

FERGUS COUNTY  
LEWISTOWN, MONTANA  
FINANCIAL STATEMENTS  
For the Year Ended June 30, 2008

OLNESS & ASSOCIATES, P. C.

CERTIFIED PUBLIC ACCOUNTANTS

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FERGUS COUNTY

ORGANIZATION

June 30, 2008

BOARD OF COUNTY COMMISSIONERS

Ken Ronish	Chairman
Carl Sellstad	Commissioner
John Jensen	Commissioner

COUNTY OFFICIALS

Thomas Meissner	Attorney
Rana Wichman	Clerk and Recorder
Phyllis Smith	Clerk of Court
Richard Brown	Coroner
Jack Shields	Justice of the Peace
Ann Holtz	Public Administrator
Thomas Killham	Sheriff
Rhonda Long	Superintendent of Schools
Dolores R. Sramek	Treasurer

OLNESS & ASSOCIATES, P. C.

BRENT D. OLNESS, CPA  
CURT D. WYSS, CPA

CERTIFIED PUBLIC ACCOUNTANTS

BRENT J. OLNESS, CPA

2810 CENTRAL AVENUE, SUITE B  
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INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners  
Fergus County  
Lewistown, Montana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Fergus County, Montana (the government) as of and for the year ended June 30, 2008, which collectively comprise the government's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the government's management. Our responsibility is to express opinions on these financial statements based on our audit.

Except as discussed in the following paragraph, 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities, we were unable to form an opinion regarding the amounts at which inventory was recorded in the governmental activities, road fund and aggregate remaining fund information.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to obtain sufficient evidence to support the amounts at which inventory was recorded in the governmental activities, road fund and aggregate remaining fund information, as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, road fund and aggregate remaining fund information of the government, as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and each major fund, excluding the road fund, of the government, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2009, on our consideration of the government's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 important for assessing the results of our audit.

The government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

The budgetary comparison information identified in the table of contents is not a required part of the basic financial statements but 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 supplementary information. However, we did not audit the information and do not express an opinion on it.

*Olness & Associates, PC*

February 5, 2009

FERGUS COUNTY  
STATEMENT OF NET ASSETS  
June 30, 2008

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and equivalents	\$ 2,781,532	\$ 118,165	\$ 2,879,697
Investments	4,863,708	-	4,863,708
Receivables:			
Taxes and assessments	383,282	-	383,282
Governments	14,161	-	14,161
Roundhouse road	18,241	-	18,241
Other	14,449	-	14,449
Inventories	229,698	-	229,698
Restricted assets:			
Cash and equivalents	-	19,530	19,530
Investments	-	242,514	242,514
Net investment in capital lease	-	1,181,572	1,181,572
Capital assets:			
Land and construction in progress	181,813	13,261	195,074
Depreciable capital assets, net	4,008,679	1,658,971	5,667,650
<b>Total assets</b>	<b>12,475,563</b>	<b>3,234,013</b>	<b>15,709,576</b>
<b>LIABILITIES</b>			
Accounts payable-vendors	107,990	9,280	117,270
Due to Central Montana Medical Center	-	262,044	262,044
Deferred revenue	23,940	-	23,940
Long-term liabilities:			
Due within one year:			
Notes	7,389	180,296	187,685
Compensated absences	30,089	1,069	31,158
Due in more than one year:			
Notes	22,166	1,020,685	1,042,851
Compensated absences	270,802	9,619	280,421
<b>Total liabilities</b>	<b>462,376</b>	<b>1,482,993</b>	<b>1,945,369</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	4,160,937	1,652,823	5,813,760
Restricted for:			
Hard rock mine	118,079	-	118,079
Metal mines tax	75,208	-	75,208
Road and street services	185,912	-	185,912
Unrestricted	7,473,051	98,197	7,571,248
<b>Total net assets</b>	<b>\$ 12,013,187</b>	<b>\$ 1,751,020</b>	<b>\$ 13,764,207</b>

See notes to basic financial statements.

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FERGUS COUNTY  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		Tot
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities:</b>							
General government	\$ 1,597,722	\$ 228,700	\$ 29,104	\$ -	\$ (1,339,918)	\$ -	\$ (1,339,918)
Public safety	1,439,877	158,964	243,059	-	(1,037,854)	-	(1,037,854)
Public works	1,945,426	367,298	161,664	6,804	(1,409,660)	-	(1,409,660)
Public health	728,245	313,659	220,095	-	(194,491)	-	(194,491)
Social and economic services	166,820	-	-	-	(166,820)	-	(166,820)
Culture and recreation	425,041	306,351	12,704	-	(105,986)	-	(105,986)
Housing and community development	7,600	-	-	-	(7,600)	-	(7,600)
Interest on long-term debt	779	-	-	-	(779)	-	(779)
<b>Total governmental activities</b>	<b>6,311,510</b>	<b>1,374,972</b>	<b>666,626</b>	<b>6,804</b>	<b>(4,263,108)</b>	<b>-</b>	<b>(4,263,108)</b>
<b>Business-type activities:</b>							
Hospital	62,153	-	-	-	-	(52,153)	(52,153)
Airport	524,821	233,003	-	17,889	-	(273,929)	(273,929)
<b>Total business-type activities</b>	<b>576,974</b>	<b>233,003</b>	<b>-</b>	<b>17,889</b>	<b>-</b>	<b>(326,082)</b>	<b>(326,082)</b>
<b>Total</b>	<b>\$ 6,888,484</b>	<b>\$ 1,607,975</b>	<b>\$ 666,626</b>	<b>\$ 24,693</b>	<b>(4,263,108)</b>	<b>(326,082)</b>	<b>(4,263,108)</b>
<b>General revenues:</b>							
Property taxes					3,474,552	-	3,474,552
Licenses and permits					1,000	-	1,000
Intergovernmental					945,651	-	945,651
Unrestricted investment earnings					304,201	55,877	359,078
Miscellaneous					72,520	-	72,520
Insurance recoveries					422	-	422
Gain on disposal of capital assets					91,309	-	91,309
Transfers					(8,649)	8,649	-
<b>Total general revenues and transfers</b>					<b>4,881,006</b>	<b>64,526</b>	<b>4,945,532</b>
<b>Change in net assets</b>					<b>617,898</b>	<b>(261,556)</b>	<b>356,342</b>
<b>Net assets - beginning</b>					<b>11,395,289</b>	<b>2,012,576</b>	<b>13,407,865</b>
<b>Net assets - ending</b>					<b>\$ 12,013,187</b>	<b>\$ 1,751,020</b>	<b>\$ 13,764,207</b>

See notes to basic financial statements.

