

Yellowstone County, Montana

COMPREHENSIVE

ANNUAL

FINANCIAL

REPORT



FISCAL YEAR 2012

JULY 1, 2011 - JUNE 30, 2012

YELLOWSTONE COUNTY, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2012

Prepared by: Finance Department -

Scott S. Turner, Director

I. INTRODUCTORY SECTION (Unaudited)

**YELLOWSTONE COUNTY, MONTANA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

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Yellowstone County, Montana
Comprehensive Annual Financial Report - Transmittal Letter (Unaudited)
June 30, 2012

Yellowstone County



FINANCE
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P.O. Box 35003
Billings, MT 59107-5003

December 14, 2012

Board of County Commissioners
Citizens of Yellowstone County
Billings, Montana

The Comprehensive Annual Financial Report of Yellowstone County (the County) for the fiscal year ended June 30, 2012 is submitted herewith. State law requires that counties publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with accounting principles generally accepted in the United States of America (GAAP) and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants. This comprehensive annual financial report meets all required criteria specified by the State, to report the Budgetary, Accounting and Financial Reporting System (BARS), prepared in conformance with the principles and standards for financial reporting as promulgated by the Governmental Accounting Standards Board. Pursuant to those requirements, the finance department hereby issues the comprehensive annual financial report of Yellowstone County for the fiscal year ended June 30, 2012.

This report consists of management's representations concerning the finances of Yellowstone County. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of Yellowstone County has established a comprehensive internal control framework that is designed both to protect the government's assets from material loss, theft, or misuse; compile sufficient reliable information for the preparation of Yellowstone County's financial statements in conformity with GAAP; and ensure compliance with laws, regulations, and contracts. Because the cost of internal controls should not outweigh their benefits, Yellowstone County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Yellowstone County, Montana
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June 30, 2012

Yellowstone County's financial statements have been audited by Anderson, ZurMuehlen & Co., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of Yellowstone County for the fiscal year ended June 30, 2012, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts, and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that Yellowstone County's financial statements of the opinion units for the fiscal year ended June 30, 2012 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of Yellowstone County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the basic financial statements of the opinion units, but also on the audited government's internal controls; legal requirements; and compliance and other matters, with special emphasis on internal controls and rendering an opinion on compliance on the government's administration of federal awards. These reports are available in Yellowstone County's separately issued Single Audit Report. GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. Yellowstone County's MD&A can be found immediately following the report of the independent auditors.

FINANCIAL STATEMENT PRESENTATION

This Comprehensive Annual Financial Report includes all of the financial statements and reports as required by the Governmental Accounting Standards Board. Designed to meet the needs of a broad spectrum of financial statement readers, this Comprehensive Annual Financial Report is divided into four major sections.

1. **Introductory Section:** As the title indicates, this section introduces the reader to the report and includes the table of contents, transmittal letter, organization chart, and elected officials.
2. **Financial Section:** Includes the following subsections –
 - Independent Auditor's Report
 - Management's Discussion and Analysis (MD&A) – This report is a narrative providing information and analysis about the County's financial position, results of operations for the audited year, and significant changes from the prior year.
 - Basic Financial Statements – These include government-wide financial statements which report on both governmental and business-type activities on a full accrual (business-like) basis.
 - Notes to Basic Financial Statements – Explanatory narratives, details, and reconciliations that are critical to an understanding of the basic financial statements.
 - Required Supplementary Information
 - Fund Financial Statements – These statements provide additional reporting for the major and nonmajor funds.

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3. **Statistical Section:** Although this section contains substantial financial information, these tables differ from financial statements in that they present some nonaccounting data and are designed to reflect social and economic data, as well as the fiscal capacity of the County.
4. **Single Audit Section:** Yellowstone County is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Information related to this single audit, including the schedule of expenditures of federal awards, schedule of findings and questioned costs, summary schedule of prior audit findings, and auditors' reports on internal controls and compliance are included in this section.

The diverse nature of governmental operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. Therefore, from an accounting and financial management viewpoint, a governmental unit is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate "fund." A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

PROFILE OF THE COUNTY

Yellowstone County (population 150,069), created by legislative enactment in 1883, is located in the southern central section of Montana and includes the incorporated City of Billings, which is the County seat and most populous city in the state (population 105,636); and also includes the incorporated City of Laurel (population 6,814) and Town of Broadview (population 194). The County imposes tax levies for jurisdictions under the authority of the Board of County Commissioners, which includes county funds and some special districts, such as the Big Sky Economic Development (BSED). The Board of County Commissioners also approves levies requested by boards of special cemetery and fire districts. The County does bill, collect, and distribute property taxes on behalf of other taxing entities such as the State of Montana, schools and cities, but does not approve their levies.

The Board of County Commissioners is a commission form of government with a three member board comprised of officials elected at-large from three different district boundaries to six year terms on a staggered two year cycle. The County has the authority to cause actions that are statutorily permitted under Montana law. The Board of County Commissioners establishes budget authority and policies for County departments.

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Budgetary control is maintained through an annual budget adopted by the County Commissioners. Public hearings are published and generally conducted in June of each year. The final budget must be adopted by the first Thursday in September or 30 days after receiving the certified taxable values from the State of Montana. Budgetary authority is flexible in that the Commissioners may make transfers among budget object lines within a fund and make budget amendments with statutory restrictions when considered necessary for proper administration of County government. Budget amendments may be passed by the Board of County Commissioners after conducting two published public hearings. The level of budgetary control is established at the fund level. Budget comparisons for the major governmental funds are presented as part of the basic financial statements. These statements also show the original budget that was adopted for the major funds. Generally the revisions made during the fiscal year are related to grant funding and associated expenditures.

Yellowstone County provides a full range of services as mandated by Montana statutes, including general government, public works, public safety, public health, social and economic, culture and recreation, and community development. Some of the more significant departments and functions within these areas include:

General Government – County Commissioners, Treasurer and Finance, Elections, Records, Auditing, Facility Maintenance, Property and Liability Insurance, Planning, Geographical Information, and Clerk of District Court

Public Safety – Sheriff's departments including administration, patrol, detectives, civil, records, adult detention, and communications. Other public safety functions include youth detention, county attorney prosecution, and traffic safety programs.

Public Works – County road and bridge projects and maintenance, weed control, veteran's cemetery, and RSID construction and maintenance.

Public Health – Funding support for operations of the public health department (Riverstone Health), mental health treatment and involuntary commitment costs, animal control, and alcohol rehabilitation programs.

Social and Economic Services – Senior citizen program funding, extension & agricultural services, and low income medical and rent assistance programs.

Culture and Recreation – Library and museum funding, and county parks.

Conservation of Natural Resources – Soil Conservation programs and Air Quality Control funding

Community Development – Community Development Block Grant projects

The County also operates the METRA (Montana Exposition, Trade, and Recreation Arena) and adjacent buildings and grounds. This facility includes 3 large multi-purpose event centers, a 4000 seat grandstand and track, and large adjacent parking, grounds, and ancillary buildings.

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FACTORS AFFECTING FINANCIAL CONDITION

General Operating Environment

The information presented in the financial statements is perhaps best understood from the broader perspective when it is considered with the specific perspective in which the County operates.

Local business activity includes agricultural, medical, retail, industrial, petroleum refining, banking, mining, and utility enterprises; which contribute substantially to the County's economy and tax base. The County is home to three substantial oil refineries, two major hospitals, and is the major retailer to a large geographical area. Billings also is an important tourism and cultural center to the region. These businesses and industries have historically provided a stable economy for the community and have provided for steady population and economic growth.

Montana's tax structure predominately relies on income, mineral, property, gambling, and motor vehicle taxes. Counties directly levy property taxes and indirectly share in mineral, gambling and motor vehicle taxes by receiving revenue distribution from the State referred to as the entitlement share that is supported by the aforementioned taxes. The State has no general sales tax although some communities in the State are permitted to levy a local sales tax (referred to as the resort tax). Yellowstone County is not currently permitted to levy a local sales tax.

Property taxing authority is statutorily determined and taxing authority above the allowed maximum level must be voter approved. The local governing bodies determine the amount of property tax revenue they wish to levy annually up to the maximum allowed. New property revenues are permitted for new construction valuation and a statutorily determined acceptable inflation growth indexed to 50% of the State's economic growth rate (1.112% for fiscal year 2010; 1.142% for fiscal year 2011; 0.72% for fiscal year 2012; and 1.20% for fiscal year 2013;).

The Management Discussion and Analysis provides additional discussion of specific pending financial impacts on the County.

Recent Events and Economic Conditions

The Billings area has benefited greatly from its proximity to the Bakken oil fields in eastern Montana and western North Dakota. Our community provides a significant amount of manufacturing, transport, services, and support to companies doing business in that region. Our local economy is unquestionably benefited by the development in the Bakken. Housing in the area has seen strength from the influx of people wanting to live here while commuting to the oil fields.

Local medical facilities have expanded recently and enhance Billings as a major medical center.

New regional coal and oil production operations are providing good mining jobs and business activity to the area.

Work has begun on a new federal building in the Billings downtown area.

Residential construction has improved due to some population growth.

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Recent Events, continued

According to PPL Montana , the effects of pending Environmental Protection Agency regulations combined with economic factors have resulted in a decision by PPL Montana to place the J.E. Corette power plant in Billings into long-term reserve status beginning in April 2015.

The unemployment rate for Yellowstone County is approximately 4.9%, which is a decrease of about 0.5% from a year ago. The local energy, retail, medical, and agriculture businesses help stabilize employment swings that much of the country is experiencing and the local economy does tend to be resilient. Businesses are attracted by the educated workforce, reasonable cost-of-living, education system, and local amenities.

Internal Controls

In developing and evaluating the County's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding; (1) the safeguarding of assets against loss from unauthorized uses; (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets; and (3) maintaining compliance with laws and regulations. The concept of reasonable assurance recognizes the costs of internal control should not exceed the benefits likely to be derived and the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the County's internal controls adequately safeguard assets, provide reasonable assurance of proper recording of financial transactions, and maintain compliance with laws and regulations.

As a recipient of Federal and State financial assistance, the County also is responsible for ensuring adequate internal control is in place to ensure compliance with applicable laws and regulations related to major programs. This internal control is subject to periodic evaluation by management and the internal audit staff of the County.

Risk Management

The County uses a self-funded Property and Liability Insurance Fund because the County considers it to be cost effective to self-insure for routine claims and reinsure for catastrophic losses. The County carries commercial liability coverage with a current deductible of \$250,000 and an aggregate limit of \$3,000,000 per year. Coverage of \$3 million per year is anticipated to provide a high degree of safety from catastrophic losses.

The Property and Liability Insurance Fund has a fund balance of \$2,202,672, which is considered to be a sufficient reserve to fund the incurred claims against the County after establishing reasonably estimated loss reserves. See footnote 10 (page 65) for additional discussion on liability reinsurance. The County also carries \$161.5 million (FY13) in property damage coverage with a \$50,000 deductible on buildings and their contents.

See footnotes 10 and 11 (pages 65-70) for additional description of coverages related to worker's compensation and health insurance.

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Cash Management

The County currently has an investment program agreement with the local schools, irrigation, cemetery, rural fire and other special districts to invest their funds as part of an investment pool. The County invests the funds at a fee of 1% of the interest proceeds received for the month. Currently the County invests in repurchase agreements; U.S. government securities; agencies of the U.S. government; and the Certificate of Deposit Account Registry Service (CDARS), which are time deposits issued through a local bank that are 100% FDIC insured. The rate of return for the investment pool is net of bank service fees incurred for the operational costs of the participating pool members. Investments are limited to a 5 year maturity. A comparison of previous years' investment results are as follows:

	Total Interest <u>Earned</u>	Average Investment <u>Balance</u>	Rate of <u>Return</u>
F.Y. 02-03	1,491,820	67,602,801	2.21%
F.Y. 03-04	1,217,285	69,836,318	1.74%
F.Y. 04-05	1,785,141	73,877,037	2.42%
F.Y. 05-06	2,693,838	73,462,474	3.67%
F.Y. 06-07	3,963,897	83,597,321	4.74%
F.Y. 07-08	3,839,852	91,680,559	4.18%
F.Y. 08-09	2,727,239	101,596,016	2.68%
F.Y. 09-10	1,794,512	117,258,972	1.71%
F.Y. 10-11	1,164,351	105,370,634	1.11%
F.Y. 11-12	736,441	113,288,374	0.65%

The rate of return for FY13 is expected to be lower than FY12's rate of return due to the steep and sustained declines in interest rates.

See footnote 4 for additional information on cash and cash investments.

Debt

At June 30, 2012 Yellowstone County has a number of debt issues outstanding. These issues include \$1,445,000 of general obligation bonds; \$5,020,000 in limited tax general obligation bonds; and \$983,170 of rural special improvement district bonds for which the County has limited secondary responsibility. The County has no outstanding notes payable as of June 30, 2012.

See footnote 8 (pages 58-62) and the MD&A (pages 3-21) for additional information on long-term county debt.

Yellowstone County, Montana
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Pension and Other Post-Retirement Benefits and Obligations

All county employees may elect participation in the Public Employees Retirement System (PERS) or Sheriff Retirement System (SRS) if they meet eligibility criteria. Employees exceeding 960 hours of work in a year must participate in PERS if they're in a covered position. Effective July 1, 2009 the current employer contribution rates are 7.07% of covered payroll for PERS and 10.115% for SRS. New employees have the option to elect membership in either a defined benefit (DB) plan or defined contribution (DC) plan. Employees hired before July 1, 2002 have had the opportunity to select their retirement option (DB or DC). Employees hired after July 1, 2002 have 12 months to select an irrevocable retirement option. Funding requirements and plan administration is the responsibility of the State of Montana. The PERS and SRS plans are both in poor fiscal shape.

The County allows retiring employees receiving a State pension the option to retain health insurance benefits on the County's plan. Eligible retirees and their dependents may maintain County coverage provided they pay the health insurance premium. Retirees and their dependents under 65 years old pay the same premium as active employees, except that retiree pays the coverage cost for themselves in addition to their dependents. Retirees and their spouses over 65 pay a reduced premium, since the County becomes a secondary payer after Medicare. Effective July 1, 2008 the County began offering an option to Medicare eligible retirees to participate in Medicare advantage plans administered by third party companies. Medicare eligible retirees currently have an annual election to participate in the Medicare advantage plan or the county's health plan.

Terminating employees that do not elect or are not eligible for a pension may elect to retain County health coverage under the provisions of the Consolidated Omnibus Budget Reconciliation Act (COBRA). This coverage may be elected and paid for by the terminating employee for up to 18 months.

See footnotes 11E (page 68-70) and 12 (page 71-72) for additional information on pension and other post-retirement benefits and obligations.

ACKNOWLEDGEMENTS

This financial report is the financial summation of a great deal of work of all those who serve County government. Without the citizens and businesses that provide the funding and direction for needed services and programs, the government cannot function and the need for financial reporting would not exist. I appreciate and applaud the efforts of all community members who endeavor to improve the community and its governments. Hopefully, this report includes useful information regarding the use of the resources provided to this local government.

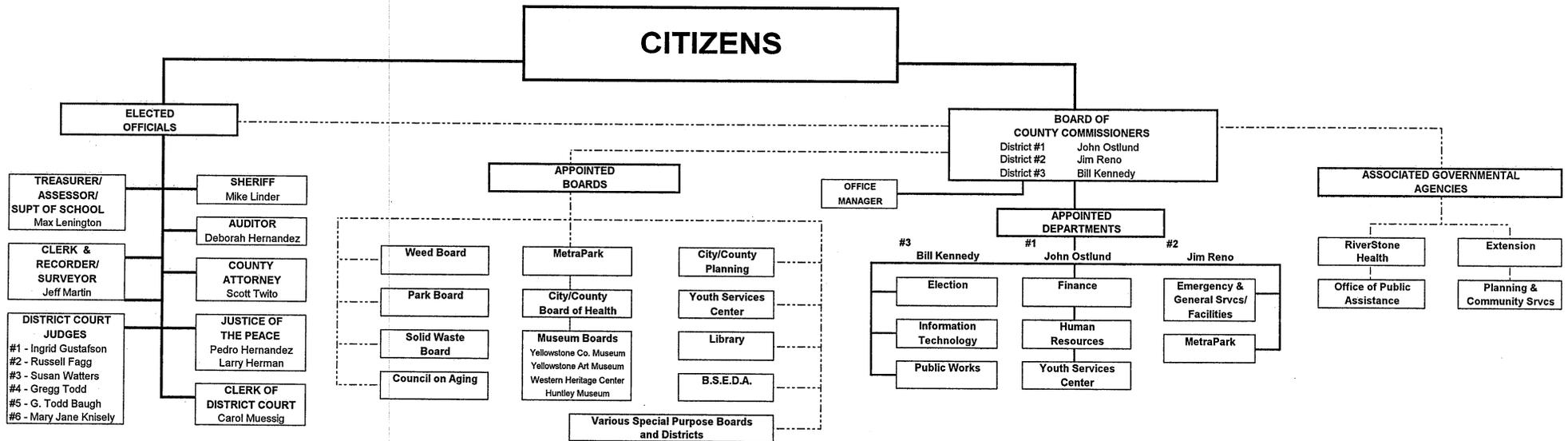
I would like to express my appreciation to the finance department staff and the staffs of all the County offices for providing excellent work and cooperation during the year. Although the finance department takes on the task of preparing the financial report, all county departments contribute to the cooperative effort required to maintain the financial system. A special thanks is extended to Lisa Sticka and Maddie Miller with their assistance in the preparation of the financial report and assistance with the audit. I would also like to thank Anderson ZurMuehlen & Company for their work auditing this report.

Respectfully submitted,



Scott Turner, Finance Director

YELLOWSTONE COUNTY, MONTANA ORGANIZATIONAL CHART



NOTE: Commissioner Representatives will rotate left to right every 2 years.
Next rotation is scheduled for January 1, 2013

KEY: _____ = Direct Association
 - - - - - = Budgetary Association

Updated: November 1, 2011

**YELLOWSTONE COUNTY, MONTANA
ELECTED OFFICIALS
As of June 30, 2012**

<u>Office</u>	<u>Name</u>	<u>Term Ends December 31,</u>
Commissioner	Bill Kennedy	2012
Commissioner (Chair)	John Ostlund	2014
Commissioner	James Reno	2016
Attorney & Public Administrator	Scott Twito	2014
Auditor	Debby Hernandez	2014
Clerk and Recorder & Surveyor	Jeff Martin - Appointed	2012
Clerk of District Court	Carol Muessig	2012
Justice of Peace	Larry Herman	2014
Justice of Peace	Pedro Hernandez	2014
Sheriff & Coroner	Mike Linder	2014
Treasurer & Assessor	Max Lenington	2014

II. FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Yellowstone County
Billings, Montana

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Yellowstone County's basic financial statements. The introductory section, statistical tables, and schedule of combining and individual non-major fund financial statements have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Anderson Zurmuehlen + Co, P.C.

Billings, Montana
December 10, 2012

YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2012

As financial management of Yellowstone County, Montana, we offer readers of the attached financial statements this narrative overview and analysis of the financial activities of Yellowstone County for the fiscal year ended June 30, 2012 and the financial position as of June 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which precedes this report.

Financial Highlights

- The general fund increased fund balance by \$82,751, which was a good overall result in light of the protested taxes from some of the County's large refineries and communication companies. Protested taxes were close to the anticipated and budgeted amount. FY12 interest collections in the general fund declined from the prior year by (\$105,016). Interest earnings in the general fund have declined from \$1,035,800 in FY08 to \$160,548 in FY12 as a result in the drop in interest rates. Clerk and recorder document filing fees, which generated about \$866,000 for the general fund is a major revenue source and increased \$7,248. Justice court fines, another significant general fund revenue source, declined (\$55,273) to \$605,206.
- The road fund balance decreased by (\$136,431) as a result of contracting out some additional road paving projects.
- The liability insurance fund balance increased \$181,919 as claims activity for FY12 was modest. Current fund reserves are considered adequate for known civil cases.
- Overall, the sheriff's public safety fund balance increased by \$597,790 in FY12 primarily as a result of increased prisoner boarding revenue. Prisoner boarding fees at the county jail increased \$805,638 over FY11. Prisoner populations from non-County sources increased in FY12 and prisoner billing rates have resulted in the increased revenues, although the sheriff doesn't believe the County will be able to fully sustain this level of revenue in FY13. The slower economy has negatively impacted motor vehicle option tax revenues in the sheriff's fund, declining (\$188,108) from \$3,681,037 in FY11 to \$3,492,929 for FY12.
- To complete the rebuild of the Metrapark arena the County funded \$7.3 million in improvements resulting in general obligation debt of \$2,000,000 and a \$1,750,000 interfund 5 year loan from the capital projects fund. Available property tax

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revenues will fund the repayment of the debt. The rebuild, as designed, did not necessitate the need to ask voters for additional tax authority.

- Protested taxes are becoming a bigger concern as refineries and communication companies are protesting their taxable valuation and associated general tax bills. Protests in FY12 amounted to about 8.2% of the County's tax base in FY12. Protests in FY13 are budgeted to be 10.2% of the countywide tax revenues. Protest tax resolutions can take an extended period of time to resolve, and as such, delay distribution of property taxes to the affected jurisdictions that can cause cash flow problems. School districts can be particularly hard hit by a large protest from a major taxpayer. Tax protests may grow to have an increasing impact on local taxing jurisdictions budgets. See footnote #16 & #17 for further discussion.

Explanation of the Financial Statements

The MD&A is intended to serve as an introduction to the basic financial statements of Yellowstone County. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide financial statements. The Government-wide financial statements are designed to provide readers with a broad overview of Yellowstone County's finances, in a manner similar to a private sector business on a full accrual accounting basis.

The statement of net assets presents information on all of Yellowstone County's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of Yellowstone County is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (example: uncollected property taxes, and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of Yellowstone County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs from user fees and charges (business-type activities). The governmental activities of Yellowstone County

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include general government, public safety, public works (roads and bridges), public health, social and economic programs, cultural and recreational programs, conservation of natural resources, and community/economic development. The business-type activities include refuse disposal and METRA civic center.

The government-wide financial statements can be found on pages 22-24 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control and account for resources that have been segregated for specific activities or objectives. Yellowstone County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal or contractual requirements. All of the funds of Yellowstone County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current fiscal year inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's recent financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's recent financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Yellowstone County maintains many individual governmental funds. The general fund, road fund, property and liability insurance fund, public safety-sheriff fund, RSID Bond Fund, and capital improvement fund are all reported as major funds. Information for the major funds is reported separately in the governmental fund balance sheet and in the governmental fund's statement of revenues, expenditures, and changes in fund balances. Each of the major funds also reports the revenues and expenditures on a comparative basis with the annually appropriated budget both original and revised to demonstrate compliance with this budget. The remaining governmental funds are combined in a single aggregate presentation titled other nonmajor governmental funds.

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Individual fund reports for each of the nonmajor governmental funds are presented in the combining financial statements in this report.

The basic governmental fund financial statements can be found on pages 25-31 of this report.

Proprietary funds. Yellowstone County maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Yellowstone County uses enterprise funds to account for operations of the refuse disposal fund and METRA civic center, both of which are reported as major funds. Internal service funds are used to accumulate and allocate costs internally among various government department users or affiliated organizations. The three internal service funds utilized by the county include the health insurance fund, motor pool, and telephone fund. Because these services predominately benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements. Interdepartmental charges for internal service funds have been eliminated from the Statement of Activities.

Proprietary funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities, but provide more detail in addition to a cash flow statement. Internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund statements for the internal service funds are presented in the combining statements in this report.

The basic proprietary fund financial statements can be found on pages 32-36 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties and entities outside the government of Yellowstone County. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Yellowstone County's own programs.

The basic fiduciary fund financial statements can be found on pages 37-38 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data and reports presented in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39-74 of this report.

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Required supplementary information. All required supplementary information precedes the basic financial statements or is included in the basic financial statements and accompanying notes, except the Employee Group Benefits Plan – Other Postemployment Benefits (OPEB) schedule in the required supplementary information section.

Government-wide Financial Analysis.

Net assets may serve as a useful indicator of a government's financial position, which is one of the reasons why the Governmental Accounting Standards Board (GASB) instituted GASB Statement #34 and required local governments to present net asset information. Yellowstone County's net assets (assets less liabilities) were \$124,550,361 for the year ended June 30, 2012. The change to net assets for governmental and business-type activities for the fiscal year ended June 30, 2012 was \$7,960,632. Most of the net asset increase was a result of the \$5.7 million increase in capital assets.

Of the County's yearend total net assets of \$124,550,361, capital assets net of the related debt accounted for \$87,879,603 or 70.6% of total net assets. Capital assets reflect the large investments in facilities and equipment that are necessary to provide large scale programs and services for the community. The restricted net assets (\$618,469 or 0.5%) are those funds legally required to be used for debt service payments. Unrestricted net assets of \$36,052,289 account for 28.9% of the total net assets. Unrestricted net assets are primarily used as reserves that are used for cash flow purposes in between property tax collections, which are due in 50% installments on November 30 and May 31 of each year, and as reserves to provide against large unforeseen costs or events. The large change in unrestricted net assets in the business-type activities between FY12 and FY10 was the use of insurance proceeds and capital reserves to repair and improvement Metrapark from the tornado property damage, which changed the classification from unrestricted net assets to investment in capital assets.

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A comparison of the County's net assets follows:

Yellowstone County Net Assets

	Governmental Activities		Business Activities		Total	
	2012	2011	2012	2011	2012	2011
Current assets	\$ 47,883,300	\$ 44,203,150	\$ 3,087,733	\$ 9,979,080	\$ 50,971,033	\$ 54,182,230
Noncurrent assets	1,920,553	1,012,592	0	0	1,920,553	1,012,592
Capital assets	48,794,355	46,727,683	40,295,915	36,686,536	89,090,270	83,414,219
Total assets	98,598,208	91,943,425	43,383,648	46,665,616	141,981,856	138,609,041
Current liabilities	5,375,387	5,455,691	1,079,812	5,451,687	6,455,199	10,907,378
Noncurrent liabilities	8,904,742	9,960,412	2,071,554	1,151,520	10,976,296	11,111,932
Total liabilities	14,280,129	15,416,103	3,151,366	6,603,207	17,431,495	22,019,310
Net assets:						
Invested in capital assets, net of related debt	47,583,688	45,413,016	40,295,915	36,686,536	87,879,603	82,099,552
Restricted for debt service	618,469	618,821	0	0	618,469	618,821
Unrestricted	36,115,922	30,495,483	(63,633)	3,375,873	36,052,289	33,871,356
Total net assets	\$ 84,318,079	\$ 76,527,320	\$ 40,232,282	\$ 40,062,409	\$ 124,550,361	\$ 116,589,729
Change in net assets	\$ 7,790,759		\$ 169,873		\$ 7,960,632	

Governmental activities.

The increase in net assets for governmental activities of \$7,790,759 was primarily a result of:

- \$903,719 increase in net assets of the health insurance fund
- \$1,285,777 increase in net assets as a result of payments on long-term debt
- (\$258,846) decrease in net assets from booking OPEB implicit rate subsidy for retiree health insurance
- \$2,170,672 increase in net capital assets
- \$1,795,351 increase in tax receivables primarily from protest tax receivables

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Yellowstone County's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Revenues:						
Program revenues:						
Special assessments	\$ 799,465	\$ 1,011,509	\$ 450,630	\$ 484,152	\$ 1,250,095	\$ 1,495,661
Licenses and permits	58,671	49,220	0	0	58,671	49,220
Intergovernmental	917,951	872,088	0	0	917,951	872,088
Fines and forfeitures	631,851	709,613	0	0	631,851	709,613
Charges for services	9,517,443	8,538,073	4,322,531	2,864,669	13,839,974	11,402,742
Operating grants and contributions	1,599,100	1,351,718	0	0	1,599,100	1,351,718
Capital grants and contributions	1,073,355	843,497	0	0	1,073,355	843,497
Total program revenues	14,597,836	13,375,718	4,773,161	3,348,821	19,370,997	16,724,539
General revenues:						
Property taxes	35,171,952	34,078,689	2,438,771	2,773,779	37,610,723	36,852,468
Licenses and permits	3,684,093	3,856,530	0	0	3,684,093	3,856,530
Intergovernmental	2,598,745	2,328,262	22,152	0	2,620,897	2,328,262
Other revenues	652,773	847,937	490,544	615,479	1,143,317	1,463,416
Gain on disposal of fixed assets	0	921,000	0	0	0	921,000
Total general revenues	42,107,563	42,032,418	2,951,467	3,389,258	45,059,030	45,421,676
Total revenues	56,705,399	55,408,136	7,724,628	6,738,079	64,430,027	62,146,215
Expenses:						
General government	12,002,290	13,481,058	0	0	12,002,290	13,481,058
Public Safety	22,801,598	22,680,666	0	0	22,801,598	22,680,666
Public Works	7,486,540	8,122,849	0	0	7,486,540	8,122,849
Public Health	2,973,546	3,008,217	0	0	2,973,546	3,008,217
Social and Economic	1,642,537	1,685,969	0	0	1,642,537	1,685,969
Culture and Recreation	1,321,039	3,265,026	0	0	1,321,039	3,265,026
Community Development	370,700	373,325	0	0	370,700	373,325
Conservation of Natural Resources	124,678	121,509	0	0	124,678	121,509
Interest on Long-Term Debt	257,376	245,489	0	0	257,376	245,489
Sanitation, refuse disposal	0	0	521,445	491,789	521,445	491,789
Civic center, METRA	0	0	6,967,646	5,429,653	6,967,646	5,429,653
Total expenses	48,980,304	52,984,108	7,489,091	5,921,442	56,469,395	58,905,550
Increase (decr.) in net assets before transfers and extraordinary gain	7,725,095	2,424,028	235,537	816,637	7,960,632	3,240,665
Transfers	65,664	(835,880)	(65,664)	835,880	0	0
Extraordinary gain from tornado damage event	0	0	0	3,193,484	0	3,193,484
Increase (decrease) in net assets	7,790,759	1,588,148	169,873	4,846,001	7,960,632	6,434,149
Beginning net assets	76,527,320	74,939,172	40,062,409	35,216,408	116,589,729	110,155,580
Ending net assets	\$84,318,079	\$76,527,320	\$40,232,282	\$40,062,409	\$124,550,361	\$116,589,729

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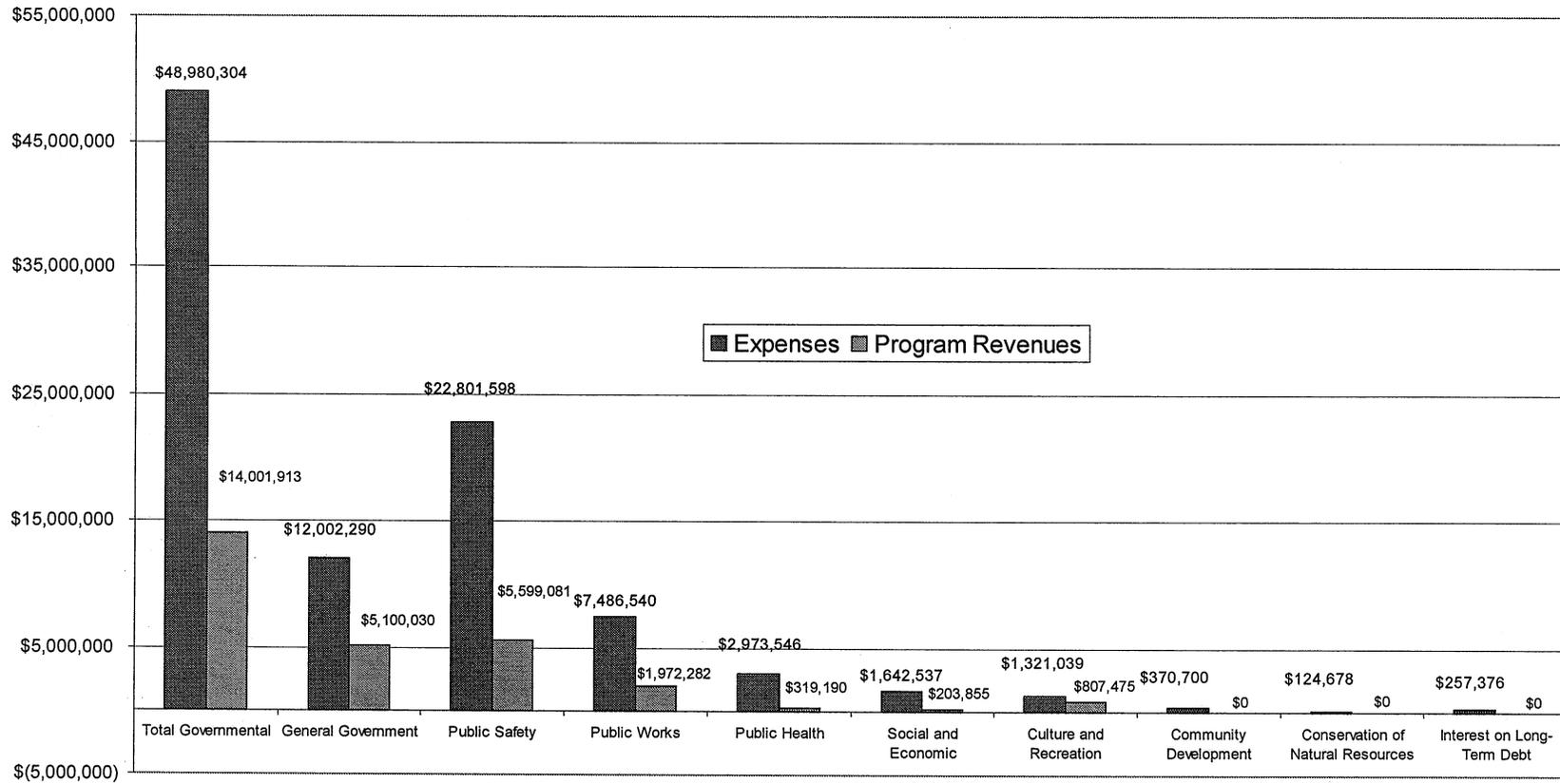
Of the County's \$48.98 million in expenses for governmental activities, \$14.6 million (29.8%) was funded with program revenues. The balance of funding came from general revenues, which is primarily property tax revenue (83.4% of the general revenues), or the use of reserves. The major sources of program revenues (and change from prior year) include:

- Gas tax: \$285,478 / (+\$15,161)
- Justice Court fines: \$605,206 / (-\$55,273)
- Clerk & Recorder filing fees: \$1,058,823 / (-\$40,516)
- Health insurance premiums less County funded premium for employees: \$2,656,119 / (-\$110,262)
- Adult detention boarding fees: \$2,872,508 / (+\$805,638)
- Youth detention and secure shelter boarding and program fees: \$1,525,877 / (-\$40,068)
- RSID assessments: \$799,465 / (-\$59,257)
- Operating grants: \$1,599,100 (+\$247,382)
- Capital grants and contributions: \$1,073,355 (+\$229,858)

See the Statement of Activities on page #24 for additional detail information regarding revenues and expenditures.

