

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:

	<u>FY 2008-09</u>	<u>Post Audit</u>
	<u>Governmental</u>	<u>FY 2007-08</u>
	<u>Activities</u>	<u>Governmental</u>
		<u>Activities</u>
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

	<u>FY2008-09</u>	<u>Post Audit</u>
	<u>Governmental</u>	<u>FY2007-08</u>
	<u>Activities</u>	<u>Governmental</u>
		<u>Activities</u>
<u>Program Revenues</u>		
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
<u>General Revenues</u>		
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
Total Revenues	\$ 5,453,908	\$ 4,636,552

Government-wide STATEMENT OF ACTIVITIES (continued)	<u>FY2008-09</u>	<u>Post Audit</u>
	<u>Governmental</u>	<u>FY2007-08</u>
	<u>Activities</u>	<u>Governmental</u>
		<u>Activities</u>
<u>Program Expenses by Function</u>		
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	\$ 4,818,935	\$ 4,950,659
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)
Changes in net assets	\$ 634,973	\$ (322,041)

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:

<u>Governmental Activities</u>	<u>FY2008-09</u> <u>Net Expense</u>	<u>Post Audit</u> <u>FY2007-08</u> <u>Net Expense</u>
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</u> <u>Safety</u>	<u>DES</u> <u>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

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, CPA's, 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>
ASSETS			
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>
LIABILITIES			
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>
NET ASSETS			
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	
Primary government:							
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)	-
Total governmental activities	\$ 4,818,935	\$ 574,291	\$ 448,308	\$ 163,252	\$ (3,633,084)	\$ (3,633,084)	\$ -
Total primary government	\$ 4,818,935	\$ 574,291	\$ 448,308	\$ 163,252	\$ (3,633,084)	\$ (3,633,084)	\$ -
Component units:							
Pondera Regional Port Authority	\$ 52,729	\$ -	\$ 20,962	\$ -	\$ -	\$ -	\$ (31,767)
Total component units	\$ 52,729	\$ -	\$ 20,962	\$ -	\$ -	\$ -	\$ (31,767)
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	-
Total general revenues, special items and transfers			\$ -	\$ -	\$ 4,268,057	\$ 4,268,057	\$ 92,157
Change in net assets			\$ -	\$ -	\$ 634,973	\$ 634,973	\$ 60,390
Net assets - beginning			\$ -	\$ -	\$ 6,608,257	\$ 6,608,257	\$ 610,213
Restatements					(117,531)	(117,531)	(1,755)
Net assets - beginning - restated					6,490,726	6,490,726	608,458
Net assets - end			\$ -	\$ -	\$ 7,125,699	\$ 7,125,699	\$ 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
ASSETS							
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
LIABILITIES							
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
FUND BALANCES							
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

Total fund balances - governmental funds	\$ 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)
Total net assets - governmental activities	<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
REVENUES							
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
EXPENDITURES							
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)
OTHER FINANCING SOURCES (USES)							
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>
ASSETS		
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>
LIABILITIES		
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

		Investment Trust Funds
ADDITIONS		
Contributions to Investment Trust Fund	\$	19,927,984
Interest and change in fair value of investments		293,058
Total additions	\$	20,221,042
DEDUCTIONS		
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

ASSETS		LIABILITIES AND NET ASSETS	
Current Assets		CURRENT LIABILITIES	
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>
ASSETS LIMITED AS TO USE		LONG-TERM DEBT, less current maturities	<u>\$ 1,448,092</u>
By Board for capital improvements and equipment purchases	\$ 7,000		
CAPITAL ASSETS, net	<u>\$ 3,369,627</u>	Total liabilities	<u>\$ 3,018,217</u>
OTHER ASSETS		NET ASSETS	
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	<u>\$ 10,141,230</u>

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	<u>\$ 10,789,782</u>

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)	<u>\$ 338,743</u>

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.

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

Fund Financial Statements:

Basis of Presentation

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

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

Measurement Focus and Basis of Accounting

Governmental Funds

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

The County defined the length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements to be upon receipt, except 30 days for grants. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the

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

qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The County reports the following major governmental funds:

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

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

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

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

DES Grants Fund – A special revenue fund that accounts for emergency preparedness.

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2009, are as follows:

	Primary <u>Government</u>	Pondera Regional Port Authority <u>Component Unit</u>	<u>Total</u>
<u>Cash on hand and Deposits:</u>			
Cash on Hand	\$ 32,927	\$ -	\$ 32,927
Petty Cash	300	19	319
<u>Cash in Banks:</u>			
Demand Deposits	631,387	46,425	677,812
Savings Deposits	1,381,154	213,758	1,594,912
<u>Investments:</u>			
State Short-Term Investment Pool (STIP)	8,572,338	-	8,572,338
U.S. Government Securities	1,750,000	-	1,750,000
Repurchase Agreements	<u>3,200,004</u>	<u>-</u>	<u>3,200,004</u>
Total	<u>\$15,568,110</u>	<u>\$ 260,202</u>	<u>\$15,828,312</u>

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

Repurchase Agreements

An agreement in which a governmental County (buyer-lender) transfers cash to a broker dealer or financial institution (seller-borrower); the broker-dealer or financial institution transfers securities to the County and promises to repay the cash plus interest in exchange for the same securities.

Credit Risk

Section 7-6-202, MCA, limits investments of public money of a local government in the following eligible securities:

(a) United States government treasury bills, notes and bonds and in the United States treasury obligations, such as state and local government series (SLGLS), separate trading of registered interest and principal of securities (STRIPS), or similar United States treasury obligations;

(b) United States treasury receipts in a form evidencing the holder's ownership of future interest or principal payments on specific United States treasury obligations that, in the absence of payment default by the United States, are held in a special custody account by an independent trust company in a certificate or book entry form with the federal reserve bank of New York; or

(c) Obligations of the following agencies of the United States, subject to the limitations in subsection 2 (not included):

- (i) federal home loan bank;
- (ii) federal national mortgage association;
- (iii) federal home mortgage corporation; and
- (iv) federal farm credit bank.

With the exception of the assets of a local government group self-insurance program, investments 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 in advance.

Section 7-6-205 and Section 7-6-206, MCA, state that demand deposits may be placed only in banks and Public money not necessary for immediate use by a county, city, or town that is not invested as authorize in Section 7-6-202 may be place in time or savings deposits with a bank, savings and loan association, or credit union in the state or place in repurchase agreements as authorized in Section 7-6-213.

Section 7-6-202, MCA, as amended, now limits authorized investments in certain securities that previously were permissible investments. The amendment does not apply to and does not require the sale of securities that were legal investments before the effective date of this act. However, the investments reported as collateralized mortgage obligations above are not authorized investments at the current time.

The government has no investment policy that would further limit its investment choices.