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FERGUS COUNTY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2008

	General	Road	PILT	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 485,385	\$ 202,011	\$ 288,112	\$ 1,260,585	\$ 2,216,093
Investments	819,653	355,790	507,432	2,220,186	3,903,061
Receivables:					
Taxes and assessments	146,866	50,031	-	186,385	383,282
Governments	-	-	-	14,161	14,161
Roundhouse road	-	-	-	18,241	18,241
Other	-	-	-	2,949	2,949
Due from other funds	-	-	-	71,258	71,258
Inventories	-	43,057	-	186,541	229,698
<b>Total assets</b>	<b>\$ 1,431,904</b>	<b>\$ 650,889</b>	<b>\$ 795,544</b>	<b>\$ 3,960,406</b>	<b>\$ 6,838,743</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable-vendors	\$ 16,209	\$ 7,976	\$ -	\$ 59,261	\$ 83,446
Due to other funds	-	-	-	71,258	71,258
Deferred revenue	146,866	50,031	-	228,566	425,463
<b>Total liabilities</b>	<b>163,075</b>	<b>68,007</b>	<b>-</b>	<b>359,085</b>	<b>580,167</b>
<b>Fund balances:</b>					
Unreserved	1,268,829	592,882	795,544	-	2,657,255
Unreserved, reported in non-major:					
Special revenue funds	-	-	-	2,754,198	2,754,198
Capital projects funds	-	-	-	847,123	847,123
<b>Total fund balances</b>	<b>1,268,829</b>	<b>592,882</b>	<b>795,544</b>	<b>3,601,321</b>	<b>6,258,576</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,431,904</b>	<b>\$ 650,889</b>	<b>\$ 795,544</b>	<b>\$ 3,960,406</b>	<b>\$ 6,838,743</b>

See notes to basic financial statements.

FERGUS COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2008

Total fund balance, governmental funds	\$ 6,258,576
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net assets.	4,190,492
Certain other long-term assets are not available to pay current period expenditures and, therefore, are not reported in the fund financial statements, but are reported in the governmental activities of the statement of net assets.	401,523
The assets and liabilities of the self-insurance fund (internal service) are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	1,493,042
Some liabilities (such as notes payable and compensated absences) are not due and payable in the current period and are not included in the fund financial statements, but are included in the governmental activities of the statement of net assets.	(330,446)
<b>Net assets of governmental activities</b>	<b>\$ 12,013,187</b>

See notes to basic financial statements.

FERGUS COUNTY  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2008

	General	Road	PILT	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes/assessments	\$ 1,418,397	\$ 507,587	\$ -	\$ 1,412,756	\$ 3,338,740
Fines and forfeitures	101,920	-	-	22,463	124,383
Licenses and permits	1,000	-	-	67,514	68,514
Intergovernmental	154,507	625,448	29,996	771,658	1,581,609
Charges for services	413,301	62,430	-	707,562	1,183,293
Investment earnings	201,960	16	-	57,007	258,983
Miscellaneous	9,447	2,945	-	104,995	117,387
<b>Total revenues</b>	<b>2,300,532</b>	<b>1,198,426</b>	<b>29,996</b>	<b>3,143,955</b>	<b>6,672,909</b>
<b>EXPENDITURES</b>					
Current:					
General government	1,218,690	-	3,839	388,588	1,611,117
Public safety	1,307,371	-	-	89,888	1,397,259
Public works	-	858,083	-	735,923	1,594,006
Public health	153,881	-	-	576,870	730,751
Social and economic services	6,000	-	-	158,230	164,230
Culture and recreation	-	-	-	363,446	363,446
Housing and community development	-	-	-	7,600	7,600
Debt service:					
Principal	-	10,058	-	-	10,058
Interest and other charges	-	779	-	-	779
Capital outlay	-	169,180	-	267,137	436,317
<b>Total expenditures</b>	<b>2,685,942</b>	<b>1,038,100</b>	<b>3,839</b>	<b>2,587,682</b>	<b>6,315,563</b>
Excess (deficiency) of revenues over expenditures	(385,410)	160,326	26,157	556,273	357,346
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	-	-	29,555	29,555
Sale of capital assets	-	89,309	-	2,000	91,309
Insurance recoveries	-	-	-	422	422
Transfers in	363,971	61,039	-	165,890	590,900
Transfers out	(31,980)	-	-	(528,920)	(600,900)
<b>Total other financing sources (uses)</b>	<b>331,991</b>	<b>160,348</b>	<b>-</b>	<b>(331,053)</b>	<b>151,286</b>
<b>Net change in fund balances</b>	<b>(53,419)</b>	<b>310,674</b>	<b>26,157</b>	<b>225,220</b>	<b>508,632</b>
Fund balances - beginning	1,322,248	282,208	769,387	3,376,101	5,749,944
<b>Fund balances - ending</b>	<b>\$ 1,268,829</b>	<b>\$ 592,882</b>	<b>\$ 795,544</b>	<b>\$ 3,801,321</b>	<b>\$ 6,258,576</b>

See notes to basic financial statements.

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FERGUS COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds	\$ 508,632
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report outlay for capital assets as expenditures because such outlay uses current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
This is the amount by which depreciation (\$599,111) exceeded capital outlay (\$436,317) in the current period.	(162,794)
Capital assets contributed to the business-type activities (airport fund).	(38,649)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.	128,199
Governmental funds report debt proceeds as current financial resources. In contrast, the statement of activities treats such issuance of debt as a liability. Governmental funds report repayment of debt principal as an expenditure. In contrast, the statement of activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.	(19,497)
Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in governmental funds:	
Compensated absences	(31,092)
Internal service funds are used by management to charge the costs of certain activities, such as self insurance, to individual funds. The change in net assets of the self insurance internal service fund is reported with governmental activities.	233,099
<b>Change in net assets of governmental activities</b>	<b>\$ 617,898</b>

See notes to basic financial statements.

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FERGUS COUNTY  
STATEMENT OF FUND NET ASSETS  
PROPRIETARY FUNDS  
June 30, 2008

	Enterprise Funds			Governmental
	Hospital Nursing Home	Airport	Total	Internal Service Fund
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 118,165	\$ 118,165	\$ 545,439
Investments	-	-	-	960,647
<b>Total current assets</b>	<b>-</b>	<b>118,165</b>	<b>118,165</b>	<b>1,517,586</b>
Non-current assets:				
Restricted assets:				
Cash and cash equivalents	19,530	-	19,530	-
Investments	242,514	-	242,514	-
	262,044	-	262,044	-
Net investment in capital lease	1,181,572	-	1,181,572	-
Capital assets:				
Land	-	13,261	13,261	-
Buildings and improvements	-	5,092,645	5,092,645	-
Machinery and equipment	-	174,446	174,446	-
Less: accumulated depreciation	-	(3,608,120)	(3,608,120)	-
	-	1,672,232	1,672,232	-
<b>Total non-current assets</b>	<b>1,443,616</b>	<b>1,672,232</b>	<b>3,115,848</b>	<b>-</b>
<b>Total assets</b>	<b>1,443,616</b>	<b>1,790,397</b>	<b>3,234,013</b>	<b>1,517,586</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable-vendors	-	9,280	9,280	24,544
Due to Central Montana Medical Center	262,044	-	262,044	-
Compensated absences	-	1,069	1,069	-
Notes payable	178,048	2,248	180,296	-
<b>Total current liabilities</b>	<b>440,092</b>	<b>12,597</b>	<b>452,689</b>	<b>24,544</b>
Non-current liabilities:				
Compensated absences	-	9,619	9,619	-
Notes payable	1,003,524	17,161	1,020,685	-
<b>Total non-current liabilities</b>	<b>1,003,524</b>	<b>26,780</b>	<b>1,030,304</b>	<b>-</b>
<b>Total liabilities</b>	<b>1,443,616</b>	<b>39,377</b>	<b>1,482,993</b>	<b>24,544</b>
<b>NET ASSETS</b>				
Invested in capital assets, not of related debt	-	1,652,823	1,652,823	-
Unrestricted	-	98,197	98,197	1,493,042
<b>Total net assets</b>	<b>\$ -</b>	<b>\$ 1,751,020</b>	<b>\$ 1,751,020</b>	<b>\$ 1,493,042</b>

