

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2021

**AUDIT REPORT**

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

# LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2021

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LINCOLN COUNTY, MONTANA

**ORGANIZATION**

Fiscal Year Ended June 30, 2021

**BOARD OF COUNTY COMMISSIONERS**

Mark Peck	Commissioner
Jerry Bennett	Commissioner
Josh Letcher	Commissioner

**COUNTY OFFICIALS**

Marcia Boris	County Attorney
Sedaris Carlberg	Treasurer
Robin Benson	Clerk and Recorder
Patrick McFadden	Finance Manager
Wendy Drake	Finance Director
Tricia Brooks	Clerk of District Court
Jay Sheffield	Justice of the Peace
Sedaris Carlberg	Superintendent of Schools
Darren Short	Sheriff
Steven Schackenberg	Coroner

Lincoln County, Montana  
MANAGEMENT DISCUSSION & ANALYSIS  
June 30, 2021

Our discussion and analysis of Lincoln County's financial performance provides an overview of Fiscal Year 2020-2021 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 2021 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 2021 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. The 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. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The County funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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- **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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.
- **Proprietary Funds:** The 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 the County. Proprietary funds are reported using full accrual accounting, which is the same accounting method, used by the Statement of Net Position 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 \$20,057,611 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 2021 and compared to the prior year.

**Table 1 - Net Position**

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
Current and other assets	\$ 23,854,372	\$ 21,200,300	\$ 2,654,072	\$ 5,403,555	\$ 5,247,451	\$ 156,104
Capital assets	9,994,911	10,000,981	(6,070)	799,941	695,485	104,456
Total assets	\$ 33,849,283	\$ 31,201,281	\$ 2,648,002	\$ 6,203,496	\$ 5,942,936	\$ 260,560
Long-term debt outstanding	\$ 12,342,062	\$ 9,048,521	\$ 3,293,541	\$ 2,360,563	\$ 2,110,879	\$ 249,684
Other liabilities	5,105,326	4,850,138	255,188	187,217	306,335	(119,118)
Total liabilities	\$ 17,447,388	\$ 13,898,659	\$ 3,548,729	\$ 2,547,780	\$ 2,417,214	\$ 130,566
Net investment in capital assets	\$ 9,805,844	\$ 10,000,981	\$ (195,137)	\$ 799,941	\$ 695,485	\$ 104,456
Restricted	14,130,841	14,766,527	(635,686)	1,122,036	1,106,999	15,037
Unrestricted (deficit)	(7,534,790)	(7,464,886)	(69,904)	1,733,739	1,723,238	10,501
Total net position	\$ 16,401,895	\$ 17,302,622	\$ (900,727)	\$ 3,655,716	\$ 3,525,722	\$ 129,994

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MANAGEMENT DISCUSSION & ANALYSIS  
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**Table 2 - Changes in Net Position**

	Governmental Activities			Business-type Activities		
	FY21	FY20	Change Inc (Dec)	FY21	FY20	Change Inc (Dec)
<b>Revenues</b>						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,214,597	\$ 1,177,842	\$ 36,755	\$ 1,985,873	\$ 1,954,981	\$ 30,892
Operating grants and contributions	5,696,532	4,813,716	882,816	-	-	-
Capital grants and contributions	473,051	157,752	315,299	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	5,453,970	5,158,654	295,316	-	-	-
Licenses and permits	84,228	69,263	14,965	-	-	-
Video poker apportionment	12,835	13,400	(565)	-	-	-
Miscellaneous	469,271	438,421	30,850	1,165	-	1,165
Interest/investment earnings	7,591	436,503	(428,912)	-	24,799	(24,799)
Local option taxes	878,178	825,434	52,744	-	-	-
Unrestricted federal/state shared revenues	116,695	58,050	58,645	-	-	-
State entitlement	1,133,144	1,105,529	27,615	-	-	-
PILT	715,467	714,965	502	-	-	-
State contribution to retirement	305,361	77,333	228,028	40,556	15,536	25,020
Contributions & donations	25,014	20,404	4,610	-	-	-
Total revenues	\$ 16,585,934	\$ 15,067,266	\$ 1,518,668	\$ 2,027,594	\$ 1,995,316	\$ 32,278
<b>Program expenses</b>						
General government	\$ 5,669,591	\$ 4,735,080	\$ 934,511	\$ -	\$ -	\$ -
Public safety	4,046,781	4,403,128	(356,347)	-	-	-
Public works	4,423,737	3,828,575	595,162	-	-	-
Public health	2,607,101	1,739,148	867,953	-	-	-
Social and economic services	184,089	162,088	22,001	-	-	-
Culture and recreation	683,792	722,270	(38,478)	-	-	-
Housing and community development	20,100	39,995	(19,895)	-	-	-
Conservation of natural resources	101,405	3,108	98,297	-	-	-
Debt service - interest	4,479	-	4,479	-	-	-
Miscellaneous	73,306	71,126	2,180	-	-	-
Solid Waste	-	-	-	1,541,529	1,441,483	100,046
Total expenses	\$ 17,814,381	\$ 15,704,518	\$ 2,109,863	\$ 1,541,529	\$ 1,441,483	\$ 100,046
Excess (deficiency) before special items and transfers	\$ (1,228,447)	\$ (637,252)	\$ (591,195)	\$ 486,065	\$ 553,833	\$ (67,768)
Indirect cost allocation	176,810	140,885		(176,810)	(140,885)	
Gain (loss) on sale of capital assets	(3,113)	(13,774)	10,661	-	-	-
Transfers - net	176,810	140,885	35,925	(176,810)	(140,885)	(35,925)
<b>Increase (decrease) in net position</b>	<b>\$ (877,940)</b>	<b>\$ (369,256)</b>	<b>\$ (544,609)</b>	<b>\$ 129,994</b>	<b>\$ 272,063</b>	<b>\$ (106,144)</b>

### 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.

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The cost of all Governmental activities this year was \$17,814,381 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 \$5,453,970 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**

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 2021 the combined ending fund balances of Lincoln County’s governmental funds were \$17,087,175. A balance \$3,100,993 provides a cash reserve 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 ARPA Fund.

#### **General Fund.**

This is the chief operating fund of Lincoln County. At the end of the fiscal year 2021 unreserved fund balance of the General Fund was \$3,227,985. 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 2021 the unreserved fund balance represented 74% 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.



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**Road Fund**

This fund is used to report all County Road projects. At the end of the fiscal year 2021 the fund balance was \$10,560,140. 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 2021 restricted fund balance of the Public Safety Fund was \$1,205,041. Prior year ending fund balance was \$451,201.

**ARPA Fund**

This is a special revenue fund that is used to account for the revenues received and expenditures incurred under the American Rescue Plan Act.

The County as one major proprietary fund, the Solid Waste Fund.

**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 2021, the Solid Waste fund had a total net position of \$3,655,716 which was an increase from the prior year balance of \$3,525,722.

**FY21 General Fund Budgetary Highlights**

Over the course of the year, Lincoln County's General Fund budget was revised. The General Fund expenditure budget was \$3,790,313. Over the course of the year, our actual reported expenditures were \$90,000 more than what was originally budgeted, so the County completed a budget amendment.

**Capital Assets**

Lincoln County's investment in capital assets (depreciable, net) for its governmental and business type activities as of June 30, 2021, was \$10,794,852. This investment in capital assets includes land, significant road projects, construction in progress, buildings, machinery & equipment, and improvements other than buildings. This included additions of \$861,708 as well as current year depreciation of \$953,297

**Long Term Debt**

The County has two capital leases. As of June 30, 2021, the remaining balance was \$189,067. The County also reports a closure/post closure liability of \$1,140,504. In addition, the County shows \$3,058,564 in other post-employment benefits other than pensions, \$9,408,471 in net pension liability and \$906,019 in compensated absences.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS**

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 DISCUSSION & ANALYSIS  
June 30, 2021

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.
- COVID Epidemic

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***

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

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**INDEPENDENT AUDITOR'S REPORT**

Board of County Commissioners  
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, 2021, 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, 2021, 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 2021, the County adopted new accounting guidance, GASB No. 84 *Fiduciary Activities*. As a result, funds formerly known as agency funds were reclassified as Custodial Funds. Custodial Funds recognize net position where as agency funds did not. This created restatement in the Fiduciary Activities of \$(5,135,571). Our opinion is not modified with respect to this matter.

## **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 68 through 75 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 31, 2022, 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 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 31, 2022

