

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2007

AUDIT REPORT
(Revised 2/24/09)

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2007

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PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2007

BOARD OF COUNTY COMMISSIONERS

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

Chairperson
Commissioner
Commissioner

CITY/COUNTY/TOWN OFFICIALS ETC.

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 2006-07

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2006-2007 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 increased over \$25,679 over the prior fiscal year due to higher interest rates.**
- **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.**
- **Two 2006 Case IH MX120 tractors were purchased for use in the Road Department.**
- **Pondera County renovated the court room ceiling and windows coverings for approximately \$7,500.**
- **While acres remained the same, the amount of the Pondera County PILT Payment was reduced by \$7,312. Forest Reserve payments were \$18,292 less than the prior fiscal year.**
- **Emergency snow removal revenue, resulting from a long term contractual relationship with the US Air Force, remains in place and is dedicated exclusively to road and bridge maintenance.**
- **Roads were re-built or re-graveled 14 miles of road with approximately 19,162.5 yards of gravel at a cost of \$71,476. This amount is dramatically decreased compared to FY 06.**
- **Two bridges were replaced with culverts for a total of \$7,000 and one cattle-guard was replaced for \$4,200.**
- **High fuel costs continue to impact all areas of the budget, especially Road and Bridge.**
- **Oil and Gas Revenues increased 24% in Fiscal year 2007.**
- **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.**

- **A Community Service Program was established using a volunteer Board of Directors and funded at \$15,000. Pondera County entered into an Agreement to work cooperatively with the City of Conrad for the Community Service Program. A Contract Supervisor manages the program.**
- **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 also contributes \$2,000 annually to the state mandated regional economic development corporation.**
- **The Sheriff's department replaced one public safety vehicle. The department also constructed a Coroner Garage/Storage facility for \$20,000.**
- **Renovations to the HVAC for the Court House were completed at a cost of \$14,283 for fiscal year 2007 and renovations to the jail plumbing were done at a cost of \$10,986.**
- **Local Option tax revenue was over \$20,542 more than the prior fiscal year due to significant increase 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 additional training for staff and judges and 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:

	<u>FY 2006-07</u> <u>Governmental</u> <u>Activities</u>	<u>FY 2005-06</u> <u>Governmental</u> <u>Activities</u>
Current and other assets	3,733,945	3,913,836
Capital assets	5,810,874	6,395,272
Total assets	9,544,819	10,309,108
Long-term debt outstanding	2,163,358	2,638,599
Other liabilities	465,130	292,825
Total liabilities	2,628,488	2,915,337
Net assets:		
Invested in capital assets net of related debt	3,726,304	3,756,673
Restricted	2,638,971	2,792,452
Unrestricted	551,056	828,559
Total net assets	6,916,331	7,377,684

Government-wide STATEMENT OF ACTIVITIES

	<u>FY2006-07</u> <u>Governmental</u> <u>Activities</u>	<u>FY2005-06</u> <u>Governmental</u> <u>Activities</u>
<u>Program Revenues</u>		
Charges for Services	512,602	283,206
Operating Grants and Contributions	245,288	364,618
Capital Grants and Contributions		1,051,660
Total Program Revenues	757,890	1,699,484
<u>General Revenues</u>		
Property Taxes	2,298,115	2,224,087
Video Poker Apportionment	2,875	2,850
Personal Property Reimbursement	27,201	41,392
Miscellaneous	59,664	205,812
Investment Earnings & Oil Royalties	119,393	104,788
PILT	132,099	139,410
MT Oil and Gas Production Tax	182,261	244,353
State Entitlement	357,744	360,718
Grants & Entitlements not restricted to specific programs		6,899
Royalties	16,610	
Loss on disposal of capital assets		(76,787)
Transfers – net		
Total General Revenues	3,399,892	3,253,522
Total Revenues	4,157,782	4,953,006

Government-wide STATEMENT OF ACTIVITIES (continued)

