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.

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 governmental-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.

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.

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.

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, 2009 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;

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, 2009, the allowances were as follows:

	Allowance Amount
Accounts Receivable	**$ 34,395**
Property taxes	**661,600**
Delinquent special assessments	**9,600**
Deferred special assessments	**60,500**
Total uncollectible allowance	**$ 766,095**

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."

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:

Assets	Years
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 2009, there were no significant purchases or deassession 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.

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 reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

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 2008 was nominal. Reported budget amounts represent the original adopted budget as amended.

B. Accounting Guidance Implemented

For the year ended June 30, 2009, Yellowstone County implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45 – "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions". GASB No. 45 establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial statements of local governmental employers. GASB No.45 applies to Yellowstone County.

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, 2009. 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/
	1	2	3	Fair Value
Cash investments - U.S. Government agencies	$ 40,773,377	$0	$0	$ 40,773,377
Cash investments - certificate of deposit account registry service	46,500,000	0	0	46,500,000
Cash in overnight repurchase agreements	0	0	18,152,306	18,152,306
Cash on hand and demand deposits	269,528	0	856,333	1,125,861
Subtotal	$ 87,542,905	$0	$ 19,008,639	106,551,544
Investments Not Subject to Categories:				
State Treasurer's Investment Pool (STIP)				0
Total Pooled Investments				**$ 106,551,544**

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

	Category			Reported Amount/
	1	2	3	Fair Value
Cash investments - certificate of deposit account registry service	$ 2,000,000	$0	$0	$ 2,000,000
Cash on hand and demand deposits	100,000	0	216,098	316,098
Subtotal	$ 2,100,000	$0	$ 216,098	2,316,098
Investments Not Subject to Categories:				
State Treasurer's Investment Pool (STIP)				0
Total Nonpooled Investments				2,316,098
Total Investments				**$ 108,867,642**

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 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, 2009, is detailed as follows:

	Total	Statement of Net Assets	Fiduciary Net Assets
Cash and demand investments, pooled	$ 17,455,879	$ 6,649,980	$10,805,899
Restricted cash and demand investments held in trust, nonpooled	316,098	264,612	51,486
Restricted cash and demand investments for capital, pooled	1,822,288	0	1,822,288
Total cash and demand investments	19,594,265	6,914,592	12,679,673
Cash investments, pooled	87,273,377	33,260,637	54,012,740
Restricted cash investments for capital, nonpooled	2,000,000	0	2,000,000
Total	**$ 108,867,642**	**$ 40,175,229**	**$68,692,413**

Cash on hand, pooled	$ 742,448
Cash in bank deposits and other bank deposits, pooled	383,413
Cash in bank deposits and other bank deposits, nonpooled	316,098
Cash in overnight repurchase agreements, pooled	26,500,000
Cash in State Treasurer's Investment Pool (STIP)	0
Outstanding warrants, pooled	(8,347,694)
Total cash and demand investments	19,594,265
Cash investments, pooled	87,273,377
Cash investments, nonpooled	2,000,000
Total	**$ 108,867,642**

Cash and demand investments, and cash investments- pooled	$ 106,551,544
Cash and demand investments, and cash investments- nonpooled	2,316,098
	$ 108,867,642

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 - $30,630; cash received after last bank deposit - $711,818

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 - $383,413; other bank deposits represents cash held in trust for other individuals in which any interest earnings are not distributed to the investment pool - $316,098

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.

