

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2009

**AUDIT REPORT**

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2009

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PONDERA COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2009

**BOARD OF COUNTY COMMISSIONERS**

Sandra J. Broesder  
Cynthia A. Johnson  
Joseph Christiaens

Chairperson  
Commissioner  
Commissioner

**COUNTY OFFICIALS**

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

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

**Pondera County, Montana**  
**Management Discussion and Analysis (MD&A)**  
**Fiscal Year 2008-09**

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2008-2009 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 decreased over 40.75% compared to the prior fiscal year.**
- **The eight maintainers (motor graders) leased in FY 02-03, were traded back to the vender and were replaced with eight 2008 maintainers which are financed and payments appropriated in the budget.**
- **The road and bridge departments purchased two new pickups totaling \$46,000, replacement culverts (\$ 4,000); one new Walk N Roller (\$16,625); 9 Mobile Radios (\$6,026); and prepaid roofing materials for a shop building (\$4,800).**
- **While acres remained the same, the amount of the Pondera County PILT Payment increased by \$81,962 due to Congressional Action to fully fund PILT. The 09 Budget, however, reflects both the additional amount received in November 08 (81,962) and the full payment in June of 09 of \$214,011. The amount of PILT actually received for the 08 year, in separate fiscal years, was \$3,023 higher than the payment for 2009. The additional PILT funds were allocated to the Road and to the Community Center updates.**
- **Forest Reserve payments were \$ 121,489 more than the prior fiscal year, again due to Congressional action to honor the Secure Rural Schools appropriation. Since Pondera County's payment exceeded \$100,000 for the first time, 15% of the total payment had to be designated to Title III program. Of the remainder, the Road experienced a \$65,896 increase.**
- **The emergency snow removal revenue, and the accompanying contractual relationship with the US Air Force has ended and the absence of the same and the impact on the Road budget is reflected in this fiscal year.**
- **17 miles of road were re-built or re-graveled with approximately 24,300 yards of gravel at a cost of \$ 81,810. This amount is less than fiscal year 2008. Pondera County also purchased 10,500 yards of crushed gravel at a cost of \$42,000, which remained in reserve at the end of FY 09.**
- **Fuel costs continued to impact all areas of the budget, especially Road and Bridge Departments; however the impact was not as high as expected.**
- **Oil and Gas Revenues increased 20.82% in Fiscal year 2009.**
- **The Public Health Budget remains more than normal due to grant program revenue and expenditures in areas of Breast and Cervical Health, Safe Kids Safe Communities, and Tobacco Cessation.**

- **The Community Service Program, in cooperation with the City of Conrad, continues to be funded at \$15,000. A Contract Supervisor manages the program.**
- **The County owned airport received hangar income for this fiscal year as well as ground area lease payments and farm income. The lease for management contract for the Valier airport is currently being re-negotiated to allow for both rental and farmland related income.**
- **Pondera County has begun rehabilitating an old retail sales building to be used for a new Community/Senior Center. Revenue from the sale of the old Community/Senior Center is \$75,000 which was dedicated to the rehab of the new facility. Pondera County also was also awarded (beginning in FY2010-11) \$147,656 as a result of Montana SB 645 which is wholly dedicated to the rehab project. The Community/Senior Center was able to use additional PILT dollars (\$53,162 in both November 2008 and June 2009) to move the project forward.**
- **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). 2009 is the third successful year in this Economic Development partnership for County businesses.**
- **Pondera County continues to make an annual contribution (\$2,500) to the Four County Marias Fair for maintenance and upkeep of the fair complex in Toole County. The county continues to contribute \$2,000 annually to the state mandated regional economic development corporation. Pondera County continues to be a part of an interlocal agreement with the Northern Transit for public transportation which currently requires an annual contribution of \$5,000.**
- **The Sheriff's department replaced two public safety vehicles.**
- **Local Option tax revenue decreased \$1,235 from the prior fiscal year due, in part, to permanent licensure available to some vehicles, recreational vehicles, and trailers. This negatively impacts the Public Safety budget.**
- **Federal Mineral Royalties increased approximately 93% in FY 09 after an equally dramatic decrease of nearly 40% in FY 08.**
- **Election Costs remain significant due to necessary staff and judge training, programming, and maintenance contracts for the Auto Mark machines.**

## **USING THIS ANNUAL FINANCIAL REPORT**

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

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

A compliance analysis is provided.