The government has the following investments and their related credit risk:

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

Short Term Investment Pool (STIP) Credit Quality ratings by the NRSRO as of June 30, 2009:

<u>Security Investment Type</u>	<u>Amortized</u> <u>Cost</u>	<u>Credit</u> <u>Quality</u> <u>Rating</u>	<u>Weighted</u> <u>Average</u> <u>Maturity</u> <u>in Days</u>
Asset Backed Commercial Paper	\$ 299,326,610	A1	23
Corporate Commercial Paper	164,976,250	A1	16
Corporate Fixed	36,474,136	A3	196
Corporate Variable-Rate	364,248,333	A3	67
Certificates of Deposit Fixed	25,000,000	A1+	360
Certificates of Deposit Variable-Rate	105,000,000	A1	62
U.S. Government Agency Fixed	140,672,204	A1+	73
U.S. Government Agency Variable-Rate	750,530,748	A1+	45
Money Market Funds (Unrated)	121,427,621	NR	1
Money Market Funds (Rated)	180,000,000	A1+	1
Structured Investment Vehicles (SIV)	<u>113,625,566</u>	D	NA
Total Investments	\$ <u>2,301,281,468</u>	A1	46
Securities Lending Collateral Investment Pool		NR	

Audited financial statements for the State of Montana's Board of Investments are available at 555 Fuller Avenue in Helena, Montana.

Custodial Credit Risk

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. All deposits are carried at cost plus accrued interest. As of June 30, 2009 the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	<u>Primary</u> <u>Government</u> <u>Balance</u>	<u>Pondera Regional</u> <u>Port Authority</u> <u>Balance</u>
Insured	\$1,138,857	\$263,216
Collateralized		
- Collateral held by the pledging bank's trust department in the County's name.	<u>1,042,329</u>	<u>-</u>
Total Deposits and Investments	<u>\$2,181,186</u>	<u>\$263,216</u>

Deposit Security

Section 7-6-207, MCA, states (1) The local governing body may require security only for that portion of the deposits which is not guaranteed or insured according to law and, as to such unguaranteed or uninsured portion, to the extent of:

(a) 50% of such deposits if the institution in which the deposit is made has a net worth of total assets ratio of 6% or more; or

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

(b) 100% if the institution in which the deposit is made has a net worth of total assets ratio of less than 6%.

The amount of collateral held for County deposits at June 30, 2009, equaled or exceeded the amount required by State statutes.

Concentration of Credit Risk

The government places no limit on the amount the County may invest in any one issuer. The government's concentration of credit risk percentages follow for each investment issued that is not issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments:

	<u>% of credit risk</u>
Repurchase Agreements	21%

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. The following is a list of individual investments as of June 30, 2009 alone with their related interest rates and maturity dates.

<u>Investment</u>	<u>Interest rate</u>	<u>Maturity dates</u>	<u>Amount</u>
Repurchase Agreement	2.20%	n/a	\$3,200,004
FNMA #31398AXS1	3.75%	8/04/2010	\$ 250,000
FFCB #31331GMV8	3.24%	2/12/1014	\$ 500,000
FHLB #31333XT3U8	3.35%	3/20/2014	\$ 500,000
FNMA #3136FHQ73	3.00%	7/08/2014	\$ 500,000

Cash and Investment Pool

The government maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments."

Investment in the Treasurer's Pools

The County Treasurer invests on behalf of most funds of the County and external participants in accordance with the County's investment policy and Montana law. The County's pools are managed by the County Treasurer. The external portion of the County's investment pools are accounted for as investment trust funds.

The County has one pooled investment trust funds, which is invested in STIP, money market, U.S. government securities and repurchase agreements. The pooled funds invested in STIP, money market, U.S. government securities and repurchase agreements are carried at fair value.

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

Non-pooled investments are also carried at fair value. The fair value of non-pooled investments is determined annually and is based on current market prices.

The County also has directed investments related to School District #10.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2009 to support the value of the shares in the pool.

As noted below State statutes limit the type of investments but provide no other regulatory oversight.

Investment Income

Income from pooled investments is allocated to the individual funds or external participants based on the fund or participant's month end cash balance in relation to total pooled investments.

Condensed statements of investments pools

The following represents a condensed statement of net assets and changes in net assets for the Treasurer's Pool as of June 30, 2009.

Statement of Net Assets

Net assets held in trust for all pool participants:	
Equity of internal pool participants	\$ 2,651,764
Equity of external pool participants	<u>11,382,465</u>
Total equity	<u>\$ 14,034,229</u>

Condensed Statement of Changes in Net Assets

	<u>External</u>	<u>Internal</u>
Investment Earnings	\$ 293,058	\$ 50,653
Contributions to Trust	19,927,984	4,419,448
Distributions Paid	<u>(14,991,989)</u>	<u>(4,918,176)</u>
Net change in net assets	<u>\$ 5,229,053</u>	<u>\$ (448,075)</u>
Net assets at beginning of year	<u>6,153,412</u>	<u>3,099,839</u>
Net assets at end of year	<u>\$ 11,382,465</u>	<u>\$ 2,651,764</u>

NOTE 3. RECEIVABLES

Property tax levies are set on or before the second Monday in August, in connection with the budget process. Real property (and certain attached personal property) taxes are billed within ten days after the third Monday in October and are due in equal installments on November 30 and the following May 31. After those dates, they become delinquent (and a lien upon the property). After three years, the County may exercise the lien and take title to the property. Special assessments are either billed in one installment due November 30 or two equal installments due November 30 and the following May 31. Personal property taxes (other than those billed with real estate) are generally billed no later than the second Monday in July (normally in May or June), based on the prior November's levies. Personal property taxes, other than mobile homes, are due thirty days after billing. Mobile home taxes are billed in two halves, the first due thirty days after

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

billing; the second due September 30. The tax billings are considered past due after the respective due dates and are subject to penalty and interest charges.

NOTE 4. INVENTORIES

The cost of inventories are recorded as an expenditure when purchased.

NOTE 5. CAPITAL ASSETS

The County's assets are capitalized at historical cost or estimated historical cost. County policy has set the capitalization threshold for reporting capital assets at \$5,000. Gifts or contributions of capital assets are recorded at fair market value when received. The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

Buildings	10-40 years
Improvements	10-20 years
Equipment	5-15 years

The Port Authority's capital assets are capitalized at historical cost or estimated historical cost. It is in the Port Authority's policy to capitalize all land purchases.

