

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2010

AUDIT REPORT

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

PONDERA COUNTY, MONTANA

Fiscal Year Ended June 30, 2010

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PONDERA COUNTY, MONTANA

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PONDERA COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2010

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 May

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

Pondera County, Montana
Management Discussion and Analysis (MD&A)
Fiscal Year 2009-10

Our discussion and analysis of Pondera County's financial performance provides an overview of Fiscal Year 2009-2010 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 48.26% compared to the prior fiscal year. This reduction coupled with the prior year reduction of 40.75% has had a significant impact on all budget areas.
- The eight maintainers (motor graders) leased in FY 08, have been problematic with repair issues, but an extended warranty agreement was arranged which stabilized repair costs. The maintainers are financed and payments appropriated in the budget.
- The road and bridge departments purchased a pad foot roller (\$23,500), a used pickup (\$1,500), replacement culverts and cattle guards (\$19,657); 2 rotary levels (\$2,100), 6 Mobile Radios and 2 bases (\$4,359) and shop repairs (\$ 2,709).
- While acres remained the same, the amount of the Pondera County PILT Payment decreased by \$70,992 due to the negative impact of federal prior year payments. The 2009 Budget reflected both the additional amount received in November 2008 (\$81,962) and the full payment in June of 2009 of \$214,011 so the net impact to the FY10 budget was \$152,954 less. This reduction in PILT funds negatively impacted the Road Department and the Community/Senior Center updates.
- Forest Reserve payments remained the same as the prior fiscal year. Since Pondera County's payment exceeded \$100,000, 15% of the total payment had to be designated to either Title II or Title III program. Pondera County chose to designate to Title III early in the fiscal year. Since these funds are forwarded to the county but must be segregated and used only for federally approved projects, any unused dollars will ultimately need to be returned to the Federal government. Titles III designated funds, used or not, negatively impact the county budget in that they are included in prior year federal payments and reduce current year PILT payments.
- The emergency snow removal cost was \$102,249, which was significant given that we no longer receive revenue from the US Air Force for these activities.
- 18 miles of road were re-built or re-graveled with approximately 27,321 yards of gravel at a cost of \$38,898. This amount is less than fiscal year 2009. Pondera County also purchased 2,500 tons of chips at a cost of \$25,000 along with hot and cold mix asphalt for \$51,090.

- Fuel costs remained relatively stable with minimal impact on all areas of the budget, especially Road and Bridge Departments
- Oil and Gas Revenues decreased 51.17% in Fiscal year 2010.
- 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 Use Prevention.
- 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 is rehabilitating an old retail sales building to be used for a new Community/Senior Center. In addition to the \$147,656 we received as a result of Montana HB645, we also received \$200,000 in an Energy Efficiency Community Block Grant and \$450,000 in a CDBG grant
- The Pondera Regional Port Authority was 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 is appropriate, the loan is forgiven and treated as a grant (transfer). 2010 is the fourth 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 one public safety vehicle.
- Local Option tax revenue remained stable, actually increasing \$619 from the prior fiscal year.
- With an increase of less than 1% (\$497), Federal Mineral Royalties remained relatively constant in FY10.
- 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:

	<u>FY 2009-10</u>	<u>Post Audit</u>
	<u>Governmental</u>	<u>FY 2008-09</u>
	<u>Activities</u>	<u>Governmental</u>
		<u>Activities</u>
Current and other assets	\$ 4,177,694	\$ 4,107,378
Capital assets	<u>5,469,342</u>	<u>5,939,274</u>
Total assets	<u>\$ 9,647,036</u>	<u>\$10,046,652</u>
Long-term debt outstanding	\$ 2,026,830	\$ 2,676,496
Other liabilities	<u>685,669</u>	<u>244,457</u>
Total liabilities	<u>\$ 2,712,499</u>	<u>\$ 2,920,953</u>
Net assets:		
Invested in capital assets net of related debt	\$ 3,295,863	\$ 3,508,472
Restricted	2,971,035	2,861,694
Unrestricted	<u>667,634</u>	<u>755,533</u>
Total net assets	<u>\$ 6,934,537</u>	<u>\$ 7,125,699</u>