See notes to basic financial statements.

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FERGUS COUNTY  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2008

	Enterprise Funds			Governmental
	Hospital Nursing Home	Airport	Total	Internal Service Fund
<b>REVENUES</b>				
Charges for services	\$ -	\$ 233,003	\$ 233,003	\$ 561,481
<b>Total operating revenues</b>	<b>-</b>	<b>233,003</b>	<b>233,003</b>	<b>561,481</b>
<b>OPERATING EXPENSES</b>				
Personal services	-	73,331	73,331	-
Supplies	-	41,108	41,108	-
Purchased services	-	61,390	61,390	-
Fixed charges	-	4,246	4,246	-
Administration and insurance	-	-	-	99,033
Claims	-	-	-	274,567
Depreciation	-	344,173	344,173	-
<b>Total operating expenses</b>	<b>-</b>	<b>524,248</b>	<b>524,248</b>	<b>373,600</b>
<b>Operating income (loss)</b>	<b>-</b>	<b>(291,245)</b>	<b>(291,245)</b>	<b>187,881</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest and investment revenue	52,153	3,724	55,877	45,218
Interest expense	(52,153)	(573)	(52,726)	-
<b>Total non-operating revenue (expenses)</b>	<b>-</b>	<b>3,151</b>	<b>3,151</b>	<b>45,218</b>
<b>Income (loss) before contributions and transfers</b>	<b>-</b>	<b>(288,094)</b>	<b>(288,094)</b>	<b>233,099</b>
<b>Capital contributions</b>				
Transfers out	-	58,538	58,538	-
	-	(30,000)	(30,000)	-
<b>Change in net assets</b>	<b>-</b>	<b>(261,556)</b>	<b>(261,556)</b>	<b>233,099</b>
<b>Total net assets - beginning</b>	<b>-</b>	<b>2,012,576</b>	<b>2,012,576</b>	<b>1,259,943</b>
<b>Total net assets - ending</b>	<b>\$ -</b>	<b>\$ 1,751,020</b>	<b>\$ 1,751,020</b>	<b>\$ 1,493,042</b>

See notes to basic financial statements.

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FERGUS COUNTY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2008

	Enterprise Funds			Government Activities
	Hospital Nursing Home	Airport	Total	Internal Service Fur
<b>CASH FLOWS FROM OPERATIONS:</b>				
Cash received for health insurance premiums	\$ -	\$ -	\$ -	\$ 549.9
Cash received from customers	-	221,790	221,790	-
Medical claims paid	-	(71,789)	(71,789)	(262.7)
Cash paid to employees	-	(114,408)	(114,408)	(99.0)
Cash paid to suppliers for goods and services	-	-	-	-
Net cash provided by operating activities	-	35,593	35,593	188.2
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Cash transferred out	-	(30,000)	(30,000)	-
Net decrease in amount due to CMMC	(250,473)	-	(250,473)	-
Net cash used by noncapital financing activities	(250,473)	(30,000)	(280,473)	-
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:</b>				
Purchase of capital assets	-	(101,713)	(101,713)	-
Capital contribution	-	96,935	96,935	-
Principal payments on debt	(171,168)	(2,248)	(173,416)	-
Interest paid	(52,153)	(573)	(52,726)	-
Net cash used by capital financing activities	(223,321)	(7,599)	(230,920)	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Net change in investments	(86,285)	36,646	(49,639)	(570.3)
Payments received on capital lease	171,168	-	171,168	-
Interest received	52,153	3,724	55,877	45.2
Net cash provided (used) by investing activities	137,036	40,370	177,406	(525.1)
Change in cash and cash equivalents	(336,758)	38,364	(298,394)	(336.5)
Cash and cash equivalents - beginning	356,288	79,801	436,089	882.2
Cash and cash equivalents - ending	\$ 19,530	\$ 118,165	\$ 137,695	\$ 545.7
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ -	\$ (291,245)	\$ (291,245)	\$ 187.5
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:				
Depreciation	-	344,173	344,173	-
Increase in accounts receivable	-	-	-	(11.5)
Decrease in deferred revenue	-	(11,213)	(11,213)	-
Increase (decrease) in accounts payable	-	(7,664)	(7,664)	11.5
Increase in compensated absences	-	1,542	1,542	-
Net cash provided by operating activities	\$ -	\$ 35,593	\$ 35,593	\$ 188.2
Noncash investing, noncapital and capital financing activities:				
Capital assets contributed from government activities	\$ -	\$ 38,649	\$ 38,649	\$ -
Purchase of capital assets on account	-	3,489	3,489	-

See notes to basic financial statements.

FERGUS COUNTY  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
June 30, 2008

	External Investment Trust Fund	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 3,974,611	\$ 1,090,821
Investments	7,000,224	-
Taxes and assessments receivable	-	1,432,803
Total assets	<u>10,974,835</u>	<u>\$ 2,523,624</u>
<b>LIABILITIES</b>		
Accounts payable:		
Payroll taxes	-	\$ 128,651
Clerk of District Court	-	224,919
Protested taxes	-	725,563
Other	-	11,688
Due to others	-	25,846
Due to special districts	-	29,881
Due to state	-	192,595
Due to schools	-	943,608
Due to cities/towns	-	240,873
Total liabilities	-	<u>\$ 2,523,624</u>
<b>NET ASSETS</b>		
Held in trust	<u>\$ 10,974,835</u>	

See notes to basic financial statements.

FERGUS COUNTY  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
FIDUCIARY FUND  
For the Year Ended June 30, 2008

	External Investment Trust Fund
<b>ADDITIONS</b>	
Contributions	\$ 23,258,447
Interest earnings	365,287
<b>Total additions</b>	<b>23,623,734</b>
<b>DEDUCTIONS</b>	
Withdrawals	23,348,237
Administrative	8,681
<b>Total deductions</b>	<b>23,356,918</b>
Change in net assets	266,816
Net assets - beginning	10,708,019
Net assets - ending	<b>\$ 10,974,835</b>

See notes to basic financial statements.