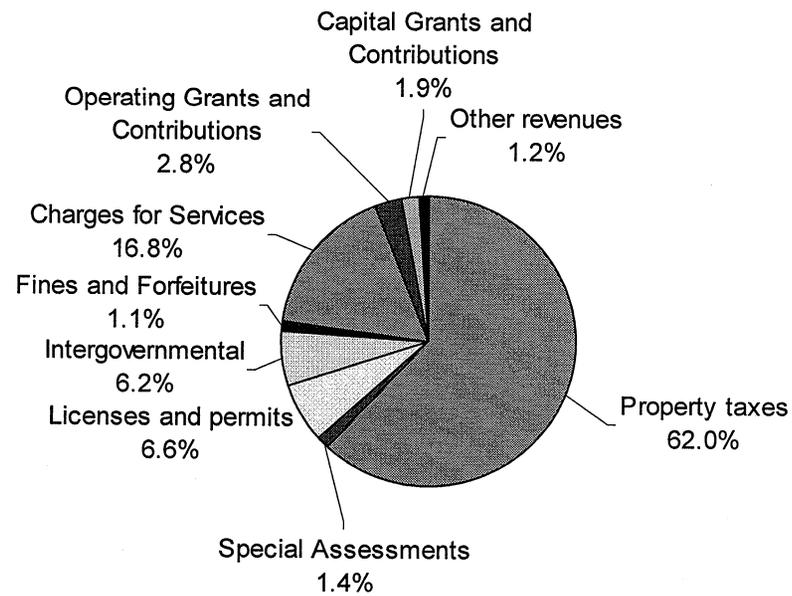
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Expenses and Program Revenues - Governmental Activities



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Total Revenues by Source - Governmental Activities

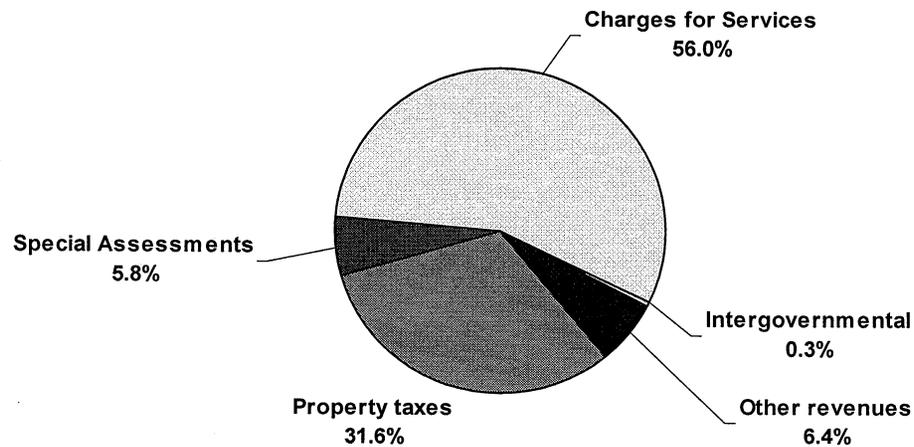


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Business-type activities.

Total revenues of \$7,724,628 funded total expenses of \$7,554,755, which resulted in an increase in net assets of \$169,873 for business-type activities. FY12 results of operations are more representative of a typical year than was FY11, which had many extraordinary items and is not comparable to other years. METRA had a FY12 increase of \$265,688 in net assets. The increase in net assets has four major components: \$207,339 related to operations; (\$92,365) in net loss from insurance related activity expenses and revenues; \$310,826 of assets donated from a grant; and (\$160,112) related to capital improvement and maintenance activity.

Total Revenues by Source - Business Type Activities



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Fund Financial Statement Analysis

Governmental funds.

Overall, Yellowstone County's governmental funds' change in fund balance for FY12 was an increase of \$1,984,013 resulting in an ending total governmental fund balance of \$32,700,588.

The general fund increased fund balance by \$82,751 during fiscal year 2012. The general fund is stable at the current time.

The road fund decreased its fund balance by (\$136,431). This was a result of contracting out some additional road paving projects.

Fund balance in the sheriff's public safety fund increased \$597,790. The increase was a result of increased prisoner billings (see financial highlights section above)

The property and liability insurance fund had an increase in fund balance of \$181,919. Fund balance for the fund is currently anticipated to be stable for FY13 but claims always have some level of unpredictability, however, this fund's reserves appear to be sufficient for known cases.

The youth services fund had a decrease in fund balance of (\$24,519) in FY12 due to reduced juvenile populations, even though the County infused an additional \$150,000 in a general fund transfer to shore up reserves. The juvenile detention director believes that budget constraints on other governmental entities are causing fewer and shorter juvenile holds in our facility. Due to fund balance declines in recent years, future budgets will need to contain any further reductions in fund balance. The general fund has budgeted another contingent transfer of \$150,000 in FY13 if shortfalls continue.

Fund balance in the capital improvement fund increased \$1,501,323. Funds are set aside for future capital replacement needs.

See financial highlights section above for discussion related to other notable changes to governmental fund balances.

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Proprietary funds.

The refuse disposal fund had a decrease in net assets of (\$95,815) for FY12 as a result the landfill charge while assessments declined due to the number of units declining for commercial and residential. This fund has total net asset of \$415,714 on June 30, 2012. The targeted reserve level is \$250,000. The solid waste board increased its assessment rate from \$28 to \$35 per unit for FY13 in order to set a level that should be static for the next few years at the expected future city landfill contract levels.

METRA had an increase in net assets of \$265,688 as operations normalized in FY12. Results of operations were good for FY12 as operating cash improved from FY11 with a return to a full year of normal operations after the arena had been out of commission for most of FY11. Cash declined \$1,177,769 during FY12 as a result of completing the METRA construction projects. Operational cash levels remain adequate.

The health insurance fund had a net asset increase of \$903,719 for FY12 to bring the ending net assets to \$5,713,012. For FY12, the health plan is again funded to cover costs based on a projected cost level determined by our health plan third party administrator. The premium rates for FY12 were actually reduced about 4% from the actuary recommended rates because of the strong reserve position of the health insurance fund. The County carries specific stop-loss insurance for health claims at \$270,000 per claim. Medical inflation remains a major concern and continues to present challenges to maintain a health plan that provides good benefits at competitive premiums. Health insurance viability is a nationwide systemic concern. The County reviews the health plan every year to review premium rates, benefits, and plan administration. On January 1, 2011 the County implemented as an option to participating members, the option to select a high-deductible health savings plan at a reduced premium. The choice was made available to encourage participants to move to consumer driven health care, which studies show substantive savings over traditional plan designs. Results have been encouraging. The County is also considering of contracting for an employee health clinic that would provide services to plan members at low cost in order to encourage preventative care that provides long term returns for health care.

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Governmental Fund Budgetary Highlights

Differences between original and final revised budget are primarily a result of state and federal grant awards and related match funding being added to the original budget. The original budget does not include either new or continuing grant activity and is subsequently amended into the budget by resolution of the Board of County Commissioners. New grants added \$3.9 million of revenue and expenditure appropriations to the FY12 budget. Some major grants included in the fiscal year 2012 budget were:

- \$511,214 Public Safety Interoperability Communications Grant
- \$698,515 NRCS EWP – Huntley Streambank Protection Grant
- \$315,630 HB130 Crisis Center Grant
- \$314,454 TSEP 12 Mile – S. 24th – S.44th Bridges Grant
- \$101,720 FEMA Hazard Mitigation Grant
- \$537,695 CTEP Sidewalk and Bike Path Grants
- \$450,000 CDBG Lockwood Water and Sewer Grant

Some of the significant final budget to actual revenue variances include:

- Tax protests impacted real estate property tax revenue collections being short of County property tax budgets by about \$2.9 million (-7.5%).
- Senate Bill 372 provided \$325,700 in State funding to County funds to offset reduced personal property taxes
- (\$200,000) of untransferred funding from general fund to sheriff's public safety fund due to mid-year implementation of contracted adult detention medical services delivery program.
- \$27,800 of additional clerk & recorder filing fees generated by activity in the local housing and real estate market and refinancings
- (\$64,500) shortfall in general fund interest earnings due to historically low interest rate environment
- (\$54,800) shortfall in general fund justice court fines
- (\$232,000) shortfall in motor vehicle option tax for public safety due to a revenue distribution correction
- \$722,500 in additional prisoner boarding fees for sheriff's detention facility due to increased populations in inmates from jurisdictions paying boarding fees and an increase in our daily rates from Federal and non-Yellowstone County prisoners
- (\$138,400) shortfall in charges at youth services center for juvenile and shelter care daily fees

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The appropriation final budget to actual expenditure variances of significance include:

- \$3 million in contingency expenditure budgets established to account as a reserve for protest taxes
- \$125,500 in unspent general fund contingency budgets, which are budgets set aside for unforeseen expenditures
- \$200,000 of untransferred funding from general fund to sheriff's public safety fund due to mid-year implementation of new contracted adult detention medical services delivery program
- \$201,000 of unspent budget committed to funding bench connector project. Still awaiting final billing on project.
- \$110,900 savings in the election department, primarily from savings on consolidation of polling places
- \$500,000 of unspent road budget in multiple cost areas. Savings from mild winter.
- \$1,424,000 in unspent grant budgets that were carried over into FY13
- \$430,000 in county attorney staff savings and unspent operations budget
- \$8.7 million in unspent capital project fund budget, which is typically reserves appropriated in the current year but not necessarily scheduled to be spent in the current year
- \$329,000 in unspent bridge projects, which are carried forward to the next budget cycle
- \$1,400,000 in unspent Property & Liability Insurance Fund contingency and claims loss budget
- \$380,000 in RSID Maintenance Fund because reserves are budgeted in case maintenance needs to be done

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Capital Assets

A comparison of capital assets for the last two fiscal years is presented below:

	Governmental Activities		Business Activities		Total	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 3,665,796	\$ 3,665,796	368,574	368,574	\$ 4,034,370	\$ 4,034,370
Buildings	11,825,454	11,570,609	37,250,614	6,441,050	49,076,068	18,011,659
Improvements other than buildings	2,929,493	2,391,258	2,248,662	1,635,893	5,178,155	4,027,151
Equipment and vehicles	8,032,779	7,722,452	407,329	331,474	8,440,108	8,053,926
Infrastructure	22,277,497	20,710,380	0	0	22,277,497	20,710,380
Construction in progress	63,336	667,188	20,736	27,909,545	84,072	28,576,733
Total Capital Assets	\$ 48,794,355	\$ 46,727,683	\$ 40,295,915	\$ 36,686,536	\$ 89,090,270	\$ 83,414,219

Governmental capital assets increased \$2,066,672 in total during the year as a result of the addition of new capital assets in the governmental funds of \$6,704,334 while being offset by depreciation of \$4,638,966 and a gain on disposal of assets of \$1,304.

Some of the larger capital acquisitions in the governmental activities were:

- \$2.9 million in infrastructure improvements for county roads
- Bridge and culvert replacements \$1,062,884
- Huntley streambank protection - \$645,089
- Veteran's Cemetery Shop Building - \$68,660
- Tractor for Road Department \$77,752
- Tractor for Bridge Department \$110,135
- Tractor with scraper for Road Department \$297,821
- Wheel Loader for Road Department \$235,926

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Some of the larger capital acquisitions in the business activities were:

- Building repairs and improvements from tornado damage - \$12,024,004 in addition to \$21,296,917 spent in FY11
- Metra CTEP sidewalk and ramp project \$899,146
- Metra Midway bathroom project \$240,726
- Bobcat \$48,266
- Lake stage remodel \$29,433
- Handheld scanners \$35,139
- Basketball floor refinish \$12,633

See footnote 7 for additional information on capital assets.

Long-term Debt

As of June 30, 2012 the County has \$11,309,770 of long-term liabilities. Governmental funds account for \$10,977,121 and the enterprise funds account for \$332,649.

The largest component of long-term debt is \$6,465,000 of general obligation (G.O.) bonds issued by the County. In 2011 the County issued a \$3,000,000 limited tax general obligation bond for the purposes of dedicating \$2,000,000 for Metrapark facility improvements and \$1,000,000 for the Bench Connector road and bridge project. The debt service for this bond which has a balance of \$2,750,000 will be funded by the general fund. The other limited tax general obligation bond, which has a balance \$2,270,000 was issued to develop the veteran's cemetery and to improve seating at Metra. The 2009 Unlimited Tax G.O. Refunding Bond for the Metra expansion has an outstanding balance \$1,445,000 on June 30, 2012. This voter approved debt is being funded by an annual tax levy on citizens within the County. Law requires an annual levy sufficient to service the general obligation bond.

The County's bond rating from Standard and Poor's was AA+ and was reaffirmed on our \$3,000,000 2011 L.T.G.O. issue.

Another major component of long-term debt includes rural special improvement district (RSID) bonds issued to provide property improvements to properties located within a specified area. Repayment of this debt is assessed to the benefited property owners,

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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2012

which can be repaid over the life of the bond or the remaining principal assessment against the property can be repaid anytime. The County provides additional bond debt service collateralization with the County's RSID Revolving Fund and other contingent funding requirements as specified by law. As of 6/30/12 the County has \$975,945 of outstanding RSID bonds and the RSID Revolving Fund has a fund balance of \$276,560. The County issued no new RSID bonds during FY12; however, one new RSID bond issue was issued in September 2012 for \$1,015,433.52.

Notes payable are occasionally used to finance equipment that a particular fund may not have adequate reserves or funding to acquire within a budget cycle. The County has no outstanding notes payable and no new notes payable were issued during FY12.

Claims and judgments represent the amount of the estimated liability established that is expected to pay for the known liability cases pending against the County. The amount of the estimated liability at year end was \$250,000 for all cases. Fund balance increased by \$181,919 in FY12 in the property and liability insurance fund.

Compensated absences is the amount of the liability for unpaid vacation and sick leave at yearend. The amount of the liability generally increases on an annual basis as a result of increasing wages and a general growth in number of total compensable hours. The liability increased \$63,936 in FY12. The amount of this liability at yearend was \$2,391,278.

See footnote #8 for additional information on long-term debt.

Economic Factors and Next Year's Budget

New construction taxable value as determined by the Montana Department of Revenue for FY13 was 0.68%, which was comparatively low with prior years. The growth rate was negatively impacted by changes in centrally assessed valuation and reduced valuation on personal property.

The 2013 Legislature for the State of Montana will meet in Spring 2013. Taxation of industrial and centrally assessed properties will likely be an important issue to local governments as will public employee pension funding and benefits. Public employee pensions are severely under funded and funding solutions are likely to impact future County budgets.

The economy of Yellowstone County is helped significantly by oil development in eastern Montana and western North Dakota.

**YELLOWSTONE COUNTY, MONTANA
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2012**

The County is experiencing some associated growth in both commercial and residential property development as the County supports oil operations in those areas.

Some of the more significant budgeted items for fiscal year 2013 include:

- Tax protests were anticipated at 10.2% of budgeted property tax revenues, however actual November 2012 tax protests were 6.8%. It was anticipated that Exxon would protest their property taxes, but they did not protest for November 2012. The effects of the protests are currently impacting funds with lower reserves the most. This includes the sheriff's fund, museums, planning, seniors, Riverstone Health, and Library. The County is offsetting the protest impacts by utilizing available tax authority, and has not had to take drastic budget actions or advance funds from the protest tax fund to meet operational needs.
- Taxable valuation was reduced due to changes in centrally assessed properties and personal property. Countywide valuation grew only 0.68%, which was the lowest since 2001.
- The State of Montana is providing \$426,420 of revenue to the County to offset reductions in personal property taxes.
- \$150,000 for a possible general fund transfer to the youth services fund to assist with declining fund reserves and operational funding shortfalls.
- Reduction of 10.7 FTEs in overall county staffing, primarily from contracting jail medical services.
- The extreme decline in interest rates has impaired interest earnings significantly. Interest revenue has declined \$875,252 (84.5%) between FY12 and FY08. The general fund budget of \$115,000 for FY13 is \$45,000 lower than the interest received in FY12.

Requests for Information

This financial report is designed to provide a general overview of Yellowstone 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 information should be addressed to:

Yellowstone County Finance Director
P.O. Box 35003
Billings, MT 59107

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF NET ASSETS (Accrual Basis)

JUNE 30, 2012

Page 1 of 2

<u>ASSETS</u>	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>Current Assets</u>			
Cash and demand investments, pooled	\$ 10,283,710	\$ 578,984	\$ 10,862,694
Cash investments, pooled	29,413,937	1,655,918	31,069,855
Restricted cash and demand investments held in trust, nonpooled	0	260,292	260,292
Receivables (net of allowance for uncollectibles):			
Property taxes	6,118,361	381,620	6,499,981
Accounts	857,265	13,317	870,582
Delinquent assessments	31,504	49,194	80,698
Deferred assessments	110,294	0	110,294
Accrued interest	16,940	87	17,027
Prepaid expenses	26,669	100,767	127,436
Inventories	368,821	25,402	394,223
Due from other taxing districts	2,250	0	2,250
Due from other governments	303,549	22,152	325,701
Advance from other funds	350,000	0	350,000
Total current assets	47,883,300	3,087,733	50,971,033
<u>Noncurrent Assets</u>			
Deferred assessments receivable, net of allowance	870,553	0	870,553
Advance from other funds	1,050,000	0	1,050,000
Total noncurrent assets	1,920,553	0	1,920,553
<u>Capital assets (net of accumulated depreciation):</u>			
Land	3,665,796	368,574	4,034,370
Buildings	11,825,454	37,250,614	49,076,068
Improvements other than buildings	2,929,493	2,248,662	5,178,155
Equipment and vehicles	8,032,779	407,329	8,440,108
Infrastructure	22,277,497	0	22,277,497
Construction in progress	63,336	20,736	84,072
Total capital assets (net of accumulated depreciation)	48,794,355	40,295,915	89,090,270
TOTAL ASSETS	\$ 98,598,208	\$ 43,383,648	\$ 141,981,856

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF NET ASSETS (Accrual Basis)
JUNE 30, 2012
Page 2 of 2

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<u>LIABILITIES</u>			
<u>Current Liabilities</u>			
Accounts payable	\$ 1,752,297	\$ 200,338	\$ 1,952,635
Accrued liabilities	1,190,476	11,500	1,201,976
Accrued compensated absences	536,434	59,230	595,664
Advance from other funds	0	350,000	350,000
Matured bonds payable	7,225	0	7,225
Unearned premiums	341,866	0	341,866
General obligation bonds	1,190,000	0	1,190,000
Special assessment debt with governmental commitment	95,945	0	95,945
Liabilities payable from restricted assets:			
Deferred revenue	0	260,262	260,262
Deposits	2,850	198,482	201,332
Due to other taxing districts	258,294	0	258,294
Total current liabilities	5,375,387	1,079,812	6,455,199
<u>Noncurrent Liabilities</u>			
Long-term liability for accrued compensated absences	1,617,926	177,688	1,795,614
Advance from other funds	0	1,050,000	1,050,000
Deferred revenue	0	748,135	748,135
General obligation bonds	5,275,000	0	5,275,000
Special assessment debt with governmental commitment	880,000	0	880,000
OPEB implicit rate subsidy liability	1,131,816	95,731	1,227,547
Total noncurrent liabilities	8,904,742	2,071,554	10,976,296
TOTAL LIABILITIES	14,280,129	3,151,366	17,431,495
<u>NET ASSETS</u>			
Investment in capital assets, net of related debt	47,583,688	40,295,915	87,879,603
Restricted net assets for debt service	618,469	0	618,469
Unrestricted	36,115,922	(63,633)	36,052,289
TOTAL NET ASSETS	\$ 84,318,079	\$ 40,232,282	\$ 124,550,361

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY
STATEMENT OF ACTIVITIES (ACCRUAL BASIS)
FOR THE YEAR ENDED JUNE 30, 2012

Functions / Programs	Program Revenues								Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Special Assessments	Licenses and Permits	Intergovern- mental	Fines and Forfeitures	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
									Governmental Activities	Business-type Activities	Total
Primary government:											
<u>Governmental activities:</u>											
General government	\$ 12,002,290	\$ 0	\$ 0	\$ 60,855	\$ 605,206	\$ 4,433,969	\$ 0	\$ 0	\$ (6,902,260)	\$ 0	\$ (6,902,260)
Public Safety	22,801,598	0	26,145	161,137	26,645	4,792,644	738,757	449,676	(16,606,594)	0	(16,606,594)
Public Works	7,486,540	799,465	32,526	524,586	0	254,788	18,020	342,897	(5,514,258)	0	(5,514,258)
Public Health	2,973,546	0	0	0	0	3,560	315,630	0	(2,654,356)	0	(2,654,356)
Social and Economic	1,642,537	0	0	171,373	0	32,482	0	0	(1,438,682)	0	(1,438,682)
Culture and Recreation	1,321,039	0	0	0	0	0	526,693	280,782	(513,564)	0	(513,564)
Community Development	370,700	0	0	0	0	0	0	0	(370,700)	0	(370,700)
Conservation of Natural Resources	124,678	0	0	0	0	0	0	0	(124,678)	0	(124,678)
Interest on Long-Term Debt	257,376	0	0	0	0	0	0	0	(257,376)	0	(257,376)
Total governmental activities	48,980,304	799,465	58,671	917,951	631,851	9,517,443	1,599,100	1,073,355	(34,382,468)	0	(34,382,468)
<u>Business-type activities:</u>											
Refuse Disposal	521,445	450,630	0	0	0	0	0	0	0	(70,815)	(70,815)
METRA	6,967,646	0	0	0	0	4,322,531	0	0	0	(2,645,115)	(2,645,115)
Total business-type activities:	7,489,091	450,630	0	0	0	4,322,531	0	0	0	(2,715,930)	(2,715,930)
Total primary government	\$ 56,469,395	\$ 1,250,095	\$ 58,671	\$ 917,951	\$ 631,851	\$ 13,839,974	\$ 1,599,100	\$ 1,073,355	\$ (34,382,468)	\$ (2,715,930)	\$ (37,098,398)
General revenues:											
Property taxes									35,187,834	2,438,771	37,626,605
Licenses and permits									3,668,211	0	3,668,211
Intergovernmental									2,598,745	22,152	2,620,897
Other revenues									652,773	490,544	1,143,317
Transfers									65,664	(65,664)	0
Total general revenues and transfers									42,173,227	2,885,803	45,059,030
Change in net assets									7,790,759	169,873	7,960,632
Net assets, beginning									76,527,320	40,062,409	116,589,729
Net assets - ending									\$ 84,318,079	\$ 40,232,282	\$ 124,550,361

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2012

	MAJOR FUNDS							Total Governmental Funds
	General	Road	Property & Liability Insurance Fund	Public Safety Fund	R.S.I.D. Bond Fund	Capital Improvement Fund	Other Nonmajor Governmental Funds	
ASSETS								
Cash and demand investments, pooled	\$1,570,713	\$982,402	\$686,616	\$1,233,709	\$48,768	\$1,978,970	\$2,055,825	\$8,557,003
Cash investments, pooled	4,493,561	2,809,688	1,963,865	3,528,433	139,485	5,660,277	5,879,903	24,475,212
Receivables (net of allowance for uncollectibles):								
Property taxes	1,628,430	1,183,041	149,492	1,264,912	0	0	1,892,486	6,118,361
Accounts	244,062	500	0	349,511	0	1,726	259,838	855,637
Delinquent assessments	0	0	0	0	2,560	0	28,944	31,504
Deferred assessments	0	0	0	0	976,552	0	4,295	980,847
Accrued interest	9,448	0	949	0	45	2,789	1,456	14,687
Due from other funds	100	0	0	0	0	0	0	100
Due from other taxing districts	2,250	0	0	0	0	0	0	2,250
Due from other governments	93,992	26,579	8,510	71,948	0	0	102,520	303,549
Prepaid expenses	5,188	90	4,718	10,622	0	0	6,051	26,669
Inventories	40,385	250,812	0	0	0	0	77,624	368,821
Advances to other funds	0	0	0	0	0	1,400,000	0	1,400,000
Total assets	\$8,088,129	\$5,253,112	\$2,814,150	\$6,459,135	\$1,167,410	\$9,043,762	\$10,308,942	\$43,134,640
LIABILITIES:								
Accounts payable	\$187,482	\$612,761	\$9,271	\$593,160	\$0	\$27,636	\$315,952	\$1,746,262
Accrued liabilities	542,600	78,723	270,796	251,886	0	0	117,269	1,261,274
Matured bonds payable	0	0	0	0	7,225	0	0	7,225
Due to other funds	0	0	0	0	0	0	27,435	27,435
Deferred revenue	1,628,430	1,183,041	149,492	1,264,912	979,112	0	1,925,725	7,130,712
Deposits	0	0	0	0	0	2,850	0	2,850
Due to other taxing districts	0	0	0	0	0	0	258,294	258,294
Total liabilities	2,358,512	1,874,525	429,559	2,109,958	986,337	30,486	2,644,675	10,434,052
FUND BALANCE:								
Unspendable	45,573	250,902	4,718	10,622	0	0	83,675	395,490
Restricted	17,043	2,409,226	0	0	172,573	0	3,733,991	6,332,833
Committed	65,709	0	728,718	3,767,640	0	0	2,317,479	6,879,546
Assigned	1,244,791	718,459	1,651,155	570,915	8,500	9,013,276	1,529,122	14,736,218
Unassigned	4,356,501	0	0	0	0	0	0	4,356,501
Total fund balance	5,729,617	3,378,587	2,384,591	4,349,177	181,073	9,013,276	7,664,267	32,700,588
Total liabilities and fund balance	\$8,088,129	\$5,253,112	\$2,814,150	\$6,459,135	\$1,167,410	\$9,043,762	\$10,308,942	\$43,134,640

The notes to the financial statements are an integral part of this statement.