Government-wide STATEMENT OF ACTIVITIES

	<u>FY2009-10</u>	<u>Post Audit</u>
	<u>Governmental</u>	<u>FY2008-09</u>
	<u>Activities</u>	<u>Governmental</u>
		<u>Activities</u>
<u>Program Revenues</u>		
Charges for Services	\$ 561,325	\$ 574,291
Operating Grants and Contributions	241,253	448,308
Capital Grants and Contributions	<u>519,817</u>	<u>163,252</u>
Total Program Revenues	<u>\$ 1,322,395</u>	<u>\$ 1,185,851</u>
<u>General Revenues</u>		
Property Taxes	\$ 2,531,434	\$ 2,391,768
Video Poker Apportionment	2,325	2,275
Miscellaneous	25,929	46,842
Interest/Investment Earnings	48,209	69,666
PILT	143,019	295,973
MT Oil and Gas Production Tax	125,330	256,582
State Entitlement	388,128	376,563
Grants & Entitlements not restricted to specific programs	105,865	3,250
Intergovernmental Agreement	14,963	24,457
Reimbursements	99,044	194,212
Royalties	7,419	19,746
Gain (Loss) on disposal of capital assets	<u>14,000</u>	<u>-</u>
Total General Revenues	<u>\$ 3,505,665</u>	<u>\$ 3,681,334</u>
Total Revenues	<u>\$ 4,828,060</u>	<u>\$ 4,867,185</u>

Government-wide STATEMENT OF ACTIVITIES (continued)	<u>FY2009-10</u>	<u>Post Audit</u> <u>FY2008-09</u>
<u>Program Expenses by Function</u>	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>
General Government	\$ 1,348,813	\$ 1,298,846
Public Safety	993,319	1,010,773
Public Works	1,571,409	1,264,840
Public Health	667,889	703,063
Social & Economic Services	121,738	129,095
Culture & Recreation	154,523	149,583
Housing & Community Development	35,612	13,690
Debt Service Interest	96,943	83,038
Miscellaneous	<u>183,260</u>	<u>166,007</u>
Total Expenses	\$ <u>5,173,506</u>	\$ <u>4,818,935</u>
Excess (deficiency) before special items & transfers	\$ (345,466)	\$ 48,250
Gain on sale of capital assets	-	<u>586,723</u>
Changes in net assets	<u>\$ (345,466)</u>	<u>\$ 634,973</u>

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 \$5,173,506, compared to \$4,818,935 for fiscal year 2008-09 as found in the Statement of Activities, an increase of \$459,142 or approximately 9%. The increase was due to the general costs of doing business as well as the award of grants for Homeland Security (\$89,000), Homeland Security Emergency Operations' Plan (\$10,000), asphalt remediation (\$38,500), transfers to capital improvement fund (\$120,000), HB645 Stimulus funding grant of \$74,000, H1N1 Preparedness grant of \$30,000, upgrades to the 9-1-1 system (\$50,000), more activity in the Neighborhood Stabilization grant program (\$29,449) and the Growth Plan (\$5,000). The County paid \$7,000 more in SID's this year in FY2009-10; debt service payments increased by \$60,000 due to initial payments for the motor graders and on the intercap loan for the community center (\$64,000) and near-completion of an access road to the interstate exchange. As shown on the same statement, the amount that our taxpayers ultimately financed for these activities through county taxes was only \$2,531,434, up by \$139,666 from \$2,391,768 in fiscal year 2008-09, partially as a result of a correction of the calculation error in the Determination of Tax Revenue worksheet from FY2008-09. Some of the costs were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating grants. Other revenues were derived from investment earnings, entitlement reimbursements, loans and other miscellaneous charges. Cash carryovers from the prior fiscal year (reserves) were utilized as well.