	<u>FY2006-07</u>	<u>FY2005-06</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
<u>Program Expenses by Function</u>		
General Government	1,174,125	1,113,592
Public Safety	854,579	751,389
Public Works	1,471,630	1,326,416
Public Health	630,566	580,101
Social & Economic Services	105,043	95,703
Culture & Recreation	141,375	139,539
Housing & Community Development		395,000
Miscellaneous	143,551	133,774
Unallocated Depreciation		
Debt Service Costs & Fees		
Debt Service Interest	98,991	99,282
Total Expenses	4,619,860	4,634,796
Excess (deficiency) before special items & transfers	(462,078)	318,210
Restatements		
Transfers – net	7,290	1,095
Changes in net assets	(483,618)	319,305

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 \$4,619,860, compared to \$4,634,796 for fiscal year 2005-06, as found in the Statement of Activities, a decrease of \$14,936 or less than 1%. However, as shown on the same statement, the amount that our taxpayers ultimately financed for these activities through county taxes was only \$2,298,115, up by \$74,028 from \$2,224,087 in fiscal year 2005-06. 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>FY2006-07 Net Expense</u>	<u>FY2005-06 Net Expense</u>
General Government	1,174,125	1,113,592
Public Safety	854,579	751,389
Public Works	1,471,630	1,326,416
Public Health	630,566	580,101
Social & Economic Services	105,043	95,703
Culture & Recreation	141,375	139,539
Housing & Community Development		395,000
Debt Service Interest	98,991	99,282
Miscellaneous	143,551	133,774
Total Net Expenses	4,619,860	4,634,796

Unreserved Fund Balance Analysis

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>
Unreserved Fund Balance – Current Year	886,628	554,262	734,843
Unreserved Fund Balance – Prior Year	817,292	477,768	556,969
Change in unreserved fund balance	69,336	76,494	177,874
% change in unreserved fund balance	8.48%	1.60%	31.94%

A 8.48% decrease in General Fund from FY06 is attributed to the departments' holding the line on expenses.

The increase of 1.60% in the fund balance for the Road Special Revenue Fund was due to the department holding the line on expenses.

Increase in Public Safety by 31.94% is the result of the department holding the line on expenses.

Budget to Actual Variances:

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	830,933	886,628	55,695	6.70%

There was a variation between the revenue final budget amount and actual amount of revenue in the General Fund of \$55,695 for a 6.70% variance. Non-tax revenue, particularly investment earnings, was under-budgeted.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	544,821	554,262	9,441	1.73%

County under-budgeted miscellaneous revenue source, particularly revenue received for hauling junk vehicles.

<u>Public Safety Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	672,850	734,843	61,993	9.21%

County under-budgeted non-tax revenues, particularly charges for services and miscellaneous revenue.

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 \$287,859.

Capital Assets

New assets, totaling \$256,928, were purchased during the year. Deletions, additions and adjustment, along with depreciation, reduced the net book value of Pondera County assets by \$583,302.95, resulting in the current value as of June 30, 2007 of \$5,791,969.31.

No new land was purchased nor sold and 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 total fiscal year 2007-2008 Taxable Valuation increased slightly in Pondera County from \$12,173,729 to 12,443,284. The value of a county-wide mill increased from \$12,173 to \$12,443. The FY 07 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, 2008, rises to that of 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 significantly impact the 2007-08 budget, especially in the areas of Road, Bridge, and Public Safety.

The County intends to replace, through a new lease, 8 new maintainers, purchase 1 truck and one Rock' N Roll for road work. We also intend to replace 3 large culverts and 3 cattle-guards. Capital Improvement will include savings for a loader in the future.

Group Health Insurance costs remain stable in this third year of a 3 year obligation to remain with the Joint Powers Trust.

District Court costs are no longer recognized as separate agency funds and have been merged into the General Budget.

All funds are expected to remain stable in fiscal year 2007.

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 11.8% to 33%. Our goal remains to achieve the 33% reserve in all funds.

