

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

**AUDIT REPORT**

**Denning, Downey & Associates, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2008

**TABLE OF CONTENTS**

Organization	1
Management Discussion and Analysis	2-9
Independent Auditor's Report	10-11
<b>Financial Statements</b>	
<u>Government-wide Financial Statements</u>	
Statement of Net Assets	12
Statement of Activities	13
Discretely Presented Component Unit – Balance Sheet	14
Discretely Presented Component Unit – Statement of Revenues, Expenses and Changes in Net Assets	15
Discretely Presented Component Unit – Statement of Cash Flows	16
<u>Fund Financial Statements</u>	
Balance Sheet – Governmental Funds	17
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Fiduciary Funds – Statement of Fiduciary Net Assets	21
Fiduciary Funds – Statement of Changes in Fiduciary Net Assets	22
Notes to Financial Statements	23-45
<b>Required Supplemental Information</b>	
Budgetary comparison Schedule	46-47
<b>Single Audit Section</b>	
Schedule of Expenditures of Federal Awards	48
Notes to the Schedule of Expenditures of Federal Awards	49
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	50-51

PONDERA COUNTY, MONTANA

**TABLE OF CONTENTS – Continued**

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133	52-53
Schedule of Findings and Questioned Costs	54-55
Report on Other Compliance, Financial, and Internal Accounting Control Matters	56
Report on Prior Audit Recommendations	57

PONDERA COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2008

**BOARD OF COUNTY COMMISSIONERS**

Joseph E. Christiaens  
Sandra J. Broesder  
Cynthia A. Johnson

Chairperson  
Commissioner  
Commissioner

**COUNTY OFFICIALS**

Mary Ann Ries  
Jeanne Moon  
Janice Hoppes  
Kara A. Thompson  
Audrey Brown  
Josephine M. Stone  
Thomas A. Kuka  
William J. May

County Attorney  
Treasurer/Assessor  
Clerk and Recorder  
Clerk of District Clerk  
Justice of the Peace  
School Superintendent  
Sheriff/Coroner  
Public Administrator

**Pondera County, Montana**  
**Management Discussion and Analysis (MD&A)**  
**Fiscal Year 2007-08**

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2007-2008 activities. The intent of this discussion and analysis is to look at the County's financial performance as a whole; readers should review the principal financial statements found in the annual report to augment their understanding of the County's financial performance.

**FINANCIAL HIGHLIGHTS**

- **Pondera County's interest revenue has remained relatively stable compared to the prior fiscal year.**
- **Seven of the eight maintainers (motor graders), traded in FY 02-03, are financed and remain in the budget. One maintainer, traded in 2005, is also financed and reflected in the budget. The original intent was to roll these 8 maintainers but the actual transfer did not occur until after the end of the fiscal year.**
- **The road department purchased one chipper for roads \$(10,500); replacement culverts \$(7,018); a wood chipper \$(3,950); and new windows for the shop building in Valier \$(3,216).**
- **While acres remained the same, the amount of the Pondera County PILT Payment was increased slightly by \$2,974. Forest Reserve payments were only \$71 less than the prior fiscal year.**
- **Emergency snow removal revenue, due to the contractual relationship with the US Air Force, remained in place for this final year and is dedicated exclusively to road and bridge maintenance. The payment did not come to Pondera County until after the close of the fiscal year.**
- **Roads were re-built or re-graveled 24 miles of road with approximately 35,894 yards of gravel at a cost of \$100,601. This amount is increased compared to FY 07.**
- **Three sets (24 feet) of cattle-guards were purchased for a total of \$16,164 but have not yet been installed.**
- **Milling and overlay was completed on 5 miles of road with road oil costs of \$55,032 and chips cost of \$12,800.**
- **High fuel costs continued to impact all areas of the budget, especially Road and Bridge.**
- **Oil and Gas Revenues increased 25% in Fiscal year 2008.**