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FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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

The financial statements of the government have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities in enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance. The government's significant accounting policies are described below.

Reporting Entity

For financial reporting purposes, the government has included all funds, organizations, agencies, boards, commissions and authorities. The government has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the government are such that exclusion would cause the government financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on, the government. Based on the aforementioned criteria, the government has no component units.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of its nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. Fiduciary funds are excluded from the government-wide financial statements.

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when all 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.

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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 operation. The principal operating revenues of the enterprise funds and of the internal service funds are charges to customers for sales or services. Operating revenues 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, the unrestricted resources as they are needed.

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 resources accumulated and payments made for the maintenance, repair and construction of county-owned roads.

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

The government reports the following major proprietary funds:

The hospital fund accounts for the activities of the government's hospital capital lease and debt service activities.

The airport fund accounts for the activities of the government's airport services.

Additionally, the government reports the following fund types:

Internal service funds account for the financing of services provided by one department or agency to other departments or agencies on a cost reimbursement basis.

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

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

Assets, Liabilities and Net Assets or Equity

Cash and Investments

The County maintains and controls an investment pool consisting of funds belonging to the government and also of funds held by the County Treasurer belonging to legally separate entities, such as school districts, fire and water districts and other special districts. The investment pool is managed by the County Treasurer and overseen by the Board of County Commissioners. The County Treasurer is responsible for setting the investment policies for the pool, reviewing and monitoring investments to ensure the County's investment policies are met and ensuring investments are in compliance with State statute.

School districts and other legally separate districts within the County hold their funds with the County Treasurer. The districts have, at their option, elected to participate in the County's investment pool. 55% of the investment pool belongs to these districts.

Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or time deposits in state or national bank, building and loan associations, savings and loan associations, or credit unions insured by the FDIC, FSUIC, or ICUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The pool unit value is fixed at \$1 for purchases and redemptions. Income is automatically reinvested in additional units. The government did not provide or obtain any legally binding guarantees to support the value of the units.

Investments in the pool are reported at fair value. Fair value is determined annually, based on year-end market values. Short-term investments are reported at cost, which approximates fair value. Cash on hand, demand, savings and time deposits, STIP and short-term investments with original maturities of three months or less from the date of acquisition are considered cash equivalents.

Investment income from the pool is allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of each month. The net change in fair value of the pool is also allocated to individual funds of the County and to the external participants based on the fund or participant's cash and investment balance at the end of the year.

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

The government charges a 2% administrative fee to all participants in the pool. The fee is deducted prior to distributing interest to the County funds and pool participants. The administrative fee charged during the year was \$15,876.

Receivables and Payables

In the fund financial statements, transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

Net Investment in Capital Lease

Net investment in capital lease is a direct financing lease in which Fergus County (lessor) is leasing to the Central Montana Medical Facilities, Inc.-CMMF (lessee) land, buildings and equipment. The lease transfers substantially all of the risks and benefits of ownership from the lessor to the lessee. In a direct financing lease, the lessor finances the in-substance purchase of the property by the lessee. Financing to construct the hospital and nursing home was obtained through the issuance of debt in Fergus County's name.

Inventories

All inventories are valued at cost. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets

The Board of County Commissioners determined it was in the best interest of the citizens of the County to establish short-term (\$226,055) and discretionary (\$35,989) cash and investment accounts within the Hospital enterprise fund. These cash accounts were established through contributions from CMMF and remain the property of CMMF.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government has elected not to report major infrastructure assets retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$10,000 for machinery and equipment, \$20,000 for buildings and improvements and \$35,000 for infrastructure and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historic cost if purchased or constructed. Contributed 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 assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense incurred by the government for capital assets.

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

Assets	Years
Building and improvements	10-100
Infrastructure	100
Machinery and equipment	5-25

Collections Not Capitalized

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

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Compensated Absences

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

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

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. In the fund financial statements, the face amount of debt issued is reported as an other financing source.

Fund Equity

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

**Invested in capital assets, net of related debt**—Consists of capital assets including restricted capital assets, net of accumulated depreciation as reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, improvement of those assets.

**Restricted net assets**—Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantor contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**Unrestricted net assets**—All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

In the fund statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved or unreserved. Proprietary fund equity is classified the same as in the government-wide statements.

Use of Estimates

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

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Deficit Fund Equity

The Roundhouse Water Line (\$71,258) fund had a deficit fund balance as of June 30, 2008. The Roundhouse Water Line deficit is expected to be eliminated through the recovery of construction costs from hookup fees or a contribution from the General fund.

**NOTE 3. DETAILED NOTES ON ALL FUNDS**

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

Governmental activities	\$ 7,625,240
Business-type activities	380,209
Fiduciary funds	<u>12,065,656</u>
	<u>\$20,071,105</u>

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Total carrying value of cash, cash equivalents and investments as of June 30, 2008, consisted of the following:

	Cash/Cash Equivalents	Investments	Total
Cash on hand	\$ 1,325	\$ -	\$ 1,325
Cash in banks:			
Demand deposits	(88,587)	-	(88,587)
Savings deposits	3,581,815	-	3,581,815
Time deposits	-	6,106,446	6,106,446
U.S. Government securities	-	6,000,000	6,000,000
Repurchase agreements	1,870,106	-	1,870,106
STIP	2,600,000	-	2,600,000
	<u>\$ 7,964,659</u>	<u>\$12,106,446</u>	<u>\$20,071,105</u>

**Custodial Credit Risk—Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008, \$9,417,851 of the government's bank balance of \$9,846,231 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 150,074
Uninsured and collateral held by the pledging bank's trust department not in the government's name	<u>9,267,777</u>
	<u>\$9,417,851</u>

State statutes require that the government obtain securities for the uninsured portion of deposits as follows: 1.) securities equal to 50% of such deposits if the institution in which the deposits are made has a net worth to total assets ratio of 6% or more, or 2.) 100% if the ratio of net worth to total assets is less than 6%. State statutes do not specify in whose custody or name the collateral is to be held. The amount of collateral held for the government's deposits as of June 30, 2008, did not exceed the amount required by state statute.

The investment pool portfolio as of June 30, 2008 is listed below. The security type percentage is based on the book value ratio of the specific security investment type to the total portfolio.

Security Name	Coupon	Maturity	Par	Book Value	Fair Value	% of Total
Certificates of deposit	2.91% to 5.43	Various	\$ 6,106,446	\$ 6,106,446	\$ 6,106,446	50.44%
U.S. Government securities	2.45% to 4.85	Various	6,000,000	<u>6,000,000</u>	<u>6,004,380</u>	49.56%
				<u>\$12,106,446</u>	<u>\$12,110,826</u>	

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

**Credit Risk.** Allowable investments include direct obligations of the United States Government, repurchase agreements, savings or loan deposits in a state or national bank, building and loan associations, savings and loan associations, or credit unions insured by FDIC, FSLIC, or NCUA and the State Short Term Investment Pool (STIP). STIP is classified as a 2a7-like pool, and as such, uses amortized cost to report unit values. The government has no investment policy that would further limit its investment choices. The Short-Term Investment Pool (STIP) maintained by the State of Montana has certain investments in derivatives. GASB requires the nature of the underlying securities and market, credit and legal risks be disclosed. Reference to the audit of the State of Montana would identify the level of risk associated with STIP.