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, 2009 pooled cash investment items were:

Investment Type	Yield	Maturity Date	Credit Risk Rating Moodys - S&P	Fair Value
U.S. Government Agencies				
Federal Farm Credit	2.25 - 5.20%	2.5 - 3.1 years	AAA - AAA	$8,162,240 *
Federal Home Loan Mortgage Corporation	2.00 - 3.50%	4.6 - 5.0 years	AAA - AAA	$5,006,000 *
Federal Home Loan Bank	1.35 - 4.80%	90 days - 3.5 years	AAA - AAA	$20,251,351 *
Federal National Mortgage Association	2.10 - 3.80%	2.25 - 4.7 years	AAA - AAA	7,353,786 *
Total U.S. government agency securities				$40,773,377
Certificate of Deposit Account Registry Service	1.26 - 3.63%	57 days - 2.6 years	100% FDIC Insured	46,500,000 *
Total cash investments, pooled				**$87,273,377**

At June 30, 2009, nonpooled cash investment items were:

Investment Type	Yield	Maturity Date	Credit Risk Rating Moodys - S&P	Fair Value
U.S. government agency securities				
Certificate of Deposit Account Registry Service	1.26%	2 - 8 days	AAA - AAA	$ 2,000,000
Restricted cash investments for capital improvements, nonpooled				**$ 2,000,000**

* - represents 5% or more of total cash investments

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, 2009:

Condensed Statement of Net Cash and Investment Assets	
Cash and demand investments, pooled	$ 17,455,879
Cash investments, pooled	87,273,377
Restricted cash and demand investments for capital improvements, pooled	1,822,288
Restricted cash and demand investments held in trust, nonpooled	316,098
Accrued interest receivable	294,358
Net assets held in trust for all pool participants	**$ 107,162,000**
Equity of internal pool participants	$ 46,112,176
Equity of external pool participants	61,049,824
Total equity	**$ 107,162,000**
Condensed Statement of Changes in Net Cash and Investment Assets	
Net assets at July 1, 2008	$ 101,043,272
Net changes in investments by pool participants	5,952,434
Market value adjustment of cash investments	166,294
Net assets at June 30, 2009	**$ 107,162,000**

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	$794,188	$321,492	$75,289	$639,466	$0	$0	$886,177	$0	$118,682	$0	$10,205,408	$13,040,702
Accounts	160,436	0	112	253,424	0	1,978	287,914	0	53,277	4,862	0	762,003
Delinquent assessments	0	0	0	0	3,761	0	39,867	21,668	0	0	786,001	851,297
Deferred assessments	0	0	0	0	1,200,667	0	0	0	0	0	1,154	1,201,821
Accrued interest	75,090	0	8,244	0	314	19,395	7,807	0	2,682	11,525	170,803	295,860
Gross receivables	1,029,714	321,492	83,645	892,890	1,204,742	21,373	1,221,765	21,668	174,641	16,387	11,163,366	16,151,683
Less allowances for uncollectible accounts	(185,100)	(75,800)	(17,600)	(161,946)	(61,000)	0	(230,980)	(3,100)	(30,569)	0	0	(766,095)
Net total receivables	$844,614	$245,692	$66,045	$730,944	$1,143,742	$21,373	$990,785	$18,568	$144,072	$16,387	$11,163,366	$15,385,588

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)	$2,082,612	$ 0	$2,082,612
Special assessments receivable (governmental funds)	37,130	0	37,130
Special assessments not yet billed (governmental funds)	1,140,167	0	1,140,167
METRA unearned revenue from future advertising revenues	0	1,291,683	1,291,683
METRA receipts for fiscal year 2010 events (enterprise fund)	0	250,390	250,390
Total Deferred Revenue	**$3,259,909**	**$1,542,073**	**$ 4,801,982**

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 2008 real property taxes and the 2008 special assessments were levied and became receivables in October 2008. The semi-annual installments were due in November 2008 and May 2009. As of December 1, 2008, and June 1, 2009, uncollected real property taxes and special assessments became delinquent and all uncollected amounts as of June 30, 2009, 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, 2009, have been reported as deferred revenue. There was no significant land held for resale as of June 30, 2009.

