

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

AUDIT REPORT

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

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2020

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LINCOLN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2020

BOARD OF COUNTY COMMISSIONERS

Mark Peck
Jerry Bennett
Josh Letcher

Chairperson
Commissioner
Commissioner

COUNTY OFFICIALS

Marcia Boris
Sedaris Carlberg
Robin Benson
Patrick McFadden
Wendy Drake
Trisha Brooks
Jay Sheffield
Sedaris Carlberg
Darren Short
Steven Schackenberg

County Attorney
Treasurer
Clerk and Recorder / Auditor
Finance Manager
Finance Director
Clerk of District Clerk
Justice of the Peace
School Superintendent
Sheriff
Coroner

Lincoln County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Our discussion and analysis of Lincoln County's financial performance provides an overview of Fiscal Year 2019-2020 activities. The intent of this discussion and analysis is to look at the County's financial performance. Readers should review the basic financial statements found in the annual report to enhance their understanding of the County's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year 2020 are as follows:

- Continued decreased interest earnings due to low interest rates and a declining amount to be invested in short-term opportunities.
- Federal PILT payment extended to be paid in 2020 rather than ending in 2018.
- Growth in the housing starts, and property value increase.
- There is an influx of new microbusinesses that have moved into our communities

USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. Lincoln 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 Position and the Statement of Activities

The Statement of Net Position and the Statement of Activities report information about the County as a whole and about its activities. These statements include all assets and liabilities of the County using the full accrual basis of accounting. All the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

Fund Financial Statements

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. Lincoln County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Lincoln County funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Lincoln County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

- **Governmental Funds:** Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that is available for spending in the future periods. 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 the basic services it provides. The governmental fund information helps you to determine whether there are more or fewer financial resources available to finance future county services. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds:** Lincoln County maintains one proprietary fund reported as an Enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The Lincoln County Refuse District provides refuse disposal and recycling services to the residents of Lincoln County. Proprietary funds are reported using full accrual accounting, which is the same accounting method, used by the Statement of Net Assets and the Statement of Activities.
- **Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of the 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 County's programs or services. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In case of the County, assets exceeded liabilities by \$20,828,344 at the close of the most recent fiscal year. The following table provides a summary comparison for the County's Governmental and business type net position for fiscal year 2020 and compared to the prior year. As well as the changes in net position of the current year and prior year.

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY20	FY19	Change Inc (Dec)	FY20	FY19	Change Inc (Dec)
Current and other assets	\$ 21,200,300	\$ 21,773,859	\$ (573,559)	\$ 5,247,451	\$ 4,867,124	\$ 380,327
Capital assets	10,000,981	9,365,480	635,501	695,485	827,114	(131,629)
Total assets	\$ 31,201,281	\$ 31,139,339	\$ 61,942	\$ 5,942,936	\$ 5,694,238	\$ 248,698
Long-term debt outstanding	\$ 6,501,056	\$ 6,059,741	\$ 441,315	\$ 808,603	\$ 798,131	\$ 10,472
Other liabilities	7,397,603	7,503,800	(106,197)	1,608,611	1,642,448	(33,837)
Total liabilities	\$ 13,898,659	\$ 13,563,541	\$ 335,118	\$ 2,417,214	\$ 2,440,579	\$ (23,365)
Net investment in capital assets	\$ 10,000,981	\$ 9,365,480	\$ 635,501	\$ 695,485	\$ 827,114	\$ (131,629)
Restricted	14,766,527	14,661,041	105,486	1,106,999	1,067,112	39,887
Unrestricted (deficit)	(7,464,886)	(6,450,723)	(1,014,163)	1,723,238	1,359,433	363,805
Total net position	\$ 17,302,622	\$ 17,575,798	\$ (273,176)	\$ 3,525,722	\$ 3,253,659	\$ 272,063

Lincoln County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY20	FY19	Change Inc (Dec)	FY20	FY19	Change Inc (Dec)
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,177,842	\$ 891,685	\$ 286,157	\$ 1,954,981	\$ 1,836,230	\$ 118,751
Operating grants and contributions	4,813,716	3,951,249	862,467	-	-	-
Capital grants and contributions	157,752	87,400	70,352	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	5,158,654	5,134,557	24,097	-	-	-
Licenses and permits	69,263	37,180	32,083	-	-	-
Video poker apportionment	13,400	14,600	(1,200)	-	-	-
Miscellaneous	438,421	207,711	230,710	-	-	-
Interest/investment earnings	436,503	558,556	(122,053)	24,799	24,525	274
Local option taxes	825,434	833,611	(8,177)	-	-	-
Unrestricted federal/state shared revenues	58,050	203,613	(145,563)	-	-	-
State entitlement	1,105,529	1,075,836	29,693	-	-	-
Grants and entitlements not restricted to specific programs	-	48,701	(48,701)	-	-	-
PILT	714,965	680,555	34,410	-	-	-
State contribution to retirement	77,333	87,781	(10,448)	15,536	15,591	(55)
Contributions & donations	20,404	48,066	(27,662)	-	-	-
Total revenues	\$ 15,067,266	\$ 13,861,101	\$ 1,206,165	\$ 1,995,316	\$ 1,876,346	\$ 118,970
Program expenses						
General government	\$ 4,735,080	\$ 4,155,150	\$ 579,930	\$ -	\$ -	\$ -
Public safety	4,403,128	4,019,825	383,303	-	-	-
Public works	3,828,575	3,949,294	(120,719)	-	-	-
Public health	1,739,148	1,085,232	653,916	-	-	-
Social and economic services	162,088	152,692	9,396	-	-	-
Culture and recreation	722,270	614,968	107,302	-	-	-
Housing and community development	39,995	48,914	(8,919)	-	-	-
Conservation of natural resources	3,108	-	3,108	-	-	-
Miscellaneous	71,126	246,901	(175,775)	-	-	-
Solid Waste	-	-	-	1,441,483	1,626,257	(184,774)
Total expenses	\$ 15,704,518	\$ 14,272,976	\$ 1,431,542	\$ 1,441,483	\$ 1,626,257	\$ (184,774)
Excess (deficiency) before special items and transfers	\$ (637,252)	\$ (411,875)	\$ (225,377)	\$ 553,833	\$ 250,089	\$ 303,744
Gain (loss) on sale of capital assets	(13,774)	-	(13,774)	-	-	-
Transfers - net	140,885	129,229	11,656	(140,885)	(129,229)	(11,656)
Increase (decrease) in net position	\$ (510,141)	\$ (282,646)	\$ (227,495)	\$ 412,948	\$ 120,860	\$ 292,088

Condensed Financial Statements

By far the largest portion of the County's net position is reflected in capital assets (e.g. land, buildings, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net position may be used to meet the County's ongoing obligations to citizens and creditors.

Lincoln County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

The cost of all Governmental activities this year was \$15,704,518 as found in the Statement of Activities. However, as shown on the same statement, the amount that our taxpayers ultimately financed for these activities through County taxes was only \$5,158,654 with some of the costs being paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating grants. Other revenues such as interest earnings, entitlement reimbursements, general contributions and other miscellaneous revenues along with remaining cash carryovers from the prior fiscal year financed the remaining portions of budgets.

BUSINESS TYPE ACTIVITIES

Enterprise Funds: The County owns and operates the Solid Waste District. The program provides disposal of wastes delivered to its central landfill in Libby. A transfer station is operated in Eureka. Other rural areas in the County are serviced by "green box" sites, which are picked up by the County. User fees support all Solid Waste District services wholly. The enterprise fund's prime objective is to provide disposal services to County residents and businesses. As maintenance and operating expenses increase while revenues remain at a fairly consistent level, fund balances are affected and investment in capital assets are at lower levels as reflected in the following schedule:

Financial Analysis of the County's Funds

As noted earlier, Lincoln County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview

The focus of County governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financial requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the fiscal year.

As of the end of Fiscal Year 2020 the combined ending fund balances of Lincoln County's governmental funds were \$16,970,686. A cash reserve is kept to provide liquidity until tax revenue is received in November. Remaining cash may be re-appropriated in accordance with the purposes of the specific funds.

Lincoln County has four major governmental funds: The General Fund, Road Fund, Public Safety Fund, and the Covid/CARES Act Fund.

General Fund.

This is the chief operating fund of Lincoln County. At the end of the fiscal year 2020 unreserved fund balance of the General Fund was \$2,522,663. Unreserved fund balance as a percentage of total fund expenditures can be a good tool to use to measure the liquidity of the General Fund. For fiscal year 2020 the unreserved fund balance represented 47% of total General Fund expenditures. It accounts for many of the County's general and administrative services, such as legislative, judicial, financial, elections, facilities, administration, legal, and civil defense and emergency services.

Lincoln County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Road Fund

This fund is used to report all County road projects. At the end of the fiscal year 2020 the fund balance was \$12,137,038. All of which is restricted to road projects.

Public Safety Fund.

This fund is a special revenue fund used to account for Lincoln County's sheriff, dispatch, coroner and detention services. At the end of the fiscal year 2020 fund balance of the public safety fund was \$451,201. Prior year ending fund balance was \$344,332.

Covid/CARES Act Fund

This is a special revenue fund to account for the expenditures allowed under the Cares Act and the federal flow through revenues received under that grant.

Solid Waste Fund

This fund is a proprietary fund used to account for Lincoln County's solid waste services. At the end of the fiscal year ended 2020. the Solid Waste fund had a total net position of \$3,525,722 which was an increase from the prior year balance of \$3,253,659.

FY20 General Fund Budgetary Highlights

Over the course of the year, Lincoln County's General Fund was not revised. The General Fund expenditure budget was \$3,660,896. Over the course of the year, our actual reported resources were more than budgeted by \$95,617. Appropriations for the General Fund show \$15,296 budgeted for expenditures that were not expended in this fiscal year. Overestimates in several departments contribute to this.

Capital Assets and Long-Term Debt

Lincoln County's net investment in capital assets for its governmental and business type activities as of June 30, 2020 was \$10,696,466. This investment in capital assets includes land, significant road projects, construction in progress, buildings, machinery & equipment, and improvements other than buildings. During the year, the County completed the fair bleachers and containment box project and started projects for the radio upgrade in the Dispatch office and 509 building. The County also purchased several new vehicles and equipment. Total Capital Asset additions totaled \$1,623,729 all reported in Governmental Activities.

The County does not have any loans, bonds, leases, etc. The County debt consists of the landfill closure-post closure liability of \$1,041,700, net pension liability of \$6,464,758, other post-employment benefits of \$2,808,041 and compensated absences of \$844,901.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

As a whole, Lincoln County is in good financial position considering the economic situation in Lincoln County. The re-authorization of the Secure Rural Schools and Communities Act has helped stabilize funding for the Road Fund, albeit a temporary fix for a complicated problem.

Lincoln County, Montana
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Lincoln County's taxable valuation increased by 1.928% this year (2020). Last fiscal year (2019) the taxable value increased by 4.58%% and the previous year (2018) it decreased -1.08%. This year's increase is attributed to new valuations by the State of Montana Assessor's Office, as well as an increase in new housing project starts, and the rebound of the real-estate values.

Several problems have played a role in the economic future of our County including:

- Decreased timber harvest and other natural resource jobs.
- Persistent stigma resulting from the Libby/Troy area EPA Superfund site.
- The two HECLA mines continually challenged by environmental and legal issues.

Although these long-term challenges are undeniable, the economy is improving:

- Growth in housing starts, real estate activity, and property value increases.
- New microbusinesses have moved into our communities.
- The USFS has continued to establish production as an important part of their annual business plan - Lincoln County has finally seen an increase in timber sales revenue.
- Community groups are working to improve the economic, and business climate.

We continue to push for creative advances, striving to achieve a stable economy and persistent revenues for the County budget.

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

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INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Lincoln County
Libby, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Lincoln County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Lincoln County, Montana, as of and for the year ended June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2020, the County adopted new accounting guidance, GASB statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. Our opinion is not modified with respect to this matter.

Emphasis of Matter – Lincoln County Port Authority (A discretely presented component unit)

As discussed in Note 14, the previously issued financial statements of the Lincoln County Port Authority has been restated for the correction of a misstatement in the respective period totaling \$275,000 related to the Port's reporting of a receivable related to the sale of the Singer Building. The restatement did not affect our opinion as it was determined to be appropriate.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the total OPEB liability and related ratios, schedules of proportionate share of the net pension liability, and schedules of contributions on pages 2 through 7, and 69 through 76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the financial statements.

The accompanying schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2021, on our consideration of the Lincoln County, Montana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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* in considering Lincoln County, Montana's internal control over financial reporting and compliance.