**YELLOWSTONE COUNTY
RECONCILIATION OF BALANCE SHEET FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2012**

Fund Balance June 30, 2012, governmental funds	\$ 32,700,588
Net assets of internal service funds as of June 30, 2012, are included as general governmental functions since they are primarily related to that function.	5,985,492
Net capital assets of internal service funds included above	(81,823)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred on the fund statements	7,130,712
Long-term portion of compensated absences is not anticipated to be expended in the current period	(1,614,352)
Long-term debt previously recognized as revenue in prior periods	(7,440,945)
Accrued interest payable on long-term debt	(24,132)
Net capital assets	48,794,355
Other post employment benefits (OPEB) - implicit rate subsidy liability	(1,131,816)
Net Assets of governmental activities, June 30, 2012	<u>\$ 84,318,079</u>

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	MAJOR FUNDS							Total Governmental Funds
	General	Road	Property and Liability Insurance Fund	Public Safety Fund	RSID Bond Fund	Capital Improvement Fund	Nonmajor Governmental Funds	
REVENUES:								
Taxes	\$9,859,385	\$4,005,114	\$888,947	\$7,514,973	\$0	\$0	\$10,976,261	\$33,244,680
Special assessments	0	0	0	0	206,404	0	740,864	947,268
Licenses and permits	30,282	32,526	0	3,519,074	0	0	145,000	3,726,882
Intergovernmental	1,456,403	2,233,920	8,510	682,313	0	0	1,808,005	6,189,151
Fines and forfeitures	605,206	0	0	0	0	0	26,645	631,851
Charges for services	1,245,758	214,701	377,490	3,211,094	0	19,980	1,771,717	6,840,740
Other	228,840	23,748	18,454	122,554	541	146,560	81,459	622,156
Total revenues	13,425,874	6,510,009	1,293,401	15,050,008	206,945	166,540	15,549,951	52,202,728
EXPENDITURES:								
Current:								
General government	6,927,655	0	1,127,632	0	0	0	355,022	8,410,309
Public safety	1,114,114	0	0	14,334,480	0	0	6,371,514	21,820,108
Public works	9,619	5,803,400	0	0	0	0	1,014,873	6,827,892
Public health	710,481	0	0	142,794	0	0	2,109,264	2,962,539
Social and economic services	656,932	0	0	0	0	0	972,808	1,629,740
Culture and recreation	0	0	0	0	0	0	1,191,320	1,191,320
Conservation of natural resources	27,020	0	0	0	0	0	97,658	124,678
Community development	370,700	0	0	0	0	0	0	370,700
Capital outlay	1,097,074	608,288	4,701	612,845	0	295,217	1,623,014	4,241,139
Debt service:								
Principal	0	0	0	0	155,777	0	1,130,000	1,285,777
Interest	0	0	0	0	56,007	0	227,773	283,780
Total expenditures	10,913,595	6,411,688	1,132,333	15,090,119	211,784	295,217	15,093,246	49,147,982
Excess (deficiency) of revenues over (under) expenditures	2,512,279	98,321	161,068	(40,111)	(4,839)	(128,677)	456,705	3,054,746
OTHER FINANCING SOURCES (USES):								
Interfund transfers in	1,033,475	292,734	20,851	899,092	0	1,630,000	3,269,242	7,145,394
Interfund transfers out	(3,463,003)	(527,486)	0	(261,191)	0	0	(3,964,447)	(8,216,127)
Total other financing sources (uses)	(2,429,528)	(234,752)	20,851	637,901	0	1,630,000	(695,205)	(1,070,733)
Net change in fund balances	82,751	(136,431)	181,919	597,790	(4,839)	1,501,323	(238,500)	1,984,013
Fund balances July 1, 2011	5,646,866	3,515,018	2,202,672	3,751,387	185,912	7,511,953	7,902,767	30,716,575
Fund balances June 30, 2012	\$5,729,617	\$3,378,587	\$2,384,591	\$4,349,177	\$181,073	\$9,013,276	\$7,664,267	\$32,700,588

The notes to the financial statements are an integral part of this statement.

**YELLOWSTONE 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, 2012**

Net change in fund balances - total governmental funds	\$ 1,984,013
Change in net assets of internal service funds are included as general governmental functions since they are primarily related to that function.	894,881
Capital Assets:	
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.	
Acquisition of capital assets	6,704,334
Depreciation expense	(4,608,632)
Gain (loss) on disposal / trade-in of capital assets / sale of fixed asset	1,304
(Decrease) increase in property tax and special assessment receivables that may not be available in the current period	1,795,351
Increase in the long-term portion of compensated absences that is not anticipated to be expended in the current period	(33,827)
Change in net long-term debt (notes, bonds). Repayment or the issuance of debt has no impact on net assets. Governmental funds report repayment of debt as an expenditure and the issuance of debt as revenue.	1,285,777
Change in accrued interest payable	26,404
Change in other post employment benefits - implicit rate subsidy	(258,846)
Change in net assets in governmental activities	<u>\$ 7,790,759</u>

The notes to the financial statements are an integral part of this statement.

**YELLOWSTONE COUNTY, MONTANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Page 1 of 2)**

	BUDGET		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final Revised		
REVENUES:				
Taxes:				
Real estate property taxes	\$10,139,987	\$10,139,987	\$9,447,547	(\$692,440)
Personal property taxes	343,900	343,900	253,194	(90,706)
Mobile homes, penalty and interest, other	124,380	124,380	158,644	34,264
Licenses and permits	25,200	25,200	30,282	5,082
Intergovernmental:				
Grants	121,416	2,129,989	1,283,997	(845,992)
State entitlement and other	75,343	75,343	172,406	97,063
Fines and forfeitures, justice court	660,000	660,000	605,206	(54,794)
Charges for services:				
Clerk & Recorder	1,035,000	1,035,000	1,062,823	27,823
Miscellaneous	164,350	164,350	182,935	18,585
Other:				
Interest on investments	225,000	225,000	126,415	(98,585)
Miscellaneous	20,000	161,751	102,425	(59,326)
Total revenues	\$12,934,576	\$ 15,084,900	\$ 13,425,874	\$ (1,659,026)

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Page 2 of 2)

Current:	BUDGET		Actual	Variance with
	Original	Final Revised		Final Budget -
General government:				Positive
County commissioners	\$466,966	\$466,966	\$458,026	\$ 8,940
Elections	450,387	450,387	339,446	110,941
Clerk & Recorder	584,721	584,721	515,013	69,708
Treasurer, Auditor, Finance	1,952,158	1,952,158	1,836,339	115,819
Information technology	731,198	734,448	714,904	19,544
Building maintenance	653,619	653,619	647,831	5,788
Other	3,645,232	3,582,232	2,416,096	1,166,136
Public safety:				
Disaster and Emergency, Rural Fire	360,456	728,760	470,376	258,384
Juvenile detention	477,840	477,840	477,840	0
Other	184,582	184,582	165,898	18,684
Public works	0	38,515	9,619	28,896
Public health	420,635	736,265	710,481	25,784
Social and economic services				
Youth shelter	238,920	238,920	238,920	0
Rent assistance program	137,500	137,500	137,500	0
Medical assistance program	212,108	212,108	212,108	0
Other	94,200	94,200	68,404	25,796
Culture and recreation	0	99,868	0	99,868
Conservation of natural resources	27,020	27,020	27,020	0
Community development	399,777	439,777	370,700	69,077
Capital outlay	397,750	1,902,627	1,097,074	805,553
Total expenditures	11,435,069	13,742,513	10,913,595	2,828,918
Excess (deficiency) of revenues over (under) expenditures	1,499,507	1,342,387	2,512,279	1,169,892
OTHER FINANCING SOURCES (USES):				
Interfund transfers in	1,085,776	1,275,866	1,033,475	(242,391)
Interfund transfers out	(3,789,126)	(3,844,126)	(3,463,003)	381,123
Total other financing sources (uses)	(2,703,350)	(2,568,260)	(2,429,528)	138,732
Net change in fund balances	(\$1,203,843)	(\$1,225,873)	82,751	\$1,308,624
Fund balance July 1, 2011			5,646,866	
Fund balance June 30, 2012			\$5,729,617	

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
MAJOR SPECIAL REVENUE FUNDS - ROAD, PROPERTY and LIABILITY INSURANCE, AND PUBLIC SAFETY FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Road Fund				Property and Liability Insurance Fund				Public Safety Fund				
	BUDGET			Variance with Final Budget - Positive (Negative)	BUDGET			Variance with Final Budget - Positive (Negative)	BUDGET			Variance with Final Budget - Positive (Negative)	
	Original	Final Revised	Actual		Original	Final Revised	Actual		Original	Final Revised	Actual		
REVENUES:													
Taxes	\$4,524,073	\$4,524,073	\$4,005,114	(\$518,959)	\$959,653	\$959,653	\$888,947	(\$70,706)	\$8,113,432	\$8,113,432	\$7,514,973	(\$598,459)	
Licenses and permits	17,750	17,750	32,526	14,776	0	0	0	0	3,755,000	3,755,000	3,519,074	(235,926)	
Intergovernmental	2,013,646	2,210,696	2,233,920	23,224	0	0	8,510	8,510	49,000	896,310	682,313	(213,997)	
Charges for services	183,000	183,000	214,701	31,701	377,490	377,490	377,490	0	2,285,700	2,455,700	3,211,094	755,394	
Other	40,500	40,500	23,748	(16,752)	18,000	18,000	18,454	454	10,000	148,115	122,554	(25,561)	
Total revenues	6,778,969	6,976,019	6,510,009	(466,010)	1,355,143	1,355,143	1,293,401	(61,742)	14,213,132	15,368,557	15,050,008	(318,549)	
EXPENDITURES:													
Current:													
General government	0	0	0	0	2,783,769	2,783,769	1,127,632	1,656,137	0	0	0	0	
Public safety	0	0	0	0	0	0	0	0	15,101,615	15,750,924	14,334,480	1,416,444	
Public works	6,882,980	6,831,985	5,803,400	1,028,585	0	0	0	0	0	0	0	0	
Public health	0	0	0	0	0	0	0	0	147,904	148,904	142,794	6,110	
Capital outlay	663,961	659,956	608,288	51,668	4,800	4,800	4,701	99	258,444	729,360	612,845	116,515	
Total expenditures	7,546,941	7,491,941	6,411,688	1,080,253	2,788,569	2,788,569	1,132,333	1,656,236	15,507,963	16,629,188	15,090,119	1,539,069	
Excess (deficiency) of revenues over (under) expenditures	(767,972)	(515,922)	98,321	614,243	(1,433,426)	(1,433,426)	161,068	1,594,494	(1,294,831)	(1,260,631)	(40,111)	1,220,520	
OTHER FINANCING SOURCES (USES):													
Interfund transfers in	294,184	294,184	292,734	(1,450)	21,014	21,014	20,851	(163)	1,165,736	1,165,736	899,092	(266,644)	
Interfund transfers out	(487,863)	(542,862)	(527,486)	15,376	0	0	0	0	(263,608)	(263,608)	(261,191)	2,417	
Total other financing sources (uses)	(193,679)	(248,678)	(234,752)	13,926	21,014	21,014	20,851	(163)	902,128	902,128	637,901	(264,227)	
Net change in fund balances	(\$961,651)	(\$764,600)	(136,431)	\$628,169	(\$1,412,412)	(\$1,412,412)	181,919	\$1,594,331	(\$392,703)	(\$358,503)	597,790	\$956,293	
Fund balances July 1, 2011			3,515,018				2,202,672				3,751,387		
Fund balances June 30, 2012			\$3,378,587				\$2,384,591				\$4,349,177		

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012
(Page 1 of 2)

<u>ASSETS</u>	Business-Type Activities Enterprise Funds			Governmental Activities -
	Refuse Disposal Fund	METRA Fund	Total	Internal Service Funds
CURRENT ASSETS:				
Cash and demand investments, pooled	\$95,138	\$483,846	\$578,984	\$1,726,707
Cash investments, pooled	272,096	1,383,822	1,655,918	4,938,725
Restricted cash and demand investments held in trust, nonpooled	0	260,292	260,292	0
Receivables (net of allowance for uncollectibles):				
Property taxes	0	381,620	381,620	0
Accounts	0	13,317	13,317	1,628
Delinquent assessments	49,194	0	49,194	0
Accrued interest	0	87	87	2,253
Due from other funds	0	0	0	27,335
Due from other governments	0	22,152	22,152	0
Prepaid expenses	0	100,767	100,767	0
Inventories	0	25,402	25,402	0
Total current assets	416,428	2,671,305	3,087,733	6,696,648
NONCURRENT ASSETS:				
Capital assets:				
Land	0	368,574	368,574	0
Buildings	0	53,863,750	53,863,750	0
Improvements other than buildings	0	5,472,074	5,472,074	0
Equipment and vehicles	0	1,116,350	1,116,350	315,619
Construction in progress	0	20,736	20,736	0
Accumulated depreciation	0	(20,545,569)	(20,545,569)	(233,796)
Total capital assets (net of accumulated depreciation)	0	40,295,915	40,295,915	81,823
Total assets	\$416,428	\$42,967,220	\$43,383,648	\$6,778,471

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012
(Page 2 of 2)

	Business-Type Activities Enterprise Funds			Governmental Activities -
	Refuse Disposal Fund	METRA Fund	Total	Internal Service Funds
<u>LIABILITIES</u>				
CURRENT LIABILITIES:				
Accounts payable	714	199,624	\$200,338	\$6,035
Accrued liabilities	0	11,500	11,500	440,313
Accrued compensated absences	0	59,230	59,230	1,191
Advance from other funds	0	350,000	350,000	0
Deferred revenue	0	168,448	168,448	0
Unearned premiums	0	0	0	341,866
Deposits	0	42,483	42,483	0
Total current liabilities	714	831,285	831,999	789,405
CURRENT LIABILITIES PAYABLE FROM RESTRICTED CASH:				
Deferred revenue	0	91,814	91,814	0
Deposits	0	155,999	155,999	0
Total current liabilities payable from restricted cash	0	247,813	247,813	0
NONCURRENT LIABILITIES:				
Accrued compensated absences	0	177,688	177,688	3,574
Advance from other funds	0	1,050,000	1,050,000	0
Deferred revenue	0	748,135	748,135	0
OPEB implicit rate subsidy	0	95,731	95,731	0
Total noncurrent liabilities	0	2,071,554	2,071,554	3,574
Total liabilities	714	3,150,652	3,151,366	792,979
<u>NET ASSETS</u>				
Investment in capital assets, net of related debt	0	40,295,915	40,295,915	81,823
Unrestricted	415,714	(479,347)	(63,633)	5,903,669
Total net assets	415,714	39,816,568	40,232,282	5,985,492
Total liabilities and net assets	\$416,428	\$42,967,220	\$43,383,648	\$6,778,471

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Business-Type Activities - Enterprise Funds			Governmental Activities -
	Refuse Disposal Fund	METRA Fund	Total	Internal Service Funds
OPERATING REVENUES:				
Charge for services and use of facilities	\$ 450,630	\$ 4,322,531	\$ 4,773,161	\$ 136,136
Health insurance premiums	0	0	0	5,609,371
Total operating revenues	450,630	4,322,531	4,773,161	5,745,507
OPERATING EXPENSES:				
Salaries and benefits	612	2,535,053	2,535,665	60,230
Supplies	0	629,485	629,485	12,438
Contracted services	520,833	2,117,034	2,637,867	109,165
Health claims	0	0	0	5,396,392
Stop-loss insurance and administration	0	0	0	409,081
Awards	0	104,014	104,014	0
Depreciation	0	1,582,060	1,582,060	30,334
Total operating expenses	521,445	6,967,646	7,489,091	6,017,640
Operating income (loss)	(70,815)	(2,645,115)	(2,715,930)	(272,133)
NONOPERATING REVENUES (EXPENSES):				
Taxes	0	2,438,771	2,438,771	0
Intergovernmental revenue	0	22,152	22,152	0
Interest revenue (expense)	0	(3,829)	(3,829)	30,617
Other revenue	0	6,676	6,676	0
Revenue from signage agreement	0	176,871	176,871	0
Contribution from grant fund	0	310,826	310,826	0
Total nonoperating revenues (expenses)	0	2,951,467	2,951,467	30,617
Income (loss) before transfers	(70,815)	306,352	235,537	(241,516)
Transfer in from other funds	0	0	0	1,136,397
Transfer out to other funds	(25,000)	(40,664)	(65,664)	0
Change in net assets	(95,815)	265,688	169,873	894,881
Net assets July 1, 2011	511,529	39,550,880	40,062,409	5,090,611
Net assets June 30, 2012	\$ 415,714	\$ 39,816,568	\$ 40,232,282	\$ 5,985,492

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Page 1 of 2)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Refuse Disposal</u>	<u>METRA</u>	<u>Total</u>	<u>Internal</u>
	<u>Fund</u>	<u>Fund</u>		<u>Service Funds</u>
<u>Cash flows from operating activities:</u>				
Cash received from users	\$ 466,136	\$ 4,053,189	\$ 4,519,325	\$ 136,136
Cash received from health insurance premiums	0	0	0	5,702,008
Cash paid to other suppliers for goods or services	(520,835)	(2,930,878)	(3,451,713)	(117,885)
Cash paid to employees for services	(612)	(2,501,423)	(2,502,035)	(59,354)
Cash paid for health claims	0	0	0	(5,276,554)
Cash paid for stop-loss insurance and administration	0	0	0	(409,081)
Net cash provided (used) by operating activities	(55,311)	(1,379,112)	(1,434,423)	(24,730)
<u>Cash flows from noncapital financing activities:</u>				
Cash received from taxes, licenses, permits, and intergovernmental revenue	0	2,316,899	2,316,899	0
Cash received from interfund transfer	0	0	0	1,109,062
Cash transferred to other funds for services	0	(40,664)	(40,664)	0
Cash transferred to Blight Abatement	(25,000)	0	(25,000)	0
Cash received from other revenues	0	6,676	6,676	0
Net cash provided (used) by noncapital financing activities	(25,000)	2,282,911	2,257,911	1,109,062
<u>Cash flows from capital and related financing activities:</u>				
Acquisition of capital assets	0	(9,236,180)	(9,236,180)	0
Cash received from interfund loan	0	1,400,000	1,400,000	0
Net cash used for capital and related financing activities	0	(7,836,180)	(7,836,180)	0
<u>Cash flows from investing activities:</u>				
Deposits into investment pool	100,255	5,754,872	5,855,127	(324,978)
Interest received on investments	0	(260)	(260)	37,141
Net cash provided (used) by investing activities	100,255	5,754,612	5,854,867	(287,837)
Net increase (decrease) in cash and demand investments	19,944	(1,177,769)	(1,157,825)	796,495
Cash and demand investments, and restricted cash, July 1, 2011	75,194	1,921,907	1,997,101	930,212
Cash and demand investments, and restricted cash, June 30, 2012	\$ 95,138	\$ 744,138	\$ 839,276	\$ 1,726,707
<u>Presented in Statement of Net Assets as follows:</u>				
Cash and demand investments, pooled	\$ 95,138	\$ 483,846	\$ 578,984	
Restricted cash held in trust, nonpooled	0	260,292	260,292	
Cash and demand investments, and restricted cash, June 30, 2012	\$ 95,138	\$ 744,138	\$ 839,276	

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(Page 2 of 2)

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Refuse Disposal</u>	<u>METRA</u>	<u>Total</u>	<u>Internal</u>
	<u>Fund</u>	<u>Fund</u>		<u>Service Funds</u>
Noncash transactions:				
Donation of capital asset from grant	\$ 0	\$ 310,826	\$ 310,826	\$ 0
Revenue recognized on sales rights agreement	\$ 0	\$ 176,871	\$ 176,871	\$ 0
OPEB implicit rate subsidy expense	\$ 0	\$ 24,614	\$ 24,614	\$ 0

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities

Operating income (loss)	<u>\$ (70,815)</u>	<u>\$ (2,645,115)</u>	<u>\$ (2,715,930)</u>	<u>\$ (272,133)</u>
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation expense	0	1,582,060	1,582,060	30,334
(Increase) decrease in assets:				
Accounts receivable	0	9,060	9,060	46,106
Delinquent assessments receivable	15,506	0	15,506	0
Prepaid expenses	0	4,359	4,359	0
Inventories	0	(10,075)	(10,075)	0
Construction in progress	0	3,000	3,000	0
Increase (decrease) in liabilities:				
Accounts payable	(2)	(77,629)	(77,631)	3,718
Accrued liabilities	0	9,016	9,016	120,714
Unearned premiums	0	0	0	46,531
Deferred revenue	0	(61,188)	(61,188)	0
Deposits	0	(217,214)	(217,214)	0
OPEB implicit rate subsidy liability	0	24,614	24,614	0
Total adjustments	<u>15,504</u>	<u>1,266,003</u>	<u>1,281,507</u>	<u>247,403</u>
Net cash provided (used) by operating activities	<u>\$ (55,311)</u>	<u>\$ (1,379,112)</u>	<u>\$ (1,434,423)</u>	<u>\$ (24,730)</u>

The notes to the financial statements are an integral part of this statement.

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2012

	External Investment Trust Fund	Agency Funds	Total Fiduciary Funds
<u>ASSETS</u>			
Cash and demand investments, pooled	\$ 20,601,002	\$ 1,327,013	\$ 21,928,015
Cash investments, pooled	58,922,917	3,795,283	62,718,200
Restricted cash and demand investments held in trust, nonpooled	0	29,955	29,955
Restricted cash and demand investments for capital improvements, nonpooled	0	2,467,918	2,467,918
Receivables:			
Property taxes	0	24,195,194	24,195,194
Delinquent assessments	0	614,428	614,428
Accrued interest	26,563	631	27,194
Due from other funds	0	5,427,978	5,427,978
Due from other government	0	37,760	37,760
Total assets	\$ 79,550,482	\$ 37,896,160	\$ 117,446,642
<u>LIABILITIES</u>			
Accounts payable	\$0	\$ 185,192	\$ 185,192
Due to other funds - protest tax fund	0	5,427,979	5,427,979
Due to others	0	1,295,837	1,295,837
Due to other taxing districts - county general fund	0	2,250	2,250
Due to other taxing districts	0	30,984,902	30,984,902
Total liabilities	0	37,896,160	37,896,160
<u>NET ASSETS</u>			
Net assets held in trust for pool participants	\$ 79,550,482	\$0	\$ 79,550,482

The notes to the financial statements are an integral part of this statement.

**YELLOWSTONE COUNTY, MONTANA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
EXTERNAL INVESTMENT TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2012**

ADDITIONS:

Contributions to pooled investments	\$ 567,466,720	
Interest and investment income	368,204	
Total additions		\$ 567,834,924

DEDUCTIONS

Distributions from pooled investments	(546,239,792)	
Investment administrative expenses	(4,515)	
Total deductions		(546,244,307)

Change in net assets held in trust for pool participants		21,590,617
Net assets held in trust for pool participants, July 1, 2011		57,959,865
Net assets held in trust for pool participants, June 30, 2012		\$ 79,550,482

The notes to the financial statements are an integral part of this statement.

Yellowstone County, Montana

Notes to the Financial Statements

June 30, 2012

Note 1. Summary of Significant Accounting Policies

The financial statements of Yellowstone County (the County) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

Yellowstone County's financial statements include those separate governmental entities that are controlled or are dependent on the County. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 14. GASB Statement No. 14 defines the reporting entity as the County and those component units for which the County is financially accountable. To be financially accountable, a voting majority of the organization's board must be appointed by the County, and either a) the County must be able to impose its will, or b) the County may potentially benefit financially or be financially responsible for the organization. The County does not report any separate government entities as component units.

B. Fund Accounting

The County uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds). The general fund is used to account for all financial activities of the general government not recorded in another fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the government (internal service funds).

Fiduciary funds include all trust and agency funds which account for assets held by the County as a trustee or as an agent for individuals, other governmental units and/or other funds. The investment trust fund accounts for the external portion of the County's investment pool, which is invested for County school districts, special districts, and the protest tax fund. These districts have all agreed to voluntarily participate in the investment pool. Agency funds generally are used to account for funds being held on an interim basis on behalf of others as their agent. Such funds are custodial in nature since all assets are due to individuals or entities at some future time.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, continued

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. Interfund activity constituting reimbursements for expenditures or expenses previously recorded in another fund, for the most part, has been removed from these statements. This avoids reporting the same expenditure or expense twice and eliminates the associated reimbursement revenue. *Governmental-activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

Nonmajor funds are aggregated and presented in a single column. The internal service funds are aggregated in a single column on the face of the proprietary fund statement.

D. 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 the 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 revenues in the year for which 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*. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred as under accrual accounting. Principal and interest on long-term debt, as well as expenditures related to compensated absences, are recorded as fund liabilities when payment is due.

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net assets. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in total net assets. The Proprietary funds apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins. The County has not adopted paragraph 7 of GASB#20 regarding the application of FASB pronouncements after November 30, 1989. The accrual basis of accounting is utilized by proprietary funds and the investment trust fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

Agency funds are custodial in nature and do not involve measurement of results of operations.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

The County reports deferred revenue on its governmental funds' balance sheets. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. The County reports uncollected property tax revenues as deferred revenue for governmental funds.

Those revenues susceptible to accrual are interest revenue, grant revenues, and charges for services. Changes in the fair value of investments are recognized in revenue at the end of each year. Fines and permits are not susceptible to accrual because generally they are not measurable until received in cash.

The government reports the following major governmental funds:

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

The *road fund* accounts for the construction, maintenance, and improvements of public roads outside incorporated areas.

The *property and liability insurance fund* accounts for the collection of levied taxes used to pay property and casualty insurance and the establishment of reserves for the self-funded liability program.

The *public safety fund* accounts for the levy and expenditures of the Sheriff's Department, including the Yellowstone County Detention Facility.

The *RSID bond fund* accounts for the resources accumulated and payments made for principal and interest on long-term debt issued for rural special improvement districts.

The *capital improvement fund* accounts for the accumulation and expenditure of resources for major capital expenditures, construction, or improvements.

The government reports the following major fund proprietary funds:

The *refuse disposal fund* accounts for the funding and costs associated with County charges and services provided to County residents to have access to garbage disposal.

The *METRA fund* accounts for the operations of the Montana Exposition, Trade, and Recreation Arena (METRA), which reports all activities and events held in the 10,000 seat arena and other event facilities and grounds.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, continued

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Additionally, the government reports the following fund types:

Internal service funds account for the County's self-insured health insurance plan, motor pool, and telephone services provided to other departments or agencies of the government, or to other governments, on a cost reimbursement basis. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges for property and liability insurance. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fiduciary fund types are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The County's agency funds include cash and property tax receivables for county school districts and other county special districts. They also include property tax receivables levied by Yellowstone County on behalf of the State of Montana and the Cities of Billings, Laurel, and Broadview. Cash collections on those property tax receivables are distributed to associated taxing jurisdictions in the month subsequent to collection.

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 METRA enterprise fund and of the government's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the general purpose financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, continued

F. Assets, Liabilities, and Net Assets or Equity

1. Cash and Demand Investments, and Cash Investments

Cash resources, to the extent available, of the individual funds are combined to form a cash pool, which is managed by the County Finance Director. The cash pool is not registered with the Securities and Exchange Commission as an investment company and is not subject to regulatory oversight. Investments of the pooled cash, which are authorized by state law, consist primarily of repurchase agreements, the State of Montana's Short Term Investment Pool (STIP), and securities of the U. S. Government, its agencies, or government sponsored entities and are carried at quoted market prices. The fair value of investments is determined annually, and is based on quoted market prices. The method used to determine the values of participants' equity withdrawn is based on the book value of the participants' percentage participation at the date of withdrawal. Bank deposits include demand deposits and overnight repurchase agreements in County banks. Interest income earned as a result of pooling and changes in the fair value of investments are distributed to the appropriate funds as designated by state law utilizing a formula based on the applicable cash balance participation of each fund. The general fund receives interest revenue from those funds not specifically designated by state law to receive interest. Government sponsored entities include: federal home loan bank; federal national mortgage association; federal home mortgage corporation; and federal farm credit bank.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2012 to support the value of shares in the pool.

The County issues warrants in payment of its obligations. Cash balances are reported net of outstanding warrants.

For purposes of the statement of cash flows, the County considers all highly liquid debt instruments with an original maturity of three months or less, including restricted cash and demand investments, as cash equivalents.

Montana Code Annotated 7-6-202 regarding "Deposit and Investment of Public Money" reads as follows:

- (1) A local governing body may invest public money not necessary for immediate use by the county, city, or town in the following eligible securities:
 - (a) United States government treasury bills, notes, and bonds and in United States treasury obligations, such as state and local government series (SLGS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;
 - (b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book-entry form with the federal reserve bank of New York; or
 - (c) obligations of the following agencies of the United States, subject to the limitations in subsection (2):
 - (i) federal home loan bank;
 - (ii) federal national mortgage association;
 - (iii) federal home mortgage corporation; and
 - (iv) federal farm credit bank.
- (2) An investment in an agency of the United States is authorized under this section if the investment is a general obligation of the agency and has a fixed or zero-coupon rate and does not have prepayments that are based on underlying assets or collateral, including but not limited to residential or commercial mortgages, farm loans, multifamily housing loans, or student loans.
- (3) The local governing body may invest in a United States government security money market fund if:
 - (a) the fund is sold and managed by a management-type investment company or investment trust registered under the Investment Company Act of 1940 (15 U.S.C. 80a-1 through 80a-64), as may be amended;
 - (b) the fund consists only of eligible securities as described in this section;
 - (c) the use of repurchase agreements is limited to agreements that are fully collateralized by the eligible securities, as described in this section, and the investment company or investment trust takes delivery of the collateral for any repurchase agreement, either directly or through an authorized custodian.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, continued

F. Assets, Liabilities, and Net Assets or Equity

1. Cash and Demand Investments, and Cash Investments

(d) the fund is listed in a national financial publication under the category of "money market mutual funds", showing the fund's average maturity, yield, and asset size; and (e) the fund's average maturity does not exceed 397 days.

(4) Except as provided in subsection (5), an investment authorized in this part 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.

(5) An investment of the assets of a local government group self-insurance program established pursuant to 2-9-211 or 39-71-2103 in an investment authorized in this part may not have a maturity date exceeding 10 years, and the average maturity of all those authorized investments of a local government group self-insurance program may not exceed 6 years.

(6) This section may not be construed to prevent the investment of public funds under the state unified investment program established in Montana Code Annotated Title 17, chapter 6, part 2.

Montana Code Annotated 7-6-206 permits time or savings deposits with banks, savings and loans associations, or credit unions within the State. The County has placed investment pool funds into a local bank utilizing a recent FDIC program referred as the Certificate of Deposit Account Registry Service (CDARS). The CDARS program allows funds to be placed into a participating bank and the funds are 100% FDIC insured with that bank. The program utilizes FDIC insurance distribution from member banks, however, the funds are utilized and retained by the local member bank.

2. Restricted Cash and Demand Investments

Restricted cash and demand investments represent resources set aside for capital improvements, advances, notes payable repayment, and unforeseeable repairs improvements.

3. Receivables and Payables

All trade, special assessment, and property tax receivables are shown net of an allowance for uncollectibles. As of June 30, 2012, the allowances were as follows:

	<u>Allowance Amount</u>
Accounts Receivable	\$ 31,983
Property taxes	2,039,200
Delinquent special assessments	14,200
Deferred special assessments	51,600
Total uncollectible allowance	<u>\$2,136,983</u>

Activity 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). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Yellowstone County, Montana

Notes to the Financial Statements

June 30, 2012

Note 1. Summary of Significant Accounting Policies, continued

4. Inventories

In the proprietary funds, inventories are recorded at the lower of cost (first-in, first-out method) or market, and are recorded as expenses when consumed. In the funds, reported inventories are recorded at average cost, and are recorded as expenditures when consumed.

5. Capital Assets

Capital assets, which include property, plant, and equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The governmental fund financial statements may include expenditures for minor capital assets valued between \$500 and \$5,000 that the County has budgeted as capital in order to provide fixed asset control of these items, however, these items are not being reported or depreciated as capital assets on the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20
Public Domain Infrastructure	50
System Infrastructure	30
Vehicles	5
Office Equipment	5
Computer Equipment	5

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund balance sheets.

