

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

AUDIT REPORT

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

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2022

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LINCOLN COUNTY, MONTANA

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LINCOLN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2022

BOARD OF COUNTY COMMISSIONERS

Brent Teske	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

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2022

Our discussion and analysis of Lincoln County's financial performance provides an overview of Fiscal Year 2021-2022 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 2022 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 2022 rather than ending in 2018.
- Growth in the housing starts, and property value increase.
- There is an influx of new microbusinesses that have moved into our communities.

USING THIS ANNUAL FINANCIAL REPORT

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

Government-wide financial statements

Statement of Net Position and the Statement of Activities

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control and accountability over resources that have been designated for specific activities or objectives. Lincoln County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Lincoln County funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2022

- 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:** Lincoln County maintains one proprietary fund reported as an Enterprise fund. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The Lincoln County Refuse District provides refuse disposal and recycling services to the residents of Lincoln County. Proprietary funds are reported using full accrual accounting, which is the same accounting method, used by the Statement of Net 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 Lincoln County, assets exceeded liabilities by \$23,266,841 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 2022 compared to the prior year.

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY22	FY21	Change Inc (Dec)	FY22	FY21	Change Inc (Dec)
Current and other assets	\$ 23,572,773	\$ 23,854,372	\$ (281,599)	\$ 5,395,217	\$ 5,403,555	\$ (8,338)
Capital assets	12,208,572	9,994,911	2,213,661	920,245	799,941	120,304
Total assets	\$ 35,781,345	\$ 33,849,283	\$ 1,932,062	\$ 6,315,462	\$ 6,203,496	\$ 111,966
Long-term debt outstanding	\$ 6,802,492	\$ 9,603,978	\$ (2,801,486)	\$ 678,395	\$ 899,579	\$ (221,184)
Other liabilities	9,495,711	7,843,410	1,652,301	1,853,368	1,648,201	205,167
Total liabilities	\$ 16,298,203	\$ 17,447,388	\$ (1,149,185)	\$ 2,531,763	\$ 2,547,780	\$ (16,017)
Net investment in capital assets	\$ 12,389,586	\$ 9,805,844	\$ 2,583,742	\$ 920,245	\$ 799,941	\$ 120,304
Restricted	11,531,428	14,130,841	(2,599,413)	1,139,359	1,122,036	17,323
Unrestricted (deficit)	(4,437,872)	(7,534,790)	3,096,918	1,724,095	1,733,739	(9,644)
Total net position	\$ 19,483,142	\$ 16,401,895	\$ 3,081,247	\$ 3,783,699	\$ 3,655,716	\$ 127,983

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2022

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	<u>FY22</u>	<u>FY21</u>	<u>Change Inc (Dec)</u>	<u>FY22</u>	<u>FY21</u>	<u>Change Inc (Dec)</u>
Revenues						
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,851,932	\$ 1,214,597	\$ 637,335	\$ 2,102,219	\$ 1,985,873	\$ 116,346
Operating grants and contributions	7,269,666	5,696,532	1,573,134	-	-	-
Capital grants and contributions	2,601,390	473,051	2,128,339	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	5,697,486	5,453,970	243,516	-	-	-
Licenses and permits	51,185	84,228	(33,043)	-	-	-
Video poker apportionment	15,701	12,835	2,866	-	-	-
Miscellaneous	346,489	469,271	(122,782)	-	1,165	(1,165)
Interest/investment earnings	(529,164)	7,591	(536,755)	(23,746)	(2,451)	(21,295)
Local option taxes	1,047,419	878,178	169,241	-	-	-
Unrestricted federal/state shared revenues	-	116,695	(116,695)	-	-	-
State entitlement	1,163,266	1,133,144	30,122	-	-	-
PILT	734,801	715,467	19,334	-	-	-
State contribution to retirement	368,705	305,361	63,344	50,092	40,556	9,536
Contributions & donations	28,772	25,014	3,758	-	-	-
Total revenues	<u>\$ 20,647,648</u>	<u>\$ 16,585,934</u>	<u>\$ 4,061,714</u>	<u>\$ 2,128,565</u>	<u>\$ 2,025,143</u>	<u>\$ 103,422</u>
Program expenses						
General government	\$ 4,509,523	\$ 5,669,591	\$ (1,160,068)	\$ -	\$ -	\$ -
Public safety	5,761,966	4,046,781	1,715,185	-	-	-
Public works	4,943,024	4,423,737	519,287	-	-	-
Public health	1,904,290	2,607,101	(702,811)	-	-	-
Social and economic services	144,819	184,089	(39,270)	-	-	-
Culture and recreation	780,932	683,792	97,140	-	-	-
Housing and community development	7,888	20,100	(12,212)	-	-	-
Conservation of natural resources	332,931	101,405	231,526	-	-	-
Debt service - interest	2,432	4,479	(2,047)	-	-	-
Miscellaneous	58,055	73,306	(15,251)	-	-	-
Solid Waste	-	-	-	1,826,838	1,541,529	285,309
Total expenses	<u>\$ 18,445,860</u>	<u>\$ 17,814,381</u>	<u>\$ 631,479</u>	<u>\$ 1,826,838</u>	<u>\$ 1,541,529</u>	<u>\$ 285,309</u>
Excess (deficiency) before special items and transfers	<u>\$ 2,201,788</u>	<u>\$ (1,228,447)</u>	<u>\$ 3,430,235</u>	<u>\$ 301,727</u>	<u>\$ 483,614</u>	<u>\$ (181,887)</u>
Gain (loss) on sale of capital assets	50,373	(3,113)	53,486	-	-	-
Transfers - net	86,872	176,810	(89,938)	(86,872)	(176,810)	89,938
Increase (decrease) in net position	<u>\$ 2,339,033</u>	<u>\$ (1,054,750)</u>	<u>\$ 3,393,783</u>	<u>\$ 214,855</u>	<u>\$ 306,804</u>	<u>\$ (91,949)</u>

Condensed Financial Statements

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.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2022

The cost of all Governmental activities this year was \$18,445,860 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 \$5,697,486 with some of the costs being paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with operating grants. Other revenues such as interest earnings, entitlement reimbursements, general contributions and other miscellaneous revenues along with remaining cash carryovers from the prior fiscal year financed the remaining portions of budgets.

BUSINESS TYPE ACTIVITIES

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

Financial Analysis of the County’s Funds

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

Governmental Funds Overview

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

As of the end of fiscal year 2022 the combined ending fund balances of Lincoln County’s governmental funds were \$16,872,496. The County has \$5,542,210 in unrestricted fund balance that is a reserve to the County to assist in operations until the tax revenue is received in November. Remaining cash may be re-appropriated in accordance with the purposes of the specific fund.

Lincoln County has 5 major governmental funds: The General Fund, Road Fund, Public Safety Fund, Headwaters Fund, and Airport Construction Fund.

General Fund.

This is the chief operating fund of Lincoln County. At the end of the fiscal year 2022 unreserved fund balance of the General Fund was \$5,542,210. 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 2022 the unreserved fund balance represented 82% 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.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2022

Road Fund

This fund is used to report all County road projects. At the end of the fiscal year 2022 the fund balance was \$8,503,383. 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 2022 the fund balance of the Public Safety Fund was \$354,469. Prior year ending fund balance was \$1,205,041.

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 2022 the Solid Waste fund had a total net position of \$3,783,699 which was an increase from the prior year balance of \$3,655,716.

FY22 General Fund Budgetary Highlights

The original and final budget for the General Fund was \$4,219,627 and the County expended \$3,418,804. The County was under budget by \$800,823.

Capital Assets & Debt

Lincoln County's investment in capital assets (depreciable, net) for its governmental and business type activities as of June 30, 2022, was \$13,128,817. This investment in capital assets includes land, significant road projects, construction in progress, buildings, machinery & equipment, and improvements other than buildings. The County also has leased assets net of amortization of \$585,596. And a corresponding lease liability for \$404,582. The significant additions to capital assets for the governmental activities was \$2,340,813 in the Libby Airport Construction project, \$259,207 in the Eureka Airport construction project, and over \$535,000 on new vehicles. The significant purchases for the Solid Waste Fund included a 2020 Cat Wheel Loader that cost about \$216,145.

Other long-term liabilities of the County includes OPEB for \$2,700,023, compensated absences of \$1,007,451, landfill closure post-closure liability of \$1,157,527 and net pension liability for \$6,177,826.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

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

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

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

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

- Growth in housing starts, real estate activity, and property value increases.
- New microbusinesses have moved into our communities.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2022

- 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

INDEPENDENT AUDITOR'S REPORT

Board of County Commissioners
Lincoln County
Libby, Montana

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Lincoln County, Montana as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Lincoln County, Montana basic financial statements as listed in the table of contents.

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, each major fund, and the aggregate remaining fund information of the Lincoln County, Montana, as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibility under those standards are further described in the Auditor's Responsibility for the Audit of the Financial Statements section of our report. We are required to be independent of Lincoln County, Montana, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2022, Lincoln County adopted new accounting guidance, GASB No. 87 Leases is effective for years beginning after December 15, 2019 (revised to years beginning after June 15, 2021, per GASB Statement No. 95). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lincoln County, Montana's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently know information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Lincoln County, Montana's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Lincoln County, Montana's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, Budgetary Comparison Information, Schedule of Changes in the County's Total OPEB Liability and Related Ratios, Schedules of Proportionate Share of the Net Pension Liability and the Schedule of Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 content.