- **The Public Health Budget remains more than normal due to grant program revenue and expenditures in areas of Breast and Cervical Health, Safe Kids Safe Communities, and Tobacco Cessation.**
- **The Community Service Program, in cooperation with the City of Conrad, continues to be funded at \$15,000. A Contract Supervisor manages the program.**
- **The County owned airports do not have any hangar income for this fiscal year. A greater effort will be made to rectify this.**
- **Pondera County purchased an old retail sales building for \$113,977 to eventually be used for a new Community/Senior Center. This purchase was not budgeted for in the original FY 08 budget. The anticipated revenue from the sale of the old Community/Senior Center is \$75,000.**
- **The County received a settlement of protested and gross proceeds taxes from a fuel company of \$142,249 that had not been budgeted for.**
- **The Pondera Regional Port Authority has been approved to use local PILT money for Economic Development. The local PILT, \$14,962, is established as a loan at the time of the Budget adoption. The Port Authority must utilize the loan to facilitate businesses within the County. When the annual report is produced to Pondera County, proving the use of funds, the loan is forgiven and treated as a grant (transfer).**
- **Pondera County continues to make an annual contribution \$(2,500) to the Four County Marias Fair for maintenance and upkeep of the fair complex in Toole County. The County continues to contribute \$2,000 annually to the state mandated regional economic development corporation. Pondera County has entered into an interlocal agreement with the Northern Transit for public transportation which currently requires a contribution of \$2,500 - \$5,000. FY 08 reflects the \$2,500 contribution.**
- **The Sheriff's department replaced one public safety vehicle.**
- **Local Option tax revenue again increased \$7,389 over the prior fiscal year due to increases in the manufacturer's suggested retail prices for vehicles, recreational vehicles, and trailers. This positively impacts the Public Safety budget.**
- **Election Costs remain significant due to necessary staff and judge training, programming, and maintenance contracts for the Auto Mark machines.**

## USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. Pondera County's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements.

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

#### **Statement of Net Assets and the Statement of Activities**

The Statement of Net Assets and the Statement of Activities convey details about the County as a whole and about its activities. These statements included all assets and liabilities of the County using the full accrual basis of accounting. All of the current year's revenues and expenses are recognized regardless of when cash is received or paid.

A compliance analysis is provided.

These two statements report the County's net assets and changes in them. Net assets are the difference between assets and liabilities, which is one way to measure the County's financial position. Over time, fluctuations in the County's net assets are an indicator of whether its financial position is improving or deteriorating. Other factors to consider are changes in the property tax base and the condition of infrastructure within the County.

Pondera County uses Fund Accounting to guarantee and demonstrate compliance with finance-related legal requirements. A "fund" is a grouping of related accounts that is used to maintain control and accountability over resources that have been designated for specific activities or objectives. Pondera County Funds are divided into two categories: Governmental Funds and Fiduciary Funds.

**Governmental Funds:** Most of the County's fundamental services are reported in governmental funds, which details the flow of money into and out of the funds and the balances left at year-end available for future expenditures. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to government operations and essential services it provides. Governmental fund information helps to determine whether there are adequate financial resources available to finance future county services. The variance between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the governmental wide financial statements because the resources of those funds are not available to support the Pondera County's inherent functions. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary funds and notes to the financial statements can be found in the Annual Report.

**Condensed Financial Statements**

## Government-wide STATEMENT OF NET ASSETS:

	<b><u>FY 2007-08</u></b>	<b><u>Post Audit</u></b>
	<b><u>Governmental</u></b>	<b><u>FY 2006-07</u></b>
	<b><u>Activities</u></b>	<b><u>Governmental</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>
Current and other assets	\$ 3,743,060	\$ 3,733,945
Capital assets	5,255,368	5,810,874
Total assets	\$ 8,998,428	\$ 9,544,819
Long-term debt outstanding	\$ 1,866,781	\$ 2,584,582
Other liabilities	523,390	43,906
Total liabilities	\$ 2,390,171	\$ 2,628,488
Net assets:		
Invested in capital assets net of related debt	\$ 3,178,451	\$ 3,460,134
Restricted	2,651,366	2,638,971
Unrestricted	778,440	817,226
Total net assets	\$ 6,608,257	\$ 6,916,331

## Government-wide STATEMENT OF ACTIVITIES:

	<b><u>FY2007-08</u></b>	<b><u>Post Audit</u></b>
	<b><u>Governmental</u></b>	<b><u>FY2006-07</u></b>
	<b><u>Activities</u></b>	<b><u>Governmental</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 511,583	\$ 512,602
Operating Grants and Contributions	582,111	245,288
Total Program Revenues	\$ 1,093,694	\$ 757,890
<b><u>General Revenues</u></b>		
Property Taxes	\$ 2,476,203	\$ 2,298,115
Video Poker Apportionment	2,350	2,875
Personal Property Reimbursement	13,608	27,201
Miscellaneous	17,394	59,664
Investment Earnings & Oil Royalties	119,359	119,393
PILT	135,072	132,099
MT Oil and Gas Production Tax	212,318	182,261
State Entitlement	367,009	357,744
Grants & Entitlements not restricted to specific progra	3,250	-
Intergovernmental Agreement	42,563	-
Reimbursements	143,161	203,930
Royalties	10,571	16,610
Total General Revenues	\$ 3,542,858	\$ 3,399,892
<b>Total Revenues</b>	\$ 4,636,552	\$ 4,157,782



Government-wide STATEMENT OF ACTIVITIES (continued):