	<u>2,006</u>
Operating Activities:	
Receipts from and on behalf of patients and residents	\$ 9,039,316
Payments to employees	(6,473,691)
Payments to suppliers and contractors	(2,790,690)
Other receipts and payments, net	82,014
Net cash used for operating activities	\$ <u>(143,051)</u>
Non-Capital Financing Activities	
Levied funds from County	\$ 100,904
Intergovernmental transfer received	46,962
Non-capital contributions received	1,690
Borrowings on non-capital financing	379,840
Principal paid on non-capital financing	(255,887)
Interest paid on non-capital financing	(37,563)
Non-capital grants received	46,842
Net cash from non-capital financing activities	\$ <u>282,788</u>
Capital and Capital Related Financing Activities	
Bond payments from County	\$ 171,439
Capital contributions	18,337
Capital grants received	117,107
Purchases of capital assets	(309,992)
Principal paid on capital debt and leases	(169,230)
Interest paid on capital debt and leases	(47,567)
Net cash used for capital and capital related financing activities	\$ <u>(219,906)</u>
Investing activities:	
Redemptions of certificates of deposit	\$ 318,734
Purchases of certificates of deposit	(324,874)
Interest income	34,681
Net cash from investing activities	\$ <u>28,541</u>
Net change in cash and cash equivalents	\$ (51,628)
Cash and cash equivalents at beginning of year	427,534
Cash and cash equivalents at end of year	\$ <u><u>375,906</u></u>

Reconciliation of cash and cash equivalents to the balance sheets:	2006
Cash and cash equivalents in current assets	\$ 373,843
Cash and cash equivalents in assets limited as to use	2,063
Cash and cash equivalents at end of year	<u>\$ 375,906</u>
	-
Reconciliation of operating loss to net cash used for operating activities	
Operating loss	\$ (562,031)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization	589,133
Provision for bad debts	321,701
Changes in assets and liabilities	-
Receivables	(602,146)
Supplies	32,132
Prepaid expenses	(577)
Accounts payable	65,371
Accrued expenses	13,366
Net cash used for operating activities	<u>\$ (143,051)</u>

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

1740 U.S. Hwy 93 South - Suite 101 Kalispell, MT 59901

INDEPENDENT AUDITOR'S REPORT

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, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 92.20%, 87.13%, and 79.37%, 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 the 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, 2007, and the respective changes in financial position 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 \$1,071,049. 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 \$2,844,203.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 24, 2008, 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 comparison information on pages 2 through 10 and 41 through 42, 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.

Hearring, Downey and Associates, CPAs, P.C.

April 24, 2008

Pondera County, Montana
Statement of Net Assets
June 30, 2007

	Governmental Activities	Pondera Regional Port Authority	Pondera Medical Center
ASSETS			
Current assets:			
Cash and investments	\$ 3,448,072	\$ 100,509	\$ 554,987
Taxes and assessments receivable, net	288,315	4,326	-
Accounts receivable - net	(2,442)	-	-
Notes and loans receivable	-	462,723	-
Prepaid expenses	-	-	48,736
Patient receivables	-	-	1,524,980
Other receivables	-	-	365,032
Supplies	-	-	277,248
Estimated third-party payor settlements	-	-	47,587
Total current assets	\$ 3,733,945	\$ 567,558	\$ 2,818,570
Noncurrent assets:			
Restricted cash and investments	\$ -	\$ -	\$ 2,063
Capital assets - land	\$ 154,232	-	-
Capital assets - depreciable, net	5,656,642	-	3,831,692
Intangible assets	-	-	50,482
Other assets	-	-	2,972
Total noncurrent assets	\$ 5,810,874	\$ -	\$ 3,887,209
Total assets	\$ 9,544,819	\$ 567,558	\$ 6,705,779
LIABILITIES			
Current liabilities:			
Warrants payable	\$ 222	\$ -	\$ -
Accounts payable	346	-	505,009
Accrued payroll	-	1,133	-
Current portion of long-term liabilities	-	7,746	293,077
Current portion of long-term capital liabilities	278,200	-	-
Current portion of compensated absences payable	153,112	-	-
Accrued payables	43,338	-	790,908
Total current liabilities	\$ 475,218	\$ 8,879	\$ 1,588,994
Noncurrent liabilities:			
Noncurrent portion of long-term liabilities	\$ -	\$ 8,206	\$ 1,389,923
Noncurrent portion of long-term capital liabilities	2,072,540	-	-
Noncurrent portion of compensated absences	80,730	-	-
Total noncurrent liabilities	\$ 2,153,270	\$ 8,206	\$ 1,389,923
Total Liabilities	\$ 2,628,488	\$ 17,085	\$ 2,978,917
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,460,134	\$ -	\$ 2,279,140
Restricted for capital projects	532,465	-	36,942
Restricted for debt service	229,214	-	-
Restricted for special projects	1,852,890	-	-
Restricted for other purposes	24,402	-	-
Unrestricted	817,226	550,473	1,410,780
Total net assets	\$ 6,916,331	\$ 550,473	\$ 3,726,862
Total liabilities and net assets	\$ 9,544,819	\$ 567,558	\$ 6,705,779

