

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

AUDIT REPORT

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

LINCOLN COUNTY, MONTANA

Fiscal Year Ended June 30, 2023

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LINCOLN COUNTY, MONTANA

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LINCOLN COUNTY, MONTANA

ORGANIZATION

Fiscal Year Ended June 30, 2023

BOARD OF COUNTY COMMISSIONERS

Josh Letcher	Chairman
Jim Hammons	Commissioner
Brent Teske	Commissioner

COUNTY OFFICIALS

Marcia Boris	County Attorney
Sedaris Carlberg	Treasurer/Superintendent of Schools
Corrina Brown	Clerk & Recorder
Wendy Drake	Finance Director
Tricia Brooks	Clerk of District Clerk
Jay Sheffield	Justice of the Peace
Darren Short	Sheriff
Steven Schackenberg	Coroner

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2023

Our discussion and analysis of Lincoln County's financial performance provides an overview of Fiscal Year 2022-2023 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 2023 are as follows:

- Federal PILT payment extended to be paid in 2023 rather than ending in 2020.
- Growth in the housing starts, and property value increases.
- There is an influx of new microbusinesses that have moved into our communities.

USING THIS ANNUAL FINANCIAL REPORT

This discussion and analysis are 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 considered 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. Overtime 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, 2023

- **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 the case of Lincoln County, total assets exceeded total liabilities by \$24,693,546 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 assets for fiscal year 2023 and compared to the prior year.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2023

Table 1 - Net Position

	Governmental Activities			Business-type Activities		
	FY23	FY22	Change Inc (Dec)	FY23	FY22	Change Inc (Dec)
	Current and other assets	\$ 28,033,693	\$ 23,572,773	\$ 4,460,920	\$ 5,433,129	\$ 5,395,217
Capital assets	12,375,363	12,208,572	166,791	1,324,873	920,245	404,628
Total assets	\$ 40,409,056	\$ 35,781,345	\$ 4,627,711	\$ 6,758,002	\$ 6,315,462	\$ 442,540
Long-term debt outstanding	\$ 9,241,869	\$ 6,506,882	\$ 2,734,987	\$ 859,405	\$ 678,395	\$ 181,010
Other liabilities	10,521,348	9,791,321	730,027	1,850,890	1,853,368	(2,478)
Total liabilities	\$ 19,763,217	\$ 16,298,203	\$ 3,465,014	\$ 2,710,295	\$ 2,531,763	\$ 178,532
Net investment in capital assets	\$ 12,521,331	\$ 12,389,586	\$ 131,745	\$ 1,324,873	\$ 920,245	\$ 404,628
Restricted	11,170,316	11,531,428	(361,112)	1,180,440	1,139,359	41,081
Unrestricted (deficit)	(3,045,808)	(4,437,872)	1,392,064	1,542,394	1,724,095	(181,701)
Total net position	\$ 20,645,839	\$ 19,483,142	\$ 1,162,697	\$ 4,047,707	\$ 3,783,699	\$ 264,008

Table 2 - Changes in Net Position

	Governmental Activities			Business-type Activities		
	FY23	FY22	Change Inc (Dec)	FY23	FY22	Change Inc (Dec)
	Revenues					
<i>Program revenues (by major source):</i>						
Charges for services	\$ 1,685,123	\$ 1,851,932	\$ (166,809)	\$ 2,048,948	\$ 2,102,219	\$ (53,271)
Operating grants and contributions	10,287,069	7,269,666	3,017,403	-	-	-
Capital grants and contributions	63,728	2,601,390	(2,537,662)	-	-	-
<i>General revenues (by major source):</i>						
Property taxes for general purposes	6,194,303	5,697,486	496,817	-	-	-
Licenses and permits	84,236	51,185	33,051	-	-	-
Video poker apportionment	17,472	15,701	1,771	-	-	-
Miscellaneous	302,954	346,489	(43,535)	249	-	249
Interest/investment earnings	128,840	(529,164)	658,004	(7,762)	(23,746)	15,984
Local option taxes	1,100,075	1,047,419	52,656	-	-	-
Unrestricted federal/state shared revenues	14,177	-	14,177	-	-	-
State entitlement	1,193,251	1,163,266	29,985	-	-	-
PILT	785,316	734,801	50,515	-	-	-
State contribution to retirement	168,541	368,705	(200,164)	23,067	50,092	(27,025)
Contributions & donations	252,987	28,772	224,215	-	-	-
Total revenues	\$ 22,278,072	\$ 20,647,648	\$ 1,630,424	\$ 2,064,502	\$ 2,128,565	\$ (64,063)
Program expenses						
General government	\$ 5,720,552	\$ 4,509,523	\$ 1,211,029	\$ -	\$ -	\$ -
Public safety	5,352,162	5,761,966	(409,804)	-	-	-
Public works	4,987,743	4,943,024	44,719	-	-	-
Public health	2,680,641	1,904,290	776,351	-	-	-
Social and economic services	153,865	144,819	9,046	-	-	-
Culture and recreation	855,730	780,932	74,798	-	-	-
Housing and community development	122,265	7,888	114,377	-	-	-
Conservation of natural resources	385,882	332,931	52,951	-	-	-
Debt service - interest	11,844	2,432	9,412	-	-	-
Miscellaneous	75,652	58,055	17,597	-	-	-
Solid Waste	-	-	-	1,915,677	1,826,838	88,839
Total expenses	\$ 20,346,336	\$ 18,445,860	\$ 1,900,476	\$ 1,915,677	\$ 1,826,838	\$ 88,839
Excess (deficiency) before special items and transfers	\$ 1,931,736	\$ 2,201,788	\$ (270,052)	\$ 148,825	\$ 301,727	\$ (152,902)
Gain (loss) on sale of capital assets	-	50,373	(50,373)	-	-	-
Transfers - net	(319,940)	86,872	(406,812)	319,940	(86,872)	406,812
Increase (decrease) in net position	\$ 1,611,796	\$ 2,339,033	\$ (727,237)	\$ 468,765	\$ 214,855	\$ 253,910

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2023

Condensed Financial Statements

By far the largest portion of the County's net position is reflected in net investment 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 assets may be used to meet the County's ongoing obligations to citizens and creditors.

The cost of all Governmental activities this year was \$20,346,336 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 \$6,194,303. 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 waste 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.

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 2023 the combined ending fund balances of Lincoln County's governmental funds were \$19,216,167. At year end, the County had \$8,418,300 in unassigned fund balance in the General Fund and restricted fund balances of \$10,924,854 which maintains cash reserves to provide liquidity until tax revenue is received in November. The remaining cash may be re-appropriated in accordance with the purposes of the specific funds.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2023

Lincoln County has two major governmental funds: The General Fund and Public Safety Fund and one major proprietary fund, Solid Waste.

General Fund.

This is the chief operating fund of Lincoln County. At the end of the fiscal year 2023 unreserved fund balance of the General Fund was \$8,418,300. 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. 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. The General Fund balance increased over fiscal year 2022 by over \$2.8M. The increase actually stemmed from the ARPA Fund and the LATCF Fund. Both of these funds received Covid related grants. These funds are combined with the General Fund for financial reporting purposes under GASB 54.

Road Fund

This fund is used to report all County Road projects. At the end of the fiscal year 2023 the fund balance was \$6,886,580. All of which is restricted to road projects. Fund balance decreased over the prior year by \$1,616,803.

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 2023, the fund had a restricted fund balance of \$1,222,358. Prior year ending fund balance was \$354,469. This is an increase in fund balance by \$867,889.

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 2023. the Solid Waste fund had a total net position of \$4,047,707 which was an increase of \$334,889 from the prior year balance of \$3,783,699.

FY23 General Fund Budgetary Highlights

Over the course of the year, Lincoln County's General Fund remained the same. The General Fund expenditure budget was \$4,342,669 and actual expenditures came in at only \$3,563,579. The County was able to shift some of the expenditures from the General Fund to the ARPA and LATCF Funds as that is allowable.

Capital Assets

Lincoln County's investment in capital and leased assets (depreciable, net) for its governmental and business type activities as of June 30, 2023, was \$14,284,456. This investment in capital assets includes land, significant road projects, construction in progress, buildings, machinery & equipment, and improvements other than buildings. For Governmental Activities during fiscal year 2023, the County purchased \$949,835 in capital assets, and had additions of \$694,429 in construction in progress. As part of the additions to the governmental funds, \$453,815 were actually for landfill assets and as such were donated to that fund. Other additions were several vehicles/trucks, a snowplow, a mower, and an asphalt paver.

MANAGEMENT DISCUSSION & ANALYSIS

Lincoln County, Montana
For the Year Ended June 30, 2023

For the Solid Waste, the County purchased a fence for the solid waste for \$37,398 and continued the landfill expansion project costing \$74,388. There was also \$266,242 paid for the project which was an ARPA competitive grant.

Debt

The County's debt/long term type liabilities consist of landfill closure post closure of \$1,221,0066, OPEB of \$2,984,786, compensated absences of \$1,001,669, lease liabilities of \$438,252, and net pension liabilities of \$9,099,605. The County doesn't have any loans or bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

The re-authorization of the Secure Rural Schools and Communities Act has helped stabilize funding for the Road Fund, albeit a temporary fix for a complicated problem.

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

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

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

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

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

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

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

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, 2023, 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, 2023, 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 2023, Lincoln County, Montana adopted new accounting guidance, GASB No. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. 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 Entity'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 May 31, 2024, 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.