	<b><u>FY2007-08</u></b>	<b><u>Post Audit</u></b> <b><u>FY2006-07</u></b>
	<b><u>Governmental</u></b>	<b><u>Governmental</u></b>
	<b><u>Activities</u></b>	<b><u>Activities</u></b>
<b><u>Program Expenses by Function</u></b>		
General Government	\$ 1,232,985	\$ 1,174,125
Public Safety	847,228	854,579
Public Works	1,400,951	1,471,630
Public Health	593,062	630,566
Social & Economic Services	111,420	105,043
Culture & Recreation	146,504	141,375
Housing & Community Development	382,178	-
Miscellaneous	147,199	143,551
Debt Service Interest	89,132	98,991
Total Expenses	\$ 4,950,659	\$ 4,619,860
Excess (deficiency) before special items & transfers	\$ (314,107)	\$ (462,078)
Special Items	7,029	7,290
Transfers – net	(14,963)	(28,830)
<b>Changes in net assets</b>	\$ (322,041)	\$ (483,618)

The largest portion of the County’s net assets is in capital assets less any outstanding, related debt used to acquire those assets. The capital assets are used to provide services to citizens. Resources, other than the asset itself, are used to retire any debt attributed to the asset. Sources for debt retirement can be from general and/or program revenues.

**GOVERNMENTAL ACTIVITIES**

The cost of all governmental activities this year was \$4,950,655, compared to \$4,619,860 for fiscal year 2006-07 as found in the Statement of Activities, an increase of \$330,795 or approximately 7%. However, as shown on the same statement, the amount that our taxpayers ultimately financed for these activities through county taxes was only \$2,476,203, up by \$178,088 from \$2,298,115 in fiscal year 2006-07. Some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating grants. Other revenues were derived from investment earnings, entitlement reimbursements, loans and other miscellaneous charges. Cash carryovers from the prior fiscal year (reserves) were utilized as well.

The County's programs net costs are presented below:

**Net Program Expenses by Function:**

<u>Governmental Activities</u>	<u>FY2007-08</u> <u>Net Expense</u>	<u>Post Audit</u> <u>FY2006-07</u> <u>Net Expense</u>
General Government	\$ 1,065,964	\$ 1,048,389
Public Safety	598,831	519,235
Public Works	1,279,119	1,300,599
Public Health	439,720	532,815
Social & Economic Services	90,492	82,015
Culture & Recreation	146,504	141,375
Housing & Community Development	-	(5,000)
Debt Service Interest	89,132	98,991
Miscellaneous	147,199	143,551
Total Net Expenses	<b>\$ 3,856,961</b>	<b>\$ 3,861,970</b>

**Unreserved Fund Balance Analysis (Major Funds)**

	<u>General</u>	<u>Road</u>	<u>Public</u> <u>Safety</u>	<u>Comprehensive</u> <u>Insurance</u>
Unreserved Fund Balance – Current Year	\$ 570,401	\$ 313,322	\$ 534,635	\$ 81,700
Unreserved Fund Balance – Prior Year	\$ 762,696	\$ 376,370	\$ 581,564	\$ 101,017
Change in unreserved fund balance	\$(192,295)	\$(63,048)	\$(46,929)	\$(19,317)
% change in unreserved fund balance	-25.0%	-17.0%	-8.0%	-19.0%

The decreases in the unreserved fund balances in the four major funds are a result of either having to utilize cash reserves in addition to projected revenues to maintain current level of operations and/or the movement of mills from one fund to another during the budget process.

**Revenue Budget to Actual Variances:**

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	\$966,108	\$1,048,005	\$81,897	7.81%

There was a variation between the final budget amount and actual amount of revenue received in the General Fund of \$81,897 for a 7.81% variance. The County had not budgeted for the settlement of net and gross proceeds protested tax situation.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	\$561,101	\$578,224	\$17,123	2.96%

There was a variation between the final budget amount and actual amount of revenue received in the Road Fund of \$17,123 for a 2.96% variance. The County had not budgeted for the settlement of net and gross proceeds protested tax situation and under-budgeted for non-tax revenue.

<u>Comprehensive Insurance</u>	<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
		\$154,897	\$152,571	\$(2,326)	(1.52%)

The County budgeted for a transfer from general fund which was not made as the fund was able to meet its expenses.

Public Safety

<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	\$648,924	\$639,997	\$(8,927)	(1.39%)

The County under-budgeted non-tax revenues, particularly charges for services.

**CAPITAL ASSETS AND LONG-TERM DEBT**

Capital assets are those assets which are used in the performance of the County’s functions. In addition, debt is considered a liability of the governmental activities. Both are reflected in the following charts noting that additional information can be obtained in the Notes to the Financial Statements.

**Long Term Debt**

During the fiscal year, the County reduced its long term debt by \$274,572.