The County's collection of donated artifacts and art held at the Yellowstone County Museum are not capitalized or depreciated. During 2012, there were no significant purchases or deaccession of collection items.

6. Self-Insurance Accruals

The County provides for an estimated accrual for incurred claims at year end in the Property and Liability Insurance Fund for liability claims and the Health Insurance Fund for unpaid health claims.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, continued

7. Due to Other Taxing Districts

This account represents cash, tax receivables, and other assets held by the County for other taxing jurisdictions. Cash received by the County for the State of Montana, multi-jurisdictional service districts, and cities and towns located in Yellowstone County is distributed in the month following collection.

8. Compensated Absences

Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a liability of the governmental fund that will pay it in the fund financial statements. Amounts of vested or accumulated vacation and sick leave that are not expected to be liquidated with expendable available financial resources are reported as a long-term liability in the government-wide financial statements. Vested or accumulated vacation and sick leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits. The non-vested portion of sick leave is 75% of the accrued sick leave times the rate of pay.

All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements

9. Long-term Obligations

In the government-wide financial statements, and proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets.

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.

10. Fund Equity

In the fund financial statements, governmental funds report fund balance in classifications that comprise a hierarchy based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The Government Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for the County beginning in fiscal year 2011. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The five fund balance classifications, in order of constraint level, are Nonspendable, Restricted, Committed, Assigned and Unassigned. Nonspendable can represent a constraint or an asset that is not spendable in form.

In compliance with GASB Statement No. 54, Yellowstone County adopted a Fund Balance Classification Policy. This policy states that committed fund balances will be authorized by the County Commission in a public meeting by resolution or policy. Committed fund balance may only become uncommitted by the same formal action authorized by the County Commission in a public meeting by resolution or policy. Assigned fund balance may be assigned informally by the Finance Director based on future budget expenditures after a current fund balance review has been completed. Assigned fund balance may become unassigned by the same action.

Yellowstone County's expenditure order of resource categories for all governmental funds, when restricted, committed, assigned or unassigned are available, will be as follows:

1. Restricted
2. Committed
3. Assigned
4. Unassigned

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 1. Summary of Significant Accounting Policies, continued

11. Net Assets

Net assets represents the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets does not include either capitalized assets or the related debt for Rural Special Improvement Districts (RSIDs). Infrastructure improvements built and maintained through RSIDs are the financial responsibility of the benefited property owners and are not the responsibility of the County other than in a fiduciary capacity. Net assets invested in capital assets, net of related debt, excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations by other governments.

Note 2. Reconciliation Comparative of Government-wide and Fund Financial Statements

A. Explanation of Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

A separate report has been included in basic financial statements to explain the differences between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets.

B. Explanation of Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

A separate report has been included in basic financial statements to explain the differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities.

Note 3. Stewardship, compliance, and accountability

A. Budgets

Budgets are adopted on a basis consistent with a modified accrual basis of accounting. Annual legal budgets are adopted for the general, special revenue, debt service, and capital projects funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

The level of budgetary control (that is the level at which expenditures cannot legally exceed the appropriated amount) is established at the fund level. Individual fund budgets are the same as appropriation amounts. Unexpended appropriations lapse at the end of the year.

Budget amendments can be made at any time during the year by resolution after holding public hearings. Supplemental appropriations were made for unanticipated state and federal grants awarded during the year. The effect of the budget amendments other than those for federal and state grants during fiscal year 2012 was nominal. Reported budget amounts represent the original adopted budget as amended.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 4. Cash and Demand Investments, and Cash Investments

The County maintains a cash and investment pool for all funds under the control of the County Treasurer. The non-pooled investments represent those investments held for other individuals or districts to be utilized for a specific purpose or capital project. The County's investments are categorized below to give an indication of the level of risk assumed by the County at June 30, 2012. All investments meet collateral requirements specified by State Law.

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the County or its agent in the County's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the County's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent, but not in the County's name.

At year end, the County's pooled investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
Cash investments - U.S. Government agencies	\$ 51,788,056	\$0	\$0	\$ 51,788,056
Cash investments - certificate of deposit account registry service	42,000,000	0	0	42,000,000
Cash in overnight repurchase agreements	0	0	31,664,042	31,664,042
Cash on hand and demand deposits	177,116	0	949,551	1,126,667
Subtotal	<u>\$ 93,965,172</u>	<u>\$0</u>	<u>\$ 32,613,593</u>	<u>126,578,765</u>
<u>Investments Not Subject to Categories:</u>				
State Treasurer's Investment Pool (STIP)				0
Total Pooled Investments				<u>\$ 126,578,765</u>

At year end, the County's nonpooled investment balances were as follows:

	Category			Reported Amount/ Fair Value
	1	2	3	
Cash investments - certificate of deposit account registry service	\$ 2,467,918	\$0	\$0	\$ 2,467,918
Cash on hand and demand deposits	100,000	0	190,247	290,247
Subtotal	<u>\$ 2,567,918</u>	<u>\$0</u>	<u>\$ 190,247</u>	<u>2,758,165</u>
<u>Investments Not Subject to Categories:</u>				
State Treasurer's Investment Pool (STIP)				0
Total Nonpooled Investments				<u>2,758,165</u>
Total Investments				<u>\$ 129,336,930</u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 4. Cash and Demand Investments, and Cash Investments, continued

Along with limitations placed on investments by state law, the County minimizes custodial risk by restrictions set forth by County policy. Custodial risk is the risk that in an event of a financial institution failure, the County investments may not be returned or the County will not be able to recover the collateral securities in the possession of the outside party. The County maintains a listing of financial institutions which are approved for investment purposes.

Due to higher cash flows at certain times during the year, the County's investment in overnight repurchase agreements for which the underlying securities were held by the dealer increased significantly. As a result, the amounts that were in category 3 at those times were substantially higher than at year end.

The total cash reported at June 30, 2012, is detailed as follows:

	<u>Total</u>	<u>Statement of Net Assets</u>	<u>Fiduciary Net Assets</u>
Cash and demand investments, pooled	\$ 32,790,709	\$ 10,862,694	\$21,928,015
Restricted cash and demand investments held in trust, nonpooled	290,247	260,292	29,955
Total cash and demand investments	33,080,956	11,122,986	21,957,970
Cash investments, pooled	93,788,056	31,069,856	62,718,200
Restricted cash investments for debt service, nonpooled	2,467,918	0	2,467,918
Total	<u>\$ 129,336,930</u>	<u>\$ 42,192,842</u>	<u>\$87,144,088</u>
Cash on hand, pooled	\$ 387,694		
Cash in bank deposits and other bank deposits, pooled	738,973		
Cash in bank deposits and other bank deposits, nonpooled	290,247		
Cash in overnight repurchase agreements, pooled	44,212,612		
Cash in State Treasurer's Investment Pool (STIP)	0		
Outstanding warrants, pooled	<u>(12,548,570)</u>		
Total cash and demand investments	33,080,956		
Cash investments, pooled	93,788,056		
Cash investments, nonpooled	2,467,918		
Total	<u>\$ 129,336,930</u>		
Cash and demand investments, and cash investments- pooled	\$ 126,578,765		
Cash and demand investments, and cash investments- nonpooled	2,758,165		
	<u>\$ 129,336,930</u>		

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 4. Cash and Demand Investments, and Cash Investments, continued

Cash on hand - represents two types of cash items: petty cash and change funds on hand - \$37,330; cash received after last bank deposit - \$350,364

Cash in bank deposits and other bank deposits – Cash in bank deposits represents cash on deposit in local bank accounts used for pooled banking operations of the County - \$738,973; other bank deposits represents cash held in trust for other individuals in which any interest earnings are not distributed to the investment pool - \$290,247

Cash in overnight repurchase agreements – represents cash invested on a daily basis by the County's primary bank. Invested funds represent the nightly balance of collected funds in the County's main depository bank account. The overnight repurchase agreement has the funds re-deposited into the County's main bank account the next business day. The invested funds are collateralized by permissible U.S. government securities that have a value of at least 102% of the investment value.

Cash in State Treasurer's Investment Pool (STIP)

STIP is considered an external investment pool. STIP is also classified as a "2a-7 like" pool. A "2a-7-like" pool is an external investment pool that is not registered with the Securities and Exchange Commission as an investment fund, but has a policy that it will and does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. The County's investment position in STIP is determined by the pool's share price, which is dollar denominated.

The STIP portfolio includes, but is not limited to, "variable rate" and "asset-backed" securities to provide diversification and a competitive rate of return. These securities are described below:

Asset-backed Securities are debt securities collateralized by a pool of mortgages and non-mortgage assets, such as trade and loan receivables, equipment leases, and credit cards, etc. pledged by the issuer. Asset-backed securities have one or more forms of credit enhancement to raise the quality of the security. Examples of credit enhancement include, but are not limited to, letter of credit, reserve fund, or senior/subordinate arrangements.

Variable Rate (Floating-Rate) Securities provide many advantages of short-term bonds because they are designed to minimize the investor's interest rate risk. As with variable rate loans issued by banks, the interest rate paid by the issuer of these securities is reset periodically depending on market conditions. The value of these securities will usually remain at or near par because their interest rates are reset to maintain a current market yield. STIP's variable rate securities float to either the prime rate or the London Interbank Offering Rate (LIBOR), which is similar to the European federal funds rate.

Outstanding warrants - represents issued and outstanding warrants and checks of the County and school districts.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 4. Cash and Demand Investments, and Cash Investments, continued

Cash investments - represents investments held by the County Treasurer with maturity dates exceeding 1 day.

At June 30, 2012 pooled cash investment items were:

<u>Investment Type</u>	<u>Yield</u>	<u>Maturity Date</u>	<u>Credit Risk Rating Moody's - S&P</u>	<u>Fair Value</u>
<u>U.S. Government Agencies</u>				
Federal Farm Credit	0.28%	4.9 years	AAA - AA+	\$3,018,417
Federal Home Loan Mortgage Corporation	0.20 - 0.43%	0.1 - 5.0 years	AAA - AA+	\$15,522,607 *
Federal Home Loan Bank	.38 - 2.715%	3.7 - 4.0 years	AAA - AA+	\$3,131,222
Federal National Mortgage Association	0.26 - 0.80%	0.5 - 4.8 years	AAA - AA+	30,115,810 *
Total U.S. government agency securities				<u>\$51,788,056</u>
Certificate of Deposit Account Registry Service	0.24 - 3.4%	53 days - 2.2 years	100% FDIC Insured	42,000,000 *
Total cash investments, pooled				<u><u>\$93,788,056</u></u>

At June 30, 2012, nonpooled cash investment items were:

<u>Investment Type</u>	<u>Yield</u>	<u>Maturity Date</u>	<u>Credit Risk Rating Moody's - S&P</u>	<u>Fair Value</u>
<u>U.S. government agency securities</u>				
Certificate of Deposit Account Registry Service	.31 - 1.45%	.2 - 2.9 years	100% FDIC Insured	\$ 2,467,918
Restricted cash investments for capital improvements, nonpooled				<u><u>\$ 2,467,918</u></u>

* - represents 5% or more of total cash investments

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 4. Cash and Demand Investments, and Cash Investments, continued

The following represents a condensed statement of net assets and changes in net assets for the cash and investment pool as of June 30, 2012:

<u>Condensed Statement of Net Cash and Investment Assets</u>	
Cash and demand investments, pooled	\$ 32,790,709
Cash investments, pooled	93,788,056
Restricted cash and demand investments held in trust, nonpooled	290,247
Restricted cash investments for debt service, nonpooled	2,467,918
Accrued interest receivable	43,590
Net assets held in trust for all pool participants	<u><u>\$ 129,380,520</u></u>
Equity of internal pool participants	\$ 49,830,038
Equity of external pool participants	79,550,482
Total equity	<u><u>\$ 129,380,520</u></u>
<u>Condensed Statement of Changes in Net Cash and Investment Assets</u>	
Net assets at July 1, 2011	\$ 128,878,105
Net changes in investments by pool participants	647,972
Market value adjustment of cash investments	(145,557)
Net assets at June 30, 2012	<u><u>\$ 129,380,520</u></u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 5. Receivables

Receivables as of year end for the government's individual major funds; and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	MAJOR GOVERNMENTAL FUNDS						Other Nonmajor Governmental Funds	MAJOR ENTERPRISE FUNDS			Internal Service Funds	Fiduciary Funds	Total
	General	Road	Liability & Property Insurance	Public Safety - Sheriff	R.S.I.D. Bond Fund	Capital Improvement Fund		Refuse Disposal	METRA				
Receivables:													
Property taxes	\$2,135,630	\$1,563,941	\$196,092	\$1,659,312	\$0	\$0	\$2,483,586	\$0	\$500,620	\$0	\$24,195,194	\$32,734,375	
Accounts	244,062	500	0	366,287	0	1,726	274,344	0	14,018	1,628	0	902,565	
Delinquent assessments	0	0	0	0	2,960	0	34,044	57,894	0	0	614,428	709,326	
Deferred assessments	0	0	0	0	1,027,952	0	4,495	0	0	0	0	1,032,447	
Accrued interest	9,448	0	949	0	45	2,789	1,456	0	87	2,253	27,194	44,221	
Gross receivables	2,389,140	1,564,441	197,041	2,025,599	1,030,957	4,515	2,797,925	57,894	514,725	3,881	24,836,816	35,422,934	
Less allowances for uncollectible accounts	(507,200)	(380,900)	(46,600)	(411,176)	(51,800)	0	(610,906)	(8,700)	(119,701)	0	0	(2,136,983)	
Net total receivables	\$1,881,940	\$1,183,541	\$150,441	\$1,614,423	\$979,157	\$4,515	\$2,187,019	\$49,194	\$395,024	\$3,881	\$24,836,816	\$33,285,951	

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* were as follows:

	Unavailable	Unearned	Total
Delinquent property taxes receivable (governmental funds)	\$6,118,361	\$0	\$6,118,361
Special assessments receivable (governmental funds)	31,504	0	31,504
Special assessments not yet billed (governmental funds)	980,847	0	980,847
METRA unearned revenue from future advertising revenues	0	916,583	916,583
METRA receipts for fiscal year 2012 events (enterprise fund)	0	91,814	91,814
Total Deferred Revenue	\$7,130,712	\$1,008,397	\$8,139,109

The delinquent taxes receivable accounts represent the past five years of uncollected tax levies. The allowance for uncollectibles is estimated based on delinquent tax collection history. All net property taxes and special assessments receivables are offset by deferred revenue in the governmental fund types.

The 2011 real property taxes and the 2011 special assessments were levied and became receivables in October 2011. The semi-annual installments were due in November 2011 and May 2012. As of December 1, 2011, and June 1, 2012, uncollected real property taxes and special assessments became delinquent and all uncollected amounts as of June 30, 2012, have been reported as deferred revenue. Delinquent taxes become a lien on the property on June 1 and after 3 years the County exercises the lien and takes title to the property. Personal property taxes were levied throughout the year and became a receivable when levied. Personal property taxes are due 30 days from the levy date. Amounts not collected as of June 30, 2012, have been reported as deferred revenue. There was no significant land held for resale as of June 30, 2012.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 6. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Due from/to Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	RSID Construction Fund	\$ 100
Health Insurance	Health Levy	\$ 27,335
		<u>\$ 27,435</u>

Due from/to Other Taxing Districts

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Shepherd Cemetery	\$ 2,250

Advances from/to Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	Metra	\$ 1,400,000

The following school districts have requested and received a release of funds from the protest tax fund (agency fund) as an early release of property taxes from protesting property owners within their districts:

	<u>Amount</u>
School District #2 Billings	\$ 2,323,400
School District #7 Laurel	\$ 2,964,002
School District #26 Lockwood	\$ 140,577
Total Funds Released from Protest Tax fund	<u>\$ 5,427,979</u>

Should the protesting taxpayer prevail in part or in whole, the school district may levy the shortage caused by the refunded amount on the protest in the succeeding year if the governing body chooses to do so.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 6. Interfund Receivables, Payables and Transfers, continued

Interfund transfers

	Transfers in								Internal Service Funds	Total
	MAJOR GOVERNMENTAL FUNDS					Other Nonmajor Governmental Funds	MAJOR ENTERPRISE FUND METRA			
	General	Road	Liability & Property Insurance	Public Safety - Sheriff	R.S.I.D. Bond Fund	Capital Improvement Fund				
Transfers out:										
General Fund	\$0	\$97,248	\$0	\$200,000	\$0	\$620,000	\$2,545,755	\$0	\$0	\$3,463,003
Road Fund	39,623	0	0	0	0	450,000	37,863	0	0	527,486
Public Safety - Sheriff Fund	129,638	0	0	0	0	100,000	31,553	0	0	261,191
Nonmajor Governmental Funds	798,550	195,486	20,851	699,092	0	460,000	654,071	0	1,136,397	3,964,447
Major Enterprise Fund - METRA	40,664	0	0	0	0	0	0	0	0	40,664
Refuse Disposal Fund	25,000	0	0	0	0	0	0	0	0	25,000
Total transfers	\$1,033,475	\$292,734	\$20,851	\$899,092	\$0	\$1,630,000	\$3,269,242	\$0	\$1,136,397	\$8,281,791

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 7. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2012 was as follows:

<u>Governmental-type Activities</u>	Beginning Balance	<u>Increases</u>	<u>Decreases</u>	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	\$3,665,796	\$0	\$0	\$3,665,796
Construction in Progress	667,188	\$63,336	(\$667,188)	\$63,336
Total Capital Assets, Not Being Depreciated	4,332,984	63,336	-667,188	3,729,132
Capital Assets, Being Depreciated:				
Buildings	27,616,476	1,012,914	0	28,629,390
Improvements Other Than Buildings	3,510,852	684,096	0	4,194,948
Machinery and Equipment	18,390,723	1,824,455	(314,507)	19,900,671
Infrastructure	34,097,232	3,955,900	0	38,053,132
Total Assets Being Depreciated	83,615,283	7,477,365	-314,507	90,778,141
Less Accumulated Depreciation For:				
Buildings	16,045,867	758,069	0	16,803,936
Improvements Other Than Buildings	1,119,594	145,861	0	1,265,455
Machinery and Equipment	10,668,271	1,346,253	(146,632)	11,867,892
Infrastructure	13,386,852	2,388,783	0	15,775,635
Total Accumulated Depreciation	41,220,584	4,638,966	(146,632)	45,712,918
Total Capital Assets, Being Depreciated, Net	42,394,699	2,838,399	(167,875)	45,065,223
Governmental Activities Capital Assets, Net	\$46,727,683	\$2,901,735	(\$835,063)	\$48,794,355

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 7. Capital Assets, continued

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Business-type Activities</u>				
<u>Capital Assets, Not Being Depreciated:</u>				
Land	\$368,574	\$0	\$0	\$368,574
Construction in progress	27,909,545	2,264,259	(30,153,068)	20,736
Total Capital Assets, Not Being Depreciated	28,278,119	2,264,259	(30,153,068)	389,310
<u>Capital Assets, Being Depreciated:</u>				
Buildings	21,859,401	32,039,314	(34,965)	53,863,750
Improvements Other Than Buildings	4,691,559	899,146	(118,631)	5,472,074
Machinery and Equipment	1,004,259	144,360	(32,269)	1,116,350
Total Capital Assets, Being Depreciated	27,555,219	33,082,820	(185,865)	60,452,174
<u>Less Accumulated Depreciation For:</u>				
Buildings	15,418,351	1,229,751	(34,965)	16,613,137
Improvements Other Than Building	3,055,666	283,804	(116,059)	3,223,411
Machinery and Equipment	672,785	68,505	(32,269)	709,021
Total Accumulated Depreciation	19,146,802	1,582,060	(183,293)	20,545,569
Total Capital Assets, Being Depreciated, Net	8,408,417	31,500,760	(2,572)	39,906,605
Business-type Activities Capital Assets, Net	\$36,686,536	\$33,765,019	(\$30,155,640)	\$40,295,915

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

<u>Governmental Activities</u>	
General Government	\$475,526
Public Safety	976,795
Public Works	2,975,580
Public Health	9,690
Social and Economic	67,191
Culture and Recreation	103,850
Total Depreciation Expense - Governmental Activities	4,608,632
<u>Business-type Activities</u>	
METRA	1,582,060
Total Depreciation Expense - Primary Government	\$6,190,692

Yellowstone County, Montana

Notes to the Financial Statements

June 30, 2012

Note 8. Long-Term Debt

General Obligation Bonds

The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for governmental-type activities. The capital assets acquired with the general obligation debt were donated to METRA, which is a business-type activity, however METRA is not responsible for servicing the debt. Debt service is the responsibility of the governmental debt service fund which levies annual tax revenues to service the debt.

General obligation bonds are direct obligations and pledge the full faith and credit of the County, and the levy to repay the debt is not subject to other tax levy limits. Limited tax general obligation bonds are funded from available tax authority and have budget priority funding. Outstanding general obligation bonds are as follows:

	<u>Interest Rate</u>	<u>Amount</u>
<u>Governmental -type Activities:</u>		
2009 General Obligation Refunding Bonds (nontaxable – refunded 2001 General Obligation Refunding Bonds due after June 1, 2011), due June 1, 2014, payable in annual principal installments of \$710,000 to \$735,000, noncallable prior to stated redemption date	2.575 – 3.00%	\$ 1,445,000
2011 Limited Tax General Obligation Bonds – Bridge Connector & METRA Improvements (nontaxable) 1.50% - 2.85% due 6/15/2021, payable in annual principal installments of \$275,000 to \$340,000, callable on or after June 15, 2017	1.400 – 2.85%	\$ 2,750,000
2008 Limited Tax General Obligation Bonds – Veteran’s Cemetery & METRA Seating (nontaxable) 3.40% - 4.00% due 6/15/2023, payable in annual principal installments of \$115,000 to \$275,000, callable on or after December 15, 2015	3.50 – 4.00%	<u>\$ 2,270,000</u> <u>\$ 6,465,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending	<u>Governmental - type Activities</u>		
<u>June30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	1,190,000	179,448	1,369,448
2014	1,235,000	146,848	1,381,848
2015	515,000	116,121	631,121
2016	525,000	104,185	629,185
2017	545,000	91,498	636,498
2018-2022	2,330,000	216,638	2,546,638
2023	125,000	5,000	130,000
Total	<u>\$6,465,000</u>	<u>\$859,737</u>	<u>\$7,324,737</u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 8. Long-Term Debt, continued

Rural Special Improvement District Bonds

The County issued no new special assessment bonds in fiscal year 2012.

Rural special improvement district bonds are payable from special assessments levied against the properties of the respective districts. The bonds are issued with specific maturity dates, but must be called and repaid earlier, at par value plus accrued interest, if the related special assessments are collected.

The County has a secondary responsibility on the special assessment bonds issued for the various rural special improvement districts (R.S.I.D.) to the extent of availability of cash in the R.S.I.D. Revolving Fund. State law provides for and the County uses an R.S.I.D. Revolving Fund to accumulate resources for such debt service payment. Law allows for a special property tax levy as long as the balance in this fund is less than 5% of the principal amount of outstanding R.S.I.D. bonds. No tax levy for this fund was assessed for fiscal year ended June 30, 2012. The R.S.I.D. Revolving Fund has no unfunded commitment to the R.S.I.D. bond fund as of June 30, 2012. The R.S.I.D. Revolving Fund would be committed to the R.S.I.D. Bond Fund as a result of lost revenues due to unpaid assessments from properties taken by tax title. The amount of the liability can fluctuate based on future tax deed losses, collections of penalties and interest on delinquent assessments, proceeds from unsold tax deed properties and other circumstances. The R.S.I.D. Revolving Fund, which has a fund balance of \$276,560 at June 30, 2012, is treated as a debt service fund.

The outstanding rural special improvement district bonded indebtedness of the County was as follows:

<u>Rural Special Improvement District Number</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Final Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Balance June 30, 2012</u>
668	5.83%	06/15/00	06/15/15	\$ 750,000	\$ 40,000
682	6.00%	08/01/02	08/01/17	174,000	21,000
691	4.90%	10/01/03	08/01/13	49,000	6,000
715	4.19%	08/01/04	08/01/19	410,000	135,000
717	4.93%	06/01/05	08/01/20	738,000	285,000
758	3.75%	05/01/07	07/01/27	373,000	242,000
783	4.58%	09/28/10	08/01/25	126,777	120,000
785	5.30%	02/01/11	08/01/26	126,945	126,945
Various matured bonds	0.00%	Various	Matured	Various	7,225
Outstanding rural special improvement district bonds, June 30, 2012					983,170
Less called and matured bonds					(7,225)
Uncalled rural special improvement district bonds, June 30, 2012					<u>\$ 975,945</u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 8. Long-Term Debt, continued

Rural Special Improvement District Bonds, continued

Annual debt service requirements to maturity for special assessment bonds are as follows:

Debt Service Requirements

Year Ending June 30,	Governmental-type Activities		
	Principal	Interest	Total
2013	\$95,945	\$44,901	\$140,846
2014	98,000	40,204	138,204
2015	92,000	35,482	127,482
2016	78,000	31,113	109,113
2017	84,000	27,499	111,499
2018-2022	333,000	81,812	414,812
2023-2027	184,000	25,393	209,393
2028	11,000	413	11,413
Total	<u>\$975,945</u>	<u>\$286,816</u>	<u>\$1,262,761</u>

Notes Payable

Notes payable are long-term obligations which are financed through the current operating budget of the respective funds.

As of June 30, 2012, the County had no outstanding notes payable.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 8. Long-Term Debt, continued

Changes in Long-Term Liabilities

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

	<u>Year Ended June 30, 2012</u>				
	<u>Beginning</u>			<u>Ending</u>	<u>Principal</u>
	<u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u>	<u>Due Within</u>
					<u>One Year</u>
<u>Governmental Activities:</u>					
General obligation bonds	\$ 7,595,000	\$0	\$ (1,130,000)	\$6,465,000	\$ 1,190,000
Special assessment debt with governmental commitment	1,131,722	0	(155,777)	975,945	95,945
Claims and judgements	250,000	0	0	250,000	250,000
Compensated absences	2,108,915	45,445	0	2,154,360	536,434
OPEB implicit rate subsidy	872,970	258,846	0	1,131,816	0
Governmental activity long-term liabilities	<u>\$ 11,958,607</u>	<u>\$ 304,291</u>	<u>\$ (1,285,777)</u>	<u>\$ 10,977,121</u>	<u>\$ 2,072,379</u>
<u>Business-type Activities:</u>					
Compensated absences	218,427	18,491	0	236,918	59,230
OPEB implicit rate subsidy	71,117	24,614	0	95,731	0
Business-type Activities Long-term Liabilities	<u>\$289,544</u>	<u>\$43,105</u>	<u>\$0</u>	<u>\$332,649</u>	<u>\$59,230</u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 8. Long-Term Debt, continued

Summary of Debt Maturities

Annual debt service principal and interest payments required on outstanding debt at June 30, 2012, are as follows:

Year Ending June 30,	Type of Debt	
	General Obligation Bonds	Rural Special Improvement Bonds
2013	1,369,448	140,846
2014	1,381,848	138,204
2015	631,121	127,482
2016	629,185	109,113
2017	636,498	111,499
2018-2022	2,546,638	414,812
2023-2027	130,000	209,393
2028	0	11,413
	<u>\$ 7,324,737</u>	<u>\$ 1,262,761</u>

Note 9. GASB Statement No. 54 Fund Balance

The Government Accounting Standards Board (GASB) issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for the County beginning in fiscal year 2011. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The five fund balance classifications, in order of constraint level, are Nonspendable, Restricted, Committed, Assigned and Unassigned.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 9. GASB Statement No. 54 Fund Balance, continued

	MAJOR FUNDS						Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Property & Liability Insurance Fund	Public Safety Fund	R.S.I.D. Bond Fund	Capital Improvement Fund		
Nonspendable								
Inventory	\$40,385	\$250,812	\$0	\$0	\$0	\$0	\$77,624	\$368,821
Prepays	5,188	90	4,718	10,622	0	0	6,051	\$26,669
Total Unspendable Fund Balance	\$45,573	\$250,902	\$4,718	\$10,622	\$0	\$0	\$83,675	\$395,490
Restricted								
Road	0	2,409,226	0	0	0	0	0	\$2,409,226
Park	0	0	0	0	0	0	94,707	\$94,707
Veteran's Cemetery	0	0	0	0	0	0	64,542	\$64,542
Drug Forfeiture	0	0	0	0	0	0	73,114	\$73,114
RSID Maintenance	0	0	0	0	0	0	3,033,279	\$3,033,279
DUI Task Force/Highway Traffic Safety	0	0	0	0	0	0	42,951	\$42,951
DES Grants	17,043	0	0	0	0	0	0	\$17,043
METRA Debt Service	0	0	0	0	0	0	148,938	\$148,938
RSID Revolving	0	0	0	0	0	0	276,560	\$276,560
RSID Bond	0	0	0	0	172,573	0	0	\$172,573
RSID Construction	0	0	0	0	0	0	-100	(\$100)
Total Restricted Fund Balance	\$17,043	\$2,409,226	\$0	\$0	\$172,573	\$0	\$3,733,991	\$6,332,833
Committed								
Bridge	0	0	0	0	0	0	635,365	\$635,365
Weed	0	0	0	0	0	0	125,164	\$125,164
Liability & Property Insurance	0	0	728,718	0	0	0	0	\$728,718
Mental Health Fund	65,709	0	0	0	0	0	0	\$65,709
Extension Service	0	0	0	0	0	0	36,165	\$36,165
Public Safety	0	0	0	3,767,640	0	0	0	\$3,767,640
County Attorney	0	0	0	0	0	0	1,111,092	\$1,111,092
Museum	0	0	0	0	0	0	59,839	\$59,839
Youth Services	0	0	0	0	0	0	349,854	\$349,854
Total Committed Fund Balance	\$65,709	\$0	\$728,718	\$3,767,640	\$0	\$0	\$2,317,479	\$6,879,546

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 9. GASB Statement No. 54 Fund Balance, continued

	MAJOR FUNDS						Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Road Fund	Property & Liability Insurance Fund	Public Safety Fund	R.S.I.D. Bond Fund	Capital Improvement Fund		
Assigned								
Use of Reserves	985,091	718,459	1,651,155	570,915	8,500	7,181,750	852,659	\$11,968,529
Blight	78,074	0	0	0	0	0	0	\$78,074
Record Preservation-Capital Improvements	181,626	0	0	0	0	0	0	\$181,626
PILT	0	0	0	0	0	0	430,940	\$430,940
GIS	0	0	0	0	0	0	245,523	\$245,523
Capital Improvement	0	0	0	0	0	1,831,526	0	\$1,831,526
Total Assigned Fund Balance	\$1,244,791	\$718,459	\$1,651,155	\$570,915	\$8,500	\$9,013,276	\$1,529,122	\$14,736,218
Unassigned								
General Fund	4,356,501	0	0	0	0	0	0	\$4,356,501
Total Unassigned Fund Balance	\$4,356,501	\$0	\$0	\$0	\$0	\$0	\$0	\$4,356,501
Total Fund Balance	\$5,729,617	\$3,378,587	\$2,384,591	\$4,349,177	\$181,073	\$9,013,276	\$7,664,267	\$32,700,588

Nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form, such as inventories, or limited due to legal or contractual restrictions.