May 31, 2024

Lincoln County, Montana
Statement of Net Position
June 30, 2023

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and investments	\$ 23,514,149	\$ 3,817,317	\$ 27,331,466
Taxes and assessments receivable, net	266,114	190,684	456,798
Accounts receivable - net	-	39,290	39,290
Notes and loans receivable	141,000	-	141,000
Due from other governments	687,073	-	687,073
Total current assets	<u>\$ 24,608,336</u>	<u>\$ 4,047,291</u>	<u>\$ 28,655,627</u>
Noncurrent assets			
Restricted cash and investments	\$ -	\$ 1,180,440	\$ 1,180,440
Capital assets - land	609,651	850	610,501
Capital assets - construction in progress	3,122,766	361,523	3,484,289
Capital assets - depreciable, net	8,642,946	962,500	9,605,446
Leased assets, net	584,220	-	584,220
Total noncurrent assets	<u>\$ 12,959,583</u>	<u>\$ 2,505,313</u>	<u>\$ 15,464,896</u>
Total assets	<u>\$ 37,567,919</u>	<u>\$ 6,552,604</u>	<u>\$ 44,120,523</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources - pensions	\$ 2,187,283	\$ 127,562	\$ 2,314,845
Deferred outflows of resources - OPEB	653,854	77,836	731,690
Total deferred outflows of resources	<u>\$ 2,841,137</u>	<u>\$ 205,398</u>	<u>\$ 3,046,535</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
	<u>\$ 40,409,056</u>	<u>\$ 6,758,002</u>	<u>\$ 47,167,058</u>
LIABILITIES			
Current liabilities			
Warrants payable	\$ 956,713	\$ -	\$ 956,713
Accounts payable	40,970	-	40,970
Accrued payroll	425,672	41,014	466,686
Revenues collected in advance	3,702,700	-	3,702,700
Current portion of compensated absences payable	666,732	87,187	753,919
Current portion of lease liability	131,573	-	131,573
Total current liabilities	<u>\$ 5,924,360</u>	<u>\$ 128,201</u>	<u>\$ 6,052,561</u>
Noncurrent liabilities			
Landfill closure postclosure liability	\$ -	\$ 1,221,066	\$ 1,221,066
Noncurrent portion of OPEB	2,667,271	317,515	2,984,786
Noncurrent portion of compensated absences	219,418	28,332	247,750
Net pension liability	8,355,719	743,886	9,099,605
Noncurrent portion of lease liabilities	306,679	-	306,679
Total noncurrent liabilities	<u>\$ 11,549,087</u>	<u>\$ 2,310,799</u>	<u>\$ 13,859,886</u>
Total liabilities	<u>\$ 17,473,447</u>	<u>\$ 2,439,000</u>	<u>\$ 19,912,447</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources - pensions	\$ 468,247	\$ 54,459	\$ 522,706
Deferred inflows of resources - OPEB	1,821,523	216,836	2,038,359
Total deferred inflows of resources	<u>\$ 2,289,770</u>	<u>\$ 271,295</u>	<u>\$ 2,561,065</u>
NET POSITION			
Net investment in capital assets	\$ 12,521,331	\$ 1,324,873	\$ 13,846,204
Restricted for special projects	11,170,316	-	11,170,316
Restricted for landfill closure/postclosure	-	1,180,440	1,180,440
Unrestricted	(3,045,808)	1,542,394	(1,503,414)
Total net position	<u>\$ 20,645,839</u>	<u>\$ 4,047,707</u>	<u>\$ 24,693,546</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
	<u>\$ 40,409,056</u>	<u>\$ 6,758,002</u>	<u>\$ 47,167,058</u>

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Activities
For the Fiscal Year Ended June 30, 2023

<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>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
						<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Primary government:								
Governmental activities:								
General government	\$ 5,720,552	\$ (520,949)	\$ 626,066	\$ 2,015,718	\$ -	\$ (2,557,819)	\$ -	\$ (2,557,819)
Public safety	5,352,162	217,175	260,918	1,258,946	-	(4,049,473)	-	(4,049,473)
Public works	4,987,743	169,898	743,133	2,851,685	63,728	(1,499,095)	-	(1,499,095)
Public health	2,680,641	-	12,772	3,855,377	-	1,187,508	-	1,187,508
Social and economic services	153,865	-	5,005	206,157	-	57,297	-	57,297
Culture and recreation	855,730	-	37,229	-	-	(818,501)	-	(818,501)
Housing and community development	122,265	-	-	99,186	-	(23,079)	-	(23,079)
Conservation of natural resources	385,882	-	-	-	-	(385,882)	-	(385,882)
Debt service - interest	11,844	-	-	-	-	(11,844)	-	(11,844)
Miscellaneous	75,652	-	-	-	-	(75,652)	-	(75,652)
Total governmental activities	\$ 20,346,336	\$ (133,876)	\$ 1,685,123	\$ 10,287,069	\$ 63,728	\$ (8,176,540)	\$ -	\$ (8,176,540)
Business-type activities:								
Solid Waste	\$ 1,915,677	\$ 133,876	\$ 2,048,948	\$ -	\$ -	\$ -	\$ (605)	\$ (605)
Total business-type activities	\$ 1,915,677	\$ 133,876	\$ 2,048,948	\$ -	\$ -	\$ -	\$ (605)	\$ (605)
Total primary government	\$ 22,262,013	\$ -	\$ 3,734,071	\$ 10,287,069	\$ 63,728	\$ (8,176,540)	\$ (605)	\$ (8,177,145)
General Revenues:								
Property taxes for general purposes						\$ 6,194,303	\$ -	\$ 6,194,303
Licenses and permits						84,236	-	84,236
Video poker apportionment						17,472	-	17,472
Miscellaneous						302,954	249	303,203
Interest/investment earnings						128,840	(7,762)	121,078
Local option taxes						1,100,075	-	1,100,075
Unrestricted federal/state shared revenues						14,177	-	14,177
State entitlement						1,193,251	-	1,193,251
PILT						785,316	-	785,316
State contribution to retirement						168,541	23,067	191,608
Contributions & donations						252,987	-	252,987
Transfers - net						(319,940)	319,940	-
Total general revenues, special items and transfers						\$ 9,922,212	\$ 335,494	\$ 10,257,706
Change in net position						\$ 1,745,672	\$ 334,889	\$ 2,080,561
Net position - beginning						\$ 19,483,142	\$ 3,783,699	\$ 23,266,841
Restatements						(582,975)	(70,881)	(653,856)
Net position - beginning - restated						\$ 18,900,167	\$ 3,712,818	\$ 22,612,985
Net position - end						\$ 20,645,839	\$ 4,047,707	\$ 24,693,546

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Balance Sheet
Governmental Funds
June 30, 2023

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Current assets:					
Cash and investments	\$ 12,045,409	\$ 6,957,025	\$ 1,353,783	\$ 3,157,932	\$ 23,514,149
Taxes and assessments receivable, net	19,075	-	127,714	119,325	266,114
Notes and loans receivable	141,000	-	-	-	141,000
Due from other funds	656,037	-	-	-	656,037
Due from other governments	-	-	18,516	668,557	687,073
TOTAL ASSETS	<u>\$ 12,861,521</u>	<u>\$ 6,957,025</u>	<u>\$ 1,500,013</u>	<u>\$ 3,945,814</u>	<u>\$ 25,264,373</u>
LIABILITIES					
Current liabilities:					
Warrants payable	\$ 956,713	\$ -	\$ -	\$ -	\$ 956,713
Accounts payable	500	7,914	-	32,556	40,970
Accrued payroll	110,534	62,531	149,941	102,666	425,672
Due to other funds	-	-	-	656,037	656,037
Revenues collected in advance	3,356,399	-	-	346,301	3,702,700
Total liabilities	<u>\$ 4,424,146</u>	<u>\$ 70,445</u>	<u>\$ 149,941</u>	<u>\$ 1,137,560</u>	<u>\$ 5,782,092</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred inflows of resources - taxes and assessments	\$ 19,075	\$ -	\$ 127,714	\$ 119,325	\$ 266,114
Total deferred inflows of resources	<u>\$ 19,075</u>	<u>\$ -</u>	<u>\$ 127,714</u>	<u>\$ 119,325</u>	<u>\$ 266,114</u>
FUND BALANCES					
Restricted	\$ -	\$ 6,886,580	\$ 1,222,358	\$ 2,820,886	\$ 10,929,824
Committed	-	-	-	66,906	66,906
Unassigned fund balance	8,418,300	-	-	(198,863)	8,219,437
Total fund balance	<u>\$ 8,418,300</u>	<u>\$ 6,886,580</u>	<u>\$ 1,222,358</u>	<u>\$ 2,688,929</u>	<u>\$ 19,216,167</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 12,861,521</u>	<u>\$ 6,957,025</u>	<u>\$ 1,500,013</u>	<u>\$ 3,945,814</u>	<u>\$ 25,264,373</u>

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, 2023

Total fund balances - governmental funds	\$ 19,216,167
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,375,363
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.	266,114
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(886,150)
Net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(8,355,719)
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.	2,187,283
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.	(468,247)
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.	653,854
The changes between actuarial assumptions and differences in projected vs actual liability as they relate to the total other post-employment beneits liability are a deferred inflows of resources and are not available to pay for current expenditures, therefore are not reported in the funds.	(1,821,523)
Leased assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	584,220
Lease liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(438,252)
Other post-employment benefit liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(2,667,271)
Total net position - governmental activities	\$ <u>20,645,839</u>

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2023

	<u>General</u>	<u>Road</u>	<u>Public Safety</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes and assessments	\$ 1,563,921	\$ -	\$ 2,904,652	\$ 2,746,034	\$ 7,214,607
Licenses and permits	84,236	-	-	-	84,236
Intergovernmental	5,021,978	2,426,476	1,955,723	3,105,687	12,509,864
Charges for services	283,275	267,209	333,352	391,126	1,274,962
Fines and forfeitures	152,459	-	-	31,471	183,930
Miscellaneous	135,710	66,646	20,577	517,622	740,555
Investment earnings	22,576	111,043	-	(4,575)	129,044
Total revenues	<u>\$ 7,264,155</u>	<u>\$ 2,871,374</u>	<u>\$ 5,214,304</u>	<u>\$ 6,787,365</u>	<u>\$ 22,137,198</u>
EXPENDITURES					
General government	\$ 3,322,758	\$ -	\$ -	\$ 558,724	\$ 3,881,482
Public safety	188,537	-	4,766,507	674,729	5,629,773
Public works	25,475	3,607,662	-	832,295	4,465,432
Public health	1,184,042	-	-	1,486,460	2,670,502
Social and economic services	2,491	-	-	151,374	153,865
Culture and recreation	20,266	1,455	-	726,104	747,825
Housing and community development	25,656	-	-	96,609	122,265
Conservation of natural resources	-	-	-	385,882	385,882
Debt service - principal	-	138,616	-	-	138,616
Debt service - interest	-	11,844	-	-	11,844
Miscellaneous	-	-	-	75,652	75,652
Capital outlay	388,448	558,702	47,924	649,190	1,644,264
Lease outlay	-	184,744	-	-	184,744
Total expenditures	<u>\$ 5,157,673</u>	<u>\$ 4,503,023</u>	<u>\$ 4,814,431</u>	<u>\$ 5,637,019</u>	<u>\$ 20,112,146</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 2,106,482</u>	<u>\$ (1,631,649)</u>	<u>\$ 399,873</u>	<u>\$ 1,150,346</u>	<u>\$ 2,025,052</u>
OTHER FINANCING SOURCES (USES)					
Inception of lease	\$ -	\$ 184,744	\$ -	\$ -	\$ 184,744
Transfers in	1,032,798	-	685,191	400,040	2,118,029
Transfers out	(263,190)	(169,898)	(217,175)	(1,333,891)	(1,984,154)
Total other financing sources (uses)	<u>\$ 769,608</u>	<u>\$ 14,846</u>	<u>\$ 468,016</u>	<u>\$ (933,851)</u>	<u>\$ 318,619</u>
Net Change in Fund Balance	<u>\$ 2,876,090</u>	<u>\$ (1,616,803)</u>	<u>\$ 867,889</u>	<u>\$ 216,495</u>	<u>\$ 2,343,671</u>
Fund balances - beginning	\$ 5,542,210	\$ 8,503,383	\$ 354,469	\$ 2,472,434	\$ 16,872,496
Fund balance - ending	<u>\$ 8,418,300</u>	<u>\$ 6,886,580</u>	<u>\$ 1,222,358</u>	<u>\$ 2,688,929</u>	<u>\$ 19,216,167</u>