Note 6. Interfund Receivables, Payables and Transfers

Interfund Receivables and Payables

Due from/to Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Permissive Medical Levy Fund	$ 199,344
General Fund	Crime Control Fund	337
General Fund	RSID Maintenance Fund	24,718
General Fund	RSID Bond Fund	1,775
		$ 226,174

Interfund transfers

	Transfers in								
	MAJOR GOVERNMENTAL FUNDS					Other	MAJOR ENTERPRISE FUND		
	General	Road	Liability & Property Insurance	Public Safety - Sheriff	Capital Improvement Fund	Nonmajor Governmental Funds	METRA	Internal Service Funds	Total
Transfers out:									
General Fund	$0	$87,165	$0	$171,000	$1,531,000	$2,045,415	$0	$0	$3,834,580
Road Fund	0	0	0	0	860,000	34,320	0	0	894,320
Public Safety - Sheriff Fund	75,871	0	0	0	100,000	28,600	0	0	204,471
Nonmajor Governmental Funds	345,131	126,144	13,622	488,929	490,177	479,635	99,792	1,778,459	3,821,889
Major Enterprise Fund - Refuse Disposal Fund	25,000	0	0	0	0	0	0	0	25,000
Total transfers	$446,002	$213,309	$13,622	$659,929	$2,981,177	$2,587,970	$99,792	$1,778,459	$8,780,260

Note 7. Capital Assets

Capital asset activity for the primary government for the year ended June 30, 2009 was as follows:

Governmental-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$3,191,649	$490,000	(420,988)	$3,260,661
Construction in Progress	339,576	73,036	(319,474)	93,138
Total Capital Assets, Not Being Depreciated	3,531,225	563,036	(740,462)	3,353,799
Capital Assets, Being Depreciated:				
Buildings	25,358,356	227,282	(10,439)	25,575,199
Improvements Other Than Buildings	1,240,188	1,944,660	0	3,184,848
Machinery and Equipment	15,066,911	1,885,881	(848,559)	16,104,233
Infrastructure	25,549,433	2,250,318	0	27,799,751
Total Assets Being Depreciated	67,214,888	6,308,141	(858,998)	72,664,031
Less Accumulated Depreciation For:				
Buildings	14,253,104	567,171	(6,680)	14,813,595
Improvements Other Than Buildings	881,316	99,507	0	980,823
Machinery and Equipment	8,982,113	1,137,215	(636,234)	9,483,094
Infrastructure	8,587,118	1,548,651	0	10,135,769
Total Accumulated Depreciation	32,703,651	3,352,544	(642,914)	35,413,281
Total Capital Assets, Being Depreciated, Net	34,511,237	2,955,597	(216,084)	37,250,750
Governmental Activities Capital Assets, Net	$38,042,462	$3,518,633	($956,546)	$40,604,549

Note 7. Capital Assets, continued

Business-type Activities	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets, Not Being Depreciated:				
Land	$368,574	$0	$0	$368,574
Construction in progress	394,919	806,457	(82,342)	1,119,034
Capital Assets, Being Depreciated:				
Buildings	22,971,771	299,478	0	23,271,249
Improvements Other Than Buildings	4,207,331	391,163	0	4,598,494
Machinery and Equipment	1,255,881	48,437	(100,940)	1,203,378
Total Capital Assets, Being Depreciated	28,434,983	739,078	(100,940)	29,073,121
Less Accumulated Depreciation For:				
Buildings	12,228,623	671,667	0	12,900,290
Improvements Other Than Building	2,421,624	239,107	0	2,660,731
Machinery and Equipment	1,003,961	62,592	(89,033)	977,520
Total Accumulated Depreciation	15,654,208	973,366	(89,033)	16,538,541
Total Capital Assets, Being Depreciated, Net	12,780,775	(234,288)	(11,907)	12,534,580
Business-type Activities Capital Assets, Net	$13,544,268	$572,169	($94,249)	$14,022,188

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

Governmental Activities	
General Government	$458,152
Public Safety	749,143
Public Works	1,972,521
Public Health	8,119
Social and Economic	66,383
Culture and Recreation	98,226
Conservation of Natural Resources	0
Total Depreciation Expense - Governmental Activities	3,352,544
Business-type Activities	
METRA	973,366
Total Depreciation Expense - Primary Government	$4,325,910

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.