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

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

	Custodial Credit Risk Category			Carrying Amount	Fair Value
	1	2	3		
Repurchase agreements	\$ -	\$ -	\$ 1,870,106	\$ 1,870,106	\$ 1,870,106
U.S. Government securities	500,000	-	5,500,000	6,000,000	6,004,380
	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ 7,370,106</u>	7,870,106	7,874,486
STIP				2,600,000	2,600,000
				<u>\$10,470,106</u>	<u>\$10,474,486</u>

Following is the condensed schedule of changes in net assets and net assets for the investment pool for the year ended June 30, 2008

	Internal	External	Total
Net assets - beginning of year	\$ 11,548,523	\$ 10,708,019	\$ 22,256,542
Contributions from participants	19,544,901	23,258,447	42,803,348
Investment earnings	428,512	365,287	793,799
Administration expenses	(7,195)	(6,681)	(15,876)
Distributions to participants	(22,418,471)	(23,348,237)	(45,766,708)
Net assets - end of year	<u>\$ 8,098,270</u>	<u>\$ 10,974,835</u>	<u>\$ 20,073,105</u>

Net Investment in Capital Lease

The County entered into a lease agreement with Central Montana Medical Facilities, Inc. (CMMF) on April 1, 1989. The County lease and, buildings and equipment to CMMF. The lease is classified as a direct financing lease. The components of net investment in capital lease as of June 30, 2008 are as follows:

	Business-type Activities
Minimum lease payments receivable	\$ 1,339,932
Less: unearned income	(158,360)
	<u>\$ 1,181,572</u>

Future minimum lease payments are as follows:

Year ending June 30,	Business-type Activities		Total
	Principal	Interest	
2009	\$ 178,048	\$ 45,274	\$ 223,322
2010	185,205	38,117	223,322
2011	192,650	30,672	223,322
2012	200,393	22,929	223,322
2013	208,448	14,874	223,322
2014	216,828	6,494	223,322
	<u>\$ 1,181,572</u>	<u>\$ 158,360</u>	<u>\$ 1,339,932</u>

Roundhouse Road Receivable

\$17,387 of the Roundhouse Road receivable is not expected to be collected within one year.

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Capital Assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 55,187	\$ -	\$ -	\$ 55,187
Construction-in-progress	38,649	126,626	(38,649)	126,626
Total capital assets, not being depreciated	<u>93,836</u>	<u>126,626</u>	<u>(38,649)</u>	<u>161,813</u>
Capital assets, being depreciated				
Buildings/improvements	4,658,158	30,248	-	4,688,406
Machinery and equipment	4,392,224	279,443	(253,446)	4,418,221
Total capital assets, being depreciated	<u>9,050,382</u>	<u>309,691</u>	<u>(253,446)</u>	<u>9,106,627</u>
Less accumulated depreciation for:				
Buildings/improvements	(1,780,240)	(124,702)	-	(1,904,942)
Machinery and equipment	(2,972,043)	(474,409)	253,446	(3,193,006)
Total accumulated depreciation	<u>(4,752,283)</u>	<u>(599,111)</u>	<u>253,446</u>	<u>(5,097,948)</u>
Total capital assets, being depreciated, net	<u>4,298,099</u>	<u>(289,420)</u>	<u>-</u>	<u>4,008,679</u>
Governmental activities capital assets, net	<u>\$ 4,391,935</u>	<u>\$ (162,794)</u>	<u>\$ (38,649)</u>	<u>\$ 4,190,492</u>

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
<b>Business-type activities:</b>				
Capital assets, not being depreciated				
Land	\$ 13,261	\$ -	\$ -	\$ 13,261
Construction-in-progress	558,928	18,506	(577,434)	-
Total capital assets, not being depreciated	<u>572,189</u>	<u>18,506</u>	<u>(577,434)</u>	<u>13,261</u>
Capital assets, being depreciated				
Buildings	73,042	42,139	-	115,181
Improvements other than buildings	4,400,030	577,434	-	4,977,464
Machinery and equipment	174,446	-	-	174,446
Total capital assets, being depreciated	<u>4,647,518</u>	<u>619,573</u>	<u>-</u>	<u>5,267,091</u>
Less accumulated depreciation for:				
Buildings	(39,120)	(1,771)	-	(40,891)
Improvements other than buildings	(3,112,796)	(326,799)	-	(3,439,595)
Machinery and equipment	(112,031)	(15,603)	-	(127,634)
Total accumulated depreciation	<u>(3,263,947)</u>	<u>(344,173)</u>	<u>-</u>	<u>(3,608,120)</u>
Total capital assets, being depreciated, net	<u>1,383,571</u>	<u>275,400</u>	<u>-</u>	<u>1,658,971</u>
Business-type activities capital assets, net	<u>\$ 1,955,760</u>	<u>\$ 293,906</u>	<u>\$ (577,434)</u>	<u>\$ 1,672,232</u>

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Depreciation expense was charged as follows:

Governmental activities:	
General government	\$ 52,440
Public safety	90,893
Public works	383,183
Public health	6,601
Social and economic	4,571
Culture and recreation	61,423
<b>Total depreciation-governmental activities</b>	<b>\$ 599,111</b>
Business-type activities:	
Airport	\$ 344,173

**Interfund Receivables, Payables and Transfers**

The composition of interfund balances (due from/to other funds) as of June 30, 2008, consisted of the Roundhouse Water Line fund owing the USG Loan fund \$71,258. \$854 is expected to be repaid next fiscal year.

Interfund transfers consisted of the following

	Transfers In	Transfers Out	Total
Governmental activities:			
General	\$ 363,971	\$ (31,980)	\$ 331,991
Road	61,039	-	61,039
Nonmajor governmental funds	165,690	(528,920)	(363,030)
	<u>\$ 590,900</u>	<u>\$ (560,900)</u>	<u>\$ 30,000</u>
Business-type activities:			
Airport	\$ -	\$ (30,000)	\$ (30,000)

Transfers are made to finance various programs accounted for in other funds in accordance with budgetary authorizations. Additionally, the Airport CIP fund (nonmajor governmental fund) contributed capital assets to the Airport fund (an enterprise fund) amounting to \$3,649.