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

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

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

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

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

**Condensed Financial Statements**

Government-wide STATEMENT OF NET ASSETS:

	<b><u>FY 2008-09</u></b>	<b><u>Post Audit</u></b>
	<b><u>Governmental</u></b>	<b><u>FY 2007-08</u></b>
	<b><u>Activities</u></b>	<b><u>Governmental</u></b>
		<b><u>Activities</u></b>
Current and other assets	\$ 4,107,378	\$ 3,743,060
Capital assets	5,939,274	5,255,368
Total assets	\$10,046,652	\$ 8,998,428
Long-term debt outstanding	\$ 659,275	\$ 1,866,781
Other liabilities	2,261,678	523,390
Total liabilities	\$ 2,920,953	\$ 2,390,171
Net assets:		
Invested in capital assets net of related debt	\$ 3,508,472	\$ 3,178,451
Restricted	2,861,694	2,651,366
Unrestricted	755,533	778,440
Total net assets	\$ 7,125,699	\$ 6,608,257

Government-wide STATEMENT OF ACTIVITIES

	<b><u>FY2008-09</u></b>	<b><u>Post Audit</u></b>
	<b><u>Governmental</u></b>	<b><u>FY2007-08</u></b>
	<b><u>Activities</u></b>	<b><u>Governmental</u></b>
		<b><u>Activities</u></b>
<b><u>Program Revenues</u></b>		
Charges for Services	\$ 574,291	\$ 511,583
Operating Grants and Contributions	448,308	582,111
Capital Grants and Contributions	163,252	
Total Program Revenues	\$ 1,185,851	\$ 1,093,694
<b><u>General Revenues</u></b>		
Property Taxes	\$ 2,391,768	\$ 2,476,203
Video Poker Apportionment	2,275	2,350
Personal Property Reimbursement	-	13,608
Miscellaneous	46,842	17,394
Investment Earnings & Oil Royalties	69,666	119,359
PILT	295,973	135,072
MT Oil and Gas Production Tax	256,582	212,318
State Entitlement	376,563	367,009
Grants & Entitlements not restricted to specific progra	3,250	3,250
Intergovernmental Agreement	24,457	42,563
Reimbursements	194,212	143,161
Royalties	19,746	10,571
Gain (Loss) on disposal of capital assets	586,723	-
Total General Revenues	\$ 4,286,057	\$ 3,542,858
<b>Total Revenues</b>	\$ 5,453,908	\$ 4,636,552

Government-wide STATEMENT OF ACTIVITIES (continued)	<b><u>FY2008-09</u></b>	<b><u>Post Audit</u></b>
	<b><u>Governmental</u></b>	<b><u>FY2007-08</u></b>
<b><u>Program Expenses by Function</u></b>	<b><u>Activities</u></b>	<b><u>Governmental</u></b>
		<b><u>Activities</u></b>
General Government	\$ 1,298,846	\$ 1,232,985
Public Safety	1,010,773	847,228
Public Works	1,264,840	1,400,951
Public Health	703,063	593,062
Social & Economic Services	129,095	111,420
Culture & Recreation	149,583	146,504
Housing & Community Development	13,690	382,178
Miscellaneous	166,007	147,199
Unallocated Depreciation		
Debt Service Interest	83,038	89,132
Total Expenses	<b>\$ 4,818,935</b>	<b>\$ 4,950,659</b>
Excess (deficiency) before special items & transfers	\$ 63,213	\$ (314,107)
Gain on sale of capital assets	586,723	7,029
Transfers – net	(14,963)	(14,963)
<b>Changes in net assets</b>	<b>\$ 634,973</b>	<b>\$ (322,041)</b>