On May 6, 2009 the County refunded $3,530,000 of the 2001 General Obligation Refunding Bonds due after June 1, 2010 with $3,440,000 of the 2009 General Obligation Refunding Bonds. The refunding resulted in gross interest savings of $216,087 and net present value savings of $208,177 and a net present value benefit of 6.05%.

General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds currently outstanding are as follows:

	Interest Rate	Amount
Governmental -type Activities:		
2009 General Obligation Refunding Bonds (nontaxable – refunded 2001 General Obligation Refunding Bonds due after June 1, 2010), due June 1, 2014, payable in annual principal installments of $645,000 to $735,000, noncallable prior to stated redemption date	2.575 – 3.00%	$ 3,440,000
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	3.40 – 4.00%	$ 2,835,000
		$ 6,275,000

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

Year Ending	Governmental - type Activities		
June30,	Principal	Interest	Total
2010	$825,000	$210,115	$1,035,115
2011	855,000	177,515	1,032,515
2012	880,000	150,915	1,030,915
2013	915,000	123,540	1,038,540
2014	950,000	95,065	1,045,065
2015-2019	1,215,000	262,122	1,477,122
2020-2023	635,000	54,600	689,600
Total	$6,275,000	$1,073,870	$7,348,870

Note 8. Long-Term Debt, continued

Rural Special Improvement District Bonds

The County issued no new special assessment debt in fiscal year 2009.

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, 2009. The R.S.I.D. Revolving Fund has no unfunded commitment to the R.S.I.D. bond fund as of June 30, 2009. 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 $261,952 at June 30, 2009 is treated as a debt service fund.

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

Rural Special Improvement District Number	Interest Rates	Date Issued	Final Maturity Date	Amount of Original Issue	Balance June 30, 2009
668	5.83%	06/15/00	06/15/15	$ 750,000	$ 130,000
679	5.70%	09/01/01	08/01/13	82,000	13,000
682	6.00%	08/01/02	08/01/17	174,000	39,000
691	4.90%	10/01/03	08/01/13	49,000	15,000
715	4.19%	08/01/04	08/01/19	410,000	230,000
717	4.93%	06/01/05	08/01/20	738,000	425,000
758	3.75%	05/01/07	07/01/27	373,000	302,000
Various matured bonds	0.00%	Various	Matured	Various	7,225
Outstanding rural special improvement district bonds, June 30, 2009					1,161,225
Less called and matured bonds					(7,225)
Uncalled rural special improvement district bonds, June 30, 2009					$ 1,154,000

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	Governmental-type Activities		
June 30,	Principal	Interest	Total
2010	$23,225	$53,322	$76,547
2011	23,000	52,668	75,668
2012	23,000	51,600	74,600
2013	48,000	50,532	98,532
2014	96,000	48,417	144,417
2015-2019	643,000	154,013	797,013
2020-2024	230,000	33,884	263,884
2025-2028	75,000	6,600	81,600
Total	$1,161,225	$451,036	$1,612,261

Notes Payable

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

As of June 30, 2009 the County had no outstanding notes payable.

Note 8. Long-Term Debt, continued

Changes in Long-Term Liabilities

	Year Ended June 30, 2009				
Governmental Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Principal Due Within One Year
General obligation bonds	$ 7,155,000	$3,440,000	$ (4,320,000)	$ 6,275,000	$ 790,000
Special assessment debt with governmental commitment	1,290,425	0	(136,425)	1,154,000	28,650
Notes payable	0	0	0	0	0
Claims and judgements	1,075,000	0	(575,000)	500,000	500,000
Compensated absences	1,955,502	154,685	0	2,110,187	528,180
OPEB implicit rate subsidy	0	305,134	0	305,134	0
Governmental activity long-term liabilities	$ 11,475,927	$ 3,899,819	$ (5,031,425)	$ 10,344,321	$ 1,846,830
Business-type Activities:					
Notes payable	$0	$0	$0	$0	$0
Compensated absences	187,367	12,542	0	199,909	49,977
OPEB implicit rate subsidy	0	28,048	0	28,048	0
Business-type Activities Long-term Liabilities	$187,367	$40,590	$0	$227,957	$49,977

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.