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, 2023

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

Net change in fund balances - total governmental funds \$ 2,343,671

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

- Capital assets purchased 1,644,264
- Depreciation expense (1,017,982)

In the Statement of Activities, the loss or gain on the sale, disposal, or contribution 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 (5,676)
- Contribution of capital assets to solid waste fund (453,815)

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) 79,772

The change in compensated absences is shown as an expense in the Statement of Activities (4,569)

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 principal payments 138,616

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

- Inception of lease (184,744)

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 (136,485)

Pension expense related to the net pension liability is shown as an expense on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance (1,431,501)

State aid revenue related to net pension liability is shown as a revenue on the Statement of Activities and not reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance 66,778

Current year contributions to retirement benefits are shown as deferred outflows of resources on the Statement of Net Position and shown as expenditures on the Statement of Revenues, Expenditures, and Changes in Fund Balance when paid. 708,719

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 184,744
- Amortization expense (186,120)

Change in net position - Statement of Activities \$ 1,745,672

See accompanying Notes to the Financial Statements

Lincoln County, Montana
Statement of Net Position
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds <hr/> Solid Waste <hr/>
ASSETS	
Current assets:	
Cash and investments	\$ 3,817,317
Taxes and assessments receivable, net	190,684
Accounts receivable - net	39,290
Total current assets	<u>\$ 4,047,291</u>
Noncurrent assets:	
Restricted cash and investments	\$ 1,180,440
Capital assets - land	850
Capital assets - construction in progress	361,523
Capital assets - depreciable, net	962,500
Total noncurrent assets	<u>\$ 2,505,313</u>
Total assets	<u>\$ 6,552,604</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	\$ 127,562
Deferred outflows of resources - OPEB	77,836
Total deferred outflows of resources	<u>\$ 205,398</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u><u>\$ 6,758,002</u></u>
 LIABILITIES	
Current liabilities:	
Accrued payroll	\$ 41,014
Current portion of compensated absences payable	87,187
Total current liabilities	<u>\$ 128,201</u>
Noncurrent liabilities:	
Landfill closure postclosure liability	\$ 1,221,066
Noncurrent portion of OPEB	317,515
Noncurrent portion of compensated absences	28,332
Net pension liability	743,886
Total noncurrent liabilities	<u>\$ 2,310,799</u>
Total liabilities	<u>\$ 2,439,000</u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	\$ 54,459
Deferred inflows of resources - OPEB	216,836
Total deferred inflows of resources	<u>\$ 271,295</u>
 NET POSITION	
Net investment in capital assets	\$ 1,324,873
Restricted for landfill closure/postclosure	1,180,440
Unrestricted	1,542,394
Total net position	<u>\$ 4,047,707</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u><u>\$ 6,758,002</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, 2023

		Business-Type Activities - Enterprise Funds
		<u>Solid Waste</u>
OPERATING REVENUES		
Charges for services	\$	2,049,197
Total operating revenues	\$	<u>2,049,197</u>
OPERATING EXPENSES		
Personal services	\$	1,090,116
Supplies		331,595
Purchased services		381,408
Fixed charges		85,461
Depreciation		160,973
Total operating expenses	\$	<u>2,049,553</u>
Operating income (loss)	\$	<u>(356)</u>
NON-OPERATING REVENUES (EXPENSES)		
Intergovernmental revenue	\$	23,067
Interest revenue		(7,762)
Total non-operating revenues (expenses)	\$	<u>15,305</u>
Income (loss) before contributions and transfers	\$	14,949
Capital contributions		453,815
Transfers out		(133,875)
Change in net position	\$	<u>334,889</u>
Net Position - Beginning of the year	\$	3,783,699
Restatements		(70,881)
Net Position - Beginning of the year - Restated	\$	<u>3,712,818</u>
Net Position - End of the year	\$	<u>4,047,707</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, 2023

	Business - Type
	Activities
	Solid Waste
Cash flows from operating activities:	
Cash received from providing services	\$ 1,999,000
Cash payments to suppliers	(353,517)
Cash payments for professional services	(400,123)
Cash payments to employees	(989,288)
Net cash provided (used) by operating activities	\$ 256,072
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	\$ (111,786)
Net cash provided (used) by capital and related financing activities	\$ (111,786)
Cash flows from non-capital financing activities:	
Transfers to other funds	\$ (133,875)
Net cash provided (used) from non-capital financing activities	\$ (133,875)
Cash flows from investing activities:	
Interest on investments	\$ (7,762)
Net cash provided (used) by investing activities	\$ (7,762)
Net increase (decrease) in cash and cash equivalents	\$ 2,649
Cash and cash equivalents at beginning	4,980,622
Cash and cash equivalents at end	\$ 4,983,271
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (356)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	160,973
Other post-employment benefits expense	20,207
Pension expense	79,844
Landfill closure/postclosure expense	63,539
Changes in assets and liabilities:	
Assessment receivables	(15,961)
Accounts receivables	(34,236)
Accrued payroll	11,128
Compensated absence liabilities	(10,351)
Accounts payable	(18,715)
Net cash provided (used) by operating activities	\$ 256,072
Noncash investing and financing activities:	
On behalf public employees retirement system payments	\$ 23,067

See accompanying notes to the financial statements

Lincoln County, Montana
Statement of Net Position
Fiduciary Funds
June 30, 2023

	Custodial Funds	External Investment Pool Fund
ASSETS		
Cash and short-term investments	\$ 27,749	\$ 17,544,234
Taxes receivable	807,816	-
TOTAL ASSETS	\$ 835,565	\$ 17,544,234
LIABILITIES		
Due to others	\$ 3,029,998	\$ -
Total liabilities	\$ 3,029,998	\$ -
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	\$ (2,194,433)	\$ -
Total net position	\$ (2,194,433)	\$ 17,544,234
TOTAL LIABILITIES AND NET POSTION	\$ 835,565	\$ 17,544,234

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, 2023

	Custodial Funds	
	Custodial Funds	External Investment Pool Fund
ADDITIONS		
Contributions:		
Contributions to investment pool	\$ -	\$ 8,933,684
Interest and change in fair value of investments	-	(126,314)
Taxes, licenses, and fees collected for other governments	18,593,901	-
Property taxes collected for school districts	7,137,469	-
Intergovernmental grants, entitlements, and other fees collected for school districts	\$ 31,809,455	\$ -
Investment pool contributions - net	1,030,418	-
Total additions	\$ 58,571,243	\$ 8,807,370
DEDUCTIONS		
Distributions from investment pool	\$ -	\$ 9,837,788
Taxes, licenses, and fees distributed to other governments	17,386,637	-
School district claims and payroll expense	38,148,907	-
Total deductions	\$ 55,535,544	\$ 9,837,788
Change in net position	\$ 3,035,699	\$ (1,030,418)
Net Position - Beginning of the year	\$ (425,817)	\$ 13,770,337
Restatements	(4,804,315)	4,804,315
Net Position - Beginning of the year - Restated	\$ (5,230,132)	\$ 18,574,652
Net Position - End of the year	\$ (2,194,433)	\$ 17,544,234

See accompanying Notes to the Financial Statements

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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. 96 Subscription-Based Information Technology Arrangements (SBITA) is effective for years beginning after June 15, 2022, and all reporting periods thereafter. This statement establishes standards of accounting and financial reporting for SBITAs through specifically defined criteria to identify when a government has a SBITA contract that requires a subscription liability and intangible right-to-use asset be reported and disclosed. The statement defines how governments are to measure the subscription liability and intangible right -to-use asset and required footnote disclosures for those liabilities and assets reported. Lastly, the statement addresses the reporting for implementation phase costs, impairments on SBITA's, incentives provided by SBITA vendor, contracts with multiple components and combinations, and modifications and terminations to SBITA contracts. 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, 2023

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, 2023

Measurement Focus and Basis of Accounting

On the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-type activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred regardless of the timing of the cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The County generally applies restricted resources to expenses incurred before using unrestricted resources when both restricted and unrestricted net assets are available.

Fund Financial Statements

Basis of Presentation

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

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

LINCOLN COUNTY, MONTANA
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Measurement Focus and Basis of Accounting

Governmental Funds

Modified Accrual

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. “Measurable” means the amount of the transaction can be determined. “Available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The County defined the length of time used for “available” for purposes of revenue recognition in the governmental fund financial statements as collection within 60 days of the end of the current fiscal period, except for property taxes and other state grants that are recognized upon receipt.

Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources. General capital asset acquisitions are reported as expenditures in governmental funds and proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Major Funds:

The County reports the following major governmental funds:

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

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

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 are held by the County in a custodial capacity. This fund primarily consists of reporting of resources held by the County as an agent for individuals, private organizations, and 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
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NOTE 2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Composition

Composition of cash, deposits and investments at fair value on June 30, 2023, 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	448,057
Savings deposits	27,777,014
Time deposits	3,864,592
<u>Investments:</u>	
State Short-Term Investment Pool (STIP)	44,831
U.S. Government Securities	<u>13,946,995</u>
Total	<u>\$ 46,083,889</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, U.S Government Securities and all other short-term investments with original maturity dates of three months or less from the date of acquisition.

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

Fair Value Measurements

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

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

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

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

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

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

Credit Risk

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

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

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

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

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

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

With the exception of the assets of a local government group self-insurance program, investments may not have a maturity date exceeding 5 years except when the investment is used in an escrow account to refund an outstanding bond issue in advance.

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.

LINCOLN COUNTY, MONTANA
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The government has no investment policy that would further limit its investment choices.