**Capital Assets**

New assets, totaling \$209,496, were purchased during the year. Deletions, additions and adjustment, along with depreciation, reduced the net book value of Pondera County assets by \$301,700, resulting in the current value as of June 30, 2008 of \$5,255,368.

Included in the new assets is the purchase of land and the building in the amount of \$114,377. This asset is centered in the City of Conrad and the building will be renovated and used for a community/senior citizens’ center. Other capital assets were kept at status quo with new purchases of vehicles and/or equipment being offset with trade-in or sale of fixed assets.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGET**

The fiscal year 2007-2008 Taxable Valuation decreased slightly in Pondera County from \$12,443,284 to 12,435,463. The value of a county-wide mill decreased from \$12,443 to \$12,435. The FY 08 budget did not allow for the reservation of any floated mills; all were levied. Under Department of Revenue calculations, Pondera County classification, beginning January 1, 2009, remains the same as a Third Class County.

The County-Wide Community Service Program, funded at \$15,000 will continue the City-County relationship forged to provide quality service.

The cost of fuel will continue to impact the 2007-08 budget, especially in the areas of Road, Bridge, and Public Safety, but budget predictions may be a bit high given the current economy.

Public Safety will add an intercom system for the jail at \$12,500.

The public auction of the old Community/Senior Center will be held early in the fiscal year with the minimum anticipated revenue of \$75,000.

The County airport at Conrad is currently undergoing an update which requires a local match of \$4,470, which will reflect poorly in the reserve amount for the airport unless we are able to generate some income from the property.

The County intends to replace, through a new lease, 8 new maintainers. This had been scheduled in FY 08 but did not occur prior to year end. Capital Improvement will include savings for a loader and a Walk'n Roll. We also continue to budget, in Capital Improvements, for a new road to access the Northern I15 interchange, once it is complete.

Group Health Insurance costs remain stable without changing providers.

All funds are expected to remain stable in fiscal year 2008.

The school districts in the County levied funds pursuant to levy elections held in May, 2007. All school levies in the County passed and were increased.

While aiming for a 33% reserve in all funds, reserve amounts range from 1.26% (airport) to 33%. Our goal remains to achieve the 33% reserve in all funds.

**Denning, Downey & Associates, P.C.**  
**CERTIFIED PUBLIC ACCOUNTANTS**

1740 U.S. Hwy 93 South, P.O. Box 1957, Kalispell, MT 59903-1957

---

**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
Pondera County  
Conrad, Montana

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pondera County management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pondera Medical Center, which represent 91.33%, 86.06%, and 95.70%, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Pondera Medical Center, is based on the report of other auditors.

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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pondera County, Montana, as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit included the building of the Pondera Medical Center. The County maintains that the building and its related improvements are the property of the County. The net book value of the County for the building is \$1,202,500. The audit of the Pondera Medical Center Inc. (a non-profit component unit) was completed by other auditors. In their report, the Pondera Medical Center building is also listed as an asset with a net book value reported by the non-profit of \$2,560,985.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2009, on our consideration of the Pondera County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary information on pages 2 through 9 and pages 46 through 47, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of Pondera County, Montana. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Denning, Downey and Associates, CPA's, P.C.*

February 27, 2009

**Pondera County, Montana**  
**Statement of Net Assets**  
**June 30, 2008**

	<u>Governmental Activities</u>	<u>Component Unit Pondera Regional Port Authority</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 3,333,408	\$ 123,666
Taxes and assessments receivable, net	375,875	6,333
Accounts receivable - net	33,777	-
Notes and loans receivable	-	455,607
Total current assets	<u>\$ 3,743,060</u>	<u>\$ 585,606</u>
Noncurrent assets		
Capital assets - land	\$ 248,609	\$ 44,961
Capital assets - depreciable, net	5,006,759	-
Total noncurrent assets	<u>\$ 5,255,368</u>	<u>\$ 44,961</u>
Total assets	<u>\$ 8,998,428</u>	<u>\$ 630,567</u>
<b>LIABILITIES</b>		
Current liabilities		
Warrants payable	\$ 222	\$ -
Accounts payable	12	-
Accrued payroll	79,657	619
Revenues collected in advance	273	-
Current portion of long-term liabilities	-	9,009
Current portion of long-term capital liabilities	290,183	-
Current portion of compensated absences payable	153,043	-
Total current liabilities	<u>\$ 523,390</u>	<u>\$ 9,628</u>
Noncurrent liabilities		
Noncurrent portion of long-term liabilities	\$ -	\$ 10,726
Noncurrent portion of long-term capital liabilities	1,786,734	-
Noncurrent portion of compensated absences	80,047	-
Total noncurrent liabilities	<u>\$ 1,866,781</u>	<u>\$ 10,726</u>
Total liabilities	<u>\$ 2,390,171</u>	<u>\$ 20,354</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	\$ 3,178,451	\$ 44,961
Restricted by donors for specific purposes	25,380	-
Restricted for capital projects	560,697	-
Restricted for debt service	233,743	-
Restricted for special projects	1,831,546	-
Unrestricted	778,440	565,252
Total net assets	<u>\$ 6,608,257</u>	<u>\$ 610,213</u>
Total liabilities and net assets	<u>\$ 8,998,428</u>	<u>\$ 630,567</u>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