The County's programs net costs are presented below:

Net Program Expenses by Function:

<u>Governmental Activities</u>	<u>FY2009-10</u> <u>Net Expense</u>	<u>Post Audit</u> <u>FY2008-09</u> <u>Net Expense</u>
General Government	\$ 1,348,813	\$ (1,132,184)
Public Safety	993,319	(732,534)
Public Works	1,571,409	(931,265)
Public Health	667,889	(486,554)
Social & Economic Services	121,738	48,570
Culture & Recreation	154,523	(149,583)
Housing & Community Development	35,612	(489)
Debt Service Interest	96,943	(83,038)
Miscellaneous	183,260	(166,007)
Total Net Expenses	<u>\$ 5,173,506</u>	<u>\$ (3,633,084)</u>

Unreserved Fund Balance Analysis (Major Funds)

	<u>General</u>	<u>Road</u>	<u>Public</u> <u>Safety</u>	<u>DES</u> <u>Grant</u>	<u>Road/Bridge</u> <u>Equip Purch</u>
Unreserved Fund Balance – Current Year	526,189	592,786	478,115	26,770	473,130
Unreserved Fund Balance – Prior Year	645,584	584,355	505,416	-	309,622
Change in unreserved fund balance	-119,195	-8,431	-27,301	26,770	163,508
% change in unreserved fund balance	-18.46%	-1.49%	-5.40%	100.00%	52.8%

The decrease in the unreserved fund balance in the General Fund is due to a decrease in revenue from PILT funding which was shared by the General Fund and Road fund in FY2008-09 but receipted to only the Road Fund in FY2009-10 (\$72,556); revenue from non-tax sources was also down from the previous year, notably the receipt of an Intercap Loan (\$89,550) and the sale of the old community center (\$75,000) in fiscal year 2008-09.

The decreases in the Road and Public Safety Funds are a result of transfers from these operating funds to their corresponding capital improvement funds

The increase in the DES Grant Fund is due to additional funding and expenditures under the H1N1 flu prevention program; thus, diminishing the expenditures from the emergency preparedness funding within the same grant.

The increase in the Road/Bridge Equipment Purchase is due to transfers from the Road Fund and Bridge Fund, which is offset by the decrease in the Road Operating fund and the purchase of equipment being deferred to the 2010-11 fiscal year.

Revenue Budget to Actual Variances:

<u>General Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	1,133,168	1,079,534	(53,634)	(4.73)%

There was a variation between the final budget amount and actual amount of revenue received in the General Fund of \$58,634 for a (5.15)% variance. The County budgeted for \$53,162 of PILT funding in the general fund but not receipt that portion to the general fund because the PILT payment was lower than in past year and was all receipted to the Road Fund. In addition, investment earnings, oil and gas production revenue and other miscellaneous funding were over budgeted.

<u>Road Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	723,703	701,275	(22,428)	(3.19)%

There was a variation between the final budget amount and actual amount of revenue received in the Road Fund of \$(22,428) for a (3.09)% variance. The County over budgeted for PILT and Forest Reserve Act funds by \$22,243 (both were impacted by the American Recovery and Reinvestment Act of 2009) and the for the oil and gas production tax (which is a large variable each year) by \$12,845.

Public Safety

<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	763,006	781,248	18,242	.80%

County under-budgeted local option tax by \$12,524.

DES Grants

<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	82,959	83,048	89	.10%

County under-budgeted by \$89 for grant award amount.

Road/Bridge Equipment Purchase

<u>Fund:</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variation</u>	<u>% Variance</u>
	0	156,455	(156,455)	(100)%

County under-budgeted by \$156,455 for transfers from the Road Fund and the Bridge Fund. The intent was to purchase equipment from operating funds by year-end but since that did not happen, a transfer was made to the capital improvement fund.

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 decreased its long term debt by \$257,323.

Capital Assets

The purchase of new assets, sale of assets, depreciation and other factors resulted in the current value of Pondera County net capital assets as of June 30, 2010 of \$5,469,342. In addition, the County continues with its construction in progress project at the community/senior center.

Capital asset 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 2010-2011 Taxable Valuation increased slightly in Pondera County from \$13,249,990 to 13,361,116. The value of a county-wide mill increases from \$13,249 to \$13,361. The FY11 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, 2011, is that of a Fourth Class County.

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

The Conrad Community/Senior Center reconstruction should be completed in FY11. While the bulk of the remodel funding has been from grants, there will be ongoing maintenance expenses once the building is occupied. These costs will be offset in part with rental income, but will need to become part of future budgets.

The cost of fuel will need to be monitored for impacts on future budgets, especially in the areas of Road, Bridge, and Public Safety.

Airport contracts are being renegotiated to secure revenue. The farmland lease at the Conrad Airport went from a crop share to cash based rent and the lease in Valier is patterned the same way.