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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Lincoln County, Montana's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basis financial statements. The 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, The Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report March 27, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Lincoln County, Montana's internal control over financial reporting and 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 27, 2023

Lincoln County, Montana
Statement of Net Position
June 30, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 19,238,947	\$ 3,855,749	\$ 23,094,696
Taxes and assessments receivable, net	186,342	174,723	361,065
Accounts receivable - net	-	5,054	5,054
Notes and loans receivable	162,500	-	162,500
Due from other governments	566,063	-	566,063
Total current assets	<u>\$ 20,153,852</u>	<u>\$ 4,035,526</u>	<u>\$ 24,189,378</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 1,139,359	\$ 1,139,359
Capital assets - land	609,651	850	610,501
Capital assets - construction in progress	2,754,879	20,893	2,775,772
Capital assets - depreciable, net	8,844,042	898,502	9,742,544
Leased assets, net	585,596	-	585,596
Total noncurrent assets	<u>\$ 12,794,168</u>	<u>\$ 2,059,604</u>	<u>\$ 14,853,772</u>
Total assets	<u>\$ 32,948,020</u>	<u>\$ 6,095,130</u>	<u>\$ 39,043,150</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 2,374,959	\$ 166,352	\$ 2,541,311
Deferred outflows of resources - OPEB	458,366	53,980	512,346
Total deferred outflows of resources	<u>\$ 2,833,325</u>	<u>\$ 220,332</u>	<u>\$ 3,053,657</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 35,781,345</u>	<u>\$ 6,315,462</u>	<u>\$ 42,096,807</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 2,043,153	\$ -	\$ 2,043,153
Accounts payable	166,593	18,715	185,308
Accrued payroll	368,959	-	368,959
Revenues collected in advance	516,309	-	516,309
Current portion of compensated absences payable	652,973	96,706	749,679
Current portion of lease liability	108,972	-	108,972
Accrued payroll	-	29,886	29,886
Total current liabilities	<u>\$ 3,856,959</u>	<u>\$ 145,307</u>	<u>\$ 4,002,266</u>
Noncurrent liabilities			
Landfill closure postclosure liability	\$ -	\$ 1,157,527	\$ 1,157,527
Noncurrent portion of OPEB	2,415,555	284,468	2,700,023
Noncurrent portion of lease liabilities	295,610	-	295,610
Noncurrent portion of compensated absences	228,608	29,164	257,772
Net pension liability	5,625,301	552,525	6,177,826
Total noncurrent liabilities	<u>\$ 8,565,074</u>	<u>\$ 2,023,684</u>	<u>\$ 10,588,758</u>
Total liabilities	<u>\$ 12,422,033</u>	<u>\$ 2,168,991</u>	<u>\$ 14,591,024</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 2,730,337	\$ 227,833	\$ 2,958,170
Deferred inflows of resources - OPEB	1,145,833	134,939	1,280,772
Total deferred inflows of resources	<u>\$ 3,876,170</u>	<u>\$ 362,772</u>	<u>\$ 4,238,942</u>
NET POSITION			
Net investment in capital assets	\$ 12,389,586	\$ 920,245	\$ 13,309,831
Restricted for special projects	11,531,428	-	11,531,428
Restricted for landfill closure/postclosure	-	1,139,359	1,139,359
Unrestricted	(4,437,872)	1,724,095	(2,713,777)
Total net position	<u>\$ 19,483,142</u>	<u>\$ 3,783,699</u>	<u>\$ 23,266,841</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 35,781,345</u>	<u>\$ 6,315,462</u>	<u>\$ 42,096,807</u>

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2022

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expense Allocation</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		<u>Total</u>
			<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>	
Primary government:								
Governmental activities:								
General government	\$ 4,509,523	\$ (316,238)	\$ 976,593	\$ 2,109,418	\$ -	\$ (1,107,274)	\$ -	\$ (1,107,274)
Public safety	5,761,966	111,221	351,175	648,804	-	(4,873,208)	-	(4,873,208)
Public works	4,943,024	118,145	510,947	2,937,624	2,601,390	988,792	-	988,792
Public health	1,904,290	-	190	1,360,908	-	(543,192)	-	(543,192)
Social and economic services	144,819	-	10,172	212,912	-	78,265	-	78,265
Culture and recreation	780,932	-	2,855	-	-	(778,077)	-	(778,077)
Housing and community development	7,888	-	-	-	-	(7,888)	-	(7,888)
Conservation of natural resources	332,931	-	-	-	-	(332,931)	-	(332,931)
Debt service - interest	2,432	-	-	-	-	(2,432)	-	(2,432)
Miscellaneous	58,055	-	-	-	-	(58,055)	-	(58,055)
Total governmental activities	\$ 18,445,860	\$ (86,872)	\$ 1,851,932	\$ 7,269,666	\$ 2,601,390	\$ (6,636,000)	\$ -	\$ (6,636,000)
Business-type activities:								
Solid Waste	\$ 1,826,838	\$ 86,872	\$ 2,102,219	\$ -	\$ -	\$ -	\$ 188,509	\$ 188,509
Total business-type activities	\$ 1,826,838	\$ 86,872	\$ 2,102,219	\$ -	\$ -	\$ -	\$ 188,509	\$ 188,509
Total primary government	\$ 20,272,698	\$ -	\$ 3,954,151	\$ 7,269,666	\$ 2,601,390	\$ (6,636,000)	\$ 188,509	\$ (6,447,491)
General Revenues:								
Property taxes for general purposes						\$ 5,697,486	\$ -	\$ 5,697,486
Licenses and permits						51,185	-	51,185
Video poker apportionment						15,701	-	15,701
Miscellaneous						346,489	-	346,489
Interest/investment earnings						(529,164)	(23,746)	(552,910)
Local option taxes						1,047,419	-	1,047,419
State entitlement						1,163,266	-	1,163,266
PILT						734,801	-	734,801
State contribution to retirement						368,705	50,092	418,797
Contributions & donations						28,772	-	28,772
Gain (loss) on sale of capital assets						50,373	-	50,373
Transfers - net						86,872	(86,872)	-
Total general revenues, special items and transfers						\$ 9,061,905	\$ (60,526)	\$ 9,001,379
Change in net position						\$ 2,425,905	\$ 127,983	\$ 2,553,888
Net position - beginning						\$ 16,401,895	\$ 3,655,716	\$ 20,057,611
Restatements						655,342	-	655,342
Net position - beginning - restated						\$ 17,057,237	\$ 3,655,716	\$ 20,712,953
Net position - end						\$ 19,483,142	\$ 3,783,699	\$ 23,266,841

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, 2022

Total fund balances - governmental funds	\$ 16,872,496
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,208,572
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.	186,342
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(3,297,136)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(5,625,301)
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.	2,374,959
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, there for are not reported in the funds.	(2,730,337)
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.	458,366
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.	(1,145,833)
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	585,596
Lease liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(404,582)
Total net position - governmental activities	\$ <u>19,483,142</u>

See accompanying Notes to the Financial Statements

**Lincoln County, Montana
Balance Sheet
Governmental Funds
June 30, 2022**

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Headwaters</u>	<u>Airport Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Current assets:							
Cash and investments	\$ 7,151,008	\$ 8,587,108	\$ 462,771	\$ 516,310	\$ -	\$ 2,521,750	\$ 19,238,947
Taxes and assessments receivable, net	11,697	-	93,006	-	-	81,639	186,342
Notes and loans receivable	162,500	-	-	-	-	-	162,500
Due from other funds	375,081	-	-	-	-	-	375,081
Due from other governments	-	-	16,409	-	97,886	451,768	566,063
TOTAL ASSETS	\$ 7,700,286	\$ 8,587,108	\$ 572,186	\$ 516,310	\$ 97,886	\$ 3,055,157	\$ 20,528,933
LIABILITIES							
Current liabilities:							
Warrants payable	\$ 2,043,153	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,043,153
Accounts payable	695	30,000	-	-	97,886	38,012	166,593
Accrued payroll	102,531	53,725	124,711	3,976	-	84,016	368,959
Due to other funds	-	-	-	-	-	375,081	375,081
Revenues collected in advance	-	-	-	516,309	-	-	516,309
Total current liabilities	\$ 2,146,379	\$ 83,725	\$ 124,711	\$ 520,285	\$ 97,886	\$ 497,109	\$ 3,470,095
Total liabilities	\$ 2,146,379	\$ 83,725	\$ 124,711	\$ 520,285	\$ 97,886	\$ 497,109	\$ 3,470,095
DEFERRED INFLOWS OF RESOURCES							
Deferred inflows of resources - taxes and assessments	\$ 11,697	\$ -	\$ 93,006	\$ -	\$ -	\$ 81,639	\$ 186,342
Total deferred inflows of resources	\$ 11,697	\$ -	\$ 93,006	\$ -	\$ -	\$ 81,639	\$ 186,342
FUND BALANCES							
Restricted	\$ -	\$ 8,503,383	\$ 354,469	\$ -	\$ -	\$ 2,513,105	\$ 11,370,957
Committed	-	-	-	-	-	54,469	54,469
Unassigned fund balance	5,542,210	-	-	(3,975)	-	(91,165)	5,447,070
Total fund balance	\$ 5,542,210	\$ 8,503,383	\$ 354,469	\$ (3,975)	\$ -	\$ 2,476,409	\$ 16,872,496
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 7,700,286	\$ 8,587,108	\$ 572,186	\$ 516,310	\$ 97,886	\$ 3,055,157	\$ 20,528,933

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, 2022

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Headwaters</u>	<u>Airport Construction</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes and assessments	\$ 1,415,926	\$ -	\$ 2,842,817	\$ -	\$ -	\$ 2,503,671	\$ 6,762,414
Licenses and permits	51,185	-	-	-	-	-	51,185
Intergovernmental	4,076,538	2,530,354	216,845	-	2,340,813	2,854,539	12,019,089
Charges for services	347,574	60,450	253,959	-	-	833,567	1,495,550
Fines and forfeitures	101,791	-	-	-	-	29,236	131,027
Miscellaneous	155,378	81,820	16,674	98,016	-	121,519	473,407
Investment earnings	4,071	(535,991)	-	-	-	2,755	(529,165)
Total revenues	\$ 6,152,463	\$ 2,136,633	\$ 3,330,295	\$ 98,016	\$ 2,340,813	\$ 6,345,287	\$ 20,403,507
EXPENDITURES							
General government	\$ 3,714,608	\$ -	\$ -	\$ -	\$ -	\$ 769,917	\$ 4,484,525
Public safety	214,948	-	4,372,664	-	-	1,071,484	5,659,096
Public works	32,850	3,516,778	-	-	-	808,233	4,357,861
Public health	411,307	-	-	251,502	-	1,239,295	1,902,104
Social and economic services	2,491	-	-	-	-	142,328	144,819
Culture and recreation	35,480	1,101	-	-	-	635,634	672,215
Housing and community development	-	-	-	-	-	7,888	7,888
Conservation of natural resources	-	-	-	-	-	332,931	332,931
Debt service - principal	-	118,972	-	-	-	-	118,972
Debt service - interest	-	2,432	-	-	-	-	2,432
Miscellaneous	-	-	-	-	-	58,055	58,055
Capital outlay	131,525	943,890	307,986	-	2,340,813	389,967	4,114,181
Total expenditures	\$ 4,543,209	\$ 4,583,173	\$ 4,680,650	\$ 251,502	\$ 2,340,813	\$ 5,455,732	\$ 21,855,079
Excess (deficiency) of revenues over expenditures	\$ 1,609,254	\$ (2,446,540)	\$ (1,350,355)	\$ (153,486)	\$ -	\$ 889,555	\$ (1,451,572)
OTHER FINANCING SOURCES (USES)							
Proceeds of general long term debt	\$ -	\$ 455,372	\$ -	\$ -	\$ -	\$ -	\$ 455,372
Proceeds from the sale of general capital asset disposition	-	52,555	-	-	-	-	52,555
Transfers in	782,122	-	538,520	-	-	293,094	1,613,736
Transfers out	(200,171)	(118,144)	(111,221)	-	-	(1,097,328)	(1,526,864)
Total other financing sources (uses)	\$ 581,951	\$ 389,783	\$ 427,299	\$ -	\$ -	\$ (804,234)	\$ 594,799
Net Change in Fund Balance	\$ 2,191,205	\$ (2,056,757)	\$ (923,056)	\$ (153,486)	\$ -	\$ 85,321	\$ (856,773)
Fund balances - beginning	\$ 3,227,985	\$ 10,560,140	\$ 1,205,041	\$ 149,511	\$ -	\$ 1,944,498	\$ 17,087,175
Restatements	123,020	-	72,484	-	-	446,590	642,094
Fund balances - beginning, restated	\$ 3,351,005	\$ 10,560,140	\$ 1,277,525	\$ 149,511	\$ -	\$ 2,391,088	\$ 17,729,269
Fund balance - ending	\$ 5,542,210	\$ 8,503,383	\$ 354,469	\$ (3,975)	\$ -	\$ 2,476,409	\$ 16,872,496