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 \$4,803,972, compared to \$4,950,655 for fiscal year 2007-08 as found in the Statement of Activities, a decrease of \$146,683 or approximately 3%. However, as shown on the same statement, the amount that our taxpayers ultimately financed for these activities through county taxes was only \$2,391,768, down by \$84,435 from \$2,476,203 in fiscal year 2007-08., partially as a result of a calculation error in the Determination of Tax Revenue worksheet. The error in calculation will be corrected in FY2009-10. 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:**

<b><u>Governmental Activities</u></b>	<b><u>FY2008-09</u></b> <b><u>Net Expense</u></b>	<b><u>Post Audit</u></b> <b><u>FY2007-08</u></b> <b><u>Net Expense</u></b>
General Government	\$(1,132,184)	\$(1,065,968)
Public Safety	(732,534)	(598,831)
Public Works	(931,265)	(1,279,119)
Public Health	(486,554)	(439,720)
Social & Economic Services	48,570	(90,492)
Culture & Recreation	(149,583)	(146,504)
Housing & Community Development	(489)	-
Debt Service Interest	(83,038)	(89,132)
Miscellaneous	(166,007)	(147,199)
Total Net Expenses	\$(3,633,084)	\$(3,856,965)

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

	<u>General</u>	<u>Road</u>	<u>Bridge</u>	<u>Public Safety</u>	<u>DES Grant</u>
Unreserved Fund Balance – Current Year	598,745	505,534	213,557	470,533	(377)
Unreserved Fund Balance – Prior Year	570,401	313,322	81,700	534,635	9,808
Change in unreserved fund balance	28,344	192,212	131,857	67,755	9,431
% change in unreserved fund balance	4.97%	61.35%	161.39%	12.67%	96.16%

The increases in the unreserved fund balances in the General Fund, Bridge Fund and Public Safety Fund are a result of controlling spending in order to increase the cash reserves, in addition to an increase in revenues to maintain current level of operations but requiring the movement of mills from one fund to another during the budget process. The increase in the unreserved fund balance for the Road Fund is due to controlling of spending in order to rebuild the reserve. The change in the DES Grant Fund is due to a journal voucher entry for deferred credit of revenue received in prior years.

**Revenue Budget to Actual Variances:**

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	\$1,572,564	\$1,190,260	\$(382,304)	(24.31%)

There was a variation between the final budget amount and actual amount of revenue received in the General Fund of (\$382,304) for a (24.31)% variance. The County over budgeted for investment earnings by \$30,000, and budgeted for a CDBG grant in the amount of \$350,000 that was not received in the fiscal year.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	\$633,732	\$771,553	\$137,822	21.75%

There was a variation between the final budget amount and actual amount of revenue received in the Road Fund of \$137,822 for a 21.75% variance. The County under budgeted for Forest Reserve Act funds by \$66,828 and PILT payments by \$60,117 (both were impacted by the American Recovery and Reinvestment Act of 2009). The County also under budgeted for the oil and gas production tax which is a large variable each year (\$9,680).

<u>Bridge Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	\$297,159	\$301,956	\$4,797	1.61%

County under budgeted for oil and gas production tax which is a large variable each year.

<u>Public Safety Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	\$682,202	\$694,993	\$12,791	1.86%

County under-budgeted local option tax by \$11,905 and non-tax revenues, particularly miscellaneous revenue.

<u>DES Grants Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	\$34,017	\$36,058	\$2,041	5.99%

County under-budgeted by \$1,884 for grant award amount and by \$157 for a miscellaneous reimbursement for books.

**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 increased its long term debt by \$529,347.

**Capital Assets**

New assets, totaling \$1,812,326, were purchased during the year. The sale of assets, depreciation and other factors resulted in the current value of Pondera County assets as of June 30, 2009 of \$5,939,274. In addition, the County installed a new roof on the Community Center and participated with grant programs for runway upgrades to the Conrad Airport and a bike path in Valier.