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2007

Functions/Programs Primary government:	Net (Expenses) Revenues and Changes in Net Assets				
	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Pondera Medical Center
Governmental activities:					
General government	\$ 1,174,125	\$ 125,736	\$ -	\$ (1,048,389)	\$ -
Public safety	854,579	224,277	111,067	(519,235)	-
Public works	1,471,630	122,663	48,368	(1,300,599)	-
Public health	630,566	16,898	80,853	(532,815)	-
Social and economic services	105,043	23,028	-	(82,015)	-
Culture and recreation	141,375	-	-	(141,375)	-
Housing and community development	-	-	5,000	5,000	-
Debt service - interest	98,991	-	-	(98,991)	-
Miscellaneous	143,551	-	-	(143,551)	-
Total Governmental Activities	\$ 4,619,860	\$ 512,602	\$ 245,288	\$ (3,861,970)	\$ -
Total primary government	\$ 4,619,860	\$ 512,602	\$ 245,288	\$ (3,861,970)	\$ -
Component units:					
Pondera Regional Port Authority	\$ 46,745	\$ -	\$ 19,962	\$ -	\$ (26,783)
Pondera Medical Center	10,062,049	9,430,015	103,887	-	(528,147)
Total component units	\$ 10,108,794	\$ 9,430,015	\$ 19,962	\$ 103,887	\$ (528,147)
General Revenues:					
Property taxes for general purposes			\$ 2,298,115		\$ 52,393
Video Poker apportionment			2,875		-
Personal property tax reimbursement			27,201		-
Miscellaneous			59,664		1,690
Interest/Investment earnings			119,393		34,681
PILT			132,099		-
MT Oil and gas production tax			182,261		-
State entitlement			357,744		-
Grants and entitlements not restricted to specific programs			-	5,000	15,312
Levied funds from County			-	-	83,371
Intergovernmental transfer			-	-	46,962
Bond payment funds from County			-	-	171,439
Contributions and donations			-	2,500	-
Reimbursements			203,930		-
Royalties			16,610		-
Gain on disposal of capital assets			7,290		-
Transfers - net			(28,830)		-
Total general revenues, special items and transfers			\$ 3,378,352		\$ 91,887
Change in net assets			\$ (483,618)		\$ (174,692)
Net assets - beginning			\$ 7,377,684		\$ 485,369
Restatements			22,265		-
Net assets - beginning - restated			7,399,949		485,369
Net assets - end			\$ 6,916,331		\$ 550,473
					\$ 3,726,862