Restricted fund balance classification include constraints placed on the use of resources that are legally enforceable by an external party. External parties include creditors, grantors, contributors, and laws/regulations of other governments.

Committed fund balance classifications include constraints placed on the use of resources that are imposed by formal action of the government's highest level of decision making authority.

Assigned fund balance classifications include constraints placed on the use of resources that are imposed by the government's intent to be used for a specific purpose and the intent to spend down fund balance to fund the next year's projected deficit spending (if this exists).

Unassigned fund balance classifications include spendable amounts that have not been Restricted, Committed or Assigned to a specific purpose within the General Fund.

Revenue sources for the major special revenue funds:

Road Fund – Real and personal property taxes, road permits, intergovernmental revenue, charge for services, other income including sale of fixed assets and transfers in.

Property & Liability Insurance Fund - Real and personal property taxes, charge for services, refund reimbursement, other income including interest revenue and transfers in.

Public Safety Fund - Real and personal property taxes, permits and licenses, intergovernmental revenue including grant revenues, charge for services, other income including sale of fixed assets and transfers in.

Yellowstone County, Montana

Notes to the Financial Statements

June 30, 2012

Note 10. Risk Management

The County faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability, i.e. errors and omissions, d) environmental damage, e) workers' compensation, i.e. employee injuries, and f) medical insurance costs of employees. A variety of methods is used manage these risks.

Liability and Property Insurance

The County is self-insured on liability and property claims. As of year end, the County has reserved \$250,000 for outstanding liability claims. Reinsurance for liability claims is purchased from a third party risk retention group. Coverage history is as follows:

	<u>Deductible</u>	<u>Limit per occurrence</u>	<u>Annual aggregate</u>
Claims outstanding prior to October 4, 1990	No coverage	No coverage	No coverage
October 4, 1990 to October 4, 1998	\$ 250,000	\$ 1,500,000	\$ 3,000,000
October 4, 1998 to October 4, 2002	\$ 100,000	\$ 1,500,000	\$ 3,000,000
October 4, 2002 to October 4, 2003	\$ 200,000	\$ 1,500,000	\$ 3,000,000
October 4, 2003 to October 4, 2004	\$ 250,000	\$ 1,500,000	\$ 3,000,000
October 4, 2004 to January 4, 2005	\$ 500,000	\$ 1,500,000	\$ 3,000,000
January 4, 2005 to June 30, 2012	\$ 250,000	\$ 1,500,000	\$ 3,000,000

County buildings and their contents are covered by a blanket property and casualty insurance policy of \$157,900,000 with a \$50,000 deductible. The County at June 30, 2012, had unreserved fund balance in its Property and Liability Insurance Fund totaling \$2,202,672. Levels of property insurance increased 23.8% from the prior year. The County has included in its property insurance policy \$250,000 of fine arts insurance. As of October 16, 2008 the County has acquired \$5,000,000 of museum collection and temporary loan insurance coverage for artifacts and art held at the Yellowstone County Museum.

Liability settlements have not exceeded insurance coverage limits during the current or each of the two previous years.

See footnote 16 for further explanation of a major property damage loss to the County's METRA arena.

Worker's Compensation

The County has elected to participate in the Montana Association of Counties Workers' Compensation Trust (the Trust). The Trust was organized to provide workers' compensation coverage to participating counties. The County pays annual premiums to the Trust for its workers' compensation coverage and for its portion of the debt service for the bonds sold by the Trust to provide aggregate excess coverage, provide resources for previously unfunded liabilities, and establish initial insurance reserves. The Trust has obtained reinsurance through commercial companies for claims in excess of \$1,000,000 per occurrence. The Trust's governing body is comprised of nine county commissioners elected at the annual county commissioner's convention. The governing body has the authority to determine management and set operational policies.

Financial statements for the Trust are available from the Montana Association of Counties, located in Helena, Montana.

Employee health insurance is discussed in note 11B.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 11. Employee Benefits

A. Compensated Absences

All full-time County employees accumulate vacation and sick leave hours for later use or for payment upon termination, death or retirement. Employees earn annual vacation leave at the rate of 15 days per year for the first 10 years of employment up to a maximum of 24 days per year after 20 years. There is no requirement that annual vacation leave be taken, but the maximum permissible accumulation is twice the current annualized rate as of December 31 of each year. At termination employees are paid for any accumulated annual vacation leave.

Employees earn sick leave at the rate of 12 days per year. There is no limit on the accumulation of sick leave. At termination employees are paid for 25% of accumulated sick leave. The liability for vested accumulated annual vacation and sick leave at June 30, 2012, is \$2,391,278. The unvested 75% of accumulated sick pay benefits, which totaled \$2,692,590 at June 30, 2012, has not been recorded as a liability.

B. Health Insurance

The County has a self-funded health care benefit plan for its employees. The County has contracted with a private insurance company to provide the aggregate stop loss coverage, and claims processing. The County contributes a monthly amount for each full-time employee for health and dental insurance benefits. Employees may elect to include coverage of their dependents, at the employees' expense. Revenues to the plan from the various funds and employees are recorded as health insurance premiums in the Health Insurance Fund, an internal service fund. The fund records health care costs as expenses when claims are incurred. The fund establishes claims liabilities, including incurred but not reported (IBNR) claims based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends and any other factors that modify past experience. Claims liabilities include only specific, incremental claim adjustment expenses. The liability recorded for the IBNR is \$285,000 and \$155,314 is recorded for health and drug claims incurred in fiscal year 2012 but paid in July 2012.

Following is a summary of the changes in the balance of claim liabilities during the last three fiscal years:

<u>Fiscal Year</u>	<u>Beginning of fiscal-year liability</u>	<u>Estimated Incurred claims</u>	<u>Claims paid, net of expected reimbursements</u>	<u>End of fiscal-year liability</u>
2009-2010	\$ 532,286	\$ 5,414,107	\$ 5,381,637	\$ 564,756
2010-2011	\$ 564,756	\$ 5,708,477	\$ 5,952,758	\$ 320,475
2011-2012	\$ 320,475	\$ 5,396,392	\$ 5,276,553	\$ 440,314

Yellowstone County' carries specific stop loss insurance of \$270,000 per claim on a claims incurred basis. There were no claims that exceeded the specific stop loss level for fiscal year 2012. Effective in fiscal year 2003, the County elected to utilize the permissive medical levy. This levy may be utilized to fund medical inflation costs of the employer. The permissive medical levy transferred \$1,136,397 to the health insurance fund in fiscal year 2012.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 11. Employee Benefits, continued

B. Health Insurance , continued

Results of operations for fiscal year ended:

	<u>June 30, 2011</u>	<u>June 30, 2012</u>
Health insurance premiums	\$ 5,441,970	\$ 5,609,371
Health claims	(5,708,477)	(5,396,392)
Administrative expenses	(450,119)	(476,274)
Interest revenue	54,749	37,734
Interfund transfer in	<u>1,259,929</u>	<u>1,136,397</u>
Net income (loss)	598,052	910,836
Net assets, beginning of fiscal year	<u>4,211,241</u>	<u>4,809,293</u>
Net assets, end of fiscal year	<u><u>\$ 4,809,293</u></u>	<u><u>\$ 5,720,129</u></u>

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 11. Employee Benefits, continued

B. Health Insurance, continued

In addition to providing health benefits for existing employees, the County also allows retired and COBRA (1985 Consolidated Omnibus Budget Reconciliation Act) employees, and their families, to participate in the plan at the former employee's expense. As of June 30, 2012, there are 72 former employees covered under the health plan. As of June 30, 2012 there are 48 county retirees that have elected coverage under a Medicare advantage plan in lieu of the County's health plan. Those employees will have the option to re-enroll with the County's health plan on an annual elective basis. Additionally, eligible Medicare retirees currently covered by the County's health plan may annually elect to change to the Medicare advantage plan. The participation of those eligible Medicare covered individuals in the Medicare advantage plan is not expected to result in any significant financial impact to the county's health plan. The County also allows participation in the plan for employees and dependents of Riverstone Health Department and the Big Sky Economic Development. For FY12 employees of Riverstone Health Department and Big Sky Economic Development pay premiums at the same as County rates. The economic impact of the extension of benefits to these other participating entities and former employees cannot be separated from the County's cost to cover active employees. Premiums for employee paid coverage and retiree coverage increased 6.7% during fiscal year 2012. The funding for the employer portion of coverage increased 6.5%. There were only minor changes to health plan benefits during fiscal year 2012.

C. Life Insurance and Long Term Disability

All County employees covered by health insurance are also covered by life insurance. The County also covers permanent part-time employees that do not elect health insurance. The County pays the cost of life insurance for coverage at 100% of the prior year's salary rounded to the highest \$1000. All full-time employees are covered to a maximum of \$50,000. Supplemental life insurance is optionally available at the employee's cost up to three times the employee's employer paid coverage. The County has contracted with a private insurance carrier to provide the life insurance coverage.

The County pays for third-party long term disability insurance at an insured level of 60% of monthly pre-disability base pay for employees. Eligibility for long term disability is the same as life insurance eligibility.

D. Deferred Compensation Plans

The County offers its employees various deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all County employees, permit them to defer a portion of their salary until future years. Participation in the plans is optional. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The County has three deferred compensation plans and each plan allows several investment options. The choice of plan and investment options is made by the employee.

Plan assets are maintained in an exclusive trust for the benefit of participants and their beneficiaries. Accordingly, plan assets are not reported in the County's financial statements.

E. Other Post Employment Benefits (OPEB)

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

1. Plan Description

Yellowstone County Employee Group Benefits Plan maintains a single-employer self-insured medical plan that is administered by Blue Cross Blue Shield of Montana. The plan currently provides defined healthcare insurance benefits for eligible employees, retirees, spouses and dependants, included are medical and dental benefits. Participation is elected by the retiree at the time of retirement. Benefit provisions are set annually by the Board of County Commissioners and may be revoked or altered at any time.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 11. Employee Benefits, continued

E. Other Post Employment Benefits (OPEB), continued

2. Funding Policy

The County provides no direct subsidy to the health insurance premiums for retirees. Retirees pay for the entire cost of the health insurance premium. Eligible retired employees include former fulltime and certain other employees. As of June 2012 there are 72 retirees and/or survivors enrolled for the employer's sponsored health insurance plan. In 2012 retirees contributed \$496,282 towards the cost of the County's annual premium.

3. Annual OPEB Cost Obligation.

The County's other post employment benefit (OPEB) cost (expense) is calculated based on the projected unit credit cost method. The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, the total benefit to which each participant is expected to become entitled at retirement is broken down into units, each associated with a year of past or future credit service. Typically, when this method is introduced, there will be an initial liability for benefits credited for service prior to that date, and to the extent that the liability is not covered by assets of the plan, there is an unfunded liability to be funded over a stipulated period in accordance with an amortization schedule.

4. Annual Required Contribution – June 30, 2012

Normal Cost	\$296,658
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years from the Valuation Date	<u>357,257</u>
Annual Required Contribution	<u>\$653,915</u>

5. Funded Status and Funding Progress

As of June 30, 2012, the actuarial accrued liability (AAL) for benefits was \$5,664,460 all of which was unfunded. There are no assets set aside to fund these benefits as the County funds post-retirement health insurance benefits on a pay-as-you-go basis.

Annual Valuation – June 30, 2012

Actuarial Value of Assets	\$ 0
Plus Actuarial Accrued Liability (AAL)	\$5,664,460
Unfunded Actuarial Accrued Liability (UAAL)	\$5,664,460
Funded Ratio (actuarial value of assets / UAAL)	0.00%

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

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 11. Employee Benefits, continued

E. Other Post Employment Benefits (OPEB), continued

6 Methods and Assumptions

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

Retirement and Disability rates are assumed to follow the RP2000 Healthy Combined Table with mortality improvements by Scale AA to 2010 and set backs of two years for both males and females. In the case of a disability the same applies, except for females, where it is a set forward of one year.

Turnover rates were based on specific gender age data assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Amortization factor for a 30-year, level percent of pay amortization on an open basis, using a 4.5 percent discount rate and a 3.0 percent payroll growth assumption.

Healthcare cost trend rate (HCCTR) was based on projections from historical rates of the County. A medical trend rate of 8.5% was used to calculate fiscal year 2012 and will be reduced by 0.5% each year until an ultimate rate of 5.0% after 7 years and later.

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

Yellowstone County, Montana

Notes to the Financial Statements

June 30, 2012

Note 12. Pension and Retirement Fund Commitments

The Public Employees' Retirement System (PERS) is a statewide retirement plan established in 1945 and governed by Title 19, chapters 2 & 3 of the Montana Code Annotated providing retirement services to substantially all public employees. The PERS is a mandatory multiple-employer, cost-sharing plan administered by the Public Employees' Retirement Board (PERB).

The PERS offers retirement, disability and death benefits to plan members and their beneficiaries. Benefit eligibility is age 60 with at least five years of service; age 65 regardless of service; or 30 years of service regardless of age. Actuarial reduced benefits may be taken with 25 years of service or at age 50 with at least five years of service. Monthly retirement benefits for employees with less than 25 years of membership service are determined by taking 1/56 times the number of years of service times the final average salary. Monthly retirement benefits for employees with 25 years or more of membership service are determined by taking 1/50 times the number of years of service times the final average salary. Members' rights become vested after five years of service. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

The State legislature has the authority to establish and amend contribution rates to the plan. Plan members are required to contribute 6.9% of compensation. Local government employers are required to contribute 7.07% of members' compensation and the State of Montana was required to contribute 0.1% of members' compensation on behalf of local government entities. One hundred percent of the required County and employee contributions were made for the current and each of the two preceding years. Required contributions were made as follows:

<u>Fiscal Year</u>	<u>County Contribution</u>	<u>Employee Contribution</u>	<u>State of Montana Contribution</u>
2009-2010	\$975,456	\$952,002	\$13,797
2010-2011	\$981,104	\$957,514	\$13,877
2011-2012	\$957,830	\$934,800	\$13,548

Members have 12 months from date of employment to elect coverage in the DCRP. Members not electing the DCRP remain in the defined benefit plan.

The description above is a brief synopsis of a few of the rules regarding PERS. Please consult the MPERA website for detailed information.

Some key actuarial information on PERS pension plan from latest available MPERB CAFR is as follows:

<u>Fiscal Year</u>	<u>Unfunded Actuarial Liability</u>	<u>Amortization Period</u>	<u>Funded Status</u>
6/30/09	\$ (790,000,000)	Does not amortize over 30 years	84%
6/30/10	\$ (1,352,000,000)	Does not amortize over 30 years	74%
6/30/11	\$ (1,609,000,000)	Does not amortize over 30 years	70%

Pension trust funds are considered well-funded when there is enough money and contributions to amortize any unfunded liability in 30 years or less. It is the funding objective of the PERB that the retirement systems become 100 percent funded. Once a system has achieved this objective, there needs to be a range of safety to absorb market volatility without creating unfunded actuarial liabilities. A single year's funded ratio, by itself, does not provide a measure of the funding direction. Whenever, through the use of long-term cash flow projections, the amortization period of a system's unfunded liabilities is projected to exceed 30 years for two consecutive valuations and the PERB can reasonably anticipate that the amortization period would decline without an increase in funding sources, it is the obligation of the PERB to recommend funding increases and/or system changes to the Legislature to address financial sustainability. A well-funded plan allows participants to see that their assets are committed to the payment of benefits. (excerpt from FY11 MPERB CAFR)

The PERS financial information is reported in the Montana Public Employees' Retirement Board's (MPERB) *Comprehensive Annual Financial Report* (CAFR) for the fiscal year end. It is available from the PERB at 1712 Ninth Avenue, PO Box 200131, Helena MT 59620-0131, telephone 406-444-3154 or on its website at <http://mpera.mt.gov/annualReports.shtm>

Yellowstone County, Montana

Notes to the Financial Statements

June 30, 2012

Note 12. Pension and Retirement Fund Commitments, continued

The Sheriffs' Retirement System (SRS) which was established in 1974 and is governed by Title 19, Chapters 2 & 7 of the Montana Code Annotated provides retirement service to all Department of Justice criminal investigators hired after July 1, 1993, and to all Montana sheriffs. Detention officers employed before July 1, 2005 who elected to join SRS or were employed after July 1, 2005 become members of SRS. SRS is a mandatory multiple-employer, cost sharing benefit plan administered by the PERB.

The SRS offers retirement, disability and death benefits to plan members and their beneficiaries. Minimum years of service are 20 regardless of age for a normal retirement benefit. Actuarial reduced benefits may be taken at age 50 with at least five years of service. The service retirement benefit is calculated as follows: 2.5% times final average salary times the number of years of service. After 5 years of service, an employee has a vested right to service retirement benefits. The authority to establish, amend and provide cost of living adjustments for the plan is assigned to the State legislature.

The State legislature has the authority to establish and amend rates to the plan. Plan members are required to contribute 9.245% of compensation. Employers are required to contribute 10.115% of members' compensation. One hundred percent of the required County and employee contributions were made for the current and each of the two preceding fiscal years. Required contributions were made as follows:

<u>Fiscal Year</u>	<u>County Contribution</u>	<u>Employee Contribution</u>
2009-2010	\$515,938	\$471,562
2010-2011	\$547,470	\$500,381
2011-2012	\$541,960	\$495,345

The description above is a brief synopsis of a few of the rules regarding SRS. Please consult the MPERA website for detailed information.

Some key actuarial information on SRS pension plan from latest available MPERB CAFR is as follows:

<u>Fiscal Year</u>	<u>Unfunded Actuarial Liability</u>	<u>Amortization Period</u>	<u>Funded Status</u>
6/30/09	\$ (23,000,000)	Does not amortize over 30 years	90%
6/30/10	\$ (46,000,000)	Does not amortize over 30 years	81%
6/30/11	\$ (62,800,000)	Does not amortize over 30 years	76%

Pension trust funds are considered well-funded when there is enough money and contributions to amortize any unfunded liability in 30 years or less. It is the funding objective of the PERB that the retirement systems become 100 percent funded. Once a system has achieved this objective, there needs to be a range of safety to absorb market volatility without creating unfunded actuarial liabilities. A single year's funded ratio, by itself, does not provide a measure of the funding direction. Whenever, through the use of long-term cash flow projections, the amortization period of a system's unfunded liabilities is projected to exceed 30 years for two consecutive valuations and the PERB can reasonably anticipate that the amortization period would decline without an increase in funding sources, it is the obligation of the PERB to recommend funding increases and/or system changes to the Legislature to address financial sustainability. A well-funded plan allows participants to see that their assets are committed to the payment of benefits. (excerpt from FY11 MPERB CAFR).

The SRS financial information is reported in the Montana Public Employees' Retirement Board's (MPERB) *Comprehensive Annual Financial Report (CAFR)* for the fiscal year end. It is available from the PERB at 1712 Ninth Avenue, PO Box 200131, Helena MT 59620-0131, telephone 406-444-3154 or on its website at <http://mpera.mt.gov/annualReports.shtml>.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 13. Contingent Liabilities and Commitments

Pending Litigation

There are a number of lawsuits pending. However, management estimates that the potential claims against the County from such litigation would not threaten the County's political existence or exceed the County's ability to pay. The accrued liability established in the Property and Liability Insurance Fund of \$250,000 is considered to be adequate for potential settlements and litigation costs. The County considers the other known legal actions, for which no reserve has been determined, to be of nominal financial impact.

Grants

The County has Federal and state grants for specific purposes that are subject to annual audits and other periodic reviews by grantor agencies. Such reviews could result in requests for reimbursement by grantor agencies for costs, which may be disallowed as appropriate expenses under the grant terms. The County believes disallowances, if any, will not be material.

Note 14. Conduit Debt Obligations

From time to time, the County has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying general purpose financial statements.

As of June 30, 2012 there were fifteen series of industrial revenue bonds issued after July 1, 1978. The aggregate principal amount outstanding for the ten series issued prior to July 1, 1997, could not be determined; however, their original issue amounts totaled \$33.56 million. The aggregate principal amount outstanding for the four remaining series issued after July 1, 1997 was \$16,631,347 as of June 30, 2012. There were no new issues of industrial revenue bonds during the fiscal year.

Note 15. Related Organization

The County is responsible for appointing the members of the governing board of the Big Sky Economic Development (the Organization) however; the County is not able to impose its will on the Organization. Nor is there a potential for the Organization to provide specific financial benefits to, or impose specific financial burdens on, the County. As a result, the Big Sky Economic Development is considered a related organization, and not a component unit of the County.

Yellowstone County, Montana
Notes to the Financial Statements
June 30, 2012

Note 16. Protested Taxes

The protest tax receivable for the County's governmental and proprietary funds increased \$3,134,112 or 8.2% of the FY12 adjusted County tax levy.

Protest Tax Receivables									
Fiscal Year <u>Ending</u>	Governmental-type Funds			Business-type Funds			Total		
	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>	<u>Beginning Balance</u>	<u>Change</u>	<u>Ending Balance</u>
FY09	\$1,740,530	(\$773,315)	\$967,215	\$72,240	(\$31,490)	\$40,750	\$1,812,770	(\$804,805)	\$1,007,965
FY10	\$967,215	\$1,614,755	\$2,581,970	\$40,750	\$63,048	\$103,798	\$1,007,965	\$1,677,803	\$2,685,768
FY11	\$2,581,970	\$1,760,455	\$4,342,425	\$103,798	\$155,622	\$259,420	\$2,685,768	\$1,916,077	\$4,601,845
FY12	\$4,342,425	\$2,944,658	\$7,287,083	\$259,420	\$189,450	\$448,870	\$4,601,845	\$3,134,108	\$7,735,953

The County portion of all protested property taxes held in trust rose from \$1,007,948 in FY09 to \$7,735,953 in FY12 from large protests from communication companies and two refineries. The rise in the amount taxes under protest is a concerning trend. The size of the protests and the duration between time of protest and protest resolution are contributing to the increase in the total amount held under protest and may cause local taxing jurisdictions to begin to request release of their taxes prior to protest resolution. The County is currently budgeting for 10.2% of the FY13 tax levy to be protested and anticipates to be able to manage its budget and all debt service without requesting early release of any protest tax funds due to existing reserve levels and operational savings.

Note 17. Subsequent Events

Protested real estate taxes for November 2012 was \$5.15 million in total, which was down from \$6.64 million in November 2011. The portion of the November 2012 tax protest that affects County funds is \$1,365,256. The preceding amounts reflect the first half payment and will likely be matched by the same protest amount for the second half of taxes due in May 2013. It is therefore expected that the total FY13 tax protest for County funds will be \$2,730,512 or 6.8% of the County's FY13 budget for property taxes. Of the taxes protested in November 2012, 99.4% of the protest was from 6 large taxpayers in the oil refining, utility, and communications industries. The total FY13 budget for protests was anticipated to be \$4,078,400. The current level of protests is not expected to result in disruption in operations or funding of any debt service for FY13.

SUPPLEMENTARY INFORMATION

YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
MAJOR GOVERNMENTAL DEBT SERVICE AND CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	RSID Bond Fund				Capital Improvement Fund			
	BUDGET		Actual	Variance with Final Budget - Positive (Negative)	BUDGET		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final Revised			Original	Final Revised		
REVENUES:								
Special assessments	\$210,000	\$210,000	\$206,404	(3,596)	\$0	\$0	\$0	\$0
Charges for services	0	0	0	0	20,000	20,000	19,980	(20)
Other	2,000	2,000	541	(1,459)	137,250	137,250	146,560	9,310
Total revenues	212,000	212,000	206,945	(5,055)	157,250	157,250	166,540	9,290
EXPENDITURES:								
Current:								
Capital outlay	0	0	0	0	9,021,641	9,021,641	295,217	8,726,424
Debt service:								
Principal	205,000	205,000	155,777	49,223	0	0	0	0
Interest	50,000	50,000	56,007	(6,007)	0	0	0	0
Total expenditures	255,000	255,000	211,784	43,216	9,021,641	9,021,641	295,217	8,726,424
Excess (deficiency) of revenues over (under) expenditures	(43,000)	(43,000)	(4,839)	38,161	(8,864,391)	(8,864,391)	(128,677)	8,735,714
OTHER FINANCING SOURCES (USES):								
Interfund transfers in	25,000	25,000	0	(25,000)	1,656,571	1,656,571	1,630,000	(26,571)
Interfund transfers out	(5,000)	(5,000)	0	5,000	0	0	0	0
Total other financing sources (uses)	20,000	20,000	0	(20,000)	1,656,571	1,656,571	1,630,000	(26,571)
Net change in fund balances	(\$23,000)	(\$23,000)	(4,839)	\$18,161	(\$7,207,820)	(\$7,207,820)	1,501,323	\$8,709,143
Fund balances July 1, 2011			185,912				7,511,953	
Fund balances June 30, 2012			\$181,073				\$9,013,276	

**YELLOWSTONE COUNTY, MONTANA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

<u>ASSETS</u>	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
Cash and demand investments, pooled	\$1,878,657	\$112,001	\$65,167	\$2,055,825
Cash investments, pooled	5,373,177	320,347	186,379	5,879,903
Receivables (net of allowance for uncollectibles):				
Property taxes	1,804,361	88,125	0	1,892,486
Accounts	259,838	0	0	259,838
Delinquent assessments	28,944	0	0	28,944
Deferred assessments	4,295	0	0	4,295
Accrued interest	1,308	148	0	1,456
Prepaid expenses	2,573	0	3,478	6,051
Inventories	77,624	0	0	77,624
Due from other taxing districts	97,620	4,900		102,520
Total assets	\$9,528,397	\$525,521	\$255,024	\$10,308,942
<u>LIABILITIES:</u>				
Accounts payable	\$314,706	\$0	\$1,246	\$315,952
Accrued liabilities	112,492	0	4,777	117,269
Due to other funds	27,335	0	100	27,435
Deferred revenue	1,837,600	88,125	0	1,925,725
Due to other taxing districts	258,294	0	0	258,294
Total liabilities	2,550,427	88,125	6,123	2,644,675
<u>FUND BALANCE:</u>				
Reserved for debt service	0	437,396	0	437,396
Reserved for capital improvements	0	0	248,901	248,901
Reserved for inventories	77,624	0	0	77,624
Unreserved	6,900,346	0	0	6,900,346
Total fund balance	6,977,970	437,396	248,901	7,664,267
Total liabilities and fund balance	\$9,528,397	\$525,521	\$255,024	\$10,308,942

YELLOWSTONE COUNTY, MONTANA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Special Revenue		Debt Service		Capital Projects		Total Nonmajor Governmental Funds	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES:								
Taxes	\$11,329,236	\$10,464,320	\$552,528	\$511,941	\$0	\$0	\$11,881,764	\$10,976,261
Special assessments	650,750	740,864	0	0	0	0	650,750	740,864
Licenses and permits	145,000	145,000	0	0	0	0	145,000	145,000
Intergovernmental	1,592,039	1,561,488	232,236	237,136	9,381	9,381	1,833,656	1,808,005
Fines and forfeitures	20,000	26,645	0	0	0	0	20,000	26,645
Charges for services	1,803,860	1,657,680	0	0	107,000	114,037	1,910,860	1,771,717
Other	87,675	79,876	3,500	1,485	0	98	91,175	81,459
Total revenues	15,628,560	14,675,873	788,264	750,562	116,381	123,516	16,533,205	15,549,951
EXPENDITURES:								
Current:								
General government	157,750	69,483	0	0	294,412	285,539	452,162	355,022
Public safety	6,908,964	6,371,514	0	0	0	0	6,908,964	6,371,514
Public works	1,397,959	1,014,873	0	0	0	0	1,397,959	1,014,873
Public health	2,284,524	2,109,264	0	0	0	0	2,284,524	2,109,264
Social and economic services	1,033,746	972,808	0	0	0	0	1,033,746	972,808
Culture and recreation	1,324,427	1,191,320	0	0	0	0	1,324,427	1,191,320
Conservation of natural resources	97,658	97,658	0	0	0	0	97,658	97,658
Debt service:								
Principal	0	0	1,130,000	1,130,000	0	0	1,130,000	1,130,000
Interest	0	0	227,926	227,773	0	0	227,926	227,773
Refunding bond issuance costs	0	0	37,150	0	0	0	37,150	0
Capital outlay:								
General government	39,025	39,025	0	0	2,000	1,045	41,025	40,070
Public safety	125,450	31,247	0	0	0	0	125,450	31,247
Public works	2,030,712	1,482,630	0	0	100	100	2,030,812	1,482,730
Social and economic services	44,000	13,463	0	0	0	0	44,000	13,463
Culture and recreation	92,235	55,504	0	0	0	0	92,235	55,504
Total expenditures	15,536,450	13,448,789	1,395,076	1,357,773	296,512	286,684	17,228,038	15,093,246
Excess (deficiency) of revenues over (under) expenditures	92,110	1,227,084	(606,812)	(607,211)	(180,131)	(163,168)	(694,833)	456,705
OTHER FINANCING SOURCES (USES):								
Interfund transfers in	2,321,771	2,451,124	611,699	611,698	206,629	206,420	3,140,099	3,269,242
Interfund transfers out	(4,002,398)	(3,964,447)	0	0	0	0	(4,002,398)	(3,964,447)
Total other financing sources (uses)	(1,680,627)	(1,513,323)	611,699	611,698	206,629	206,420	(862,299)	(695,205)
Net change in fund balances	(\$1,588,517)	(286,239)	\$4,887	4,487	\$26,498	43,252	(\$1,557,132)	(238,500)
Fund balances July 1, 2011		7,264,209		432,909		205,649		7,902,767
Fund balances June 30, 2012		\$6,977,970		\$437,396		\$248,901		\$7,664,267

**YELLOWSTONE COUNTY, MONTANA
EMPLOYEE GROUP BENEFITS PLAN - OTHER POSTEMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTAL SCHEDULES**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u> (a)	<u>Actuarial Accrued Liability (AAL)</u> (b)	<u>Unfunded AAL (UAAL)</u> (b-a)	<u>Funded Ratio (%)</u> (a/b)	<u>Annual Covered Payroll</u> (c)	<u>UAAL as a Percentage of Covered Payroll (%)</u> (b-a/c)	
June 30, 2009	\$0	\$5,203,967	\$5,203,967	0.00%	\$15,970,662	32.60%	(a)
June 30, 2010	\$0	\$5,203,967	\$5,203,967	0.00%	\$15,970,662	32.60%	(a)
June 30, 2011	\$0	\$5,664,460	\$5,664,460	0.00%	\$16,337,206	34.70%	(b)
June 30, 2012	\$0	\$5,664,460	\$5,664,460	0.00%	\$16,337,206	34.70%	(b)

- (a) This schedule is based on the actuarial values as of July 1, 2008. Information for prior years is not available.
The actuarial values are for the period of July 1, 2008 to June 30, 2010.
- (b) This schedule is based on the actuarial values as of July 1, 2010.
The actuarial values are for the period of July 1, 2010 to June 30, 2012.

The next bi-yearly actuarial review is scheduled for FY13.