**Lincoln County, Montana**  
**Statement of Net Position**  
**June 30, 2021**

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Lincoln County Port Authority Component Unit</u>
<b>ASSETS</b>				
Current assets:				
Cash and investments	\$ 19,804,480	\$ 3,858,586	\$ 23,663,066	\$ 1,410,904
Taxes and assessments receivable, net	203,981	182,688	386,669	-
Accounts receivable - net	-	14,316	14,316	8,361
Notes and loans receivable	-	-	-	583,650
Due from other governments	660,880	-	660,880	13,157
Inventories	-	-	-	13,984
Total current assets	<u>\$ 20,669,341</u>	<u>\$ 4,055,590</u>	<u>\$ 24,724,931</u>	<u>\$ 2,030,056</u>
Noncurrent assets				
Restricted cash and investments	\$ -	\$ 1,122,036	\$ 1,122,036	\$ 159,918
Capital assets - land	609,651	850	610,501	2,758,220
Capital assets - construction in progress	968,786	-	968,786	22,933
Capital assets - depreciable, net	8,416,474	799,091	9,215,565	4,306,568
Total noncurrent assets	<u>\$ 9,994,911</u>	<u>\$ 1,921,977</u>	<u>\$ 11,916,888</u>	<u>\$ 7,247,639</u>
Total assets	<u>\$ 30,664,252</u>	<u>\$ 5,977,567</u>	<u>\$ 36,641,819</u>	<u>\$ 9,277,695</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows of resources - pensions	\$ 2,912,409	\$ 194,020	\$ 3,106,429	\$ -
Deferred outflows of resources - OPEB	272,622	31,909	304,531	-
Total deferred outflows of resources	<u>\$ 3,185,031</u>	<u>\$ 225,929</u>	<u>\$ 3,410,960</u>	<u>\$ -</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 33,849,283</u>	<u>\$ 6,203,496</u>	<u>\$ 40,052,779</u>	<u>\$ 9,277,695</u>
<b>LIABILITIES</b>				
Current liabilities				
Warrants payable	\$ 1,123,591	\$ -	\$ 1,123,591	\$ -
Accounts payable	20,785	-	20,785	40,117
Accrued payroll	293,368	31,577	324,945	324
Revenues collected in advance	1,940,441	-	1,940,441	129,917
Current portion of long-term capital liabilities	17,928	-	17,928	16,547
Current portion of compensated absences payable	559,958	85,559	645,517	-
Total current liabilities	<u>\$ 3,956,071</u>	<u>\$ 117,136</u>	<u>\$ 4,073,207</u>	<u>\$ 186,905</u>
Noncurrent liabilities				
Landfill closure postclosure liability	\$ -	\$ 1,140,504	\$ 1,140,504	\$ -
Noncurrent portion of OPEB	2,738,084	320,480	3,058,564	-
Noncurrent portion of long-term capital liabilities	171,139	-	171,139	451,017
Noncurrent portion of compensated absences	233,663	26,839	260,502	-
Net pension liability	8,621,290	787,181	9,408,471	-
Total noncurrent liabilities	<u>\$ 11,764,176</u>	<u>\$ 2,275,004</u>	<u>\$ 14,039,180</u>	<u>\$ 451,017</u>
Total liabilities	<u>\$ 15,720,247</u>	<u>\$ 2,392,140</u>	<u>\$ 18,112,387</u>	<u>\$ 637,922</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources - pensions	\$ 589,697	\$ 22,507	\$ 612,204	\$ -
Deferred inflows of resources - OPEB	1,137,444	133,133	1,270,577	-
Total deferred inflows of resources	<u>\$ 1,727,141</u>	<u>\$ 155,640</u>	<u>\$ 1,882,781</u>	<u>\$ -</u>
<b>NET POSITION</b>				
Net investment in capital assets	\$ 9,805,844	\$ 799,941	\$ 10,605,785	\$ 7,087,721
Restricted for special projects	14,130,841	-	14,130,841	-
Restricted for other purposes	-	-	-	30,000
Restricted for landfill closure/postclosure	-	1,122,036	1,122,036	-
Unrestricted	(7,534,790)	1,733,739	(5,801,051)	1,522,052
Total net position	<u>\$ 16,401,895</u>	<u>\$ 3,655,716</u>	<u>\$ 20,057,611</u>	<u>\$ 8,639,773</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 33,849,283</u>	<u>\$ 6,203,496</u>	<u>\$ 40,052,779</u>	<u>\$ 9,277,695</u>

See accompanying Notes to the Financial Statements

Lincoln County, Montana  
Statement of Activities  
For the Fiscal Year Ended June 30, 2021

Functions/Programs	Program Revenues					Net (Expenses) Revenues and Changes in Net Position			Lincoln County Port Authority Component Unit
	Expenses	Indirect Expense Allocation	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
						Governmental Activities	Business-type Activities	Total	
Primary government:									
Governmental activities:									
General government	\$ 5,669,591	\$ (685,020)	\$ 560,189	\$ 97,278	\$ -	\$ (4,327,104)	\$ -	\$ (4,327,104)	\$ -
Public safety	4,046,781	236,372	210,202	627,186	-	(3,445,765)	-	(3,445,765)	-
Public works	4,423,737	271,838	412,835	2,364,133	473,051	(1,445,556)	-	(1,445,556)	-
Public health	2,607,101	-	12,000	2,400,195	-	(194,906)	-	(194,906)	-
Social and economic services	184,089	-	16,840	16,162	-	(151,087)	-	(151,087)	-
Culture and recreation	683,792	-	2,531	2,500	-	(678,761)	-	(678,761)	-
Housing and community development	20,100	-	-	-	-	(20,100)	-	(20,100)	-
Conservation of natural resources	101,405	-	-	85,158	-	(16,247)	-	(16,247)	-
Debt service - interest	4,479	-	-	-	-	(4,479)	-	(4,479)	-
Miscellaneous	73,306	-	-	103,920	-	30,614	-	30,614	-
Total governmental activities	\$ 17,814,381	\$ (176,810)	\$ 1,214,597	\$ 5,696,532	\$ 473,051	\$ (10,253,391)	\$ -	\$ (10,253,391)	\$ -
Business-type activities:									
Solid Waste	\$ 1,541,529	\$ 176,810	\$ 1,985,873	\$ -	\$ -	\$ -	\$ 267,534	\$ 267,534	\$ -
Total business-type activities	\$ 1,541,529	\$ 176,810	\$ 1,985,873	\$ -	\$ -	\$ -	\$ 267,534	\$ 267,534	\$ -
Total primary government	\$ 19,355,910	\$ -	\$ 3,200,470	\$ 5,696,532	\$ 473,051	\$ (10,253,391)	\$ 267,534	\$ (9,985,857)	\$ -
Component units:									
Lincoln County Port Authority	\$ 721,754	\$ -	\$ 125,606	\$ -	\$ 5,100				\$ (591,048)
Total component units	\$ 721,754	\$ -	\$ 125,606	\$ -	\$ 5,100				\$ (591,048)
General Revenues:									
Property taxes for general purposes									
Licenses and permits									
Video poker apportionment									
Miscellaneous									
Interest/investment earnings									
Local option taxes									
Unrestricted federal/state shared revenues									
State entitlement									
PILT									
State contribution to retirement									
Contributions & donations									
Gain (loss) on sale of capital assets									
Transfers - net									
Total general revenues, special items and transfers									
Change in net position									
Net position - beginning									
Restatements									
Net position - beginning - restated									
Net position - end									

See accompanying Notes to the Financial Statements

Lincoln County, Montana  
Balance Sheet  
Governmental Funds  
June 30, 2021

	General	Road	Public Safety	ARPA	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Current assets:						
Cash and investments	\$ 3,943,875	\$ 10,606,301	\$ 1,298,135	\$ 1,940,441	\$ 2,015,728	\$ 19,804,480
Taxes and assessments receivable, net	1,643	-	117,869	-	84,469	203,981
Due from other funds	440,541	-	-	-	-	440,541
Due from other governments	45,486	-	17,593	-	597,801	660,880
<b>TOTAL ASSETS</b>	<b>\$ 4,431,545</b>	<b>\$ 10,606,301</b>	<b>\$ 1,433,597</b>	<b>\$ 1,940,441</b>	<b>\$ 2,697,998</b>	<b>\$ 21,109,882</b>
<b>LIABILITIES</b>						
Current liabilities:						
Warrants payable	\$ 1,123,591	\$ -	\$ -	\$ -	\$ -	\$ 1,123,591
Accounts payable	-	-	11,300	-	9,485	20,785
Accrued payroll	78,326	46,161	99,387	-	69,494	293,368
Due to other funds	-	-	-	-	440,541	440,541
Revenues collected in advance	-	-	-	1,940,441	-	1,940,441
Total current liabilities	\$ 1,201,917	\$ 46,161	\$ 110,687	\$ 1,940,441	\$ 519,520	\$ 3,818,726
Total liabilities	\$ 1,201,917	\$ 46,161	\$ 110,687	\$ 1,940,441	\$ 519,520	\$ 3,818,726
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred inflows of resources - taxes and assessments	\$ 1,643	\$ -	\$ 117,869	\$ -	\$ 84,469	\$ 203,981
Total deferred inflows of resources	\$ 1,643	\$ -	\$ 117,869	\$ -	\$ 84,469	\$ 203,981
<b>FUND BALANCES</b>						
Restricted	\$ -	\$ 10,560,140	\$ 1,205,041	\$ -	\$ 2,166,586	\$ 13,931,767
Committed	-	-	-	-	54,415	54,415
Unassigned fund balance	3,227,985	-	-	-	(126,992)	3,100,993
Total fund balance	\$ 3,227,985	\$ 10,560,140	\$ 1,205,041	\$ -	\$ 2,094,009	\$ 17,087,175
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 4,431,545</b>	<b>\$ 10,606,301</b>	<b>\$ 1,433,597</b>	<b>\$ 1,940,441</b>	<b>\$ 2,697,998</b>	<b>\$ 21,109,882</b>

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, 2021**

<b>Total fund balances - governmental funds</b>	<b>\$ 17,087,175</b>
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,994,911
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.	203,981
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,720,772)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(8,621,290)
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.	2,912,409
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.	(589,697)
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.	272,622
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.	(1,137,444)
<b>Total net position - governmental activities</b>	<b>\$ <u>16,401,895</u></b>

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, 2021**

	General	Road	Public Safety	ARPA	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes and assessments	\$ 892,555	\$ -	\$ 3,247,279	\$ -	\$ 2,299,657	\$ 6,439,491
Licenses and permits	56,710	-	-	-	293,077	349,787
Intergovernmental	2,074,418	2,246,392	321,067	-	3,261,938	7,903,815
Charges for services	327,352	260,200	243,416	-	289,477	1,120,445
Fines and forfeitures	109,178	-	-	-	27,071	136,249
Miscellaneous	398,146	11,942	11,485	-	313,959	735,532
Investment earnings	3,079	1,427	-	-	3,084	7,590
Total revenues	\$ 3,861,438	\$ 2,519,961	\$ 3,823,247	\$ -	\$ 6,488,263	\$ 16,692,909
<b>EXPENDITURES</b>						
General government	\$ 3,609,052	\$ -	\$ -	\$ -	\$ 495,882	\$ 4,104,934
Public safety	189,832	-	3,272,016	-	689,230	4,151,078
Public works	27,274	3,583,117	-	-	541,825	4,152,216
Public health	240,976	-	-	-	2,365,001	2,605,977
Social and economic services	47,555	-	-	-	136,534	184,089
Culture and recreation	-	1,204	-	-	570,382	571,586
Housing and community development	-	-	-	-	20,100	20,100
Conservation of natural resources	-	-	-	-	101,405	101,405
Debt service - principal	-	20,405	-	-	-	20,405
Debt service - interest	-	4,479	-	-	-	4,479
Miscellaneous	-	-	-	-	73,306	73,306
Capital outlay	218,843	215,537	49,630	-	377,698	861,708
Total expenditures	\$ 4,333,532	\$ 3,824,742	\$ 3,321,646	\$ -	\$ 5,371,363	\$ 16,851,283
Excess (deficiency) of revenues over expenditures	\$ (472,094)	\$ (1,304,781)	\$ 501,601	\$ -	\$ 1,116,900	\$ (138,374)
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds of general long term debt	\$ -	\$ 95,802	\$ -	\$ -	\$ -	\$ 95,802
Proceeds from the sale of general capital asset disposition	-	-	2,251	-	-	2,251
Transfers in	1,082,780	-	486,360	-	122,395	1,691,535
Transfers out	(1,445)	(271,838)	(236,372)	-	(1,005,070)	(1,514,725)
Total other financing sources (uses)	\$ 1,081,335	\$ (176,036)	\$ 252,239	\$ -	\$ (882,675)	\$ 274,863
Net change in Fund Balance	\$ 609,241	\$ (1,480,817)	\$ 753,840	\$ -	\$ 234,225	\$ 116,489
Fund balances - beginning	\$ 2,522,663	\$ 12,137,038	\$ 451,201	\$ -	\$ 1,859,784	\$ 16,970,686
Restatements	96,081	(96,081)	-	-	-	-
Fund balances - beginning, restated	\$ 2,618,744	\$ 12,040,957	\$ 451,201	\$ -	\$ 1,859,784	\$ 16,970,686
Fund balance - ending	\$ 3,227,985	\$ 10,560,140	\$ 1,205,041	\$ -	\$ 2,094,009	\$ 17,087,175