The lease buyout of eight road maintainers and the new lease for eight 2008 road maintainers are included in the new assets. Other capital assets purchases were kept at status quo with new purchases of vehicles and/or equipment being offset with trade-in or sale of fixed assets.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The fiscal year 2009-2010 Taxable Valuation increased slightly in Pondera County from \$12,435,631 to 13,249,990. The value of a county-wide mill increases from \$12,435 to \$13,249. The FY 10 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, 2010, remains the same as a Third Class County.

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

The cost of fuel will continue to impact the 2009-10 budget, especially in the areas of Road, Bridge, and Public Safety, perhaps more so than the FY 09.

Airport contracts are being renegotiated to secure revenue. The farmland lease at the Conrad Airport has now gone from a crop share to cash based rent and the lease in Valier will be complete in the spring of 2010.

The new road to access the Northern I15 interchange remains in the budget and an actual start date will occur early in 2010. Pondera County anticipates the Right of Way issues to be resolved as Right of Way is purchased and/or deeded.

Group Health Insurance costs remain stable without changing providers.

Additional Revenues to the Road Budget are not expected to occur for the long term. Plans will be made to scale back expenditures and seek cost saving measures in anticipation of lower revenue after the 2010 fiscal year.

The school districts in the County levied funds pursuant to levy elections held in May, 2009. All school levies in the County passed and were increased.

While aiming for a 33% reserve in all funds, reserve amounts range from 13.3% (ambulance) to 33%. Our goal remains to achieve the 33% reserve in all funds.

The audit report of the Pondera Regional Port Authority can be obtained by contacting either the County or the Port Authority.

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

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

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**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
Pondera County  
Conrad, Montana

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2009, 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 90.55%, 84.11% and 98.59%, respectively, of the assets, net assets, and revenues of the discretely presented component unit. 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 the 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 provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of June 30, 2009, 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 \$739,754. 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 \$2,272,104.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2010, 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 9 and 51 through 53, 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.

*Denning, Downey and Associates, CPAs, P.C.*

February 17, 2010

**Pondera County, Montana**  
**Statement of Net Assets**  
**June 30, 2009**

	<u>Governmental Activities</u>	<u>Total</u>	<u>Component Unit Pondera Regional Port Authority</u>
<b>ASSETS</b>			
Current assets:			
Cash and investments	\$ 3,671,393	\$ 3,671,393	\$ 260,202
Taxes and assessments receivable, net	402,208	402,208	6,877
Accounts receivable - net	33,777	33,777	-
Notes and loans receivable	-	-	371,077
Total current assets	<u>\$ 4,107,378</u>	<u>\$ 4,107,378</u>	<u>\$ 638,156</u>
Noncurrent assets			
Capital assets - land	\$ 238,609	\$ 238,609	\$ 44,961
Capital assets - depreciable, net	5,700,665	5,700,665	-
Total noncurrent assets	<u>\$ 5,939,274</u>	<u>\$ 5,939,274</u>	<u>\$ 44,961</u>
Total assets	<u>\$ 10,046,652</u>	<u>\$ 10,046,652</u>	<u>\$ 683,117</u>
<b>LIABILITIES</b>			
Current liabilities			
Warrants payable	\$ 222	\$ 222	\$ -
Accounts payable	11	11	-
Accrued payables	407	407	-
Accrued payroll	121,369	121,369	1,236
Revenues collected in advance	122,448	122,448	-
Current portion of long-term liabilities	-	-	9,465
Current portion of long-term capital liabilities	257,427	257,427	-
Current portion of compensated absences payable	157,391	157,391	1,561
Total current liabilities	<u>\$ 659,275</u>	<u>\$ 659,275</u>	<u>\$ 12,262</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ -	\$ -	\$ 1,285
Noncurrent portion of long-term capital liabilities	2,173,375	2,173,375	-
Noncurrent portion of compensated absences	88,303	88,303	722
Total noncurrent liabilities	<u>\$ 2,261,678</u>	<u>\$ 2,261,678</u>	<u>\$ 2,007</u>
Total liabilities	<u>\$ 2,920,953</u>	<u>\$ 2,920,953</u>	<u>\$ 14,269</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 3,508,472	\$ 3,508,472	\$ 44,961
Restricted by donors for specific purposes	26,037	26,037	-
Restricted for capital projects	562,180	562,180	-
Restricted for debt service	193,471	193,471	-
Restricted for special projects	2,080,006	2,080,006	-
Unrestricted	755,533	755,533	623,887
Total net assets	<u>\$ 7,125,699</u>	<u>\$ 7,125,699</u>	<u>\$ 668,848</u>
Total liabilities and net assets	<u>\$ 10,046,652</u>	<u>\$ 10,046,652</u>	<u>\$ 683,117</u>