Short Term Investment Pool (STIP) Credit Quality ratings by the S&P's rating services as of June 30, 2023, (in thousands):

<u>Security Investment Type</u>	Total Fixed Income Investments at <u>Fair Value</u>	Credit Quality <u>Rating</u>	WAM <u>(Days)</u>
Treasuries	\$ 543,893	A-1+	8
Agency of Government Related	847,891	A-1+	12
Corporate:			
Commercial Paper	924,505	A-1+	19
Notes	408,375	A-1+	3
Certificates of Deposit	<u>1,254,156</u>	A-1+	40
Total Investments	<u>\$ 3,978,820</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, 2023, the government's bank balance was exposed to custodial credit risk as follows:

<u>Depository Account</u>	June 30, 2023 <u>Balance</u>
Insured	\$ 4,663,762
- Collateral held by the pledging bank's trust department but not in the County's name	<u>27,212,279</u>
Total deposits and investments	<u>\$ 31,876,041</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, 2023, equaled or exceeded the amount required by State statutes.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Interest Rate Risk

The government does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, but as stated above is limited to investment maturities of 5 years per MCA 7-6-202. The following is a list of individual investments as of June 30, 2023, along with their related interest rates and maturity dates.

Investment	Interest Rate	Maturity	Amount
STIP	0.098%	N/A	\$ 44,831
United States Treasury Note/Bond	1.250%	8/31/2024	33,529
United States Treasury Note/Bond	0.250%	3/15/2024	9,654
United States Treasury Note/Bond	2.500%	5/31/2024	29,281
United States Treasury Note/Bond	3.875%	3/31/2025	32,673
Federal Agricultural Mortgage Corp	3.200%	8/26/2027	72,945
Federal Farm Credit Banks Funding Corp	1.600%	12/14/2026	18,166
Federal Farm Credit Banks Funding Corp	1.600%	7/17/2023	30,176
Federal Farm Credit Banks Funding Corp	1.820%	4/6/2026	13,972
Federal Farm Credit Banks Funding Corp	1.820%	12/18/2025	46,507
Federal Farm Credit Banks Funding Corp	2.630%	8/3/2026	33,478
Federal Farm Credit Banks Funding Corp	0.680%	6/10/2025	109,890
Federal Home Loan Banks	4.375%	6/12/2026	19,935
Federal Home Mortgage Corp	1.500%	2/12/2025	16,145
Federal Home Mortgage Corp	0.300%	12/29/2023	38,979
Federal National Mortgage Association	0.500%	11/7/2025	9,070
United States Treasury Note/Bond	1.250%	8/31/2024	28,739
United States Treasury Note/Bond	2.250%	12/31/2024	26,812
United States Treasury Note/Bond	0.250%	3/15/2024	9,654
United States Treasury Note/Bond	3.875%	3/31/2025	29,702
United States Treasury Note/Bond	4.250%	9/30/2024	34,915
Federal Agricultural Mortgage Corp	3.200%	8/26/2027	68,082
Federal Farm Credit Banks Funding Corp	1.210%	3/3/2025	80,008
Federal Farm Credit Banks Funding Corp	1.600%	12/14/2026	13,624
Federal Farm Credit Banks Funding Corp	1.820%	4/6/2026	13,972
Federal Farm Credit Banks Funding Corp	1.820%	12/18/2025	46,507
Federal Farm Credit Banks Funding Corp	3.320%	2/25/2026	63,471
Federal Farm Credit Banks Funding Corp	0.500%	5/14/2025	7,376
Federal Farm Credit Banks Funding Corp	0.680%	6/10/2025	109,890
Federal Home Loan Banks	1.590%	6/7/2024	28,991
Federal Home Loan Banks	1.875%	9/11/2026	13,929
Federal Home Loan Mortgage Corp	0.300%	12/29/2023	38,978
Federal National Mortgage Association	1.875%	9/24/2026	9,281
Federal National Mortgage Association Note	0.650%	7/30/2025	459,069
Federal Home Loan Banks Debenture	4.100%	8/8/2025	486,776
Federal National Mortgage Association Note	0.625%	8/28/2025	457,177
Federal Home Loan Banks Debenture	4.670%	9/30/2025	498,197
Federal National Mortgage Association Note	0.580%	10/20/2025	454,279

LINCOLN COUNTY, MONTANA
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Federal Farm Credit Banks Debenture	3.370%	12/8/2025	240,537
Federal National Mortgage Association Medium Term Note	5.450%	12/23/2025	496,975
Federal Home Loan Banks Debenture	0.660%	2/25/2026	446,756
Federal Farm Credit Banks Debenture	0.840%	3/2/2026	452,232
Federal National Mortgage Association Medium Term Note	4.500%	3/27/2026	495,732
Federal Home Loan Banks Debenture	1.000%	3/30/2026	453,140
Federal Home Loan Banks Debenture	1.000%	9/30/2026	447,295
Federal Home Loan Banks Debenture	1.100%	10/13/2026	449,121
Federal Home Loan Banks Debenture	1.500%	12/3/2026	453,107
Federal Home Loan Banks Debenture	2.080%	2/25/2027	462,086
Federal Home Loan Banks Debenture	2.860%	3/29/2027	397,752
Federal Farm Credit Banks Debenture	5.390%	5/18/2027	244,089
Federal Home Loan Banks Debenture	4.300%	7/28/2027	495,053
Federal National Mortgage Association Medium Term Note	5.000%	1/26/2028	245,863
Federal Home Loan Banks Debenture	0.660%	2/25/2026	446,756
Federal Home Loan Banks Debenture	1.050%	4/29/2026	446,560
Federal Home Loan Banks Debenture	1.250%	10/1/2626	450,891
Federal Home Loan Banks Debenture	1.500%	12/3/2026	453,107
Federal Home Loan Banks Debenture	3.000%	4/21/2027	474,905
Federal Farm Credit Banks Debenture	0.940%	9/28/2026	446,426
Federal National Mortgage Association Medium Term Note	0.570%	10/8/2025	454,769
Federal National Mortgage Association Medium Term Note	4.200%	8/28/2025	497,035
Federal National Mortgage Association Note	0.650%	8/25/2025	457,643
Federal National Mortgage Association Note	0.720%	7/9/2025	458,620
Federal National Mortgage Association Medium Term Note	4.000%	3/14/2025	86,716
Total			<u>\$ 13,991,826</u>

Cash and Investment Pool

The government maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Cash and investments." In addition, investments are separately held by one of the government's funds. The deposits and investments of the Solid Waste Fund is 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, time deposits, interest bearing savings accounts, and an insured cash sweep account. The pooled funds are carried at fair value.

LINCOLN COUNTY, MONTANA
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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, 2023, 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, 2023.

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

Investment Income

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

Condensed statements of investments pools

The following represents a condensed statement of net position and changes in net position for the Treasurer's Pool as of June 30, 2023.

Statement of Net Position

Net position held in trust for all pool participants:	
Equity of internal pool participants	\$ 25,788,565
Equity of external pool participants	17,544,234
Total equity	<u>\$ 43,332,799</u>

Condensed Statement of Changes in Net Position

	<u>External</u>	<u>Internal</u>
Investment earnings	\$ (126,314)	\$ (186,897)
Contributions	8,933,684	17,293,358
Distributions paid	<u>(9,837,788)</u>	<u>(8,715,458)</u>
Net change in net position	\$ (1,030,418)	\$ 8,391,003
Net position at beginning of year	13,770,337	10,185,750
Restatements	4,804,315	7,211,812
Net position at end of year	<u>\$ 17,544,234</u>	<u>\$ 25,788,565</u>

NOTE 3. RESTRICTED CASH/INVESTMENTS

The following restricted cash/investments were held by the County as of June 30, 2023. 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	\$ 531,388
Solid Waste	Landfill Post Closure	<u>649,052</u>
Total		<u>\$1,180,440</u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 4. RECEIVABLES

Tax Receivables

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

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

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

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

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In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34 which requires the inclusion of infrastructure capital assets in local governments' basic financial statements. In accordance with Statement No. 34, the County has included the value of all infrastructure into the 2023 Basic Financial Statements. The government has elected not to retroactively report general infrastructure assets.

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

Governmental activities:

	Balance July 1, 2022	Additions	Deletions	Transfers	Transfer to Solid Waste	Balance June 30, 2023
Capital assets not being depreciated:						
Land	\$ 609,651	\$ -	\$ -	\$ -	\$ -	\$ 609,651
Construction in progress	2,754,879	694,429	-	(60,300)	(266,242)	3,122,766
Total capital assets not being depreciated	<u>\$ 3,364,530</u>	<u>\$ 694,429</u>	<u>\$ -</u>	<u>\$ (60,300)</u>	<u>\$ (266,242)</u>	<u>\$ 3,732,417</u>
Other capital assets:						
Buildings	\$ 5,203,338	\$ -	\$ -	\$ -	\$ -	\$ 5,203,338
Improvements other than buildings	11,326,622	-	-	60,300	-	11,386,922
Machinery and equipment	12,770,775	949,835	(284,657)	-	(187,573)	13,248,380
Infrastructure	1,935,106	-	-	-	-	1,935,106
Total other capital assets at historical cost	<u>\$ 31,235,841</u>	<u>\$ 949,835</u>	<u>\$ (284,657)</u>	<u>\$ 60,300</u>	<u>\$ (187,573)</u>	<u>\$ 31,773,746</u>
Less: accumulated depreciation	<u>(22,391,799)</u>	<u>(1,017,982)</u>	<u>278,981</u>	<u>-</u>	<u>-</u>	<u>(23,130,800)</u>
Total	<u>\$ 12,208,572</u>	<u>\$ 626,282</u>	<u>\$ (5,676)</u>	<u>\$ -</u>	<u>\$ (453,815)</u>	<u>\$ 12,375,363</u>

Governmental activities depreciation expense was charged to functions as follows:

Governmental Activities:

General government	\$ 176,355
Public safety	217,494
Public works	506,089
Public health	10,139
Culture and recreation	107,905
Total governmental activities depreciation expense	<u>\$ 1,017,982</u>

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

Business-type activities:

	Balance July 1, 2022	Additions	Transfer From Governmental	Balance June 30, 2023
Capital assets not being depreciated:				
Land	\$ 850	\$ -	\$ -	\$ 850
Construction in progress	20,893	74,388	266,242	361,523
Total capital assets not being depreciated	<u>\$ 21,743</u>	<u>\$ 74,388</u>	<u>\$ 266,242</u>	<u>\$ 362,373</u>
Other capital assets:				
Buildings	\$ 303,740	\$ -	\$ -	\$ 303,740
Improvements other than buildings	114,803	37,398	-	152,201
Machinery and equipment	2,706,850	-	187,573	2,894,423
Total other capital assets at historical cost	<u>\$ 3,125,393</u>	<u>\$ 37,398</u>	<u>\$ 187,573</u>	<u>\$ 3,350,364</u>
Less: accumulated depreciation	<u>(2,226,891)</u>	<u>(160,973)</u>	<u>-</u>	<u>(2,387,864)</u>
Total	<u>\$ 920,245</u>	<u>\$ (49,187)</u>	<u>\$ 453,815</u>	<u>\$ 1,324,873</u>