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, 2021**

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

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 116,489</b>
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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	861,708
- Depreciation expense	(953,297)

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

- Proceeds from the sale of capital assets	(2,251)
- Gain on the sale of capital assets	(3,113)

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)	(106,975)
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The change in compensated absences is shown as an expense in the Statement of Activities	(54,364)
--	----------

Repayment of debt principal is an expenditures in the governmental funds, but the repayment reduces long-term debt in the Statement of Net Position:

- Long-term debt principal payments	20,405
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Long term debt proceeds provide current financial resources to the governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position:

- Proceeds from the sale of long-term debt	(95,802)
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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	(100,742)
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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	(1,212,176)
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Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid.

652,178

<b>Change in net position - Statement of Activities</b>	<b>\$ <u>(877,940)</u></b>
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See accompanying Notes to the Financial Statements

**Lincoln County, Montana**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2021**

	<b>Business-Type Activities</b>
	<b>- Enterprise Funds</b>
	<b>Solid Waste</b>
<b>ASSETS</b>	
Current assets:	
Cash and investments	\$ 3,858,586
Taxes and assessments receivable, net	182,688
Accounts receivable - net	14,316
Total current assets	\$ 4,055,590
Noncurrent assets:	
Restricted cash and investments	\$ 1,122,036
Capital assets - land	850
Capital assets - depreciable, net	799,091
Total noncurrent assets	\$ 1,921,977
Total assets	\$ 5,977,567
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources - pensions	\$ 194,020
Deferred outflows of resources - OPEB	31,909
Total deferred outflows of resources	\$ 225,929
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 6,203,496</b>
<b>LIABILITIES</b>	
Current liabilities:	
Accrued payroll	\$ 31,577
Current portion of compensated absences payable	85,559
Total current liabilities	\$ 117,136
Noncurrent liabilities:	
Landfill closure postclosure liability	\$ 1,140,504
Noncurrent portion of OPEB	320,480
Noncurrent portion of compensated absences	26,839
Net pension liability	787,181
Total noncurrent liabilities	\$ 2,275,004
Total liabilities	\$ 2,392,140
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources - pensions	\$ 22,507
Deferred inflows of resources - OPEB	133,133
Total deferred inflows of resources	\$ 155,640
<b>NET POSITION</b>	
Net investment in capital assets	\$ 799,941
Restricted for landfill closure/postclosure	1,122,036
Unrestricted	1,733,739
Total net position	\$ 3,655,716
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSTION</b>	<b>\$ 6,203,496</b>

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, 2021**

	<b>Business-Type Activities - Enterprise Funds</b>
	<u><b>Solid Waste</b></u>
<b>OPERATING REVENUES</b>	
Charges for services	\$ 241,920
Miscellaneous revenues	14,951
Special assessments	1,730,167
Total operating revenues	\$ <u>1,987,038</u>
<b>OPERATING EXPENSES</b>	
Personal services	\$ 857,827
Supplies	237,906
Purchased services	363,228
Fixed charges	120,152
Depreciation	139,226
Total operating expenses	\$ <u>1,718,339</u>
Operating income (loss)	\$ <u>268,699</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Intergovernmental revenue	\$ 40,556
Interest revenue	(2,451)
Total non-operating revenues (expenses)	\$ <u>38,105</u>
Income (loss) before contributions and transfers	306,804
Transfers out	(176,810)
Change in net position	\$ <u>129,994</u>
Net Position - Beginning of the year	\$ 3,525,722
Net Position - End of the year	\$ <u><u>3,655,716</u></u>

See accompanying Notes to the Financial Statements

**Lincoln County, Montana**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Fiscal Year Ended June 30, 2021**

	<b>Business - Type Activities - Enterprise Funds Solid Waste</b>
<b>Cash flows from operating activities:</b>	
Cash received from providing services	\$ 235,616
Cash received from assessments	1,779,646
Cash received from miscellaneous sources	14,951
Cash payments to suppliers	(358,058)
Cash payments for professional services	(264,424)
Cash payments to employees	(887,002)
Net cash provided (used) by operating activities	<u>\$ 520,729</u>
<b>Cash flows from capital and related financing activities:</b>	
Acquisition and construction of capital assets	\$ <u>(243,682)</u>
Net cash provided (used) by capital and related financing activities	<u>\$ (243,682)</u>
<b>Cash flows from non-capital financing activities:</b>	
Transfers to other funds	\$ (176,810)
Cash received for State aid - pension	40,556
Net cash provided (used) from non-capital financing activities	<u>\$ (136,254)</u>
<b>Cash flows from investing activities:</b>	
Loss on investments	\$ <u>(2,451)</u>
Net cash provided (used) by investing activities	<u>\$ (2,451)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>\$ 138,342</b>
<b>Cash and cash equivalents at beginning</b>	<b><u>4,842,280</u></b>
<b>Cash and cash equivalents at end</b>	<b><u><u>4,980,622</u></u></b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 268,699
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	139,226
Changes in assets and liabilities:	
Accounts receivable	(6,304)
Taxes and assessments receivable	49,479
Accrued payroll	(5,435)
Compensated absences	6,754
Deferred inflows and outflows	(174,620)
Other post-employment benefits	59,904
Net pension liability	84,222
Landfill closure and post closure liability	98,804
Net cash provided (used) by operating activities	<u>\$ 520,729</u>

See accompanying notes to the financial statements

**Lincoln County, Montana**  
**Statement of Net Position**  
**Fiduciary Funds**  
**June 30, 2021**

	<b>Custodial Funds</b>	
	<b>Custodial Funds</b>	<b>External Investment Pool Fund</b>
<b>ASSETS</b>		
Cash and short term investments	\$ 515,133	\$ 14,502,463
Taxes receivable	648,249	-
Total receivables	648,249	-
Total assets	<u>\$ 1,163,382</u>	<u>\$ 14,502,463</u>
<b>LIABILITIES</b>		
Warrants payable	\$ 1,420,709	\$ -
Due to others	2,634,698	-
Total liabilities	<u>\$ 4,055,407</u>	<u>\$ -</u>
<b>NET POSITION</b>		
Restricted for:		
Pool participants	\$ -	\$ 14,502,463
Individuals, organizations, and other governments	(2,892,025)	-
Total net position	<u>\$ (2,892,025)</u>	<u>\$ 14,502,463</u>
<b>TOTAL LIABILITIES AND NET POSTION</b>	<u><u>\$ 1,163,382</u></u>	<u><u>\$ 14,502,463</u></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, 2021**

	<b>Custodial Funds</b>	
	<b>Custodial Funds</b>	<b>External Investment Pool Fund</b>
<b>ADDITIONS</b>		
Contributions:		
Contributions to Investment Trust Fund	\$ -	\$ 10,859,277
Interest and change in fair value of investments	-	53,176
Taxes, licenses, and fees collected for other govenments	17,179,353	-
Property taxes collected for school districts	7,909,661	-
Intergovernmental grants and entitlements collected for school districts	23,968,577	-
Miscellaneous	2,536,744	-
School district transfers in	191,547	-
Total additions	<u>\$ 51,785,882</u>	<u>\$ 10,912,453</u>
<b>DEDUCTIONS</b>		
Distributions from investment trust fund	\$ -	\$ 9,189,389
Taxes, licenses, and fees distributed to other govenments	17,792,706	-
School district claims and payroll expense	31,558,083	-
School district transfers out	191,547	-
Total deductions	<u>\$ 49,542,336</u>	<u>\$ 9,189,389</u>
Change in net position	<u>\$ 2,243,546</u>	<u>\$ 1,723,064</u>
 Net Position - Beginning of the year	 \$ -	 \$ 12,779,399
Restatements	(5,135,571)	-
Net Position - Beginning of the year - Restated	<u>\$ (5,135,571)</u>	<u>\$ 12,779,399</u>
 Net Position - End of the year	 <u>\$ (2,892,025)</u>	 <u>\$ 14,502,463</u>

See accompanying Notes to the Financial Statements



LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

**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.

GASB No. 88 Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, is effective for years beginning after July 15, 2018. The objective of this Statement is to improve the information disclosed below related to the debt of the County, that includes direct borrowings and direct placements. For the purposes of disclosures in the following notes to the financial statements, debt is now defined as a liability that arises from contractual obligation to pay cash in one or more payments to settle an amount that is fixed at the date of the contractual obligations. This excludes leases, except for contracts reported as a financed purchased of an asset, or accounts payable. In addition, the Statement requires that the County disclose summarized information about unused lines of credit, assets pledged as collateral, and terms specified in debt agreements that are significant. The County has implemented this pronouncement for the current fiscal year and it is related in the debt footnotes below if applicable.

GASB No. 84 Fiduciary Activities is effective for years beginning after December 15, 2020. The Statement establishes accounting and financial reporting standards for fiduciary activities though defining specific criteria on the types of fiduciary activities that includes fiduciary component units and fiduciary activities. The criteria specifically defined in the statement determine the reporting of the fiduciary activities that include pension trust funds, private purpose trust funds, investment trust funds, and custodial funds (previously reported as agency funds). At Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position required for all of the fiduciary activities previously mentioned above. The County has implemented this pronouncement in the current fiscal year.