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2009**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions		Changes in Net Assets		
			Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Total	
<b>Primary government:</b>							
Governmental activities:							
General government	\$ 1,298,846	\$ 163,502	\$ 650	\$ 2,510	\$ (1,132,184)	\$ (1,132,184)	\$ -
Public safety	1,010,773	220,804	57,435	-	(732,534)	(732,534)	-
Public works	1,264,840	141,299	192,276	-	(931,265)	(931,265)	-
Public health	703,063	31,770	184,739	-	(486,554)	(486,554)	-
Social and economic services	129,095	16,916	7	160,742	48,570	48,570	-
Culture and recreation	149,583	-	-	-	(149,583)	(149,583)	-
Housing and community development	13,690	-	13,201	-	(489)	(489)	-
Debt service - interest	83,038	-	-	-	(83,038)	(83,038)	-
Miscellaneous	166,007	-	-	-	(166,007)	(166,007)	-
<b>Total governmental activities</b>	<b>\$ 4,818,935</b>	<b>\$ 574,291</b>	<b>\$ 448,308</b>	<b>\$ 163,252</b>	<b>\$ (3,633,084)</b>	<b>\$ (3,633,084)</b>	<b>\$ -</b>
<b>Total primary government</b>	<b>\$ 4,818,935</b>	<b>\$ 574,291</b>	<b>\$ 448,308</b>	<b>\$ 163,252</b>	<b>\$ (3,633,084)</b>	<b>\$ (3,633,084)</b>	<b>\$ -</b>
Component units:							
Pondera Regional Port Authority	\$ 52,729	\$ -	\$ 20,962	\$ -	\$ -	\$ -	\$ (31,767)
<b>Total component units</b>	<b>\$ 52,729</b>	<b>\$ -</b>	<b>\$ 20,962</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (31,767)</b>
General Revenues:							
Property taxes for general purposes			\$ -	\$ -	\$ 2,391,768	\$ 2,391,768	\$ 50,099
Video poker apportionment					2,275	2,275	-
Miscellaneous					46,842	46,842	100
Interest/investment earnings					69,666	69,666	23,139
PILT					295,973	295,973	-
Montana oil and gas production tax					256,582	256,582	-
State entitlement					376,563	376,563	-
Grants and entitlements not restricted to specific programs					3,250	3,250	18,819
Intergovernmental agreement					24,457	24,457	-
Reimbursements					194,212	194,212	-
Royalties					19,746	19,746	-
Gain (loss) on sale of capital assets					586,723	586,723	-
<b>Total general revenues, special items and transfers</b>					<b>\$ 4,268,057</b>	<b>\$ 4,268,057</b>	<b>\$ 92,157</b>
Change in net assets					634,973	634,973	60,390
Net assets - beginning							610,213
Restatements							(1,755)
Net assets - beginning - restated							608,458
Net assets - end							668,848