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, 2022

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

Net change in fund balances - total governmental funds \$ (856,773)

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	3,423,809
- Depreciation expense	(1,043,844)

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	(52,555)
- Gain on the sale of capital assets	50,373

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)	(17,639)
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The change in compensated absences is shown as an expense in the Statement of Activities (87,960)

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

- Lease liability principal payments	118,972
- Proceeds from the lease of right to use assets	(455,372)

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	499,884
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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 317,899

Governmental funds report lease outlays as expenditures while governmental activities report amortization expense to allocate those expenditures over the life of the assets:

- Lease assets purchased	690,372
- Amortization expense	(161,261)

Change in net position - Statement of Activities \$ 2,425,905

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2022

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Solid Waste</u>
ASSETS	
Current assets:	
Cash and investments	\$ 3,855,749
Taxes and assessments receivable, net	174,723
Accounts receivable - net	5,054
Total current assets	<u>\$ 4,035,526</u>
Noncurrent assets:	
Restricted cash and investments	\$ 1,139,359
Capital assets - land	850
Capital assets - construction in progress	20,893
Capital assets - depreciable, net	898,502
Total noncurrent assets	<u>\$ 2,059,604</u>
Total assets	<u>\$ 6,095,130</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 166,352
Deferred outflows of resources - OPEB	53,980
Total deferred outflows of resources	<u>\$ 220,332</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 6,315,462</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 18,715
Current portion of compensated absences payable	96,706
Accrued payroll	29,886
Total current liabilities	<u>\$ 145,307</u>
Noncurrent liabilities:	
Landfill closure postclosure liability	\$ 1,157,527
Noncurrent portion of OPEB	284,468
Noncurrent portion of compensated absences	29,164
Net pension liability	552,525
Total noncurrent liabilities	<u>\$ 2,023,684</u>
Total liabilities	<u>\$ 2,168,991</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	\$ 227,833
Deferred inflows of resources - OPEB	134,939
Total deferred inflows of resources	<u>\$ 362,772</u>
NET POSITION	
Net investment in capital assets	\$ 920,245
Restricted for landfill closure/postclosure	1,139,359
Unrestricted	1,724,095
Total net position	<u>\$ 3,783,699</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 6,315,462</u></u>

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, 2022

	<u>Business-Type Activities - Enterprise Funds</u>
	<u>Solid Waste</u>
OPERATING REVENUES	
Charges for services	\$ 2,102,219
Total operating revenues	<u>\$ 2,102,219</u>
OPERATING EXPENSES	
Personal services	\$ 943,499
Supplies	378,584
Purchased services	367,728
Fixed charges	66,649
Depreciation	157,250
Total operating expenses	<u>\$ 1,913,710</u>
Operating income (loss)	<u>\$ 188,509</u>
NON-OPERATING REVENUES (EXPENSES)	
Intergovernmental revenue	\$ 50,092
Interest revenue	(23,746)
Total non-operating revenues (expenses)	<u>\$ 26,346</u>
Income (loss) before contributions and transfers	\$ 214,855
Transfers out	(86,872)
Change in net position	<u>\$ 127,983</u>
Net Position - Beginning of the year	\$ 3,655,716
Net Position - End of the year	<u>\$ 3,783,699</u>

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Combined Statement of Cash Flows
All Proprietary Fund Types
Fiscal Year Ended June 30, 2022

	Business - Type
	Activities
	Solid Waste
Cash flows from operating activities:	
Cash received from providing services	\$ 2,119,446
Cash payments to suppliers	(428,210)
Cash payments for professional services	(349,013)
Cash payments to employees	(939,565)
Net cash provided (used) by operating activities	\$ 402,658
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (277,554)
Net cash provided (used) by capital and related financing activities	\$ (277,554)
Cash flows from non-capital financing activities:	
Transfers to other funds	\$ (86,872)
Net cash provided (used) from non-capital financing activities	\$ (86,872)
Cash flows from investing activities:	
Interest on investments	\$ (23,746)
Net cash provided (used) by investing activities	\$ (23,746)
Net increase (decrease) in cash and cash equivalents	\$ 14,486
Cash and cash equivalents at beginning	4,980,622
Cash and cash equivalents at end	\$ 4,995,108
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 188,509
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	157,250
Other post-employment benefits	(56,277)
Net pension liability and related deferred inflows and outflows	48,430
Changes in assets and liabilities:	
Assessment receivables	7,965
Accounts receivables	9,262
Accrued payroll	(1,691)
Compensated absence liabilities	13,472
Landfill closure postclosure liability	17,023
Accounts payable	18,715
Net cash provided (used) by operating activities	\$ 402,658

On behalf public employee retirement system payments of \$52,092 are a non cash transaction

See accompanying notes to the financial statements

Lincoln County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2022

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ASSETS		
Cash and short-term investments	\$ 872,898	\$ 13,770,337
Taxes receivable	562,572	-
Total receivables	562,572	-
TOTAL ASSETS	\$ 1,435,470	\$ 13,770,337
LIABILITIES		
Due to others	\$ 1,861,287	\$ -
Total liabilities	\$ 1,861,287	\$ -
NET POSITION		
Restricted for:		
Pool participants	\$ -	\$ 13,770,337
Individuals, organizations, and other governments	(425,817)	-
Total net position	\$ (425,817)	\$ 13,770,337
TOTAL LIABILITIES AND NET POSTION	\$ 1,435,470	\$ 13,770,337

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, 2022

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ADDITIONS		
Contributions:		
Contributions to investment fund	\$ -	\$ 10,528,305
Interest and change in fair value of investments	-	(6,676)
Taxes, licenses, and fees collected for other governments	16,971,564	-
Property taxes collected for school districts	6,933,311	-
Intergovernmental grants and entitlements collected for school districts	28,370,809	-
Miscellaneous	2,570,028	-
Investment fund distributions - net	732,126	-
Total additions	\$ 55,577,838	\$ 10,521,629
DEDUCTIONS		
Distributions from investment fund	\$ -	\$ 11,253,755
Taxes, licenses, and fees distributed to other governments	17,586,974	-
School district claims and payroll expense	36,945,365	-
Total deductions	\$ 54,532,339	\$ 11,253,755
Change in net position	\$ 1,045,499	\$ (732,126)
Net Position - Beginning of the year	\$ (2,892,025)	\$ 14,502,463
Restatements	1,420,709	-
Net Position - Beginning of the year - Restated	\$ (1,471,316)	\$ 14,502,463
Net Position - End of the year	\$ (425,817)	\$ 13,770,337

See accompanying Notes to the Financial Statements

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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. 87 Leases is effective for years beginning after December 15, 2019 (revised to year beginning after June 15, 2021, per GASB Statement No. 95). This Statement removed capital and operating lease classifications and now establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The County has implemented this pronouncement in the current fiscal year.

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.

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, 2022

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 and 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. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 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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June 30, 2022

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

Headwaters Fund – A special revenue fund that is used to account for the revenues and expenditures for headwaters private donation.

Airport Construction Fund – A special revenue fund that is used to account for the revenues and expenditures for airport construction.

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
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2022, are as follows:

		<u>Primary Government</u>
<u>Cash on hand and deposits:</u>		
Cash on hand		
Petty Cash	\$	400
Vault Cash		2,000
Cash in banks:		
Demand deposits		758,944
Savings deposits		22,850,048
Time deposits		4,336,608
<u>Investments:</u>		
State Short-Term Investment Pool (STIP)		63,355
U.S. Government Securities		10,865,935
Total	\$	<u>38,877,290</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 fund considers all funds (including restricted assets) held in the County’s cash management pool to be cash equivalents.

Fair Value Measurements

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

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:

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

(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 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.

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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2022, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at Fair Value	Credit Quality Rating	WAM (Days)
Treasuries	\$ 520,928	A-1	17
Asset Backed Commercial Paper	69,929	A-1	2
Agency of Government Related	1,242,500	A-1	40
Corporate:			
Commercial Paper	838,725	A-1	27
Notes	253,992	A-1	8
Certificates of Deposit	<u>752,070</u>	A-1	24
Total Investments	<u>\$ 3,678,144</u>		

Audited financial statements for the State of Montana's Board of Investments are available at 2401 Colonial Drive 3rd Floor in Helena, Montana.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk other than that required by state statutes. All deposits are carried at cost plus accrued interest. As of June 30, 2022, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2022 <u>Balance</u>
Insured	\$ 8,449,815
- Collateral held by the pledging bank's trust department but not in the County's name	<u>19,566,306</u>
Total deposits and investments	<u>\$ 28,016,121</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, 2022, 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

The following is a list of individual investments as of June 30, 2022, along with their related interest rates and maturity dates.