**Operating Leases**

The government leases equipment under noncancelable operating leases. Total rental expenses for operating leases were \$6,173 for the year ended June 30, 2008. Scheduled minimum rental payments for succeeding years ending June 30, are as follows:

Year	
2009	\$ 6,173
2010	2,572
	<u>\$ 8,745</u>

**Long-Term Debt**

During 2004, the County issued a Hospital Revenue Note to payoff the 1993 revenue refunding bonds. The government pledged its net rental payments from the Central Montana Medical Facilities, Inc. (CMMF) lease to pay debt service. If the net rental payments from CMMF become insufficient, the note is backed by the full faith and credit of the County by an ad valorem tax levy upon all taxable property in the County. Notes payable, including the Hospital Revenue Note, are as follows:

	Original Amount	Term	Interest Rate	Payment	Governmental Activities	Business-type Activities
Airport-2006	\$ 8,250	10 yrs	2.50%	Annual	\$ -	\$ 6,600
Airport-2007	14,232	10 yrs	3.63%	Annual	-	12,809
Fair equipment-2008	29,555	4 yr	0.00%	Annual	29,555	-
Hospital Revenue Note	1,980,000	10 yrs	3.98%	Semi-annual	-	1,181,572
					<u>\$ 29,555</u>	<u>\$ 1,200,981</u>

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

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

June 30,	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 7,389	\$ -	\$ 7,389	\$ 180,296	\$ 45,903	\$ 226,199
2010	7,389	-	7,389	187,453	38,674	226,127
2011	7,389	-	7,389	194,898	31,157	226,055
2012	7,388	-	7,388	202,641	23,342	225,983
2013	-	-	-	210,696	15,214	225,910
2014-2018	-	-	-	224,997	7,134	232,131
	<u>\$ 29,555</u>	<u>\$ -</u>	<u>\$ 29,555</u>	<u>\$ 1,200,981</u>	<u>\$ 161,424</u>	<u>\$ 1,362,405</u>

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Balance July 1, 2007	Additions	Retirements	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Notes payable	\$ 10,058	\$ 29,555	\$ (10,058)	\$ 29,555	\$ 7,389
Compensated absences	269,799	31,092	-	300,891	30,089
Governmental activity long-term liabilities	<u>\$ 279,857</u>	<u>\$ 60,647</u>	<u>\$ (10,058)</u>	<u>\$ 330,446</u>	<u>\$ 37,478</u>
Business-type activities:					
Notes payable	\$ 1,374,397	\$ -	\$ (173,416)	\$ 1,200,981	\$ 180,296
Compensated absences	8,145	1,543	-	10,688	1,069
Business-type activity long-term liabilities	<u>\$ 1,383,542</u>	<u>\$ 1,543</u>	<u>\$ (173,416)</u>	<u>\$ 1,211,669</u>	<u>\$ 181,365</u>

For the governmental activities, notes payable are liquidated with resources accumulated in the Fair CIP Voted Levy fund. Compensated absences are paid from the fund in which the employee is paid from.

**Indul Debt**

To provide for the construction of improvements to the County-owned hospital, the County issued Healthcare and Boarding Home Facilities Revenue Notes amounting to \$525,000 in 2003. In August 2006, an additional \$1,500,000 note was issued for equipment lease notes are special limited obligations of the County, payable solely from and secured by a pledge of Central Montana Medical Facilities, Inc. revenues. The notes do not constitute a debt or pledge of the faith and credit of the County or the State, and accordingly have not been reported in the basic financial statements. As of June 30, 2008, Healthcare and Boarding Home Facilities Revenue Note outstanding were \$290,505 and \$1,080,451, respectively.

**NOTE 4. OTHER INFORMATION**

**Risk Management**

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

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Self-Insurance Plan

During the year ended June 30, 2008, employees of the government were covered by a medical self-insurance plan (the "plan"). The government contributed approximately \$614 per month per employee to the plan and employees, at their option, authorized payroll withholdings to pay contributions for dependents. Claims were paid by a third party administrator acting on behalf of the government.

The administrative contract between the government and the third party administrator is renewable annually and administrative fees and stop-loss premiums are included in the contractual provisions. The government was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage through Montana Joint Powers Trust (MJPT). Stop-loss coverage was in effect for individual claims exceeding \$25,000 and for aggregate loss, which is based on a factor determined by MJPT. The aggregate stop-loss coverage was \$457,906.

The costs associated with the medical self-insurance plan are reported as interfund transactions. Accordingly, they are treated as operating revenues in the internal service fund and as operating expenditures of the governmental and enterprise funds. The liability of the medical self-insurance plan includes incurred but not reported claims. The liability as of June 30, 2008, is based on the requirement of Governmental Accounting Standards No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability includes an amount for claims that have been incurred but not reported because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Changes in the claims liability amount during the years 2008 and 2007 were:

	Liability July 1,	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30,
2007-08	\$ 12,680	\$ 274,567	\$ (262,703)	\$ 24,544
2008-07	6,378	227,462	(221,160)	12,680

Interlocal Agreements

The City of Lewistown and Fergus County entered into an agreement to fund a library for City and County residents. Fergus County voted 1.05 mills in 2008 for library purposes and contributed \$49,000 for the year ended June 30, 2008. The City maintains the library accounting records and includes the financial activities of the library in its financial statements.

The City-County Airport is owned and operated jointly by the City of Lewistown and Fergus County. The operation of the airport is accounted for by the County as an enterprise fund. All fixed assets are recorded within the County's accounting records. The airport is administered by a five-member board, consisting of the City's manager, a City-appointed member, one County commissioner, a County-appointed member and one member-at-large appointed by the Airport Board. The budget is approved by the controlling members. The Airport Board exercises control over the airport's normal operations.

The City of Lewistown and Fergus County entered into an agreement whereby the County provides a justice of the peace who acts as a city judge for the City. The City contributes forty-five percent of fines and assessments collected or \$25,000, whichever is greater. The County maintains the accounting records and remits a monthly accounting to the City.

Joint Ventures

Central Montana Health District Number 6 (CMHD)

The CMHD, which was formed September 1987, was created under the provisions of Montana Code Annotated. The District was formed to provide for the salaries of sanitarians. District members make contributions to Fergus County (responsible for record keeping and reporting), based on population.

South Central Montana Regional Mental Health Center

The Fergus County Mental Health Center is a satellite office of the South Central Montana Regional Mental Health Center located in Billings, Montana. The County belongs to Region No. 3 which consists of eleven counties. The District was created under the provisions of Montana Code Annotated (MCA). Each County is represented on the Board by one of its county commissioners. Fergus County contributed \$14,235 during fiscal year 2008. The purpose of the Center is to initiate preventive mental health activities for statewide mental health programs and to perform other duties as listed in MCA.

Fergus County Council on Aging

The Fergus County Council on Aging is a satellite office of the Area II Agency on Aging (Area II). Eleven counties belong to Area II. Fergus County contributes money to Area II each fiscal year for the purpose of matching federal grants that Area II obtains. During the year ended June 30, 2008 the County contributed \$25,247 for matching purposes.

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

Commitments and Contingencies

As of June 30, 2008, there were signed contracts for a fairgrounds handicapped ramp amounting to \$139,200.