NONMAJOR GOVERNMENTAL AND INTERNAL SERVICE FUNDS

Nonmajor governmental funds include special revenue funds, debt service funds and capital projects funds that do not meet the financial requirements to be classified as a major fund.

Special revenue funds account for the proceeds of specific revenue sources (other than for major capital projects) that are legally restricted to expenditure for particular purposes.

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessments bond principal and interest from special assessment levies when the government is obligated in some manner for the payment.

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

NONMAJOR SPECIAL REVENUE FUNDS

County Attorney Fund - Accounts for the prosecutorial and public administrator functions of the county attorney's office.

Bridge Fund - Accounts for the construction, maintenance, and improvements of all public County bridges

Predatory Animal Control Fund - Accounts for a special tax on livestock in the County for the purpose of paying bounties on predatory animals killed in the county

Weed Control Fund - Accounts for the control and management of noxious weeds

Library Fund - Accounts for the collection of property taxes levied on rural residents. Proceeds are forwarded to the City of Billings for operation of the Billings Library

Senior Citizens Fund - Accounts for the collection of property taxes used to promote, establish, and maintain recreational, educational, and other activities of the elderly

County Extension Agent Fund - Accounts for extension work in agriculture and home economics within the County in cooperation with Montana State University and the U.S. Department of Agriculture

Public Safety Mental Health Levy Fund - Accounts for the collection of voter approved property taxes used promote mental health services within the County

Payment in Lieu of Taxes (PILT) Fund - Accounts for payments to the County in lieu of taxing federally owned lands

Parks Fund - Accounts for the maintenance and operation of all County owned parks

Museum Fund - Accounts for the County assisted maintenance and operation of four museums: the Yellowstone Art Museum, Western Heritage Center, Yellowstone County Museum, and the Huntley Project Museum

Crime Control Fund - Accounts for state and federal grants dedicated to public safety efforts

Health Services Fund - Accounts for the collection of a levy designated for the operations of Riverstone Health Department, which operates programs designated for promoting public health. Funds collected by the levy are forwarded to the Riverstone Health Department.

Soil Conservation Fund - Accounts for a special assessment levied within the district for the conservation of soil resources and prevention of soil erosion

Alcohol Rehabilitation Fund - Accounts for the distribution of alcohol taxes from the state to be used for the treatment, rehabilitation, and prevention of alcoholism

Drug Forfeiture Fund - Accounts for the proceeds and disbursement of funds associated with property seized in connection with illegal activities involving controlled substances.

NONMAJOR SPECIAL REVENUE FUNDS, continued

Junk Vehicle Fund - Accounts for the state allocation of the motor vehicle disposal fee, which is used for the control, collection, recycling, and disposal of junk vehicles

Youth Services Fund - Accounts for the secure detention of delinquent and troubled youths and a shelter care program for youths transitioning to other placement programs.

R.S.I.D. Maintenance Fund - Accounts for special assessments levied to finance improvements, repairs, or services which benefit the assessed properties

Traffic Safety Fund - Accounts for state and federal grants and allocations that are required to benefit highway safety projects, such as DUI enforcement

Emergency Levy Fund - Accounts for a levy on property outside Billings, Laurel, and Broadview used to fund eligible declared emergency expenditures

Permissive Medical Levy Fund - Accounts for taxes levied for funding costs related to the inflationary cost of the County's medical plan that are statutorily permitted.

Veteran's Cemetery Levy Fund - Accounts for taxes levied for funding costs related to the County's voter approved new veteran's cemetery in Laurel.

Benevolent Fund - Accounts for funds bequested or contributed to the County for general purposes.

NONMAJOR DEBT SERVICE FUNDS

R.S.I.D. Revolving Fund - Accounts for the accumulation of resources used to insure timely payment of R.S.I.D. debt and to provide short-term loans to the R.S.I.D. Maintenance Funds

METRA Expansion Bond Fund - Accounts for the levy used to retire the general obligation debt issued to improve and expand the METRA civic center facilities and grounds

Limited Tax G.O. Bond Fund - Accounts for the debt service of two limited general obligation bond issues.

NONMAJOR CAPITAL PROJECTS FUNDS

Geographical Information System (GIS) Fund - Accounts for the monies used to develop and implement the County's property management data base system

RSID Construction Fund - Accounts for the financing proceeds and the construction expenditures on Rural Special Improvement Districts (RSID)

INTERNAL SERVICE FUNDS

Health Insurance Fund - Accounts for the funding and costs associated with County employee health care. Charges to other County departments are made to cover these costs. Employees are required to pay the premiums for spouse or other dependent coverage. Claims are processed by a third-party administrator

Motor Pool Fund - Accounts for the operations of the County motor pool, which charges the use of the vehicles to County departments based on mileage

Telephone Fund - Accounts for the operations of the telephone system, which is charged back to County departments based on the quantity and type of phones being used

YELLOWSTONE COUNTY, MONTANA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012
(PAGE 1 OF 4)

<u>Assets</u>	County Attorney Fund	Bridge Fund	Predatory Animal Control Fund	Weed Control Fund	Library Fund	Senior Citizens Fund	County Extension Agent Fund
Cash and demand investments, pooled	\$405,312	\$164,015	\$140	\$50,911	\$10,057	\$5,757	\$16,113
Cash investments, pooled	1,159,200	469,086	402	145,607	28,762	16,466	46,083
Receivables (net of allowance for uncollectibles):							
Property taxes	183,248	203,412	108	42,065	176,460	120,976	35,929
Accounts	34,622	25,000	0	24,087	0	0	0
Due from other taxing districts	10,418	11,553	0	2,398	3,933	6,963	2,037
Prepaid expenses	2,220	0	0	225	0	0	0
Inventories	0	29,020	0	48,604	0	0	0
Total assets	\$1,795,020	\$902,086	\$650	\$313,897	\$219,212	\$150,162	\$100,162
 <u>Liabilities and Fund Balance</u>							
LIABILITIES:							
Accounts payable	\$21,662	\$34,289	\$247	\$10,061	\$42,752	\$29,186	\$9,488
Accrued liabilities	64,180	0	0	19,248	0	0	2,398
Deferred revenue	183,248	203,412	108	42,065	176,460	120,976	35,929
Total liabilities	269,090	237,701	355	71,374	219,212	150,162	47,815
 FUND BALANCE:							
Reserved for inventories	0	29,020	0	48,604	0	0	0
Unreserved	1,525,930	635,365	295	193,919	0	0	52,347
Total fund balance	1,525,930	664,385	295	242,523	0	0	52,347
Total liabilities and fund balance	\$1,795,020	\$902,086	\$650	\$313,897	\$219,212	\$150,162	\$100,162

**YELLOWSTONE COUNTY, MONTANA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012
(PAGE 2 OF 4)**

<u>Assets</u>	Public Safety Mental Health Levy Fund	PILT Fund	Parks Fund	Museum Fund	Crime Control Fund	Health Services Fund	Soil Conservation Fund
Cash and demand investments, pooled	\$6,773	\$138,688	\$26,747	\$19,436	\$3	\$62,126	\$500
Cash investments, pooled	19,372	396,650	76,498	55,586	9	177,696	1,430
Receivables (net of allowance for uncollectibles):							
Property taxes	118,042	0	0	77,146	0	324,249	1,231
Accounts	0	1,727	0	0	1,020	0	0
Accrued interest	0	0	0	0	0	111	0
Due from other taxing districts	8,252	0	0	4,384	0	18,361	0
Inventories	0	0	0	0	0	0	0
Total assets	\$152,439	\$537,065	\$103,245	\$156,552	\$1,032	\$582,543	\$3,161
 <u>Liabilities and Fund Balance</u>							
LIABILITIES:							
Accounts payable	\$34,397	\$9,625	\$3,273	\$686	\$1,032	\$0	\$1,369
Deferred revenue	118,042	0	0	77,146	0	324,249	1,231
Due to other taxing districts	0	0	0	0	0	258,294	0
Total liabilities	152,439	9,625	3,273	77,832	1,032	582,543	2,600
 FUND BALANCE:							
Unreserved	0	527,440	99,972	78,720	0	0	561
Total fund balance	0	527,440	99,972	78,720	0	0	561
Total liabilities and fund balance	\$152,439	\$537,065	\$103,245	\$156,552	\$1,032	\$582,543	\$3,161

YELLOWSTONE COUNTY, MONTANA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012
(PAGE 3 OF 4)

<u>Assets</u>	Alcohol Rehabilitation Fund	Drug Forfeiture Fund	Junk Vehicle Fund	Youth Services Fund	R.S.I.D. Maintenance Fund	Traffic Safety Fund
Cash and demand investments, pooled	\$0	\$23,306	\$15,194	\$74,419	\$811,940	\$14,718
Cash investments, pooled	0	66,656	43,454	212,841	2,322,324	42,098
Receivables (net of allowance for uncollectibles):						
Accounts	43,275	0	0	130,107	0	0
Delinquent assessments	0	0	0	0	28,944	0
Accrued interest	0	3	0	0	1,174	20
Deferred assessments	0	0	0	0	4,295	0
Prepaid Expenses	0	0	0	128	0	0
Total assets	\$43,275	\$89,965	\$58,648	\$417,495	\$3,168,677	\$56,836
 Liabilities and Fund Balance						
LIABILITIES:						
Accounts payable	\$43,275	\$1,971	\$4,018	\$23,777	\$34,129	\$4,385
Accrued liabilities	0	0	239	26,397	30	0
Deferred revenue	0	0	0	0	33,239	0
Total liabilities	43,275	1,971	4,257	50,174	67,398	4,385
 FUND BALANCE:						
Unreserved	0	87,994	54,391	367,321	3,101,279	52,451
Total fund balance	0	87,994	54,391	367,321	3,101,279	52,451
Total liabilities and fund balance	\$43,275	\$89,965	\$58,648	\$417,495	\$3,168,677	\$56,836

**YELLOWSTONE COUNTY, MONTANA
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
JUNE 30, 2012
(PAGE 4 OF 4)**

<u>Assets</u>	Emergency Levy Fund	Permissive Medical Levy Fund	Veteran's Cemetery Levy Fund	Benevolent Fund	Total
Cash and demand investments, pooled	\$0	\$0	\$32,502	\$0	\$1,878,657
Cash investments, pooled	0	0	92,957	0	5,373,177
Receivables (net of allowance for uncollectibles):					
Property taxes	1,629	484,918	34,948	0	1,804,361
Accounts	0	0	0	0	259,838
Delinquent assessments	0	0	0	0	28,944
Accrued interest	0	0	0	0	1,308
Deferred assessments					4,295
Due from other taxing districts	0	27,335	1,986	0	97,620
Prepaid expenses	0	0	0	0	2,573
Inventories	0	0	0	0	77,624
Total assets	\$1,629	\$512,253	\$162,393	\$0	\$9,528,397
 <u>Liabilities and Fund Balance</u>					
LIABILITIES:					
Accounts payable	\$0	\$0	\$5,084	\$0	\$ 314,706
Accrued liabilities	0	0	0	0	112,492
Due to other funds	0	27,335	0	0	27,335
Deferred revenue	1,629	484,918	34,948	0	1,837,600
Due to other taxing districts	0	0	0	0	258,294
Total liabilities	1,629	512,253	40,032	0	2,550,427
 FUND BALANCE:					
Reserved for inventories	0	0	0	0	77,624
Unreserved	0	0	122,361	0	6,900,346
Total fund balance	0	0	122,361	0	6,977,970
Total liabilities and fund balance	\$1,629	\$512,253	\$162,393	\$0	\$9,528,397

YELLOWSTONE COUNTY, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (PAGE 1 OF 6)

	County Attorney		Bridge Fund		Predatory Animal Control Fund		Weed Control Fund	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES:								
Taxes	\$1,174,848	\$1,089,457	\$1,302,802	\$1,206,796	\$0	\$0	\$270,448	\$250,451
Special assessments	0	0	0	0	750	724	0	0
Intergovernmental	189,055	210,287	182,227	182,400	0	0	88,062	22,204
Charges for services	62,000	59,234	0	0	0	0	42,000	39,187
Other	1,000	2,889	0	0	0	0	32,000	11,755
Total revenues	1,426,903	1,361,867	1,485,029	1,389,196	750	724	432,510	323,597
EXPENDITURES:								
Current:								
Public safety	3,321,830	2,983,561	0	0	0	0	0	0
Public works	0	0	710,835	537,806	0	0	426,719	267,890
Social and economic services	0	0	0	0	750	429	0	0
Capital outlay:								
Public safety	118,400	25,980	0	0	0	0	0	0
Public works	0	0	1,199,595	1,043,286	0	0	18,767	7,713
Total expenditures	3,440,230	3,009,541	1,910,430	1,581,092	750	429	445,486	275,603
Excess (deficiency) of revenues over (under) expenditures	<u>(2,013,327)</u>	<u>(1,647,674)</u>	<u>(425,401)</u>	<u>(191,896)</u>	<u>0</u>	<u>295</u>	<u>(12,976)</u>	<u>47,994</u>
OTHER FINANCING SOURCES (USES):								
Interfund transfer in	1,966,285	1,964,361	0	0	0	0	11,940	10,348
Interfund transfer out	(346,689)	(346,689)	(400,000)	(400,000)	0	0	(60,000)	(60,000)
Total other financing sources (uses)	1,619,596	1,617,672	(400,000)	(400,000)	0	0	(48,060)	(49,652)
Net change in fund balances	\$ (393,731)	(30,002)	\$ (825,401)	(591,896)	\$0	295	\$ (61,036)	(1,658)
Fund balances July 1, 2011		1,555,932		1,256,281		0		244,181
Fund balances June 30, 2012		\$ 1,525,930		\$ 664,385		\$295		\$ 242,523

YELLOWSTONE COUNTY, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (PAGE 2 OF 6)

	<u>Library Fund</u>		<u>Senior Citizens Fund</u>		<u>County Extension Agent Fund</u>		<u>Public Safety Mental Health Levy</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES:								
Taxes	\$ 670,188	\$ 593,674	\$ 785,171	\$ 726,953	\$ 229,735	\$ 212,870	\$ 930,573	\$ 855,964
Intergovernmental	95,948	99,881	0	6,963	0	2,037	0	8,252
Total revenues	766,136	693,555	785,171	733,916	229,735	214,951	930,573	864,216
EXPENDITURES:								
Current:								
Public safety	0	0	0	0	0	0	930,573	864,216
Social and economic services	0	0	773,539	733,916	259,457	238,463	0	0
Culture and recreation	766,136	693,555	0	0	0	0	0	0
Capital outlay:								
Social and economic services	0	0	0	0	1,000	905	0	0
Total expenditures	766,136	693,555	773,539	733,916	260,457	239,368	930,573	864,216
Excess (deficiency) of revenues over (under) expenditures	0	0	11,632	0	(30,722)	(24,417)	0	0
OTHER FINANCING SOURCES (USES):								
Interfund transfer in	0	0	0	0	10,627	4,776	0	0
Total other financing sources (uses)	0	0	0	0	10,627	4,776	0	0
Net change in fund balances	\$0	0	\$11,632	0	\$ (20,095)	(19,641)	\$0	0
Fund balances July 1, 2011		0		0		71,988		0
Fund balances June 30, 2012		<u>\$0</u>		<u>\$0</u>		<u>\$ 52,347</u>		<u>\$0</u>

YELLOWSTONE COUNTY, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (PAGE 3 OF 6)

	<u>PILT Fund</u>		<u>Parks Fund</u>		<u>Museum Fund</u>		<u>Crime Control Fund</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES:								
Taxes	\$0	\$0	\$0	\$0	\$ 494,367	\$ 458,204	\$0	\$0
Intergovernmental	175,000	186,980	0	0	37,034	13,136	91,333	82,909
Other	0	0	17,925	22,655	0	0	0	0
Total revenues	175,000	186,980	17,925	22,655	531,401	471,340	91,333	82,909
EXPENDITURES:								
Current:								
General government	157,750	69,483	0	0	0	0	0	0
Public safety	0	0	0	0	0	0	217,868	211,839
Culture and recreation	0	0	43,516	42,920	514,775	454,845	0	0
Capital outlay:								
Culture and recreation	50,000	29,635	3,784	3,784	38,451	22,085	0	0
Total expenditures	207,750	99,118	47,300	46,704	553,226	476,930	217,868	211,839
Excess (deficiency) of revenues over (under) expenditures	(32,750)	87,862	(29,375)	(24,049)	(21,825)	(5,590)	(126,535)	(128,930)
OTHER FINANCING SOURCES (USES):								
Interfund transfer in	0	0	24,000	24,000	20,000	20,000	126,535	128,930
Interfund transfer out	(92,000)	(76,623)	0	0	(15,374)	(15,374)	0	0
Total other financing sources (uses)	(92,000)	(76,623)	24,000	24,000	4,626	4,626	126,535	128,930
Net change in fund balances	(\$124,750)	11,239	\$ (5,375)	(49)	\$ (17,199)	(964)	\$0	0
Fund balances July 1, 2011		516,201		100,021		79,684		0
Fund balances June 30, 2012		<u>\$ 527,440</u>		<u>\$ 99,972</u>		<u>\$ 78,720</u>		<u>\$0</u>

YELLOWSTONE COUNTY, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (PAGE 4 OF 6)

	Health Services Fund		Soil Conservation Fund		Alcohol Rehabilitation Fund		Drug Forfeiture Fund	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES:								
Taxes	\$ 2,070,524	\$ 1,917,754	\$ 93,598	\$ 94,159	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental	0	18,361	2,538	2,538	210,000	171,373	0	0
Fines and forfeitures	0	0	0	0	0	0	20,000	26,645
Other	4,000	1,776	0	0	0	0	50	31
Total revenues	2,074,524	1,937,891	96,136	96,697	210,000	171,373	20,050	26,676
EXPENDITURES:								
Current:								
Public safety	0	0	0	0	0	0	47,000	19,729
Public health	2,074,524	1,937,891	0	0	210,000	171,373	0	0
Conservation of natural resources	0	0	97,658	97,658	0	0	0	0
Total expenditures	2,074,524	1,937,891	97,658	97,658	210,000	171,373	52,250	23,715
Excess (deficiency) of revenues over (under) expenditures	0	0	(1,522)	(961)	0	0	(32,200)	2,961
Net change in fund balances	\$0	0	(\$1,522)	(961)	\$0	0	\$ (32,200)	2,961
Fund balances July 1, 2011	0	0	1,522	0	0	0	85,033	0
Fund balances June 30, 2012	\$0	0	\$561	\$0	\$0	0	\$ 87,994	0

YELLOWSTONE COUNTY, MONTANA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2012
 (PAGE 5 OF 6)

	<u>Junk Vehicle Fund</u>		<u>Youth Services Fund</u>		<u>R.S.I.D. Maintenance Fund</u>		<u>Traffic Safety Fund</u>	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
REVENUES:								
Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Special assessments	0	0	0	0	650,000	740,140	0	0
Licenses and permits	0	0	145,000	145,000	0	0	0	0
Intergovernmental	208,927	208,927	241,915	235,769	0	0	70,000	80,150
Charges for services	4,000	900	1,664,260	1,525,877	0	0	0	0
Other	1,200	345	0	850	30,000	16,186	500	240
Total revenues	214,127	210,172	2,051,175	1,907,496	680,000	756,326	70,500	80,390
EXPENDITURES:								
Current:								
Public safety	0	0	2,311,693	2,229,443	0	0	80,000	62,726
Public works	179,205	143,718	0	0	0	0	0	0
Capital outlay:								
Public safety	0	0	1,800	1,281	0	0	0	0
Public works	12,350	12,063	0	0	800,000	419,568	0	0
Total expenditures	191,555	155,781	2,313,493	2,230,724	800,000	419,568	80,000	62,726
Excess (deficiency) of revenues over (under) expenditures	22,572	54,391	(262,318)	(323,228)	(120,000)	336,758	(9,500)	17,664
OTHER FINANCING SOURCES (USES):								
Interfund transfer in	0	0	162,384	298,709	0	0	0	0
Interfund transfer out	(22,571)	0	0	0	0	0	0	0
Total other financing sources (uses)	(22,571)	0	162,384	298,709	0	0	0	0
Net change in fund balances	\$1	54,391	\$ (99,934)	(24,519)	\$ (120,000)	336,758	\$ (9,500)	17,664
Fund balances July 1, 2011		0		391,840		2,764,521		34,787
Fund balances June 30, 2012		\$54,391		\$ 367,321		\$ 3,101,279		\$ 52,451

YELLOWSTONE COUNTY, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
(PAGE 6 OF 6)

	Emergency Levy Fund		Permissive Medical Levy Fund		Veteran's Cemetery		Benevolent Fund		Total	
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES:										
Taxes	\$541	\$540	\$3,082,522	\$2,849,941	\$223,919	\$207,557	\$0	\$0	\$11,329,236	\$10,464,320
Special assessments	0	0	0	0	0	0	0	0	650,750	740,864
Licenses and permits	0	0	0	0	0	0	0	0	145,000	145,000
Intergovernmental	0	0	0	27,335	0	1,986	0	0	1,592,039	1,561,488
Fines and forfeitures	0	0	0	0	0	0	0	0	20,000	26,645
Charges for services	0	0	0	0	31,600	32,482	0	0	1,803,860	1,657,680
Other	0	0	0	0	1,000	23,105	0	0	87,675	79,876
Total revenues	541	540	3,082,522	2,877,276	256,519	265,130	0	0	15,628,560	14,675,873
EXPENDITURES:										
Current:										
General government	0	0	0	0	0	0	0	0	157,750	69,483
Public safety	0	0	0	0	0	0	0	0	6,908,964	6,371,514
Public works	0	0	0	0	81,200	65,459	0	0	1,397,959	1,014,873
Public health	0	0	0	0	0	0	0	0	2,284,524	2,109,264
Social and economic services	0	0	0	0	0	0	0	0	1,033,746	972,808
Culture and recreation	0	0	0	0	0	0	0	0	1,324,427	1,191,320
Conservation of natural resources	0	0	0	0	0	0	0	0	97,658	97,658
Capital outlay:										
General government	0	0	0	0			39,025	39,025	39,025	39,025
Public safety	0	0	0	0	0	0	0	0	125,450	31,247
Public works	0	0	0	0	0	0	0	0	2,030,712	1,482,630
Social and economic services	0	0	0	0	43,000	12,558	0	0	44,000	13,463
Culture and recreation	0	0	0	0	0	0	0	0	92,235	55,504
Total expenditures	0	0	0	0	124,200	78,017	39,025	39,025	15,536,450	13,448,789
Excess (deficiency) of revenues over (under) expenditures	541	540	3,082,522	2,877,276	132,319	187,113	(39,025)	(39,025)	92,110	1,227,084
OTHER FINANCING SOURCES (USES):										
Interfund transfer in	0	0	0	0	0	0	0	0	2,321,771	2,451,124
Interfund transfer out	(541)	(540)	(2,877,277)	(2,877,276)	(187,946)	(187,945)	0	0	(4,002,398)	(3,964,447)
Total other financing sources (uses)	(541)	(540)	(2,877,277)	(2,877,276)	(187,946)	(187,945)	0	0	(1,680,627)	(1,513,323)
Net change in fund balances	\$0	0	\$205,245	0	(\$55,627)	(832)	(\$39,025)	(39,025)	\$ (1,588,517)	(286,239)
Fund balances July 1, 2011		0		0		123,193		39,025		7,264,209
Fund balances June 30, 2012		\$0		\$0		\$ 122,361		\$0		\$ 6,977,970

**YELLOWSTONE COUNTY, MONTANA
COMBINING BALANCE SHEET
NONMAJOR DEBT SERVICE FUNDS
JUNE 30, 2012**

<u>Assets</u>	R.S.I.D. Revolving Fund	METRA Expansion Bond Fund	Limited Tax G.O. Bond Fund	Total
Cash and demand investments, pooled	\$71,647	\$40,354	\$0	\$112,001
Cash investments, pooled	204,913	115,434	0	320,347
Receivables (net of allowance for uncollectibles):				
Property taxes	0	88,125	0	88,125
Accrued interest	0	148	0	148
Due from other taxing districts	0	4,900	0	4,900
Total assets	\$276,560	\$248,961	\$0	\$525,521
<u>Liabilities and Fund Balance</u>				
LIABILITIES:				
Deferred revenue	\$0	\$88,125	\$0	\$88,125
FUND BALANCE, reserved for debt service	276,560	160,836	0	437,396
Total liabilities and fund balance	\$276,560	\$248,961	\$0	\$525,521

YELLOWSTONE COUNTY, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
NONMAJOR DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	R.S.I.D.		METRA Expansion		Limited Tax G.O.		Total	
	<u>Revolving Fund</u>		<u>Bond Fund</u>		<u>Bond Fund</u>		<u>Budget</u>	<u>Actual</u>
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES:								
Taxes	\$0	\$0	\$552,528	\$511,941	\$0	\$0	\$552,528	\$511,941
Intergovernmental	0	0	232,236	237,136	0	0	232,236	237,136
Other	0	0	3,500	1,485	0	0	3,500	1,485
Total revenues	0	0	788,264	750,562	0	0	788,264	750,562
EXPENDITURES:								
Debt service:								
Principal	0	0	685,000	685,000	445,000	445,000	1,130,000	1,130,000
Interest	0	0	61,227	61,075	166,699	166,698	227,926	227,773
Protest Tax Contingency	0	0	37,150	0	0	0	37,150	0
Total expenditures	0	0	783,377	746,075	611,699	611,698	1,395,076	1,357,773
Excess (deficiency) of revenues over (under) expenditures	0	0	4,887	4,487	(611,699)	(611,698)	(606,812)	(607,211)
OTHER FINANCING SOURCES (USES):								
Interfund transfer in	0	0	0	0	611,699	611,698	611,699	611,698
Total other financing sources (uses)	0	0	0	0	611,699	611,698	611,699	611,698
Net change in fund balances	\$0	0	\$ 4,887	4,487	\$0	0	\$ 4,887	4,487
Fund balance July 1, 2011		276,560		156,349		0		432,909
Fund balance June 30, 2012		\$ 276,560		\$ 160,836		\$0		\$ 437,396

**YELLOWSTONE COUNTY, MONTANA
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
JUNE 30, 2012**

<u>Assets</u>	Geographical Information System Fund	RSID Construction Fund	Total
Cash and demand investments, pooled	\$65,167	\$0	\$65,167
Cash investments, pooled	186,379	0	186,379
Prepaid expenses	3,478	0	3,478
Total Assets	\$255,024	\$0	\$255,024
<u>Liabilities and Fund Balance</u>			
LIABILITIES:			
Accounts payable	\$1,246	\$0	\$1,246
Accrued liabilities	4,777	0	4,777
Due to general fund	0	100	100
Total liabilities	6,023	100	6,123
FUND BALANCE:			
Reserved for capital improvements	249,001	(100)	248,901
Total fund balance	249,001	(100)	248,901
Total Liabilities and Fund Balance	\$255,024	\$0	\$255,024

YELLOWSTONE COUNTY, MONTANA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Geographical		RSID Construction Fund		Total	
	Information System Fund					
	Budget	Actual	Budget	Actual	Budget	Actual
REVENUES:						
Intergovernmental	\$9,381	\$9,381	\$0	\$0	\$ 9,381	\$ 9,381
Charge for services	107,000	114,037	0	0	107,000	114,037
Other	0	98	0	0	0	98
Total revenues	116,381	123,516	0	0	116,381	123,516
EXPENDITURES:						
Current:						
General government	294,412	285,539	0	0	294,412	285,539
Capital outlay:						
Public works	0	0	100	100	100	100
Total expenditures	296,412	286,584	100	100	296,512	286,684
Excess (deficiency) of revenues over (under) expenditures	(180,031)	(163,068)	(100)	(100)	(180,131)	(163,168)
OTHER FINANCING SOURCES (USES):						
Interfund transfers in	206,629	206,420	0	0	206,629	206,420
Total other financing sources (uses)	206,629	206,420	0	0	206,629	206,420
Net change in fund balances	\$26,598	43,352	(\$100)	(100)	\$26,498	43,252
Fund balance July 1, 2011		205,649		0		205,649
Fund balance June 30, 2012		\$ 249,001		(\$100)		\$ 248,901

YELLOWSTONE COUNTY, MONTANA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012

<u>ASSETS</u>	Health Insurance Fund	Motor Pool Fund	Telephone Fund	Total
CURRENT ASSETS:				
Cash and demand investments, pooled	\$1,675,956	\$6,613	\$44,138	\$1,726,707
Cash investments, pooled	4,793,575	18,915	126,235	4,938,725
Receivables (net of allowance for uncollectibles):				
Accounts	1,628	0	0	1,628
Accrued interest	2,253	0	0	2,253
Due from other funds	27,335			27,335
Total current assets	<u>6,500,747</u>	<u>25,528</u>	<u>170,373</u>	<u>6,696,648</u>
NONCURRENT ASSETS				
Capital Assets:				
Equipment and vehicles	0	69,563	246,056	315,619
Accumulated depreciation	0	(55,109)	(178,687)	(233,796)
Total property and equipment (net)	<u>0</u>	<u>14,454</u>	<u>67,369</u>	<u>81,823</u>
Total assets	<u><u>\$6,500,747</u></u>	<u><u>\$39,982</u></u>	<u><u>\$237,742</u></u>	<u><u>\$6,778,471</u></u>
<u>LIABILITIES</u>				
CURRENT LIABILITIES:				
Accounts payable	\$5,556	\$116	\$363	\$6,035
Accrued liabilities	440,313	0	0	440,313
Accrued compensated absences	0	0	1,191	1,191
Unearned premiums	341,866	0	0	341,866
Total current liabilities	<u>787,735</u>	<u>116</u>	<u>1,554</u>	<u>789,405</u>
NONCURRENT LIABILITIES:				
Accrued compensated absences	0	0	3,574	3,574
<u>NET ASSETS</u>				
Investment in capital assets, net of related debt	0	14,454	67,369	81,823
Unrestricted	5,713,012	25,412	165,245	5,903,669
Total net assets	<u>5,713,012</u>	<u>39,866</u>	<u>232,614</u>	<u>5,985,492</u>
Total liabilities and net assets	<u><u>\$6,500,747</u></u>	<u><u>\$39,982</u></u>	<u><u>\$237,742</u></u>	<u><u>\$6,778,471</u></u>

YELLOWSTONE COUNTY, MONTANA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN RETAINED EARNINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Health Insurance Fund	Motor Pool Fund	Telephone Fund	Total
OPERATING REVENUES:				
Charges for services	\$0	\$ 9,997	\$ 126,139	\$ 136,136
Health insurance premiums	5,609,371	0	0	5,609,371
Total operating revenues	5,609,371	9,997	126,139	5,745,507
OPERATING EXPENSES:				
Salaries and benefits	0	0	60,230	60,230
Supplies	0	3,403	9,035	12,438
Contracted services	67,193	1,902	40,070	109,165
Health claims	5,396,392	0	0	5,396,392
Stop-loss insurance and administration	409,081	0	0	409,081
Depreciation	0	5,729	24,605	30,334
Total operating expenses	5,872,666	11,034	133,940	6,017,640
Operating income (loss)	(263,295)	(1,037)	(7,801)	(272,133)
NONOPERATING REVENUES (EXPENSES):				
Interest revenue	30,617	0	0	30,617
Income (loss) before transfers	(232,678)	(1,037)	(7,801)	(241,516)
Interfund transfer in	1,136,397	0	0	1,136,397
Change in net assets	903,719	(1,037)	(7,801)	894,881
Net assets July 1, 2011	4,809,293	40,903	240,415	5,090,611
Net assets June 30, 2012	\$ 5,713,012	\$ 39,866	\$ 232,614	\$ 5,985,492