The new road to access the Northern I15 interchange was completed late in the summer of 2010 and we have an agreement in place to purchase the Right of Way.

Group Health Insurance costs remain relatively stable without changing providers.

The school districts in the County did not hold any levy elections in FY2010.

While aiming for a 33% reserve in all funds, reserve amounts range from 11.7% (ambulance) to 31.5% (road). Our goal remains to achieve the 33% reserve in all funds.

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

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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Pondera County
Conrad, Montana

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Pondera County, Montana, as of and for the year ended June 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pondera County management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Pondera Medical Center, which represent 86.14%, 78.04%, and 97.86% respectively, of the assets and net assets as of December 31, 2009, and revenues for the year then ended of the discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for 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 the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Pondera County, Pondera County, Montana, as of June 30, 2010, 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 \$558,375. 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 \$2,106,616.

As described in Note 1, the County has implemented the Post Retirement Benefits other than Pensions, as required by the provisions of GASB Statement No. 45, as of June 30, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2011, 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and schedule of funding for other post employment benefits other than pensions on pages 2 through 9, and 54 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of Americas, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of Pondera County, Pondera County, Montana. The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Dexning, Downey and Associates, CPA's, P.C.

March 31, 2011

Pondera County, Montana
Statement of Net Assets
June 30, 2010

	<u>Governmental Activities</u>	<u>Total</u>	<u>Component Unit Pondera Regional Port Authority</u>
ASSETS			
Current assets:			
Cash and investments	\$ 3,722,404	\$ 3,722,404	\$ 227,672
Taxes and assessments receivable, net	324,927	324,927	7,781
Accounts receivable - net	3,468	3,468	-
Notes and loans receivable	-	-	404,917
Due from other governments	27,395	27,395	125,145
Inventories	99,500	99,500	107,197
Total current assets	<u>\$ 4,177,694</u>	<u>\$ 4,177,694</u>	<u>\$ 872,712</u>
Noncurrent assets			
Capital assets - land	\$ 238,609	\$ 238,609	\$ 70,810
Capital assets - construction in progress	135,638	135,638	-
Capital assets - depreciable, net	5,095,095	5,095,095	-
Total noncurrent assets	<u>\$ 5,469,342</u>	<u>\$ 5,469,342</u>	<u>\$ 70,810</u>
Total assets	<u><u>\$ 9,647,036</u></u>	<u><u>\$ 9,647,036</u></u>	<u><u>\$ 943,522</u></u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 234	\$ 234	\$ -
Accounts payable	30,371	30,371	92,479
Accrued payroll	36,401	36,401	1,209
Revenues collected in advance	189,037	189,037	-
Current portion of long-term liabilities	-	-	1,284
Current portion of long-term capital liabilities	267,235	267,235	-
Current portion of compensated absences payable	162,391	162,391	-
Total current liabilities	<u>\$ 685,669</u>	<u>\$ 685,669</u>	<u>\$ 94,972</u>
Noncurrent liabilities			
Noncurrent portion of long-term liabilities	\$ 19,933	\$ 19,933	\$ -
Noncurrent portion of long-term capital liabilities	1,906,244	1,906,244	-
Noncurrent portion of compensated absences	100,653	100,653	-
Total noncurrent liabilities	<u>\$ 2,026,830</u>	<u>\$ 2,026,830</u>	<u>\$ -</u>
Total liabilities	<u><u>\$ 2,712,499</u></u>	<u><u>\$ 2,712,499</u></u>	<u><u>\$ 94,972</u></u>
NET ASSETS			
Invested in capital assets, net of related debt	\$ 3,295,863	\$ 3,295,863	\$ 178,007
Restricted by donors for specific purposes	26,863	26,863	-
Restricted for capital projects	717,568	717,568	-
Restricted for debt service	147,483	147,483	-
Restricted for special projects	2,079,121	2,079,121	-
Unrestricted	667,639	667,639	670,543
Total net assets	<u>\$ 6,934,537</u>	<u>\$ 6,934,537</u>	<u>\$ 848,550</u>
Total liabilities and net assets	<u><u>\$ 9,647,036</u></u>	<u><u>\$ 9,647,036</u></u>	<u><u>\$ 943,522</u></u>