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

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, 2023, the following changes occurred in liabilities reported in long-term debt:

Governmental Activities:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 881,581	\$ 4,569	\$ 886,150	\$ 666,732
Total	<u>\$ 881,581</u>	<u>\$ 4,569</u>	<u>\$ 886,150</u>	<u>\$ 666,732</u>

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

Business-type Activities:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	\$ 125,870	\$ -	\$ (10,351)	\$ 115,519	\$ 87,187
Landfill Closure/Postclosure	1,157,527	63,539	-	1,221,066	-
Total	<u>\$ 1,283,397</u>	<u>\$ 63,539</u>	<u>\$ (10,351)</u>	<u>\$ 1,336,585</u>	<u>\$ 87,187</u>

Compensated Absences

Compensated absences are absences for which employees will be paid for time off earned for time during employment, such as earned vacation and sick leave. It is the County's policy and state law to permit employees to accumulate a limited amount of earned but unused vacation benefits, which will be paid to employees upon separation from County service. Employees are allowed to accumulate and carry over a maximum of two times their annual accumulation of vacation, but the excess cannot be carried forward more than 90 days into the new calendar year. There is no restriction on the amount of sick leave that may be accumulated. Upon separation, employees are paid 100 percent of accumulated vacation and 25 percent of accumulated sick leave. The liability associated with governmental fund-type employees is reported in the governmental activities, while the liability associated with proprietary fund-type employees is recorded in the business-type activities/respective proprietary fund.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 8. 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 \$1,221,066 reported as landfill closure and postclosure liability at June 30, 2023, represents the cumulative amount reported to date based on the use of 91.08% of the estimated capacity of the landfill. The County will recognize the remaining estimated cost of closure and postclosure care of \$119,586 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure in 2023. 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 2 years remaining of useful life. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The County is required by State and Federal laws and regulations to demonstrate financial assurance for the costs of closure and postclosure care costs. For the fiscal year ended June 30, 2023, Lincoln County demonstrated its ability to handle closure and postclosure care costs by depositing in restricted investment accounts. The investment cash balance was \$1,180,440 as of June 30, 2023.

NOTE 9. 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			Balance
	<u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2023</u>
Leased assets being amortized:				
Machinery and equipment	\$ 806,316	\$ 184,744	\$ (60,450)	\$ 930,610
Total capital assets not being depreciated	<u>\$ 806,316</u>	<u>\$ 184,744</u>	<u>\$ (60,450)</u>	<u>\$ 930,610</u>
Less accumulated amortization for:				
Machinery and equipment	\$ (220,720)	\$ (186,120)	\$ 60,450	\$ (346,390)
Total accumulated amortization	<u>\$ (220,720)</u>	<u>\$ (186,120)</u>	<u>\$ 60,450</u>	<u>\$ (346,390)</u>
Total Governmental Activities Lease Assets, Net	<u>\$ 585,596</u>	<u>\$ (1,376)</u>	<u>\$ -</u>	<u>\$ 584,220</u>

LINCOLN COUNTY, MONTANA
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The Total County's leased assets are recorded at a cost of \$930,610, less accumulated amortization of \$346,390. Total amortization expense for governmental activities charged to functions as follows:

Public Works \$186,120

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

Description	Origination Date	Interest Rate	Term of Agreement	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
2022 CAT 315-07 Hydraulic Excavator	1/3/2023	6.99%	5 yrs	12/31/2027	42,102	184,744
					Subtotal	<u>\$ 756,060</u>

Description	Balance July 1, 2022	Additions	Principal Reductions	Restatements	Balance June 30, 2023	Amount Within 1 Year
2021 CAT 938M Small Wheel Loader - P5K02210	\$ 52,288	\$ -	\$ (12,500)	\$ -	\$ 39,788	\$ 12,874
2021 CAT 938M Small Wheel Loader - P5K02204	52,288	-	(12,500)	-	39,788	12,874
2021 CAT 316FL Hydraulic Excavator	45,124	-	(10,787)	-	34,337	11,110
2021 CAT 938M Small Wheel Loader - P5K02208	52,288	-	(12,500)	-	39,788	12,874
2021 CAT 938M Small Wheel Loader - P5K02212	52,288	-	(12,500)	-	39,788	12,874
2021 CAT 938M Small Wheel Loader - P5K02203	52,288	-	(12,500)	-	39,788	12,874
2021 CAT 938M Small Wheel Loader - P5K02209	33,272	-	(10,727)	-	22,545	11,087
2018 CAT Excavator	12,458	-	-	(12,458)	-	-
2020 Tire Compactor	-	184,744	(42,102)	-	142,642	32,132
	<u>\$ 404,582</u>	<u>\$ 184,744</u>	<u>\$ (138,616)</u>	<u>\$ (12,458)</u>	<u>\$ 438,252</u>	<u>\$ 131,573</u>

The future lease payments under lease agreements are as follow:

For Fiscal Year Ended	Principal	Interest
2024	\$ 131,573	\$ 18,892
2025	136,832	13,631
2026	130,496	8,122
2027	39,351	2,751
Total	<u>\$ 438,252</u>	<u>\$ 43,396</u>

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NOTE 10. 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 \$2,984,786 at June 30, 2023, and was determined by actuarial valuation using the actuarial entry age normal funding method. The measurement date of the determined liability was June 30, 2022. The current year was rolled forward of the prior year evaluation.

Actuarial assumptions and other input. The total OPEB liability in the June 30, 2022, alternative measurement method was determined using the following assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Average age of retirement (based on historical data)	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.

Changes in the Total OPEB Liability

Balance at 6/30/2022	\$ <u>2,700,023</u>
Changes for the year:	
Service Cost	\$ 213,184
Interest	116,222
Benefit payments	<u>(44,643)</u>
Net Changes	\$ <u>284,763</u>
Balance at 6/30/2023	\$ <u>2,984,786</u>

LINCOLN COUNTY, MONTANA
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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.*

In fiscal year ending June 30, 2023, the above sensitivity analysis does not reflect the change to the total OPEB liability. The total OPEB liability in the analysis is based on the June 30, 2022, calculated liability per valuation completed on June 30, 2022.

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

For the year ended June 30, 2023, the County recognized an OPEB expense of \$284,763.

At June 30, 2023, 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	\$ 362,613	188,901
Changes in actuarial assumptions	369,077	1,849,458
Total	\$ 731,690	\$ 2,038,359

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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
2024	\$ (128,071)
2025	\$ (128,071)
2026	\$ (128,071)
2027	\$ (128,071)
2028	\$ (128,071)
Thereafter	\$ (666,314)

NOTE 11. NET PENSION LIABILITY (NPL)

As of June 30, 2023, the County reported the following balances as its proportionate share of PERS and SRS pension amounts:

County's Proportionate Share Associated With:

	PERS	SRS	Pension Totals
Net Pension Liability	\$ 6,179,059	\$ 2,920,546	\$ 9,099,605
Deferred outflows of resources*	\$ 1,059,589	\$ 1,255,256	\$ 2,314,845
Deferred inflows of resources	\$ 452,364	\$ 70,342	\$ 522,706
Pension expense	\$ 1,054,418	\$ 553,637	\$ 1,608,055

*Deferred outflows for PERS and SRS are reported as of the reporting date which includes employer contributions made subsequent to the measurement date of \$489,749, and \$277,930, respectively. These amounts will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. Total deferred inflows and outflows in the remainder of the note are as of the reporting date of June 30, 2023.

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

LINCOLN COUNTY, MONTANA
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Public Employee's Retirement System – Defined Benefit Retirement Plan

Summary of Significant Accounting Policies

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

Plan Descriptions

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

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

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

Summary of Benefits

Service retirement:

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

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

Early Retirement (actuarially reduced):

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

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

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

- a. A refund of member's contributions plus return interest (currently 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.

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.

LINCOLN COUNTY, MONTANA
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Monthly benefit formula

Members hired prior to July 1, 2011:

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

Members hired on or after July 1, 2011:

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

Guaranteed Annual Benefit Adjustment (GABA)

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

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

Contributions

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

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

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

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

Fiscal Year	Member		Local Government	
	Hired<07/01/11	Hired>07/01/11	Employer	State
2023	7.900%	7.900%	8.970%	0.100%
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.
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 \$34,633,570.

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2023, was determined by taking the results of the June 30, 2022, 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, 2023, and 2022, are displayed below. The County proportionate share equals the ratio of the employer’s contributions to the sum of all employer and non-employer contributions during the measurement period. The state’s proportionate share for a particular employer equals the ratio of the contributions for the particular employer to the total state contributions paid. The County recorded a liability of \$6,179,059 and the County’s proportionate share was 0.259855 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 6,179,059	\$ 4,619,400	0.259855%	0.254762%	0.005093%
State of Montana Proportionate Share associated with Employer	1,848,588	1,362,145	0.077741%	0.075123%	0.002618%
Total	<u>\$ 8,027,647</u>	<u>\$ 5,981,545</u>	<u>0.337596%</u>	<u>0.329885%</u>	<u>0.007711%</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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. Updated all mortality tables to the PUB2010 tables for general employees.
4. Updated rates of withdrawal, retirement, and disability.
5. Lowered the payroll growth assumption from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

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, 2023, the County recognized a Pension Expense of \$862,811 for its proportionate share of the pension expense. The County also recognized grant revenue of \$191,607 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 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share \$	862,811	\$ 302,563
State of Montana Proportionate Share associated with the Employer	191,607	418,796
Total	\$ 1,054,418	\$ 721,359

Recognition of Beginning Deferred Outflow

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County’s fiscal year 2022 contributions of \$471,500.

LINCOLN COUNTY, MONTANA
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Recognition of Deferred Inflows and Outflows:

At June 30, 2023, the County reported its proportionate share of the Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 78,770	-
Actual vs. Expected Investment Earnings	181,600	-
Changes in Assumptions	230,269	452,364
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	79,201	-
Employer contributions subsequent to the measurement date - FY23*	489,749	-
Total	<u>\$ 1,059,589</u>	<u>\$ 452,364</u>

*Amounts reported as deferred outflows of resources related to pensions resulting from the County's contributions subsequent to the measurement date have been recognized as a reduction of the net pension liability in the year ended June 30, 2023.

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

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$ 108,207
2024	\$ (208,331)
2025	\$ (195,865)
2026	\$ 413,465
<u>Thereafter</u>	<u>\$ -</u>

Actuarial Assumptions

The total pension liability used to calculate the NPL was determined by taking the results of the June 30, 2022, actuarial valuation, and was determined using the following actuarial assumptions.