Investment	Interest Rate	Maturity	Amount
United States Treasury Note/Bond	1.250%	8/31/2024	\$ 33,865
United States Treasury Note/Bond	0.250%	3/15/2024	9,555
Federal Farm Credit Banks Funding Corp	1.600%	12/14/2026	18,770
Federal Farm Credit Banks Funding Corp	1.600%	7/17/2023	29,812
Federal Farm Credit Banks Funding Corp	1.820%	4/6/2026	14,396
Federal Farm Credit Banks Funding Corp	1.820%	12/18/2025	47,983
Federal Farm Credit Banks Funding Corp	2.630%	8/3/2026	34,714
Federal Farm Credit Banks Funding Corp	0.680%	6/10/2025	111,938
Federal Home Mortgage Corp	1.500%	2/12/2025	16,439
Federal Home Mortgage Corp	0.250%	6/26/2023	24,333
Federal Home Mortgage Corp	0.300%	12/29/2023	38,421
Federal National Mortgage Association	2.000%	8/26/2022	75,563
Federal National Mortgage Association	0.500%	11/7/2025	9,188
United States Treasury Note/Bond	1.250%	8/31/2024	29,027
United States Treasury Note/Bond	2.250%	12/31/2024	27,479
United States Treasury Note/Bond	0.250%	3/15/2024	9,555
Federal Agricultural Mortgage Corp	1.350%	2/27/2023	59,783
Federal Farm Credit Banks Funding Corp	1.210%	3/3/2025	81,226
Federal Farm Credit Banks Funding Corp	1.600%	12/14/2026	14,077
Federal Farm Credit Banks Funding Corp	1.820%	4/6/2026	14,395
Federal Farm Credit Banks Funding Corp	1.820%	12/18/2025	47,983
Federal Farm Credit Banks Funding Corp	0.500%	5/14/2025	7,444
Federal Farm Credit Banks Funding Corp	0.680%	6/10/2025	111,938
Federal Home Loan Banks	1.590%	6/7/2024	29,246
Federal Home Loan Banks	1.875%	9/11/2026	14,291
Federal Home Loan Mortgage Corp	0.300%	12/29/2023	38,421
Federal National Mortgage Association	1.875%	9/24/2026	9,566
Federal National Mortgage Association	2.000%	10/5/2022	35,151
Federal National Mortgage Association	2.000%	8/26/2022	70,525
Federal National Mortgage Association Note	0.650%	7/30/2025	464,655
Federal National Mortgage Association Note	0.625%	8/28/2025	463,425
Federal National Mortgage Association Note	0.580%	10/20/2025	461,070
Federal Farm Credit Banks Debenture	3.370%	12/8/2025	248,728
Federal Home Loan Banks Debenture	0.660%	2/25/2026	460,985
Federal Farm Credit Banks Debenture	0.840%	3/2/2026	460,430
Federal Home Loan Banks Debenture	1.000%	3/30/2026	465,720
Federal Home Loan Banks Debenture	1.000%	9/30/2026	461,620
Federal Home Loan Banks Debenture	1.100%	10/13/2026	454,195
Federal Home Loan Banks Debenture	1.500%	12/3/2026	471,395
Federal Home Loan Banks Debenture	2.080%	2/25/2027	475,915
Federal Home Loan Banks Debenture	2.860%	3/29/2027	412,713
Federal Home Loan Banks Debenture	0.660%	2/25/2026	500,000
Federal Home Loan Banks Debenture	1.050%	4/29/2026	500,000
Federal Home Loan Banks Debenture	1.250%	10/1/2026	500,000
Federal Home Loan Banks Debenture	1.500%	12/3/2026	500,000
Federal Home Loan Banks Debenture	3.000%	4/21/2027	500,000
Federal Farm Credit Banks Debenture	0.940%	9/28/2026	500,000
Federal National Mortgage Association Medium Term Note	0.570%	10/8/2025	500,000
Federal National Mortgage Association Note	0.650%	8/25/2025	500,000
Federal National Mortgage Association Note	0.720%	7/9/2025	500,000
STIP	0.098%	N/A	63,355
Total			<u>\$ 10,929,290</u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Cash and Investment Pool

The government maintains a cash and investment pool that is available for use by all funds, except the Road and Solid Waste 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 and Solid Waste Funds 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 U.S. Government Securities interest bearing savings accounts and an insured cash sweep account. The pooled funds are carried at fair value.

The County invests funds for external entities. These investments are reported in individual directed investment funds as described above. The investments are in time and savings deposits, U.S Government Securities and short-term investment pool (STIP).

The County has not provided nor obtained any legally binding guarantees during the fiscal year ended June 30, 2022, 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, 2022.

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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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, 2022.

Statement of Net Position

Net position held in trust for all pool participants:	
Equity of internal pool participants	\$ 10,185,750
Equity of external pool participants	13,770,337
Total equity	<u>\$ 23,956,087</u>

Condensed Statement of Changes in Net Position

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ (6,676)	\$ 9,170
Contributions to trust	10,528,305	8,267,000
Distributions paid	<u>(11,253,755)</u>	<u>(8,334,363)</u>
Net change in net position	\$ (732,126)	\$ (58,193)
Net position at beginning of year	<u>14,502,463</u>	<u>10,243,943</u>
Net position at end of year	<u>\$ 13,770,337</u>	<u>\$ 10,185,750</u>

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2022. These amounts are reported within the cash/investment account on the Statement of Net Position.

<u>Fund</u>	<u>Description</u>	<u>Amount</u>
Solid Waste	Landfill Closure	\$ 515,584
Solid Waste	Landfill Post Closure	<u>623,775</u>
Total		<u>\$1,139,359</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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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.

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:

Buildings	10 – 20 years
Improvements	5 – 15 years
Equipment	5 – 60 years
Infrastructure	10 – 40 years

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

Governmental activities:

	Balance July 1, 2021	Additions	Deletions	Transfers	Transfer Leased Assets	Balance June 30, 2022
Capital assets not being depreciated:						
Land	\$ 609,651	\$ -	\$ -	\$ -	\$ -	\$ 609,651
Construction in progress	968,786	2,663,031	-	(876,938)	-	2,754,879
Total capital assets not being depreciated	\$ 1,578,437	\$ 2,663,031	\$ -	\$ (876,938)	\$ -	\$ 3,364,530
Other capital assets:						
Buildings	\$ 5,188,492	\$ 14,846	\$ -	\$ -	\$ -	\$ 5,203,338
Improvements other than buildings	10,423,483	26,201	-	876,938	-	11,326,622
Machinery and equipment	12,404,759	719,731	(128,080)	-	(225,635)	12,770,775
Infrastructure	1,935,106	-	-	-	-	1,935,106
Total other capital assets at historical cost	\$ 29,951,840	\$ 760,778	\$ (128,080)	\$ 876,938	\$ (225,635)	\$ 31,235,841
Less: accumulated depreciation	(21,535,366)	(1,043,844)	125,898	-	61,513	(22,391,799)
Total	\$ 9,994,911	\$ 2,379,965	\$ (2,182)	\$ -	\$ (164,122)	\$ 12,208,572

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:	
General government	\$ 176,803
Public safety	214,091
Public works	542,047
Public health	2,186
Culture and recreation	<u>108,717</u>
Total governmental activities depreciation expense	<u>\$ 1,043,844</u>

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

Business-type activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	Balance <u>June 30, 2022</u>
Capital assets not being depreciated:			
Land	\$ 850	\$ -	\$ 850
Construction in progress	-	20,893	20,893
Total capital assets not being depreciated	<u>\$ 850</u>	<u>\$ 20,893</u>	<u>\$ 21,743</u>
Other capital assets:			
Buildings	\$ 303,740	\$ -	\$ 303,740
Improvements other than buildings	114,803	-	114,803
Machinery and equipment	2,450,189	256,661	2,706,850
Total other capital assets at historical cost	\$ 2,868,732	\$ 256,661	\$ 3,125,393
Less: accumulated depreciation	<u>(2,069,641)</u>	<u>(157,250)</u>	<u>(2,226,891)</u>
Total	<u>\$ 799,941</u>	<u>\$ 120,304</u>	<u>\$ 920,245</u>

NOTE 7. LONG TERM DEBT OBLIGATIONS

In the governmental-wide and proprietary 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, 2022, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	Balance <u>July 1, 2021</u>	<u>Additions</u>	Transfers to <u>Lease Liability</u>	Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
Compensated absences	\$ 793,621	\$ 87,960	\$ -	\$ 881,581	\$ 652,973
Capital leases	189,067	-	(189,067)	-	-
Total	<u>\$ 793,621</u>	<u>\$ 87,960</u>	<u>\$ 881,581</u>	<u>\$ 881,581</u>	<u>\$ 652,973</u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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

Business-type Activities:

	<u>Balance</u>		<u>Balance</u>	<u>Due Within</u>
	<u>July 1, 2021</u>	<u>Additions</u>	<u>June 30, 2022</u>	<u>One Year</u>
Compensated absences	\$ 112,398	\$ 13,472	\$ 125,870	\$ 96,706
Landfill closure/Postclosure	1,140,504	17,023	1,157,527	-
Total	\$ 1,252,902	\$ 30,495	\$ 1,283,397	\$ 96,706

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.

The \$1,157,527 reported as landfill closure and postclosure liability at June 30, 2022, represents the cumulative amount reported to date based on the use of 89.24% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$139,565 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in 2022. 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 3 years remaining of useful life. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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, 2022, 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 \$1,139,359 as of June 30, 2022.

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, 2022, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries receiving benefit payments	14
Active employees	116
Total employees	130

Total OPEB Liability

The County's total OPEB liability of \$2,700,023 at June 30, 2022, was determined by using the entry age normal cost method actuarial valuation. The measurement date of the determined liability was June 30, 2022.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022 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)	61.81
Discount rate (average anticipated rate)	4.02%
Average salary increase (Consumer Price Index)	3.50%

LINCOLN COUNTY, MONTANA
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Health care cost rate trend (Federal Office of the Actuary)

<u>Year</u>	<u>% Increase</u>
2023	7.0%
2024	6.5%
2025	6.0%
2026	5.9%
2027	5.7%
2028	5.6%
2029	5.5%
2030	5.3%
2031-2047	5.2%
2048	5.1%
2049-2050	5.0%
2051-2053	4.9%
2054-2056	4.8%
2057-2062	4.7%
2063-2069	4.6%
2070	4.5%
2071	4.4%
2072	4.3%
2073-2074	4.2%
2075	4.1%
2076-2077	4.0%
2078	3.9%
2079+	3.8%

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.

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.

LINCOLN COUNTY, MONTANA
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Changes in the Total OPEB Liability

Balance at 6/30/2021	\$ <u>3,058,564</u>
Changes for the year:	
Service Cost	\$ 199,309
Interest	77,169
Differences in experience	586,589
Change in assumptions	(1,183,354)
Benefit payments	<u>(38,254)</u>
Net Changes	\$ <u>(358,541)</u>
Balance at 6/30/2022	\$ <u><u>2,700,023</u></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 (3.02%)	Discount Rate (4.02%)	1% Increase (5.02%)
Total OPEB Liability \$	\$ 3,239,653	\$ 2,700,023	\$ 2,278,282

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 \$	\$ 2,226,319	\$ 2,700,023	\$ 3,322,322

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

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

LINCOLN COUNTY, MONTANA
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At June 30, 2022, 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	\$ 192,312	137,220
Changes in actuarial assumptions	320,034	1,143,552
Total	\$ 512,346	\$ 1,280,772

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
2023	\$	(128,071)
2024	\$	(128,071)
2025	\$	(128,071)
2026	\$	(128,071)
2027	\$	(128,071)
2028	\$	(128,071)

NOTE 9. NET PENSION LIABILITY (NPL)

As of June 30, 2022, 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	\$ 4,619,400	\$ 1,558,426	\$ 6,177,826
Deferred outflows of resources*	\$ 1,390,793	\$ 1,150,518	\$ 2,541,311
Deferred inflows of resources	\$ 1,904,806	\$ 1,053,364	\$ 2,958,170
Pension expense	\$ 721,359	\$ 67,393	\$ 788,752

LINCOLN COUNTY, MONTANA
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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 \$471,500 and \$269,614, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2022.

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).

LINCOLN COUNTY, MONTANA
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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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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.

LINCOLN COUNTY, MONTANA
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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.

Fiscal Year	<u>Member</u>		<u>Local Government</u>	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2022	7.900%	7.900%	8.870%	0.100%
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. Member contributions to the system of 7.9% are 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.
2. 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.