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2009 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

A summary of changes in governmental capital assets was as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Retirements/ Adjustments</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets not being depreciated:				
Land	\$ 228,609	\$ -	\$ (10,000)	\$ 218,609
Pondera Medical Center	<u>20,000</u>	<u>-</u>	<u>-</u>	<u>20,000</u>
Total capital assets not being depreciated	<u>\$ 248,609</u>	<u>\$ -</u>	<u>\$ (10,000)</u>	<u>\$ 238,609</u>
Other Capital Assets:				
Buildings	\$ 3,289,580	\$ -	\$ (38,560)	\$ 3,251,020
Improvements Other than Buildings	2,789,379	281,564	-	3,070,943
Machinery and Equipment	3,977,775	1,748,717	(1,450,525)	4,275,967
Pondera Medical Center – Building	<u>6,086,440</u>	<u>19,950</u>	<u>-</u>	<u>6,106,390</u>
Total other Capital Assets at historical cost	<u>\$ 16,143,174</u>	<u>\$2,050,231</u>	<u>\$(1,489,085)</u>	<u>\$ 16,704,320</u>
Less Accumulated Depreciation	<u>\$(11,136,415)</u>	<u>\$(802,515)</u>	<u>\$ 935,275</u>	<u>\$(11,003,655)</u>
Total	<u>\$ 5,255,368</u>	<u>\$1,247,716</u>	<u>\$ (563,810)</u>	<u>\$ 5,939,274</u>

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

Governmental activities capital assets depreciation expense was charged to functions as follows:

Governmental Activities:	
General Government	\$ 44,791
Public Safety	73,519
Public Works	428,103
Public Safety	<u>256,102</u>
Total governmental activities depreciation expense	<u>\$802,515</u>

Component Unit: Pondera Regional Port Authority

A summary of changes in the Pondera Regional Port Authority capital assets were as follows:

	<u>Balance</u> <u>July 1, 2008</u>	<u>Balance</u> <u>June 30, 2009</u>
Capital assets not being depreciated:		
Land	\$ <u>44,961</u>	\$ <u>44,961</u>

NOTE 6. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, are expensed at the date of sale.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Changes in Long-Term Debt Liabilities - During the year ended June 30, 2009, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:					
	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due within</u> <u>one year</u>
General Obligation Bonds	\$1,050,000	\$ -	\$(115,000)	\$ 935,000	\$120,000
Compensated Absences	233,090	12,604	-	245,694	157,391
Intercap Loans	498,508	89,550	(95,419)	492,639	87,755
Capital Leases	<u>528,409</u>	<u>1,067,806</u>	<u>(593,052)</u>	<u>1,003,163</u>	<u>49,672</u>
Total	<u>\$2,310,007</u>	<u>\$1,169,960</u>	<u>\$(803,471)</u>	<u>\$2,676,496</u>	<u>\$414,818</u>

In prior years the general fund was used to liquidate compensated absences and claims and judgments.

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

Component Unit: Pondera Regional Port Authority

	<u>Balance</u> <u>July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>	<u>Due within</u> <u>one year</u>
Promissory Notes	\$19,735	\$ -	\$(8,985)	\$10,750	\$ 9,465
Compensated Absences Payable	<u>1,755</u>	<u>528</u>	<u>-</u>	<u>2,283</u>	<u>1,561</u>
Total	<u>\$21,490</u>	<u>\$528</u>	<u>\$(8,985)</u>	<u>\$13,033</u>	<u>\$11,026</u>

General Obligation Bonds - The County issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the County. General obligation bonds outstanding as of June 30, 2009 were as follows:

<u>Purpose</u>	<u>Origination</u> <u>Date</u>	<u>Interest</u> <u>Rate</u>	<u>Term</u>	<u>Maturity</u> <u>Date</u>	<u>Principal</u> <u>Amount</u>	<u>Annual</u> <u>Payment</u>	<u>Balance</u> <u>June 30, 2009</u>
Tax-supported Hospital and Nursing Home Revenue Refunding Bonds, Series 2004	4/15/2004	1.7-3.85%	11 yrs	8/01/2015	\$1,415,000	Varies	\$935,000

Annual requirement to amortize debt:

<u>For Fiscal</u> <u>Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2010	\$120,000	\$29,618
2011	125,000	26,245
2012	130,000	22,385
2013	135,000	18,043
2014	135,000	13,352
2015	140,000	8,366
2016	<u>150,000</u>	<u>2,888</u>
Total	<u>\$935,000</u>	<u>\$120,897</u>

Intercap Loans

Intercap loans have variable interest rates. Interest rates are subject to change annually. Interest rates to the borrower are adjusted on February 16th of each year and are based on a spread over the interest paid on one-year term, tax-exempt bonds which are sold to fund the loans.

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

Intercept loans outstanding as of June 30, 2009 were as follows:

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Balance June 30, 2009</u>
911 Emergency Draw #1	2/26/2003	2.7-4.85%	10 yrs	2/15/2013	\$209,506	\$91,287
911 Emergency Draw #2	3/05/2004	2.7-4.85%	9 yrs	2/15/2013	69,799	33,031
911 Emergency Draw #3	6/25/2004	2.7-4.85%	8 yrs	2/15/2013	53,791	26,620
Heat-Ventilation-AC System Replace Draw 1	5/28/2004	2.7-4.85%	10 yrs	8/15/2014	101,656	59,272
Heat-Ventilation-AC System Replace Draw 2	6/25/2004	2.7-4.85%	9 yrs	8/15/2014	56,483	32,696
Heat-Ventilation-AC System Replace Draw 3	7/16/2004	2.7-4.85%	9 yrs	8/15/2014	45,702	26,534
Heat-Ventilation-AC System Replace Draw 4	9/03/2004	2.7-4.85%	9 yrs	8/15/2014	96,526	56,128
Heat-Ventilation-AC System Replace Draw 5	10/15/2004	2.7-4.85%	9 yrs	8/15/2014	15,487	8,952
Heat-Ventilation-AC System Replace Draw 6	12/10/2004	2.7-4.85%	9 yrs	8/15/2014	68,987	42,064
Heat-Ventilation-AC System Replace Draw 7	10/29/2004	2.7-4.85%	9 yrs	8/15/2014	50,159	30,582
Building for Senior Center	7/3/2008	3.25-4.25%	10 yrs	8/15/2018	89,550	<u>85,473</u>
Total						<u>\$492,639</u>

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2010	\$87,755	\$15,302
2011	90,363	12,430
2012	93,050	9,471
2013	94,935	6,423
2014	57,823	3,646
2015	33,581	1,764
2016	9,695	1,064
2017	10,111	745
2018	10,546	413
2019	<u>4,780</u>	<u>77</u>
Total	<u>\$492,639</u>	<u>\$51,335</u>

Capital Leases

The County has entered into a lease which meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2009 were as follows:

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

<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Capitalized Original Cost</u>	<u>Less: Accumulated Amortization</u>	<u>Net Value</u>	<u>Remaining Payments as of June 30, 2009</u>
8 Motor Graders	8/06/2008	4%	\$1,067,806	\$161,536	\$906,270	\$1,003,163

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 49,672	\$ 42,634
2011	51,784	40,523
2012	53,984	88,323
2013	56,279	36,028
2014	58,671	33,636
2015	61,164	31,143
2016	<u>671,609</u>	<u>28,543</u>
Total	<u>\$1,003,163</u>	<u>\$250,830</u>

Compensated Absences

It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but no more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities and the respective fund.