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions		Governmental Activities	Total	
			Capital Grants and Contributions	Primary Government			
Primary government:							
Governmental activities:							
General government	\$ 1,348,813	\$ 165,761	\$ 305	\$ 74,696	\$ (1,108,051)	\$ -	
Public safety	993,319	231,747	114,799	89,488	(557,285)	(557,285)	
Public works	1,571,409	108,658	2,286	-	(1,460,465)	(1,460,465)	
Public health	667,889	39,499	117,900	-	(510,490)	(510,490)	
Social and economic services	121,738	15,660	49	355,633	249,604	249,604	
Culture and recreation	154,523	-	-	-	(154,523)	(154,523)	
Housing and community development	35,612	-	5,914	-	(29,698)	(29,698)	
Debt service - interest	96,943	-	-	-	(96,943)	(96,943)	
Miscellaneous	183,260	-	-	-	(183,260)	(183,260)	
Total governmental activities	\$ 5,173,506	\$ 561,325	\$ 241,253	\$ 519,817	\$ (3,851,111)	\$ (3,851,111)	
Total primary government	\$ 5,173,506	\$ 561,325	\$ 241,253	\$ 519,817	\$ (3,851,111)	\$ (3,851,111)	
Component units:							
Pondera Regional Port Authority	\$ 62,762	\$ -	\$ 162,316	\$ -	\$ -	\$ -	99,554
Total component units	\$ 62,762	\$ -	\$ 162,316	\$ -	\$ -	\$ -	99,554
General Revenues:							
Property taxes for general purposes				\$ -	\$ 2,531,434	\$ 2,531,434	55,282
Video poker apportionment					2,325	2,325	-
Miscellaneous					25,929	25,929	3,552
Interest/investment earnings					48,209	48,209	21,314
PILT					143,019	143,019	-
Montana oil and gas production tax					125,330	125,330	-
State entitlement					388,128	388,128	-
Grants and entitlements not restricted to specific programs					105,865	105,865	-
Intergovernmental agreement					14,963	14,963	-
Reimbursements					99,044	99,044	-
Royalties					7,419	7,419	-
Gain (loss) on sale of capital assets					14,000	14,000	-
Total general revenues, special items and transfers					\$ 3,505,665	\$ 3,505,665	\$ 80,148
Change in net assets					\$ (345,446)	\$ (345,446)	\$ 179,702
Net assets - beginning					\$ 7,125,699	\$ 7,125,699	\$ 668,848
Restatements					154,284	154,284	-
Net assets - beginning - restated					7,279,983	7,279,983	668,848
Net assets - end					\$ 6,934,537	\$ 6,934,537	\$ 848,550

See accompanying Notes to the Financial Statements

Pondera County, Montana
Balance Sheet
Governmental Funds
June 30, 2010

	General Fund	Road	Public Safety	DES Grants	Road/Bridge Equip Purchase	Other Governmental Funds	Total Governmental Funds
ASSETS							
Current assets:							
Cash and investments	\$ 494,388	\$ 523,510	\$ 486,283	\$ 109,168	\$ 473,130	\$ 1,635,925	\$ 3,722,404
Taxes and assessments receivable, net	89,594	46,440	45,365	-	-	143,528	324,927
Accounts receivable - net	-	-	-	-	-	3,468	3,468
Due from other funds	16,364	-	-	-	-	-	16,364
Due from other governments	8,868	-	-	-	-	18,527	27,395
Inventories	-	84,500	5,000	-	-	10,000	99,500
Total current assets	\$ 609,214	\$ 654,450	\$ 536,648	\$ 109,168	\$ 473,130	\$ 1,811,448	\$ 4,194,058
Noncurrent assets:							
Advances to other funds	\$ 25,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,163
Total noncurrent assets	\$ 25,163	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,163
Total assets	\$ 634,377	\$ 654,450	\$ 536,648	\$ 109,168	\$ 473,130	\$ 1,811,448	\$ 4,219,221
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 12	\$ -	\$ -	\$ -	\$ -	\$ 222	\$ 234
Accounts payable	4,497	9,859	3,677	8,000	-	4,338	30,371
Accrued payroll	14,085	5,365	9,491	-	-	7,460	36,401
Due to other funds	-	-	-	-	-	16,364	16,364
Revenues collected in advance	-	-	-	74,398	-	114,639	189,037
Deferred revenue	89,594	46,440	45,365	-	-	143,528	324,927
Total current liabilities	\$ 108,188	\$ 61,664	\$ 58,533	\$ 82,398	\$ -	\$ 286,551	\$ 597,334
Noncurrent liabilities:							
Advances payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,163	\$ 25,163
Total noncurrent liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 25,163	\$ 25,163
Total liabilities	\$ 108,188	\$ 61,664	\$ 58,533	\$ 82,398	\$ -	\$ 311,714	\$ 622,497
FUND BALANCES							
Reserved for inventories	\$ -	\$ 84,500	\$ 5,000	\$ -	\$ -	\$ 10,000	\$ 99,500
Reserved for debt service	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 147,483	\$ 147,483
Reserved for capital projects	\$ -	\$ -	\$ -	\$ -	\$ 473,130	\$ 244,438	\$ 717,568
Reserved for other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,863	\$ 26,863
Unreserved reported in general fund	\$ 526,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 526,189
Unreserved reported in special revenue funds	\$ -	\$ 508,286	\$ 473,115	\$ 26,770	\$ -	\$ 1,070,950	\$ 2,079,121
Total fund balance	\$ 526,189	\$ 592,786	\$ 478,115	\$ 26,770	\$ 473,130	\$ 1,499,734	\$ 3,596,724
Total liabilities and fund balance	\$ 634,377	\$ 654,450	\$ 536,648	\$ 109,168	\$ 473,130	\$ 1,811,448	\$ 4,219,221