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

March 25, 2021

Lincoln County, Montana
Statement of Net Position
June 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Lincoln County Port Authority</u>
ASSETS				
Current assets:				
Cash and investments	\$ 18,132,322	\$ 3,735,281	\$ 21,867,603	\$ 1,860,587
Taxes and assessments receivable, net	310,956	232,167	543,123	-
Accounts receivable - net	-	8,012	8,012	3,431
Notes and loans receivable	-	-	-	487,463
Due from other governments	687,503	-	687,503	7,116
Inventories	-	-	-	17,481
Total current assets	<u>\$ 19,130,781</u>	<u>\$ 3,975,460</u>	<u>\$ 23,106,241</u>	<u>\$ 2,376,078</u>
Noncurrent assets				
Restricted cash and investments	\$ -	\$ 1,106,999	\$ 1,106,999	\$ 15,000
Capital assets - land	609,651	850	610,501	2,758,220
Capital assets - construction in progress	915,165	-	915,165	18,000
Capital assets - depreciable, net	8,476,165	694,635	9,170,800	4,473,126
Total noncurrent assets	<u>\$ 10,000,981</u>	<u>\$ 1,802,484</u>	<u>\$ 11,803,465</u>	<u>\$ 7,264,346</u>
Total assets	<u>\$ 29,131,762</u>	<u>\$ 5,777,944</u>	<u>\$ 34,909,706</u>	<u>\$ 9,640,424</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of resources - pensions	\$ 1,759,195	\$ 133,250	\$ 1,892,445	\$ -
Deferred outflows of resources - OPEB	310,324	31,742	342,066	-
Total deferred outflows of resources	<u>\$ 2,069,519</u>	<u>\$ 164,992</u>	<u>\$ 2,234,511</u>	<u>\$ -</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
	<u>\$ 31,201,281</u>	<u>\$ 5,942,936</u>	<u>\$ 37,144,217</u>	<u>\$ 9,640,424</u>
LIABILITIES				
Current liabilities				
Warrants payable	\$ 1,461,313	\$ -	\$ 1,461,313	\$ -
Accounts payable	27,994	-	27,994	43,488
Accrued payroll	276,317	37,012	313,329	4,725
Due to other governments	15	-	15	-
Current portion of long-term liabilities	-	-	-	16,383
Current portion of compensated absences payable	498,732	79,572	578,304	-
Total current liabilities	<u>\$ 2,264,371</u>	<u>\$ 116,584</u>	<u>\$ 2,380,955</u>	<u>\$ 64,596</u>
Noncurrent liabilities				
Landfill closure postclosure liability	\$ -	\$ 1,041,700	\$ 1,041,700	\$ -
Noncurrent portion of OPEB	2,547,465	260,576	2,808,041	-
Noncurrent portion of long-term liabilities	-	-	-	467,568
Noncurrent portion of compensated absences	240,525	26,072	266,597	-
Net pension liability	5,761,799	702,959	6,464,758	-
Total noncurrent liabilities	<u>\$ 8,549,789</u>	<u>\$ 2,031,307</u>	<u>\$ 10,581,096</u>	<u>\$ 467,568</u>
Total liabilities	<u>\$ 10,814,160</u>	<u>\$ 2,147,891</u>	<u>\$ 12,962,051</u>	<u>\$ 532,164</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources -OPEB	\$ 1,265,023	\$ 129,397	\$ 1,394,420	\$ -
Deferred inflows of resources - pensions	1,735,976	139,926	1,875,902	-
Deferred inflows of resources - other	83,500	-	83,500	-
Total deferred inflows of resources	<u>\$ 3,084,499</u>	<u>\$ 269,323</u>	<u>\$ 3,353,822</u>	<u>\$ -</u>
NET POSITION				
Net investment in capital assets	\$ 10,000,981	\$ 695,485	\$ 10,696,466	\$ 7,249,346
Restricted for special projects	14,766,527	-	14,766,527	-
Restricted for landfill closure/postclosure	-	1,106,999	1,106,999	-
Restricted for other purposes	-	-	-	15,000
Unrestricted	(7,464,886)	1,723,238	(5,741,648)	1,843,914
Total net position	<u>\$ 17,302,622</u>	<u>\$ 3,525,722</u>	<u>\$ 20,828,344</u>	<u>\$ 9,108,260</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
	<u>\$ 31,201,281</u>	<u>\$ 5,942,936</u>	<u>\$ 37,144,217</u>	<u>\$ 9,640,424</u>

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2020

Functions/Programs Primary government:	Expenses	Indirect Expense Allocation	Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Lincoln County Port Authority
						Governmental Activities	Business- type Activities	
General government	\$ 4,735,080	\$ (636,468)	\$ 592,540	\$ 64,707	\$ -	\$ (3,441,365)	\$ -	\$ -
Public safety	4,403,128	239,506	336,798	352,365	157,752	(3,795,719)	-	-
Public works	3,828,575	256,077	172,754	2,826,756	-	(1,085,142)	-	-
Public health	1,739,148	-	47,011	1,522,095	-	(170,042)	-	-
Social and economic services	162,088	-	21,206	12,543	-	(128,339)	-	-
Culture and recreation	722,270	-	7,533	20,000	-	(694,737)	-	-
Housing and community development	39,995	-	-	15,250	-	(24,745)	-	-
Conservation of natural resources	3,108	-	-	-	-	(3,108)	-	-
Miscellaneous	71,126	-	-	-	-	(71,126)	-	-
Total governmental activities	\$ 15,704,518	\$ (140,885)	\$ 1,177,842	\$ 4,813,716	\$ 157,752	\$ (9,414,323)	\$ -	\$ -
Business-type activities:								
Solid Waste	\$ 1,441,483	\$ 140,885	\$ 1,954,981	\$ -	\$ -	\$ -	\$ 372,613	\$ -
Total business-type activities	\$ 1,441,483	\$ 140,885	\$ 1,954,981	\$ -	\$ -	\$ -	\$ 372,613	\$ -
Total primary government	\$ 17,146,001	\$ -	\$ 3,132,823	\$ 4,813,716	\$ 157,752	\$ (9,414,323)	\$ 372,613	\$ -
Component units:								
Lincoln County Port Authority	\$ 718,021	\$ -	\$ 177,596	\$ -	\$ 5,697	\$ -	\$ -	\$ (534,728)
Total component units	\$ 718,021	\$ -	\$ 177,596	\$ -	\$ 5,697	\$ -	\$ -	\$ (534,728)
General Revenues:								
Property taxes for general purposes			\$ 5,158,654	\$ -	\$ -	\$ 5,158,654	\$ -	\$ -
Licenses and permits			69,263	-	-	69,263	-	-
Video poker apportionment			13,400	-	-	13,400	-	-
Miscellaneous			438,421	-	-	438,421	-	42,568
Interest/investment earnings			436,503	24,799	-	24,799	461,302	36,790
Local option taxes			825,434	-	-	825,434	-	-
Unrestricted federal/state shared revenues			58,050	-	-	58,050	-	-
State entitlement			1,105,529	-	-	1,105,529	-	-
PILT			714,965	-	-	714,965	-	-
State contribution to retirement			77,333	15,536	-	92,869	-	-
Contributions & donations			20,404	-	-	20,404	-	-
Gain (loss) on sale of capital assets			(13,774)	-	-	(13,774)	-	-
Transfers - net			140,885	(140,885)	-	-	-	-
Total general revenues, special items and transfers			\$ 9,045,067	\$ (100,550)	\$ -	\$ 8,944,517	\$ 79,358	\$ -
Change in net position			\$ (369,256)	\$ 272,063	\$ -	\$ (97,193)	\$ -	\$ (455,370)
Net position - beginning			\$ 17,575,798	\$ 3,253,659	\$ -	\$ 20,829,457	\$ 9,288,630	\$ -
Restatements			96,080	-	-	96,080	275,000	\$ -
Net position - beginning - restated			\$ 17,671,878	\$ 3,253,659	\$ -	\$ 20,925,537	\$ 9,563,630	\$ -
Net position - end			\$ 17,302,622	\$ 3,525,722	\$ -	\$ 20,828,344	\$ 9,108,260	\$ -

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Balance Sheet
Governmental Funds
June 30, 2020

	General	Road	Public Safety	COVID/CARES	Other Governmental Funds	Total Governmental Funds
ASSETS						
Current assets:						
Cash and investments	\$ 3,508,223	\$ 12,177,668	\$ 556,889	\$ -	\$ 1,889,542	\$ 18,132,322
Taxes and assessments receivable, net	3,164	-	172,727	-	135,065	310,956
Due from other funds	534,751	-	-	-	-	534,751
Due from other governments	12,000	-	-	476,595	198,908	687,503
TOTAL ASSETS	\$ 4,058,138	\$ 12,177,668	\$ 729,616	\$ 476,595	\$ 2,223,515	\$ 19,665,532
LIABILITIES						
Current liabilities:						
Warrants payable	\$ 1,461,313	\$ -	\$ -	\$ -	\$ -	\$ 1,461,313
Accounts payable	-	-	-	-	27,994	27,994
Accrued payroll	70,998	40,630	105,688	-	59,001	276,317
Due to other funds	-	-	-	468,298	66,453	534,751
Due to other governments	-	-	-	-	15	15
Total liabilities	\$ 1,532,311	\$ 40,630	\$ 105,688	\$ 468,298	\$ 153,463	\$ 2,300,390
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources - taxes and assessments	\$ 3,164	\$ -	\$ 172,727	\$ -	\$ 135,065	\$ 310,956
Deferred inflows of resources - other	-	-	-	-	83,500	83,500
Total deferred inflows of resources	\$ 3,164	\$ -	\$ 172,727	\$ -	\$ 218,565	\$ 394,456
FUND BALANCES						
Restricted	\$ -	\$ 12,137,038	\$ 451,201	\$ 8,297	\$ 1,873,375	\$ 14,469,911
Committed	-	-	-	-	54,332	54,332
Unassigned fund balance	2,522,663	-	-	-	(76,220)	2,446,443
Total fund balance	\$ 2,522,663	\$ 12,137,038	\$ 451,201	\$ 8,297	\$ 1,851,487	\$ 16,970,686
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,058,138	\$ 12,177,668	\$ 729,616	\$ 476,595	\$ 2,223,515	\$ 19,665,532

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2020

Total fund balances - governmental funds	\$ 16,970,686
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,000,981
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.	310,956
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,286,722)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,761,799)
The changes between actuarial assumptions, differences in expected vs actual pension experiences, changes in proportionate share allocation, and current year retirement contributions as they relate to the net pension liability are a deferred outflow of resources and are not payable in current period, therefore are not reported in the funds.	1,759,195
The changes between actuarial assumptions, differences in projected vs actual investment earnings, and changes in proportionate share allocation as they relate to the net pension liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(1,735,976)
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred outflows of resources and are not payable in the current period, therefore are not reported in the funds.	310,324
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment benefits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(1,265,023)
Total net position - governmental activities	\$ <u>17,302,622</u>

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2020

	General	Road	Public Safety	COVID/CARES	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes and assessments	\$ 858,073	\$ -	\$ 2,884,524	\$ -	\$ 2,244,245	\$ 5,986,842
Licenses and permits	40,075	-	-	-	-	40,075
Intergovernmental	1,551,044	2,445,100	561,709	476,595	1,698,351	6,732,799
Charges for services	338,994	60,650	274,195	-	318,188	992,027
Fines and forfeitures	120,664	-	-	-	31,901	152,565
Miscellaneous	346,464	29,031	7,419	-	346,290	729,204
Investment earnings	13,739	416,996	-	-	5,768	436,503
Total revenues	\$ 3,269,053	\$ 2,951,777	\$ 3,727,847	\$ 476,595	\$ 4,644,743	\$ 15,070,015
EXPENDITURES						
General government	\$ 3,244,318	\$ -	\$ -	\$ -	\$ 480,736	\$ 3,725,054
Public safety	244,524	-	3,670,291	-	772,215	4,687,030
Public works	27,200	3,070,471	-	-	417,291	3,514,962
Public health	260,739	-	61,767	468,298	947,574	1,738,378
Social and economic services	2,255	-	-	-	159,833	162,088
Culture and recreation	959	1,825	-	-	598,546	601,330
Housing and community development	-	-	-	-	39,995	39,995
Conservation of natural resources	-	-	-	-	3,108	3,108
Miscellaneous	-	-	-	-	71,126	71,126
Capital outlay	1,176,452	123,499	83,800	-	239,978	1,623,729
Total expenditures	\$ 4,956,447	\$ 3,195,795	\$ 3,815,858	\$ 468,298	\$ 3,730,402	\$ 16,166,800
Excess (deficiency) of revenues over expenditures	\$ (1,687,394)	\$ (244,018)	\$ (88,011)	\$ 8,297	\$ 914,341	\$ (1,096,785)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 1,049,080	\$ -	\$ 779,992	\$ -	\$ 197,125	\$ 2,026,197
Transfers out	(459,086)	(256,077)	(239,506)	-	(930,643)	(1,885,312)
Total other financing sources (uses)	\$ 589,994	\$ (256,077)	\$ 540,486	\$ -	\$ (733,518)	\$ 140,885
Net Change in Fund Balance	\$ (1,097,400)	\$ (500,095)	\$ 452,475	\$ 8,297	\$ 180,823	\$ (955,900)
Fund balances - beginning	\$ 3,523,983	\$ 12,637,133	\$ (1,274)	\$ -	\$ 1,670,664	\$ 17,830,506
Restatements	96,080	-	-	-	-	96,080
Fund balances - beginning, restated	\$ 3,620,063	\$ 12,637,133	\$ (1,274)	\$ -	\$ 1,670,664	\$ 17,926,586
Fund balance - ending	\$ 2,522,663	\$ 12,137,038	\$ 451,201	\$ 8,297	\$ 1,851,487	\$ 16,970,686

See accompanying Notes to the Financial Statements

Lincoln 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, 2020

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

Net change in fund balances - total governmental funds	\$ (955,900)
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Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

- Capital assets purchased	1,623,729
- Depreciation expense	(974,454)

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:

- Gain on the sale of capital assets	(13,774)
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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 inflows)	(2,749)
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The change in compensated absences is shown as an expense in the Statement of Activities and does not use current financial resources; therefore, it is not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance.