Functions/Programs Primary government:	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets	
	Expenses	Charges for Services	Operating		Governmental Activities	Pondera Regional Port Authority
			Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
General government	\$ 1,232,985	\$ 167,017	\$ -	\$ -	\$ (1,065,968)	\$ -
Public safety	847,228	186,691	61,706	-	(598,831)	-
Public works	1,400,951	113,346	8,486	-	(1,279,119)	-
Public health	593,062	23,601	129,741	-	(439,720)	-
Social and economic services	111,420	20,928	-	-	(90,492)	-
Culture and recreation	146,504	-	-	-	(146,504)	-
Housing and community development	382,178	-	382,178	-	-	-
Debt service - interest	89,132	-	-	-	(89,132)	-
Miscellaneous	147,199	-	-	-	(147,199)	-
Total governmental activities	\$ 4,950,659	\$ 511,583	\$ 582,111	\$ -	\$ (3,856,965)	\$ -
Total primary government	\$ 4,950,659	\$ 511,583	\$ 582,111	\$ -	\$ (3,856,965)	\$ -
Component units:						
Pondera Regional Port Authority	\$ 424,762	-	\$ 368,000	-	-	\$ (56,762)
Total component units	\$ 424,762	-	\$ 368,000	-	-	\$ (56,762)
General Revenues:						
Property taxes for general purposes				\$	2,476,203	\$ 55,166
Video poker apportionment					2,350	-
Personal property tax reimbursement					13,608	-
Miscellaneous					17,394	1,409
Interest/investment earnings					119,359	23,786
PILT					135,072	-
Montana oil and gas production tax					212,318	-
State entitlement					367,009	-
Grants and entitlements not restricted to specific programs					3,250	36,141
Intergovernmental agreement					42,563	-
Reimbursements					143,161	-
Royalties					10,571	-
Gain (loss) on sale of capital assets					7,029	-
Transfers - net					(14,963)	-
Total general revenues, special items and transfers				\$	3,534,924	\$ 116,502
Change in net assets				\$	(322,041)	\$ 59,740
Net assets - beginning				\$	6,916,331	\$ 550,473
Restatements					13,967	-
Net assets - beginning - restated					6,930,298	550,473
Net assets - end				\$	6,608,257	\$ 610,213



Pondera Medical Center  
A Component Unit of Pondera County, Montana

**Balance Sheet**  
December 31, 2007

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$	485,668
Certificates of deposit		189,080
Receivables		
Patient and resident, net of estimated uncollectibles of \$1,066,000 in 2007 and \$928,000 in 2006		1,705,312
Estimated third-party payor settlements		-
Other		327,141
Supplies		286,556
Prepaid expenses		66,940
Total current assets	\$	<u>3,060,697</u>

**ASSETS LIMITED AS TO USE**

By Board for capital improvements and equipment purchases	\$	<u>161,668</u>
---	----	----------------

**CAPITAL ASSETS, net** \$ 3,373,584

**OTHER ASSETS**

Deferred financing costs, net	\$	41,206
Other assets		2,972
Total other assets	\$	<u>44,178</u>

Total assets \$ 6,640,127

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Current maturities of long-term debt	\$	170,603
Accounts payable		
Trade		223,022
Estimated third-party payor settlement		414,310
Accrued expenses		
Vacation		312,075
Salaries and wages		246,997
Payroll taxes and other		217,284
Litigation		50,000
Interest		21,018
Total current liabilities	\$	<u>1,655,309</u>

**LONG-TERM DEBT, less current maturities** \$ 1,219,321

Total liabilities \$ 2,874,630

**NET ASSETS**

Invested in capital assets, net of related debt	\$	2,024,866
Restricted		
Expendable for capital acquisitions		32,101
Unrestricted		1,708,530
	\$	<u>3,765,497</u>

Total liabilities and net assets \$ 6,640,127

See accompanying Notes to the Financial Statements

Pondera Medical Center  
A Component Unit of Pondera County, Montana  
**Statement of Revenues, Expenses and Changes in Net Assets**  
Year Ended December 31, 2007