LINCOLN COUNTY, MONTANA  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

**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 units 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 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.

*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, 2021. 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:

LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
June 30, 2021

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.

**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.

LINCOLN COUNTY, MONTANA  
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*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.

**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.

LINCOLN COUNTY, MONTANA  
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*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.

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.

LINCOLN COUNTY, MONTANA  
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*Public Safety Fund* – A special revenue fund that is used to account for the revenues and expenditures for public safety.

*ARPA Fund* – A special revenue fund that accounts for the County's funding and use of the American Rescue Plan Act distributions.

***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:

*Custodial Funds* – To report fiduciary activities that are not required to be reported in any of the other fiduciary categories in which the resources held by the County in a custodial capacity. This fund primarily consist reporting of resources held by the County as an agent for individuals, private organizations, other local governmental entities. The external portion of the investment pools that are not held in a trust are also reported here.

LINCOLN COUNTY, MONTANA  
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**NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

**Cash Composition**

Composition of cash, deposits and investments at fair value on June 30, 2021, are as follows:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Total</u>
<u>Cash on hand and deposits:</u>			
Cash on hand			
Petty Cash	\$ 300	\$ -	\$ 300
Vault Cash	2,000	-	2,000
Cash in banks:			
Demand deposits	316,582	1,570,822	1,887,404
Savings deposits	27,804,523	-	27,804,523
Time deposits	4,119,956	-	4,119,956
<u>Investments:</u>			
State Short-Term Investment Pool (STIP)	45,414	-	45,414
U.S. Government Securities	7,513,923	-	7,513,923
Total	\$ <u>39,802,698</u>	\$ <u>1,570,822</u>	\$ <u>41,373,520</u>

**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 funds consider all fund (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  
NOTES TO THE FINANCIAL STATEMENTS  
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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  
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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.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2021, (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	\$ 789,021	A-1+	99
Agency or Government Related	724,008	A-1+	87
Corporate:			
Commercial Paper	913,481	A-1+	153
Notes	250,494	A-1	111
Certificates of Deposit	<u>405,071</u>	A-1	142
Total Investments	\$ <u>3,082,075</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3<sup>rd</sup> 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, 2021, the government's bank balance was exposed to custodial credit risk as follows:

Primary Government:

	June 30, 2021 <u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 12,333,090
- Collateral held by the pledging bank's trust department but not in the County's name	20,075,768
- Uninsured and Uncollateralized deposits	<u>38,696</u>
Total deposits and investments	\$ <u><u>32,447,554</u></u>

LINCOLN COUNTY, MONTANA  
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Lincoln County Port Authority (A discretely presented component unit)

	June 30, 2021
	<u>Balance</u>
<u>Depository Account</u>	
Insured	\$ 250,000
- Collateral held by the pledging bank's trust department but not in the County's name	<u>1,325,767</u>
Total deposits and investments	<u>\$ 1,575,767</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, 2021, 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, 2021 alone with their related interest rates and maturity dates.

Investment	Interest Rate	Maturity	Amount
United States Treasury Note/Bond	1.125%	7/31/2021	\$ 15,080
United States Treasury Note/Bond	1.250%	8/31/2024	35,984
United States Treasury Note/Bond	1.625%	12/31/2021	10,076
United States Treasury Note/Bond	0.250%	3/15/2024	9,966
Federal Farm Credit Banks Funding Corp	1.400%	4/14/2022	25,326
Federal Farm Credit Banks Funding Corp	1.480%	6/29/2022	25,343
Federal Farm Credit Banks Funding Corp	1.600%	7/17/2023	31,020
Federal Farm Credit Banks Funding Corp	1.875%	1/18/2022	5,090
Federal Farm Credit Banks Funding Corp	0.680%	6/10/2025	119,800
Federal Home Loan Banks	1.875%	11/29/2021	20,182
Federal Home Mortgage Corp	2.000%	1/26/2022	50,979
Federal Home Mortgage Corp	0.250%	6/26/2023	24,997
Federal Home Mortgage Corp	0.300%	12/29/2023	39,898
Federal National Mortgage Association	2.000%	8/26/2022	77,081
Federal National Mortgage Association	0.500%	11/7/2025	9,899
United States Treasury Note/Bond	1.125%	7/31/2021	15,080
United States Treasury Note/Bond	1.250%	8/31/2024	30,844

LINCOLN COUNTY, MONTANA  
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Investment	Interest Rate	Maturity	Amount
United States Treasury Note/Bond	1.625%	12/31/2021	10,077
United States Treasury Note/Bond	0.250%	3/15/2024	9,966
Federal Agricultural Mortgage Corp	1.350%	2/27/2023	61,395
Federal Farm Credit Banks Funding Corp	1.210%	3/3/2025	87,183
Federal Farm Credit Banks Funding Corp	0.500%	5/14/2025	7,959
Federal Farm Credit Banks Funding Corp	0.680%	6/10/2025	119,800
Federal Home Loan Banks	1.590%	6/7/2024	31,088
Federal Home Loan Banks	1.875%	11/29/2021	15,136
Federal Home Loan Banks	2.250%	3/11/2022	25,549
Federal Home Loan Mortgage Corp	2.000%	1/26/2022	50,979
Federal Home Loan Mortgage Corp	0.300%	12/29/2023	39,897
Federal National Mortgage Association	2.000%	10/5/2022	35,970
Federal National Mortgage Association	2.000%	8/26/2022	71,942
Federal National Mortgage Association Note	1.400%	8/25/2021	430,877
Federal National Mortgage Association Note	0.650%	7/30/2025	498,900
Federal National Mortgage Association Note	0.625%	8/28/2025	496,940
Federal National Mortgage Association Note	0.580%	10/20/2025	495,475
Federal National Mortgage Association Medium Term Note	1.000%	10/28/2025	499,620
Federal Home Loan Banks Debenture	0.660%	2/25/2026	494,050
Federal Farm Credit Banks Debenture	0.840%	3/2/2026	496,985
Federal Home Loan Banks Debenture	1.000%	3/30/2026	500,120
Federal Home Loan Banks Debenture	0.660%	2/25/2026	494,050
Federal Home Loan Banks Debenture	1.050%	4/29/2026	500,395
Federal National Mortgage Association Medium Term Note	0.570%	10/8/2025	494,545
Federal National Mortgage Association Note	0.650%	8/25/2025	498,380
Federal National Mortgage Association Note	0.720%	7/9/2025	500,000
STIP	0.098%	N/A	45,414
Total			<u>\$ 7,559,337</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.

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

The County has one pooled investment fund invested in interest bearing savings accounts, the pooled funds are carried at fair value.

LINCOLN COUNTY, MONTANA  
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The County also has two directed investment funds. One invested in U.S. Government Securities and the other is invested in STIP.

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2021 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, 2021.

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, 2021.

**Statement of Net Position**

Net position held in trust for all pool participants:

Equity of internal pool participants	\$ 10,243,943
Equity of external pool participants	<u>14,502,463</u>
Total equity	<u><u>\$ 24,746,406</u></u>

**Condensed Statement of Changes in Net Position**

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ 53,176	\$ 37,444
Contributions to trust	10,859,277	7,685,311
Distributions paid	<u>(9,189,389)</u>	<u>(6,909,170)</u>
Net change in net position	\$ 1,723,064	\$ 813,585
Net position at beginning of year	<u>12,779,399</u>	<u>9,430,358</u>
Net position at end of year	<u><u>\$ 14,502,463</u></u>	<u><u>\$ 10,243,943</u></u>

**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	Closure/Post Closure	<u>\$ 1,122,036</u>

LINCOLN COUNTY, MONTANA  
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Lincoln County Port Authority (A discretely presented component unit):

<u>Description</u>	<u>Amount</u>
IRP Loan Loss Reserve	\$ 30,000
Grant Restricted – Stimson	<u>129,918</u>
	<u>\$ 159,918</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 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, 2021, the following are the total amounts owed to the Port Authority:

<u>Business</u>	<u>Amount</u>	<u>Interest</u>	<u>Note</u>
	<u>Issued</u>	<u>Rate</u>	<u>Receivable</u>
Montana Sky West	\$ 175,000	6.00%	\$ 60,229
Cabinet MT Brewing	70,000	6.00%	43,332
Snowshoe	195,000	6.00%	182,077
Liz Whalen	28,000	6.00%	13,861

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Diverse Dirt Worx	77,875	5.50%	71,288
Montana Sky west #2	175,000	6.00%	162,704
Tsunami Moto	55,000	6.00%	<u>50,159</u>
			<u>\$ 583,650</u>

**NOTE 5. INVENTORIES AND PREPAIDS**

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 2021 Basic Financial Statements.

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

Governmental activities:

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>Restatements</u>	<u>Balance June 30, 2021</u>
Capital assets not being depreciated:						
Land	\$ 609,651	\$ -	\$ -	\$ -	\$ -	\$ 609,651
Construction in progress	915,165	197,848	(144,227)	-	-	968,786
Total capital assets not being depreciated	<u>\$ 1,524,816</u>	<u>\$ 197,848</u>	<u>\$ (144,227)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,578,437</u>
Other capital assets:						
Buildings	\$ 5,052,064	\$ 10,537	\$ 125,891	\$ -	\$ -	\$ 5,188,492
Improvements other than buildings	10,342,619	62,528	18,336	-	-	10,423,483
Machinery and equipment	12,133,236	590,795	-	(449,105)	129,833	12,404,759
Infrastructure	1,935,106	-	-	-	-	1,935,106
Total other capital assets at historical cost	<u>\$ 29,463,025</u>	<u>\$ 663,860</u>	<u>\$ 144,227</u>	<u>\$ (449,105)</u>	<u>\$ 129,833</u>	<u>\$ 29,951,840</u>
Less: accumulated depreciation	<u>(20,986,860)</u>	<u>(953,297)</u>	<u>-</u>	<u>443,741</u>	<u>(38,950)</u>	<u>(21,535,366)</u>
Total	<u>\$ 10,000,981</u>	<u>\$ (91,589)</u>	<u>\$ -</u>	<u>\$ (5,364)</u>	<u>\$ 90,883</u>	<u>\$ 9,994,911</u>