(100,722)

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

- Post-employment benefits other than retirement liability	(184,692)
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Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance

239,306

Change in net position - Statement of Activities	\$ <u><u>(369,256)</u></u>
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See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2020

	Business-Type Activities - Enterprise Funds
	Solid Waste
ASSETS	
Current assets:	
Cash and investments	\$ 3,735,281
Taxes and assessments receivable, net	232,167
Accounts receivable - net	8,012
Total current assets	\$ 3,975,460
Noncurrent assets:	
Restricted cash and investments	\$ 1,106,999
Capital assets - land	850
Capital assets - depreciable, net	694,635
Total noncurrent assets	\$ 1,802,484
Total assets	\$ 5,777,944
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 133,250
Deferred outflows of resources - OPEB	31,742
Total deferred outflows of resources	\$ 164,992
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 5,942,936
LIABILITIES	
Current liabilities:	
Accrued payroll	\$ 37,012
Current portion of compensated absences payable	79,572
Total current liabilities	\$ 116,584
Noncurrent liabilities:	
Landfill closure postclosure liability	\$ 1,041,700
Noncurrent portion of OPEB	260,576
Noncurrent portion of compensated absences	26,072
Net pension liability	702,959
Total noncurrent liabilities	\$ 2,031,307
Total liabilities	\$ 2,147,891
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	\$ 139,926
Deferred inflows of resources - other	129,397
Total deferred inflows of resources	\$ 269,323
NET POSITION	
Net investment in capital assets	\$ 695,485
Restricted for landfill closure/postclosure	1,106,999
Unrestricted	1,723,238
Total net position	\$ 3,525,722
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION	\$ 5,942,936

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2020

	Business-Type Activities - Enterprise Funds
	<u>Solid Waste</u>
OPERATING REVENUES	
Charges for services	\$ 234,393
Special assessments	1,720,589
Total operating revenues	<u>\$ 1,954,982</u>
OPERATING EXPENSES	
Personal services	\$ 872,058
Supplies	225,789
Purchased services	319,935
Fixed charges	32,957
Depreciation	131,629
Total operating expenses	<u>\$ 1,582,368</u>
Operating income (loss)	<u>\$ 372,614</u>
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental revenue	\$ 15,536
Interest revenue	24,798
Total non-operating revenues (expenses)	<u>\$ 40,334</u>
Income (loss) before contributions and transfers	<u>\$ 412,948</u>
Transfers out	<u>(140,885)</u>
Change in net position	<u>\$ 272,063</u>
Net Position - Beginning of the year	\$ 3,253,659
Net Position - End of the year	<u><u>\$ 3,525,722</u></u>

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended June 30, 2020

	Business - Type Activities - Enterprise Funds
	<u>Solid Waste</u>
Cash flows from operating activities:	
Cash received from providing services	\$ 234,393
Cash received from assessments	1,731,118
Cash payments to suppliers	(225,789)
Cash payments for professional services	(384,617)
Cash payments to employees	(861,659)
Net cash provided (used) by operating activities	<u>\$ 493,446</u>
Cash flows from non-capital financing activities:	
Transfers out to other funds - indirect cost allocation plan	\$ (140,885)
Cash received for State aid - pension	15,536
Net cash provided (used) from non-capital financing activities	<u>\$ (125,349)</u>
Cash flows from investing activities:	
Interest on investments	\$ 24,798
Net cash provided (used) by investing activities	<u>\$ 24,798</u>
Net increase (decrease) in cash and cash equivalents	<u>\$ 392,895</u>
Cash and cash equivalents at beginning	<u>\$ 4,449,385</u>
Cash and cash equivalents at end	<u><u>\$ 4,842,280</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 372,614
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	131,629
Changes in assets and liabilities:	
Taxes and assessments receivable	10,529
Accrued payroll	22,018
Compensated absences	6,010
Deferred inflows and outflows	66,251
Other post-employment benefits	(88,342)
Net pension liability	4,462
Landfill closure and post closure liability	(31,725)
Net cash provided (used) by operating activities	<u><u>\$ 493,446</u></u>

See accompanying notes to the financial statements

Lincoln County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2020

	<u>Investment Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and short-term investments	\$ 12,779,399	\$ 1,709,479
Taxes receivable	-	999,952
Total assets	<u>\$ 12,779,399</u>	<u>\$ 2,709,431</u>
LIABILITIES		
Due to others	\$ -	\$ 2,709,431
Total liabilities	<u>\$ -</u>	<u>\$ 2,709,431</u>
NET POSITION		
Assets held in trust	<u>\$ 12,779,399</u>	

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Changes in Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2020

	<u>Investment Trust Funds</u>
ADDITIONS	
Contributions:	
Contributions to Investment Trust Fund	\$ <u>8,999,502</u>
Total contributions	\$ <u>8,999,502</u>
Investment earnings:	
Interest and change in fair value of investments	\$ <u>79,789</u>
Net investment earnings	\$ <u>79,789</u>
Total additions	\$ <u>9,079,291</u>
 DEDUCTIONS	
Distributions from investment trust fund	\$ <u>8,418,393</u>
Total deductions	\$ <u>8,418,393</u>
Change in net position	\$ <u>660,898</u>
 Net Position - Beginning of the year	 \$ 12,118,501
Net Position - End of the year	\$ <u><u>12,779,399</u></u>

See accompanying Notes to the Financial Statements

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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.

New Accounting Pronouncements

GASB No. 95 *Postponement of the Effective Dates of Certain Authoritative Guidance*, is effective immediately as of May 2020. The statement was implemented in response to the COVID-19 pandemic providing temporary relief to governments in relation to other GASB statements that were to be effective for the fiscal year ending June 30, 2020. That statement postponed the effective dates of implementation for the following GASB Statements; GASB Statement No. 83, *Certain Asset Retirement Obligations*, Statement No. 84, *Fiduciary Activities*, Statement No. 87, *Leases*, Statement No. 88, *Certain Disclosures Related to Debt*, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 90, *Majority Equity Interests*, Statement No. 91, *Conduit Debt Obligations*, Statement No. 92, *Omnibus 2020*, and Statement No. 93 *Replacement of Interbank Offered Rates*. In addition, any of the recent implementation guides issued were postponed.

Financial Reporting Entity

In determining the financial reporting entity, the County complies with the provisions of GASB statement No. 14, *The Financial Reporting Entity*, as amended by GASB statement No. 61, *The Financial Reporting Entity: Omnibus*, and includes all component unit's of which the County appointed a voting majority of the component unit's board; the County is either able to impose its will on the unit or a financial benefit or burden relationship exists. In addition, the County complies with GASB statement No. 39 *Determining Whether Certain Organizations Are Component Units* which relates to organizations that raise and hold economic resources for the direct benefit of the County.

Primary Government

The County is a political subdivision of the State of Montana governed by an elected three-member Board of County Commissioners duly elected by the registered voters of the County. The County utilizes the commission form of government. 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The component units listed below have a fiscal year ending June 30, 2020. The County has the following discretely presented component units:

Lincoln County Port Authority

The Lincoln County Port Authority, was created by Resolution 609 on May 14, 2003, adopted by the Board of County Commissioners of Lincoln County, pursuant to Section 7-14-1101, M.C.A.

The purpose of the Lincoln County Port Authority is to promote, stimulate, develop, and advance the general welfare, commerce, economic development and prosperity of Lincoln County, the State of Montana and its citizens.

The audit report for the Lincoln County Port Authority can be obtained from the Lincoln County Port Authority, 60 Port Boulevard, Libby, MT 59923, (406) 293-8406.

Related Organizations

Related organizations are separate legal entities that are related to the primary government because the primary government officials appoint a voting majority of the board members. However, the primary government is not financially accountable because it does not have the ability to impose its will and there is not a potential financial benefit or burden relationship. The County has the following related organizations:

The Television Districts are considered related organizations of the County because the County Commissioners appoint the board members of the districts. However, the County is not financially accountable for the districts because it does not have the ability to impose its will on the districts and there is not a potential financial benefit or burden relationship. The Television Districts are included in the combined balance sheet as agency funds because the County Treasurer must collect and disburse funds for the districts.

The Friends of the Library and the Library Foundation are considered related organizations of the County. The Friends of the Library focuses public attention on the library, stimulates the use of the library's resources and services, receives and encourages gifts, endowments and bequests to the library, and supports and cooperates with the library in developing library services and facilities. The Library Foundation provides fundraising support for the benefit of all three libraries. The areas of fundraising include endowments, memorials and tax-deferred gifts. The County Library Board are responsible for employing the library director, determining policies and purposes of the library, submitting an annual budget, securing adequate funds and working to ensure that the library is able to offer comprehensive and effective service to the community.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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 Position and the Statement of Activities) display information about the reporting government as a whole and its component units. They include all funds of the County 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. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Eliminations have been made in the consolidation of business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities for the County at year end. 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 charges 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, 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 Position have been eliminated.

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Fund Financial Statements

Basis of Presentation

Fund financial statements of the reporting County are organized into funds, each of which is considered to be a separate accounting entity. 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 combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, 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 combined with deferred outflows of resources, liabilities combined with deferred inflows of resources, 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

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and 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 as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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 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. The payroll and claims clearing funds of the County, previously reported in the agency funds, have been combined with the General Funds for reporting purposes. The cash and related payables of these clearing funds are also reported here.

Road Fund – A special revenue fund that accounts for resources allocated by law, contractual agreement, or administrative regulations for, and the payment of, road maintenance, road construction, and other road related costs.

Public Safety/Law Enforcement Fund – A special revenue fund that is used to account for resources allocated by law, contractual agreement, or administrative regulations for, and the payment of law enforcement services, purchases, and other related costs.

COVID/Cares Act Fund – A special revenue fund that accounts for Cares Act revenues which are used to cover expenditures related to the COVID-19 pandemic.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Proprietary Funds:

All proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are primarily financed by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when earned and expenses are recognized when incurred. Allocations of costs, such as depreciation, are recorded in proprietary funds.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenues for enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

Major Funds:

The County reports the following major proprietary funds:

Solid Waste Fund – An enterprise fund that accounts for the activities of the County's solid waste service.

Fiduciary Funds

Fiduciary funds presented using the economic resources measurement focus and the accrual basis of accounting (except for the recognition of certain liabilities of defined benefit pension plans and certain postemployment healthcare plans). The required financial statements are a statement of fiduciary net position and a statement of changes in fiduciary net position. The fiduciary funds are:

Investment Trust Funds – To report the external portion of investment pools reported by the sponsoring government.

Agency Funds – To report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). This fund primarily consist of assets held by the County as an agent for individuals, private organizations, other local governmental entities.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2020, are as follows:

	Primary Government	Lincoln County Port Authority Component Unit	Total
<u>Cash on hand and deposits:</u>			
Cash on hand			
Petty Cash	\$ 400	\$ 30	\$ 430
Vault Cash	2,000	-	2,000
Cash in banks:			-
Demand deposits	16,912,433	1,591,073	18,503,506
Savings deposits	9,913,260	284,484	10,197,744
Time deposits	5,909,313	-	5,909,313
<u>Investments:</u>			-
State Short-Term Investment Pool (STIP)	62,620	-	62,620
U.S Treasury Bills	163,162	-	163,162
U.S. Government Securities	4,500,292	-	4,500,292
Total	\$ 37,463,480	\$ 1,875,587	\$ 39,339,067

Cash equivalents

Cash equivalents are short-term, highly liquid deposits and investments that both readily convertible to known amounts of cash, and have maturities at purchase date of three months or less. The County's cash and cash equivalents (including restricted assets) are considered to be cash on hand, demand, savings and time deposits, STIP, and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

For purposes of the statement of cash flows, the enterprise fund considers all funds (including restricted assets) held in the County's cash management pool to be cash equivalents.

Fair Value Measurements

Investments, including pooled and non-pooled investments, are reported at fair value, with the following limited exceptions: 1) investments in non-negotiable certificates of deposit are reported at cost and 2) money market investments, including U.S Treasury and Agency obligations, which mature within one year of acquisition, are reported at amortized cost. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between markets participates at the measurement date. Fair value is determined annually at fiscal year-end and requires use of valuation techniques described below.

LINCOLN COUNTY, MONTANA
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The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted account principles. The hierarchy, as follows, is based on the valuation inputs used to measure fair value. Valuation techniques used maximize the use of observable inputs and minimize the use of unobservable inputs that include the following:

(a) Level 1 Inputs – Quotes prices in active markets for identical assets; these investments are valued using prices quoted in active markets.

(b) Level 2 Inputs – Significant other observable inputs other than quoted prices included within Level 1; these investments are valued using matrix pricing.

(c) Level 3 Inputs – Significant unobservable inputs, these investments are valued using consensus pricing.

The U.S Treasury Bills and U.S Government Securities are valued using quoted market prices (Level 1 inputs).

Credit Risk

As a means of limiting exposure to credit risk, the County is required to follow specific state statutes adding security to the deposits and investments. Below are the legal provisions provided in the state Montana Code Annotated (MCA).

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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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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 authorized in Section 7-6-202, MCA, may be placed in time or savings deposits with a bank, savings and loan association, or credit union in the state or placed in repurchase agreements as authorized in Section 7-6-213, MCA.

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

The government has no investments that require credit risk disclosure.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2020, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	<u>WAM</u> <u>(Days)</u>
Treasuries	\$ 430,142	A-1+	56
Agency or Government Related	1,182,828	A-1+	52
Corporate:			
Commercial Paper	398,071	A-1+	72
Notes	115,311	A-1+	57
Certificates of Deposit	<u>300,206</u>	A-1	56
Total Investments	\$ <u>2,426,558</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3rd Floor 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 other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2020, the government's bank balance was exposed to custodial credit risk as follows:

Primary Government:

<u>Depository Account</u>	June 30, 2020 <u>Balance</u>
Insured	\$ 15,098,949
- Collateral held by the pledging bank's trust department but not in the County's name	17,554,152
- Uninsured and uncollateralized deposits	<u>69,299</u>
Total deposits and investments	\$ <u><u>32,722,400</u></u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Lincoln County Port Authority (A discretely presented component unit)

	June 30, 2020
	<u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 500,000
- Collateral held by the pledging bank's trust department but not in the County's name	<u>1,386,613</u>
Total deposits and investments	<u>\$ 1,886,613</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

(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, 2020, equaled or exceeded the amount required by State statutes.

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, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2020 along with their related interest rates and maturity dates.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Investment	Interest Rate	Maturity	Amount
United States Treasury Note/Bond	1.13%	7/31/2021	\$ 15,223
United States Treasury Note/Bond	1.63%	12/31/2021	10,218
United States Treasury Note/Bond	2.63%	8/15/2020	26,336
Federal Agricultural Mortgage Corp	2.65%	4/19/2021	9,217
Federal Farm Credit Banks Funding Corp	1.40%	4/14/2022	25,589
Federal Farm Credit Banks Funding Corp	1.48%	6/29/2022	25,610
Federal Farm Credit Banks Funding Corp	1.60%	7/17/2023	31,386
Federal Farm Credit Banks Funding Corp	1.88%	1/18/2022	5,171
Federal Farm Credit Banks Funding Corp	2.25%	1/29/2021	35,745
Federal Home Loan Banks	1.88%	11/29/2021	20,519
Federal Home Loan Mortgage Corp	2.00%	1/26/2022	51,726
Federal National Mortgage Association	2.00%	8/26/2022	78,318
Freddie Mac	1.63%	9/29/2020	40,308
Federal Farm Credit Banks Funding Corp	0.68%	6/10/2025	120,070
United States Treasury Note/Bond	1.13%	7/31/2021	15,223
United States Treasury Note/Bond	1.25%	3/31/2021	85,944
United States Treasury Note/Bond	1.63%	12/31/2021	10,218
Federal Agricultural Mortgage Corp	1.35%	2/27/2023	61,921
Federal Agricultural Mortgage Corp	2.65%	4/19/2021	8,192
Federal Farm Credit Banks Funding Corp	2.25%	1/29/2021	51,065
Federal Home Loan Banks	1.88%	11/29/2021	15,389
Federal Home Loan Banks	2.25%	3/11/2022	25,998
Federal Home Loan Mortgage Corp	2.00%	1/26/2022	51,726
Federal National Mortgage Association	1.88%	12/28/2020	10,084
Federal National Mortgage Association	2.00%	10/5/2022	36,508
Federal National Mortgage Association	2.00%	8/26/2022	73,097
Freddie Mac	1.63%	9/29/2020	43,332
Federal Farm Credit Banks Funding Corp	0.68%	6/10/2025	120,071
Federal National Mortgage Association	1.40%	8/25/2021	435,637
Federal Home Loan Banks Debenture	1.65%	2/28/2023	500,720
Federal Home Loan Mortgage Corp	1.00%	10/28/2025	500,180
Federal Home Loan Banks	1.88%	10/28/2024	503,470
Federal Home Loan Mortgage Corp	1.75%	1/17/2023	500,185
Federal Home Loan Mortgage Corp	2.00%	10/2/2024	818,995
Federal Home Loan Mortgage Corp	1.80%	1/6/2023	300,063
STIP	Varies	N/A	62,620
Total			<u>\$ 4,726,074</u>

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." In addition, investments are separately held by several of the government's funds. The deposits and investments of the Road fund are held separately from those of other government funds.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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. There are two types of investment trust funds reported by the County, pooled and individually directed investment trust funds.