LINCOLN COUNTY, MONTANA
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- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
*includes Inflation at 2.75%
- 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:

- Active Participants - PUB-2010 General Amount Weighted Employer Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Disabled Retirees - PUB-2010 General Amount Weighted Disabled Retiree Mortality table, projected to 2021, set forward one year for both males and females.
- Contingent Survivors - PUB-2010 General Amount Weighted Contingent Survivor Mortality projected to 2021 with ages set forward one year for males and females. Projected generationally using MP-2021.
- Healthy Retirees - PUB-2010 General Amount Weighted Healthy Retiree Mortality table projected to 2021, with ages set forward one year and adjusted 104% for males and 103% for females. Projected generationally using MP-2021.

Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. The best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, 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 7.30%. 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. 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
<u>(6.30%)</u>	<u>Discount Rate</u>	<u>(8.30%)</u>
\$ 8,907,402	\$ 6,179,059	\$ 3,890,012

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 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) 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, 2022, 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 344 employers that have participants in the PERS-DCRP totaled \$1,681,603.

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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- c. Does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - i. On the initial retirement benefit in January immediately following second retirement, and
 - ii. On the second retirement benefit starting in January after receiving that benefit for at least 12 months.

3) A member who returns to covered service is not eligible for a disability benefit.

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>
2018-2023	10.495%	13.115%
2010-2017	9.245%	10.115%
2008-2009	9.245%	9.825%
1998-2007	9.245%	9.535%

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

GASB Statement 68 allows a measurement date of up to 12 months before the employer’s fiscal year-end can be utilized to determine the Plan’s TPL. The basis for the TPL as of June 30, 2023, was determined by taking the results of the June 30, 2022, actuarial valuation and applying standard roll forward procedures. The roll forward procedure uses a calculation that adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year. The roll forward procedure will include the effects of any assumption changes and legislative changes. The update procedures are in conformity with Actuarial Standards and Practice issued by the Actuarial Standards Board.

The Total Pension Liability (TPL minus the Fiduciary Net Position equals the Net Pension Liability (NPL). The proportionate shares of the County’s and the state of Montana’s NPL for June 30, 2023, and 2022, are displayed below. The County proportionate share equals the ratio of the employer’s contributions to the sum of all employer contributions during the measurement period. The County recorded a liability of \$2,920,546 and the County’s proportionate share was 2.1330 percent.

	Net Pension Liability as of 6/30/2023	Net Pension Liability as of 6/30/2022	Percent of Collective NPL as of 6/30/2023	Percent of Collective NPL as of 6/30/2022	Change in Percent of Collective NPL
Employer Proportionate Share	\$ 2,920,546	\$ 1,558,426	2.1330%	2.1395%	-0.0065%
Total	\$ 2,920,546	\$ 1,558,426	2.1330%	2.1395%	-0.0065%

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 increased from 7.06% to 7.30%.
2. The investment rate of return was increased from 7.06% to 7.30%.
3. All mortality assumptions were updated to the PUB2010 tables for public safety employees.
4. Rates of withdrawal, retirements, disability retirement, and merit increases were updated.
5. Payroll growth assumption was lowered from 3.50% to 3.25%.
6. The inflation rate was increased from 2.40% to 2.75%.

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.

LINCOLN COUNTY, MONTANA
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Pension Expense:

At June 30, 2023, the County recognized a Pension Expense of \$553,637 for its proportionate share of the pension expense.

	Pension Expense as of 6/30/23	Pension Expense as of 6/30/22
Employer Proportionate Share	\$ 553,637	\$ 67,393
Total	\$ 553,637	\$ 67,393

Recognition of Beginning Deferred Outflow

At June 30, 2023, the County recognized a beginning deferred outflow of resources for the County's fiscal year 2022 contributions of \$269,614.

Recognition of Deferred Inflows and Outflows:

At June 30, 2023, 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	\$ 404,743	\$ -
Actual vs. Expected Investment Earnings	123,966	-
Changes in Assumptions	420,551	70,342
Changes in Proportion Share and Differences between Employer Contributions and Proportionate Share of Contributions	28,066	-
Employer contributions subsequent to the measurement date - FY23*	277,930	-
Total	\$ 1,255,256	\$ 70,342

*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, 2023.

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
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Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Measurement Year ended June 30:	Recognition of Deferred Outflows and Deferred Inflows in Future years as an increase or (decrease) to Pension Expense
2023	\$ 330,558
2024	\$ 271,363
2025	\$ 71,609
2026	\$ 233,453
Thereafter	\$ -

Actuarial Assumptions

The TPL used to calculate the NPL was determined by taking the results of the June 30, 2022 actuarial valuation, and was determined using the following actuarial assumptions.

- Investment Return (net of admin expense) 7.30%
- General Wage Growth* 3.50%
 - *includes inflation at 2.75%
- Merit Increases 1.0% to 6.40%
- 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, 2007

Mortality:

- Active Participant - PUB-2010 Safety Amount Weighted Employee Mortality projected to 2021 for males and females. Projected generationally using MP-2021.
- Healthy Retiree - PUB-2010 Safety Amount Weighted Healthy Retiree Mortality table projected to 2021 set forward one year and adjusted 105% for males. Projected generationally using MP-2021.
- Contingent Survivor - PUB-2010 Safety Amount Weighted Contingent Survivor Mortality projected to 2021, set forward one year for males. Projected generationally using MP-2021.
- Disabled Retiree - PUB-2010 Safety Amount Weighted Disabled Retiree Mortality table projected to 2021, set forward one year for males.

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Target Allocations

The long-term expected rate of return on pension plan investments is reviewed as part of regular experience studies prepared for the Plan about every five years. The long-term rate of return as of June 30, 2022, is based on analysis in the experience study report dated May 2, 2022, without consideration for the administrative expense analysis shown. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class. These ranges were combined to develop the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The assumption is intended to be a long-term assumption (30 to 50 years) and is not expected to change absent a significant change in the asset allocation or a fundamental change in the market that alters expected returns in future years. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2023, 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>	

Discount Rate

The discount rate used to measure the TPL was 7.30%. 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 2127. 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
	(6.30%)	<u>Discount Rate</u>	(8.30%)
\$	4,750,289	\$	2,920,546
		\$	1,431,144

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In accordance with GASB 68 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the above table presents the net pension liability calculated using the discount rate of 7.30%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.30%) or 1.00% higher (8.30%) than the current rate.

The stand-alone financial statements (76d) of the Montana Public Employees Retirement Board (PERB) *Annual Comprehensive Financial Report* (ACFR) and the GASB 68 Report disclose the Plan’s fiduciary net position. These reports, as well as the actuarial valuations and experience study, are available from the PERB at PO Box 200131, Helena 620-0131, (406) 444-3154 or are available on the MPERA website at <https://mpera.mt.gov/about/annualreports1/annualreports>.

NOTE 12. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2023, was as follows:

Due to/from other funds			
<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
To clear deficit cash	PILT* – Major Governmental	Crisis Intervention – Nonmajor Governmental	\$ 4,645
To clear deficit cash	PILT* – Major Governmental	KFRI – Nonmajor Governmental	37,211
To clear deficit cash	PILT* – Major Governmental	DNRC – Nonmajor Governmental	3,373
To clear deficit cash	PILT* – Major Governmental	Rabit Tracts – Nonmajor Governmental	198,186
To clear deficit cash	PILT* – Major Governmental	SAMHSA – Nonmajor Governmental	20,432
To clear deficit cash	PILT* – Major Governmental	Homeland Security – Nonmajor Governmental	55,864
To clear deficit cash	PILT* – Major Governmental	Communication Mt Tops – Nonmajor Governmental	61,999
To clear deficit cash	PILT* – Major Governmental	Partnership for success – Nonmajor Governmental	92,189
To clear deficit cash	PILT* – Major Governmental	Disaster/Flood – Nonmajor Governmental	6
To clear deficit cash	PILT* – Major Governmental	C.I.T. – Nonmajor Governmental	11,652
To clear deficit cash	PILT* – Major Governmental	ARPA Planning – Nonmajor Governmental	74,214

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To clear deficit cash	PILT* – Major Governmental	Eureka Airport Construction – Nonmajor Governmental	547
To clear deficit cash	PILT* – Major Governmental	Shooting Range – Nonmajor Governmental	1
To clear deficit cash	PILT* – Major Governmental	Library Grant – Nonmajor Governmental	1,951
To clear deficit cash	PILT* – Major Governmental	Western States – Nonmajor Governmental	15,256
To clear deficit cash	PILT* – Major Governmental	CDBG – Nonmajor Governmental	16,395
To clear deficit cash	PILT* – Major Governmental	DIS/CLC – Nonmajor Governmental	18,169
To clear deficit cash	PILT* – Major Governmental	ARPA Port – Nonmajor Governmental	675
To clear deficit cash	PILT* – Major Governmental	CDBG / Planning – Nonmajor Governmental	<u>43,272</u>
Total			<u>\$ 656,037</u>

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

Interfund Transfers

The following is an analysis of operating transfers in and out during fiscal year 2023:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Permissive Levy	Weed – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	\$ 21,818
Permissive Levy	District Court – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	21,818
Permissive Levy	Library – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	45,003
Permissive Levy	Planning – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	21,818
Permissive Levy	Public Health – Nonmajor Governmental	Permissive Medical Levy – Nonmajor Governmental	26,393
Permissive Levy	Public Safety – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	593,866

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Permissive Levy	Public Safety – Major Governmental	Permissive Sheriff Retirement – Nonmajor Governmental	91,325
Operating	Crime Victims Assistance – Nonmajor Governmental	PILT* – Major Governmental	153,068
Permissive Levy	General – Major Governmental	Permissive Medical Levy – Nonmajor Governmental	511,850
Operating	Fair – Nonmajor Governmental	PILT* – Major Governmental	20,000
Future Capital improvements	Fair Capital Improvements – Nonmajor Governmental	PILT* – Major Governmental	20,000
Operating	EMPG – Nonmajor Governmental	General – Major Governmental	70,122
Indirect Cost Allocation	General – Major Governmental	Solid Waste – Major Governmental	133,875
Indirect Cost Allocation	General – Major Governmental	Road – Major Governmental	169,898
Indirect Cost Allocation	General – Major Governmental	Public Safety – Major Governmental	<u>217,175</u>
Total			<u>\$2,118,029</u>

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

NOTE 13. 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 14. 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.