LINCOLN COUNTY, MONTANA  
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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$167,206
Public safety	129,402
Public works	543,359
Public health	1,124
Culture and recreation	<u>112,206</u>
Total governmental activities depreciation expense	<u>\$953,297</u>

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

Business-type activities:

	Balance <u>July 1, 2020</u>	<u>Additions</u>	Balance <u>June 30, 2021</u>
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	<u>2,206,507</u>	<u>243,682</u>	<u>2,450,189</u>
Total other capital assets at historical cost	\$ 2,625,050	\$ 243,682	\$ 2,868,732
Less: accumulated depreciation	<u>(1,930,415)</u>	<u>(139,226)</u>	<u>(2,069,641)</u>
Total	<u>\$ 695,485</u>	<u>\$ 104,456</u>	<u>\$ 799,941</u>

Lincoln County Port Authority (a discretely presented component unit)

	Balance <u>July 1, 2020</u>	<u>Additions</u>	Balance <u>June 30, 2021</u>
Capital assets not being depreciated:			
Land	\$ 2,758,220	\$ -	\$ 2,758,220
Construction in progress	<u>18,000</u>	<u>4,933</u>	<u>22,933</u>
Total capital assets not being depreciated	<u>\$ 2,776,220</u>	<u>\$ 4,933</u>	<u>\$ 2,781,153</u>
Other capital assets:			
Buildings	\$ 1,612,103	\$ -	\$ 1,612,103
Machinery and equipment	551,588	33,530	585,118
Buildings/Land Improvements	<u>5,246,247</u>	<u>54,218</u>	<u>5,300,465</u>
Total other capital assets at historical cost	\$ 7,409,938	\$ 87,748	\$ 7,497,686
Less: accumulated depreciation	<u>(2,936,812)</u>	<u>(254,306)</u>	<u>(3,191,118)</u>
Total	<u>\$ 7,249,346</u>	<u>\$ (161,625)</u>	<u>\$ 7,087,721</u>

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**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, 2021, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance July 1, 2020	Additions	Deletions	Restatements	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 739,257	\$ 54,364	\$ -	\$ -	\$ 793,621	\$ 559,958
Capital leases	-	95,802	(20,405)	113,670	189,067	17,928
Total	<u>\$ 739,257</u>	<u>\$ 150,166</u>	<u>\$ (20,405)</u>	<u>\$ 113,670</u>	<u>\$ 982,688</u>	<u>\$ 577,886</u>

In prior years the General Fund was used to liquidate compensated absences and claims and judgments.

Business-type Activities:

	Balance July 1, 2020	Additions	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 105,644	\$ 6,754	\$ 112,398	\$ 85,559
Landfill closure/Postclosure	1,041,700	98,804	1,140,504	-
Total	<u>\$ 1,147,344</u>	<u>\$ 105,558</u>	<u>\$ 1,252,902</u>	<u>\$ 85,559</u>

Lincoln County Port Authority (a discretely presented component unit)

	Balance July 1, 2020	Deletions	Balance June 30, 2021	Due Within One Year
Loans/Contracted Debt	\$ 483,951	\$ (16,387)	\$ 467,564	\$ 16,547
Total	<u>\$ 483,951</u>	<u>\$ (16,387)</u>	<u>\$ 467,564</u>	<u>\$ 16,547</u>

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

**Loans/Contracted Debt**

Loans/contracted debts outstanding as of June 30, 2021, were as follows:

Purpose	Origination Date	Interest Rate	Maturity Term	Maturity Date	Principal Amount	Annual Payment	Balance June 30, 2021
USDA IRP RLF Loan	7/1/17	1.00%	30yrs	6/2/25	<u>\$500,000</u>	Varies	<u>\$ 467,564</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, 2021. Below outlines in further detail the specific compliance requirements of the loan:



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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 Port Authority had reserved \$30,000 as noted in the restricted cash disclosed in Note 3. The Port Authority is in compliance with this requirement.

Annual requirement to amortize debt:

For Fiscal Year Ended	Principal	Interest
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	20,393	830
2044	20,596	626
2045	20,802	420
2046	21,231	212
Total	\$ <u>467,564</u>	\$ <u>63,225</u>

Primary Government:

**Capital Leases**

The County has entered into two leases which meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee when all terms of the lease agreements are met. Capital lease obligations outstanding as of June 30, 2021, were as follows:

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<u>Purpose</u>	<u>Origination Date</u>	<u>Interest Rate</u>	<u>Term</u>	<u>Maturity Date</u>	<u>Principal Amount</u>	<u>Annual Payment</u>	<u>Balance June 30, 2021</u>
CAT Excavator Lease	9/13/2017	3.94%	5yrs	9/13/2022	\$129,832	Varies	\$ 105,107
CAT Tire Compactor Lease	8/6/2020	3.35%	5yrs	8/6/2025	<u>95,802</u>	Varies	<u>83,960</u>
					<u>\$225,634</u>		<u>\$ 189,067</u>

Reported in the governmental activities.

Annual requirement to amortize debt:

<u>For Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 17,928	\$ 6,955
2023	105,540	6,302
2024	9,644	2,198
2025	9,962	1,880
2026	<u>45,993</u>	<u>2,007</u>
Total	<u>\$ 189,067</u>	<u>\$ 19,342</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.

### **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.

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The \$1,140,504 reported as landfill closure and postclosure liability at June 30, 2021, represents the cumulative amount reported to date based on the use of 89.42% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$134,977 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in 2021. 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 4 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, 2021, 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 \$1,122,036 as of June 30, 2021.

**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 Actuarially Determined Contribution has been determined under the entry age normal cost method. 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.

*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>

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Total OPEB Liability

The County's total OPEB liability of \$3,058,564 at June 30, 2021, and was determined by actuarial valuation using the actuarial entry age normal funding method and by using the rollforward from the measurement date of June 30, 2020.

*Actuarial assumptions and other input.* The total OPEB liability in the June 30, 2020 actuarial valuation 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 (average anticipated rate)	2.53%
Average salary increase (Consumer Price Index)	2.50%
<u>Health care cost rate trend (Federal Office of the Actuary)</u>	

<u>Year</u>	<u>% Increase</u>
2022	6.50%
2023	6.00%
2024	5.90%
2025	5.70%
2026	5.60%
2027	5.50%
2028	5.30%
2029-2045	5.20%
2046	5.10%
2047-2048	5.00%
2049-2051	4.90%
2052-2055	4.80%
2056-2060	4.70%
2061-2067	4.60%
2068	4.50%
2069	4.40%
2070	4.30%
2071-2072	4.20%
2073	4.10%
2074-2075	4.00%
2076	3.90%
2077+	3.80%

For PERS and SRS, mortality is assumed to follow the RP 2000 Health Combined Mortality table, set back one year for males and with no collar adjustment for females, with mortality improvements projects 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.

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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 6/30/2020	\$ 2,808,041
Changes for the year:	
Service Cost	\$ 206,790
Interest	76,275
Benefit payments	<u>(32,542)</u>
Net Changes	\$ 250,523
Balance at 6/30/2021	<u>\$ 3,058,564</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

*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%:

	1% Decrease	Healthcare Cost 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.*

In fiscal year ending June 30, 2021, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2020 calculated liability per valuation completed on June 30, 2020.

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

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At June 30, 2021, 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	\$ -	-
Changes in actuarial assumptions	304,531	1,270,577
Total	<u>\$ 304,531</u>	<u>\$ 1,270,577</u>

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
2022	\$ (123,843)
2023	\$ (123,843)
2024	\$ (123,843)
Thereafter	<u>\$ (594,517)</u>

**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, 2021, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	PERS	SRS	Pension Totals
Net Pension Liability	\$ 6,714,119	\$ 2,694,352	\$ 9,408,471
Deferred outflows of resources*	\$ 1,654,858	\$ 1,451,571	\$ 3,106,429
Deferred inflows of resources	\$ 191,967	\$ 420,237	\$ 612,204
Pension expense	\$ 1,218,011	\$ 258,560	\$ 1,476,571

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\*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$449,913 and \$255,014, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2020.

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

**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).

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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.
- 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 2.02% effective July 1, 2018).
- 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.



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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.

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.

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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.

Member and employer contribution rates are shown in the table below.

<u>Fiscal Year</u>	<u>Member</u>		<u>Local Government</u>	
	<u>Hired&lt;07/01/11</u>	<u>Hired&gt;07/01/11</u>	<u>Employer</u>	<u>State</u>
2021	7.900%	7.900%	8.770%	0.100%
2020	7.900%	7.900%	8.670%	0.100%
2019	7.900%	7.900%	8.570%	0.100%
2018	7.900%	7.900%	8.470%	0.100%
2017	7.900%	7.900%	8.370%	0.100%
2016	7.900%	7.900%	8.270%	0.100%
2015	7.900%	7.900%	8.170%	0.100%
2014	7.900%	7.900%	8.070%	0.100%
2012 – 2013	6.900%	7.900%	7.070%	0.100%
2010 – 2011	6.900%		7.070%	0.100%
2008 – 2009	6.900%		6.935%	0.100%
2000 - 2007	6.900%		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.

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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.
  - c. The portion of the employer contributions allocated to the Plan Choice Rate (PCR) are included in the employers reporting. The PCR was paid off effective March 2016 and the contributions previously directed to the PCR are now directed to member accounts.
4. Non-Employer Contributions
  - a. Special Funding
    - i. The State contributes 0.1% of members' compensation on behalf of local government entities.
    - 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 \$33,951,150.

**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, 2020, was determined by taking the results of the June 30, 2019, 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 reporting periods June 30, 2021, 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 \$6,714,119 and the County's proportionate share was 0.254495 percent.

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	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 6,714,119	\$ 4,742,829	0.254495%	0.226896%	0.027599%
State of Montana Proportionate Share associated with Employer	2,115,159	1,544,021	0.080174%	0.073866%	0.006308%
Total	<u>\$ 8,829,278</u>	<u>\$ 6,286,850</u>	<u>0.334669%</u>	<u>0.300762%</u>	<u>0.033907%</u>

*Changes in actuarial assumptions and methods:*

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.75% to 2.40%

*Changes in benefit terms:*

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

*Changes in proportionate share:*

There were no changes between the measurement date of the collective NPL and the employer's reporting date that are expected to have a significant effect on the employer's proportionate share of the collective NPL. However, each employer may have unique circumstances that will impact the employer's proportionate share of the collective net pension. If there were changes that are expected to have an impact on the net pension liability, the employer should disclose the amount of the expected resultant change in the employer's proportionate share of the collective net pension liability, if known.