NOTE 7. DEFICIT FUND BALANCES/NET ASSETS

<u>Fund</u>	<u>Amount</u>	<u>How the deficit will be eliminated</u>
District Court	\$ (1,946)	Correction of posting
Homeland Security	(365)	Receipt of grant funds
CDBG – Growth Plan	(489)	Receipt of grant funds
CTEP – Valier Bike Path	(1,136)	Receipt of grant funds
WIC	(500)	Receipt of grant funds
NAPA Grant	(1,884)	Receipt of grant funds

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

NOTE 8. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of June 30, 2009, were as follows:

<u>Purpose</u>	Advances to/from other funds:		<u>Amount</u>
	<u>Receivable Fund</u>	<u>Payable Fund</u>	
To avoid deficit cash	General –	911 Emergency –	\$24,000
	Major Governmental	Nonmajor Governmental	
To avoid deficit cash	General –	NAPA Grant –	1,884
	Major Governmental	Nonmajor Governmental	
To avoid deficit cash	General –	Safe Kids, Safe	3,952
	Major Governmental	Community –	
		Nonmajor Governmental	
To avoid deficit cash	General –	CTEP Valier Bike Path –	1,136
	Major Governmental	Nonmajor Governmental	
To avoid deficit cash	General –	WIC Grant –	1,910
	Major Governmental	Nonmajor Governmental	
To avoid deficit cash	General –	Homeland Security –	365
	Major Governmental	Nonmajor Governmental	
To avoid deficit cash	General –	CDBG Growth Plan –	489
	Major Governmental	Nonmajor Governmental	
To avoid deficit cash	General –	Comp Insurance –	<u>35,000</u>
	Major Governmental	Nonmajor Governmental	
			<u>\$68,736</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2009:

<u>Purpose</u>	<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Operating	Land Use Planning –	General –	\$ 1,850
	Nonmajor Governmental	Major Governmental	
Budgeted	Road/Bridge Equipment	Road –	50,000
	Purchase –	Major Governmental	
	Nonmajor Governmental		
Budgeted	Road/Bridge Equipment	Bridge –	50,000
	Purchase –	Major Governmental	
	Nonmajor Governmental		
Closed fund	General –	District Court –	944
	Major Governmental	Nonmajor Governmental	
Budgeted	Ambulance Capital	Ambulance –	15,403
	Improvements –	Nonmajor Governmental	
	Nonmajor Governmental		
Budgeted	Junk Vehicle Capital	Junk Vehicle –	<u>2,379</u>
	Improvements –	Nonmajor Governmental	
	Nonmajor Governmental		
			<u>\$120,576</u>

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

NOTE 9. STATE-WIDE RETIREMENT PLANS

All full-time County employees are covered under one of the following retirement plans: Montana Public Employees Retirement System (PERS), Sheriffs Retirement System (SRS). The plans are established by State law and administered by the State of Montana. The plans are cost-sharing multiple-employer defined benefit plans that provide retirement, disability and death benefits to plan members and beneficiaries, with amounts determined by the State.

Contribution rates are required and determined by State law. The contribution rates, expressed as a percentage of covered payroll for the fiscal year ended June 30, 2009, were:

	<u>PERS</u>	<u>SRS</u>
Employer	6.935%	9.825%
Employee	6.90%	7.865%
State	0.10%	-

The State contribution qualifies as an on-behalf payment. These amounts have not been recorded in the County's financial statements and were considered immaterial.

Publicly available financial reports that include financial statements and required supplementary information may be obtained for the plans by writing or calling:

1. Public Employees Retirement Division, P.O. Box 200131, Helena, Montana 59620-0131 Phone: 1-406-444-3154.
2. Teachers Retirement System, P.O. Box 200319, Helena, Montana 59620-0139 Phone: 1-406-444-3134.

The County's contributions for the years ended June 30, 2007, 2008, and 2009, as listed below, were equal to the required contributions for each year.

	<u>PERS</u>	<u>SRS</u>
2007	\$ 80,798	\$ 34,584
2008	\$ 87,536	\$ 36,964
2009	\$ 87,065	\$ 43,698

NOTE 10. POST EMPLOYMENT BENEFITS

Terminated employees may remain on the County's health insurance plan for up to 18 months if they pay the monthly premiums. This benefit is required under the federal COBRA law. Retirees may remain on the County's health plan to age 65, provided they pay the monthly premiums. State law requires the County to provide this benefit. No cost can be estimated for the above benefits, although there is the probability that there are higher medical costs for retirees which would result in additional costs to the insurance program.

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

The County had no retired employees and two terminated employees participating in the plan as of June 30, 2009.

NOTE 11. LOCAL RETIREMENT PLANS

Deferred Compensation Plan

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan available to all County employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 12. FUND EQUITY

Reservations of equity show amounts that are not appropriate for expenditure or are legally restricted for specific uses. The purpose for each is indicated below:

<u>Fund Name</u>	<u>Amount</u>	<u>Description</u>
Debt Service Hospital 95	\$193,471	Reserved for debt service
Public Safety Capital IMP	47,433	Reserved for capital projects
Junk Vehicle Capital IMPV	12,158	Reserved for capital projects
Ambulance Capital Improvement	59,172	Reserved for capital projects
General Fund Capital Improvement	54,308	Reserved for capital projects
Road/Bridge Equipment Purchase	353,725	Reserved for capital projects
Weed District Capital Improvement	35,384	Reserved for capital projects
Cemetery	<u>26,037</u>	Reserved for trust
Total	<u>\$781,688</u>	

NOTE 13. RESTATEMENTS

During the current fiscal year, the following adjustments relating to prior years' transactions were made to fund balance and net assets.

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
DES Grants	\$3,975	Revenue correction
DES Grants	(74,398)	Revenue correction
Noxious Weeds Grant	(1,593)	Revenue correction
Noxious Weeds Grant	(33,573)	Revenue correction
Breast and Cervical Screening	(6,463)	Revenue correction
MCH Grant	(7,073)	Revenue correction
IAP Grant	(56)	Revenue correction
Tobacco Use Prevention Grant	(884)	Revenue correction
Governmental Activities	<u>2,534</u>	Correct Capital Assets
	<u>\$(117,531)</u>	

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

NOTE 14. SERVICES PROVIDED TO OTHER GOVERNMENTS

Pondera County provides various financial services to other governmental entities located within the County. The County serves as the billing agent, cashier and treasurer for tax and assessment collections for various taxing jurisdictions. The County also serves as a bank for such agencies as school districts, irrigation districts, rural fire districts, and other special purpose districts. The funds collected and held by the County for other entities are accounted for in agency funds. Funds collected for incorporated cities and towns are periodically remitted to those entities by the County Treasurer. The County has not recorded any service charges for the services it provides other governmental entities.

NOTE 15. RISK MANAGEMENT

The County faces considerable number of risks of loss, including (a) damage to and loss of property and contents, (b) employee torts, (c) professional liability, i.e., errors and omissions, (d) environmental damage, (e) workers' compensation, i.e., employee injuries, and (f) medical insurance costs of employees. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Insurance Policies: Commercial policies transferring all risks of loss, except for relatively small deductible amounts are purchased for property and content damage, employees torts, and professional liabilities. Employee medical insurance is provided for by a commercial carrier. And, given the lack of coverage available, the County has no coverage for potential losses from environmental damages.

Insurance Pools:

County has joined with other Montana counties to form a self-insurance pool offering workers' compensation coverage. This pool, named the Montana Association of Counties Workers' Compensation Trust, has entered into an agreement with a private management firm to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The Counties do not exercise specific control over the budgeting and financing of the Trust's activities.