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, 2010

Total fund balances - governmental funds	\$ 3,596,724
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,469,342
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.	324,927
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,456,456)
Total net assets - governmental activities	\$ <u>6,934,537</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, 2010

	General Fund	Road	Public Safety	DES Grants	Road/Bridge Equip Purchase	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes and assessments	\$ 632,706	\$ 348,222	\$ 595,421	\$ -	\$ -	\$ 1,038,567	\$ 2,614,916
Licenses and permits	20	-	-	-	-	-	20
Intergovernmental	215,532	346,148	76,616	83,048	-	1,043,114	1,764,458
Charges for services	149,873	-	98,816	-	-	34,355	283,044
Fines and forfeitures	35,059	-	-	-	-	2,362	37,421
Miscellaneous	8,102	6,905	10,395	-	-	117,826	143,228
Investment earnings	38,242	-	-	-	4,706	5,580	48,528
Total revenues	\$ 1,079,534	\$ 701,275	\$ 781,248	\$ 83,048	\$ 4,706	\$ 2,241,804	\$ 4,891,615
EXPENDITURES							
General government	\$ 958,693	\$ -	\$ -	\$ -	\$ -	\$ 308,046	\$ 1,266,739
Public safety	62,832	-	761,549	6,459	-	91,275	922,115
Public works	-	452,634	-	-	-	690,127	1,142,761
Public health	117,666	-	-	39,128	-	252,411	409,205
Social and economic services	7,254	-	-	-	-	114,484	121,738
Culture and recreation	1,472	-	-	-	-	153,051	154,523
Housing and community development	-	-	-	-	-	35,612	35,612
Debt service - principal	7,533	49,568	-	-	-	200,222	257,323
Debt service - interest	2,717	42,739	-	-	-	51,487	96,943
Miscellaneous	14,963	-	-	-	-	168,297	183,260
Capital outlay	26,711	41,654	-	10,691	37,050	217,289	333,395
Total expenditures	\$ 1,199,841	\$ 586,595	\$ 761,549	\$ 56,278	\$ 37,050	\$ 2,282,301	\$ 4,923,614
Excess (deficiency) of revenues over expenditures	\$ (120,307)	\$ 114,680	\$ 19,699	\$ 26,770	\$ (32,344)	\$ (40,497)	\$ (31,999)
OTHER FINANCING SOURCES (USES)							
Proceeds from the sale of general capital asset disposition	\$ 2,000	\$ -	\$ -	\$ -	\$ -	\$ 12,000	\$ 14,000
Transfers in	2,912	-	-	-	151,749	70,102	224,763
Transfers out	(3,800)	(106,249)	(47,000)	-	-	(67,714)	(224,763)
Total other financing sources (uses)	\$ 1,112	\$ (106,249)	\$ (47,000)	\$ -	\$ 151,749	\$ 14,388	\$ 14,000
Net Change in Fund Balance	\$ (119,195)	\$ 8,431	\$ (27,301)	\$ 26,770	\$ 119,405	\$ (26,109)	\$ (17,999)
Fund balances - beginning	\$ 598,745	\$ 505,534	\$ 470,553	\$ (377)	\$ 353,725	\$ 1,532,259	\$ 3,460,439
Restatements	46,639	78,821	34,863	377	-	(6,416)	154,284
Fund balances - beginning, restated	\$ 645,384	\$ 584,355	\$ 505,416	\$ -	\$ 353,725	\$ 1,525,843	\$ 3,614,723
Fund balance - ending	\$ 526,189	\$ 592,786	\$ 478,115	\$ 26,770	\$ 473,130	\$ 1,499,734	\$ 3,596,724