The County has one pooled investment trust fund invested in interest bearing savings accounts/insured cash sweep account. The pooled funds are carried at fair value.

The County invests funds for external entities. These investments are reported in individually directed investment trust funds as described above. The investments are in interest bearing deposit accounts, certificates of deposit, and the short-term investment pool (STIP).

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2020 to support the value of the shares in the pool. As stated previously, the fair value of the investments is determined annually following the fair value measurement hierarchy. The condensed statement below is measured at fair value at fiscal year ended June 30, 2020.

As noted above state statutes limit the type of investments but provide no other regulatory oversight, and the pool is not registered with the Securities and Exchange Commission.

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 position and changes in net position for the Treasurer's Pool as of June 30, 2020.

Statement of Net Position

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 9,430,358
Equity of external pool participants	12,779,399
Total equity	<u>\$ 22,209,757</u>

Condensed Statement of Changes in Net Position

	External	Internal
Investment earnings	\$ 79,789	\$ 46,984
Contributions to trust	8,999,502	6,444,878
Distributions paid	(8,418,393)	(7,010,103)
Net change in net position	\$ 660,898	\$ (518,241)
Net position at beginning of year	12,118,501	9,948,599
Net position at end of year	<u>\$ 12,779,399</u>	<u>\$ 9,430,358</u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2020. These amounts are reported within the cash/investment account on the Statement of Net Position.

Primary Government:

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Solid Waste	Landfill closure/postclosure	\$ <u>1,106,999</u>

Lincoln County Port Authority (A discretely presented component unit):

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
General	IRP Loan Loss Reserve	\$ <u>15,000</u>

NOTE 4. RECEIVABLES

Tax Receivables

Property tax levies are set in August, after the County Assessor delivers the taxable valuation information to the County, in connection with the budget process and are based on taxable values listed as of January 1 for all property located in the Entity. Taxable values are established by the Montana Department of Revenue, and a revaluation of all property is required to be completed on a periodic basis. Taxable value is defined by Montana statute as a fixed percentage of market value.

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 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.

Taxes that become delinquent are charged interest at the rate of 5/6 of 1% a month plus a penalty of 2%. Real property on which taxes remain delinquent and unpaid may be sold at tax sales. In the case of personal property, the property is to be seized and sold after the taxes become delinquent.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

Lincoln County Port Authority (A discretely presented component unit)

To help promote economic development in Lincoln County and the City of Libby, The Port Authority provides promissory notes, loans and lines of credit to businesses looking to operate in the area, but need assistance starting operations. These sources of funding to local businesses are recorded as note receivables by the Port Authority. As of June 30, 2020, the following are the total amounts owed to the Port Authority:

<u>Business</u>	<u>Amount Issued</u>	<u>Interest Rate</u>	<u>Note Receivable</u>
Montana Sky West	\$ 175,000	6.25%	\$ 81,152
Cabinet Mountain Brewing Company	70,000	6.00%	49,907
Snowshoe Properties LLC	195,000	6.00%	186,176
Liz Whalen Health Fitness	28,000	6.00%	19,351
Jasper Enterprises	150,000	6.25%	73,495
Diverse Dirt Works	77,875	5.50%	77,382
Total			<u>\$ 487,463</u>

NOTE 5. INVENTORIES

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

NOTE 6. 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 capital assets, as applicable. Depreciation is recorded on a straight-line basis over the useful lives of the assets as follows:

	<u>Lincoln County</u>	<u>Lincoln County Port Authority</u>
Buildings	10 – 20 years	30 – 60 years
Improvements	5 – 15 years	30 – 60 years
Equipment	5 – 60 years	5 – 60 years
Infrastructure	10 – 40 years	50 – 65 years

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 2020 Basic Financial Statements.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

Governmental activities:

	Balance July 1, 2019	Additions	Transfers	Retirements	Balance June 30, 2020
Capital assets not being depreciated:					
Land	\$ 609,651	\$ -	\$ -	\$ -	\$ 609,651
Construction in progress	265,424	1,004,741	(355,000)	-	915,165
Total capital assets not being depreciated	<u>\$ 875,075</u>	<u>\$ 1,004,741</u>	<u>\$ (355,000)</u>	<u>\$ -</u>	<u>\$ 1,524,816</u>
Other capital assets:					
Buildings	\$ 5,034,113	\$ 17,951	\$ -	\$ -	\$ 5,052,064
Improvements other than buildings	9,946,524	41,095	355,000	-	10,342,619
Machinery and equipment	11,785,203	559,942	-	(211,909)	12,133,236
Infrastructure	1,935,106	-	-	-	1,935,106
Total other capital assets at historical cost	<u>\$ 28,700,946</u>	<u>\$ 618,988</u>	<u>\$ 355,000</u>	<u>\$ (211,909)</u>	<u>\$ 29,463,025</u>
Less: accumulated depreciation	<u>(20,210,541)</u>	<u>(974,454)</u>	<u>-</u>	<u>198,135</u>	<u>(20,986,860)</u>
Total	<u><u>\$ 9,365,480</u></u>	<u><u>\$ 649,275</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (13,774)</u></u>	<u><u>\$ 10,000,981</u></u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$156,957
Public safety	126,097
Public works	569,690
Public health	770
Culture and recreation	120,940
Total governmental activities depreciation expense	<u>\$974,454</u>

A summary of changes in business-type capital assets was as follows:

Business-type activities:

	Balance July 1, 2019	Additions	Balance June 30, 2020
Capital assets not being depreciated:			
Land	\$ 850	\$ -	\$ 850
Total capital assets not being depreciated	<u>\$ 850</u>	<u>\$ -</u>	<u>\$ 850</u>
Other capital assets:			
Buildings	\$ 303,740	\$ -	\$ 303,740
Improvements other than buildings	114,803	-	114,803
Machinery and equipment	2,206,507	-	2,206,507
Total other capital assets at historical cost	<u>\$ 2,625,050</u>	<u>\$ -</u>	<u>\$ 2,625,050</u>
Less: accumulated depreciation	<u>(1,798,786)</u>	<u>(131,629)</u>	<u>(1,930,415)</u>
Total	<u><u>\$ 827,114</u></u>	<u><u>\$ (131,629)</u></u>	<u><u>\$ 695,485</u></u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Lincoln County Port Authority (A discretely presented component unit)

	Balance July 1, 2019	Additions	Balance June 30, 2020
Capital assets not being depreciated:			
Land	\$ 2,758,220	\$ -	\$ 2,758,220
Construction in progress	-	18,000	18,000
Total capital assets not being depreciated	<u>\$ 2,758,220</u>	<u>\$ 18,000</u>	<u>\$ 2,776,220</u>
Other capital assets:			
Buildings	\$ 1,612,103	\$ -	\$ 1,612,103
Machinery and equipment	551,588	-	551,588
Infrastructure	<u>5,175,059</u>	<u>71,188</u>	<u>5,246,247</u>
Total other capital assets at historical cost	\$ 7,338,750	\$ 71,188	\$ 7,409,938
Less: accumulated depreciation	<u>(2,676,027)</u>	<u>(260,785)</u>	<u>(2,936,812)</u>
Total	<u><u>\$ 7,420,943</u></u>	<u><u>\$ (171,597)</u></u>	<u><u>\$ 7,249,346</u></u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities.

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, 2020, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2019	Additions	Balance June 30, 2020	Due Within One Year
Compensated absences	\$ 638,535	\$ 100,722	\$ 739,257	\$ 498,732
Total	<u>\$ 638,535</u>	<u>\$ 100,722</u>	<u>\$ 739,257</u>	<u>\$ 498,732</u>

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Business-type Activities:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Landfill closure/postclosure	\$ 1,073,425	\$ -	\$ (31,725)	\$ 1,041,700	\$ -
Compensated absences	99,634	6,010		105,644	79,572
Total	<u>\$ 1,173,059</u>	<u>\$ 6,010</u>	<u>\$ (31,725)</u>	<u>\$ 1,147,344</u>	<u>\$ 79,572</u>

Lincoln County Port Authority (A discretely presented component unit)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Due Within One Year
Loans/Contracted debt	\$ 500,000	\$ -	\$ (16,049)	\$ 483,951	\$ 16,383
Total	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ (16,049)</u>	<u>\$ 483,951</u>	<u>\$ 16,383</u>

Lincoln County Port Authority (A discretely presented component unit)

Loans/Contracted Debt

Loans/contracted debts outstanding as of June 30, 2020, were as follows:

Purpose	Origination Date	Interest Rate	Term	Maturity Date	Principal Amount	Balance June 30, 2020
USDA IRF RLF Loan	7/1/17	1.00%	30 yrs	6/2/50	<u>\$500,000</u>	<u>\$ 483,951</u>

The USDA Intermediary Relending Program (IRP) letter of conditions included restrictive covenants. The Port Authority was in compliance with the applicable covenants as of June 30, 2020. Below outlines in further detail the specific compliance requirements of the loan:

1) The Port Authority must create a cash reserve for bad debts on the loans issued to businesses. The required reserve must be accumulated over 3 years and then maintained to equal 6 percent of the outstanding loans. The required amount at the end of fiscal year June 30, 2020 was equal to \$9,749 and the Port Authority had reserved \$15,000 as noted in the restricted cash disclosed in Note 3. The Port Authority is in compliance with this requirement.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Annual requirement to amortize debt:

For Fiscal Year Ended	<u>Principal</u>	<u>Interest</u>
2021	\$ 16,383	\$ 4,840
2022	16,547	4,676
2023	16,713	4,510
2024	16,880	4,343
2025	17,048	4,174
2026	17,219	4,004
2027	17,391	3,832
2028	17,565	3,658
2029	17,741	3,482
2030	17,918	3,305
2031	18,097	3,125
2032	18,278	2,944
2033	18,461	2,762
2034	18,646	2,577
2035	18,832	2,391
2036	19,020	2,202
2037	19,211	2,012
2038	19,403	1,820
2039	19,597	1,626
2040	19,793	1,430
2041	19,991	1,232
2042	20,191	1,032
2043	20,392	830
2044	20,596	626
2045	20,802	420
2046	21,236	212
Total	\$ <u>483,951</u>	\$ <u>68,065</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. 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 the excess cannot be carried forward 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/respective proprietary fund.

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Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require that Lincoln County place a final cover on its landfill when it stops accepting waste and perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date the landfill stops accepting waste, the landfill reports a portion of these closure and postclosure care costs as an operating expense each period. The costs expensed during a period are based on landfill capacity used as of each balance sheet date. The \$1,041,700 reported as landfill closure and postclosure liability at June 30, 2020, represents the cumulative amount reported to date based on the use of 83.01% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$213,186 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in 2020. Actual costs may be different due to inflation, deflation, technology, or changes in applicable laws or regulation. The County expects to close the landfill in the year 2025, therefore there are 5 years remaining of useful life. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by State and Federal laws and regulations to demonstrate financial assurance for the costs of closure and postclosure care costs. For the fiscal year ended June 30, 2020, Lincoln County demonstrated its ability to handle closure and postclosure care costs by depositing in the state trust fund. The trust fund cash balance was \$1,107,015 as of June 30, 2020

NOTE 8. POSTEMPLOYMENT HEALTHCARE PLAN

Plan Description. The healthcare plan provides for, as required by section 2-18-704, MCA, employees with at least 5 years of service and who are at least age 50, along with surviving spouses and dependents, to stay on the government's health care plan as long as they pay the same premium. This creates a defined benefit Other Post-Employment Benefits Plan (OPEB); since retirees are usually older than the average age of the plan participants, they receive a benefit of lower insurance rates. The OPEB plan is a single-employer defined benefit plan administered by the County. The government has not created a trust to accumulate assets to assist in covering the defined benefit plan costs, and covers these when they come due. The above described OPEB plan does not provide a stand-alone financial report.

Benefits Provided. The government provides healthcare insurance benefits for retirees and their dependents upon reaching the age and service years defined in section 2-18-704, MCA. The benefit terms require that eligible retirees cover 100 percent of the health insurance premiums, but may pay the same premiums as the other members in the group health plan.

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Employees covered by benefit terms. At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	24
Active employees	114
Total employees	<u>138</u>

Total OPEB Liability

The County's total OPEB liability of \$2,808,041 at June 30, 2020, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was June 30, 2020.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2020 alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	62.05
Discount rate	2.53%
Average salary increase	2.50%
<u>Health care cost rate trend</u>	

	Medical/Prescription
<u>Year</u>	<u>Drugs</u>
2020	6.3%
2021	7.4%
2022	6.5%
2023	6.0%
2024	5.9%
2025	5.7%
2026	5.6%
2027	5.5%
2028	5.3%
2029-2045	5.2%
2046	5.1%
2047-2048	5.0%
2049-2051	4.9%
2052-2055	4.8%
2056-2060	4.7%
2061-2067	4.6%
2068	4.5%
2069	4.4%
2070	4.3%

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2071-2072	4.2%
2073	4.1%
2074-2075	4.0%
2076	3.9%
2077+	3.8%

The discount rate was based on the 20-year General obligation (GO) bond index.