See accompanying Notes to the Financial Statements

Pondera County, Montana  
Balance Sheet  
Governmental Funds  
June 30, 2009

	General Fund	Road	Bridge	Public Safety	DES Grants	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Current assets:							
Cash and investments	\$ 573,416	\$ 524,825	\$ 218,911	\$ 505,361	\$ 74,398	\$ 1,774,482	\$ 3,671,393
Taxes and assessments receivable, net	107,787	60,110	38,762	44,815	-	150,734	402,208
Accounts receivable - net	-	-	-	-	-	33,777	33,777
Total current assets	\$ 681,203	\$ 584,935	\$ 257,673	\$ 550,176	\$ 74,398	\$ 1,958,993	\$ 4,107,378
Noncurrent assets:							
Advances to other funds	\$ 68,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,736
Total noncurrent assets	\$ 68,736	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,736
Total assets	\$ 749,939	\$ 584,935	\$ 257,673	\$ 550,176	\$ 74,398	\$ 1,958,993	\$ 4,176,114
<b>LIABILITIES</b>							
Current liabilities:							
Warrants payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 222	\$ 222
Accounts payable	-	-	-	-	-	11	11
Accrued payables	-	-	-	-	-	407	407
Accrued payroll	43,407	19,291	5,354	34,808	377	18,132	121,369
Revenues collected in advance	-	-	-	-	74,398	48,050	122,448
Deferred revenue	107,787	60,110	38,762	44,815	-	151,008	402,482
Total current liabilities	\$ 151,194	\$ 79,401	\$ 44,116	\$ 79,623	\$ 74,775	\$ 217,830	\$ 646,939
Noncurrent liabilities:							
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,736	\$ 68,736
Total noncurrent liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 68,736	\$ 68,736
Total liabilities	\$ 151,194	\$ 79,401	\$ 44,116	\$ 79,623	\$ 74,775	\$ 286,566	\$ 715,675
<b>FUND BALANCES</b>							
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 193,471	\$ 193,471
Reserved for capital projects	-	-	-	-	-	562,180	562,180
Reserved for other purposes	-	-	-	-	-	26,037	26,037
Unreserved reported in general fund	598,745	-	-	-	-	-	598,745
Unreserved reported in special revenue funds	-	505,534	213,557	470,553	(377)	890,739	2,080,006
Total fund balance	\$ 598,745	\$ 505,534	\$ 213,557	\$ 470,553	\$ (377)	\$ 1,672,427	\$ 3,460,439
Total liabilities and fund balance	\$ 749,939	\$ 584,935	\$ 257,673	\$ 550,176	\$ 74,398	\$ 1,958,993	\$ 4,176,114

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, 2009**

<b>Total fund balances - governmental funds</b>	\$ 3,460,439
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,939,274
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.	402,482
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,676,496)
<b>Total net assets - governmental activities</b>	<u>\$ 7,125,699</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, 2009**