*Pension Expense:*

At June 30, 2021, the County recognized a Pension Expense of \$872,094 for its proportionate share of the pension expense. The County also recognized grant revenue of \$345,917 for the support provided by the State of Montana for its proportionate share of the pension expense that is associated with the County.

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 872,094	\$ 279,997
State of Montana Proportionate Share associated with the Employer	345,917	104,823
Total	<u>\$ 1,218,011</u>	<u>\$ 384,820</u>

LINCOLN COUNTY, MONTANA  
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*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2020 contributions of \$415,286.

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2021, 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	\$ 108,380	\$ 191,967
Actual vs. Expected Investment Earnings	581,383	-
Changes in Assumptions	464,928	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	50,254	-
Employer contributions subsequent to the measurement date - FY21*	449,913	-
Total	<u>\$ 1,654,858</u>	<u>\$ 191,967</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.

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
2021	\$ 114,544
2022	\$ 550,042
2023	\$ 203,140
2024	\$ 145,251
Thereafter	\$ -

LINCOLN COUNTY, MONTANA  
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**Actuarial Assumptions**

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of Payroll 0.30%
- General Wage Growth\* 3.50%
- \*includes Inflation at 2.40%
- Merit Increases 0% to 4.8%
- 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, 2013
- 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.

The most recent experience study, performed for the period covering fiscal years 2011 through 2016, is outlined in a report 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. The long-term rate of return as of June 30, 2020, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2020 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2020, are summarized in the following table.

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	6.19%
Foreign Equity	16.00%	6.92%
Private Equity	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. 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 2123. 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.

<u>1.0% Decrease (6.34%)</u>	<u>Current Discount Rate</u>	<u>1.0% Increase (8.34%)</u>
\$ 9,241,587	\$ 6,714,119	\$ 4,591,063

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 7.34%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.34%) or 1.00% higher (8.34%) 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.

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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, 2020, 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 329 employers that have participants in the PERS-DCRP totaled \$775,195.

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>.

### **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).



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**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.

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:

LINCOLN COUNTY, MONTANA  
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- 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

**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>
2018-2021	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

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**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, 2020, was determined by taking the results of the June 30, 2019, 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 reporting periods June 30, 2021, and 2020, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer contributions during the measurement period. The County recorded a liability of \$2,694,352 and the County's proportionate share was 2.2106 percent.

	Net Pension Liability as of 6/30/2021	Net Pension Liability as of 6/30/2020	Percent of Collective NPL as of 6/30/2021	Percent of Collective NPL as of 6/30/2020	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 2,694,352	\$ 1,721,929	2.2106%	2.0647%	0.1458%
Total	\$ 2,694,352	\$ 1,721,929	2.2106%	2.0647%	0.1458%

*Changes in actuarial assumptions and methods:*

The following changes in assumptions or other inputs were made that affected the measurement of the TPL.

1. The discount rate was lowered from 7.65% to 7.34%
2. The investment rate of return was lowered from 7.65% to 7.34%
3. The inflation rate was reduced from 2.57% to 2.40%

*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.

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*Pension Expense:*

At June 30, 2021, the County recognized a Pension Expense of \$258,560 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/21	Pension Expense as of 6/30/20
Employer Proportionate Share	\$ 258,560	\$ 76,622
Total	\$ <u>258,560</u>	\$ <u>76,622</u>

*Recognition of Beginning Deferred Outflow*

At June 30, 2021, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2020 contributions of \$246,160.

*Recognition of Deferred Inflows and Outflows:*

At June 30, 2021, 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	\$ 122,010	\$ 755
Actual vs. Expected Investment Earnings	331,207	-
Changes in Assumptions	554,196	419,482
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	189,144	-
Employer contributions subsequent to the measurement date - FY21*	255,014	-
Total	\$ <u>1,451,571</u>	\$ <u>420,237</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.

LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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
2021	\$ 8,063
2022	\$ 295,523
2023	\$ 266,729
2024	\$ 206,006
Thereafter	\$ -

**Actuarial Assumptions**

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2020 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.34%
- Admin Expense as % of payroll 0.16%
- General Wage Growth\* 3.50%
  - \*includes inflation at 2.40%
- Merit Increases 0% to 6.30%
- Post Retirement Benefit Increased  
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 on or after July 1, 2207
- 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. The long-term rate of return as of June 30, 2020, was calculated using the average long term capital market assumptions published in the Survey of Capital Market Assumptions 2020 Edition by Horizon Actuarial Service, LLC, yielding a median real rate of return of 4.94%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2020 OASDI Trustees Report by the Chief Actuary for Social Security to produce 75-year cost projections. Combining these two results yields a nominal return of 7.34%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation (78c & 78f) as of June 30, 2020, are summarized in the following table.

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<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash Equivalents	2.00%	0.11%
Domestic Equity	30.00%	4.55%
International Equity	16.00%	6.35%
Private Investments	14.00%	10.37%
Natural Resources	4.00%	3.43%
Real Estate	9.00%	5.74%
Core Fixed Income	20.00%	1.57%
Non-Core Fixed Income	<u>5.00%</u>	3.97%
Total	<u>100%</u>	

**Discount Rate**

The discount rate used to measure the TPL was 7.34%. 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 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 (6.34%)	Current Discount Rate	1.0% Increase (8.34%)
\$ 4,285,629	\$ 2,694,352	\$ 1,392,678

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 (6.34%) or 1.00% higher (8.34%) than the current rate.

**NOTE 11. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances as of June 30, 2021, was as follows:

<b>Due to/from other funds</b>			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Short term loan to clear deficit cash balance	PILT* – Major Governmental	Airport – Nonmajor Governmental	\$197,105
Short term loan to clear deficit cash balance	PILT* – Major Governmental	USFS Patrol – Nonmajor Governmental	23,611
Short term loan to clear deficit cash balance	PILT* – Major Governmental	Land Use Planning – Nonmajor Governmental	1,903

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Short term loan to clear deficit cash balance	PILT* – Major Governmental	KFRI – Nonmajor Governmental	52,157
Short term loan to clear deficit cash balance	PILT* – Major Governmental	DNRC – Nonmajor Governmental	6,247
Short term loan to clear deficit cash balance	PILT* – Major Governmental	Rabit Tracts – Nonmajor Governmental	10,000
Short term loan to clear deficit cash balance	PILT* – Major Governmental	Crime Victims Assistance – Nonmajor Governmental	35,053
Short term loan to clear deficit cash balance	PILT* – Major Governmental	EMPG Grant – Nonmajor Governmental	49,563
Short term loan to clear deficit cash balance	PILT* – Major Governmental	Partnership for Success – Nonmajor Governmental	54,480
Short term loan to clear deficit cash balance	PILT* – Major Governmental	Immunizations – Nonmajor Governmental	<u>10,422</u>
			<u>\$440,541</u>

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

**Interfund Transfers**

The following is an analysis of operating transfers in and out during fiscal year 2021:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Permissive Medical Levy Allocation	General – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	\$397,760
Cost allocation	General – Major Governmental	Road – Major Governmental	271,838
Cost allocation	General – Major Governmental	Public Safety – Major Governmental	236,372
Cost allocation	General – Major Governmental	Solid Waste – Major Proprietary	176,810
Permissive Medical Levy Allocation	Weed – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	21,489
Permissive Medical Levy Allocation	District Court – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	42,582

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Permissive Medical Levy Allocation	Library – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	25,936
Permissive Medical Levy Allocation	Planning – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	5,970
Permissive Medical Levy Allocation	Public Health – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	24,973
Permissive Medical Levy Allocation	Public Safety – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	417,501
Permissive Medical Levy Allocation	Public Safety – Major Governmental	Permissive Sheriff Retirement – Nonmajor Governmental	68,859
Operating	EMPG – Nonmajor Governmental	General – Major Governmental	<u>1,445</u>
			<u><b>\$1,691,535</b></u>

**NOTE 12. COST ALLOCATION PLAN**

The County uses an indirect cost allocation plan to allocate the administrative costs. These costs are allocated based on time study costs, expenses, or revenues in each fund. The County completed transfers from the Road, Public Safety, and Solid Waste funds to the General Fund to reimburse for there allocated portion of the administrative costs as noted above in Interfund Transfers. The allocation can then be seen on the face of the Statement of Activities.

**NOTE 13. 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.



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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.

Primary Government:

**Restricted Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$10,560,140	Road Repair, maintenance and supplies
Public Safety	1,205,041	Law Enforcement, emergency services, and supplies
All Other Aggregate	160,173	General Government administration and services
	525,609	Law Enforcement, emergency services, and supplies
	199,108	Road Repair, maintenance and supplies
	511,506	Public Health Services and Supplies
	38,798	Noxious Weed Management
	35,395	Medical Insurance
	6,012	Animal Control
	219,972	Economic development
	17,890	Social and Economic Services and travel
	16,355	Culture and recreation
	1	Housing and Community Development
	6,688	Parks and recreation services and supplies
	28,201	Miscellaneous
	342,819	Firewise program
	<u>58,059</u>	Airport Services
	<u>\$13,931,767</u>	

Primary Government:

**Committed Fund Balance**

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>54,415</u>	Constructions and/or capital asset purchases

**NOTE 14. DEFICIT FUND BALANCES/NET POSITION**

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Noxious Weed	\$ 1,365	Accrued payroll increased the liabilities in excess of the cash available	Collection of taxes receivable and a reduction of expenditures to increase the cash balance in the fund
Fair	1,179	Accrued payroll increased the liabilities in excess of the cash available	Collection of taxes receivable which will increase cash

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County Park - Libby	1,278	Accrued payroll increased the liabilities in excess of the cash available	Collection of taxes receivable which will increase cash
Crisis Intervention	114	Deficit Cash	Reduction of expenditures in FY22 which will increase the cash balance
USFS Patrol	25,101	Due to other funds to cover deficit cash balance at year end	Transfer from an unrestricted fund to increase the cash balance
Land Use Planning	1,903	Due to other funds to cover deficit cash balance at year end	Transfer from an unrestricted fund to increase the cash balance
KFRI	3,108	Due to other funds to cover deficit cash balance at year end	Transfer from an unrestricted fund to increase the cash balance
DNRC	6,247	Due to other funds to cover deficit cash balance at year end	Transfer from an unrestricted fund to increase the cash balance
Rabit Tracts	10,000	Due to other funds to cover deficit cash balance at year end	Transfer from an unrestricted fund to increase the cash balance
Crime Victims Assistance	24,503	Due to other funds to cover deficit cash balance at year end	Transfer from an unrestricted fund to increase the cash balance
Homeland Security	665	Accrued payroll increased the liabilities in excess of the cash available	Increased cash from Homeland Security Grant from Flathead County
EMPG	51,523	Due to other funds to cover deficit cash balance at year end and accrued payroll	Transfer from an unrestricted fund to increase the cash balance
Disaster Flood	<u>6</u>	Deficit Cash	Transfer from an unrestricted fund to increase the cash balance
<u>\$ 126,992</u>			

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**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 15. RESTATEMENTS**

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

<u>Fund</u>	<u>Amount</u>	<u>Reason for Adjustment</u>
Governmental government wide	\$ (113,670)	To account for the capital lease debt that was not reported in the prior year relating to the 2018 Excavator
Governmental government wide	90,883	To account for the 2018 Excavator a capital asset, that was not reported in the prior year relating to the capital lease
Custodial Funds	<u>(5,135,571)</u>	Implementation of GASB 84 in which fiduciary activities formerly classified as agency fund became custodial and fund balances were then reported.
	<u>\$ 5,158,358</u>	

**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.

LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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. SERVICES PROVIDED FROM 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.