<b>OPERATING REVENUE</b>	\$	10,275,993
Net patient and resident service revenue (net of provision for bad debts of \$424,092 in 2007 and \$321,701 in 2006)		
Other revenue		78,612
Total operating revenue	\$	<u>10,354,605</u>
<b>EXPENSES</b>		
Professional care of patients and residents	\$	6,783,931
General and administrative		2,100,608
Property and household		719,849
Depreciation and amortization		586,560
Dietary		498,935
Total expenses	\$	<u>10,689,883</u>
<b>OPERATING LOSS</b>	\$	<u>(335,278)</u>
<b>NON-OPERATING REVENUE (EXPENSE)</b>		
Bond payment funds from County	\$	150,149
Intergovernmental transfer		41,962
Levied funds from County		101,612
Grants		17,904
Interest income, including finance charges		54,503
Unrestricted contributions		5,836
Interest expense		(59,788)
Total non-operating revenue (expense)	\$	<u>312,178</u>
<b>EXCESS OF EXPENSES OVER REVENUE BEFORE CAPITAL GRANTS AND RESTRICTED CONTRIBUTIONS</b>	\$	(23,100)
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	\$	37,868
<b>RESTRICTED CONTRIBUTIONS</b>	\$	<u>23,867</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	\$	38,635
<b>NET ASSETS, BEGINNING OF YEAR</b>		<u>3,726,862</u>
<b>NET ASSETS, END OF YEAR</b>	\$	<u><u>3,765,497</u></u>

See accompanying Notes to the Financial Statements

Pondera Medical Center  
A Component Unit of Pondera County, Montana  
**Statement of Cash Flows**  
Year Ended December 31, 2007

<b>OPERATING ACTIVITIES</b>	
Receipts from and on behalf of patients and residents	\$ 10,599,114
Payments to employees	(6,586,374)
Payments to suppliers and contractors	(3,770,014)
Other receipts and payments, net	78,612
<b>NET CASH FROM (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ <u>321,338</u></b>
<b>NON-CAPITAL FINANCING ACTIVITIES</b>	
Levied funds from County	\$ 101,612
Intergovernmental transfer received	41,962
Non-capital contributions received	5,836
Borrowings on non-capital financing	262,092
Principal paid on non-capital financing	(386,045)
Interest paid on non-capital financing	(6,471)
Non-capital grants received	17,904
<b>NET CASH FROM NON-CAPITAL FINANCING ACTIVITIES</b>	<b>\$ <u>36,890</u></b>
<b>CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</b>	
Bond payment funds from County	\$ 133,361
Capital contributions received	23,867
Capital grants received	37,868
Purchases of capital assets	(119,176)
Principal paid on capital debt and leases	(169,123)
Interest paid on capital debt and leases	(40,162)
<b>NET CASH USED FOR CAPITAL AND CAPITAL RELATED FINANCING ACTIVITIES</b>	<b>\$ <u>(133,365)</u></b>
<b>INVESTING ACTIVITIES</b>	
Redemptions of certificates of deposit	\$ 181,144
Purchases of certificates of deposit	(289,604)
Interest income	54,503
<b>NET CASH FROM INVESTING ACTIVITIES</b>	<b>\$ <u>(53,957)</u></b>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<b>\$ <u>170,906</u></b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>\$ 375,906</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>546,812</u></b>
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEETS</b>	
Cash and cash equivalents in current assets	\$ 485,668
Cash and cash equivalents in assets limited as to use	61,144
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ <u>546,812</u></b>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH FROM (USED FOR) OPERATING ACTIVITIES</b>	
Operating loss	\$ (335,278)
Adjustments to reconcile operating loss to net cash from (used for) operating activities	
Depreciation and amortization	586,560
Provision for bad debts	424,092
Change in assets and liabilities	
Receivables	(502,158)
Supplies	(9,308)
Prepaid expenses	(18,204)
Accounts payable	132,323
Accrued expenses	43,311
<b>NET CASH FROM (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ <u>321,338</u></b>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2008**