Note 8. Long-Term Debt, continued

Summary of Debt Maturities

Annual debt service principal and interest payments required on outstanding debt at June 30, 2009, are as follows:

	Type of Debt	
Year Ending June 30,	General Obligation Bonds	Rural Special Improvement Bonds
2010	$ 1,035,115	$ 76,547
2011	1,032,515	75,668
2012	1,030,915	74,600
2013	1,038,540	98,532
2014	1,045,065	144,417
2015-2019	1,477,122	797,013
2020-2024	689,600	263,884
2025-2028	0	81,600
	$ 7,348,870	$ 1,612,261

Note 9. 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 $500,000 for outstanding liability claims. Reinsurance for liability claims is purchased from a third party risk retention group. Coverage history is as follows:

	Deductible	Limit per occurrence	Annual aggregate
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, 2009	$ 250,000	$ 1,500,000	$ 3,000,000

The County also utilizes a separate premises liability policy with no deductible for the METRA buildings and grounds.

County buildings and their contents are covered by property and casualty insurance with a $50,000 deductible. The County at June 30, 2009, had unreserved fund balance in its Property and Liability Insurance Fund totaling $2,678,224. Levels of property insurance have not changed materially 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.

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 10B.

Note 10. 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, 2009, is $2,310,095. The unvested 75% of accumulated sick pay benefits, which totaled $2,602,132 at June 30, 2009, 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 $375,000 and $157,286 is recorded for health and drug claims incurred in fiscal year 2009 but paid in July 2009.

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

Fiscal Year	Beginning of fiscal-year liability	Estimated Incurred claims	Claims paid, net of expected reimbursements	End of fiscal-year liability
2006-2007	$ 422,531	$ 5,619,798	$ 5,444,483	$ 597,846
2007-2008	$ 597,846	$ 4,841,479	$ 4,863,154	$ 576,171
2008-2009	$ 576,171	$ 5,993,897	$ 6,037,782	$ 532,286

Yellowstone County's maximum exposure for the health plan period ended June 30, 2009 was limited by aggregate stop loss insurance coverage to approximately $6.85 million. Claims paid during fiscal year 2009 that were subject to the aggregate stop loss coverage were $6.00 million. 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 $1,775,291 to the health insurance fund in fiscal year 2009.

Note 10. Employee Benefits, continued

B. Health Insurance , continued

Results of operations for fiscal year ended:	June 30, 2008	June 30, 2009
Health insurance premiums	$ 4,694,879	$ 4,960,434
Health claims	(4,841,479)	(5,993,897)
Administrative expenses	(374,456)	(390,059)
Interest revenue	129,829	117,422
Interfund transfer in	1,566,912	1,775,291
Net income (loss)	1,175,685	469,191
Net assets, beginning of fiscal year	1,853,158	3,028,843
Net assets, end of fiscal year	**$ 3,028,843**	**$ 3,498,034**

Note 10. 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 employees' expense. As of June 30, 2009, there are 81 former employees covered under the health plan. As of June 30, 2009 there were 38 covered retirees that elected to switch coverage to a medicare advantage plan. Those employees will have the option to reenroll 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 the City/County Health Department and the Big Sky Economic Development Authority. Employees of the City/County Health Department were grandfathered at County employee rates, while the Big Sky Economic Development Authority pays County rates plus an administrative cost. 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 8.8% during fiscal year 2009. The funding for the employer portion of coverage increased 8.9%. There were only minor changes to health plan benefits during fiscal year 2009.

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.

Effective March 1, 2005 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 2009.

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.

Note 10. 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 2009 there are 81 retirees and/or survivors enrolled for the employer's sponsored health insurance plan. In 2009 retirees contributed $488,605 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, 2009

Normal Cost	$270,175
Amortization of Unfunded Actuarial Accrued Liability Over 30 Years from the Valuation Date	318,587
Annual Required Contribution	$588,762

5. Funded Status and Funding Progress

As of June 30, 2009, the actuarial accrued liability (AAL) for benefits was $5,203,967 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, 2009

Actuarial Value of Assets	$ 0
Plus Actuarial Accrued Liability (AAL)	$5,203,967
Unfunded Actuarial Accrued Liability (UAAL)	$5,203,967
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. As required by GASB 45, this is the first year an actuarial has been completed for other post employment benefits.