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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	\$ 6,886,580	Road Repair, maintenance, and supplies
Public Safety	1,222,358	Law Enforcement, emergency services, and supplies
All Other Aggregate	535,500	General Government administration and services
	737,106	Law Enforcement, emergency services, and supplies
	159,958	Road Repair, maintenance and supplies
	641,638	Public Health Services and Supplies
	89,669	Noxious Weed Management
	5,542	Animal Control
	82,993	Economic development
	21,157	Social and Economic Services and travel
	11,001	Culture and recreation
	39,304	Parks and recreation services and supplies
	9,482	Conservation of Natural Resources
	46,349	Permanent Endowment
	<u>441,187</u>	Airport Services
Total	<u>\$ 10,929,824</u>	

Committed Fund Balance

<u>Major Fund</u>	<u>Amount</u>	<u>Purpose of Commitment</u>
All Other Aggregate	\$ <u>66,906</u>	Construction and/or capital asset purchases

NOTE 15. DEFICIT FUND BALANCES/NET POSITION

<u>Fund Name</u>	<u>Amount</u>	<u>Reason for Deficit</u>
Noxious Weed	\$ 3,321	Payroll accrual in excess of amount of cash in fund
County Planning	3,920	Payroll accrual in excess of amount of cash in fund
Public Health	3,065	Payroll accrual in excess of amount of cash in fund
Crisis Intervention	4,645	Deficit cash leading to a short-term loan between funds
DNRC	3,373	Deficit cash leading to a short-term loan between funds

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Rabit Tracts	11,687	Deficit cash leading to a short-term loan between funds
SAMHSA	1,920	Deficit cash leading to a short-term loan between funds
Communication Mt Tops	61,999	Deficit cash leading to a short-term loan between funds
Partnership for Success	5,260	Deficit cash leading to a short-term loan between funds
Disaster/Flood	6	Deficit cash leading to a short-term loan between funds
C.I.T.	15,454	Deficit cash leading to a short-term loan between funds
Eureka Airport Construction	547	Deficit cash leading to a short-term loan between funds
Shooting Range	1	Deficit cash leading to a short-term loan between funds
Library Grant	2,992	Deficit cash leading to a short-term loan between funds
Western States	15,383	Deficit cash leading to a short-term loan between funds
DIS/CLC	18,643	Deficit cash leading to a short-term loan between funds
ARPA Port	3,375	Deficit cash leading to a short-term loan between funds
CDBG / PLANNING	43,272	Deficit cash leading to a short-term loan between funds
Governmental Government – Wide	<u>3,045,808</u>	Net pension and OPEB liability
Total	<u>\$ 3,244,671</u>	

NOTE 16. 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>
Solid Waste	\$ (70,881)	Understated prior year deferred inflows and outflows related to OPEB
Governmental Government – Wide	(595,433)	Understated prior year deferred inflows and outflows related to OPEB
Governmental Government – Wide	12,458	Overstated prior year lease liability
Custodial Funds	(4,804,315)	An investment, formerly directed to the Road Fund is now part of the pooled investments
External Investment Pool	<u>4,804,315</u>	An investment, formerly directed to the Road Fund is now part of the pooled investments
Total	<u>\$ (653,856)</u>	

LINCOLN COUNTY, MONTANA
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NOTE 17. 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 18. SERVICES PROVIDED FROM OTHER GOVERNMENTS

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

NOTE 19. RISK MANAGEMENT

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

Property and Casualty Insurance

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

PCT Coverage Includes:

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

LINCOLN COUNTY, MONTANA
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2023

- 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 20. PENDING LITIGATION

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

<u>Case</u>	<u>Damages Requested</u>	<u>Potential of Loss</u>
<i>James Anderson v. Lincoln County DV-22-151</i>	<i>Unknown</i>	<i>Unknown</i>
<i>Paula Buff v. Lincoln County</i>	<i>Unknown</i>	<i>Unknown</i>
<i>David Neumann v. Lincoln County, Lincoln County Conservation District, et al, DV-23-169</i>	<i>Unknown</i>	<i>Unknown</i>
<i>Thompson Chain of Lakes Stewardship Coalition v. Lincoln County, DV-22-165</i>	<i>Unknown</i>	<i>Unknown</i>
<i>Vincent V. Lincoln County, DV-24-1</i>	<i>Unknown</i>	<i>Unknown</i>
<i>Tristan Kirk Assance v. Lincoln County; Brandon Holzer; James Kirk Kraft; and DOES 1-10, CV 24-9-3 DWM</i>	<i>Unknown</i>	<i>Unknown</i>

**REQUIRED SUPPLEMENTARY
INFORMATION**

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	General			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS (BUDGETARY BASIS) See Note A	WITH FINAL BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 1,296,104	\$ 1,296,104	\$ 1,563,921	\$ 267,817
Licenses and permits	46,000	46,000	84,236	38,236
Intergovernmental	344,450	344,450	389,188	44,738
Charges for services	364,867	364,867	283,275	(81,592)
Fines and forfeitures	85,652	85,652	152,459	66,807
Miscellaneous	11,000	11,000	95,600	84,600
Investment earnings	3,000	3,000	22,576	19,576
Amounts available for appropriation	<u>\$ 2,151,073</u>	<u>\$ 2,151,073</u>	<u>\$ 2,591,255</u>	<u>\$ 440,182</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
General government	\$ 3,739,107	\$ 3,739,107	\$ 2,973,009	\$ 766,098
Public safety	189,456	189,456	186,786	2,670
Public works	26,000	26,000	25,475	525
Public health	384,351	384,351	305,591	78,760
Social and economic services	2,255	2,255	2,491	(236)
Culture and recreation	-	-	105	(105)
Capital outlay	1,500	1,500	-	1,500
Total charges to appropriations	<u>\$ 4,342,669</u>	<u>\$ 4,342,669</u>	<u>\$ 3,493,457</u>	<u>\$ 849,212</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 511,850	\$ 511,850	\$ 1,032,798	\$ 520,948
Transfers out	-	-	(70,122)	(70,122)
Total other financing sources (uses)	<u>\$ 511,850</u>	<u>\$ 511,850</u>	<u>\$ 962,676</u>	<u>\$ 450,826</u>
Net change in fund balance			<u>\$ 60,474</u>	
Fund balance - beginning of the year			<u>\$ 1,232,215</u>	
Fund balance - end of the year			<u>\$ 1,292,689</u>	

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

	Road			
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	(BUDGETARY	WITH FINAL
			BASIS) See Note A	BUDGET
RESOURCES (INFLOWS):				
Intergovernmental	\$ -	\$ -	\$ 2,426,476	\$ 2,426,476
Charges for services	60,000	60,000	267,209	207,209
Miscellaneous	-	-	66,646	66,646
Investment earnings	-	-	111,043	111,043
Amounts available for appropriation	<u>\$ 60,000</u>	<u>\$ 60,000</u>	<u>\$ 2,871,374</u>	<u>\$ 2,811,374</u>
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public works	\$ 3,483,638	\$ 4,255,621	\$ 3,607,662	\$ 647,959
Culture and recreation	-	-	1,455	(1,455)
Debt service - principal	-	-	138,616	(138,616)
Debt service - interest	-	-	11,844	(11,844)
Capital outlay	\$ 417,300	\$ 417,300	\$ 558,702	\$ (141,402)
Lease outlay	-	-	184,744	(184,744)
Total charges to appropriations	<u>\$ 3,900,938</u>	<u>\$ 4,672,921</u>	<u>\$ 4,503,023</u>	<u>\$ 169,898</u>
OTHER FINANCING SOURCES (USES)				
Inception of lease	\$ -	\$ -	\$ 184,744	\$ 184,744
Transfers out	-	-	(169,898)	(169,898)
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,846</u>	<u>\$ 14,846</u>
Net change in fund balance			<u>\$ (1,616,803)</u>	
Fund balance - beginning of the year			<u>\$ 8,503,383</u>	
Fund balance - end of the year			<u>\$ 6,886,580</u>	

Lincoln County, Montana
Budgetary Comparison Schedule
For the Fiscal Year Ended June 30, 2023

Public Safety				
	BUDGETED AMOUNTS		ACTUAL	VARIANCE
	ORIGINAL	FINAL	AMOUNTS	WITH FINAL
			(BUDGETARY	BUDGET
RESOURCES (INFLOWS):				
Taxes and assessments	\$ 2,898,158	\$ 2,898,158	\$ 2,904,652	\$ 6,494
Intergovernmental	1,201,340	1,201,340	1,955,723	754,383
Charges for services	240,350	240,350	333,352	93,002
Miscellaneous	10,000	10,000	20,577	10,577
Amounts available for appropriation	\$ 4,349,848	\$ 4,349,848	\$ 5,214,304	\$ 864,456
CHARGES TO APPROPRIATIONS (OUTFLOWS):				
Public safety	\$ 4,679,868	\$ 4,679,868	\$ 4,766,507	\$ (86,639)
Capital outlay	170,000	170,000	47,924	122,076
Total charges to appropriations	\$ 4,849,868	\$ 4,849,868	\$ 4,814,431	\$ 35,437
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 683,023	\$ 683,023	\$ 685,191	\$ 2,168
Transfers out	-	(240,614)	(217,175)	23,439
Total other financing sources (uses)	\$ 683,023	\$ 442,409	\$ 468,016	\$ 25,607
Net change in fund balance			\$ 867,889	
Fund balance - beginning of the year			\$ 354,469	
Fund balance - end of the year			\$ 1,222,358	

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>
Sources/Inflows of resources			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 2,591,255	\$ 2,871,374	\$ 5,214,304
Combined funds (GASBS 54) revenues	<u>4,672,900</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances-governmental funds.	<u>\$ 7,264,155</u>	<u>\$ 2,871,374</u>	<u>\$ 5,214,304</u>
Actual amounts (Budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 3,493,457	\$ 4,503,023	\$ 4,814,431
Combined funds (GASBS 54) expenditures	<u>1,664,216</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,157,673</u>	<u>\$ 4,503,023</u>	<u>\$ 4,814,431</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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability						
Service Cost	\$ 213,184	\$ 199,309	\$ 206,790	\$ 228,916	\$ 225,195	\$ 214,844
Interest	116,222	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>(44,643)</u>	<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	284,763	(358,541)	250,523	(1,101,408)	539,858	404,167
Total OPEB Liability - beginning	<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>	<u>2,965,424</u>
Total OPEB Liability - ending	<u>\$ 2,984,786</u>	<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	\$ 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	 51%	 46%	 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, 2023