LINCOLN COUNTY, MONTANA
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3. 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 \$34,290,660.

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, 2022, was determined by taking the results of the June 30, 2020, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the employer's and the state of Montana's NPL for June 30, 2022, and 2021, are displayed below. The County proportionate share equals the ratio of the employer's contributions to the sum of all employer and non-employer contributions during the measurement period. The state's proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$4,619,400 and the County's proportionate share was 0.254762 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 4,619,400	\$ 6,714,119	0.254762%	0.254495%	0.000267%
State of Montana Proportionate Share associated with Employer	1,362,145	2,115,159	0.075123%	0.080174%	-0.005051%
Total	<u>\$ 5,981,545</u>	<u>\$ 8,829,278</u>	<u>0.329885%</u>	<u>0.334669%</u>	<u>-0.004784%</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 7.34% to 7.06%
- 2. The investment rate of return was lowered from 7.34% to 7.06%

LINCOLN COUNTY, MONTANA
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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, 2022, the County recognized a Pension Expense of \$302,563 for its proportionate share of the pension expense. The County also recognized grant revenue of \$418,796 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 6/30/22	Pension Expense as of 6/30/21
Employer Proportionate Share	\$ 302,563	\$ 872,094
State of Montana Proportionate Share associated with the Employer	418,796	345,917
Total	\$ 721,359	\$ 1,218,011

Recognition of Beginning Deferred Outflow

At June 30, 2022, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2021 contributions of \$449,913.

LINCOLN COUNTY, MONTANA
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Recognition of Deferred Inflows and Outflows:

At June 30, 2022, 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	\$ 49,297	\$ 33,440
Actual vs. Expected Investment Earnings	-	1,871,366
Changes in Assumptions	684,219	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	185,777	-
Employer contributions subsequent to the measurement date - FY22*	471,500	-
Total	\$ 1,390,793	\$ 1,904,806

*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, 2022.

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

	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
For the Measurement Year ended June 30:	
2022	\$ 205,466
2023	\$ (141,609)
2024	\$ (451,983)
2025	\$ (597,386)
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) 7.06%
- Admin Expense as % of Payroll 0.28%
- 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.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2021 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.4% in the 2021 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 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, 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	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the TPL was 7.06%. 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 2126. 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	Current	1.0% Increase
(6.06%)	<u>Discount Rate</u>	(8.06%)
\$ <u>7,332,577</u>	\$ 4,619,400	\$ <u>2,343,674</u>

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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) 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, 2021, 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 340 employers that have participants in the PERS-DCRP totaled \$1,103,889.

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
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

- 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.

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>
2018-2022	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2022, was determined by taking the results of the June 30, 2020, 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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County's and the state of Montana's NPL for June 30, 2022, and 2021, 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 \$1,558,426 and the County's proportionate share was 2.1395 percent.

	Net Pension Liability as of 6/30/2022	Net Pension Liability as of 6/30/2021	Percent of Collective NPL as of 6/30/2022	Percent of Collective NPL as of 6/30/2021	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 1,558,426	\$ 2,694,352	2.1395%	2.2106%	-0.0710%
Total	<u>\$ 1,558,426</u>	<u>\$ 2,694,352</u>	<u>2.1395%</u>	<u>2.2106%</u>	<u>-0.0710%</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 7.34% to 7.06%
2. The investment rate of return was lowered from 7.34% to 7.06%

Changes in benefit terms:

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

Changes in proportionate share:

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

Pension Expense:

At June 30, 2022, the County recognized a Pension Expense of \$67,393 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/22	Pension Expense as of 6/30/21
Employer Proportionate Share	\$ 67,393	\$ 258,560
Total	<u>\$ 67,393</u>	<u>\$ 258,560</u>

Recognition of Beginning Deferred Outflow

At June 30, 2022, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2021 contributions of \$255,014.

LINCOLN COUNTY, MONTANA
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Recognition of Deferred Inflows and Outflows:

At June 30, 2022, 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	\$ 201,761	\$ -
Actual vs. Expected Investment Earnings	-	1,053,364
Changes in Assumptions	590,278	-
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	88,865	-
Employer contributions subsequent to the measurement date - FY22*	269,614	-
Total	\$ 1,150,518	\$ 1,053,364

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022.

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

	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
For the Measurement Year ended June 30:	
2022	\$ 58,125
2023	\$ 29,448
2024	\$ (29,876)
2025	\$ (230,157)
Thereafter	\$ -

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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) 7.06%
- Admin Expense as % of payroll 0.17%
- 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.

Target Allocations

The long-term rate of return as of June 30, 2021, was calculated using the average long-term capital market assumptions published by the Survey of Capital Market Assumptions, 2021 Edition by Horizon Actuarial Services, LLC, yielding a median real rate of return of 4.66%. The assumed inflation is based on the intermediate inflation of 2.40% in the 2021 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 7.06%. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2021, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return Arithmetic Basis</u>
Cash	3.00%	(0.33%)
Domestic Equity	30.00%	5.90%
International Equity	17.00%	7.14%
Private Investments	15.00%	9.13%
Real Assets	5.00%	4.03%
Real Estate	9.00%	5.41%
Core Fixed Income	15.00%	1.14%
Non-Core Fixed Income	<u>6.00%</u>	3.02%
Total	<u>100%</u>	

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

Discount Rate

The discount rate used to measure the TPL was 7.06%. 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 2124. 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 (6.06%)	Current Discount Rate	1.0% Increase (8.06%)
\$ 3,291,665	\$ 1,558,426	\$ 143,933

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 7.06%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.06%) or 1.00% higher (8.06%) than the current rate.

NOTE 10. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2022, was as follows:

Due to/from other funds

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Short term loan to cover deficit cash balance	General – Major Governmental	Library – Nonmajor Governmental	\$ 6,245
Short term loan to cover deficit cash balance	General – Major Governmental	USFS Patrol – Nonmajor Governmental	3,783
Short term loan to cover deficit cash balance	General – Major Governmental	KFRI – Nonmajor Governmental	130,060
Short term loan to cover deficit cash balance	General – Major Governmental	DNRC – Nonmajor Governmental	1,064
Short term loan to cover deficit cash balance	General – Major Governmental	Rabit Tracts – Nonmajor Governmental	62,507
Short term loan to cover deficit cash balance	General – Major Governmental	Crime Victims Assistance – Nonmajor Governmental	12,948
Short term loan to cover deficit cash balance	General – Major Governmental	SAMHSA – Nonmajor Governmental	10,789

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Short term loan to cover deficit cash balance	General – Major Governmental	Homeland Security – Nonmajor Governmental	49,418
Short term loan to cover deficit cash balance	General – Major Governmental	Partnership for Success – Nonmajor Governmental	26,521
Short term loan to cover deficit cash balance	General – Major Governmental	Flood Disaster – Nonmajor Governmental	6
Short term loan to cover deficit cash balance	General – Major Governmental	CIT – Nonmajor Governmental	71,194
Short term loan to cover deficit cash balance	General – Major Governmental	Eureka Airport Construction – Nonmajor Governmental	<u>546</u>
			<u>\$ 375,081</u>

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2022:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Permissive Levy	General – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	\$465,885
Indirect Cost Allocation	General – Major Governmental	Road – Major Governmental	118,144
Indirect Cost Allocation	General – Major Governmental	Public Safety – Major Governmental	111,221
Indirect Cost Allocation	General – Major Governmental	Solid Waste – Major Proprietary	86,872
Permissive Levy	Weed – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	6,033
Permissive Levy	District Court – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	40,886
Permissive Levy	Library – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	19,191
Permissive Levy	Planning – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	4,827
Permissive Levy	Public Health – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	21,986
Permissive Levy	Public Safety – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	468,421

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Permissive Levy	Public Safety – Major Governmental	Permissive Sheriff Retirement – Nonmajor Governmental	70,099
Operating	Noxious Weed Revolving – Nonmajor Governmental	PILT* – Major Governmental	10,442
Operating	Parks and Rec. – Nonmajor Governmental	PILT* – Major Governmental	35,620
Operating	County Fire Co-op – Nonmajor Governmental	PILT* – Major Governmental	1,684
Operating	Land Use Planning – Nonmajor Governmental	PILT* – Major Governmental	1,904
Operating	Weed – Nonmajor Governmental	PILT* – Major Governmental	3,950
Operating	Crime Victims Assistance – Nonmajor Governmental	PILT* – Major Governmental	29,710
Operating	EMPG – Nonmajor Governmental	General – Major Governmental	58,499
Operating	EMPG – Nonmajor Governmental	PILT* – Major Governmental	<u>58,362</u>
			<u>\$1,613,736</u>

*PILT is combined with the General Fund in accordance with GASB #54 for financial reporting purposes.

NOTE 11. 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 12. FUND BALANCE CLASSIFICATION POLICIES AND PROCEDURES

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

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

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

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

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

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

Restricted Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Restriction</u>
Road	\$ 8,503,383	Road Repair, maintenance, and supplies
Public Safety	354,469	Law Enforcement, emergency services, and supplies
All Other Aggregate	514,592	General Government administration and services
	430,460	Law Enforcement, emergency services, and supplies
	418,479	Road Repair, maintenance, and supplies
	423,636	Public Health Services and Supplies
	58,223	Noxious Weed Management
	6,012	Animal Control
	88,993	Economic development
	18,359	Social and Economic Services and travel
	7,085	Culture and recreation
	76,317	Parks and recreation services and supplies
	3,126	Conservation of Natural Resources
	404,540	Firewise program
	<u>63,283</u>	Airport services
	<u>\$11,370,957</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>54,469</u>	Constructions and/or capital asset purchases

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 13. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>	<u>How Deficit will be Eliminated</u>
Headwaters	\$ 3,975	Accrued Payroll	Cash received from other governments
Noxious Weed	2,965	Accrued Payroll	Cash received from tax revenues
Library	16,636	Accrued Payroll and deficit cash that created a short-term loan to other funds	Cash received from tax revenues
USFS Patrol	1,091	Accrued Payroll	Cash received from other governments
KFRI	1,424	Accrued Payroll and deficit cash that created a short-term loan to other funds	Cash received from other governments
DNRC	1,063	Deficit cash balance that lead to a short-term loan from other funds	Cash received from other governments
Crime Victims Assistance	14,975	Accrued Payroll and deficit cash that created a short-term loan to other funds	Cash transferred from the General Fund
SAMHSA	2,859	Accrued payroll	Cash received from other governments
Homeland Security	6,221	Accrued payroll	Cash received from other governments
Partnership for Success	4,674	Accrued payroll	Cash received from other governments
Disaster/Flood	6	Deficit cash balance that lead to a short term loan from other funds	Transfer from the General Fund
C.I. T	38,705	Accrued Payroll and deficit cash that created a short-term loan to other funds	Cash received from other governments and/or transfer from the General Fund
Eureka Airport Construction	<u>546</u>	Understated Due from Other Governments	Cash received from other governments
	<u>\$ 95,140</u>		

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 14. 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>
Port TEDD	\$ 428,136	Properly moved the fund from a fiduciary fund to a governmental fund
Public Safety	\$ 60,484	Understated prior year cash
Public Safety	\$ 12,000	Understated prior year Due from other governments - Animal Control
USFS Patrol	\$ 27,480	Understated prior year cash
USFS Patrol	\$ (3,470)	Overstated prior year cash
PILT	\$ 162,500	Understated prior year notes and loans receivable
Homeland Security	\$ 51,458	Understated prior year due from other governments
Homeland Security	\$ (57,014)	Overstated prior year cash
General	\$ (12,000)	Overstated prior year due from other governments - Animal Control
General	\$ (27,480)	Overstated prior year cash
Government – Wide	\$ (164,122)	Capital assets - Moved the Leased Assets out of Capital Assets and to Leased Assets due to Implementation of GASB 87.
Government – Wide	\$ 189,067	Implementation of GASB 87 for leases
Government – Wide	\$ 56,485	Implementation of GASB 87 for leases
Government – Wide	\$ (68,182)	Implementation of GASB 87 for leases
Custodial Funds	\$ 1,848,845	GASB 84 in which fiduciary activities formerly classified as agency funds became custodial funds and fund balances are reported.
Custodial Funds	\$ (428,136)	Properly moved Port TEDD Fund to a government fund.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

NOTE 15. RELATED PARTY TRANSACTIONS

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 16. LEASES

County as Lessee

The County, as a lessee, has entered into lease agreements involving six 2021 Cat Small Wheel Loader, one 2021 Cat Excavator, one 2018 Cat Excavator and one 2020 Tire Compactor.