For PERS and SRS, mortality is assumed to follow the RP 2000 Healthy Combined Mortality Table, set back one year for males and with no collar adjustment for females, with mortality improvements projected by Scale BB to 2020. For PERS and SRS, disabled mortality is assumed to follow the RP 2000 Disabled Mortality Table with no projections and no collar adjustment for males and females.

Participation Rate:

40.0% of future retirees are assumed to elect medical coverage. 70% of the future retirees who elect coverage and are married (see marriage rate assumption) are assumed to elect spousal coverage as well.

The turnover rates were determined from the periodic experience studies of the Montana public retirement systems for the covered groups as documented in the GASB 68 actuarial valuations.

Changes in the Total OPEB Liability

Balance at 6/30/2019	\$ <u>3,909,449</u>
Changes for the year:	
Service Cost	\$ 228,916
Interest	140,802
Differences in experience	(257,511)
Change in assumptions	(1,136,909)
Benefit payments	<u>(76,706)</u>
Net Changes	\$ <u>(1,101,408)</u>
Balance at 6/30/2020	\$ <u>2,808,041</u>

Sensitivity of the total OPEB liability to changes in the discount rate. The following summarizes the total OPEB liability reported, and how that liability would change if the discount rate used to calculate the OPEB liability were to decrease or increase 1%:

	1% Decrease (1.53%)	Discount Rate (2.53%)	1% Increase (3.53%)
Total OPEB Liability \$	3,443,733	\$ 2,808,041	\$ 2,320,358

LINCOLN COUNTY, MONTANA
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Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following summarizes the total OPEB liability reported, and how that liability would change if the healthcare trend rates used in projecting the benefit payments were to decrease or increase 1%:

	Healthcare Cost		
	1% Decrease	Trends*	1% Increase
Total OPEB Liability	\$ 2,273,013	\$ 2,808,041	\$ 3,520,610

**Reference the assumptions footnotes to determine the healthcare cost trends used to calculate the OPEB liability.*

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the County recognized an OPEB expense of \$360,004. The County does not report any deferred outflows of resources and deferred inflows of resources related to OPEB as there were no differences between expected and actual experience. In addition, since County records costs as they come due, there are no deferred outflows of resources for contributions to the OPEB plan trust.

At June 30, 2020, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources - OPEB	Deferred Inflows of Resources - OPEB
Differences between expected and actual economic experience	\$ -	257,511
Changes in actuarial assumptions	342,066	1,136,909
Total	\$ 342,066	\$ 1,394,420

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

OPEB: Year ended June 30:	Amount recognized in OPEB Expense as an increase or (decrease) to OPEB Expense
2020	\$ -
2021	\$ (123,843)
2022	\$ (123,843)
2023	\$ (123,843)
2024	\$ (123,843)
Thereafter	\$ (899,048)

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NOTE 9. DEFINED CONTRIBUTION PENSION – COMPONENT UNIT

The Port Authority offers its employees a defined contribution pension plan with Edward Jones. The simple IRA plan is available to all Port Authority employees and permits them to defer a portion of their salary until future years. Participation in the plan is optional, but the Port Authority contributes 3% towards the IRA accounts as established by the Port Commissioners. The compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

NOTE 10. NET PENSION LIABILITY (NPL)

As of June 30, 2020, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	<u>PERS</u>		<u>SRS</u>		<u>Pension Totals</u>
Net Pension Liability	\$ 4,742,829	\$	1,721,929	\$	6,464,758
Deferred outflows of resources*	\$ 899,033	\$	993,412	\$	1,892,445
Deferred inflows of resources	\$ 944,075	\$	931,827	\$	1,875,902
Pension expense	\$ 279,997	\$	76,622	\$	356,619

*Deferred outflows for PERS and SRS, are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$415,286, and \$246,160, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2020. Total deferred inflows and outflows in the remainder of the note are as of the measurement date of June 30, 2020.

The following are the detailed disclosures for each retirement plan as required by GASB 68.

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Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

The County's employees participate in the Public Employees Retirement System (PERS) administered by the Montana Public Employee Retirement Administration (MPERA). MPERA prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and Additions to, or Deductions from, Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Plan Descriptions

The PERS-Defined Benefit Retirement Plan (PERS) administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing plan established July 1, 1945, and governed by Title 19, chapters 2 & 3, Montana Code Annotated (MCA). This plan provides retirement benefits to covered employees of the State, local governments, certain employees of the Montana University System, and school districts.

All new members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the defined contribution retirement plan (PERS-DCRP) by filing an irrevocable election. Members may not be participants of both the *defined contribution* and *defined benefit* retirement plans. For members that choose to join the PERS-DCRP, a percentage of the employer contributions will be used to pay down the liability of the PERS-DBRP. All new members from the universities also have third option to join the university system's Montana University System Retirement Program (MUS-RP).

The PERS-DBRP provides retirement, disability, and death benefits to plan members and their beneficiaries. Benefits are established by state law and can only be amended by the Legislature.

Summary of Benefits

Service retirement:

- Hired prior to July 1, 2011:
 - Age 60, 5 years of membership service;
 - Age 65, regardless of membership service; or
 - Any age, 30 years of membership service.

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- Hired on or after July 1, 2011:
 - Age 65, 5 years of membership service;
 - Age 70, regardless of membership service.

Early Retirement (actuarially reduced):

- Hired prior to July 1, 2011:
 - Age 50, 5 years of membership service; or
 - Any age, 25 years of membership service.
- Hired on or after July 1, 2011:
 - Age 55, 5 years of membership service.

Second Retirement (requires returning to PERS-covered employer or PERS service):

1) Retire before January 1, 2016 and accumulate less than 2 years additional service credit or retire on or after January 1, 2016 and accumulate less than 5 years additional service credit:

- a. A refund of member's contributions plus return interest (currently .77% effective July 1, 2017).
- b. No service credit for second employment;
- c. Start the same benefit amount the month following termination; and
- d. Guaranteed Annual Benefit Adjustment (GABA) starts again in the January immediately following the second retirement.

2) Retire before January 1, 2016 and accumulate at least 2 years of additional service credit:

- a. A recalculated retirement benefit based on provisions in effect after the initial retirement; and
- b. GABA starts on the recalculated benefit in the January after receiving the new benefit for 12 months.

3) Retire on or after January 1, 2016 and accumulate 5 or more years of service credit:

- a. The same retirement as prior to the return to service;
- b. A second retirement benefit as prior to the second period of service based on laws in effect upon the rehire date; and
- c. GABA starts on both benefits in the January after receiving the original and the new benefit for 12 months.

Vesting

- 5 years of membership service

Member's highest average compensation (HAC)

- Hired prior to July 1, 2011- highest average compensation during any consecutive 36 months;
- Hired on or after July 1, 2011-highest average compensation during any consecutive 60 months;

Compensation Cap

- Hired on or after July 1, 2013-110% annual cap on compensation considered as a part of a member's highest average compensation.

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Monthly benefit formula

Members hired prior to July 1, 2011:

- Less than 25 years of membership service: 1.785% of HAC per year of service credit;
- 25 years of membership service or more: 2% of HAC per year of service credit.

Members hired on or after July 1, 2011:

- Less than 10 years of membership service: 1.5% of HAC per year of service credit;
- 10 years or more, but less than 30 years of membership service: 1.785% of HAC per year of service credit;
- 30 years or more of membership service: 2% of HAC per year of service credit.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2013
- Members hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

Contributions

The state Legislature has the authority to establish and amend contributions rates. Member and employer contribution rates are specified by Montana Statute and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers

Special Funding: The state of Montana, as the non-employer contributing entity, paid to the Plan, additional contributions that qualify as special funding. Those employers who received special funding are all participating employers

Not Special Funding: Per Montana law, state agencies and universities paid their own additional contributions. The employer paid contributions are not accounted for as special funding state agencies and universities but are reported as employer contributions.

LINCOLN COUNTY, MONTANA
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Member and employer contribution rates are shown in the table below.

Fiscal Year	Member		State & Universities	Local Government		School Districts	
	Hired - 07/01/11	Hired - 07/01/11	Employer	Employer	State	Employer	State
2020	7.900%	7.900%	8.770%	8.670%	0.100%	8.400%	0.370%
2019	7.900%	7.900%	8.670%	8.570%	0.100%	8.300%	0.370%
2018	7.900%	7.900%	8.570%	8.470%	0.100%	8.200%	0.370%
2017	7.900%	7.900%	8.470%	8.370%	0.100%	8.100%	0.370%
2016	7.900%	7.900%	8.370%	8.270%	0.100%	8.000%	0.370%
2015	7.900%	7.900%	8.270%	8.170%	0.100%	7.900%	0.370%
2014	7.900%	7.900%	8.170%	8.070%	0.100%	7.800%	0.370%
2012 – 2013	6.900%	7.900%	7.170%	7.070%	0.100%	6.800%	0.370%
2010 – 2011	6.900%		7.170%	7.070%	0.100%	6.800%	0.370%
2008 – 2009	6.900%		7.035%	6.935%	0.100%	6.800%	0.235%
2000 - 2007	6.900%		6.900%	6.800%	0.100%	6.800%	0.100%

1. Rates are specified by state law and are a percentage of the member's compensation.
 - a. Contributions are deducted from each member's salary and remitted by participating employers;
 - b. The State legislature has the authority to establish and amend contribution rates to the plan.
2. Member contributions to the system:
 - a. Plan members are required to contribute 7.90% of member's compensation. Contributions are deducted from each member's salary and remitted by participating employers.
 - b. The 7.90% member contributions is temporary and will be decreased to 6.9% on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below 25 years following the reduction of both the additional employer and additional member contribution rates.
3. Employer contributions to the system:
 - a. Effective July 1, 2014, following the 2013 Legislative session, PERS-employer contributions increase an additional 0.1% a year and will continue over 10 years through 2024. The additional employer contributions including the 0.27% added in 2007 and 2009, will terminate on January 1 following actuary valuation results that show the amortization period has dropped below 25 years and would remain below the 25 years following the reduction of both the additional employer and additional member contributions rates.
 - b. Effective July 1, 2013, employers are required to make contributions on working retirees' compensation. Member contributions for working retirees are not required.
4. Non-Employer Contributions
 - a. Special Funding
 - i. The State contributes 0.1% of members' compensation on behalf of local government entities.

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- ii. The State contributes 0.37% of members' compensation on behalf of school district entities.
- iii. The State contributed a statutory appropriation from its General Fund of \$33,454,182.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2019, and 2020, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$4,742,829 and the County's proportionate share was 0.226896 percent.

	Net Pension Liability as of 6/30/2020	Net Pension Liability as of 6/30/2019	Percent of Collective NPL as of 6/30/2020	Percent of Collective NPL as of 6/30/2019	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 4,742,829	\$ 4,631,197	0.226896%	0.221892%	0.005004%
State of Montana Proportionate Share associated with Employer	1,544,021	1,548,905	0.073866%	0.074212%	-0.000346%
Total	<u>\$ 6,286,850</u>	<u>\$ 6,180,102</u>	<u>0.300762%</u>	<u>0.296104%</u>	<u>0.004658%</u>

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

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Changes in benefit terms:

There were no changes in benefit terms since the previous measurement date

Changes in proportionate share:

Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

Pension Expense:

At June 30, 2020, the County recognized a Pension Expense of \$279,997 for its proportionate share of the pension expense. The County also recognized grant revenue of \$3,911 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County. Additionally, the County recognized grant revenue of \$100,912 from the State Statutory Appropriation from the General Fund.

	Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 279,997	\$ (19,751)
State of Montana Proportionate Share associated with the Employer	3,911	103,372
Employer grant revenues State of Montana State appropriation for employer	100,912	-
Total	\$ <u>384,820</u>	\$ <u>83,621</u>

Recognition of Beginning Deferred Outflow

At June 30, 2020, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2019 contributions of \$361,472.

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Recognition of Deferred Inflows and Outflows:

At June 30, 2020, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 224,894	\$ 233,170
Actual vs. Expected Investment Earnings	57,505	-
Changes in Assumptions	201,348	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	-	720,905
Employer contributions subsequent to the measurement date - FY20*	415,286	-
Total	\$ <u>899,033</u>	\$ <u>954,075</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2021.

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Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$ (132,485)
2021	\$ (400,846)
2022	\$ 21,392
2023	\$ 51,611
Thereafter	\$ -

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increase Below:

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Member hired on or after July 1, 2013:
 - 1.5% for each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, males set back 1 year.
- Mortality assumptions among Disabled members are based on RP 2000 Combined Mortality Tables with no projections.

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The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	<u>8.00%</u>	5.65%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members, employers, and non-employer contributing entities would be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. The state contributed 0.10% of the salaries paid by local governments and 0.37% paid by school districts. In addition, the state contributed coal severance tax and interest money from the general fund. The interest was contributed monthly and the severance tax was contributed quarterly. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2121. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 6,814,095	\$ 4,742,829	\$ 3,002,193

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In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

PERS Disclosure for the defined contribution plan

Lincoln County contributed to the state of Montana Public employee Retirement System Defined Contribution Retirement Plan (PERS-DCRP) for employees that have elected the DCRP. The PERS-DCRP is administered by the PERB and is reported as a multiple-employer plan established July 1, 2002, and governed by Title 19, chapters 2 & 3, MCA.

All new PERS members are initially members of the PERS-DBRP and have a 12-month window during which they may choose to remain in the PERS-DBRP or join the PERS-DCRP by filing an irrevocable election. Members may not be participants of both the defined benefit and defined contribution retirement plans.

Member and employer contributions rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The state Legislature has the authority to establish and amend contribution rates.

Benefits are dependent upon eligibility and individual account balances. Participants are vested immediately in their own contributions and attributable income. Participants are vested after 5 years of membership service for the employer's contributions to individual accounts and the attributable income. Non-vested contributions are forfeited upon termination of employment per 19-3-2117(5), MCA. Such forfeitures are used to cover the administrative expenses of the PERS-DCRP.

At the plan level for the measurement period ended June 30, 2018, the PERS-DCRP employer did not recognize any net pension liability or pension expense for the defined contribution plan. Plan level non-vested forfeitures for the 316 employers that have participants in the PERS-DCRP totaled \$746,144.