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, 2010

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

Net change in fund balances - total governmental funds \$ (17,999)

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 333,395
- Depreciation expense (803,327)

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) (77,555)

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

(17,350)

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 257,323

Termination benefits are shown as an expense in the Statement of Activities and not reported on the Statement of Revenues, Expenditures and Changes in Fund Balance:

- Other post employment benefits - annual required contribution (19,933)

Change in net assets - Statement of Activities \$ (345,446)

See accompanying Notes to the Financial Statements

Pondera County, Montana
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 7,165,208	\$ 1,509,482
Receivables:		
Taxes	-	787,829
Protested taxes sent to the state	-	(156,950)
Total assets	<u>\$ 7,165,208</u>	<u>\$ 2,140,361</u>
LIABILITIES		
Warrants payable	\$ -	\$ 294,712
Accounts payable	-	6,854
Due to others	-	1,838,795
Total liabilities	<u>\$ -</u>	<u>\$ 2,140,361</u>
Assets held in trust	<u>\$ 7,165,208</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, 2010

		<u>Investment Trust Funds</u>
ADDITIONS		
Contributions to Investment Trust Fund	\$	11,561,481
Interest and change in fair value of investments		136,366
Total additions	\$	<u>11,697,847</u>
DEDUCTIONS		
Distributions from investment trust fund	\$	<u>15,915,104</u>
Total deductions	\$	<u>15,915,104</u>
Change in net assets	\$	<u>(4,217,257)</u>
Net Assets - Beginning of the year	\$	11,382,465
Net Assets - End of the year	\$	<u><u>7,165,208</u></u>

See accompanying Notes to the Financial Statements

Pondera Medical Center, Pondera County, Montana
Balance Sheet
December 31, 2009

ASSETS		LIABILITIES AND NET ASSETS	
Current Assets		CURRENT LIABILITIES	
Cash and equivalents	\$ 431,296	Current liabilities	\$ 291,438
Certificates of deposit	176,860	Accounts payable	
Receivables		Trade	435,905
Patient and resident, net of estimated uncollectibles of \$792,000	1,334,140	Accrued expenses	
Estimated third-party payor settlements	228,495	Vacation	365,994
Other	368,129	Salaries and wages	294,068
Supplies	218,738	Payroll taxes and other	195,202
Prepaid expenses	56,174	Litigation	19,427
Total current assets	<u>\$ 2,813,832</u>	Interest	14,891
		Total current liabilities	<u>\$ 1,616,925</u>
ASSETS LIMITED AS TO USE		LONG-TERM DEBT, less current maturities	<u>\$ 1,232,077</u>
By Board for capital improvements and equipment purchases	<u>\$ 10,567</u>	Total liabilities	<u>\$ 2,849,002</u>
		NET ASSETS	
CAPITAL ASSETS, net	<u>\$ 3,013,154</u>	Invested in capital assets, net of related debt	\$ 1,514,333
OTHER ASSETS		Restricted	
Deferred financing costs, net	\$ 24,694	Expendable for capital acquisitions	54,771
Other assets	2,972	Unrestricted	1,447,113
Total other assets	<u>27,666</u>	Total net assets	<u>\$ 3,016,217</u>
Total assets	<u>\$ 5,865,219</u>	Total liabilities and net assets	<u>\$ 5,865,219</u>

See Notes to Financial Statements

Pondera Medical Center, Pondera County, Montana
Statements of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2009