	General Fund	Road	Comprehensive Insurance	Public Safety	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 597,576	\$ 326,715	\$ 118,094	\$ 558,116	\$ 1,732,907	\$ 3,333,408
Taxes and assessments receivable, net	103,098	54,581	20,551	39,889	157,756	375,875
Accounts receivable - net	-	-	-	-	33,777	33,777
Total current assets	<u>\$ 700,674</u>	<u>\$ 381,296</u>	<u>\$ 138,645</u>	<u>\$ 598,005</u>	<u>\$ 1,924,440</u>	<u>\$ 3,743,060</u>
Noncurrent assets:						
Advances to other funds	\$ 65,197	\$ -	\$ -	\$ -	\$ -	\$ 65,197
Total noncurrent assets	<u>\$ 65,197</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,197</u>
Total assets	<u>\$ 765,871</u>	<u>\$ 381,296</u>	<u>\$ 138,645</u>	<u>\$ 598,005</u>	<u>\$ 1,924,440</u>	<u>\$ 3,808,257</u>
<b>LIABILITIES</b>						
Current liabilities:						
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ 222	\$ 222
Accounts payable	-	-	-	-	12	12
Accrued payroll	27,175	13,393	1,394	23,481	14,214	79,657
Revenues collected in advance	-	-	-	-	273	273
Deferred revenue	103,098	54,581	20,551	39,889	157,813	375,932
Total current liabilities	<u>\$ 130,273</u>	<u>\$ 67,974</u>	<u>\$ 21,945</u>	<u>\$ 63,370</u>	<u>\$ 172,534</u>	<u>\$ 456,096</u>
Noncurrent liabilities:						
Advances payable	\$ -	\$ -	\$ 35,000	\$ -	\$ 30,197	\$ 65,197
Total noncurrent liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,000</u>	<u>\$ -</u>	<u>\$ 30,197</u>	<u>\$ 65,197</u>
Total liabilities	<u>\$ 130,273</u>	<u>\$ 67,974</u>	<u>\$ 56,945</u>	<u>\$ 63,370</u>	<u>\$ 202,731</u>	<u>\$ 521,293</u>
<b>FUND BALANCES</b>						
Reserved for advances	\$ 65,197	\$ -	\$ -	\$ -	\$ -	\$ 65,197
Reserved for debt service	-	-	-	-	233,743	233,743
Reserved for capital projects	-	-	-	-	560,697	560,697
Reserved for other purposes	-	-	-	-	25,380	25,380
Unreserved reported in general fund	570,401	-	-	-	-	570,401
Unreserved reported in special revenue funds	-	313,322	81,700	534,635	901,889	1,831,546
Total fund balance	<u>\$ 635,598</u>	<u>\$ 313,322</u>	<u>\$ 81,700</u>	<u>\$ 534,635</u>	<u>\$ 1,721,709</u>	<u>\$ 3,286,964</u>
Total liabilities and fund balance	<u>\$ 765,871</u>	<u>\$ 381,296</u>	<u>\$ 138,645</u>	<u>\$ 598,005</u>	<u>\$ 1,924,440</u>	<u>\$ 3,808,257</u>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Reconciliation of the Governmental Funds Balance Sheet to the**  
**Statement of Net Assets**  
**June 30, 2008**

<b>Total fund balances - governmental funds</b>	\$ 3,286,964
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,255,368
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	375,932
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,310,007)
<b>Total net assets - governmental activities</b>	<b>\$ <u>6,608,257</u></b>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Fiscal Year Ended June 30, 2008**

	General Fund	Road	Comprehensive Insurance	Public Safety	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes and assessments	\$ 527,001	\$ 311,522	\$ 129,963	\$ 466,723	\$ 959,010	\$ 2,394,219
Intergovernmental	255,930	255,474	22,608	82,763	926,128	1,542,903
Charges for services	134,871	-	-	84,192	42,624	261,687
Fines and forfeitures	33,073	-	-	-	8,415	41,488
Miscellaneous	8,340	11,228	-	6,319	162,894	188,781
Investment earnings	88,790	-	-	-	31,124	119,914
Total revenues	\$ 1,048,005	\$ 578,224	\$ 152,571	\$ 639,997	\$ 2,130,195	\$ 4,548,992
<b>EXPENDITURES</b>						
General government	\$ 918,654	\$ -	\$ -	\$ -	\$ 265,183	\$ 1,183,837
Public safety	49,815	-	-	686,926	65,573	802,314
Public works	-	625,832	-	-	379,805	1,005,637
Public health	100,121	-	-	-	238,067	338,188
Social and economic services	6,855	-	-	-	104,565	111,420
Culture and recreation	1,321	-	-	-	145,183	146,504
Housing and community development	-	-	-	-	382,178	382,178
Debt service - principal	-	11,161	-	-	262,962	274,123
Debt service - interest	-	4,279	-	-	84,853	89,132
Miscellaneous	-	-	143,628	-	3,571	147,199
Capital outlay	99,818	-	-	-	108,584	208,402
Total expenditures	\$ 1,176,584	\$ 641,272	\$ 143,628	\$ 686,926	\$ 2,040,524	\$ 4,688,934
Excess (deficiency) of revenues over expenditures	\$ (128,579)	\$ (63,048)	\$ 8,943	\$ (46,929)	\$ 89,671	\$ (139,942)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	\$ 34,944	\$ -	\$ -	\$ -	\$ 72,666	\$ 107,610
Transfers out	(33,463)	-	-	-	(89,110)	(122,573)
Total other financing sources (uses)	1,481	-	-	-	(16,444)	(14,963)
Net Change in Fund Balance	(127,098)	(63,048)	8,943	(46,929)	73,227	(154,905)
Fund balances - beginning	\$ 762,696	\$ 376,370	\$ 72,757	\$ 581,564	\$ 1,608,280	\$ 3,401,667
Restatements	-	-	-	-	40,202	40,202
Fund balances - beginning, restated	\$ 762,696	\$ 376,370	\$ 72,757	\$ 581,564	\$ 1,648,482	\$ 3,441,869
Fund balance - ending	\$ 635,598	\$ 313,322	\$ 81,700	\$ 534,635	\$ 1,721,709	\$ 3,286,964