**NOTE 19. 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.

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

LINCOLN COUNTY, MONTANA  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 proved 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 20      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 has made no evaluation as to the outcome of each case. 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>Tackett v. Lincoln County Sheriff's Office</i>	Unknown	Unknown

**NOTE 21.      SUBSEQUENT EVENTS**

Primary Government:

- 1) In response to the COVID-19 pandemic, Congress passed the CARE Act, Coronavirus Aid, Relief, and Economic Security Act. With the CARES Act there was several funding sources that were created to support state and local governments. These funding sources include the Coronavirus Relief Fund (CRF)). The State of Montana received \$1.25 billion from the Coronavirus Relief Fund. The County was eligible to receive assistance through reimbursement requests. The County has received and spent \$1,821,028 in Coronavirus Relief Funding under the CARES Act.

In response to the COVID-19 pandemic, Congress also passed the American Rescue Plan Act of 2021. The State received \$542 million in funding. The County was allocated \$1,940,440 which was in fiscal year 2021 and deferred into fiscal year 2022 as it has not yet been spent. As of March 2021, the County had spent \$25,861

COVID-19 continues to impact local communities, and it is unknown the potential future impacts on the government.

- 2) In fiscal year 2022, the County received an FAA grant for improvements on the Libby Airport. To date, they have spent \$2,065,522 on the project and received \$2,451,261 from FAA.

LINCOLN COUNTY, MONTANA  
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- 3) In fiscal year 2022, the County received and FAA grant for improvements on the Eureka Airport. To date, they had spent \$411,621 on the project and received \$233,699 from FAA

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

**Covid-19 Virus**

The Port, like all 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 Port remains to be uncertain.

# **REQUIRED SUPPLEMENTARY INFORMATION**

Lincoln County, Montana  
Budgetary Comparison Schedule  
For the Fiscal Year Ended June 30, 2021

	General				
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET	
	ORIGINAL	FINAL			
<b>RESOURCES (INFLOWS):</b>					
Taxes and assessments	\$ 911,367	\$ 911,367	\$ 892,555	\$ (18,812)	
Licenses and permits	37,500	37,500	56,710	19,210	
Intergovernmental	1,168,200	1,168,200	1,358,951	190,751	
Charges for services	285,972	285,972	327,352	41,380	
Fines and forfeitures	106,700	106,700	109,178	2,478	
Miscellaneous	116,000	116,000	370,730	254,730	
Investment earnings	53,000	53,000	3,079	(49,921)	
Amounts available for appropriation	\$ <u>2,678,739</u>	\$ <u>2,678,739</u>	\$ <u>3,118,555</u>	\$ <u>439,816</u>	
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>					
General government	\$ 3,364,901	\$ 3,364,901	\$ 3,413,495	\$ (48,594)	
Public safety	138,962	138,962	149,568	(10,606)	
Public works	25,000	25,000	27,274	(2,274)	
Public health	289,831	289,831	240,976	48,855	
Social and economic services	2,255	2,255	47,555	(45,300)	
Total charges to appropriations	\$ <u>3,820,949</u>	\$ <u>3,820,949</u>	\$ <u>3,878,868</u>	\$ <u>(57,919)</u>	
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	\$ 1,075,891	\$ 1,075,891	\$ 1,082,780	\$ 6,889	
Transfers out	(59,364)	(59,364)	(1,445)	57,919	
Total other financing sources (uses)	\$ <u>1,016,527</u>	\$ <u>1,016,527</u>	\$ <u>1,081,335</u>	\$ <u>64,808</u>	
Net change in fund balance			\$ <u>321,022</u>		
Fund balance - beginning of the year			\$ <u>112,059</u>		
Fund balance - end of the year			\$ <u><u>433,081</u></u>		



**Lincoln County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

	<b>Road</b>			
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>RESOURCES (INFLOWS):</b>				
Intergovernmental	\$ 206,602	\$ 206,602	\$ 2,246,392	\$ 2,039,790
Charges for services	70,050	70,050	260,200	190,150
Miscellaneous	30,000	30,000	11,942	(18,058)
Investment earnings	300,000	300,000	1,427	(298,573)
Amounts available for appropriation	<u>\$ 606,652</u>	<u>\$ 606,652</u>	<u>\$ 2,519,961</u>	<u>\$ 1,913,309</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public works	\$ 3,460,350	\$ 3,678,191	\$ 3,583,117	\$ 95,074
Culture and recreation	1,825	-	1,204	(1,204)
Debt service - principal	-	-	20,405	(20,405)
Debt service - interest	-	-	4,479	(4,479)
Miscellaneous	228,391	228,391	-	228,391
Capital outlay	190,000	190,000	215,537	(25,537)
Total charges to appropriations	<u>\$ 3,880,566</u>	<u>\$ 4,096,582</u>	<u>\$ 3,824,742</u>	<u>\$ 271,840</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long term debt	\$ -	\$ -	\$ 95,802	\$ 95,802
Transfers out	-	-	(271,838)	(271,838)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (176,036)</u>	<u>\$ (176,036)</u>
Net change in fund balance			<u>\$ (1,480,817)</u>	
Fund balance - beginning of the year			\$ 12,137,038	
Restatements			(96,081)	
Fund balance - beginning of the year - restated			<u>\$ 12,040,957</u>	
Fund balance - end of the year			<u>\$ 10,560,140</u>	

**Lincoln County, Montana**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended June 30, 2021**

<b>Public Safety</b>				
	<b>BUDGETED AMOUNTS</b>		<b>ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A</b>	<b>VARIANCE WITH FINAL BUDGET</b>
	<b><u>ORIGINAL</u></b>	<b><u>FINAL</u></b>		
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ 3,166,547	\$ -	\$ 3,247,279	\$ 3,247,279
Intergovernmental	245,850	245,850	321,067	75,217
Charges for services	247,400	247,400	243,416	(3,984)
Miscellaneous	8,000	8,000	11,485	3,485
Amounts available for appropriation	<u>\$ 3,667,797</u>	<u>\$ 501,250</u>	<u>\$ 3,823,247</u>	<u>\$ 3,321,997</u>
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
Public safety	\$ 4,241,355	\$ 4,241,355	\$ 3,272,016	\$ 969,339
Miscellaneous	208,222	208,222	-	208,222
Capital outlay	90,000	90,000	49,630	40,370
Total charges to appropriations	<u>\$ 4,539,577</u>	<u>\$ 4,539,577</u>	<u>\$ 3,321,646</u>	<u>\$ 1,217,931</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from the sale of general capital asset disposition	\$ -	\$ -	\$ 2,251	\$ 2,251
Transfers in	482,875	482,875	486,360	3,485
Transfers out	-	-	(236,372)	(236,372)
Total other financing sources (uses)	<u>\$ 482,875</u>	<u>\$ 482,875</u>	<u>\$ 252,239</u>	<u>\$ (230,636)</u>
Net change in fund balance			<u>\$ 753,840</u>	
Fund balance - beginning of the year			<u>\$ 451,201</u>	
Fund balance - end of the year			<u><u>\$ 1,205,041</u></u>	

Lincoln County, Montana  
 Budgetary Comparison Schedule  
 For the Fiscal Year Ended June 30, 2021

	ARPA			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	<u>ORIGINAL</u>	<u>FINAL</u>	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
<b>RESOURCES (INFLOWS):</b>				
Taxes and assessments	\$ -	\$ -	\$ -	\$ -
Amounts available for appropriation	\$ -	\$ -	\$ -	\$ -
<b>CHARGES TO APPROPRIATIONS (OUTFLOWS):</b>				
General government	\$ -	\$ -	\$ -	\$ -
Total charges to appropriations	\$ -	\$ -	\$ -	\$ -
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds of general long term debt	\$ -	\$ -	\$ -	\$ -
Total other financing sources (uses)	\$ -	\$ -	\$ -	\$ -
Net change in fund balance			\$ -	
Fund balance - beginning of the year			\$ -	
Fund balance - end of the year			\$ -	

**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>ARPA</u>
<b>Sources/Inflows of resources</b>				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,118,555	\$ 2,519,961	\$ 3,823,247	\$ -
Combined funds (GASBS 54) revenues	<u>742,883</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>\$ 3,861,438</u>	<u>\$ 2,519,961</u>	<u>\$ 3,823,247</u>	<u>\$ -</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,878,868	\$ 3,824,742	\$ 3,321,646	\$ -
Combined funds (GASBS 54) expenditures	<u>454,664</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>\$ 4,333,532</u>	<u>\$ 3,824,742</u>	<u>\$ 3,321,646</u>	<u>\$ -</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, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB liability</b>				
Service Cost	\$ 206,790	\$ 228,916	\$ 225,195	\$ 214,844
Interest	76,275	140,802	121,843	118,880
Differences in experience	-	(257,511)	-	1,115
Change in assumptions and inputs	-	(1,136,909)	255,935	135,080
Benefit payments	<u>(32,542)</u>	<u>(76,706)</u>	<u>(63,115)</u>	<u>(65,752)</u>
Net change in total OPEB liability	250,523	(1,101,408)	539,858	404,167
Total OPEB Liability - beginning	2,808,041	3,909,449	3,369,591	2,965,424
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total OPEB Liability - ending	<u>\$ 3,058,564</u>	<u>\$ 2,808,041</u>	<u>\$ 3,909,449</u>	<u>\$ 3,369,591</u>
Covered-employee payroll	\$ 4,995,992	\$ 4,995,992	\$ 4,037,065	\$ 4,037,065
 Total OPEB liability as a percentage of covered -employee payroll	 61%	 56%	 97%	 83%

