1,120,309	\$ 1,093,721
Contributions as a percentage of pensionable payroll	10.36%	10.14%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PARK COUNTY
 SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PUBLIC EMPLOYEES AND SHERIFF'S RETIREMENT SYSTEMS OF MONTANA
 For the Year Ended June 30, 2016

Public Employees Retirement System:	2016	2015
Employer's proportion of the net pension liability	0.2047%	0.2242%
Employer's proportionate share of the net pension liability associated with the employer	\$ 2,860,745	\$ 2,793,286
State of Montana's proportionate share of the net pension liability associated with the employer	35,139	34,110
Total	\$ 2,895,884	\$ 2,827,396
Pensionable payroll	\$ 2,388,307	\$ 2,537,694
Employer's proportionate share of the net pension liability as a percentage of its pensionable payroll	119.78%	110.07%
Plan fiduciary net position as a percentage of the total pension liability	78.40%	79.90%
Sheriff's Retirement System:	2016	2015
Employer's proportion of the net pension liability	1.6073%	1.5860%
Employer's proportionate share of the net pension liability associated with the employer	\$ 1,549,455	\$ 660,064
State of Montana's proportionate share of the net pension liability associated with the employer	-	-
Total	\$ 1,549,455	\$ 660,064
Pensionable payroll	\$ 1,093,721	\$ 1,025,736
Employer's proportionate share of the net pension liability as a percentage of its pensionable payroll	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	75.40%	87.20%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

PARK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2016

Public Employees Retirement System

Changes of Benefit Terms:

The following changes to the plan provision were made as identified:

2013 Legislative Changes:

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013:

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013:

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

House Bill 454 - Permanent Injunction Limits Application of the GABA Reduction passed under HB 454 Guaranteed Annual Benefit Adjustment (GABA) - for PERS. After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - a) 1.5% each year PERS is funded at or above 90%;
 - b) 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and,
 - c) 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes:

General Revisions - House Bill 101, effective January 1, 2016:

Second Retirement Benefit - for PERS:

1. Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.
2. For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
3. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:

PARK COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
For the Year Ended June 30, 2016

- Refund of member's contributions from second employment plus regular interest (currently 0.25%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
4. For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate five or more years of service credit before retiring again:
- Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and,
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015:

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP:

The PCR was paid off effective March 2016 and the contributions of 2.37%, .47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

Changes in actuarial assumptions and other inputs:

None

Sheriff's Retirement System

Changes of Benefit Terms:

The following changes to the plan provision were made as identified:

2013 Legislative Changes:

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013:

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. SRS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013:

- All SRS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to SRS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

2015 Legislative Changes:

None

PARK COUNTY
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION-PENSION PLAN INFORMATION
 For the Year Ended June 30, 2016

Changes in actuarial assumptions and other inputs:

Method and assumptions used in calculations of actuarially determined contributions:

The following change to the actuarial assumptions was adopted in 2015:

- SRS discount rate used to measure the TPL - 6.86 percent, which is a blend of the assumed long-term expected rate of return of 7.75% on System's investments and a municipal bond index rate of 3.80%.

The following additions to the actuarial assumptions were adopted in 2014 based upon implementation of GASB Statement 68:

- Admin expense as % of payroll - 0.17%
- SRS discount rate used to measure the TPL - 7.75 percent, which is the assumed long-term expected rate of return on System's investments.

The following change to the actuarial assumptions was adopted in 2013:

- SRS discount rate used to measure the TPL - 6.68 percent, which is a blend of the assumed long-term expected rate of return of 7.82% on System's investments and a municipal bond index rate of 4.27%.

	PERS	SRS
Acturial cost method	Entry age	Entry age
Amortization method	Level percentage of pay, open	Level percentage of pay, open
Remaining amortization period	30 years	30 years
Asset valuation method	4 year smoothed market	4 year smoothed market
Inflation	3.00%	3.00%
Salary increases	4%	4%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation	7.75%, net of pension plan investment expense and including inflation

PARK COUNTY
 SCHEDULE OF FUNDING PROGRESS-OTHER POST-EMPLOYMENT BENEFITS
 For the Year Ended June 30, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UALL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UALL as a Percentage of Covered Payroll [(b-a)/c]
6/30/2016	\$ -	\$ 1,126,242	\$ 1,126,242	-	\$ 4,260,869	0.264322
6/30/2015	-	971,953	971,953	-	4,138,952	0.234831
6/30/2014	-	5,042,669	5,042,669	-	4,125,245	1.222393

OLNESS & ASSOCIATES, P. C.

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

To the Board of County Commissioners
Park County
Livingston, Montana

Report on the Financial Statements

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Park County, Montana (the government) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the government's basic financial statements, and have issued our report thereon dated December 21, 2016. The report included explanatory paragraphs to describe changes in accounting principles.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the government's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 government's internal control. Accordingly, we do not express an opinion on the effectiveness of the government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (Findings 2016-001 through 2016-003)

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency. (Finding 2016-004)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the government's financial statements are free from 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2016-004.