Pension plan fiduciary net position: The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) Comprehensive Annual Financial Report (CAFR) and the GASB 68 Report disclose the Plan's fiduciary net position. The reports are available from the PERB at PO Box 200131, Helena MT 59620-0131, (406) 444-3154 or both are available on the MPERA website at <http://mpera.mt.gov/index.shtml>.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Sheriff's Retirement System

Summary of Significant Accounting Policies

The Montana Public Employee Retirement Administration (MPERA) prepared financial statements using the accrual basis of accounting. The same accrual basis was used by MPERA for the purposes of determining the NPL; Deferred Outflows of Resources and Deferred Inflows of Resources related to pensions; Pension Expense; the Fiduciary Net Position; and, Additions to or Deductions from Fiduciary Net Position. Member contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Revenues are recognized in the accounting period they are earned and become measurable. Benefit payments and refunds are recognized in the accounting period in which they are due and payable in accordance with the benefit terms. Expenses are recognized in the period incurred. Investments are reported at fair value. MPERA adhered to all accounting principles generally accepted by the United States of America. MPERA applied all applicable pronouncements of the Governmental Accounting Standards Board (GASB).

Plan Descriptions

The Sheriffs' Retirement System (SRS), administered by the Montana Public Employee Retirement Administration (MPERA), is a multiple-employer, cost-sharing defined benefit plan established July 1, 1974, and governed by Title 19, chapters 2 & 7, MCA. This plan provides retirement benefits to all Department of Justice criminal and gambling investigators hired after July 1, 1993, all detention officers hired after July 1, 2005, and to all Montana sheriffs. Benefits are established by state law and can only be amended by the Legislature.

The SRS provides retirement, disability and death benefits to plan members and their beneficiaries. Benefits are based on eligibility, years of service and highest average compensation. Member rights are vested after five years of service.

Summary of Benefits

Service retirement:

- 20 years of membership service.
- 2.5% of HAC x years of service credit.

Early retirement:

- Age 50 with 5 years of membership service.
- This benefit calculated using HAC and service credit at early retirement, and reduced to the actuarial equivalent commencing at the earliest of age 60 or the attainment of 20 years of service credit.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Second Retirement:

Applies to retirement system members re-employed in an SRS position on or after July 1, 2017:

- 1) If the member works more than 480 hours in a calendar year and accumulates less than 5 years of service credit before terminating again, the member:
 - a. Is not awarded service credit for the period of reemployment;
 - b. Is refunded the accumulated contributions associated with the period of reemployment;
 - c. Starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - d. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a Guaranteed Annual Benefit Adjustment (GABA) in January immediately following second retirement.
- 2) If the member works more than 480 hours in a calendar year and accumulates at least 5 years of service credit before terminating again, the member:
 - a. Is awarded service credit for the period of reemployment;
 - b. Starting the first month following termination of service, receives:
 - i. The same retirement benefit previously paid to the member, and
 - ii. A second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- 3) A member who returns to covered service is not eligible for a disability benefit.

Vesting

5 years of membership service

Member's compensation period used in benefit calculation

- HAC = Highest Average Compensation
- Hired prior to July 1, 2011: HAC is average of the highest 36 consecutive months of compensation paid to member.
- Hired on or after July 1, 2011: HAC is average of the highest 60 consecutive months of compensation paid to member.

Compensation Cap

- Hired on or after July 1, 2013: 110% annual cap on compensation considered as a part of a member's HAC.

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, a Guaranteed Annual Benefit Adjustment (GABA) will be made each year equal to:

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Contributions

Member and employer contribution rates are specified by state law and are a percentage of the member's compensation. Contributions are deducted from each member's salary and remitted by participating employers. The State Legislature has the authority to establish and amend contribution rates. Member and employer contribution rates are shown in the table below.

<u>Fiscal Year</u>	<u>Member</u>	<u>Employer</u>
2018-2019	10.245%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

GASB Statement 68 allows a measurement date of up to 12 months before the employer's fiscal year-end can be utilized to determine the Plan's TPL. The basis for the TPL as of June 30, 2019, was determined by taking the results of the June 30, 2018, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County's and the state of Montana's NPL for June 30, 2020, and 2019, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$1,721,929 and the County's proportionate share was 2.0647 percent.

	<u>Net Pension Liability as of 6/30/2020</u>	<u>Net Pension Liability as of 6/30/2019</u>	<u>Percent of Collective NPL as of 6/30/2020</u>	<u>Percent of Collective NPL as of 6/30/2019</u>	<u>Change in Percent of Collective NPL</u>
Employer Proportionate Share	\$ 1,721,929	\$ 1,488,506	2.06470%	1.9801%	0.0846%
Total	<u>\$ 1,721,929</u>	<u>\$ 1,488,506</u>	<u>2.0647%</u>	<u>1.9801%</u>	<u>0.0846%</u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Changes in actuarial assumptions and methods:

There were no changes in assumptions or other inputs that affected the measurement of the total pension liability.

Changes in benefit terms:

There were no changes in benefit terms since the previous measurement date

Changes in proportionate share:

Between the measurement date of the collective NPL and the employer's reporting date there were some changes in proportion that may have an effect on the employer's proportionate share of the collective NPL.

Pension Expense:

At June 30, 2020, the County recognized a Pension Expense of \$76,622 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/20	Pension Expense as of 6/30/19
Employer Proportionate Share	\$ 76,622	\$ (80,746)
Total	\$ <u>76,622</u>	\$ <u>(80,746)</u>

Recognition of Beginning Deferred Outflow

At June 30, 2020, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2019 contributions of \$217,387.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Recognition of Deferred Inflows and Outflows:

At June 30, 2020, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 110,910	\$ 2,081
Actual vs. Expected Investment Earnings	33,285	-
Changes in Assumptions	539,013	929,746
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	64,044	-
Employer contributions subsequent to the measurement date - FY20*	246,160	-
Total	<u>\$ 993,412</u>	<u>\$ 931,827</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2020	\$ (145,150)
2021	\$ (183,679)
2022	\$ 86,404
2023	\$ 57,851
Thereafter	\$ -

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2019 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.65%
- Admin Expense as % of Payroll 0.26%
- General Wage Growth* 3.50%
- *includes Inflation at 2.75%
- Merit Increases 0% to 6.3%
- Postretirement Benefit Increases

Guaranteed Annual Benefit Adjustment (GABA)

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage each January, Inclusive of other adjustments to the member's benefit.

- 3.0% for members hired prior to July 1, 2007
- 1.5% for members hired between July 1, 2007 and June 30, 2014
- Mortality assumptions among contributing members, service retired members and beneficiaries based on RP 2000 Combined Employee and Annuitant Mortality Tables projected to 2020 with scale BB, set back one year for males.
- Mortality assumptions among Disabled Retirees are based on RP 2000 Combined Mortality Tables with no projections.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a reported dated May 5, 2017 and can be located on the MPERA website. The long-term expected return on pension plan assets is reviewed as part of the regular experience studies prepared for the Plan. Several factors are considered in evaluating the long-term rate of return assumption. Including historical rates of return, rate of return assumptions adopted by similar public-sector systems, and by using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflations) are developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018, are summarized in the table below.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	3.00%	4.09%
Domestic Equity	36.00%	6.05%
Foreign Equity	18.00%	7.01%
Fixed Income	23.00%	2.17%
Private Equity	12.00%	10.53%
Real Estate	8.00%	5.65%
Total	100%	

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Discount Rate

The discount rate used to measure the TPL was 7.65%. The projection of cash flows used to determine the discount rate assumed that contributions from participating plan members and employers will be made based on the Board's funding policy, which established the contractually required rates under the Montana Code Annotated. Based on those assumptions, the Plan's fiduciary net position was projected to be adequate to make all the projected future benefit payments of current plan members through the year 2118. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. A municipal bond rate was not incorporated in the discount rate.

1.0% Decrease (6.65%)	Current Discount Rate	1.0% Increase (8.65%)
\$ 3,055,064	\$ 1,721,929	\$ 629,163

In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.65%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.65%) or 1.00% higher (8.65%) than the current rate.

NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2020, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Short term loan to cover deficit cash balance	General – Major Governmental	Permissive – Nonmajor Governmental	\$ 641
Short term loan to cover deficit cash balance	General – Major Governmental	USFS patrol– Nonmajor Governmental	8,743
Short term loan to cover deficit cash balance	General – Major Governmental	Lincoln County Fire Co-op– Nonmajor Governmental	8,122
Short term loan to cover deficit cash balance	General – Major Governmental	Land use planning– Nonmajor Governmental	1,903
Short term loan to cover deficit cash balance	General – Major Governmental	KFRI– Nonmajor Governmental	2,484
Short term loan to cover deficit cash balance	General – Major Governmental	Crime Victims Assistance– Nonmajor Governmental	21,200

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Short term loan to cover deficit cash balance	General – Major Governmental	Communication Mountain Tops– Nonmajor Governmental	22,603
Short term loan to cover deficit cash balance	General – Major Governmental	Disaster/Flood– Nonmajor Governmental	6
Short term loan to cover deficit cash balance	General – Major Governmental	Immunizations – Nonmajor Governmental	751
Short term loan to cover deficit cash balance	General – Major Governmental	Covid/Cares – Major Governmental	<u>468,298</u>
			<u>\$ 534,751</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2020:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
SRS Permissive Medical Transfer	Public Safety – Major Governmental	Permissive Sheriff Retirement – Nonmajor Governmental	\$ 68,859
Permissive Medical Levy Transfer	General– Major Governmental	Permissive Medical Levy – Nonmajor Governmental	397,760
Permissive Medical Levy Transfer	Noxious Weed – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	17,923
Permissive Medical Levy Transfer	District Court– Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	35,514
Permissive Medical Levy Transfer	Library – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	21,632
Permissive Medical Levy Transfer	Planning – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	4,979
Permissive Medical Levy Transfer	Public Health – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	24,973
Permissive Medical Levy Transfer	Public Safety – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	348,207
Operating	General– Major Governmental	PILT* – Major Governmental	14,852
Operating	Fair – Nonmajor Governmental	PILT* – Major Governmental	14,853
Operating	Library – Nonmajor Governmental	PILT* – Major Governmental	14,843
Operating	Public Safety– Major Governmental	PILT* – Major Governmental	362,926

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Operating	Noxious Weed Grant – Nonmajor Governmental	PILT* – Major Governmental	16,909
Operating	Growth Policy – Nonmajor Governmental	PILT* – Major Governmental	5,495
Indirect Cost Allocation Plan	General – Major Governmental	Road – Major Governmental	256,077
Indirect Cost Allocation Plan	General – Major Governmental	Public Safety– Major Governmental	239,506
Indirect Cost Allocation Plan	General – Major Governmental	Solid Waste – Nonmajor Governmental	140,885
Operating	EMPG Grant – Nonmajor Governmental	General – Major Governmental	29,208
Future capital improvements/purchases	Junk Vehicle CIP – Nonmajor Governmental	Junk Vehicle – Nonmajor Governmental	<u>10,796</u>
			<u>\$2,026,197</u>

*PILT is combined with the General fund in accordance with GASB #54

NOTE 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

Governmental Fund equity is classified as fund balance. The County categorizes fund balance of the governmental funds into the following categories:

Restricted – includes constraint for specific purposes which are externally imposed by a third party, State Constitution, or enabling legislation.

Committed – includes constraint for specific purposes which are internally imposed by the formal action of the board. This is the government's highest level of decision-making authority, Commissioners, and a formal action is required to establish, modify, or rescind the fund balance commitment.

Unassigned – includes negative fund balances in all funds, or fund balance with no constraints in the General Fund.

The County considers restricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available.

The County considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 12,137,038	Road repair, maintenance and supplies
Public Safety	451,201	Law enforcement, emergency services and supplies
COVID/CARES	8,297	Covid-19 Cares Act
All Other Aggregate	132,012	General Government administration and services
	480,271	Law Enforcement, emergency services, and supplies
	157,503	Road Repair, maintenance and supplies
	383,365	Public Health Services and Supplies
	30,155	Noxious Weed Management
	14,983	Medical Insurance
	6,012	Animal Control
	237,787	Economic development
	10,877	Social and Economic Services and travel
	397	Culture and recreation
	30,949	Parks and recreation services and supplies
	77,316	Miscellaneous
	311,748	Firewise program
Total	<u>\$14,469,911</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>54,332</u>	Constructions and/or capital asset purchases

NOTE 13. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Airport	\$ 14,388	Year-end payable accruals in excess of cash available	Collection of taxes receivable and reduction of expenditures to increase cash
Library	7,213	Year-end payable accruals in excess of cash available	Collection of taxes receivable which will increase cash balance
SRS Permissive	641	Deficit cash which created a short-term loan between funds to cover the deficit at year end	Collection of taxes receivable which will increase cash balance
USFS patrol	9,835	Year-end payroll accrual and deficit cash which created a short-term loan between funds to cover the deficit at year end	Transfer from an unrestricted fund to increase the cash balance
Lincoln County Fire Co-op	8,122	Deficit cash which created a short-term loan between funds to cover the deficit at year end	Transfer from an unrestricted fund to increase the cash balance
Noxious Weed Grant	2,590	Year-end payroll accrual	FY 21 Grant revenues that will increase cash
Land use planning	1,903	Deficit cash which created a short-term loan between funds to cover the deficit at year end	Transfer from an unrestricted fund to increase the cash balance

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

KFRI	3,108	Year-end payroll accrual and deficit cash which created a short-term loan between funds to cover the deficit at year end	Transfer from an unrestricted fund to increase the cash balance
Crime Victims Assistance	22,940	Year-end payroll accrual and deficit cash which created a short-term loan between funds to cover the deficit at year end	Transfer from an unrestricted fund to increase the cash balance
Homeland Security	4,444	Year-end payroll accrual	Increased cash from Homeland security grant from Flathead County
Disaster/Flood	6	Deficit cash which created a short-term loan between funds to cover the deficit at year end	Transfer from an unrestricted fund to increase the cash balance
Immunizations	<u>1,030</u>	Year-end payroll accrual and deficit cash which created a short-term loan between funds to cover the deficit at year end	Increased cash from charges for immunizations
Total	<u>\$ 76,220</u>		

NOTE 14. RESTATEMENTS

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

Primary Government:

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
PILT	<u>\$ 96,080</u>	Understated previous year due from other government

Lincoln County Port Authority (A discretely presented component unit):

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
General Fund	<u>\$ 275,000</u>	Restate beginning settlement receivable for sale of Stinger Building

NOTE 15. SERVICES PROVIDED TO OTHER GOVERNMENTS

Lincoln 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 16. RELATED ORGANIZATIONS

Lincoln County Port Authority (LCPA) is related to the Kootenai River Development Council (KRDC) through the employees being the same for both organizations, and one board member sitting on each board. KRDC is a not-for-profit organized under Section 501 (c)(3) of the IRS and is an economic and community development organization focused on expanding and diversifying the economic base of south Lincoln County. KRDC is administered by an independent board of LCPA, but of the six board members one member also sits on the board of LCPA. The two organizations work together to identify and pursue grants to help develop the County. In fiscal 2016, LCPA passed through a planning grant.