Operating Revenue	
Net patient and resident service revenue	\$ 10,629,301
(net of provision for bad checks of \$260,847)	
Other revenue	94,580
Total operating revenue	<u>\$ 10,723,881</u>
 EXPENSES	
Professional care of patients and residents	\$ 7,172,198
General and administrative	2,537,021
Property and household	764,967
Depreciation and amortization	607,712
Dietary	532,621
Total expenses	<u>\$ 11,614,519</u>
 OPERATING LOSS	 <u>\$ (890,638)</u>
 NON-OPERATING REVENUE (EXPENSE)	
Bond payment funds from County	\$ 151,478
Levied funds from County	133,255
Intergovernmental transfer	55,095
Interest income	19,435
Grants	18,294
Unrestricted contributions	3,530
Gain on sale of equipment	-
Interest expense	(54,854)
Total non-operating revenue (expense)	<u>\$ 326,233</u>
 EXCESS OF EXPENSES OVER REVENUE BEFORE CAPITAL GRANTS AND RESTRICTED CONTRIBUTIONS	 <u>\$ (564,405)</u>
 CAPITAL GRANTS AND CONTRIBUTIONS	 19,760
 RESTRICTED CONTRIBUTIONS	 <u>31,676</u>
 INCREASE (DECREASE) IN NET ASSETS	 <u>\$ (512,969)</u>
 NET ASSETS, BEGINNING OF YEAR	 <u>\$ 3,529,186</u>
 NET ASSETS, END OF YEAR	 <u><u>\$ 3,016,217</u></u>

See Notes to Financial Statements

Pondera Medical Center, Pondera County, Montana
Statements of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2009

Operating Activities	
Receipts from and on behalf of patients and residents	\$ 10,623,736
Payments to employees	(7,240,721)
Payments to suppliers and contractors	(3,545,963)
Other receipts and payments, net	<u>94,580</u>
Net Cash used for Operating Activities	<u>(68,368)</u>
Non-Capital Financing Activities	
Levied funds from County	133,255
Intergovernmental transfer received	55,095
Non-capital contributions received	3,530
Borrowings on non-capital financing	142,635
Principal paid on non-capital financing	(142,635)
Interest paid on non-capital financing	(1,789)
Non-capital grants received	<u>18,294</u>
Net Cash from Non-Capital Financing Activities	<u>208,385</u>
Capital and Capital Related Financing Activities	
Bond payment funds from County	151,478
Restricted contributions	31,676
Capital grants and contributions	19,760
Purchases of capital assets	(144,751)
Proceeds from sale of equipment	-
Principal paid on capital debt and leases	(331,768)
Interest paid on capital debt and leases	<u>(53,065)</u>
Net Cash used for Capital and Capital Related Financing Activities	<u>(326,607)</u>
Investing Activities	
Redemptions of certificates of deposit	(176,860)
Purchases of certificates of deposit	174,101
Interest income	<u>19,435</u>
Net Cash from Investing Activities	<u>16,676</u>
Net Change in Cash and Cash Equivalents	(169,977)
Cash and Cash Equivalents at Beginning of Year	<u>611,840</u>
Cash and Cash Equivalents at end of Year	<u>\$ 441,863</u>

Pondera Medical Center, Pondera County, Montana
Statements of Revenues, Expenses and Changes in Net Assets
Year Ended December 31, 2009

Reconciliation of Cash and Cash Equivalents to the Balance Sheets	
Cash and cash equivalents in current assets	\$ 431,296
Cash and cash equivalents in assets limited as to use	<u>10,567</u>
Cash and Cash Equivalents at End of Year	<u>\$ 441,863</u>
Reconciliation of Operating Loss to Net Cash used for Operating Activities	
Operating loss	(890,638)
Adjustments to reconcile operating loss to net cash from operating activities	
Depreciation and amortization	607,712
Provision for bad debts	260,847
Changes in assets and liabilities	
Receivables	(196,198)
Supplies	84,989
Prepaid expenses	974
Accounts payable	52,021
Accrued expenses	<u>11,925</u>
Net Cash used for Operating Activities	<u>\$ (68,368)</u>
Supplemental Disclosure of Cash Flow Information	
Capital assets acquired through liability assumption	<u>\$ 98,607</u>