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

The Government's Response to Findings

The government's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The government's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Leary & Associates, PC

Billings, Montana
December 21, 2016

PARK COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016

2016-001. SEGREGATION OF DUTIES

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Client Response: Park County is aware of and understands that internal control systems are the responsibility of management. The county does not expect the auditing firm to be a part of our internal control, nor to be a compensating control on our behalf, but rather to evaluate any deficiencies identified. Although Olness & Associates are engaged to prepare financial statements, the county understands it is our sole responsibility to prevent, detect, and correct financial statement misstatements. The county has in the past and will continue to review draft financial statements and the schedule of expenditures of federal awards.

2016-002. AUDITOR PREPARED FINANCIAL STATEMENTS

Criteria: As part of its internal control structure, it is the government's responsibility to prepare its financial statements in accordance with generally accepted accounting principles (GAAP).

Condition: The government does not have the expertise to prepare or evaluate the selection and application of accounting principles and resulting disclosures and presentations within the auditor prepared financial statements.

Cause: The government is a small organization with limited resources.

Effect: It is common for a small organization to rely on the audit firm to prepare the financial statements; however, an audit firm cannot be considered part of the government's internal control by professional standards currently in effect. Since some presentations and disclosures may be material to the financial statements, this weakness in internal control would be classified as material.

Recommendation: While it may not be cost effective to do so, we recommend the government consider hiring a qualified person to evaluate the auditor prepared financial statements.

Client Response: : Park County understands the need to balance risk with cost effectiveness, which can be a challenge for a small entity with limited staff. To prevent an individual from being able to both commit and conceal an irregularity, the county separates functions such as authorization, record-keeping, and custody. The internal auditor adds another layer of oversight by reviewing departmental cash transactions and cash handling procedures.

2016-003. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

Criteria: The Montana Supreme Court Administrator's Office Full Court Accounting Responsibility & Compliance Guidelines that have been adopted by the Courts of Limited Jurisdiction Automation Committee outlines court personnel accounting responsibilities. The guidelines require court personnel to develop and maintain a system of internal controls to safeguard court resources, check the accuracy of clerical entries, promote operational efficiency, and encourage adherence to prescribed accounting procedures. Effective internal control over time pay accounts requires a reconciliation of the monthly time pay activity to the beginning and ending time pay balances to be prepared to determine that all transactions have been recorded properly and to discover errors and irregularities. Further, a formal time pay reconciliation is a useful tool in evaluating and monitoring outstanding time pay balances.

Condition: The Justice of the Peace office does not perform a monthly time pay account reconciliation.

Cause: Unknown.

Effect: Not reconciling the time pay accounts on a monthly basis means that errors or other problems might not be recognized and resolved on a timely basis.

PARK COUNTY
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2016

Recommendation: The Justice of the Peace office should prepare a formal reconciliation of time pay activity to the beginning and ending time pay balances on a monthly basis. Once completed, the reconciliation should be reviewed and approved by the Justice of the Peace.

Client Response: The Montana Commission on Courts of Limited Jurisdiction Automation Advisory Committee has considered modifying the Time-Pay Ledger Report in its FullCourt system, and has determined that it is not fiscally responsible to do so. The committee states the recommended community service, jail time served and/or suspension information is available in the Case Ledger Report, though not available on a single report in FullCourt.

The Justice of the Peace does review the monthly reconciliation in a timely manner and also periodically reviews other reports such as the voided receipts and adjustment to Time Pays such as community service or credit for time served. The Court is in compliance with the accounting policies established by the Supreme Court Administrator's office.

2016-004. EXCESS RESERVES

Criteria: The amount that may be added as a reserve to any county fund may not exceed one-third of the total amount appropriated and authorized to be spent from the fund during the current fiscal year. (7-6-4034(2), MCA)

Condition: Several assessed funds had excess reserves.

Cause: Unknown.

Effect: Non-compliance with state law.

Recommendation: The County should comply with 7-6-4034(2), MCA.

Client Response: Park County recognizes that it exceeded reserves of one-third of the total amount appropriated and authorized to be spent from a fund during the current fiscal year as part of the budget process. Care will be taken in the future not to exceed the requirement.

PARK COUNTY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016

2015-001. FINANCIAL STATEMENT PREPARATION

Status: This finding is unresolved and is repeated as finding 2016-002 for the year ended June 30, 2016.

2015-002. SEGREGATION OF DUTIES

Status: This finding is unresolved and is repeated as finding 2016-001 for the year ended June 30, 2016.

2015-003. CASH AND INVESTMENT RECONCILIATIONS NOT COMPLETE OR ACCURATE

Status: This finding has been resolved.

2015-004. JUSTICE OF THE PEACE TIME PAY ACCOUNTING

Status: This finding is unresolved and is repeated as finding 2016-003 for the year ended June 30, 2016.

2015-005. AIRPORT IMPROVEMENT PROGRAM, CFDA No. 20.106, GRANT No. DOT-FA14NM-2022

Status: This finding no longer applies.

2015-006. SCHOOLS AND ROADS – GRANTS TO STATES, CFDA No. 10.665, GRANT No. 12-DG-11011100-002

Status: This finding no longer applies.