YELLOWSTONE COUNTY, MONTANA
Internal Service Funds
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Health Insurance Fund	Motor Pool Fund	Telephone Fund	Totals
Cash flows from operating activities:				
Cash received from users	\$0	\$9,997	\$126,139	\$136,136
Cash received from health insurance premiums	5,702,008	0	0	5,702,008
Cash paid to other suppliers for goods or services	(62,153)	(5,354)	(50,378)	(117,885)
Cash paid to employees for services	0	0	(59,354)	(59,354)
Cash paid for health claims	(5,276,554)	0	0	(5,276,554)
Cash paid for stop-loss insurance and administration	(409,081)	0	0	(409,081)
Net cash provided (used) by operating activities	(45,780)	4,643	16,407	(24,730)
Cash flows from noncapital financing activities:				
Cash received (paid) from (to) interfund transfer	1,109,062	0	0	1,109,062
Net cash provided (used) by noncapital financing activities	1,109,062	0	0	1,109,062
Cash flows from investing activities:				
Deposits into investment pool	(325,302)	(1,539)	1,863	(324,978)
Interest received on investments	37,141	0	0	37,141
Net cash provided (used) by investing activities	(288,161)	(1,539)	1,863	(287,837)
Net increase (decrease) in cash and demand investments	775,121	3,104	18,270	796,495
Cash and demand investments, July 1, 2011	900,835	3,509	25,868	930,212
Cash and demand investments, June 30, 2012	\$1,675,956	\$6,613	\$44,138	\$1,726,707
Noncash transaction:				
Increase in cash investments market value	(\$7,117)	\$0	\$0	(\$7,117)
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	(\$263,295)	(\$1,037)	(\$7,801)	\$ (\$272,133)
Adjustments to reconcile net income (loss) to net cash from operating activities:				
Depreciation expense	0	5,729	24,605	30,334
(Increase) decrease in assets:				
Accounts receivable	46,106	0	0	46,106
Increase (decrease) in liabilities:				
Accounts payable	5,040	(49)	(1,273)	3,718
Accrued liabilities	119,838	0	876	120,714
Unearned premiums	46,531	0	0	46,531
Total adjustments	217,515	5,680	24,208	247,403
Net cash provided (used) by operating activities	(\$45,780)	\$4,643	\$16,407	\$ (\$24,730)

III. STATISTICAL SECTION (Unaudited)

(UNAUDITED)
Schedule 1
Yellowstone County, Montana
Net Assets by Component
Last Five Fiscal Years
(accrual basis of accounting)

	Fiscal year ended June 30, 2012				
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Governmental activities					
Investment in capital assets, net of related debt	\$ 47,583,688	\$ 45,413,016	\$ 42,396,754	\$ 40,604,549	\$ 38,042,462
Restricted net assets for debt service	618,469	618,821	601,415	617,775	629,854
Unrestricted	36,115,922	30,495,483	31,941,003	27,301,777	24,692,795
Total governmental activities net assets	\$ 84,318,079	\$ 76,527,320	\$ 74,939,172	\$ 68,524,101	\$ 63,365,111
Business-type activities					
Investment in capital assets, net of related debt	\$ 40,295,915	\$ 36,686,536	\$ 10,976,510	\$ 14,022,188	\$ 13,544,268
Unrestricted	(63,633)	3,375,873	24,239,898	1,467,712	727,353
Total business-type activities net assets	\$ 40,232,282	\$ 40,062,409	\$ 35,216,408	\$ 15,489,900	\$ 14,271,621
Primary government					
Investment in capital assets, net of related debt	\$ 87,879,603	\$ 82,099,552	\$ 53,373,264	\$ 54,626,737	\$ 51,586,730
Restricted net assets for debt service	618,469	618,821	601,415	617,775	629,854
Unrestricted	36,052,289	33,871,356	56,180,901	28,769,489	25,420,148
Total primary government activities net assets	\$ 124,550,361	\$ 116,589,729	\$ 110,155,580	\$ 84,014,001	\$ 77,636,732

(UNAUDITED)
Schedule 2
Yellowstone County, Montana
Changes in Net Assets
Last Five Fiscal Years
Page 1 of 2
(accrual basis of accounting)

	Fiscal year ended June 30, 2012				
	2012	2011	2010	2009	2008
Expenses					
Governmental activities:					
General government	\$ 12,002,290	\$ 13,481,058	\$ 12,723,629	\$ 12,732,888	\$ 11,345,680
Public Safety	22,801,598	21,858,994	21,106,126	20,553,856	19,928,041
Public Works	7,486,540	8,122,849	5,740,088	7,443,234	5,515,461
Public Health	2,973,546	3,829,889	2,736,104	2,544,822	2,222,118
Social and Economic	1,642,537	1,685,969	1,583,880	1,657,830	1,217,047
Culture and Recreation	1,321,039	3,265,026	1,427,488	1,264,722	1,412,366
Community Development	370,700	373,325	360,046	146,295	826,617
Conservation of Natural Resources	124,678	121,509	128,852	400,640	111,840
Interest on Long-Term Debt	257,376	245,489	253,804	323,661	250,888
Total governmental activities expenses	48,980,304	52,984,108	46,060,017	47,067,948	42,830,058
Business-type activities:					
Refuse Disposal	521,445	491,789	461,326	417,017	391,992
METRA	6,967,646	5,429,653	6,393,925	6,086,911	5,789,476
Total business-type activities expenses	7,489,091	5,921,442	6,855,251	6,503,928	6,181,468
Total primary government activities expenses	\$ 56,469,395	\$ 58,905,550	\$ 52,915,268	\$ 53,571,876	\$ 49,011,526
Program Revenues					
Governmental activities:					
Special Assessments					
Public Works	\$ 799,465	\$ 1,011,509	\$ 711,663	\$ 685,903	\$ 554,539
Licenses and permits					
Public Safety	26,145	30,530	33,280	33,760	42,284
Public Works	32,526	18,690	30,142	26,751	29,180
Intergovernmental					
General government	60,855	57,036	56,716	52,624	498,556
Public Safety	161,137	161,370	157,116	177,116	162,096
Public Works	524,586	462,821	489,446	479,135	480,946
Social and Economic	171,373	190,861	124,584	202,283	206,740
Fines and forfeitures					
General government	605,206	660,479	677,100	675,227	730,871
Public Safety	26,645	49,134	49,293	28,616	7,262
Charges for services					
General government	4,433,969	4,432,889	4,491,243	4,558,705	4,264,349
Public Safety	4,792,644	3,813,888	3,518,717	3,732,584	4,119,954
Public Works	254,788	254,733	201,320	244,763	215,086
Public Health	3,560	3,649	2,751	2,092	2,114
Social and Economic	32,482	32,914	15,156	0	0
Operating grants and contributions					
General government	0	0	0	1,000	14,380
Public Safety	738,757	899,188	768,170	716,183	867,387
Public Works	18,020	51,166	41,859	43,931	17,035
Public Health	315,630	386,728	336,015	0	0
Culture and Recreation	526,693	14,636	27,400	7,000	16,880

(UNAUDITED)
Schedule 2
Yellowstone County, Montana
Changes in Net Assets
Last Five Fiscal Years
Page 2 of 2
(accrual basis of accounting)

	Fiscal year ended June 30, 2012				
	2012	2011	2010	2009	2008
Capital grants and contributions					
General government	\$0	\$4,047	\$84,861	\$97,757	\$192
Public Safety	449,676	375,681	69,553	409,995	0
Public Works	342,897	0	356,413	18,319	142,367
Culture and Recreation	280,782	463,769	0	0	28,155
Community Development		-	500	18,457	471,278
Total governmental activities program revenues	14,597,836	13,375,718	12,243,298	12,212,201	12,871,651
Business-type activities:					
Special Assessments					
Refuse Disposal	450,630	484,152	479,524	308,483	331,357
Charges for services					
METRA	4,322,531	2,864,669	4,202,743	4,516,429	4,115,283
Total governmental activities program revenues	4,773,161	3,348,821	4,682,267	4,824,912	4,446,640
Total primary government program revenues	\$ 19,370,997	\$ 16,724,539	\$ 16,925,565	\$ 17,037,113	\$ 17,318,291
Net (Expense)/Revenue					
Governmental activities	\$ (34,382,468)	\$ (39,608,390)	\$ (33,816,719)	\$ (34,855,747)	\$ (29,958,407)
Business-type activities	(2,715,930)	(2,572,621)	(2,172,984)	(1,679,016)	(1,734,828)
Total primary government net expense	\$ (37,098,398)	\$ (42,181,011)	\$ (35,989,703)	\$ (36,534,763)	\$ (31,693,235)
General Revenues and Other Changes in Net Assets					
Governmental activities					
Property taxes	\$ 35,187,834	\$ 34,078,689	\$ 31,781,735	\$ 30,909,532	\$ 27,934,463
Licenses and permits	3,668,211	3,856,530	3,923,361	3,970,264	4,083,512
Intergovernmental	2,598,745	2,328,262	2,252,000	2,303,482	2,023,698
Other revenues	652,773	847,937	2,218,768	2,906,251	2,063,062
Gain on disposal of fixed assets	-	921,000	0	0	0
Transfers	65,664	(835,880)	55,926	(74,792)	(98,165)
Total governmental activities	42,173,227	41,196,538	40,231,790	40,014,737	36,006,570
Business-type activities					
Property taxes	2,438,771	2,773,779	1,401,954	1,346,630	1,228,459
Intergovernmental	22,152	0	151,800	0	6,219
Other revenues	490,544	615,479	272,437	1,475,873	329,966
Transfers	(65,664)	835,880	(55,926)	74,792	98,165
Net extraordinary gain-tornado related expenses & donated revenue		3,193,484	0	0	0
Extraordinary gain from insurance recovery for building damage repair		0	20,129,227	0	0
Total business-type activities	2,885,803	7,418,622	21,899,492	2,897,295	1,662,809
Total primary government	\$ 45,059,030	\$ 48,615,160	\$ 62,131,282	\$ 42,912,032	\$ 37,669,379
Change in Net Assets					
Governmental activities	\$ 7,790,759	\$ 1,588,148	\$ 6,415,071	\$ 5,158,990	\$ 6,048,163
Business-type activities	169,873	4,846,001	19,726,508	1,218,279	(72,019)
Total primary government net expense	\$ 7,960,632	\$ 6,434,149	\$ 26,141,579	\$ 6,377,269	\$ 5,976,144

(UNAUDITED)
Schedule 3
Yellowstone County, Montana
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal year ended June 30, 2012									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Major Governmental Funds										
General Fund										
Reserved	\$ 374,073	\$ 476,160	\$ 530,695	\$ 544,790	\$ 527,016	\$ 585,675	\$ 471,697	\$ 378,156	\$ 410,397	\$ 336,562
Unreserved	5,355,544	5,170,706	5,212,546	4,721,071	4,725,392	3,926,926	2,766,391	2,442,781	2,736,024	3,071,000
Total general fund	5,729,617	5,646,866	5,743,241	5,265,861	5,252,408	4,512,601	3,238,088	2,820,937	3,146,421	3,407,562
Road Fund										
Reserved	250,812	240,569	263,993	316,609	316,740	285,255	159,462	136,711	143,713	153,242
Unreserved	3,127,775	3,274,449	2,785,305	2,865,382	2,552,501	2,479,467	2,341,670	2,273,319	1,801,241	1,666,850
Total road fund	3,378,587	3,515,018	3,049,298	3,181,991	2,869,241	2,764,722	2,501,132	2,410,030	1,944,954	1,820,092
Property and Liability Insurance Fund										
Unreserved	2,384,591	2,202,672	2,288,114	2,678,224	1,863,123	1,779,818	2,137,448	2,015,172	1,898,714	2,128,497
Total property and liability insurance fund	2,384,591	2,202,672	2,288,114	2,678,224	1,863,123	1,779,818	2,137,448	2,015,172	1,898,714	2,128,497
Public Safety Fund										
Reserved		0	0	0	0	0	0	0	0	0
Unreserved	4,349,177	3,751,387	3,833,008	4,254,156	4,183,720	4,764,692	4,602,718	4,366,375	4,278,509	3,978,184
Total public safety fund	4,349,177	3,751,387	3,833,008	4,254,156	4,183,720	4,764,692	4,602,718	4,366,375	4,278,509	3,978,184
R.S.I.D. Bond Fund										
Reserved	181,073	185,912	174,407	151,435	157,327	247,887	183,989	343,631	145,306	204,995
Unreserved		0	0	0	0	0	0	0	0	0
Total R.S.I.D. bond fund	181,073	185,912	174,407	151,435	157,327	247,887	183,989	343,631	145,306	204,995
Capital Improvement Fund										
Reserved	9,013,276	7,511,953	8,312,731	8,006,982	4,761,837	4,209,622	4,110,012	4,290,802	3,910,567	2,710,854
Unreserved		0	0	0	0	0	0	0	0	0
Total capital improvement fund	9,013,276	7,511,953	8,312,731	8,006,982	4,761,837	4,209,622	4,110,012	4,290,802	3,910,567	2,710,854
Nonmajor Governmental Funds										
Special Revenue Funds										
Reserved	77,624	109,814	64,333	90,675	79,743	70,039	64,429	50,458	36,272	30,030
Unreserved	6,900,346	7,154,395	6,787,842	6,112,246	5,567,529	5,339,679	5,473,068	4,846,480	4,478,812	4,217,657
Total nonmajor special revenue funds	6,977,970	7,264,209	6,852,175	6,202,921	5,647,272	5,409,718	5,537,497	4,896,938	4,515,084	4,247,687
Debt Service Funds										
Reserved	437,396	432,909	427,008	466,340	472,527	504,666	456,478	449,053	396,516	365,701
Unreserved		0	0	0	0	0	0	0	0	0
Total nonmajor debt service funds	437,396	432,909	427,008	466,340	472,527	504,666	456,478	449,053	396,516	365,701
Capital Projects Funds										
Reserved	248,901	205,649	243,770	167,606	2,935,694	141,587	173,753	564,147	105,131	136,070
Unreserved		0	0	0	0	0	0	0	0	0
Total nonmajor capital projects funds	248,901	205,649	243,770	167,606	2,935,694	141,587	173,753	564,147	105,131	136,070
Total nonmajor governmental funds										
Reserved	763,921	748,372	735,111	724,621	3,487,964	716,292	694,660	1,063,658	537,919	531,801
Unreserved	6,900,346	7,154,395	6,787,842	6,112,246	5,567,529	5,339,679	5,473,068	4,846,480	4,478,812	4,217,657
Total nonmajor governmental funds	7,664,267	7,902,767	7,522,953	6,836,867	9,055,493	6,055,971	6,167,728	5,910,138	5,016,731	4,749,458
Total Governmental Funds										
Reserved	10,583,155	9,162,966	10,016,937	9,744,437	9,250,884	6,044,731	5,619,820	6,212,958	5,147,902	3,937,454
Unreserved	22,117,433	21,553,609	20,906,815	20,631,079	18,892,265	18,290,582	17,321,295	15,944,127	15,193,300	15,062,188
Total governmental funds	32,700,588	30,716,575	30,923,752	30,375,516	28,143,149	24,335,313	22,941,115	22,157,085	20,341,202	18,999,642

(UNAUDITED)
Schedule 4
Yellowstone County, Montana
Changes in Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
REVENUES:										
Taxes	\$ 33,244,680	\$ 33,372,159	\$ 30,395,670	\$ 31,552,002	\$ 26,873,599	\$ 25,103,650	\$ 22,614,667	\$ 20,762,475	\$ 19,685,963	\$ 16,475,556
Special assessments	947,268	896,191	844,124	789,855	698,922	611,209	661,314	666,137	470,273	529,435
Licenses and permits	3,726,882	3,905,750	3,986,783	4,030,775	4,154,976	4,026,781	3,799,944	3,640,571	3,482,605	3,193,838
Intergovernmental	6,189,151	5,360,808	4,764,633	4,527,281	4,929,710	5,068,068	6,634,482	6,793,582	5,996,637	6,464,036
Fines and forfeitures	631,851	709,613	726,393	703,843	738,133	717,034	691,857	686,062	781,688	734,019
Charges for services	6,840,740	5,940,463	5,574,455	5,897,296	6,039,577	6,229,532	6,447,618	5,893,581	6,259,917	5,548,787
Other	622,156	793,188	2,143,182	2,698,136	1,933,233	2,418,965	1,184,528	975,028	802,716	931,449
Total revenues	52,202,728	50,978,172	48,435,240	50,199,188	45,368,150	44,175,239	42,034,410	39,417,436	37,479,799	33,877,120
EXPENDITURES:										
General government	8,410,309	9,504,936	9,069,533	8,060,966	7,766,095	7,746,699	6,196,276	7,107,271	7,078,591	6,181,723
Public safety	21,820,108	21,428,629	19,964,420	19,531,456	18,880,774	17,677,083	19,719,685	17,522,970	16,344,414	15,551,498
Public works	6,827,892	5,974,350	6,182,694	5,240,217	5,494,076	4,786,574	4,181,359	4,173,865	4,069,497	4,186,428
Public health	2,962,539	2,997,024	2,725,067	2,535,164	2,235,162	2,095,402	2,046,213	1,878,884	1,707,681	676,290
Social and economic services	1,629,740	1,614,595	1,583,521	1,588,268	1,474,655	1,242,595	1,189,049	1,226,118	1,315,051	1,243,322
Culture and recreation	1,191,320	1,186,482	1,229,904	1,143,785	1,042,509	1,558,979	1,109,867	792,437	710,958	732,952
Conservation of natural resources	124,678	121,509	127,685	113,809	110,115	108,094	102,905	81,647	262,546	195,447
Community development	370,700	373,325	360,046	373,484	322,919	301,666	603,326	1,441	688,573	125,896
Capital outlay	4,241,139	6,845,381	4,442,447	6,272,060	4,488,745	5,087,838	3,478,893	3,785,290	2,260,380	3,101,459
Debt service:										
Principal	1,285,777	993,000	963,000	926,425	830,575	777,809	953,654	759,415	764,703	814,241
Interest	283,780	225,030	262,710	332,471	246,936	264,698	286,236	287,515	319,651	357,320
Refunding bond issuance costs	0	0	0	55,150	0	0	0	0	0	0
Total expenditures	49,147,982	51,264,261	46,911,027	46,173,255	42,892,561	41,647,437	39,867,463	37,616,853	35,522,045	33,166,576
Excess (deficiency) of revenues over (under) expenditures	3,054,746	(286,089)	1,524,213	4,025,933	2,475,589	2,527,802	2,166,947	1,800,583	1,957,754	710,544
OTHER FINANCING SOURCES (USES):										
Interfund transfers in	7,145,394	6,388,940	6,195,507	6,902,009	5,375,099	3,745,926	3,599,577	3,208,270	3,219,565	2,919,175
Interfund transfers out	(8,216,127)	(8,484,749)	(7,171,484)	(8,755,260)	(7,042,852)	(5,252,530)	(4,982,494)	(4,375,970)	(3,884,759)	(3,898,673)
Gain on disposal of fixed assets		921,000	0	0	0	0	0	0	0	0
Long term debt proceeds		1,253,721	0	3,440,000	3,000,000	373,000	0	1,183,000	49,000	174,000
Payment to refunded bond escrow account		0	0	(3,380,315)	0	0	0	0	0	0
Total other financing sources (uses)	(1,070,733)	78,912	(975,977)	(1,793,566)	1,332,247	(1,133,604)	(1,382,917)	15,300	(616,194)	(805,498)
Net change in fund balances	1,984,013	(207,177)	548,236	2,232,367	3,807,836	1,394,198	784,030	1,815,883	1,341,560	(94,954)
Prior period adjustment								(201,646)		
Debt service as a percentage of noncapital expenditures	3.5%	2.7%	2.9%	3.2%	2.8%	2.9%	3.4%	3.1%	3.3%	3.9%

(UNAUDITED)
Schedule 5
YELLOWSTONE COUNTY, MONTANA
TAXABLE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
(Last Ten Fiscal Years)

Fiscal Year	Real Property		Personal Property		Total		Tax Increment Taxable Value	Countywide Taxable Value Excluding Tax Increment	Total Direct Tax Rate (9)	Percent of Taxable Value to Estimated Actual Value
	Adjusted Market Value	Taxable Value	Adjusted Market Value	Taxable Value	Adjusted Market Value	Taxable Value				
02-03	5,543,966,872	196,666,120	301,150,803	6,406,964	5,845,117,675	203,073,084	Already Excluded	203,073,084	\$ 74.22	3.47%
03-04	5,728,315,815	195,119,152	185,008,104	9,923,406	5,913,323,919	205,042,558	Already Excluded	205,042,558	\$ 84.94	3.47%
04-05	6,337,572,859	206,023,984	322,562,972	6,290,199	6,660,135,831	212,314,183	Already Excluded	212,314,183	\$ 89.23	3.19%
05-06	6,787,795,509	216,388,822	333,086,458	10,068,464	7,120,881,967	226,457,286	3,417,151	223,040,135	\$ 92.66	3.18%
06-07	7,290,505,305	224,693,468	341,724,937	10,265,600	7,632,230,242	234,959,068	Already Excluded	234,959,068	\$ 98.94	3.08%
07-08	7,894,071,923	239,583,004	374,323,352	11,173,823	8,268,395,275	250,756,827	4,459,548	246,297,279	\$ 102.37	3.03%
08-09	7,806,494,120	254,155,444	383,830,059	11,944,224	8,190,324,179	266,099,668	426,415	265,673,253	\$ 105.16	3.25%
09-10	8,349,674,677	261,845,031	433,114,252	12,863,487	8,782,788,929	274,708,518	1,795,143	272,913,375	\$ 105.67	3.13%
10-11	10,053,412,391	278,579,151	407,399,367	11,935,460	10,460,811,758	290,514,611	6,028,312	284,486,299	\$ 113.09	2.78%
11-12	8,812,059,768	267,366,350	342,771,817	29,880,298	9,154,831,585	297,246,648	6,443,099	290,803,549	\$ 113.17	3.25%

NOTE: Adjusted Market Value reflects market value after statutory exemptions.

Source: State of Montana Department of Revenue, Property Assessment Division.

(UNAUDITED)
 Schedule 6
YELLOWSTONE COUNTY, MONTANA
DIRECT AND OVERLAPPING GOVERNMENTS PROPERTY TAX RATES
 Last Ten Fiscal Years
 (PER \$1,000 OF TAXABLE VALUE)

	Fiscal Year Taxes Are Payable									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
COUNTY-WIDE DIRECT RATES										
Permissive	\$ 111.27	\$ 111.29	\$ 103.79	\$ 103.15	\$ 100.21	\$ 96.43	\$ 89.98	\$ 86.49	\$ 81.92	\$ 71.54
General Obligation Debt	1.90	1.80	1.88	2.01	2.16	2.51	2.68	2.74	3.02	3.05
Total county-wide direct rate	113.17	113.09	105.67	105.16	102.37	98.94	92.66	89.23	84.94	74.59
OTHER COUNTY LEVIES FOR SPECIAL DISTRICTS										
Library	5.46	5.46	5.31	5.25	5.20	5.11	4.66	4.53	4.30	3.87
Road	36.93	36.93	34.91	34.53	33.16	32.48	29.64	28.87	27.98	25.49
Billings- County Planning	1.27	1.27	1.22	1.21	1.19	1.14	1.10	1.09	1.06	0.99
Laurel Planning	1.89	1.89	1.72	1.66	1.39	1.35	1.22	1.17	1.13	1.07
Soil Conservation	0.49	0.49	0.53	0.46	0.45	0.46	0.49	0.49	0.47	0.45
Big Sky Economic Development Authority	3.05	3.05	3.05	3.02	2.94	2.82	2.76	2.71	2.46	2.48
Emergency Levy	0.00	0.00	0.00	0.00	2.00	0.00	0.00	0.00	0.00	0.00
School retirement and transportation	49.96	49.34	47.98	49.72	49.12	51.71	51.60	56.45	57.43	49.18
Huntley Cemetery	8.44	8.71	8.02	7.93	7.73	7.41	7.07	6.70	6.49	6.22
Custer Cemetery	4.51	4.92	4.43	4.38	4.38	3.77	3.77	3.77	3.67	3.01
Shepherd Cemetery	2.12	2.07	1.97	1.95	1.91	1.87	1.68	1.68	1.65	1.47
Broadview Cemetery	1.50	2.30	1.77	1.75	1.70	1.66	1.54	1.54	1.49	1.16
CITY RATES										
City of Billings	168.73	171.42	169.44	163.76	157.53	141.58	132.81	113.73	110.23	110.23
City of Laurel	204.18	202.51	194.41	185.93	169.79	167.36	164.76	159.56	156.09	143.83
Town of Broadview	151.57	122.77	122.77	114.00	104.54	104.54	100.28	96.85	93.02	97.32
Billings Fire Hydrant	7.18	12.71	12.71	12.71	12.71	9.11	9.11	9.11	9.11	9.11
SCHOOL DISTRICTS										
School District #2 - Billings	199.19	199.73	193.87	192.18	202.96	200.83	224.99	222.88	224.67	220.36
School District #3 - Blue Creek	153.43	164.52	187.25	155.76	164.35	196.35	203.62	208.17	206.21	192.73
School District #4 - Canyon Creek	275.04	261.13	277.13	287.65	268.28	261.21	274.00	272.97	299.61	301.77
School District #7 - Laurel	214.64	232.44	216.66	196.49	236.07	253.51	256.30	212.78	206.18	194.02
School District #8 - Elder Grove	178.81	180.83	173.30	181.15	189.61	191.75	212.54	185.15	200.26	171.08
School District #12 - Molt	78.32	75.25	63.13	87.47	67.02	64.09	87.05	80.51	93.77	67.25
School District #15 - Custer	206.78	222.64	219.46	209.02	201.35	213.73	203.26	205.62	229.83	174.88
School District #17 - Morin	151.22	148.13	137.94	134.35	136.71	137.76	145.46	149.11	153.00	164.62
School District #21 - Broadview	98.83	97.90	72.93	115.53	104.72	113.45	96.89	90.94	105.25	75.22
School District #23 - Elysian	100.92	96.11	95.10	97.88	103.15	95.67	104.35	102.35	115.98	111.05
School District #24 - Huntley	275.95	289.01	286.41	220.93	202.11	191.66	181.77	185.59	187.39	183.46
School District #26 - Lockwood	229.28	237.24	253.70	267.01	292.98	271.05	279.40	266.68	264.96	249.29
School District #37 - Shepherd	277.67	273.44	251.68	254.02	252.68	252.18	252.98	262.44	258.08	247.76
School District #41 - Pioneer	255.41	260.38	251.38	250.93	244.15	257.27	264.65	277.94	276.95	265.43
School District #52 - Independent	241.71	233.44	234.43	174.29	179.20	181.09	201.44	193.25	201.17	195.40
School District #58 - Yellowstone Education Center	71.10	70.92	70.42	70.31	71.68	65.51	72.47	71.53	81.37	77.62
STATE RATE FOR EDUCATION	102.50	102.50	102.50	102.50	102.50	102.50	102.50	102.50	102.50	102.50
FIRE DISTRICTS										
Broadview Fire #3	0.71	0.71	0.71	0.67	0.67	0.68	0.65	0.68	0.61	0.61
Worden Fire #4	19.17	19.17	19.17	19.17	19.17	19.17	19.17	19.17	19.17	19.17
Laurel Fire #5	12.00	18.00	12.00	16.00	16.00	18.00	18.00	33.49	33.71	33.71
Laurel Fire #7	16.00	18.50	18.50	22.30	21.32	22.60	22.60	24.00	18.28	18.14
Lockwood Fire #8	135.00	132.00	128.28	126.87	124.41	116.50	91.35	84.55	84.55	84.55

Source: Yellowstone County Finance

(UNAUDITED)
SCHEDULE 7
YELLOWSTONE COUNTY, MONTANA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

FISCAL YEAR 2012

FISCAL YEAR 2003

Taxpayer	Type of Business	Taxable Value	Rank	Percentage of Total Taxable Value*
Northwestern Corp.	Utility	\$ 16,570,027	1	5.66%
ConocoPhillips Company	Oil refinery	14,982,722	2	5.12%
CHS - Cenex, Inc.	Oil refinery	14,551,034	3	4.97%
Exxon Mobil Corporation	Oil refinery	10,333,194	4	3.53%
Bresnan Broadband	Communication	5,267,532	5	1.80%
Burlington Northern/Santa Fe RR	Railroad	4,900,473	6	1.67%
Qwest Corporation	Communication	3,760,815	7	1.28%
PPL Montana LLC	Utility	3,347,488	8	1.14%
Montana Dakota Utility	Utility	2,027,185	9	0.69%
AT & T Mobility, LLC	Communication	1,657,943	10	0.57%
		\$ 77,398,413		25.87%

Taxpayer	Type of Business	Taxable Value	Rank	Percentage of Total Taxable Value*
Northwestern Energy	Utility	\$ 7,266,254	1	3.48%
ConocoPhillips Company	Oil refinery	6,139,431	2	2.94%
Cenex, Inc.	Oil refinery	4,447,732	4	2.13%
Exxon Corporation	Oil refinery	3,487,602	6	1.67%
Burlington Northern/Santa Fe	Railroad	2,711,534	8	1.30%
Qwest Corporation	Communication	4,468,034	3	2.14%
PPL Montana LLC	Utility	2,870,537	7	1.37%
Montana Dakota Utilities	Utility	1,398,156	10	0.67%
Northwestern Corporation	Utility	3,788,599	5	1.81%
Puget Sound Energy Incorp.	Utility	1,907,425	9	67.00%
		\$ 38,485,304		84.51%

NOTE: Many of the principal taxpayers have undergone corporate name changes.