NOTE 17. INTERLOCAL AGREEMENTS

In October of 2016, the County entered into an interlocal agreement with the City of Libby to work together in the provisions of Planning and Emergency Management Services within the City. This agreement was established in order to enhance the ability of the City and County to plan for future development and to provide an economical mechanism to provide for the common defense and protect the public peace, health, and safety of the citizens. The County agreed to provide the following services to the City: Planning, emergency management, website maintenance, and grant management.

The County also has interlocal agreements set up with the City of Troy, City of Libby, and Town of Eureka to establish a City-County Board of Health in order to maintain one organization that has countywide jurisdiction in matters of public health. The Board is made up of one County Commissioner, three additional members appointed by the Board of County Commissioners, and one person appointed by each of the participating cities/town. The financial activity of this Board is reported in its own fund by the County.

The Northwest Montana Drug Task Force (NWMDTF) is another interlocal agreement the County participates in along with the City of Kalispell, City of Whitefish, City of Columbia Falls, City of Polson, Flathead County, Lake County, Mineral County, Sanders County, and Glacier County. The NWMDTF was created to disrupt the illicit drug traffic by gathering and reporting intelligence data relating to trafficking in narcotics and dangerous drugs, and conduct undercover operations where appropriate and engage other traditional methods of investigation. The County agreed to provide two deputies for these purposes.

NOTE 18. RISK MANAGEMENT

The County faces a 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

Property and Casualty Insurance

The County is part of a public entity risk pool called the Montana Association of Counties Property and Casualty Trust (MACo PCT). The MACo PCT pool is a group self-insurance program that offers a package concept combining multiple lines of coverages designed to meet the coverage and service needs for Montana Counties and Special Districts. Liability coverages are provided for at \$750,000/claim and \$1,500,000/occurrence.

PCT Coverage Includes:

- Public officials' errors and omissions
- Employment practices including legal advice on employment issues
- Law enforcement liability
- Auto liability
- General liability
- Defense only coverage for subdivisions approval and denials
- Property
- Faithful performance of duty
- Boiler and Machinery
- Fidelity and Crime
- Professional liability

Workers Compensation Insurance

The County is part of a public entity self-insured risk sharing pool that provides statutorily mandated workers' compensation called the Montana Association of Counties Workers' Compensation Trust (MACo WCT). Coverage is provided to member counties to protect member employees from on-the-job injuries and occupational diseases.

Health Care Insurance

The County is part of a public entity risk sharing pool that provides group health benefits for Montana Counties called the Montana Association of Counties Health Care Trust (MACo HCT). The plan provides medical, pharmacy, Vision and Dental benefits.

NOTE 19. PENDING LITIGATION

The following is a list of litigation pending against the County and the amount of damages claimed by the Plaintiff. The County Attorney's evaluation as to the outcome of each case is also noted. The County has liability insurance which may cover all or part of the damages requested.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>Davenport v. Lincoln County, Lincoln County Sheriff and Sheriff Roby Bowe, DV-15-269</i>	547,548	Unlikely
<i>Ramon v. Lincoln County, Lincoln County Sheriff, and Sheriff Roby Bowe, DV-18-218</i>	Unknown	Unknown
<i>Spencer v. Dr. Brad Black, Lincoln County Health Department, and Lincoln County, DV-19-122</i>	Unknown	Unknown

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 20. SUBSEQUENT EVENTS

Lincoln County Port Authority (A discretely presented component unit)

- 1) The Port had issued two new promissory notes to local businesses in the subsequent months. The two notes were made to Tsunami Moto, LLC equal to \$55,000 at a rate of 6% over a 7-year term, and another note issued to Montana Sky West equal \$175,000 to at a rate of 6% over a 7-year term.
- 2) The District, like all District's and other local governments in the United States is still dealing with the effects of the COVID-19 virus. Possible operational changes or even shutdowns may occur. Additionally, the financial effects to the District are equally uncertain.

Primary Government:

- 1) In March 2020, Congress passed the CARES Act, which included \$150 billion for local governments. The State of Montana received an allocation of \$1.25 billion. The State then passed a portion of these fund through to the local governments on a reimbursement basis for direct costs associated with COVID-19. As of the date of the audit, Lincoln had received \$1,820,263. This included the \$476,595 that pertained to expenditures incurred from March – June 2020.

In March 2021, Congress Passed the American Rescue Plan. This plan allocates \$350 billion in new Coronavirus Relief Funds for States, Localities, the U.S. Territories, and Tribal Governments. These funds are to be spent by December 31, 2024. Out of these funds, Lincoln Count is estimated to receive \$3,874,998.

The County, like all Counties and other local governments in the United States is still dealing with the effects of the COVID-19 virus. Possible operational changes or even shutdowns may occur. Additionally, the financial effects to the County are equally as uncertain.

- 2) The County has planned and applications have been sent in for pavement, maintenance, a rehabilitation for runways and taxiways for both Libby and Eureka airports. The Eureka Project is estimated to cost \$350,000 and the Libby project is estimated at \$2.6 million. Grants are 100% matching projects. As of the date of the audit, these projects have not yet been started.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 947,740	\$ 947,740	\$ 858,073	\$ (89,667)
Licenses and permits	37,000	37,000	40,075	3,075
Intergovernmental	806,814	806,814	836,079	29,265
Charges for services	255,001	255,001	338,994	83,993
Fines and forfeitures	100,200	100,200	120,664	20,464
Miscellaneous	69,000	69,000	183,748	114,748
Investment earnings	80,000	80,000	13,739	(66,261)
Amounts available for appropriation	\$ 2,295,755	\$ 2,295,755	\$ 2,391,372	\$ 95,617
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 3,181,484	\$ 3,181,484	\$ 3,153,608	\$ 27,876
Public safety	151,930	151,930	153,064	(1,134)
Public works	22,600	22,600	27,200	(4,600)
Public health	272,627	272,627	260,739	11,888
Social and economic services	2,255	2,255	2,255	-
Culture and recreation	-	-	959	(959)
Capital outlay	30,000	30,000	18,567	11,433
Total charges to appropriations	\$ 3,660,896	\$ 3,660,896	\$ 3,616,392	\$ 44,504
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,066,927	\$ 1,066,927	\$ 1,049,080	\$ (17,847)
Transfers out	-	-	(29,208)	(29,208)
Total other financing sources (uses)	\$ 1,066,927	\$ 1,066,927	\$ 1,019,872	\$ (47,055)
Net change in fund balance			\$ (205,148)	
Fund balance - beginning of the year			\$ 317,207	
Fund balance - end of the year			\$ 112,059	

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 60,000	\$ 60,000	\$ -	\$ (60,000)
Intergovernmental	203,000	203,000	2,445,100	2,242,100
Charges for services	94,000	94,000	60,650	(33,350)
Fines and forfeitures	-	-	-	-
Miscellaneous	30,000	30,000	29,031	(969)
Investment earnings	440,000	440,000	416,996	(23,004)
Amounts available for appropriation	\$ 827,000	\$ 827,000	\$ 2,951,777	\$ 2,124,777
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 3,207,191	\$ 3,207,191	\$ 3,070,471	\$ 136,720
Culture and recreation	-	-	1,825	(1,825)
Miscellaneous	245,866	245,866	-	245,866
Capital outlay	140,000	140,000	123,499	16,501
Total charges to appropriations	\$ 3,593,057	\$ 3,593,057	\$ 3,195,795	\$ 397,262
OTHER FINANCING SOURCES (USES)				
Transfers out	\$ -	\$ -	\$ (256,077)	\$ (256,077)
Total other financing sources (uses)	\$ -	\$ -	\$ (256,077)	\$ (256,077)
Net change in fund balance			\$ (500,095)	
Fund balance - beginning of the year			\$ 12,637,133	
Fund balance - end of the year			\$ 12,137,038	

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2020

Public Safety				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,888,309	\$ 2,888,309	\$ 2,884,524	\$ (3,785)
Intergovernmental	581,010	581,010	561,709	(19,301)
Charges for services	314,800	314,800	274,195	(40,605)
Fines and forfeitures	10,000	10,000	-	(10,000)
Miscellaneous	-	-	7,419	7,419
Amounts available for appropriation	<u>\$ 3,794,119</u>	<u>\$ 3,794,119</u>	<u>\$ 3,727,847</u>	<u>\$ (66,272)</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 3,829,343	\$ 3,829,343	\$ 3,670,291	\$ 159,052
Public health	61,341	61,341	61,767	(426)
Miscellaneous	229,901	229,901	-	229,901
Capital outlay	90,600	90,600	83,800	6,800
Total charges to appropriations	<u>\$ 4,211,185</u>	<u>\$ 4,211,185</u>	<u>\$ 3,815,858</u>	<u>\$ 395,327</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 417,066	\$ 417,066	\$ 779,992	\$ 362,926
Transfers out	-	-	(239,506)	(239,506)
Total other financing sources (uses)	<u>\$ 417,066</u>	<u>\$ 417,066</u>	<u>\$ 540,486</u>	<u>\$ 123,420</u>
Net change in fund balance			<u>\$ 452,475</u>	
Fund balance - beginning of the year			<u>\$ (1,274)</u>	
Fund balance - end of the year			<u>\$ 451,201</u>	

Lincoln County, Montana
 Budgetary Comparison Schedule
 For the Fiscal Year Ended June 30, 2020

	COVID/CARES			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Intergovernmental	\$ -	\$ 468,298	\$ 476,595	\$ 8,297
Amounts available for appropriation	\$ -	\$ 468,298	\$ 476,595	\$ 8,297
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public health	\$ -	\$ 468,298	\$ 468,298	\$ -
Total charges to appropriations	\$ -	\$ 468,298	\$ 468,298	\$ -
Net change in fund balance			\$ 8,297	
Fund balance - beginning of the year			\$ -	
Fund balance - end of the year			\$ 8,297	

Lincoln County, Montana
Budgetary Comparison Schedule
Budget-to-GAAP Reconciliation

Note A - Explanation of differences between budgetary inflows and outflows and GAAP Revenues and Expenditures

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>COVID/CARES</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,391,372	\$ 2,951,777	\$ 3,727,847	\$ 476,595
Combined funds (GASBS 54) revenues	<u>877,681</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 3,269,053</u>	<u>\$ 2,951,777</u>	<u>\$ 3,727,847</u>	<u>\$ 476,595</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,616,392	\$ 3,195,795	\$ 3,815,858	\$ 468,298
Combined funds (GASBS 54) expenditures	<u>1,340,055</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,956,447</u>	<u>\$ 3,195,795</u>	<u>\$ 3,815,858</u>	<u>\$ 468,298</u>

Lincoln County, Montana
Required Supplementary Information
Schedule of Changes in the Entity's Total OPEB Liability
and Related Ratios
For the Year Ended June 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability			
Service Cost	\$ 228,916	\$ 225,195	\$ 214,844
Net change in total OPEB liability	228,916	225,195	214,844
Total OPEB Liability - beginning	3,909,449	3,369,591	2,965,424
Interest	140,802	134,719	118,880
Difference in experience	(257,511)	-	1,115
Changes of assumptions or other inputs	(1,136,909)	-	135,080
Benefit payments (estimated)	(76,706)	(63,115)	(65,752)
Total OPEB Liability - ending	\$ <u>2,808,041</u>	\$ <u>3,666,390</u>	\$ <u>3,369,591</u>
Covered-employee payroll	\$ 4,995,992	\$ 4,037,065	\$ 4,037,065
 Total OPEB liability as a percentage of covered -employee payroll	 56.21%	 90.82%	 83.47%

**The above schedule is presented by combining the required schedules from GASB 75 paragraphs 170a and 170b. The GASB requires that 10 years of information related to the OPEB liability be presented, additional data will be reported as it becomes available.*

Lincoln County, Montana
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2020

	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.226896%	0.221892%	0.305071%	0.329615%	0.347774%	0.377331%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 4,742,829	\$ 4,631,197	\$ 5,941,644	\$ 5,614,478	\$ 4,861,437	\$ 4,701,584
State of Montana's proportionate share of the net pension liability associated with the Employer	\$ 1,544,021	\$ 1,548,905	\$ 75,748	\$ 68,602	\$ 59,715	\$ 57,413
Total	<u>\$ 6,286,850</u>	<u>\$ 6,180,102</u>	<u>\$ 6,017,392</u>	<u>\$ 5,683,080</u>	<u>\$ 4,921,152</u>	<u>\$ 4,758,997</u>
Employer's covered payroll	\$ 3,743,754	\$ 3,649,134	\$ 3,777,516	\$ 3,948,206	\$ 4,058,594	\$ 4,277,299
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	126.69%	126.91%	157.29%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

	<u>SRS 2020</u>	<u>SRS 2019</u>	<u>SRS 2018</u>	<u>SRS 2017</u>	<u>SRS 2016</u>	<u>SRS 2015</u>
Employer's proportion of the net pension liability	2.0647%	1.9801%	1.8704%	2.0080%	1.9590%	2.1466%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,721,929	\$ 1,488,506	\$ 1,423,290	\$ 3,527,540	\$ 1,888,483	\$ 893,366
Total	<u>\$ 1,721,929</u>	<u>\$ 1,488,506</u>	<u>\$ 1,423,290</u>	<u>\$ 3,527,540</u>	<u>\$ 1,888,483</u>	<u>\$ 893,366</u>
Employer's covered payroll	\$ 1,657,997	\$ 1,536,338	\$ 1,398,094	\$ 1,417,485	\$ 133,032	\$ 1,388,286
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	103.86%	96.89%	101.80%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	81.89%	82.68%	81.30%	63.00%	75.40%	87.24%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Lincoln County, Montana
Required Supplementary Information
Schedule of Contributions
For the Year Ended June 30, 2020

	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 415,286	\$ 321,988	\$ 309,082	\$ 316,762	\$ 336,678	\$ 340,584
Contributions in relation to the contractually required contributions	\$ 415,286	\$ 321,988	\$ 309,082	\$ 316,762	\$ 336,677	\$ 340,584
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 4,735,302	\$ 3,743,754	\$ 3,649,134	\$ 3,777,516	\$ 3,948,206	\$ 4,058,594
Contributions as a percentage of covered payroll	8.77%	8.60%	8.47%	8.39%	8.53%	8.39%

	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 246,160	\$ 218,294	\$ 205,264	\$ 141,550	\$ 146,916	\$ 135,221
Contributions in relation to the contractually required contributions	\$ 246,160	\$ 218,294	\$ 205,264	\$ 141,550	\$ 146,916	\$ 135,221
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 1,876,935	\$ 1,657,997	\$ 1,536,338	\$ 1,398,094	\$ 1,417,485	\$ 1,333,032
Contributions as a percentage of covered payroll	13.115%	13.17%	13.36%	10.12%	10.36%	10.14%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Lincoln County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

Public Employees' Retirement System of Montana (PERS)

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. PERS working retirees may still work up to 960 hours a year, without impacting benefits.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All PERS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to PERS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

Permanent Injunction Limits Application of the GABA Reduction – Passed under House Bill 454

Guaranteed Annual Benefit Adjustment (GABA) - for PERS

After the member has completed 12 full months of retirement, the member's benefit increases by the applicable percentage (provided below) each January, inclusive of all other adjustments to the member's benefit.