	General Fund	Road	Bridge	Public Safety	DES Grants	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes and assessments	\$ 475,367	\$ 312,555	\$ 248,887	\$ 493,805	\$ -	\$ 834,600	\$ 2,365,214
Licenses and permits	30	-	-	-	-	-	30
Intergovernmental	310,634	451,304	48,574	85,355	35,901	842,791	1,774,559
Charges for services	136,179	-	-	110,010	-	59,258	305,447
Fines and forfeitures	35,982	-	-	6,034	-	6,034	42,016
Miscellaneous	16,302	6,644	3,445	5,823	157	250,951	283,322
Investment earnings	50,272	-	-	-	-	19,775	70,047
Total revenues	\$ 1,024,766	\$ 770,503	\$ 300,906	\$ 694,993	\$ 36,058	\$ 2,013,409	\$ 4,840,635
<b>EXPENDITURES</b>							
General government	\$ 957,896	\$ -	\$ -	\$ -	\$ -	\$ 283,555	\$ 1,241,451
Public safety	51,163	-	-	759,075	16,540	110,476	937,254
Public works	-	481,142	194,029	-	-	161,566	836,737
Public health	115,248	-	-	-	-	331,713	446,961
Social and economic services	20,781	-	-	-	-	108,314	129,095
Culture and recreation	1,260	-	-	-	-	148,323	149,583
Housing and community development	-	-	-	-	-	13,690	13,690
Debt service - principal	4,077	34,048	30,594	-	-	206,342	275,061
Debt service - interest	2,360	14,151	13,513	-	-	53,014	83,038
Miscellaneous	-	-	-	-	-	166,007	166,007
Capital outlay	72,478	546,276	521,530	-	-	362,390	1,502,674
Total expenditures	\$ 1,225,263	\$ 1,075,617	\$ 759,660	\$ 759,075	\$ 16,540	\$ 1,945,390	\$ 5,781,551
Excess (deficiency) of revenues over expenditures	\$ (200,497)	\$ (305,114)	\$ (458,760)	\$ (64,082)	\$ 19,518	\$ 68,019	\$ (940,916)
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds of general long term debt	\$ 89,550	\$ 546,276	\$ 521,530	\$ -	\$ -	\$ -	\$ 1,157,356
Proceeds from the sale of general capital asset disposition	75,000	1,050	1,050	-	-	-	77,100
Transfers in	944	-	-	-	-	119,632	120,576
Transfers out	(1,850)	(50,000)	(50,000)	-	-	(18,726)	(120,576)
Total other financing sources (uses)	\$ 163,644	\$ 497,326	\$ 472,580	\$ -	\$ -	\$ 100,906	\$ 1,234,456
Net Change in Fund Balance	\$ (36,853)	\$ 192,212	\$ 13,820	\$ (64,082)	\$ 19,518	\$ 168,925	\$ 293,540
Fund balances - beginning	\$ 635,598	\$ 313,322	\$ 199,737	\$ 534,635	\$ 50,528	\$ 1,553,144	\$ 3,286,964
Restatements	-	-	-	-	(70,423)	(49,642)	(120,065)
Fund balances - beginning, restated	\$ 635,598	\$ 313,322	\$ 199,737	\$ 534,635	\$ (19,895)	\$ 1,503,502	\$ 3,166,899
Fund balance - ending	\$ 598,745	\$ 505,534	\$ 213,557	\$ 470,553	\$ (377)	\$ 1,672,427	\$ 3,460,439

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, 2009**

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

**Net change in fund balances - total governmental funds** \$ 293,540

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 1,502,674
- Depreciation expense (802,515)

In the Statement of Activities, the loss or gain on the sale or disposal of capital assets is recognized. The fund financial statements recognize only the proceeds from the sale of these assets:

- Proceeds from the sale of capital assets (77,100)
- Gain on the sale of capital assets 586,723

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) 26,550

The change in compensated absences is shown as an expense in the Statement of Activities

(12,604)

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 275,061

Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets:

- Proceeds from the sale of long-term debt (1,157,356)

**Change in net assets - Statement of Activities** \$ 634,973

See accompanying Notes to the Financial Statements

**Pondera County, Montana**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
**June 30, 2009**

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and short-term investments	\$ 11,382,465	\$ 514,252
Receivables:		
Taxes	-	930,428
Protested taxes sent to the state	-	(9,111)
Total receivables	<u>-</u>	<u>921,317</u>
Land Acquired by tax deed	-	317
Total assets	<u>\$ 11,382,465</u>	<u>\$ 1,435,886</u>
<b>LIABILITIES</b>		
Warrants payable	\$ -	\$ 220,944
Due to others	-	1,214,942
Total liabilities	<u>\$ -</u>	<u>\$ 1,435,886</u>
Assets held in trust	<u>\$ 11,382,465</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, 2009**

		<b>Investment Trust Funds</b>
<b>ADDITIONS</b>		
Contributions to Investment Trust Fund	\$	19,927,984
Interest and change in fair value of investments		293,058
Total additions	\$	20,221,042
 <b>DEDUCTIONS</b>		
Distributions from investment trust fund	\$	14,991,989
Total deductions	\$	14,991,989
Change in net assets	\$	5,229,053
 Net Assets - Beginning of the year	 \$	 6,153,412
Net Assets - Beginning of the year - Restated	\$	6,153,412
 Net Assets - End of the year	 \$	 11,382,465