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Fiscal Year Ended June 30, 2008**

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

<b>Net change in fund balances - total governmental funds</b>	\$	(154,905)
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:		
- Capital assets purchased		208,402
- Depreciation expense		(745,002)
In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:		
- Gain on the sale of capital assets		7,029
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
- Long-term receivables (deferred revenue)		87,560
The change in compensated absences is shown as an expense in the Statement of Activities		
		752
Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Assets:		
- Long-term debt principal payments		274,123
<b>Change in net assets - Statement of Activities</b>	<b>\$</b>	<b><u><u>(322,041)</u></u></b>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2008**

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 6,153,412	\$ 1,663,918
Receivables:	\$ -	\$ 105,036
Other receivables	-	56,175
Taxes	-	675,781
Protested taxes sent to the state	-	(9,111)
Total receivables	\$ -	\$ 827,881
Land Acquired By Tax Deed	\$ -	\$ 317
Total assets	<u>\$ 6,153,412</u>	<u>\$ 2,492,116</u>
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 296,998
Due to other governments	-	2,195,118
Total liabilities	\$ -	\$ 2,492,116
Assets held in trust	<u>\$ 6,153,412</u>	

See accompanying Notes to the Financial Statements



**Pondera County, Montana**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**For the Fiscal Year Ended June 30, 2008**

		<u>Investment Trust Funds</u>
<b>ADDITIONS</b>		
Contributions to Investment Trust Fund	\$	8,865,750
Interest and change in fair value of investments		185,502
Total additions	\$	<u>9,051,252</u>
<b>DEDUCTIONS</b>		
Distributions from investment trust fund	\$	9,118,771
Total deductions	\$	<u>9,118,771</u>
Change in net assets	\$	<u>(67,519)</u>
Net Assets - Beginning of the year	\$	6,220,931
Net Assets - End of the year	\$	<u><u>6,153,412</u></u>

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds, Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case GASB prevails.

**Financial Reporting Entity**

In determining the financial reporting entity, the County complies with the provisions of GASB statement No, 14, *The Financial Reporting Entity*, and includes all component units of which the County appointed a voting majority of the units' board; the County is either able to impose its will on the unit or a financial benefit or burden relationship exists.

*Primary Government*

The County is a political subdivision of the State of Montana governed by an elected three-member Board of County Commissioners. The County is considered a primary government because it is a general purpose local government. Further, it meets the following criteria: (a) It has a separately elected governing body (b) It is legally separate and (c) It is fiscally independent from the State and other local governments.

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending December 31, 2007. The County has the following discretely presented component units: Pondera Medical Center and the Pondera Regional Port Authority.

Separate Financial statements can be obtained by contacting Pondera Medical Center, 805 Sunset Boulevard, Conrad, Montana, 59425, and the Pondera Regional Port Authority, 20 Fourth Avenue SW, Conrad, Montana, 59425.

Pondera Medical Center

The Pondera Medical Center is a 15-bed critical access hospital with 8 swing beds and a 59-bed nursing facility located in Conrad, Montana. The Medical Center is controlled by Pondera County. The board of Trustees of the Medical Center is appointed by the County Commissioners and one of the appointees is a county commissioner. The Medical Center has a December 31, 2007, year end. See Note 17 for detailed footnotes related to Pondera Medical Center.

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2008

Pondera Regional Port Authority

The Port Authority was created to stimulate and develop commerce, create opportunities for employment, and work towards the advancement of general welfare and prosperity within the Economic Development Authority jurisdiction.

**Basis of Presentation, Measurement Focus and Basis of Accounting.**

***Government-wide Financial Statements:***

*Basis of Presentation*

The Government-wide Financial Statements (the Statement of Net Assets and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the reporting entity except fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function. The County does not charge indirect expenses to programs or functions. The types of transactions reported as 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 activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

Certain eliminations have been made as prescribed by GASB 34 in regards to inter-fund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

*Measurement Focus and Basis of Accounting*

On the government-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The County generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