Governmental Activities

Lease Assets:

	Balance July 1, 2021	Additions	Transfers from Capital Assets	Restatements	Balance June 30, 2022
Leased assets being amortized:					
Machinery and equipment	\$ -	\$ 690,372	\$ 225,635	\$ (109,691)	\$ 806,316
Total capital assets not being depreciated	\$ -	\$ 690,372	\$ 225,635	\$ (109,691)	\$ 806,316
Less accumulated amortization for:					
Machinery and equipment	\$ -	\$ (161,261)	\$ (61,513)	\$ 2,054	\$ (220,720)
Total accumulated amortization	\$ -	\$ (161,261)	\$ (61,513)	\$ 2,054	\$ (220,720)
Total Governmental Activities Lease Assets, Net	\$ -	\$ 529,111	\$ 164,122	\$ (107,637)	\$ 585,596

The Total County's leased assets are recorded at a cost of \$806,316, less accumulated amortization of \$220,720. Total amortization expense for governmental activities charged to functions as follows:

Public Works \$161,261

Lease liabilities associated with the amount leased assets are as follows:

Description	Origination Date	Interest Rate	Term of Agreement	Final Maturity Date	Annual Payment	Amount of Original Lease
2021 CAT 938M Small Wheel Loader - P5K02210	10/4/2021	2.99%	5 yrs	10/4/2026	\$ 14,064	\$ 66,352
2021 CAT 938M Small Wheel Loader - P5K02204	10/4/2021	2.99%	5 yrs	10/4/2026	\$ 14,064	\$ 66,352
2021 CAT 316FL Hydraulic Excavator	10/4/2021	2.99%	5 yrs	10/4/2026	\$ 14,064	\$ 57,260
2021 CAT 938M Small Wheel Loader - P5K02208	10/4/2021	2.99%	5 yrs	10/4/2026	\$ 14,064	\$ 66,352
2021 CAT 938M Small Wheel Loader - P5K02212	10/4/2021	2.99%	5 yrs	10/4/2026	\$ 14,064	\$ 66,352
2021 CAT 938M Small Wheel Loader - P5K02203	10/4/2021	2.99%	5 yrs	10/4/2026	\$ 14,064	\$ 66,352
2021 CAT 938M Small Wheel Loader - P5K02209	10/4/2021	2.99%	5 yrs	10/4/2026	\$ 14,064	\$ 66,352
2018 CAT Excavator	9/13/2017	3.94%	5 yrs	9/13/2022	\$ 13,042	\$ 60,450
2020 Tire Compactor	8/6/2020	3.35%	5 yrs	8/6/2025	\$ 11,842	\$ 55,494
					Subtotal	<u>\$ 571,316</u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

Description	Balance July 1, 2021	Additions	Principal Reductions	Transfers of Capital Leases	Restatement	Balance June 30, 2022	Amount Within 1 Year
2021 CAT 938M Small Wheel Loader - P5K02210	\$ -	\$ 66,352	\$ (14,064)	\$ -	\$ -	\$ 52,288	\$ 12,500
2021 CAT 938M Small Wheel Loader - P5K02204	\$ -	\$ 66,352	\$ (14,064)	\$ -	\$ -	\$ 52,288	\$ 12,500
2021 CAT 316FL Hydraulic Excavator	\$ -	\$ 57,260	\$ (12,136)	\$ -	\$ -	\$ 45,124	\$ 10,787
2021 CAT 938M Small Wheel Loader - P5K02208	\$ -	\$ 66,352	\$ (14,064)	\$ -	\$ -	\$ 52,288	\$ 12,500
2021 CAT 938M Small Wheel Loader - P5K02212	\$ -	\$ 66,352	\$ (14,064)	\$ -	\$ -	\$ 52,288	\$ 12,500
2021 CAT 938M Small Wheel Loader - P5K02203	\$ -	\$ 66,352	\$ (14,064)	\$ -	\$ -	\$ 52,288	\$ 12,500
2021 CAT 938M Small Wheel Loader - P5K02209	\$ -	\$ 66,352	\$ (14,064)	\$ -	\$ -	\$ 52,288	\$ 12,500
2018 CAT Excavator	\$ -	\$ -	\$ (12,072)	\$ 105,107	\$ (59,763)	\$ 33,272	\$ 10,727
2020 Tire Compactor	\$ -	\$ -	\$ (10,380)	\$ 83,960	\$ (61,122)	\$ 12,458	\$ 12,458
Subtotal	\$ -	\$ 455,372	\$ (118,972)	\$ 189,067	\$ (120,885)	\$ 404,582	\$ 108,972

The future lease payments under lease agreements are as follow:

TOTAL LEASE LIABILITY AMORTIZATION BY YEAR

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
6/30/2023	\$ 108,972	\$ 12,336
6/30/2024	99,441	8,921
6/30/2025	102,454	5,907
6/30/2026	93,715	2,800
\$	404,582	\$ 29,964

NOTE 17. 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 18. RISK MANAGEMENT

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

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.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2022

PCT Coverage Includes:

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

Workers Compensation Insurance

The County is part of a public entity self-insured risk sharing pool that provides statutorily mandated workers’ compensation called the Montana Association of Counties Workers’ Compensation Trust (MACo WCT). Coverage is 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 19. PENDING LITIGATION

The following is a list of litigation pending against the County and the amount of damages claimed by the Plaintiff. The County Attorney has made no evaluation as to the outcome of each case.

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>James Anderson v. Lincoln County DV-22-151</i>	<i>Unknown</i>	<i>Unknown</i>
<i>Tara Clark v. Lincoln County</i>	<i>Unknown</i>	<i>Unknown</i>
<i>Thompson Chain of Lakes Stewardship Coalition et al, v. Lincoln County DV 22-165</i>	<i>Unknown</i>	<i>Unknown</i>

NOTE 20. SUBSEQUENT EVENTS

Subsequent to year end, the County received an additional \$1,940,441 in American Rescue Plan Act (ARPA) funding. The County also received at \$6,000,000 grant in the Local Assistance Tribal Consistency Fund. The Local Assistance and Tribal Consistency Fund is a general revenue enhancement program that provides additional assistance to eligible Tribal governments, eligible revenue sharing Counties and eligible revenue sharing consolidated governments. The American Rescue Plan appropriated \$2 billion to the Treasury across fiscal years 2022 and 2023 to provide payments to eligible revenue sharing counties and eligible Tribal governments for use on any governmental purpose except for a lobbying activity.

**REQUIRED SUPPLEMENTARY
INFORMATION**

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	General			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,241,118	\$ 1,241,118	\$ 1,415,926	\$ 174,808
Licenses and permits	52,200	52,200	51,185	(1,015)
Intergovernmental	1,251,851	1,251,851	1,401,296	149,445
Charges for services	293,726	293,726	347,574	53,848
Fines and forfeitures	103,500	103,500	101,791	(1,709)
Miscellaneous	69,000	69,000	153,453	84,453
Investment earnings	3,000	3,000	4,071	1,071
Amounts available for appropriation	\$ 3,014,395	\$ 3,014,395	\$ 3,475,296	\$ 460,901
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 3,716,371	\$ 3,716,371	\$ 2,843,984	\$ 872,387
Public safety	169,981	169,981	151,720	18,261
Public works	25,000	25,000	32,850	(7,850)
Public health	306,020	306,020	329,223	(23,203)
Social and economic services	2,255	2,255	2,491	(236)
Culture and recreation	-	-	37	(37)
Total charges to appropriations	\$ 4,219,627	\$ 4,219,627	\$ 3,360,305	\$ 859,322
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 1,138,445	\$ 1,138,445	\$ 782,122	\$ (356,323)
Transfers out	-	-	(58,499)	(58,499)
Total other financing sources (uses)	\$ 1,138,445	\$ 1,138,445	\$ 723,623	\$ (414,822)
Net change in fund balance			\$ 838,614	
Fund balance - beginning of the year			\$ 433,081	
Restatements			(39,480)	
Fund balance - beginning of the year - restated			\$ 393,601	
Fund balance - end of the year			\$ 1,232,215	

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

	Road			
	BUDGETED AMOUNTS		ACTUAL AMOUNTS (BUDGETARY BASIS) See Note A	VARIANCE WITH FINAL BUDGET
	ORIGINAL	FINAL		
RESOURCES (INFLOWS):				
Intergovernmental	\$ -	\$ -	\$ 2,530,354	\$ 2,530,354
Charges for services	-	60,000	60,450	450
Miscellaneous	-	-	81,820	81,820
Investment earnings	-	-	(535,991)	(535,991)
Amounts available for appropriation	\$ -	\$ 60,000	\$ 2,136,633	\$ 2,076,633
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ -	\$ 383,365	\$ 3,516,778	\$ (3,133,413)
Culture and recreation	-	-	1,101	(1,101)
Debt service - principal	-	-	118,972	(118,972)
Debt service - interest	-	-	2,432	(2,432)
Capital outlay	-	-	943,890	(943,890)
Total charges to appropriations	\$ -	\$ 383,365	\$ 4,583,173	\$ (4,199,808)
OTHER FINANCING SOURCES (USES)				
Proceeds of general long term debt	\$ -	\$ -	\$ 455,372	\$ 455,372
Proceeds from the sale of general capital asset disposition	-	-	52,555	52,555
Transfers out	-	-	(118,144)	(118,144)
Total other financing sources (uses)	\$ -	\$ -	\$ 389,783	\$ 389,783
Net change in fund balance			\$ (2,056,757)	
Fund balance - beginning of the year			\$ 10,560,140	
Fund balance - end of the year			\$ 8,503,383	