See accompanying Notes to the Financial Statements

**Pondera Medical Center, Pondera County, Montana**  
**Balance Sheet**  
**December 31, 2008**

<b>ASSETS</b>		<b>LIABILITIES AND NET ASSETS</b>	
Current Assets		<b>CURRENT LIABILITIES</b>	
Cash and equivalents	\$ 604,840	Current liabilities	\$ 308,584
Certificates of deposit	174,101	Accounts payable	
Receivables		Trade	383,884
uncollectibles of \$879,000 in 2008 and \$1,066,000 in 2007	1,388,273	Accrued expenses	
Estimated third-party payor settlements	218,367	Vacation	319,573
Other	388,773	Salaries and wages	301,501
Supplies	303,727	Payroll taxes and other	188,530
Prepaid expenses	57,148	Litigation	50,000
Total current assets	<u>\$ 3,135,229</u>	Interest	18,053
		Total current liabilities	<u>\$ 1,570,125</u>
<b>ASSETS LIMITED AS TO USE</b>		<b>LONG-TERM DEBT, less current maturities</b>	<b>\$ 1,448,092</b>
By Board for capital improvements and equipment purchases	\$ 7,000		
<b>CAPITAL ASSETS, net</b>	<u>\$ 3,369,627</u>	Total liabilities	<u>\$ 3,018,217</u>
<b>OTHER ASSETS</b>		<b>NET ASSETS</b>	
Deferred financing costs, net	\$ 32,575	Invested in capital assets, net of related debt	\$ 1,645,526
Other assets	2,972	Restricted	
Total other assets	<u>35,547</u>	Expendable for capital acquisitions	45,373
Total assets	<u>\$ 6,547,403</u>	Unrestricted	1,838,287
		Total net assets	<u>\$ 3,529,186</u>
		Total liabilities and net assets	<u>\$ 6,547,403</u>

**Pondera Medical Center, Pondera County, Montana**  
**Statements of Revenues, Expenses and Changes in Net Assets**  
**Year Ended December 31, 2008**

**Operating Revenue**

Net patient and resident service revenue	\$ 10,062,146
(net of provision for bad checks of \$206,500 in 2008 and \$424,092 in 2007)	
Other revenue	79,084
Total operating revenue	\$ 10,141,230

**EXPENSES**

Professional care of patients and residents	\$ 6,599,315
General and administrative	2,362,549
Property and household	739,546
Depreciation and amortization	580,101
Dietary	508,271
Total expenses	\$ 10,789,782

**OPERATING LOSS** \$ (648,552)

**NON-OPERATING REVENUE (EXPENSE)**

Bond payment funds from County	\$ 149,123
Intergovernmental transfer	59,635
Levied funds from County	122,412
Grants	17,249
Interest income, including finance charges	35,169
Unrestricted contributions	2,790
Gain on sale of equipment	1,000
Interest expense	(48,635)
Total non-operating revenue (expense)	\$ 338,743

**EXCESS OF EXPENSES OVER REVENUE BEFORE CAPITAL GRANTS AND RESTRICTED CONTRIBUTIONS** \$ (309,809)

**CAPITAL GRANTS AND CONTRIBUTIONS** 46,699

**RESTRICTED CONTRIBUTIONS** 26,799

**INCREASE (DECREASE) IN NET ASSETS** \$ (236,311)

**NET ASSETS, BEGINNING OF YEAR** \$ 3,765,497

**NET ASSETS, END OF YEAR** \$ 3,529,186

See Notes to Financial Statements

PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

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

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

**Financial Reporting Entity**

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

*Primary Government*

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

*Discretely Presented Component Units*

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The 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, 2008, year end. See Note 17 for detailed footnotes related to Pondera Medical Center.



PONDERA COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2009

Pondera Regional Port Authority

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

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

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

*Basis of Presentation*

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function. The County does not charge indirect expenses to programs or functions. The types of transactions reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) operating grants and contributions, and 3) capital grants and contributions. Revenues that are not classified as program revenues, including all property taxes, are presented as general revenues.

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

*Measurement Focus and Basis of Accounting*

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-type 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.