See accompanying Notes to the Financial Statements

Pondera County, Montana
Balance Sheet
Governmental Funds
June 30, 2007

	<u>General Fund</u>	<u>Road</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets:					
Cash and investments	\$ 757,872	\$ 382,668	\$ 594,788	\$ 1,712,744	\$ 3,448,072
Taxes and assessments receivable, net	80,910	42,619	30,405	134,381	288,315
Accounts receivable - net	-	-	-	(2,442)	(2,442)
Total current assets	<u>\$ 838,782</u>	<u>\$ 425,287</u>	<u>\$ 625,193</u>	<u>\$ 1,844,683</u>	<u>\$ 3,733,945</u>
Noncurrent assets:					
Advances to other funds	16,801	-	-	-	16,801
Total noncurrent assets	<u>16,801</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,801</u>
Total assets	<u>\$ 855,583</u>	<u>\$ 425,287</u>	<u>\$ 625,193</u>	<u>\$ 1,844,683</u>	<u>\$ 3,750,746</u>
LIABILITIES					
Current liabilities:					
Warrants payable	-	-	-	222	222
Accounts payable	61	-	-	12	73
Deferred revenue	80,910	42,619	30,405	134,438	288,372
Accrued payables	11,916	6,298	13,224	11,900	43,338
Taxes collected but not charged	-	-	-	273	273
Total current liabilities	<u>\$ 92,887</u>	<u>\$ 48,917</u>	<u>\$ 43,629</u>	<u>\$ 146,845</u>	<u>\$ 332,278</u>
Noncurrent liabilities:					
Advances payable	-	-	-	16,801	16,801
Total noncurrent liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,801</u>	<u>16,801</u>
Total liabilities	<u>\$ 92,887</u>	<u>\$ 48,917</u>	<u>\$ 43,629</u>	<u>\$ 163,646</u>	<u>\$ 349,079</u>
FUND BALANCES					
Reserved for debt service	-	-	-	229,214	229,214
Reserved for capital projects	-	-	-	532,465	532,465
Reserved for other purposes	-	-	-	24,402	24,402
Unreserved reported in general fund	762,696	-	-	-	762,696
Unreserved reported in special revenue funds	-	376,370	581,564	894,956	1,852,890
Total fund balance	<u>\$ 762,696</u>	<u>\$ 376,370</u>	<u>\$ 581,564</u>	<u>\$ 1,681,037</u>	<u>\$ 3,401,667</u>
Total liabilities and fund balance	<u>\$ 855,583</u>	<u>\$ 425,287</u>	<u>\$ 625,193</u>	<u>\$ 1,844,683</u>	<u>\$ 3,750,746</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, 2007

Total fund balances - governmental funds	\$ 3,401,667
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,810,874
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.	288,372
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,584,582)
Total net assets - governmental activities	<u>\$ 6,916,331</u>

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, 2007

	General Fund	Road	Public Safety	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes and assessments	\$ 418,000	\$ 287,604	\$ 490,297	\$ 1,072,548	\$ 2,268,449
Intergovernmental	257,179	248,483	83,425	570,127	1,159,214
Charges for services	77,777	7,070	153,031	43,292	281,170
Fines and forfeitures	36,960	-	-	5,335	42,295
Miscellaneous	7,624	11,105	8,090	216,419	243,238
Investment earnings	89,088	-	-	30,934	120,022
Internal services	-	-	-	1	1
Total revenues	<u>\$ 886,628</u>	<u>\$ 554,262</u>	<u>\$ 734,843</u>	<u>\$ 1,938,656</u>	<u>\$ 4,114,389</u>
EXPENDITURES					
General government	\$ 765,782	-	-	\$ 352,748	\$ 1,118,530
Public safety	46,544	-	657,427	110,117	814,088
Public works	-	607,412	-	359,068	966,480
Public health	88,752	-	-	294,304	383,056
Social and economic services	7,073	-	-	97,970	105,043
Culture and recreation	1,198	-	-	140,177	141,375
Debt service - principal	-	33,372	-	234,975	268,347
Debt service - interest	-	14,876	-	84,115	98,991
Miscellaneous	-	-	-	143,551	143,551
Capital outlay	-	-	37,916	219,012	256,928
Total expenditures	<u>\$ 909,349</u>	<u>\$ 655,660</u>	<u>\$ 695,343</u>	<u>\$ 2,036,037</u>	<u>\$ 4,296,389</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (22,721)</u>	<u>\$ (101,398)</u>	<u>\$ 39,500</u>	<u>\$ (97,381)</u>	<u>\$ (182,000)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 1,000	-	1,095	\$ 48,523	\$ 50,618
Transfers (out)	(32,875)	-	(16,000)	(30,573)	(79,448)
Total other financing sources and uses	<u>\$ (31,875)</u>	<u>\$ -</u>	<u>\$ (14,905)</u>	<u>\$ 17,950</u>	<u>\$ (28,830)</u>
Net change in fund balance	<u>\$ (54,596)</u>	<u>\$ (101,398)</u>	<u>\$ 24,595</u>	<u>\$ (79,431)</u>	<u>\$ (210,830)</u>
Fund balances - beginning	\$ 817,292	\$ 477,768	\$ 556,969	\$ 1,757,715	\$ 3,609,744
Restatements	-	-	-	2,753	2,753
Fund balances - beginning restated	<u>\$ 817,292</u>	<u>\$ 477,768</u>	<u>\$ 556,969</u>	<u>\$ 1,760,468</u>	<u>\$ 3,612,497</u>
Fund balances - ending	<u>\$ 762,696</u>	<u>\$ 376,370</u>	<u>\$ 581,564</u>	<u>\$ 1,681,037</u>	<u>\$ 3,401,667</u>