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

Public Safety					
	BUDGETED AMOUNTS		ACTUAL	VARIANCE	WITH FINAL
	ORIGINAL	FINAL	AMOUNTS		
			BASIS) See Note A	BUDGET	
RESOURCES (INFLOWS):					
Taxes and assessments	\$ 2,806,186	\$ 2,806,186	\$ 2,842,817	\$	36,631
Intergovernmental	201,340	201,340	216,845	\$	15,505
Charges for services	267,650	268,650	253,959	\$	(14,691)
Miscellaneous	8,000	8,000	16,674	\$	8,674
Amounts available for appropriation	\$ 3,283,176	\$ 3,284,176	\$ 3,330,295	\$	46,119
CHARGES TO APPROPRIATIONS (OUTFLOWS):					
Public safety	\$ 4,407,834	\$ 4,407,834	\$ 4,372,664	\$	35,170
Miscellaneous	227,504	227,504	-	\$	227,504
Capital outlay	310,000	310,000	307,986	\$	2,014
Total charges to appropriations	\$ 4,945,338	\$ 4,945,338	\$ 4,680,650	\$	264,688
OTHER FINANCING SOURCES (USES)					
Transfers in	\$ 538,520	\$ 538,520	\$ 538,520	\$	-
Transfers out	-	-	(111,221)	\$	(111,221)
Total other financing sources (uses)	\$ 538,520	\$ 538,520	\$ 427,299	\$	(111,221)
Net change in fund balance			\$ (923,056)		
Fund balance - beginning of the year			\$ 1,205,041		
Restatements			72,484		
Fund balance - beginning of the year - restated			\$ 1,277,525		
Fund balance - end of the year			\$ 354,469		

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2022

Headwaters				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET
	<u>ORIGINAL</u>	<u>FINAL</u>	AMOUNTS (BUDGETARY BASIS) See Note A	
RESOURCES (INFLOWS):				
Miscellaneous	\$ 200,000	\$ 200,000	\$ 98,016	\$ (101,984)
Amounts available for appropriation	\$ 200,000	\$ 200,000	\$ 98,016	\$ (101,984)
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public health	\$ 205,000	\$ 251,503	\$ 251,502	\$ 1
Total charges to appropriations	\$ 205,000	\$ 251,503	\$ 251,502	\$ 1
Net change in fund balance			\$ (153,486)	
Fund balance - beginning of the year			\$ 149,511	
Fund balance - end of the year			\$ (3,975)	

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>Headwaters</u>
Sources/Inflows of resources				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 3,475,296	\$ 2,136,633	\$ 3,330,295	\$ 98,016
Combined funds (GASBS 54) revenues	<u>2,677,167</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>\$ 6,152,463</u>	<u>\$ 2,136,633</u>	<u>\$ 3,330,295</u>	<u>\$ 98,016</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,360,305	\$ 4,583,173	\$ 4,680,650	\$ 251,502
Combined funds (GASBS 54) expenditures	<u>1,182,904</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>\$ 4,543,209</u>	<u>\$ 4,583,173</u>	<u>\$ 4,680,650</u>	<u>\$ 251,502</u>

Lincoln County, Montana
Schedules of Required Supplementary Information
SCHEDULE OF CHANGES IN THE
TOTAL OPEB LIABILITY AND RELATED RATIOS
For Fiscal Year Ended June 30, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability					
Service Cost	\$ 199,309	\$ 206,790	\$ 228,916	\$ 225,195	\$ 214,844
Interest	77,169	76,275	140,802	121,843	118,880
Differences in experience	586,589	-	(257,511)	-	1,115
Change in assumptions and inputs	(1,183,354)	-	(1,136,909)	255,935	135,080
Benefit payments	<u>(38,254)</u>	<u>(32,542)</u>	<u>(76,706)</u>	<u>(63,115)</u>	<u>(65,752)</u>
Net change in total OPEB liability	(358,541)	250,523	(1,101,408)	539,858	404,167
Total OPEB Liability - beginning	3,058,564	2,808,041	3,909,449	3,369,591	2,965,424
Restatement	-	-	-	-	-
Total OPEB Liability - ending	<u>\$ 2,700,023</u>	<u>\$ 3,058,564</u>	<u>\$ 2,808,041</u>	<u>\$ 3,909,449</u>	<u>\$ 3,369,591</u>
Covered-employee payroll	\$ 5,874,384	\$ 4,995,992	\$ 4,995,992	\$ 4,037,065	\$ 4,037,065
 Total OPEB liability as a percentage of covered -employee payroll	 45.96%	 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, 2022

	<u>PERS</u> <u>2022</u>	<u>PERS</u> <u>2021</u>	<u>PERS</u> <u>2020</u>	<u>PERS</u> <u>2019</u>	<u>PERS</u> <u>2018</u>	<u>PERS</u> <u>2017</u>	<u>PERS</u> <u>2016</u>	<u>PERS</u> <u>2015</u>
Employer's proportion of the net pension liability	0.254762%	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	\$ 4,619,400	\$ 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	\$ 1,362,145	\$ 2,115,159	\$ 1,544,021	\$ 1,548,905	\$ 75,748	\$ 68,602	\$ 59,715	\$ 57,413
Total	<u>\$ 5,981,545</u>	<u>\$ 8,829,278</u>	<u>\$ 6,286,850</u>	<u>\$ 6,180,102</u>	<u>\$ 6,017,392</u>	<u>\$ 5,683,080</u>	<u>\$ 4,921,152</u>	<u>\$ 4,758,997</u>
Employer's covered payroll	\$ 4,500,056	\$ 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	102.65%	157.24%	126.69%	126.91%	157.29%	142.20%	119.78%	111.22%
Plan fiduciary net position as a percentage of the total pension liability	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%

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	<u>SRS</u> <u>2022</u>	<u>SRS</u> <u>2021</u>	<u>SRS</u> <u>2020</u>	<u>SRS</u> <u>2019</u>	<u>SRS</u> <u>2018</u>	<u>SRS</u> <u>2017</u>	<u>SRS</u> <u>2016</u>	<u>SRS</u> <u>2015</u>
Employer's proportion of the net pension liability	2.1395%	2.2106%	2.0647%	1.9801%	1.8704%	2.0080%	1.9590%	2.1466%
Employer's proportionate share of the net pension liability associated with the Employer	\$ 1,558,426	\$ 2,694,352	\$ 1,721,929	\$ 1,488,506	\$ 1,423,290	\$ 3,527,540	\$ 1,888,483	\$ 893,366
Total	<u>\$ 1,558,426</u>	<u>\$ 2,694,352</u>	<u>\$ 1,721,929</u>	<u>\$ 1,488,506</u>	<u>\$ 1,423,290</u>	<u>\$ 3,527,540</u>	<u>\$ 1,888,483</u>	<u>\$ 893,366</u>
Employer's covered payroll	\$ 1,944,444	\$ 1,876,933	\$ 1,657,997	\$ 1,536,338	\$ 1,398,094	\$ 1,417,485	\$ 1,333,032	\$ 1,388,286
Employer's proportionate share of the net pension liability as a percentage of its covered payroll	80.15%	143.55%	103.86%	96.89%	101.80%	248.86%	141.67%	64.35%
Plan fiduciary net position as a percentage of the total pension liability	86.94%	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, 2022

	PERS 2022	PERS 2021	PERS 2020	PERS 2019	PERS 2018	PERS 2017	PERS 2016	PERS 2015
Contractually required contributions	\$ 471,500	\$ 449,913	\$ 374,109	\$ 321,988	\$ 309,082	\$ 316,762	\$ 330,013	\$ 334,444
Contributions in relation to the contractually required contributions	\$ 471,500	\$ 449,913	\$ 374,109	\$ 321,988	\$ 309,082	\$ 316,762	\$ 336,677	\$ 340,584
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 5,315,671	\$ 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	8.87%	8.77%	8.76%	8.60%	8.47%	8.39%	8.53%	8.39%

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	SRS 2022	SRS 2021	SRS 2020	SRS 2019	SRS 2018	SRS 2017	SRS 2016	SRS 2015
Contractually required contributions	\$ 269,614	\$ 255,014	\$ 247,033	\$ 218,294	\$ 205,264	\$ 141,550	\$ 146,916	\$ 135,221
Contributions in relation to the contractually required contributions	\$ 269,614	\$ 255,014	\$ 247,033	\$ 218,294	\$ 205,264	\$ 141,550	\$ 146,916	\$ 135,221
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 2,054,985	\$ 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%	13.12%	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, 2022

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, 2022

- 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.

2017 Legislative Changes

Working Retiree Limitations – for PERS

Effective July 1, 2017, if a PERS retiree returns as an independent contractor to what would otherwise be PERS-covered employment, general contractor overhead costs are excluded from PERS working retiree limitations.

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts – Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

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, 2022

Lump-sum payouts

Effective July 1, 2017, lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Disabled PERS Defined Contribution (DC) Members

PERS members hired after July 1, 2011, have a normal retirement age of 65. PERS DC members hired after July 1, 2011, who became disabled were previously only eligible for a disability benefit until age 65. Effective July 1, 2017, these individuals will be eligible for a disability benefit until they reach 70, thus ensuring the same 5-year time period available to PERS DC disabled members hired prior to July 1, 2011, who have a normal retirement age of 60 and are eligible for a disability benefit until age 65.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020 actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increase	0% to 8.47%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry age Normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Mortality
Mortality (Disabled members)	Table, with no projections
Admin Expense as % of Payroll	0.28%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actuarial administrative expenses.

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.

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, 2022

- 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.

2017 Legislative Changes

Increase in SRS Employee and Employer Contributions, effective July 1, 2017:

- SRS employee contributions increase 1.25% from 9.245% to 10.495%.
- SRS employer additional contributions increase 3%, from 0.58% to 3.58%, for a total employer contributions rate of 13.115%.
- SRS employee contributions will return to 9.245% and SRS employer contributions will return to 9.535% when reducing the employee contribution and terminating the additional employer contributions will not cause the amortization period to exceed 25 years.

Second Retirement Benefit – for SRS

Applies to retirement system members who return on or after July 1, 2017 to active service covered by the system from which they retired.

- 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:
 - is not awarded service credit for the period of reemployment;
 - is refunded the accumulated contributions associated with the period of reemployment;
 - starting the first month following termination of service, receives the same retirement benefit previously paid to the member; and
 - 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.
- 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:
 - is awarded service credit for the period of reemployment;
 - starting the first month following termination of service, receives:
 - the same retirement benefit previously paid to the member, and
 - a second retirement benefit for the period of reemployment calculated based on the laws in effect as of the member's rehire date; and
 - does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:

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, 2022

- on the initial retirement benefit in January immediately following second retirement, and
- on the second retirement benefit starting in January after receiving that benefit for at least 12 months.
- A member who returns to covered service is not eligible for a disability benefit.