Total Countywide taxable value for tax year 2011 (fiscal year 2011-2012), including tax increment: \$	292,785,536
Total Countywide taxable value for tax year 2002 (fiscal year 2002-2003), including tax increment: \$	208,860,230

(UNAUDITED)
Schedule 8
Yellowstone County, Montana
Property Tax Levies and Collections
Last Fiscal Year

<u>Fiscal Year</u>	<u>Taxes Levied for the Fiscal Year (Original Levy)</u>	<u>Adjustments</u>	<u>Total Adjusted Levy</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Total Collections To Date</u>		<u>Tax Collections in Protest Tax Fund at Yearend</u>
				<u>Amount</u>	<u>Percentage of Original Levy</u>	<u>Amount</u>	<u>Percentage of Adjusted Levy</u>	
2001	n/a	n/a	\$14,772,928	\$14,185,857	n/a	n/a	n/a	\$13,556
2002	n/a	n/a	\$15,359,804	\$15,016,831	n/a	n/a	n/a	\$54,980
2003	n/a	n/a	\$17,514,194	\$16,461,322	n/a	n/a	n/a	\$101,300
2004	n/a	n/a	\$20,675,536	\$19,880,304	n/a	n/a	n/a	\$241,145
2005	n/a	n/a	\$21,854,305	\$21,067,167	n/a	n/a	n/a	\$353,530
2006	\$23,900,349	\$135,737	\$24,036,086	\$23,231,281	96.65%	\$23,923,687	99.53%	\$626,815
2007	\$26,795,549	\$36,546	\$26,832,096	\$26,111,206	97.31%	\$26,111,206	97.31%	\$1,318,474
2008	\$29,374,228	\$1,461,891	\$30,836,119	\$29,351,049	95.18%	\$29,351,049	95.18%	\$1,812,786
2009	\$32,742,742	-\$130,142	\$32,612,600	\$30,496,131	93.51%	\$33,053,636	101.35%	\$1,007,965
2010	\$34,130,456	-\$401,217	\$33,729,239	\$31,620,285	93.75%	\$31,799,440	94.28%	\$2,685,788
2011	\$38,024,150	-\$320,505	\$37,703,645	\$35,302,636	93.63%	\$36,145,938	95.87%	\$4,601,845
2012	\$38,748,879	-\$66,615	\$38,682,264	\$35,021,929	90.54%	\$35,667,569	92.21%	\$7,735,953

Source: County Finance Department

Note: The information in this schedule relates to the county's own property tax levies, and does not include those it collects on behalf of other governments. Collection of annual data for years prior to fiscal year 2006 was not considered practical due to change in financial software and unavailability of data on a year-by-year basis.

(UNAUDITED)
SCHEDULE 9
YELLOWSTONE COUNTY, MONTANA
RATIO OF GENERAL BONDED DEBT OUTSTANDING
TO TAXABLE VALUE AND NET BONDED DEBT PER CAPITA
(Last Ten Fiscal Years)

Fiscal Year	GENERAL BONDED DEBT OUTSTANDING			Personal Income	Percentage of Personal Income (a)	Net Taxable Value (b)	Ratio of Net Bonded Debt to Net Taxable Value	Ratio of Net Bonded Debt to Adjusted Market Value (d)	Population	Net Bonded Debt per Capita (d)
	Gross General Obligation Bonded Debt	Debt Service Monies Available (c)	Net General Obligation Bonded Debt							
01-02	7,510,000	223,076	7,286,924	3,756,334,784	0.19%	199,814,884	3.65%	0.13%	130,528	55.83
02-03	7,005,000	209,743	6,795,257	3,798,269,374	0.18%	203,073,084	3.35%	0.12%	131,834	51.54
03-04	6,480,000	233,694	6,246,306	3,960,301,194	0.16%	205,042,558	3.05%	0.11%	133,191	46.90
04-05	5,925,000	211,440	5,713,560	4,281,306,260	0.13%	212,314,183	2.69%	0.09%	134,717	42.41
05-06	5,355,000	214,968	5,140,032	4,584,918,848	0.11%	223,040,135	2.30%	0.07%	136,586	37.63
06-07	4,765,000	242,714	4,522,286	4,921,764,930	0.09%	234,959,068	1.92%	0.06%	138,213	32.72
07-08	7,155,000	210,575	6,944,425	5,334,920,064	0.13%	246,297,279	2.82%	0.08%	139,936	49.63
08-09	6,275,000	204,388	6,070,612	5,426,875,152	0.11%	265,673,253	2.28%	0.07%	142,348	42.65
09-10	5,450,000	165,056	5,284,944	5,636,512,819	0.09%	272,913,375	1.94%	0.06%	144,797	36.50
10-11	7,595,000	156,349	7,438,651	5,831,872,464	0.13%	284,486,299	2.61%	0.07%	147,972	50.27
11-12	6,465,000	160,836	6,304,164	5,775,855,672	0.11%	290,803,549	2.17%	0.07%	150,069	42.01

NOTES: (a) Population and personal income data can be found in Schedule 12
(b) Total taxable value less downtown tax increment district.
(c) Excludes R.S.I.D. Revolving Fund and R.S.I.D. Bond Fund monies.
(d) Adjusted market value includes tax increment districts.
Source: Yellowstone County Comprehensive Annual Financial Report

(UNAUDITED)
SCHEDULE 10
YELLOWSTONE COUNTY, MONTANA
Direct and Overlapping Governmental Activities Debt
As of June 30, 2012

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
<u>Cities:</u>			
Billings	\$ 19,973,423	54.8%	\$ 10,945,749
Broadview	n/a	0.1%	0
Laurel	716,843	2.2%	16,072
Total cities	<u>20,690,266</u>		<u>10,961,820</u>
<u>School Districts:</u>			
Billings SD #2	0	60.1%	0
Canyon Creek SD #4	1,160,000	1.0%	11,909
Laurel SD #7	14,795,000	11.1%	1,639,620
Elder Grove SD #8	1,160,000	1.7%	19,987
Huntley SD #24	8,115,413	3.1%	247,802
Lockwood SD#26	11,130,000	7.6%	845,370
Shepherd SD #37	930,000	1.8%	16,412
Independent SD #52	3,255,000	1.1%	36,845
Total school districts	<u>40,545,413</u>		<u>2,817,946</u>
Subtotal, overlapping debt			13,779,767
Total Direct Debt of Yellowstone County	<u>\$ 7,440,945</u>	100.0%	7,440,945
Total Direct and Overlapping Debt			<u>\$ 21,220,712</u>

Sources: Yellowstone County Superintendent of Schools; Cities of Billings, Laurel, and Broadview;
State Certified Taxable Valuation As of August 16, 2012 (Revised)

Note: Percentage of overlapping debt based on taxable value of district to countywide taxable value
excluding tax increment district taxable valuation

(UNAUDITED)

SCHEDULE 11
YELLOWSTONE COUNTY, MONTANA
COMPUTATION OF LEGAL DEBT MARGIN
(Last Ten Fiscal Years)

	Fiscal year ended June 30, 2012									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Total assessed market value less tax increment district	\$ 9,154,831,585	\$ 10,460,811,758	\$ 8,782,788,929	\$ 8,190,324,179	\$ 8,176,157,568	\$ 8,121,347,212	\$ 7,632,230,242	\$ 7,127,361,573	\$ 6,660,135,831	\$ 5,913,323,919
Net total taxable value										
Debt limit percentage	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	1.4%	1.4%	1.4%	1.4%
Debt Limit	<u>\$228,870,790</u>	<u>\$261,520,294</u>	<u>\$219,569,723</u>	<u>\$204,758,104</u>	<u>\$204,403,939</u>	<u>\$203,033,680</u>	<u>\$106,851,223</u>	<u>\$99,783,062</u>	<u>\$93,241,902</u>	<u>\$82,786,535</u>
Amount of debt applicable to debt limit:										
Total general obligation bonded indebtedness (net prior to 2002)	\$6,465,000	\$7,595,000	\$5,450,000	\$6,275,000	\$7,155,000	\$4,765,000	\$5,355,000	\$5,925,000	\$6,480,000	\$7,005,000
Total special assessment bonded indebtedness (n/a prior to 2002)	975,945	1,131,722	1,016,000	1,154,000	1,290,425	1,511,000	1,301,000	1,642,515	683,926	864,467
Total matured bonds payable (n/a prior to 2002)	7,225	7,225	7,225	7,225	7,225	7,225	7,225	7,225	7,225	7,225
Total notes payable (n/a prior to 2002)	0	0	0	0	0	0	418,796	563,223	641,881	734,970
Total amount of debt applicable to debt limit	<u>7,448,170</u>	<u>8,733,947</u>	<u>6,473,225</u>	<u>7,436,225</u>	<u>8,452,650</u>	<u>6,283,225</u>	<u>7,082,021</u>	<u>8,137,963</u>	<u>7,813,032</u>	<u>8,611,662</u>
Legal debt margin	<u>\$221,422,620</u>	<u>\$252,786,347</u>	<u>\$213,096,498</u>	<u>\$197,321,879</u>	<u>\$195,951,289</u>	<u>\$196,750,455</u>	<u>\$99,769,202</u>	<u>\$91,645,099</u>	<u>\$85,428,870</u>	<u>\$74,174,873</u>
Total net debt applicable to the limit as a percentage of debt limit	3.3%	3.3%	2.9%	3.6%	4.1%	3.1%	6.6%	8.2%	8.4%	10.4%

NOTES: 1) The legal debt limit was changed to 1.4% of assessed market value for new debt issued after July 1, 2001. Revised to 2.5% for 2007.
2) Total assessed market value less tax increment district is estimated.

Source: Taxable Value - State Property Assessment Division
Debt Limit - Montana Code Annotated 7-7-2203 & 7-7-2101
Bonded Debt Information - Yellowstone County Comprehensive Annual Financial Report

(UNAUDITED)

SCHEDULE 12
YELLOWSTONE COUNTY, MONTANA
DEMOGRAPHIC AND ECONOMIC
(Last Ten Fiscal Years)

Year	Population	Personal Income	Per Capita Personal Income	Public Elementary School Enrollment	Public High School Enrollment	Active Registered Voters	Inactive Registered Voters	UNEMPLOYMENT RATES		
								Yellowstone County	State of Montana	United States
2002	130,528	\$ 3,756,334,784	\$ 28,778	15,138	6,728	72,887	15,447	3.7%	4.6%	5.8%
2003	131,834	\$ 3,798,269,374	\$ 28,811	15,144	6,797	61,464	20,534	3.6%	4.7%	6.0%
2004	133,191	\$ 3,960,301,194	\$ 29,734	15,153	6,693	75,240	16,412	3.5%	4.4%	5.5%
2005	134,717	\$ 4,281,306,260	\$ 31,780	15,152	6,744	71,653	15,983	3.2%	4.0%	5.1%
2006	136,586	\$ 4,584,918,848	\$ 33,568	15,002	6,817	78,127	14,015	2.6%	3.2%	4.6%
2007	138,213	\$ 4,921,764,930	\$ 35,610	14,933 (b)	6,622 (b)	68,437	25,695	2.6%	3.1%	4.6%
2008	139,936	\$ 5,334,920,064	\$ 38,124	15,036 (b)	6,489 (b)	79,663	18,751	3.4%	4.1%	4.6%
2009	142,348	\$ 5,426,875,152	\$ 38,124	15,186 (b)	6,381 (b)	76,682	14,841	4.7%	6.7%	9.8%
2010	144,797	\$ 5,636,512,819	\$ 38,927 (a)	15,578 (b)	6,244 (b)	79,278	13,725	5.5%	7.4%	9.6%
2011	147,972	\$ 5,831,872,464	\$ 39,412 (a)	15,707 (b)	6,180 (b)	66,298	21,957	5.4%	7.8%	9.2%
2012	150,069	\$ 5,775,855,672	\$ 38,488 (c)	15,846 (b)	6,248 (b)	70,964	21,622	4.9%	6.3%	8.2%

NOTE: (a) Fiscal year ended is calculated using 2009 (FY10) personal income data, which is the most recent available

(b) Spring enrollment

(c) Per Capita Personal Income was computed using Census Bureau midyear population estimates. Estimates for 2000-2010 reflect county population est. available as of April 2012

Sources: State of Montana Census and Economic Information Center, Yellowstone County Superintendent of Schools, Yellowstone County Election office, Bureau of Labor Statistics

(UNAUDITED)

**SCHEDULE 13
YELLOWSTONE COUNTY, MONTANA
PRINCIPAL EMPLOYERS**

**Top 20 Private Employers in Yellowstone
County based on June 2011 Data:**
(in alphabetical order)

ALBERTSONS FOOD & DRUG
AVITUS GROUP
BILLINGS CLINIC HEALTH SYSTEM
CHS INC. (CENEX)
CONOCOPHILLIPS
COSTCO WHOLESALE CORP
EMPLOYEE BENEFIT MANAGEMENT (EBMS)
EXXONMOBIL
FIRST INTERSTATE BANK
FOOD SERVICES OF AMERICA
ROCKY MOUNTAIN COLLEGE
SODEXO USA
ST. JOHN'S LUTHERAN HOME
ST. VINCENT HEALTHCARE
SYSCO FOOD SERVICES
TARGET
UPS
WAL-MART
WELLS FARGO BANK N A
YELLOWSTONE BOYS AND GIRLS RANCH

Source: Montana Department of Labor and Industry

NOTE: List does not include governmental or railroad employers. Number of employees for each firm is not available.

(UNAUDITED)
Schedule 14
Yellowstone County, Montana
Full-time Equivalent Employees by Function
Last Ten Fiscal Years

<u>Function / Program</u>	Fiscal year ended June 30, 2012									
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
General government	115.35	117.00	115.75	114.75	112.75	113.75	112.75	115.30	112.20	108.00
Public safety	232.53	236.21	236.38	236.13	235.63	234.88	254.38	250.83	242.93	242.83
Public works	41.00	41.50	41.50	41.50	41.50	42.00	42.00	42.00	41.63	42.50
Public health	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00	2.00
Social and economic services	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23	2.23
Culture and recreation	33.25	32.50	32.50	33.50	33.25	30.50	34.00	37.25	41.25	39.75
Conservation of natural resources	0	0	0	0	0	0	0	0	2.50	2.50
	426.36	431.44	430.36	430.11	427.36	425.36	447.36	449.61	444.74	439.81

Source: Yellowstone County Budgets

Note: In fiscal year 2003 the State of Montana assumed 33 FTEs from the district court judges and juvenile probation departments (public safety) and in 2007 the State of Montana assumed 20.5 FTEs from the county for the public defender's office (public safety).

(UNAUDITED)
 Schedule 15
 YELLOWSTONE COUNTY, MONTANA
 OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
COUNTY ROADS										
Miles of roads - overlay	8.40	7.70	10.77	8.20	14.28	7.80	1.10	6.80	7.20	5.50
Miles of roads - millings	10.30	24.02	3.25	1.00	1.00	2.60	7.00	4.00	12.90	19.15
Miles of gravel/dirt roads improved	57.40	27.62	43.58	39.35	44.40	49.80	51.65	35.10	60.80	47.40
Miles of gravel/dirt roads maintained	6,004.92	4,489.52	4,883.40	6,163.00	6,084.00	5,521.25	5,287.80	5,961.55	5,266.80	5,336.80
Miles of dust control	12.85	10.25	16.30	18.55	28.18	37.79	35.35	19.05	19.20	5.10
Miles of striping	45.60	45.60	53.60	45.05	17.40	50.00	6.70	20.60	56.30	56.30
Miles of chip seal	20.70	0.00	0.00	0.00	10.80	7.20	0.00	9.60	24.90	16.00
Miles of crack fill	38.90	0.00	5.00	9.40	15.70	6.69	0.00	6.80	1.10	4.00
Miles of blade patching	6.00	-	1.00	3.00	1.60	1.00	3.00	3.35	3.00	18.00
Culvert installs	24.00	32.00	11.00	28.00	40.00	25.00	27.00	25.00	22.00	6.00
Cattle guard installs	5	2	1	0	0	0	2	7	3	2
Miles of fencing	6	0	1.00	3.00	3.10	0.70	n/a	n/a	n/a	n/a
Miles of seeding	0	0	0	2.00	2.40	2.40	n/a	n/a	n/a	n/a
Bridge Replacements	6	4	3	5	5	4	4	5	4	4
JUNK VEHICLES										
Hauled	92	319	593	656	993	1225	1248	1232	1314	1080
Crushed	634	0	733	1004	1032	882	1207	1290	1283	950
WEED SPRAYING (acres sprayed)										
County	2179	2200	1490	1449	1265	1384	1021	1097	905	438
Montana Dept of Transportation	323	220	379	417	464	605	651	529	472	325
Fish, Wildlife, and Parks	18	8	67	21	22	19	33	22	27	14
Bureau of Land Management	9	28	95	55	55	24	78	51	42	27
Department of Natural Resources	0	0	44	30	30	18	16	19	0	0
Private (charged out)	2	2	66	105	58	21	29	37	55	0
Private/Public Grant	0	0	260	265	0	0	0	0	0	0
Bureau of Reclamation	0	9								
Total	2531	2467	2401	2342	1894	2071	1828	1755	1501	804
County Attorney cases										
Civil	293	199	37	57	63	61	55	38	44	39
Deferred Prosecution Agreement	21	27	1	0	0	0	2	3	5	0
Fatality	10	11	9	4	9	5	2	12	6	3
Felony	1049	1076	950	879	881	939	991	1105	1087	872
Forfeiture	26	16	13	15	26	23	30	17	15	2
Fugitive - Uniform Extradition Act	108	86	87	86	96	117	110	101	140	51
Justice Court Appeal	9	15	21	12	20	44	48	46	34	12
Juvenile Transfer to DC	8	0	0	0	0	1	3	0	2	2
Misdemeanor	1385	1281	1298	1237	1229	1640	1461	1290	1457	1386
Post-Conviction Relief	10	12	4	4	3	8	8	5	3	4
Prior Case	0	0	0	2	0	0	0	0	1	1
Revocation Proceeding Felony	309	267	207	9	10	49	72	100	115	150
Unknown	0	0	0	0	1	1	2	1	3	6
Total	3228	2990	2627	2305	2338	2888	2784	2718	2912	2528

Note: 2012 County Attorney data is based on July 1, 2011 to June 30, 2012.

2011 County Attorney data is based on October 1, 2010 to September 30, 2011.

2010 County Attorney data is based on November 13, 2009 to November 1, 2010.

2009 County Attorney data is based on January 1 to November 13, 2009. Due to a new software program, 2008 County Attorney data is based on

January 1 to November 21, 2008 data. Years 2007 and prior data is based on a calendar year.

Source: Yellowstone County Departments

(UNAUDITED)
Schedule 16
Yellowstone County, Montana
County Mill Levies and Tax Revenues
Actual Levies and Revenues Compared to Statutory Limitations
Last Five Fiscal Years

Fiscal Year	Actual County Mill Levies and Tax Revenues		Statutory Limitation for Mill Levy and Tax Revenue		Actual Mill Levies/Tax Revenues Versus Statutory Limitation	
	Countywide Mills*	Tax Revenue Generated by Levy	Maximum Mills	Maximum Tax Revenue	Available Non-levied Mills	Available Non-levied Tax Revenues
11-12	100.67	\$29,275,239	102.51	\$29,810,963	1.84	\$535,724
10-11	100.69	28,644,895	100.69	28,644,895	0.00	0
09-10	92.74	25,309,952	94.73	25,825,796	1.99	515,844
08-09	91.80	24,388,781	91.98	24,437,751	0.18	48,970
07-08	89.39	22,016,489	89.50	22,044,763	0.11	28,274

* Includes mills subject to the statutory limitation. Excludes permissive health levy and general obligation debt

Source: Yellowstone County

(UNAUDITED)
Schedule 17
Yellowstone County, Montana
Rural Special Improvement Districts Continuing Disclosure

Balances as of June 30:			
Fiscal Year	Revolving Fund Cash Balance	Outstanding Principal Amount of Bonds	Percentage
11-12	\$276,560	\$975,945	28.3%
10-11	276,560	975,945	28.3%
09-10	261,952	1,016,000	25.8%
08-09	261,952	1,161,225	22.6%
07-08	261,952	1,297,650	20.2%

Summary of Outstanding Rural Special Improvement Districts (Bond) as of June 30, 2011 :						
Bond Issue	Original Amount	Maturity Date	Bonds Outstanding	Cash Balance in District Fund	Assessments Outstanding	Cash Balance in the Bond Reserve Acct
RSID 668	\$750,000	06/15/15	\$40,000	\$24,255	\$81,217	\$7,500
RSID 682	174,000	08/01/17	21,000	10,438	26,205	5,220
RSID 691	49,000	08/01/13	6,000	2,724	3,376	0
RSID 715	410,000	08/01/19	135,000	33,948	137,637	16,400
RSID 717	738,000	08/01/20	285,000	56,250	305,832	29,520
RSID 758	373,000	07/01/27	242,000	15,242	245,956	7,460
RSID 783	126,777	08/01/25	120,000	18,686	114,801	5,071
RSID 785	126,945	08/01/26	126,945	19,479	115,888	1,269
Total	\$2,747,722		\$975,945	\$181,022	\$1,030,912	\$72,440

Rural Special Improvement Districts (Bond) Assessment Billings and Collections as of June 30:			
Fiscal Year	Assessment Billing	Total Current Annual Collections	
		Amount	Percent
11-12	\$167,853	\$165,339	98.5%
10-11	159,546	\$157,628	98.8%
09-10	158,183	155,016	98.0%
08-09	164,684	163,983	99.6%
07-08	189,062	189,062	100.0%

IV. SINGLE AUDIT SECTION

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
Yellowstone County
Billings, Montana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Yellowstone County, Montana (the County) as of and for the year ended June 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon December 10, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Billings, Montana
December 10, 2012

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

To the Board of County Commissioners
Yellowstone County
Billings, Montana

Compliance

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

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

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

Internal Control Over Compliance

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

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

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

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

Anderson Zurmuehlen & Co, P.C.

Billings, Montana
December 10, 2012

**YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(Page 1 of 2)

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through/ Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 06/30/11</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/12</u>
U.S. Department of Transportation							
<u>Passed through State Department of Transportation/Highway Traffic Safety:</u>							
Yellowstone County STEP OT	20.600, 20.60	2011-02-06-35	9,000	0	2,287	2,287	0
Yellowstone County STEP OT	20.600, 20.60	105991	10,000	0	3,879	3,879	0
			<u>19,000</u>	<u>0</u>	<u>6,166</u>	<u>6,166</u>	<u>0</u>
<u>Passed through State Department of Transportation:</u>							
Community Transportation Enhancement Program (CTEP)-MetraPark Sidewalks-Billings	20.205	Control No. 7486	744,552	0	280,782	280,782	0
Community Transportation Enhancement Program (CTEP)-Sidewalk Hillner Ln-Blngs	20.205	Control No. 7932	109,957	0	0	0	0
Community Transportation Enhancement Program (CTEP)-Bike/Ped Safety Campaign-Blngs	20.205	Control No. 7939	86,466	0	0	0	0
			<u>940,975</u>	<u>0</u>	<u>280,782</u>	<u>280,782</u>	<u>0</u>
<u>Passed through State Department of Military Affairs, DES Division:</u>							
USDOT-HMEP Planning Grant	20.703	HM-HMP-0216-11-01-00	5,082	0	5,082	5,082	0
			<u>5,082</u>	<u>0</u>	<u>5,082</u>	<u>5,082</u>	<u>0</u>
Total U.S. Department of Transportation			<u>\$965,057</u>	<u>\$0</u>	<u>\$292,030</u>	<u>\$292,030</u>	<u>\$0</u>
U.S. Department of Justice							
<u>Direct Programs:</u>							
Emergency Equipment Enhancements for the City of Billings and Yellowstone County (JAG Sub-grant from City of Billings)	16.738	2011-DJ-BX-33277	12,928	0	8,386	8,386	0
Emergency Equipment Enhancements for City and County (JAG Sub-grant from City of Billings)	16.738	2012-DJ-BX-1081	12,910	0	0	0	0
Project CALM	16.745	2010-MO-BX-0061	250,000	0	55,888	55,888	0
			<u>275,838</u>	<u>0</u>	<u>64,274</u>	<u>64,274</u>	<u>0</u>
<u>Passed through State Board of Crime Control:</u>							
Yellowstone County Victim-Witness Program	16.575	11-V01-90985	56,333	0	56,333	56,333	0
Jail-Based Treatment Project - JBT	16.593	10-R01-90889	71,331	0	37,552	37,552	0
Jail-Based Treatment Program	16.593	11-R01-91064	34,792	0	15,504	15,504	0
Yellowstone County PPN Prosecutor	16.609	10-O01-91037	20,000	0	20,000	20,000	0
			<u>182,456</u>	<u>0</u>	<u>129,389</u>	<u>129,389</u>	<u>0</u>
<u>Passed through State Office of Court Administrator:</u>							
Montana Case Management and Offender Tracking Program	16.541	2010-JL-FX-0473	N/A	0	6,576	6,576	0
			<u>0</u>	<u>0</u>	<u>6,576</u>	<u>6,576</u>	<u>0</u>
Total U.S. Department of Justice			<u>\$458,294</u>	<u>\$0</u>	<u>\$200,239</u>	<u>\$200,239</u>	<u>\$0</u>
U.S. Department of Housing & Urban Development							
<u>Passed through State Department of Commerce</u>							
Community Development Block Grant/Lockwood Water & Sewer District	14.228	MT-CDBG-10PF-08	450,000	0	0	0	0
Total U.S. Department of Housing & Urban Development			<u>\$450,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
U.S. Department of Health and Human Services							
<u>Passed through State Department of Health and Human Services</u>							
Foster Care Title IV-E	93.658	20123LEGL0005	N/A	\$0	139,014	139,014	0
Total U.S. Department of Health and Human Services			<u>\$0</u>	<u>\$0</u>	<u>\$139,014</u>	<u>\$139,014</u>	<u>\$0</u>

The accompanying notes are an integral part of this schedule.

**YELLOWSTONE COUNTY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

(Page 2 of 2)

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through/ Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Program Balance 06/30/11</u>	<u>Federal Revenues</u>	<u>Federal Expenditures</u>	<u>Program Balance 06/30/12</u>
U.S Department of Homeland Security							
<u>Passed through State Department of Military Affairs, DES Division</u>							
FF2007 Public Safety Interoperable Communications (PSIC) Grant	11.555	2007-GS-H7-0010	815,298	0	346,473	346,473	0
SFY 2012 US Dept of Homeland Security Grant Program (HSGP) Emergency Mgt Performance Gr	97.042	EMW-2011-EP-00035	99,385	0	93,979	93,979	0
FEMA Severe Storms and Flooding	97.036	FEMA-1996-DR-MT	197,050	0	197,050	197,050	0
FEMA Pre-Disaster Mitigation (PDM) Project Grant	97.047	PDMC-PL-08-MT-2009-002 PDM GRANT	229,467	0	52,829	52,829	0
FEMA Hazard Mitigation Grant	97.039	DR-1767-P-1-R	101,720	0	0	0	0
NE Billings Communications Site-Planning	97.055	2010-IP-T0-0023	45,932		4,645	4,645	
Total U.S. Department of Homeland Security			\$1,488,852	\$0	\$694,976	\$694,976	\$0
U.S. Department of Interior							
<u>Passed through State Department of Natural Resources & Conservation</u>							
2011 Volunteer Fire Assistance Program	10.664	VFA-12-560	8,200	0	8,200	8,200	0
			8,200	0	8,200	8,200	0
<u>Direct Programs</u>							
BLM-MT925-Community Assistance-2009	15.228	L09AC15445	74,025	0	9,319	9,319	0
BLM Noxious Weed Control	15.230	L12AC20322	10,000	0	6,007	6,007	0
Noxious Weed Control on Public Lands in Yellowstone County, Montana	15.235	ESA060041/L08AC14539	83,444	0	3,683	3,683	0
Taylor Grazing	N/A	N/A	N/A	0	375	375	0
Bankhead Jones	N/A	N/A	N/A	0	2,250	2,250	0
			167,469	0	21,634	21,634	0
Total U.S Department of Interior			\$175,669	\$0	\$29,834	\$29,834	\$0
U.S. Department of Agriculture							
<u>Natural Resources Conservation Service</u>							
<u>Direct Programs</u>							
EWP Project: Huntley Streambank Protection	10.923	69-0325-12-008	808,800	0	486,221	486,221	0
Total U.S Department of Agriculture			808,800	0	486,221	486,221	0
Environmental Protection Agency							
<u>Passed through Montana Department of Agriculture</u>							
Pesticide Recycle Grant	66.605	MDA 11-30-049	920	346	78	78	268
Total Environmental Protection Agency			\$920	\$346	\$78	\$78	\$268
TOTAL FEDERAL AWARDS			\$4,347,592	\$346	\$1,842,392	\$1,842,392	\$268

The accompanying notes are an integral part of this schedule.

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Page 1 of 2

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Yellowstone County, Montana (County) and is presented using a basis of accounting which is consistent with the general purpose financial statements, which is described in note 1 to the County's general purpose financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

(2) Relationship to General Purpose Financial Statements

Federal awards revenues are reported in the County's general purpose financial statements as follows:

	<u>Federal Awards Revenues</u>	<u>State and Local Intergovernmental Revenue</u>	<u>Total Intergovernmental Revenues</u>
General Fund	\$ 866,439	\$ 589,964	\$ 1,456,403
Road Fund	199,300	2,034,620	2,233,920
Property and Liability Insurance Fund	0	8,510	8,510
Public Safety Fund	474,614	207,699	682,313
Nonmajor Governmental Funds	302,039	1,505,966	1,808,005
Totals	\$ <u>1,842,392</u>	\$ <u>4,346,759</u>	\$ <u>6,189,151</u>

YELLOWSTONE COUNTY, MONTANA
Notes to Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2012

Page 2 of 2

(3) Matching Funds

In accordance with the terms of the grants, the County has expended cash and in-kind matching contributions during the year ended June 30, 2012 for the following programs:

	<u>Grant No.</u>	<u>Amount</u>
<u>US Department of Transportation</u>		
Community Transportation Enhancement Program (CTEP)- MetraPark Sidewalks – Billings	Control No. 7486	8,046
USDOT – HMEP Planning Grant	HM-HMP-0216-11-01-00	1,271
		<u>\$ 9,317</u>
<u>US Department of Justice</u>		
Project CALM	2010-MO-BX-0061	45,602
Yellowstone County Victim-Witness Program	11-V01-90985	14,083
Jail-Based Treatment Project - JBT	10-R01-90889	13,599
		<u>\$73,284</u>
<u>US Department of Homeland Security</u>		
FF2007 Public Safety Interoperable Communications (PSIC)	2007-GS-H7-0010	86,618
SFY 2012 US Dept of HSGP Emergency Mgt Performance Grant (EMPG)	EMW-2011-EP-00035	93,979
FEMA Severe Storms and Flooding	FEMA-1996-DR-MT	65,683
FEMA Pre Disaster Mitigation (PDM) Project Grant	PDMC-PL-08-MT-2009-002	60,984
		<u>\$307,264</u>
<u>US Department of Interior</u>		
2011 Volunteer & Rural Fire Assistance Program	VFA 12-560	<u>\$ 911</u>
<u>US Department of Agriculture</u>		
EWP Project: Huntley Streambank Protection	69-0325-12-008	<u>\$158,868</u>
<u>TOTAL MATCHING ON FEDERAL EXPENDITURES</u>		<u><u>\$549,644</u></u>

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

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

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

Identification of Major Programs

10.923	EWP Project: Huntley Streambank Protection	\$486,221
11.555	Public Safety Interoperable Communications (PSIC) Grant	\$346,473
	Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
	Auditee qualified as low-risk auditee?	Yes

Financial Statement Findings: None

Federal Award Findings and Questioned Costs: None

Prior Year Audit Findings: None