In September 2007, the County was approved for an INTERCAP loan through the Montana Board of Investments. The note has a interest rate of 4.25 percent and is payable over a ten year period. Interest is adjusted each year, up to a maximum of 15 percent. The proceeds of the note will be used for fair ground improvements. As of June 30, 2008, none of the loan had been drawn. The Montana Board of Investments has extended the commitment to June 17, 2009.

The County signed a lease whereby the County leases land at the airport to a chemical dependency organization. As part of the lease agreement, the County has agreed to reimburse the organization \$13,455 over the next twenty years for infrastructure improvement aid by the organization. In the event the organization cancels its lease, the County has no further obligation.

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

The County received a notice of violation from the Department of Environmental Quality (DEQ). The notice states the County violated the Hazardous Waste Act by unlawfully disposing of hazardous waste and operating a hazardous waste management facility without permit. The DEQ has issued an administrative order on consent that requires the County to remit a work plan to the DEQ that will outline the County's plan to remove and properly manage used oil and hazardous waste. The cleanup has not been completed by December 2008 and therefore, the County must submit a revised work plan. Projected costs of cleanup are not known.

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

Retirement Plans

The government participates in three statewide mandatory cost-sharing multiple employer defined benefit retirement plans. The Sheriff Retirement System (SRS) covers the County Sheriff, Undersheriff and Deputy Sheriffs of the County. The Public Employees Retirement System (PERS) covers other County employees. The Teachers' Retirement System (TRS) covers the county superintendent. The plans are established by State law and are administered by the State of Montana. The plans provide retirement, disability, and death benefit to plan members and beneficiaries.

Beginning in fiscal year 2002, eligible members of PERS had a 12-month window to choose between the PERS-defined benefit retirement plan (DBRP) or the PERS-defined contribution retirement plan (DCRP). Eligible new hires have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP. Members may not be active in both the defined contribution and defined benefit retirement plans. The choice is irrevocable. For members that choose to join the PERS-DCRP, a percentage of the employer contribution is used to maintain the funding of the defined benefit plan.

The plans issue a publicly available financial report that include financial statements and required supplementary information. The reports may be obtained from the Public Employees' Retirement Board, 100 North Park, P.O. Box 200131, Helena, Montana 59620-1311, telephone (406) 444-3154.

Contribution rates for the plans are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll, were as follows:

	Employer	Employee	Total
SRS	9.825%	9.245%	19.070%
PERS	6.935%	6.900%	13.835%
TRS	7.470%	7.150%	14.620%

The State of Montana contributes .1% and 2.11% per year to the PERS and TRS plans, respectively, on behalf of the employer. The State of Montana contribution has not been recorded in the financial statements.

FERGUS COUNTY  
NOTES TO BASIC FINANCIAL STATEMENTS

The amounts contributed to the plans during the years ended June 30, 2008, 2007 and 2006 were equal to the required contributions for each year. The amounts contributed by both the government and its employees (including additional voluntary contributions by employees as permitted by State law) were as follows:

	2008	2007	2006
SRS	\$ 83,080	\$ 71,803	\$ 60,876
TRS	5,278	5,046	4,841
PERS	272,901	260,959	252,844
	<u>\$361,259</u>	<u>\$337,808</u>	<u>\$318,561</u>

**Future Implementation of GASB Pronouncements**

The GASB has issued the following pronouncements:

- o Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions. GASB No. 45 become effective based on the same three phases of governments used in GASBS No. 34. For employers, GASBS No. 41 is effective for Phase 1 governments (total annual revenues of \$100 million or more for the first year ending after June 15, 1999 with years beginning after December 15, 2006, Phase 2 governments (revenues of \$10 million to \$100 million) with year beginning after December 15, 2007, and Phase 3 governments (revenues less than \$10 million) with years beginning after December 15, 2008.

FERGUS COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
General Fund  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Taxes and assessments	\$1,418,705	\$ 1,418,705	\$ 1,418,397
Fines and forfeitures	89,500	89,500	101,920
Licenses and permits	-	-	1,000
Intergovernmental	119,798	119,798	154,507
Charges for services	270,552	283,808	413,301
Investment earnings	125,000	125,000	201,950
Miscellaneous	4,500	5,000	9,447
Total revenues	<u>2,028,055</u>	<u>2,041,811</u>	<u>2,300,532</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,315,323	1,321,073	1,218,690
Public safety	1,315,462	1,343,288	1,307,371
Public health	138,864	153,884	153,881
Social and economic services	7,000	7,000	6,000
Capital outlay	17,650	17,650	-
Total expenditures	<u>2,794,299</u>	<u>2,842,875</u>	<u>2,685,942</u>
Excess (deficiency) of revenues over expenditures	<u>(766,244)</u>	<u>(801,064)</u>	<u>(385,410)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	379,988	379,988	363,971
Transfers out	(31,980)	(31,980)	(31,980)
Total other financing sources (uses)	<u>347,988</u>	<u>347,988</u>	<u>331,991</u>
Net change in fund balance	<u>\$ (418,256)</u>	<u>\$ (453,076)</u>	<u>(53,419)</u>
Fund balance - beginning			<u>1,322,248</u>
Fund balance - ending			<u>\$ 1,268,829</u>

See notes to required supplementary information.

FERGUS COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Road Fund  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Taxes and assessments	\$ 525,949	\$ 525,949	\$ 507,587
Intergovernmental	622,678	622,678	625,448
Charges for services	46,800	46,800	62,430
Investment earnings	-	-	16
Miscellaneous	1,000	1,000	2,945
Total revenues	<u>1,196,427</u>	<u>1,196,427</u>	<u>1,198,426</u>
<b>EXPENDITURES</b>			
Current:			
Public works	1,077,858	1,077,858	858,083
Debt service:			
Principal	10,058	10,058	10,058
Interest and other charges	748	748	779
Capital outlay	130,000	130,000	169,180
Total expenditures	<u>1,218,664</u>	<u>1,218,664</u>	<u>1,038,100</u>
Excess (deficiency) of revenues over expenditures	<u>(22,237)</u>	<u>(22,237)</u>	<u>160,326</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of capital assets	-	-	89,309
Transfers in	97,270	97,270	61,039
Total other financing sources (uses)	<u>97,270</u>	<u>97,270</u>	<u>150,348</u>
Net change in fund balance	<u>\$ 75,033</u>	<u>\$ 75,033</u>	<u>310,674</u>
Fund balance - beginning			282,206
Fund balance - ending			<u>\$ 592,882</u>

See notes to required supplementary information.