Audited financial statements for fiscal year ended September 30, 2009, are available from the Montana Association of Counties Workers' Compensation Trust.

The County has joined with 28 other Montana Counties to form a self-insurance pool offering liability and general insurance coverage. This pool, named the Montana Association of Counties Joint Powers Insurance Authority Trust, provides for property, liability, public officials errors and omissions, and crime coverage in the amount of \$50,000 each. The Trust also provides for additional coverage for the above areas through excess insurance lines for varying amounts. The Trust has entered into an agreement with a private insurance agency to provide claim administrative services. The Trust has also entered into an agreement with the Montana Association of Counties to provide general administrative services. The counties do not exercise control over the budgeting and financing of the Trust's activities.

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

Audited financial statements for the fiscal year ended September 30, 2009, are available from the Montana Association of Counties Joint Powers Insurance Trust.

NOTE 16. PENDING LITIGATION

There was no pending or threatened litigation or unasserted claims or assessments against the County at June 30, 2009.

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 1. PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Pondera Medical Center (Medical Center) is a licensed 25-bed (acute or swing bed) critical access hospital (20 beds in use) and a 59-bed nursing facility located in Conrad, Montana. The Medical Center is exempt from income taxes under Section 509(a), as defined in Section 501 (c)(3), of the Internal Revenue Code and organized under the laws of the State of Montana. The purpose of the Medical Center is to maintain and operate a hospital, nursing home, and clinic, furnish medical and surgical care to the sick, infirmed, or injured.

The Medical Center is governed by a Board of Trustees, which has all the powers necessary to provide for the acquisition, betterment, operation, maintenance, and administration of the Medical Center. The members of the Board are appointed by the County Commissioners of Pondera County and one of the appointees is a member of the Pondera County Commissioners. For this reason the Medical Center is controlled by Pondera County (County).

Proprietary Fund Accounting

The Medical Center utilizes the proprietary fund method of accounting whereby revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the Medical Center has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with an original maturity of three months or less, excluding assets limited as to use.

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Patient and Resident Receivables

Patient and resident receivables are uncollateralized patient, resident and third-party payor obligations. Unpaid patient and resident receivables, excluding amounts due from third-party payors, with invoice dates over 60 days old have interest assessed at an annual rate of 8 percent. The Medical Center does not charge interest on past due accounts for the clinics. The Medical Center sends patient and resident receivables to a collection agency after all collection efforts have been exhausted.

Payments of patient and resident receivables are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid is reduced by a valuation allowance that reflects management's best estimate of amounts that will not be collected from patients, residents, and third-party payors. Management reviews patient and resident receivables by payor class and applies percentages to determine estimated amounts that will not be collected from third parties under contractual agreements and amounts that may not be collected from patients and residents due to bad debts. Management considers historical write off and recovery information in determining the estimated bad debt provision.

Supplies

Supplies are stated at lower of cost (first-in, first-out) or market.

Assets Limited as to Use

Assets limited as to use include assets set aside by the Board of Trustees for future capital improvements and equipment purchases, over which the Board retains control and may at its discretion subsequently use for other purposes. The assets limited as to use for the year ended December 31, 2008 consist of \$7,000 of cash and cash equivalents.

Capital Assets

Capital asset acquisitions in excess of \$5,000 are capitalized and recorded at cost. Contributed capital assets are reported at their estimated fair value at the time of their donation. All capital assets other than land are depreciated using the straight-line method of depreciation using these lives:

Land improvements	5 - 25 years
Buildings and improvements	9 - 50 years
Equipment	5 - 20 years

Deferred Financing Costs

Deferred financing costs are amortized over the period the obligation is outstanding using the bonds outstanding method.

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Grants and Contributions

From time to time, the Medical Center receives grants from federal agencies and the State of Montana as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific purpose are reported as non-operating revenues. Amounts restricted to capital acquisitions are reported after non-operating revenues and expenses.

Restricted Resources

When the Medical Center has both restricted and unrestricted resources available to finance a particular program, it is the Medical Center's policy to use restricted resources before unrestricted resources.

Net Assets

Net assets are presented in the following three components:

Net Assets Invested in Capital Assets, Net of Related Debt — Invested in capital assets net of related debt consists of capital assets, net of accumulated depreciation and reduced by the current balances of any outstanding balances used to finance the purchases or construction of those assets.

Restricted Expendable Net Assets — Restricted expendable net assets are non-capital net assets that must be used for a particular purpose, as specified by creditor, grantors, or contributors external to the Medical Center.

Unrestricted Net Assets — Unrestricted net assets are remaining net assets that do not meet the definition of invested in capital assets net of related debt or restricted.

Net Patient and Resident Service Revenue

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient and resident service revenue is reported at the estimated net realizable amounts from patients, residents, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

Operating Revenues and Expenses

The Medical Center's statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services — the Medical Center's principal activity. Non-exchange revenues, including taxes, grants, and contributions received for purposes other than capital asset acquisition, are reported as non-operating revenues. Operating expenses are all expenses incurred to provide health care services, other than financing costs.

Charity Care

To fulfill its mission of community service, the Medical Center provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, they are not reported as patient and resident service revenue.

Advertising Costs

The Medical Center expenses advertising costs as they are incurred.

Vacation and Compensated Absences

The Medical Center's employees earn vacation/holidays/sick leave, referred to as Earned Time, at varying rates depending on years of service. Employees may accumulate Earned Time hours up to a specified maximum. Upon termination the employees will be paid the total number of hours accrued as Earned Time up to a maximum. The estimated amount of Earned Time hour's payable as termination payments is reported as an accrued liability in both 2008 and 2007.

Risk Management

The Medical Center is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disaster; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the current year's reporting format.

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 2. CHARITY CARE

The Medical Center maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone for services and supplies furnished under its charity care policy and equivalent service statistics. The amounts of charges foregone, based on established rates, were \$69,600 and \$83,387 during the years ended December 31, 2008 and 2007, respectively.

NOTE 3. NET PATIENT AND RESIDENT SERVICE REVENUE

The Medical Center has agreements with third-party payors that provide for payments to the Medical Center at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows:

Medicare. The Medical Center is licensed as a Critical Access Hospital (CAH). The Medical Center is reimbursed for most inpatient and outpatient services at cost with final settlement determined after submission of annual cost reports by the Medical Center and are subject to audits thereof by the Medicare intermediary. The Medical Center's Medicare cost reports have been audited by the Medicare fiscal intermediary through the year ended December 31, 2007. The Medical Center's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Medical Center.

Medicaid. Inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Outpatient services related to Medicaid beneficiaries are paid based on the lower of customary charges, allowable cost as determined through the Medical Center's Medicare cost report, or rates as established by the Medicaid program. The Medical Center is reimbursed at a tentative rate with final settlement determined by the program based on the Medical Center's final Medicaid cost report. The Medical Center's final Medicaid settlements have been processed through the year ended December 31, 2006.

Blue Cross. Inpatient services rendered to Blue Cross subscribers are paid at prospectively determined rates per discharge. Outpatient services are reimbursed at outpatient payment fee screens or at charges less a prospectively determined discount. The prospectively determined discount is not subject to retroactive adjustment.