*\*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 provided 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, 2021**

	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Employer's proportion of the net pension liability	0.254495%	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	\$ 6,714,119	\$ 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	\$ 2,115,159	\$ 1,544,021	\$ 1,548,905	\$ 75,748	\$ 68,602	\$ 59,715	\$ 57,413
Total	\$ 8,829,278	\$ 6,286,850	\$ 6,180,102	\$ 6,017,392	\$ 5,683,080	\$ 4,921,152	\$ 4,758,997
Employer's covered payroll	\$ 4,270,002	\$ 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	157.24%	126.69%	126.91%	157.29%	142.20%	119.78%	111.22%
pension liability	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
Employer's proportion of the net pension liability	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Employer's proportionate share of the net pension liability associated with the Employer	2.2106%	2.0647%	1.9801%	1.8704%	2.0080%	1.9590%	2.1466%
Total	\$ 2,694,352	\$ 1,721,929	\$ 1,488,506	\$ 1,423,290	\$ 3,527,540	\$ 1,888,483	\$ 893,366
Employer's covered payroll	\$ 2,694,352	\$ 1,721,929	\$ 1,488,506	\$ 1,423,290	\$ 3,527,540	\$ 1,888,483	\$ 893,366
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	\$ 1,876,933	\$ 1,657,997	\$ 1,536,338	\$ 1,398,094	\$ 1,417,485	\$ 1,333,032	\$ 1,388,286
liability	143.55%	103.86%	96.89%	101.80%	248.86%	141.67%	64.35%
	75.92%	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, 2021**

	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 449,913	\$ 374,109	\$ 321,988	\$ 309,082	\$ 316,762	\$ 330,013	\$ 334,444
Contributions in relation to the contractually required contributions	\$ 449,913	\$ 374,109	\$ 321,988	\$ 309,082	\$ 316,762	\$ 336,677	\$ 340,584
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 5,130,137	\$ 4,270,002	\$ 3,743,754	\$ 3,649,134	\$ 3,777,516	\$ 3,948,206	\$ 4,058,594
Contributions as a percentage of covered payroll	8.77%	8.76%	8.60%	8.47%	8.39%	8.53%	8.39%
	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 255,014	\$ 247,033	\$ 218,294	\$ 205,264	\$ 141,550	\$ 146,916	\$ 135,221
Contributions in relation to the contractually required contributions	\$ 255,014	\$ 247,033	\$ 218,294	\$ 205,264	\$ 141,550	\$ 146,916	\$ 135,221
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,944,445	\$ 1,876,933	\$ 1,657,997	\$ 1,536,338	\$ 1,398,094	\$ 1,417,485	\$ 1,333,032
Contributions as a percentage of covered payroll	13.12%	13.16%	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, 2021**

**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, 2021**

- 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%
-------------------------------	-------

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, 2021**

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, 2021**

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**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021**

<i>Cluster Title/Federal Grantor/Pass-through Grantor /Program</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor Number</i>	<i>Federal Expenditures</i>
<b><i>Food Distribution Cluster</i></b>			
<b><u>United States Department of Agriculture</u></b>			
<i>Passed through Western Montana Area Agency on Aging</i>			
Commodity Supplemental Food Program	10.565	N/A	\$ 12,937
<b>Total United States Department of Agriculture</b>			<b>\$ 12,937</b>
<b>Total Food Distribution Cluster</b>			<b>\$ 12,937</b>
<b><i>Forest Service Schools and Roads Cluster</i></b>			
<b><u>United States Department of Agriculture</u></b>			
<i>Direct</i>			
Schools and Roads - Grants to States	10.665		\$ 2,036,234
<b>Total United States Department of Agriculture</b>			<b>\$ 2,036,234</b>
<b>Total Forest Service Schools and Roads Cluster</b>			<b>\$ 2,036,234</b>
<b><i>Other Programs</i></b>			
<b><u>Department of Homeland Security</u></b>			
<i>Passed through Montana Disaster and Emergency Services</i>			
Emergency Management Performance Grants	97.042	N/A	\$ 39,755
Homeland Security Grant Program	97.067	19OPSGLCN	163,770
Homeland Security Grant Program	97.067	N/A	41,795
<b>Total Department of Homeland Security</b>			<b>\$ 245,320</b>
<b><u>United States Department of Justice</u></b>			
<i>Passed through Montana Board of Crime Control</i>			
Crime Victim Assistance	16.575	19-V01-92413	\$ 42,893
<i>Passed through Flathead County</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	19-G01-92640	152,001
<b>Total United States Department of Justice</b>			<b>\$ 194,894</b>
<b><u>Department of Transportation</u></b>			
<i>Direct</i>			
Airport Improvement Program and COVID-19 Airports Programs	20.106	N/A	\$ 59,306
<b>Total Department of Transportation</b>			<b>\$ 59,306</b>
<b><u>United States Environmental Protection Agency</u></b>			
<i>Passed through Montana Department of Environmental Quality</i>			
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	96841701	\$ 238,511
<b>Total United States Environmental Protection Agency</b>			<b>\$ 238,511</b>
<b><u>Department of Health and Human Services</u></b>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Public Health Emergency Preparedness	93.069	20-07-6-11-031-0	\$ 57,565
Immunization Cooperative Agreements	93.268	N/A	18,107
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	20-07-6-11-031-0	68,859
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	20-07-6-11-031-0	20,214
Preventive Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF)	93.758	N/A	466
Maternal and Child Health Services Block Grant to the States	93.994	N/A	9,339
<i>Direct</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	147,129
Drug-Free Communities Support Program Grants	93.276	N/A	134,565
<i>Passed through Flathead City-County Health Department</i>			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	N/A	10,022
<b>Total Department of Health and Human Services</b>			<b>\$ 466,266</b>

**Lincoln County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2021 - Continued**

<i><b>Cluster Title/Federal Grantor/Pass-through Grantor /Program</b></i>	<i><b>Federal CFDA Number</b></i>	<i><b>Pass-through Grantor Number</b></i>	<i><b>Federal Expenditures</b></i>
<b><u>Department of the Treasury</u></b>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Coronavirus Relief Fund	21.019	N/A	\$ 167,812
<i>Passed through Montana Governors Office</i>			
Coronavirus Relief Fund	21.019	N/A	1,839,492
<b>Total Department of the Treasury</b>			<b>\$ 2,007,304</b>
<b><u>United States Department of Agriculture</u></b>			
<i>Passed through Montana Department of Natural Resources and Conservation</i>			
Cooperative Forestry Assistance	10.664	17-DG-11010000-010	\$ 85,158
<b>Total United States Department of Agriculture</b>			<b>\$ 85,158</b>
<b>Total Other Programs</b>			<b>\$ 3,296,759</b>
<b>Total Federal Financial Assistance</b>			<b>\$ 5,345,930</b>
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, 2021

*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 the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the 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.

The 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

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**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 unit, each major fund, and the aggregate remaining fund information of Lincoln County, Montana, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 31, 2022.

**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.

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 statements will not be prevented, or detected and corrected on a timely basis. 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and which are described below as item 2021-001.

### **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 31, 2022

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

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

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**INDEPENDENT AUDITOR'S REPORT 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, 2021. 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*. 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 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, 2021.

### **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 31, 2022

LINCOLN COUNTY, MONTANA

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2021

**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?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
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>
21.019	Coronavirus Relief Fund
16.738	Edward Myrne Memorial Justice Assistance Grant Program

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**

#### **2021-001      TEDD district reporting**

**Condition:**

The County created a Targeted Economic Development District (TEDD) under MCA 7-15-4279 using the same district boundaries as the Lincoln County Port Authority (LCPA). Currently the county commissioners make up the majority of the voting members of the board. Since Lincoln County commissioners control the finances and operation of the TEDD district it should be reported as a special revenue fund in the county's financial statements rather than as a custodial fund.

**Context:**

Through inquiry of the operation of county districts we discovered the commissioners have voting control over the TEDD district.

**Criteria:**

Governmental Accounting Standards Board (GASB) statement no. 14 The financial reporting entity and statement no. 84 Fiduciary activities provide the accounting basis on how funds are reported in the financial statements.

**Effect:**

As of June 30, 2021 the TEDD district had \$428,135 that was reported as a custodial fund rather than a special revenue fund.

**Cause:**

Since the created of the TEDD district the makeup of the board has changed.

**Recommendation:**

We recommend the county reclass the TEDD district as a special revenue fund and budget for it accordingly.

### **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 two recommendations. The action taken on each recommendation is as follows:

<u>Recommendation</u>	<u>Action Taken</u>
2020-001 Cash Balancing	Implemented
2020-002 Credit Card Controls	Implemented

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

March 31, 2022

## LINCOLN COUNTY

### STATE OF MONTANA

BRENT TESKE, COMMISSIONER  
DISTRICT NO. 1, LIBBY

JERRY BENNETT, COMMISSIONER  
DISTRICT NO. 2, TROY

JOSH LETCHER, COMMISSIONER  
DISTRICT NO. 3, EUREKA

ROBIN A. BENSON  
CLERK OF THE BOARD AND COUNTY RECORDER

Contact Person:

Jim Hammons County Administrator

Expected Completion Date of Corrective Action Plan:

June 30, 2022

### CORRECTIVE ACTION PLAN

FINDING 2021-001: TEDD District Reporting

Lincoln County will reclass the TEDD district as a special revenue fund and create a budget for the TEDD district

### STATUS OF PRIOR AUDIT FINDINGS

FINDING 2020-001: Cash Balancing

Response: Implemented

FINDING 2020-002: Credit Card Controls

Response: Implemented

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