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FERGUS COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
PILT Fund  
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts
	Original	Final	
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ 29,996
Total revenues	<u>-</u>	<u>-</u>	<u>29,996</u>
<b>EXPENDITURES:</b>			
Current:			
General government	769,387	3,840	3,839
Public works	-	21,000	-
Total expenditures	<u>769,387</u>	<u>24,840</u>	<u>3,839</u>
Excess (deficiency) of revenues over expenditures	<u>(769,387)</u>	<u>(24,840)</u>	<u>26,157</u>
<b>OTHER FINANCING USES</b>			
Transfers out	-	18,972	-
Total other financing uses	<u>-</u>	<u>18,972</u>	<u>-</u>
Net change in fund balance	<u>\$ (769,387)</u>	<u>\$ (5,868)</u>	<u>26,157</u>
Fund balance - beginning			769,387
Fund balance - ending			<u>\$ 795,544</u>

See notes to required supplementary information.

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FERGUS COUNTY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For the Year Ended June 30, 2008

BUDGETARY INFORMATION

Money may not be disbursed, expended or obligated except pursuant to an appropriation for which working capital is or will be available. The final budget is legally enacted by the governing body by the later of the second Monday in August or within 45 days of receiving certified taxable values from the Department of Revenue, after holding public hearings as required by state statute. Budgeted fund expenditures/expenses are limited by state law to budgeted amounts. Budgets may be amended for circumstances described by state law. The budgeted amounts as shown in the financial statements are as originally adopted or as revised by legal budget transfers and amendments, if applicable. All appropriations, except for construction-in-progress, lapse at year-end. The government does not utilize a formal encumbrance accounting system.

OLNESS & ASSOCIATES, P. C.

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CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of County Commissioners  
Fergus County  
Jewistown, Montana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Fergus County, Montana (the government) as of and for the year ended June 30, 2008, which collectively comprise the government's basic financial statements and have issued our report thereon dated February 5, 2009. The report on the governmental activities, road fund and aggregate remaining fund information was qualified because the government's accounting records related to inventory do not permit adequate retroactive tests of inventory quantities. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies, that adversely affects the government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the government's financial statements that is more than inconsequential will not be prevented or detected by the government's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting. (Findings 08-1 through 08-7)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the government's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

Section 2-7-515, Montana Code Annotated, states that the government should respond to any findings in the audit report within 30 days after the receipt of the final audit report.

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

This report is intended solely for the information and use of the management, others within the entity and the Montana Department of Administration and is not intended to be and should not be used by anyone other than these specified parties.

*Dress Associates, PC*  
February 5, 2008

FERGUS COUNTY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2008

06-1. Self-Insurance Fund Net Assets/Reserves

Net assets in the self-insurance fund were approximately \$1,260,000 as of June 30, 2007 and increased to approximately \$1,490,000 as of June 30, 2008. An actuarial report was issued as of March 30, 2006, that stated the estimated reserve should be \$60,000. Based on that report, it would appear there are excess reserves of approximately \$1.4 million.

The excess reserve balance occurred mainly for two reasons: 1) the fund's loss experience has been much better than expected and 2) contributions to the fund have exceeded the maximum risk exposure.

We recommend the County determine an adequate reserve level. The amount at which the specific and aggregate stop losses are set should be used in determining an adequate reserve. The County's 3rd party administrator and/or an actuary should be contacted for assistance. Once a reserve level is determined, the County should develop and implement a plan that will reduce the reserves to the adequate level.

06-2. Financial Reporting

Internal control is a process - affected by those charged with governance, management, and other personnel - designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term financial reporting includes the preparation of financial statements, including footnote disclosures that are fairly presented in conformity with generally accepted accounting principles. Presently, employees and management have the necessary qualifications and training to fulfill their assigned daily functions, but do not have the skills and knowledge to apply generally accepted accounting principles in relation to preparation of the financial statements or to prevent, detect and correct a material financial statement misstatement.

06-3. Segregation of Duties

Smaller entities often have fewer employees, which may limit the extent to which segregation of duties is practicable. However, for key areas, even in a very small entity, it can be practicable to implement some degree of segregation of duties through other forms of unsophisticated, but effective controls. Examples of segregation of duties include reporting, reviewing and approving reconciliations and approval and control of documents.

06-4. Payroll

During our payroll audit testwork, we noted the following:

- o Transfers to the self insurance fund for premiums were not made on a monthly basis. Additionally, the second quarter 2006 workers compensation was over paid by \$14,278. A refund was received for the overpayment. Reconciling the payroll clearing fund on a monthly basis would ensure payroll and related benefits are recorded in the general ledger correctly. Prior to processing payroll, a clearing fund trial balance should be run and reviewed to ensure the liability accounts are zero. After payroll is posted, a trial balance should be printed and reviewed to verify the liabilities are equal to the deduction summary report less the amounts transferred to the self-insurance fund.
- o The various wage bases (unemployment, workers compensation, social security medicare and federal wages) reported on the federal and state payroll reports were not reconciled. For example, unemployment was paid on two elected officials. Elected official wages are not subject to unemployment. To ensure the accuracy of payroll setup, we recommend the various wage bases be reconciled at the end of each payroll.
- o Retirees have the option to continue receiving health insurance benefits, but are responsible for the cost. Retirees send their payments to the Clerk and Records office, who in turn deposits the money with the County Treasurer. During our audit, we noted deposits to the County Treasurer were not made in a timely manner. We recommend procedures be developed to ensure retirees insurance payments are received and deposited with the County Treasurer in a timely manner.
- o The annual salary resolution for elected officials was not supported by documentation on how the salaries were calculated. As a result, we could not verify that salaries for elected officials are being calculated correctly according to Montana statutes. We recommend a spreadsheet be developed to support the annual salary resolution. The spreadsheet should be attached to the resolution.

06-5. Justice of the Peace

As noted in prior audits, current procedures do not provide for a formal reconciliation of monthly time-pay activity to beginning and ending subsidiary record balances. We recommend the Justice of the Peace clerk of court reconcile time-

FERGUS COUNTY  
SCHEDULE OF FINDINGS  
For the Year Ended June 30, 2008

activity to the beginning and ending subsidiary record balances monthly. Once completed, the reconciliation should be reviewed and approved by the Justice of the Peace.

38-6. County Fair Operations

Differences were noted between the number of fair tickets and buttons sold versus cash collections. We recommend the accounting policies and procedures and overall operation of the fair be reviewed and updated to strengthened internal control over the fair operations.

38-7. Management's Discussion and Analysis

The government has not presented the management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements. To comply with generally accepted accounting principles, the management's discussion and analysis should be prepared on an annual basis.

FERGUS COUNTY  
PRIOR YEAR AUDIT FINDINGS

Prior Year Audit Findings	Status
37-1. Establish a Perpetual Inventory System	Implemented
37-2. Financial Reporting	Continued disclosure
37-3. Segregation of Duties	Continued disclosure
37-4. Self-Insurance Fund Net Assets/Reserves	Not implemented
37-5. Improve Fair Budgeting Procedures	Implemented
37-6. Justice of the Peace	Partially implemented
37-7. County Fair Operations	Partially implemented
07-8. Include Personal Use of County Owned Vehicles on Form W 2	Implemented
07-9. Weed Chemical Purchases not Bid	Implemented
07-10. Public Administrator	Implemented

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