	<u>PERS 2023</u>	<u>PERS 2022</u>	<u>PERS 2021</u>	<u>PERS 2020</u>	<u>PERS 2019</u>	<u>PERS 2018</u>	<u>PERS 2017</u>	<u>PERS 2016</u>	<u>PERS 2015</u>
Employer's proportion of the net pension liability	0.259855%	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	\$ 6,179,059	\$ 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	\$ 1,848,588	\$ 1,362,145	\$ 2,115,159	\$ 1,544,021	\$ 1,548,905	\$ 75,748	\$ 68,602	\$ 59,715	\$ 57,413
Total	<u>\$ 8,027,647</u>	<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	\$ 4,562,748	\$ 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	135.42%	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	73.66%	79.91%	68.90%	73.85%	73.47%	73.75%	74.71%	78.40%	79.87%
	<u>SRS 2023</u>	<u>SRS 2022</u>	<u>SRS 2021</u>	<u>SRS 2020</u>	<u>SRS 2019</u>	<u>SRS 2018</u>	<u>SRS 2017</u>	<u>SRS 2016</u>	<u>SRS 2015</u>
Employer's proportion of the net pension liability	2.1330%	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	\$ 2,920,546	\$ 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>\$ 2,920,546</u>	<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	\$ 2,055,762	\$ 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	142.07%	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	77.07%	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, 2023

	<u>PERS</u> <u>2023</u>	<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>
Contractually required contributions	\$ 489,749	\$ 406,142	\$ 398,792	\$ 374,109	\$ 321,988	\$ 309,082	\$ 316,762	\$ 330,013	\$ 334,444
Contributions in relation to the contractually required contributions	\$ 489,749	\$ 406,142	\$ 398,792	\$ 374,109	\$ 321,988	\$ 309,082	\$ 316,762	\$ 336,677	\$ 340,584
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 5,459,855	\$ 4,562,748	\$ 4,500,056	\$ 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	8.97%	8.90%	8.86%	8.76%	8.60%	8.47%	8.39%	8.53%	8.39%

	<u>SRS</u> <u>2023</u>	<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>
Contractually required contributions	\$ 277,930	\$ 270,960	\$ 255,014	\$ 247,033	\$ 218,294	\$ 205,264	\$ 141,550	\$ 146,916	\$ 135,221
Contributions in relation to the contractually required contributions	\$ 277,930	\$ 270,960	\$ 255,014	\$ 247,033	\$ 218,294	\$ 205,264	\$ 141,550	\$ 146,916	\$ 135,221
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
County's covered payroll	\$ 2,119,177	\$ 2,055,762	\$ 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%	13.18%	13.09%	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, 2023

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, 2023

- 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, 2023

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, 2023

- 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

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, 2023

- does not accrue post-retirement benefit adjustments during the term of reemployment but receives a GABA:
 - 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%

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, 2023

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, 2023

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Forest Service Schools and Roads Cluster-Cluster</i>			
United States Department of Agriculture			
Schools and Roads - Grants to States			
Schools and Roads - Grants to States	10.665		\$ 2,310,931
Total Schools and Roads - Grants to States			<u>2,310,931</u>
<i>Total United States Department of Agriculture</i>			<u>2,310,931</u>
<i>Total Forest Service Schools and Roads Cluster-Cluster</i>			2,310,931
<i>Other Programs</i>			
Department of Homeland Security			
Emergency Management Performance Grants			
		Montana Disaster Emergency Services,23EMPGLincoln	
Emergency Management Performance Grants	97.042		63,638
Total Emergency Management Performance Grants			<u>63,638</u>
Homeland Security Grant Program			
Homeland Security Grant Program	97.067		71,994
Total Homeland Security Grant Program			<u>71,994</u>
<i>Total Department of Homeland Security</i>			135,632
United States Department of Justice			
Edward Byrne Memorial Justice Assistance Grant Program			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	Flathead County	194,758
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>194,758</u>
<i>Total United States Department of Justice</i>			194,758
Department of Transportation			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			
Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs	20.106		86,020
Total Airport Improvement Program, COVID-19 Airports Programs, and Infrastructure Investment and Jobs Act Programs			<u>86,020</u>
<i>Total Department of Transportation</i>			86,020
United States Environmental Protection Agency			
Superfund State, Political Subdivision, and Indian Tribe Site- Specific Cooperative Agreements			
Superfund State, Political Subdivision, and Indian Tribe Site- Specific Cooperative Agreements	66.802	Montana Department of Environmental Quality,MOA	366,749
Superfund State, Political Subdivision, and Indian Tribe Site- Specific Cooperative Agreements	66.802	Montana Department of Environmental Quality,MOA mod 4	34,086
Total Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements			<u>400,835</u>
<i>Total United States Environmental Protection Agency</i>			400,835
Department of Health and Human Services			
Public Health Emergency Preparedness			
		Montana Department of Public Health and Human Services,23-07-6-11-032-0	
Public Health Emergency Preparedness	93.069		43,455
Total Public Health Emergency Preparedness			<u>43,455</u>

Lincoln County Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023 - Continued

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Substance Abuse and Mental Health Services Projects of Regional and National Significance			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243		<u>136,301</u>
Total Substance Abuse and Mental Health Services Projects of Regional and National Significance			136,301
Immunization Cooperative Agreements			
Immunization Cooperative Agreements	93.268	Montana Department of Public Health and Human Services,23-07-4-31-125-0	<u>6,722</u>
Total Immunization Cooperative Agreements			6,722
Drug-Free Communities Support Program Grants			
Drug-Free Communities Support Program Grants	93.276		<u>356,247</u>
Total Drug-Free Communities Support Program Grants			356,247
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	93.323	Montana Department of Public Health and Human Services,23-07-7-11-121-0	<u>43,432</u>
Total Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)			43,432
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			
Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	93.354	Montana Department of Public Health and Human Services,23-07-1-01-126-0	<u>71,989</u>
Total Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response			71,989
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations			
Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations	93.898	Flathead City County Health Department	<u>47,200</u>
Total Cancer Prevention and Control Programs for State, Territorial and Tribal Organizations			47,200
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health			
Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health	93.967	Montana Department of Public Health and Human Services,23-07-1-01-186-0	<u>6,750</u>
Total Centers for Disease Control and Prevention Collaboration with Academia to Strengthen Public Health			6,750
Maternal and Child Health Services Block Grant to the States			
Maternal and Child Health Services Block Grant to the States	93.994	Montana Department of Public Health and Human Services,23-25-5-01-027-0	<u>14,647</u>
Total Maternal and Child Health Services Block Grant to the States			<u>14,647</u>
<i>Total Department of Health and Human Services</i>			<u>726,743</u>

Lincoln County Montana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023 - Continued

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Department of the Treasury			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			
CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027		2,305,810
Total CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS			2,305,810
Local Assistance and Tribal Consistency Fund			
Local Assistance and Tribal Consistency Fund	21.032		2,643,600
Total Local Assistance and Tribal Consistency Fund			2,643,600
<i>Total Department of the Treasury</i>			4,949,410
United States Department of Agriculture			
Cooperative Forestry Assistance			
		Montana Department of Natural Resources and Conservation Forestry Division, HZF-18-001	
Cooperative Forestry Assistance	10.664		125,647
Total Cooperative Forestry Assistance			125,647
<i>Total United States Department of Agriculture</i>			125,647
<i>Total Other Programs</i>			6,619,045
<i>Total Expenditures of Federal Awards</i>			\$ 8,929,976

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, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements and have issued our report thereon dated May 31, 2024.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2023-001.

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.

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

May 31, 2024

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, 2023. 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, 2023.

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

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2023-002. Our opinion on each major federal program is not modified with respect to these 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.

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

May 31, 2024

LINCOLN COUNTY, MONTANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Fiscal Year Ended June 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued	<i>Unmodified</i>
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(s) identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

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)	Yes

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

2023-001 Budget Authority

Condition:

The County Exceeded its Budget Authority in two funds.

Context:

As part of compliance testing for the audit, we compare the actual expenditures within each fund to the original budget as filed with the State of Montana taking into account any properly approved budget amendments.

Criteria:

MCA 7-6-4005. Expenditures limited to appropriations. (1) Local government officials may not make a disbursement or an expenditure or incur an obligation in excess of the total appropriations for a fund.

Effect:

The County exceeded its budget authority in Early Childhood Fund by \$611 and in the Public Safety Fund by \$181,738.

Cause:

Expenditures were made in excess of the budget authority or the budget as filled with the State of Montana and no budget amendment was completed to increase the budget authority.

Recommendation:

We recommend the County limit their expenditures to the appropriation as set and filed with the State of Montana. If the County exceeds or will exceed the budget authority, then a properly approved budget amendment should be completed.

Section III – Federal Award Findings and Questioned Costs

2022-002 Late Audit Submission

CFDA Title: Coronavirus State and Local Fiscal Recovery Funds / Local Assistance and Tribal Consistency Fund

CFDA Number: 21.027/21.032

Federal Agency: United States Department of the Treasury

Pass-through Entity: N/A

Condition:

Montana local governments with a June 30th fiscal year end must submit their audit report to the MT Department of Administration and the Federal Clearing house by March 31st, following the fiscal year end. The County's audit was not completed until After March 31, 2024.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

Criteria:

The audit for the fiscal year ended June 30, 2023, was due to the State and the Federal government by March 31, 2024 as required by MT Administrative Rules 2.4.411 and the Federal Uniform Guidance/A-133 rules.

Context:

Per review of the audit compliance requirements for both the State of Montana and the Federal government.

Effect:

The County is late in completing their fiscal year 2023 audit.

Cause:

The County was unable to provide needed documentation to complete both the financial statement portion of the audit and the federal compliance testing for the audit.

Recommendation:

We recommend the County complete their annual audits in compliance with MT Administrative Rules 2.4.411 and federal rules described in the Uniform Guidance/A-133.

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

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

<u>Recommendation</u>	<u>Action Taken</u>
2022-001 Road Fund Directed Investments	Implemented
2022-002 Budget filed with the State of Montana	Not Repeated

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

May 31, 2024

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

CORRINA L. BROWN
CLERK OF THE BOARD AND COUNTY RECORDER

Contact Person:

Wendy Drake Lincoln County Finance Director

Expected Completion Date of Corrective Action Plan:

06/30/24

CORRECTIVE ACTION PLAN

FINDING 2023-001: Budget Authority

Response: Lincoln County will verify that the budget sent to the state is the same as what is in the accounting software.

FINDING 2023-002: Late Audit Submission

Response: Lincoln County will ensure it will be done by the deadline for FY- 24.

STATUS OF PRIOR AUDIT FINDINGS

FINDING 2022-001: Road Fund Directed Investments

Response: Implemented

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

Response: Partially implemented - see response to finding 2023-001 for the remaining that was a continued finding in fiscal year 2023.