Refunds

- Terminating members eligible to retire may, in lieu of receiving a monthly retirement benefit, refund their accumulated contributions in a lump sum.
- Terminating members with accumulated contributions between \$200 and \$1,000 who wish to rollover their refund must do so within 90 days of termination of service.
- Trusts, estates, and charitable organizations listed as beneficiaries are entitled to receive only a lump-sum payment.

Interest credited to member accounts

- Effective July 1, 2017, the interest rate credited to member accounts increased from 0.25% to 0.77%.

Lump-sum payouts

- lump-sum payouts in all systems are limited to the member's accumulated contributions rate than the present value of the member's benefit.

Changes in Actuarial Assumptions and Methods

Method and assumptions used in calculations of actuarially determined contributions

The following Actuarial Assumptions were adopted from the June 30, 2020, actuarial valuation:

General Wage Growth*	3.50%
Investment Rate of Return*	7.65%
*Includes inflation at	2.75%
Merit salary increases	0% to 6.30%
Asset valuation method	Four-year smoothed market
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, open
Mortality (Healthy members)	For Males and Females: RP 2000 Combined Employee and Annuitant Mortality Table projected to 2020 using Scale BB, males set back 1 year
Mortality (Disabled members)	For Males and Females: RP 2000 Combined Mortality Table
Admin Expense as % of Payroll	0.17%

Administrative expenses are recognized by an additional amount added to the normal cost contribution rate for the System. This amount varies from year to year based on the prior year's actual administrative expenses.

The actuarial assumptions and methods utilized in the June 30, 2020, valuation, were developed in the six-year experience study for the period ending 2016.

SINGLE AUDIT SECTION

Lincoln County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<i>Food Distribution Cluster</i>			
<u>United States Department of Agriculture</u>			
<i>Passed through Western Montana Area Agency on Aging</i>			
Commodity Supplemental Food Program	10.565	N/A	\$ 6,030
Total United States Department of Agriculture			\$ 6,030
Total Food Distribution Cluster			\$ 6,030
<i>Forest Service Schools and Roads Cluster</i>			
<u>United States Department of Agriculture</u>			
<i>Direct</i>			
Schools and Roads - Grants to States	10.665	N/A	\$ 2,319,355
Total United States Department of Agriculture			\$ 2,319,355
Total Forest Service Schools and Roads Cluster			\$ 2,319,355
<i>Other Programs</i>			
<u>Department of Homeland Security</u>			
<i>Passed through Montana Disaster and Emergency Services</i>			
Emergency Management Performance Grants	97.042	N/A	\$ 53,480
Homeland Security Grant Program	97.067	21HSLNCN	34,000
Total Department of Homeland Security			\$ 87,480
<u>United States Department of Justice</u>			
<i>Passed through Montana Board of Crime Control</i>			
Crime Victim Assistance	16.575	19-V01-92413	\$ 44,103
<i>Passed through Flathead County Montana</i>			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	204,655
Total United States Department of Justice			\$ 248,758
<u>Department of Transportation</u>			
<i>Direct</i>			
Airport Improvement Program	20.106	N/A	\$ 2,486,005
Total Department of Transportation			\$ 2,486,005
<u>United States Environmental Protection Agency</u>			
<i>Passed through Montana Department of Environmental Quality</i>			
Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	66.802	N/A	\$ 324,271
Total United States Environmental Protection Agency			\$ 324,271
<u>Department of Health and Human Services</u>			
<i>Passed through Montana Department of Public Health and Human Services</i>			
Public Health Emergency Preparedness	93.069	20-07-6-11-031-0	\$ 78,737
Immunization Cooperative Agreements	93.268	22-07-4-31-125-0	6,722
		22-07-4-31-125-0	
Immunization Cooperative Agreements	93.268	COVID	10,060
Immunization Cooperative Agreements	93.268	N/A	39,009
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	20-07-6-11-031-0	68,859
Maternal and Child Health Block Grant to the States	93.994	22-25-5-01-027-0	5,844
Maternal and Child Health Block Grant to the States	93.994	N/A	9,574

Lincoln County, Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022 - Continued

<u>Cluster Title/Federal Grantor/Pass-through Grantor /Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor Number</u>	<u>Federal Expenditures</u>
<i>Direct</i>			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	N/A	195,687
Drug-Free Communities Support Program Grants	93.276	N/A	351,389
<i>Passed through Flathead City-County Health Department</i>			
Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	93.426	N/A	1,425
Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke-	93.435	N/A	1,425
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	N/A	7,328
Total Department of Health and Human Services			<u>\$ 776,059</u>
<u>Department of the Treasury</u>			
<i>Direct</i>			
Coronavirus State and Local Fiscal Recovery Funds (Single or Program-specific Audit)	21.027	N/A	\$ 1,940,440
<i>Passed through Montana Department of Natural Resources and Conservation</i>			
Coronavirus State and Local Fiscal Recovery Funds (Single or Program-specific Audit)	21.027	RPG-22-068-A	15,000
Total Department of the Treasury			<u>\$ 1,955,440</u>
<u>United States Department of Agriculture</u>			
<i>Passed through Montana Department of Natural Resources and Conservation</i>			
Cooperative Forestry Assistance	10.664	HZF-18-001	\$ 221,310
Total United States Department of Agriculture			<u>\$ 221,310</u>
<u>Various Agencies – 2</u>			
<i>Passed through Montana Secretary of State</i>			
Help America Vote Act Requirements Payments	90.401	N/A	\$ 33,563
Total Various Agencies – 2			<u>\$ 33,563</u>
Total Other Programs			<u>\$ 6,132,886</u>
Total Federal Financial Assistance			<u>\$ 8,458,271</u>

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, 2022

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

**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, each major fund, and the aggregate remaining fund information of Lincoln County, Montana, as of and for the year ended June 30, 2022, 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 27, 2023.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies listed as item(s) 2022-001.

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 in the accompanying schedule of findings and questioned costs as item(s) 2022-002.

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 27, 2023

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

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

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of County Commissioners
Lincoln County
Libby, Montana

Report on Compliance for each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lincoln County's compliance with the types of compliance requirements identified as subject to audit in the 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, 2022. Lincoln County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Lincoln County 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, 2022.

Basis for Opinion on Each Major Federal Program

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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Lincoln County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Lincoln County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Lincoln County's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Lincoln County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Lincoln County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Lincoln County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Lincoln County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Lincoln County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

Government Auditing Standards requires the auditor to perform limited procedures on Lincoln County's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Lincoln County's response was not subjected to other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a types 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 requirement of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

March 27, 2023

LINCOLN COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2022

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	Yes
Noncompliance material to financial statements noted?	Yes

Federal Awards

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

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
21.027	Coronavirus State and Local Fiscal Recovery Funds
20.106	Airport Improvement 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

2022-001 Road Fund Directed Investments

Condition:

The County has directed investments for the Road Fund but the amount of the investment is more than the amount of cash in the fund.

Context:

We completed substantive testing of both cash, the directed investment for the Road Fund, and the gain/loss on investments showing in the financial statements for the Road Fund.

Criteria:

When a directed investment value becomes more than the cash within the fund it was originally directed to, the interest revenues as well as gains and losses, then need to be proportionally allocated between the funds.

Effect:

The loss on investments showing in the Road Fund was overstated by \$153,906 and understated in the other funds by \$153,906.

Cause:

The investment was originally purchased with Road Fund monies when the Road Fund had significantly more cash. Since the original investment, the Road Fund's cash balance was spent down and is now less than the amount of the Investment. The County was still directing all investment earnings as well as the gains and losses on the investments solely to the Road Fund when they should have been allocating it between the Road Fund and the other County funds.

Recommendation:

We recommend that the County do an analysis of the Road Fund cash balance versus the fair market value of the investment and allocate any investment earnings and gains/losses proportionately between the Road Fund and the other.

2022-002 Budget filed with the State of Montana

Condition:

1. The Budget filed with the State of Montana did not address the revenues or expenditure budgets for all special revenue funds.
2. This also led then to budget overdrafts.

Context:

1. As part of compliance testing for the audit, we compared the original budget filed with the State of Montana to the original budget per the accounting system.
2. We also compared the original budget as filed with the State of Montana plus any budget amendments and compared that to the actual expenditures for each fund.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Criteria:

1. The budget as filed with the State of Montana should address all special revenue fund for which expenditures are going to be made and the accounting system should accurately reflect the original budget as filed with the State of Montana.
2. 7-6-4005(1) MCA states “Local government officials may not make a disbursement or expenditure or incur an obligation in excess of the total appropriations for a fund.”

Effect:

1. The original budget filed with the State of Montana did not have budgets for the following funds whereas the accounting system reflected an original budget amount
 - Road Fund
 - Airport Fund
 - Parks and Recreation Fund
 - USFS Patrol Fund
 - KFRI Fund
 - DNRC Fund
 - Rabbit Tracts Fund
 - C.I.T. Fund
2. Due to the above, the following special revenue funds went over budget as follows:
 - Road Fund \$4,402,587
 - Airport Fund \$48,142
 - Parks and Recreation Fund \$7,781
 - USFS Patrol Fund \$81,315
 - KFRI Fund \$221,310
 - DNRC Fund \$12,179
 - Rabbit Tracts Fund \$99,383
 - C.I.T. Fund \$111,785

Cause:

1. For some reason, the entire budget was not uploaded to the State of Montana.
2. The County entered in the original budget amounts into Black Mountain from the budget as approved by the commissioners but that was not what was filed with the State so they did not realize that they were exceeding their budget authority.

Recommendation:

We recommend that the County ensure that they file the entire budget with the State of Montana and double check to make sure no pages are missing.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings or questioned costs reported.

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

REPORT ON PRIOR AUDIT REPORT RECOMMENDATIONS

Board of County Commissioners
Lincoln County
Libby, Montana

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

<u>Recommendation</u>	<u>Action Taken</u>
2021-001 TEDD District Reporting	Implemented

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

March 27, 2023

LINCOLN COUNTY

STATE OF MONTANA

BRENT TESKE, COMMISSIONER
DISTRICT NO. 1, LIBBY

JIM HAMMONS, COMMISSIONER
DISTRICT NO. 2, TROY

JOSH LETCHER, COMMISSIONER
DISTRICT NO. 3, EUREKA

ROBIN A. BENSON
CLERK OF THE BOARD AND COUNTY RECORDER

Contact Person:

Wendy Drake Lincoln County finance Director

Expected Completion Date of Corrective Action Plan:

6/30/23

CORRECTIVE ACTION PLAN

FINDING 2022-001: Road Fund Directed Investments

Lincoln County will investigate the investments, and correct the road fund

FINDING 2022-002: Budget filed with the State of Montana

Budget document will be complete when sent to the State of Montana.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2021-001: TEDD District Reporting

Response: Implemented