Resident Services. The Medical Center is reimbursed for resident services at prospective per diem rates which are determined on an inflation-adjusted basis subject to certain limitations as prescribed by the Montana Department of Health and Human Services regulations. Under the Medicare program, payment for resident services is made on a prospectively determined per diem rate, which varies based on a case-mix adjusted patient classification system.

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

Other. The Medical Center has also entered into payment agreements with certain commercial insurance carriers and other organizations. The basis for payment to the Medical Center under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations governing the Medicare, Medicaid, and other programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

A summary of patient and resident service revenue and contractual adjustments for the years ended December 31, 2008 is as follows:

	<u>2008</u>
Total patient and resident service revenue	<u>\$11,907,912</u>
Contractual adjustments	
Medicare	(929,616)
Medicaid	(93,078)
Blue Cross	(127,884)
Other	<u>(488,688)</u>
Total contractual adjustments	<u>\$(1,639,266)</u>
Provision for bad debts	<u>\$ (206,500)</u>
Net patient and resident service revenue	<u>\$10,062,146</u>

NOTE 4. OTHER RECEIVABLES

State of Montana bed tax receivable	\$241,328
Bond payment funds from County	91,466
Miscellaneous	55,979
Physician advances	<u>-</u>
	<u>\$388,773</u>

During 2003, the Montana State Legislature passed an act imposing a utilization fee on hospital facilities for inpatient bed days, and authorized the Department of Revenue to collect the deposit fees in a state special revenue account for funding increases in Medicaid payments to Montana hospitals (Montana State Bed Tax). The state special revenue account received an appropriation from a federal special revenue fund to match the state special revenue collected through the utilization fee. The receivable balance as of December 31, 2008 represents the Medicaid payment estimated to be received from the state special revenue account.

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

Bond payment funds consist of principal and interest payments made by Pondera County on behalf of the Medical Center for notes payable on a heart monitor and a phone system. Pondera County also makes an annual bond payment with a principal payment on August 1 and interest payments on February 1 and August 1 through the year ending December 31, 2015.

NOTE 5. NET CAPITAL ASSETS

Capital asset additions, retirements, and balances for the year ended December 31, 2008 are as follows:

	Balance December 31,2007	Additions	Retirements	Transfers	Balance December 31,2008
<i>Capital assets, non-depreciable:</i>					
Land	\$ 27,854	\$ -	\$ -	\$-	\$27,854
Construction in progress	<u>56,306</u>	<u>1,515</u>	<u>-</u>	<u>(53,763)</u>	<u>4,058</u>
Total capital assets, non-depreciable	<u>\$ 84,160</u>	<u>\$ 1,515</u>	<u>\$ -</u>	<u>\$(53,763)</u>	<u>\$31,912</u>
<i>Capital assets, depreciable:</i>					
Land improvements	\$ 167,880	\$ -	\$ -	\$-	\$167,880
Buildings and improvements	6,801,073	71,914	-	-	6,872,987
Equipment	<u>3,263,487</u>	<u>494,084</u>	<u>(7,235)</u>	<u>53,763</u>	<u>3,804,099</u>
Total capital assets depreciable	<u>\$10,232,440</u>	<u>\$565,998</u>	<u>\$(7,235)</u>	<u>\$53,763</u>	<u>\$10,844,966</u>
Total capital assets	<u>\$10,316,600</u>	<u>\$567,513</u>	<u>\$(7,235)</u>	<u>\$ -</u>	<u>\$10,876,878</u>
<i>Less accumulated depreciation for:</i>					
Land improvements	\$ 119,906	\$ 6,616	\$ -	\$-	\$126,522
Building and improvements	4,240,088	288,881	-	-	4528,969
Equipment	<u>2,583,022</u>	<u>275,973</u>	<u>(7,235)</u>	<u>-</u>	<u>2851,760</u>
Total accumulated depreciation	<u>\$ 6,943,016</u>	<u>\$571,470</u>	<u>\$(7,235)</u>	<u>\$ -</u>	<u>\$7507,251</u>
Capital assets, net	<u>\$ 3,373,584</u>	<u>\$ (3,957)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$3369,627</u>

Construction in progress at December 31, 2008, represents remodeling of the clinic building. The estimated costs to complete remodeling of the building are approximately \$8,000.

NOTE 6. CASH AND CASH DEPOSITS

At December 31, 2008 the Medical Center had bank balances as follows:

Insured (FDIC)	\$289,058
Uninsured or uncollateralized	<u>509,109</u>
Total	<u>\$798,167</u>
Carrying value	<u>\$785,941</u>

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

NOTE 7. DEFERRED FINANCING COSTS

Deferred financing costs	\$78,082
Accumulated amortization	<u>(45,507)</u>
Total	<u>\$32,575</u>

NOTE 8. LEASES

The Medical Center leases certain equipment under non-cancelable short-term lease agreements. Total lease expense in December 31, 2008 for all operating leases was \$36,090.

Minimum future lease payments for operating leases are \$2,943 for the year ending December 31, 2009.

In 2008, the Medical Center entered into noncancelable leases that are classified as capital leases for equipment. The leases expire October 30, 2013 and require monthly payments of \$8,667 and \$716, including interest at 1.39%. At December 31, 2008 the cost of the equipment and accumulated depreciation recorded under capital leases was as follows:

	<u>2008</u>
Equipment	\$ 495,008
Less accumulated depreciation	<u>(18,146)</u>
	<u>\$ 476,862</u>

Future minimum capital lease payments as of December 31, 2008 are:

<u>Years Ending December 31,</u>	<u>Amount</u>
2009	\$ 93,802
2010	112,561
2011	112,561
2012	112,561
2013	<u>71,392</u>
Total minimum lease payments	<u>\$502,877</u>
Less interest	<u>\$(16,676)</u>
Present value of net minimum capital lease payments – Note 9	<u>\$486,201</u>

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2008

NOTE 9. LONG-TERM DEBT

Long-term debt consists of:

Revenue Refunding Bonds, Series 2004, interest rates from 2.3% to 3.85%, due in semi-annual installments, to August 2015, secured by property and equipment	\$ 935,000
Note payable, at a variable interest rate, (4.85% at December 31, 2008), due in varying semi-annual installment to August 2014, secured by equipment	277,736
5.75% Note payable, due May 15, 2009, secured by certificate of deposit	51,153
Note payable, at a variable interest rate, (4.85% at December 31, 2008) due in varying semi-annual installments to February 2009, secured by equipment	6,586
Capitalized lease obligations	486,201
	\$ 1,756,676
Less current maturities	\$ (308,584)
	\$ 1,448,092

	Balance December 31, 2007	Additions	Reductions	Balance December 31, 2008	Amounts Due Within One Year
Bonds, Notes and Leases Payable					
Revenue bonds	\$ 1,050,000	\$ -	\$ 115,000	\$ 935,000	\$ 120,000
Notes and leases payable	339,924	702,301	220,549	821,676	188,584
Total non-current liabilities	\$1,389,924	\$ 702,301	\$ 335,549	\$ 1,756,676	\$ 308,584