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, 2007

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

Net change in fund balances - total governmental funds	\$	(210,830)
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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		256,928
- Depreciation expense		(848,616)
- Gain on sale of capital assets		7,290

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)		43,393
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The change in compensated absences is shown as an expense in the Statement of Activities

(130)

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		268,347
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Change in net assets - Statement of Activities

\$ (483,618)

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Investment Trust Funds	Agency Funds
	<u> </u>	<u> </u>
ASSETS		
Cash and short-term investments	\$ 6,220,931	\$ 364,573
Receivables:		
Taxes and assessments receivable, net	\$ -	\$ 673,414
Land Acquired by tax Deed	-	317
Protested Receivables	-	(9,111)
Total receivables	<u>\$ -</u>	<u>\$ 664,620</u>
Total assets	<u>\$ 6,220,931</u>	<u>\$ 1,029,193</u>
 LIABILITIES		
Warrants payable	\$ -	\$ 181,372
Due to other governments	-	847,821
Total liabilities	<u>\$ -</u>	<u>\$ 1,029,193</u>
 NET ASSETS		
Assets held in trust	<u>\$ 6,220,931</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, 2007

		Investment Trust Funds
		<u> </u>
ADDITIONS:		
Contributions to Investment Trust Fund	\$	7,383,798
Interest and change in fair value of investments		<u>180,056</u>
Total additions	\$	<u>7,563,854</u>
 DEDUCTIONS:		
Distributions from investment trust fund	\$	<u>7,206,253</u>
Total deductions	\$	<u>7,206,253</u>
Change in net assets	\$	<u>357,601</u>
 Net assets - beginning of the year	 \$	 5,975,723
Restatements		(112,393)
Net assets - beginning of the year - restated	\$	<u>5,863,330</u>
Net assets - end of the year	\$	<u><u>6,220,931</u></u>

See accompanying Notes to the Financial Statements

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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 it's 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, 2006. 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, 2006, year end.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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. 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, the 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.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

Fund Financial Statements:

Basis of Presentation

Fund financial statements of the reporting Entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Funds are organized into three categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. Each major fund is displayed in a separate column in the governmental funds statements. All of the remaining funds are aggregated and reported in a single column as non-major funds. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise funds are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

Measurement Focus and Basis of Accounting

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Measurable" means the amount of the transaction can be determined. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

PONDERA COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2007

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

Major Funds:

The County reports the following major governmental funds:

General Fund – This is the County’s primary operating fund and it accounts for all financial resources of the County except those required to be accounted for in other funds.

Road Fund – A special revenue fund that accounts for the activities of the County’s road maintenance and construction operations.

Public Safety Fund – A special revenues fund used for special revenues received and expended for public safety purposes.

Fiduciary Funds

The County reports the following fiduciary funds:

Investment Trust Fund – A fund which is accounted for in essentially the same manner as the proprietary funds, using the same measurement focus and basis of accounting.

Agency Funds – This fund is used to account for assets that the County holds for others in an agency capacity.