- 3% for members hired prior to July 1, 2007
- 1.5% for members hired on or after July 1, 2007 and before July 1, 2013
- Members hired on or after July 1, 2013:
 - 1.5% each year PERS is funded at or above 90%;
 - 1.5% is reduced by 0.1% for each 2% PERS is funded below 90%; and
 - 0% whenever the amortization period for PERS is 40 years or more.

2015 Legislative Changes

General Revisions - House Bill 101, effective January 1, 2016

Second Retirement Benefit - for PERS

- Applies to PERS members who return to active service on or after January 1, 2016. Members who retire before January 1, 2016, return to PERS-covered employment, and accumulate less than 2 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment;
 - Start same benefit amount the month following termination; and
 - GABA starts again in the January immediately following second retirement.

Lincoln County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

- For members who retire before January 1, 2016, return to PERS-covered employment and accumulate two or more years of service credit before retiring again:
 - Member receives a recalculated retirement benefit based on laws in effect at second retirement; and,
 - GABA starts in the January after receiving recalculated benefit for 12 months.
- For members who retire on or after January 1, 2016, return to PERS-covered employment and accumulate less than 5 years of service credit before retiring again:
 - Refund of member's contributions from second employment, plus regular interest (currently 2.5%);
 - No service credit for second employment
 - Start same benefit amount the month following termination; and,
 - GABA starts again in the January immediately following second retirement.
- For members who retire on or after January 1, 2016, return to PERS-covered employment, and accumulate five or more years of service credit before retiring again:
 - Member receives same retirement benefit as prior to return to service;
 - Member receives second retirement benefit for second period of service based on laws in effect at second retirement; and
 - GABA starts on both benefits in January after member receives original and new benefit for 12 months.

Revise DC Funding Laws - House Bill 107, effective July 1, 2015

Employer Contributions and the Defined Contribution Plan – for PERS and MUS-RP

The PCR was paid off effective March 2016, and the contributions of 2.37%, 0.47%, and the 1.0% increase previously directed to the PCR are now directed to the Defined Contribution or MUS-RP member's account.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following addition to the actuarial assumptions was adopted in 2014, based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

Lincoln County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

Sheriffs' Retirement System of Montana (SRS)

Changes of Benefit Terms

The following changes to the plan provision were made as identified:

2013 Legislative Changes

Working Retirees - House Bill 95 - PERS, SRS, and FURS, effective July 1, 2013

- The law requires employer contributions on working retiree compensation.
- Member contributions are not required.
- Working retiree limitations are not impacted. SRS working retirees may still work up to 480 hours a year, without returning to active service.

Highest Average Compensation (HAC) Cap - House Bill 97, effective July 1, 2013

- All SRS members hired on or after July 1, 2013 are subject to a 110% annual cap on compensation considered as part of a member's highest or final average compensation.
- All bonuses paid to SRS members on or after July 1, 2013 will not be treated as compensation for retirement purposes.

2015 Legislative Changes

There were no legislative changes with regards to SRS in 2015.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following change to the actuarial assumptions was adopted in 2015:

SRS Discount Rate – Used to measure the TPL	6.86%, which is a blend of the assumed long-term expected rate of return of 7.75% on System's investments and a municipal bond index rate of 3.80%
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Lincoln County, Montana
Notes to Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and
Schedule of Contributions
For the Year ended June 30, 2020

The following addition to the actuarial assumptions was adopted in 2014 based upon implementation of GASB Statement 68:

Admin Expense as % of Payroll	0.17%
SRS Discount Rate – Used to measure the TPL	7.75%, which is the assumed long-term expected rate of return on System's investments

The following change to the actuarial assumptions was adopted in 2013:

SRS Discount Rate – Used to measure the TPL	6.68%, which is a blend of the assumed long-term expected rate of return of 7.82% on System's investments and a municipal bond index rate of 4.27%
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The following changes were adopted in 2013 based on the 2013 Economic Experience Study:

General Wage Growth	4.00%
Includes inflation at	3.00%
Investment rate of return	7.75%, net of pension plan investment expense and including inflation

The following actuarial assumptions are from the June 2010 Experience Study:

General Wage Growth	4.25%
Includes inflation at	3.00%
Merit increase	0% to 7.3%
Investment rate of return	8.00%, net of pension plan investment expense, and including inflation
Asset valuation method	4-year smoothed market
Actuarial cost method	Entry age
Amortization method	Level percentage of pay, open

SINGLE AUDIT SECTION

Lincoln County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<i>Food Distribution Cluster</i>			
<u>United States Department of Agriculture</u>			
<i>Passed through Western Montana Area on Aging Region 6</i>			
Commodity Supplemental Food Program	10.565	N/A	\$ 6,418
Total United States Department of Agriculture			\$ 6,418
Total Food Distribution Cluster			\$ 6,418
<i>Forest Service Schools and Roads Cluster</i>			
<u>United States Department of Agriculture</u>			
<i>Direct</i>			
Schools and Roads - Grants to States	10.665	N/A	\$ 2,285,355
Total United States Department of Agriculture			\$ 2,285,355
Total Forest Service Schools and Roads Cluster			\$ 2,285,355
<i>Other Programs</i>			
<u>Department of Homeland Security</u>			
<i>Passed through Montana Disaster and Emergency Services</i>			
Emergency Management Performance Grants	97.042	19-20-EMPG Lincoln	\$ 53,018
Homeland Security Grant Program	97.067	17HSLNCEURK	43,581
Homeland Security Grant Program	97.067	17HSLNCLLIBBY	100,217
Homeland Security Grant Program	97.067	N/A	14,300
Homeland Security Grant Program	97.067	EMW-2018-SS-00021	109,508
Total Department of Homeland Security			\$ 320,624
<u>United States Department of Justice</u>			
<i>Passed through Montana Board of Crime Control</i>			
Crime Victim Assistance	16.575	19-V01-92413	\$ 23,571
<i>Passed through</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	18-G01-9484	115,838
Total United States Department of Justice			\$ 139,409
<u>United States Environmental Protection Agency</u>			
<i>Passed through Montana Department of Environmental Quality</i>			
Performance Partnership Grants	66.605	520005	\$ 31,757
<i>Direct</i>			
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	N/A	339,603
Total United States Environmental Protection Agency			\$ 371,360

Lincoln County, Montana
Schedule of Expenditures of Federal Awards continued
For the Year Ended June 30, 2020

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<u>Department of Health and Human Services</u>			
<i>Passed through Montana Department of Health and Human Services</i>			
Public Health Emergency Preparedness	93.069	20-07-6-11-031-0	\$ 34,108
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	5H79SP022148-04	24,975
Immunization Cooperative Agreements	93.268	20-7-4-31-125-0	2,576
Drug-Free Communities Support Program Grants	93.276	5H79SP080846-07	139,216
Teenage Pregnancy Prevention Program	93.297	20-07-5-31-010-0	2,245
Every Student Succeeds Act/Preschool Development Grants	93.434	N/A	40,977
Preventative Health and Health Services Block Grant funded solely with prevention and Public Health Funds (PPHF)	93.758	19-07-1-01-186-0	6,625
CARA Act Comprehensive Addiction and Recovery Act of 2016	93.799	5H79SP0850537-02	42,681
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	N/A	2,232
Maternal and Child Health Services Block Grants to the States	93.994	20-07-5-01-027-0	3,352
Maternal and Child Health Services Block Grants to the States	93.994	19-07-5-01-027-0	9,470
Total Department of Health and Human Services			\$ 308,457
<u>Department of Housing and Urban Development</u>			
<i>Passed through Montana Department of Commerce</i>			
Community Development Block Grants/States program and Non-Entitlement Grants in Hawaii	14.228	MT-CDBG-PL-17-08	\$ 2,513
Total Department of Housing and Urban Development			\$ 2,513
<u>United States Department of Agriculture</u>			
<i>Passed through Montana Department of Agriculture</i>			
Forest Health Protection	10.680	N/A	\$ 24,955
Total United States Department of Agriculture			\$ 24,955
Total Other Programs			\$ 1,167,318
Total Federal Financial Assistance			\$ 3,459,091

The accompanying notes are an integral part of this schedule

LINCOLN COUNTY, MONTANA

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Fiscal Year Ended June 30, 2020

Basis of Presentation and Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the federal grant activity of Lincoln County, Montana. The information in this schedule is presented in accordance with the requirements Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of Lincoln County, it is not intended to and does not present the financial position, changes in net position, or cash flows of Lincoln County. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of the basic financial statements.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Lincoln County has elected not to use the 10 percent de Minimis indirect cost rate as provided in Sec. 200.414 Indirect Costs under Uniform Guidance.

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 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
Lincoln County
Libby, Montana

We have audited, in accordance with the 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, the financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lincoln County, Montana, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Lincoln County's basic financial statements and have issued our report thereon dated March 25, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Lincoln County, Montana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Lincoln County, Montana's internal control. Accordingly, we do not express an opinion on the effectiveness of Lincoln County's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses as identified as item(s) 2020-001.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies as identified as item(s) 2020-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lincoln 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 or other matters that are required to be reported under *Governmental Auditing Standards*.

Lincoln County's Response to Findings

Lincoln County's response to the findings identified in our audit is described in the Auditee's Corrective Action Plan. Lincoln County's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 25, 2021

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 ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**

Board of County Commissioners
Lincoln County
Libby, Montana

Report on Compliance for Each Major Federal Program

We have audited Lincoln County, Montana's, compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Lincoln County's major federal programs for the year ended June 30, 2020. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Lincoln County, Montana's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S., *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, Lincoln County, Montana, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of Lincoln County, Montana is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

March 25, 2021

LINCOLN COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2020

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	Yes
Significant deficiency(s) identified not considered to be material weaknesses	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(s) identified	None Reported
Type of auditor's report issued on compliance for major programs:	<i>Unmodified</i>
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)	No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.665	Schools and Roads – Grants to States

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	No

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Section II – Financial Statement Findings

2020-001 Cash Balancing

Condition:

As of June 30, 2020 cash was not in balance with the bank accounts.

Context:

Inquiry, observation and testing, we tested to determine if cash was balanced on a monthly basis. We also tested several deposits to determine if we could trace all amounts listed on the daily balancing sheets to the bank statements.

Criteria:

A proper system of internal control would ensure that cash is balanced on a monthly basis. It would also ensure that sufficient supporting documentation is kept so that daily totals per the accounting system can be traced to the deposits in the bank.

Effect:

As of June 30, 2020, \$53,855 was shown as a reconciling item on the County's bank reconciliation. As of March 12th, 2021, the Treasurer's office has changed the format they utilize for daily balancing to ensure that all deposits are recorded consistently and agree to the bank statements. In addition, the office has eliminated the rotation method of daily balancing to further eliminate risk of recording error due to different timing methods.

Cause:

The Treasurer's office uses a rotating system of balancing in which different employees balance daily cash. Due to differences in timing of deposit recognition the daily balancing reports do not equal the monthly reconciliation.

Recommendation:

We recommend that the County continue to use the new balancing format and consolidating the balancing function to one person.

2020-002 Credit Card Controls

Condition:

Lack of internal controls over credit cards.

Context:

We tested controls over 15 payments to credit card vendors. We found that out of 15, there was 3 with missing support and 1 that was paid more than the statement or support showed was due. Based on the charges/vendor on the statement, we determined that these charges were reasonable.

Criteria:

A proper system of internal controls would ensure that there is support for all credit card transactions, and the support ties to the amounts paid.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Effect:

There is a lack of internal controls over credit cards.

Cause:

There is not a formal credit card policy in place.

Recommendation:

We recommend that the County implement a credit card policy requiring all purchases to have proper supporting documentation and be reviewed and approved by the department head.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Lincoln County
Libby, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
Balancing Cash	Repeated
Journal Vouchers	Implemented
Credit Card Controls	Repeated
Annual Report Filing Requirements	Implemented

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

March 25, 2021

LINCOLN COUNTY

STATE OF MONTANA

MARK PECK, COMMISSIONER
DISTRICT NO. 1, LIBBY

JERRY BENNETT,
COMMISSIONER DISTRICT NO. 2,

JOSH LETCHER, COMMISSIONER
DISTRICT NO. 3, EUREKA

ROBIN A. BENSON
CLERK OF THE BOARD AND COUNTY RECORDER

Contact Person:

Wendy Drake Lincoln County Finance Director (406-283-2302)

Expected Completion Date of Corrective Action Plan: Immediately

CORRECTIVE ACTION PLAN

FINDING 2020-001: Cash balancing

Lincoln County has implemented new cash balancing procedures.

FINDING 2020-002: Credit Card Controls

Lincoln County will implement a system where credit card bills will not be accepted for payment unless a invoices or receipts are submitted.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2019-001: Balancing Cash

Response: See response to finding 2020-001

FINDING 2019-002: Journal Vouchers

Response: Implemented

FINDING 2019-003: Credit Card Controls

Response: See response to finding 2020-002

FINDING 2019-004: Annual Report Filing Requirements

Response: Implemented

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