	Balance December 31, 2006	Additions	Reductions	Balance December 31, 2007	Amounts Due Within One Year
Bonds and Notes Payable					
Revenue bonds	\$ 1,165,000	\$ -	\$ 115,000	\$ 1,050,000	\$ 115,000
Notes payable	518,000	262,092	440,168	339,924	55,603
Total non-current liabilities	\$ 1,683,000	\$ 262,092	\$ 555,168	\$1,389,924	\$ 170,603

Scheduled principal and interest repayments on long-term debt are as follows:

Long-term debt maturities are as follows:

	Long-Term Debt	
Years Ending December 31,	Principal	Interest
2009	\$ 308,584	\$ 52,538
2010	277,226	43,524
2011	284,943	36,263
2012	292,710	28,453
2013	254,316	20,126
Thereafter	338,897	18,467
	\$1,756,676	\$199,371

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

NOTE 10. RESTRICTED NET ASSETS

Restricted, expendable net assets are available for the following purposes:

	2008
Medical equipment	\$ 33,137
Solarium	9,178
Capital improvements	3,058
	<u>\$ 45,373</u>

In 2008 net assets were released from donor restrictions by incurring expenditures satisfying the restricted purposes in the amount of \$50,684.

NOTE 11. PENSION PLAN

The Medical Center maintains a defined contribution plan which covers all employees who have completed one year of service and worked at least 1,000 hours and who attained 21 years of age. Employer contributions are decided by the Board annually, and are deposited with the plan trustee who invests the plan assets. Total employer pension plan expense which consists of plan administrative expenses only for the year ended December 31, 2008 was \$15,762.

NOTE 12. COMMITMENTS AND CONTINGENCIES

Malpractice Insurance

The Medical Center has insurance coverage to provide protection for professional liability losses on a claims-made basis subject to a limit of \$1,000,000 per claim and an annual aggregate limit of \$3,000,000. Should the claims-made policy not be renewed or replaced with equivalent insurance, claims based on occurrences during its term, but reported subsequently, will be uninsured without the purchase of prior incident or tail coverage.

County Lease

On April 15, 2004, the Medical Center entered into a lease agreement with Pondera County (County), effective as of January 1, 2004. Under the terms of the agreement the Medical Center agreed to lease the hospital and nursing home facilities from the County for a term of twelve months, with the Lease renewing automatically if the conditions of this Lease have been satisfactorily met, for \$10 with additional lease payments described below. At the end of the lease or upon lease termination all of the Medical Center's property and equipment, inventory and accounts receivable will become property of the County.

During 1994 Pondera County taxpayers approved a bond issue to remodel the Medical Center and rebuild the nursing home. Series 1995 Bonds in the amount of \$1,850,000 were issued to pay for the construction costs. The Series 1995 bonds were refunded in 2004 with \$1,415,000 Series 2004 revenue refunding bonds. As part of the lease agreement described above, the Medical Center has agreed to pay the County an additional lease payment, on or before July 1, each year equal to the bond principal and interest payment for the following year.

PONDERA MEDICAL CENTER, PONDERA COUNTY MONTANA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008

In prior years, management has consistently recorded Medical Center assets purchased with County funds as assets of the Medical Center. Therefore, the Medical Center has also recorded the related bonds as long-term debt and the corresponding principal and interest payments as reductions of principal and interest expense.

Pending Litigation

The Medical Center is a defendant in various claims arising in the normal course of business. The Medical Center has insurance coverage to cover the cost of any claims. However, the Medical Center is responsible for a portion of one claim. While it is not possible to determine the ultimate liability, if any, with respect to these matters, management has accrued \$50,000 as of December 31, 2008 cover any potential legal liability.

NOTE 13. CONCENTRATION OF CREDIT RISK

The Medical Center grants credit without collateral to its patients and residents, most of whom are insured under third-party payor agreements. The mix of receivables from third-party payors, patients and residents at December 31, 2008 was as follows:

	<u>2008</u>
Medicare	29%
Commercial insurance	26%
Medicaid	7%
Other third-party payors and patients	38%
	<u>100%</u>

**REQUIRED SUPPLEMENTAL
INFORMATION**

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009

	General Fund				Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
RESOURCES (INFLOWS):								
Taxes and assessments	\$ 480,996	\$ 480,980	\$ 475,367	\$ (5,613)	\$ 302,646	\$ 318,554	\$ 312,555	\$ (5,999)
Licenses and permits	-	-	30	30	-	-	-	-
Inhergovermental	578,972	632,134	310,634	(321,500)	285,878	314,678	451,304	136,626
Charges for services	145,205	145,205	136,179	(9,026)	-	-	-	-
Fines and forfeitures	33,700	33,700	35,982	2,282	-	-	-	-
Miscellaneous	24,841	30,595	16,202	(14,293)	500	500	6,644	6,144
Investment earnings	80,400	80,400	50,272	(30,128)	-	-	-	-
Amounts available for appropriation	\$ 1,344,114	\$ 1,403,014	\$ 1,024,766	\$ (378,248)	\$ 589,024	\$ 633,732	\$ 770,503	\$ 136,771
CHARGES TO APPROPRIATIONS (OUTFLOWS):								
General government	\$ 1,285,243	\$ 1,347,405	\$ 957,896	\$ 389,509	\$ -	\$ -	\$ -	\$ -
Public safety	60,858	66,613	51,163	15,450	696,373	696,383	481,142	215,241
Public works	-	-	-	-	-	-	-	-
Public health	119,411	119,411	115,248	4,163	-	-	-	-
Social and economic services	11,700	11,700	20,781	(9,081)	-	-	-	-
Culture and recreation	6,800	6,800	1,260	5,540	-	-	-	-
Debt service - principal	12,541	12,541	4,077	8,464	46,250	46,250	34,048	12,202
Debt service - interest	-	-	2,360	(2,360)	-	-	14,151	(14,151)
Capital outlay	9,000	5,500	72,478	(66,978)	4,000	579,026	546,276	32,750
Total charges to appropriations	\$ 1,505,553	\$ 1,569,970	\$ 1,225,263	\$ 344,707	\$ 746,623	\$ 1,321,659	\$ 1,075,617	\$ 246,042
OTHER FINANCING SOURCES (USES)								
Proceeds of general long term debt	\$ 89,550	\$ 89,550	\$ 89,550	\$ -	\$ -	\$ -	\$ 546,276	\$ 546,276
Proceeds from the sale of general capital asset disposition	75,000	75,000	75,000	-	-	-	1,050	1,050
Transfers in	5,000	5,000	944	(4,056)	-	-	-	-
Transfers out	(90,162)	(90,162)	(1,850)	88,312	-	-	(50,000)	(50,000)
Total other financing sources (uses)	\$ 79,388	\$ 79,388	\$ 163,644	\$ 84,256	\$ -	\$ -	\$ 497,326	\$ 497,326
Net change in fund balance			\$ (36,853)				\$ 192,212	
Fund balance - beginning of the year			\$ 635,598				\$ 313,322	
Restatements			-				-	
Fund balance - beginning of the year - restated			\$ 635,598				\$ 313,322	
Fund balance - end of the year			\$ 598,745				\$ 505,534	