Note 10. 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 2008 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 rate of 9.0% initially in 2009 reduced by .5% each year until an ultimate rate of 5.0% after 8 years and after.

Health insurance premiums for 2009 retirees were used as the basis for calculation of the present value of total benefits to be paid.

Note 11. 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. A guaranteed annual benefit adjustment (GABA) of 1.5% is provided each January for benefit recipients if they have been receiving a benefit for at least 36 months. 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 6.935% 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:

Fiscal Year	County Contribution	Employee Contribution	State of Montana Contribution
2006-2007	$835,201	$847,484	$12,283
2007-2008	$893,744	$889,233	$13,078
2008-2009	$931,285	$926,585	$13,429

During fiscal year 2003, the Public Employees' Retirement Board began offering a Defined Contribution Retirement Plan (DCRP) option. Members had until June 30, 2003 or 12 months from date of employment to elect coverage in the DCRP. Members not electing the DCRP remain in the defined benefit plan.

The PERS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* 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.

Note 11. 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. Effective July 1, 2006 detention officers became eligible for SRS. Detention officers employed prior to July 1, 2006 had until June 30, 2007 to elect into SRS. Officers hired after July 1, 2006 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. A guaranteed annual benefit adjustment (GABA) of 1.5% is provided each January for benefit recipients if they have been receiving a benefit for at least 36 months. 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 9.825% 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:

Fiscal Year	County Contribution	Employee Contribution
2006-2007	$425,407	$412,468
2007-2008	$470,094	$442,343
2008-2009	$484,272	$455,684

The SRS financial information is reported in the Public Employees' Retirement Board's *Comprehensive Annual Financial Report* 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.

Note 12. 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 $500,000 is considered to be adequate for potential settlements and litigation costs. The County considers the other known legal actions 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.

State Short-term Investment Pool (STIP)

The County has not participated in STIP since November 28, 2007 due to STIP holding securities that are in default status and are of undetermined value. If losses are eventually realized by STIP on investments, it is unknown how those losses will be allocated among its participants and whether or not the losses would be allocated to previous pool participants as of any particular time frame. This is a contingent liability for the County's investment pool.

Note 13. 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, 2009, there were fourteen 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 $21.75 million. The aggregate principal amount outstanding for the four outstanding series issued after July 1, 1997 was $6,515,000 as of June 30, 2009. There were two issues of industrial revenue bonds during the fiscal year totaling $2,210,000.

Note 14. Related Organization

The County is responsible for appointing the members of the governing board of the Big Sky Economic Development Authority (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 Authority is considered a related organization, and not a component unit of the County.

Note 15. Deficit Fund Balances

The deficit fund balance of ($199,344) in the permissive medical levy fund is a result of uncollected tax levies. Uncollected tax receivables in the permissive medical levy fund were $199,344 net of allowances and $216,944 excluding the tax allowances.

Note 16. Subsequent Events

On September 1, 2009 the County issued a conduit debt obligation in the amount of $11,805,000 for facility expansion at the Riverstone Health Department. The debt is structured as a Subordinate Healthcare Lease Revenue Bond. The bond is secured by tax proceeds annually levied for public health purposes in the Health Services Fund. See Note 13 for further information regarding this type of debt issuance.

On November 2, 2009 the County acquired real property in the vicinity of the Courthouse to replace land area acquired by the federal government to build a new federal courthouse that will be adjacent to the County courthouse. Proceeds from the County land acquired by the federal government were used to fund the acquisition of replacement land and buildings in the amount $764,000.

In November 2009 the County received a favorable ruling from the Ninth Circuit Court of Appeals on a major civil liability case. The County expects the ruling to close the case with no liability on behalf of the County.