Pondera County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2009

	Bridge				Public Safety			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL			ORIGINAL	FINAL		
RESOURCES (INFLOWS):								
Taxes and assessments	\$ 301,754	\$ 254,414	\$ 248,887	\$ (5,527)	\$ 487,411	\$ 487,400	\$ 493,805	\$ 6,405
Licenses and permits	-	-	-	-	-	-	-	-
Inergovernmental	42,725	42,745	48,574	5,829	81,302	81,302	85,355	4,053
Charges for services	-	-	-	-	111,850	111,850	110,010	(1,840)
Fines and forfeitures	-	-	-	-	-	-	-	-
Miscellaneous	-	-	3,445	3,445	1,650	1,650	5,823	4,173
Investment earnings	-	-	-	-	-	-	-	-
Amounts available for appropriation	\$ 344,479	\$ 297,159	\$ 300,906	\$ 3,747	\$ 682,213	\$ 682,202	\$ 694,993	\$ 12,791
CHARGES TO APPROPRIATIONS (OUTFLOWS):								
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	-	-	964,576	964,576	759,075	205,501
Public works	296,294	296,294	194,029	102,265	-	-	-	-
Public health	-	-	-	-	-	-	-	-
Social and economic services	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Debt service - principal	46,250	46,250	30,594	15,656	-	-	-	-
Debt service - interest	-	-	13,513	(13,513)	-	-	-	-
Capital outlay	-	-	521,530	521,530	-	-	-	-
Total charges to appropriations	\$ 342,544	\$ 864,074	\$ 759,666	\$ 104,408	\$ 964,576	\$ 964,576	\$ 759,075	\$ 205,501
OTHER FINANCING SOURCES (USES)								
Proceeds of general long term debt	\$ -	\$ -	\$ 521,530	\$ 521,530	\$ -	\$ -	\$ -	\$ -
Proceeds from the sale of general capital asset disposition	-	-	1,050	1,050	-	-	-	-
Transfers in	-	-	-	-	-	-	-	-
Transfers out	(69,535)	(69,535)	(50,000)	19,535	(1,500)	(1,500)	-	1,500
Total other financing sources (uses)	\$ (69,535)	\$ (69,535)	\$ 472,580	\$ 542,115	\$ (1,500)	\$ (1,500)	\$ -	\$ 1,500
Net change in fund balance			\$ 13,820				\$ (64,082)	
Fund balance - beginning of the year			\$ 199,737				\$ 534,635	
Restatements			-				-	
Fund balance - beginning of the year - restated			\$ 199,737				\$ 534,635	
Fund balance - end of the year			\$ 213,557				\$ 470,553	

Pondera County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2009

	DES Grants			ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	BUDGETED AMOUNTS ORIGINAL	FINAL			
RESOURCES (INFLOWS):					
Taxes and assessments	\$ -	\$ -	\$ -	\$ -	-
Licenses and permits	-	-	-	-	-
Intergovernmental	34,017	34,017	35,901	1,884	
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous	-	-	157	157	
Investment earnings	-	-	-	-	-
Amounts available for appropriation	\$ 34,017	\$ 34,017	\$ 36,058	\$ 2,041	
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
General government	\$ -	\$ -	\$ -	\$ -	-
Public safety	84,922	84,922	16,540	68,382	
Public works	-	-	-	-	-
Public health	-	-	-	-	-
Social and economic services	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Debt service - principal	-	-	-	-	-
Debt service - interest	-	-	-	-	-
Capital outlay	-	-	-	-	-
Total charges to appropriations	\$ 84,922	\$ 84,922	\$ 16,540	\$ 68,382	
OTHER FINANCING SOURCES (USES)					
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -	-
Proceeds from the sale of general capital asset disposition	-	-	-	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -	-
Net change in fund balance			\$ 19,518		
Fund balance - beginning of the year			\$ 50,528		
Restatements			(70,423)		
Fund balance - beginning of the year - restated			\$ (19,895)		
Fund balance - end of the year			\$ (377)		

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

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

**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***

Board of County Commissioners
Pondera County
Conrad, Montana

We have audited the 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 Pondera County's basic financial statements and have issued our report thereon dated February 17, 2010. 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 Pondera County 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 Pondera County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Pondera County'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 Pondera County'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 entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described below to be significant deficiencies in the internal control over financial reporting.

09-1 Accrued Payroll Expense

Condition:

The County did not adjust accrued payroll payable at the fiscal year end.

Criteria:

Generally Accepted Accounting Principles (GAAP) require payables to be accurately reported.

Effect:

Accrued payroll was overstated by \$79,248.

Recommendation:

We recommend that the County adjust accrued payroll each year.

Auditee Response:

The County will adjust in future years.

09-2 Forest Reserve Title III Distribution

Condition:

Forest Reserve Title III distribution was allocated incorrectly.

Criteria:

Montana Codes Annotated, Section 17-3-213 describes the allocation of forest reserve funds.

Effect:

Allocation errors of \$22,708 were noted. The financial statements have been corrected.

Cause:

The County was unaware of distribution changes.

Recommendation:

We recommend that the County review distributions when changes in the law occur.

Auditee Response:

The financial statements have been corrected

09-3 Negative Grant Revenues

Condition:

The County posted grant revenues in the wrong fiscal year.

Criteria:

Generally Accepted Accounting Principles (GAAP) require revenues to be recorded in the year earned.

Effect:

Revenues were understated by the following amounts:

Weed Grants	\$33,573
DES Grant	\$74,398
B&C Screening Grant	\$ 6,463
MCH Grant	\$ 7,073

These have been corrected for the Audit Report.

Recommendation:

We recommend that the County record grant revenues in the fiscal year earned in accordance with GAAP.

Auditee Response:

The financial statements have been corrected.

09-4 Justice of the Peace – Segregation of Duties

Condition:

The Court clerk handles cash and records original citations into the software system.

Criteria:

The best control systems have a system of checks and balances for receipting cash.

Effect:

Controls over cash receipting are weak.

Cause:

Due to the small size of the office, developing a control system of checks and balances may not be economically feasible.

Recommendation:

We recommend that the Court segregate the functions of cash handling and recording of citations to the greatest extent possible.

Auditee Response:

We will review the procedures and segregate duties as much as possible.

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 entity'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 Pondera County'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 those 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 that are required to be reported under *Government Auditing Standards*.

Pondera County's response to the findings identified in our audit is described above. We did not audit Pondera County's response, and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of County Commissioners, management, the Montana Department of Administration, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

February 17, 2010

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**REPORT ON OTHER COMPLIANCE, FINANCIAL, AND INTERNAL ACCOUNTING
CONTROL MATTERS**

Board of County Commissioners
Pondera County
Conrad, Montana

There were no other compliance, financial, or internal accounting matters.

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

February 17, 2010

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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Pondera County
Conrad, Montana

The prior audit report contained two recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
Justice of the Peace – Segregation of Duties	Repeated
District Court	Implemented

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

February 17, 2010